

Rent-to-own and personal property taxes ★ Vital records protection
APROfile: Bill Kelly's big thinking ★ Bud Holladay on promoting your top employee

PROGRESSIVE

Rentals

THE OFFICIAL VOICE OF THE RENT-TO-OWN INDUSTRY | DECEMBER 2007-JANUARY 2008

A Capitol

APRO's 2008 Dave Egan
Legislative Conference

February 11-13 in Washington, D.C.

Investment

The momentum for federal legislation is building, but so are the charges against rent-to-own. The 2008 Legislative Conference will give the industry a chance to do some politicking for progress.



Need Money To

You may have a wonderful independent RTO store that you have invested an enormous amount of sweat equity into to make it what it is today...but you continually come up short with the necessary time and money to build revenue and grow your business. That's where ColorTyme excels. We empower the independent operator looking to grow, an experienced multi-unit manager ready to put that knowledge to work for themselves, or an investor looking for a great return on investment.

Not only is ColorTyme the 3rd largest rent-to-own chain in the country, but 100% of our focus is on our franchise community to share best business practices, and provide the right systems, marketing and training models to help them succeed. That's why our motto is "People Helping People".

ColorTyme has a network of more than 80 franchise owners. Since 2005, we have converted 10 rent to own stores to a ColorTyme franchise.



Partners Steve Dami and Zach Routh, former Rent-A-Center (RAC) district managers, bring more than 26 years combined experience in rent-to-own to their franchise. The partners signed a deal with ColorTyme because of their familiarity with ColorTyme's business model and the low start-up costs associated with ColorTyme stores.

"ColorTyme offers a phenomenal deal for franchisees," Dami said. "We have the freedom now to get the products our customers request, whether it's a lawn mower or a flat screen TV. It's such a reward to see a customer pay for a piece of merchandise they couldn't otherwise afford. That responsibility and success rolls over into other areas of their lives and I'm thrilled to provide that kind of opportunity for our customers."

The partners both achieved top performer status with RAC before leaving the company, and plan to use their same motto for success in their ColorTyme franchise: "Customer service is everything. If we say we're going to do it, we're going to get it done no matter what it takes," Routh says.

"We want our customers to know how much we care for and respect them," he explains. "We look forward to building relationships with our customers, rather than having a quick 30-second visit with a hello and goodbye. When we see them once a week for their payments, we want to know when their son wins a ball game, and when their daughter has a ballet recital."

Zach Routh & Steve Dami, Franchisees

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- ✓ **Access to a large RTO skip database**

Grow... And Still Keep Your Independence?



"After working in the RTO industry for more than 20 years, I knew I wanted to be in business for myself. Partnering with successful ColorTyme franchisee Mike Houseworth was a great experience which opened a door for me to go solo. However, I wasn't completely sure if rent-to-own was the type of business I wanted. So, I took a break to explore other opportunities. This is how I learned that when rent-to-own is in your blood, it stays in your blood. After my wife, Lisa, and I carefully investigated other RTO franchise opportunities, we came to the conclusion that ColorTyme is head and shoulders above the rest. The ColorTyme system gives you an opportunity to become a partner and paves the way for you to go out on your own. With Pat Sumner and Bob Bloom, there are no hoops to jump through, no red tape. Pat is never far away. Even during my break, he checked in with me regularly to address any questions or concerns I may have had. ColorTyme provided the vehicle necessary for me to get going. Finally, my wife came with me to the ColorTyme National Convention, she loved the fact that we were welcomed like family and that the ColorTyme family is supportive of each of the franchisees. That was the icing on the cake."

- Mike Gavida, Franchisee



"When I started in rent-to-own in October of 1986, I had no prior experience, but my family has always been in retail furniture. I'm a fourth generation furniture retailer so moving into rent-to-own was a natural fit. Because I wanted to grow the business and include more stores, I converted

my original rent-to-own business to ColorTyme knowing that the national recognition that the ColorTyme name held would help me be able to do just that. Not many rent-to-own companies offer franchising options and of the ones that do, I knew ColorTyme was the best deal. They have the best program for franchising. We're very conscious of customer service here, and ColorTyme is a great name. If our customers need something, we'll find a way to do it."

- Don Hinton, Franchisee



"I was a store manager for Rent-A-Center, but I really wanted to work for myself. With ColorTyme's franchising opportunities, you don't have to be a millionaire to be a franchisee. The support and the interest from ColorTyme was phenomenal and they've done everything they said they

were going to do in a timely manner. They've supported me every step of the way. I even went and talked with a ColorTyme franchisee in a nearby town and he listed the mistakes he made when he first opened - that has helped me a lot. With my first store opening, I'm looking forward to being able to help our customers by providing quality products and great service. I can hold my head up high about that. Each time someone walks in the door, the owner - me - will be there to say hi."

- James Stephens, Franchisee

For more information or testimonials, please visit franchise.colortyme.com or call Bob Bloom today at (800) 608-8963.

(All calls are confidential.)



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- ~ Bankruptcy Data

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PROGRESSIVERENTALS

DECEMBER 2007

JANUARY 2008

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When the third most powerful senator in the United States introduces a bill to put rent-to-own out of business, industry leaders need to stand up, take notice and take action—which is exactly why you should plan on attending the 2008 APRO Legislative Conference, February 11–13, in Washington, D.C.

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Personal property taxes on units in the field remain a lively issue in the industry and, for most rental dealers, a painful, but not unmanageable, cost of doing business.

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Establishing a vital records protection program is an essential part of business planning for the rent-to-own industry.

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Bill Kelly channels all of his impressive drive, diligence and determination as chief operating officer of Georgia's New Avenues Rentals—a rent-to-own start-up that has opened eight stores in less than two years, including a 35,000-square-foot über-facility believed to be America's biggest RTO storefront.

BY KRISTEN CARD

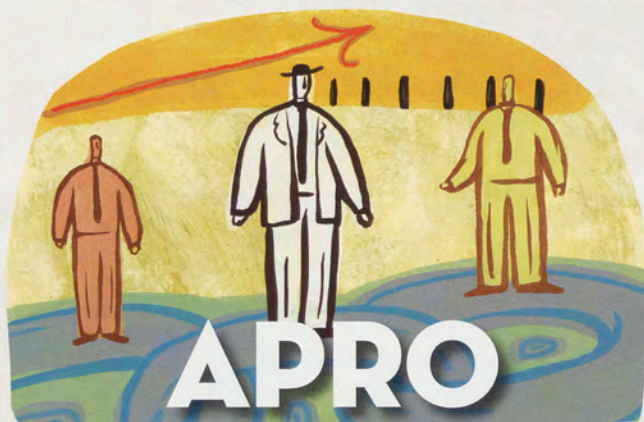
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APRO: THE VALUE OF ASSOCIATION



EXCLUSIVE MEMBER SERVICES

APRO GENERAL COUNSEL: Ed Winn III, APRO's general counsel, provides limited free legal advice to APRO members. *Contact him at 512/476-0750, edwinn@mwwmlaw.com.*

RENT-TO-OWN CONVENTION AND BUYING SHOW: APRO's annual event brings more than 100 companies catering to the rent-to-own industry together with rental dealers from all over the country. There are educational sessions presented by respected experts in addition to networking opportunities and social events.

PUBLIC RELATIONS: Studio-produced television and radio advertising are available free to members. APRO also represents member companies when media crises arise. The public relations campaign includes image-building advertising materials and coordination of the industry's commitment to charitable causes. *Contact Richard May at 800/204-2776, ext. 104, rmay@aprovision.org.*

GOVERNMENT RELATIONS: APRO has spearheaded the national safe-harbor legislative effort and implemented passage of state safe-harbor laws in 47 states. It maintains a grassroots network of members supporting federal and state legislative efforts and provides direct financial support to candidates who are advocates of our industry. *Contact Richard May at 800/207-2776, ext. 104, rmay@aprovision.org.*

RENTAL TRAINING ONLINE: Rental Training Online is an online education program designed specifically for the rent-to-own industry. *Contact Shelley Martinek at 512/225-1041, smartinek@aprovision.org.*

WAGE-AND-HOUR CONSULTATION: The law offices of Brian T. Farrington provide limited free wage-and-hour consultation to APRO members. *Contact Brian Farrington, 817/429-8011.*

GROUP HEALTH INSURANCE: Trustmark Affinity Markets and Integrated Insurance provide an exclusive health insurance program for APRO members, featuring discounted rates, group buying power, more than 40 networks and a claims-stabilization fund. *Contact Robert Scott, RTO Insurance, 309/686-3737, or George Michelie, Trustmark Affinity Markets, 847/283-2041.*

COMMERCIAL INSURANCE: APRO-endorsed commercial insurance offers property, liability, auto and workers' compensation programs customized to fit RTO's needs. *Contact Barry L. Gambini or Jeanette Beardsley, RTO Systems/Walter Clark & Associates, 559/592-5777 or 559/781-3466, jeanetteb@wlcins.com.*

CLUB PROGRAM: Nationwide Club Administrators provides a package of services and benefits for one unit price, including leased property insurance, accidental death and dismemberment insurance and a variety of discounts. *Contact Alan Stein, Nationwide Club Administrators, 954/344-7900, alans@nationwideclub.com.*

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INDUSTRY RESEARCH: APRO offers a wide range of exclusive statistics and survey results for RTO dealers and those on Wall Street wishing to invest in our industry. *Contact Laurie Hill at 512/225-1045, lhill@aprovision.org.*

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PROGRESSIVE Rentals

VOLUME 26, NO. 6

PUBLISHED BY THE ASSOCIATION OF
PROGRESSIVE RENTAL ORGANIZATIONS—
THE OFFICIAL VOICE OF THE
RENT-TO-OWN INDUSTRY

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PROGRESSIVE RENTALS is published bimonthly—in February, April, June, August, October and December—by the Association of Progressive Rental Organizations (APRO) at 1504 Robin Hood Trail, Austin, Texas 78703; 512/794-0095.

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APRO

note

WORTHY

COMPILED BY
JULIE SHERRIER

Missouri rent-to-own employers face second minimum wage increase

On January 1, 2008, the minimum wage for Missouri employers is set to increase to \$6.65 an hour from \$6.50. This is the second time the wage has increased in as many years. Many employers are still adjusting to the increase of January 2007, where the minimum wage increased from \$5.15 to \$6.50.

The 2.3 percent increase is directly tied to a 2.2 percent growth in the national consumer price index over a 12-month period. Adjusting the minimum wage based on the CPI

inflater was written into Missouri law in January 2007.

The tie-in to the CPI inflater has both proponents and detractors. According to an October 22 article in the *Springfield Business Journal*, Vice President of Governmental Affairs for the Missouri Chamber of Commerce and Industry Michael Grote says that “many Missouri businesses won’t be able to afford a continually increasing minimum wage based on the CPI.”

However, Missouri Rental Dealers Association President John Cleek Jr., believes that the increase

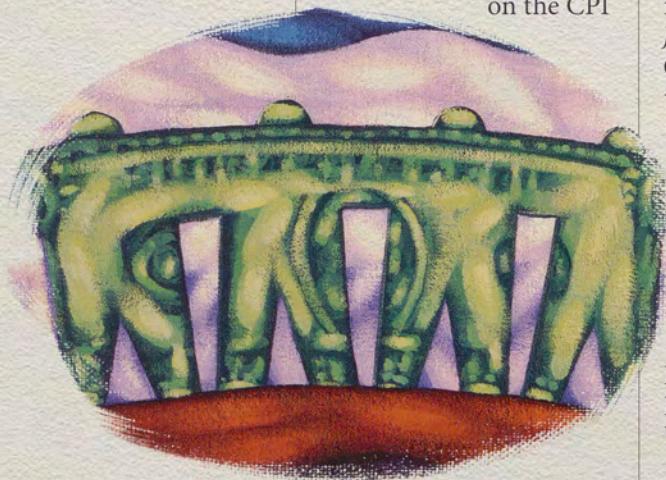
“will help the rent-to-own industry as it will give customers more disposable income to rent more products.” Also, Cleek says that the increase won’t impact his business as employees of Cleek’s Lease or Own are paid more than minimum wage. “With gasoline prices the way they are and winter and heating bills coming up, the wage increase can only help,” says Cleek.

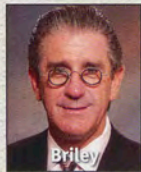
Another proponent of the Missouri law is Brad Stokes, president of the Springfield Labor Council of the Missouri AFL-CIO. In the same article, Stokes says that “by increasing minimum wage, everybody gets a boost from it,” implying that the economy benefits from workers having more income.

The minimum wage in Washington, for example, which is also tied to the state’s CPI, is now the highest in the nation—at \$7.93 an hour. However, Washington’s unemployment rate has steadily improved each year since the law was passed in 2001, going from 6.3 percent in 2004 to 4.6 percent this August. Missouri currently has a 5.3 percent unemployment rate.

Briley hosts visit with Congressman Neugebauer

U.S. Congressman Randy Neugebauer (R-Texas), a member of the House





Financial Services Committee and the Financial Institutions and Consumer Credit Subcommittee, visited the new

Aaron's franchise location in Abilene, Texas, owned by Robert O. Briley on November 10. Neugebauer is a co-sponsor to the industry-supported federal legislation, H.R. 1767.

Congressman Neugebauer was interested in learning more about leasing appliances, computers, electronics and furniture. Briley explained to Neugebauer all of the advantages and many options offered by the rental/lease transaction. Briley gave an example of a customer leasing a laptop computer for \$99 a month for a term of 12 months. The first option the customer has is only committing to the initial term of one month and returning it if he or she decides not

to renew the agreement without penalty. Secondly, the customer has a 90-day-same-as-cash option inside the agreement. Third, the customer who returns the merchandise prior to fulfilling the agreement, qualifies for the Aaron's Lifetime Reinstatement program. So, if the customer leases for five months and returns the computer, he can reinstate the agreement with a similar laptop and only pay seven more monthly payments to acquire ownership.

Neugebauer enjoyed his visit and was excited about his better understanding of the industry.

Premier's Darden replaces Romine on APRO board

Premier Rental-Purchase franchisee John Darden has replaced



outgoing APRO board member Gary Romine of Show-Me Rent-To-Own. Romine resigned from the



board on October 26 due to his growing commitments managing political campaigns in his home state of Missouri.

Darden—who ran for a board seat during the election held during the 2007 APRO Convention and Buying Show in September—had the next highest number of votes and was voted in unanimously by the board.

"While we will miss Gary Romine's participation on the APRO board, we fully support and encourage his political involvement," says APRO Executive Director Bill Keese. "The APRO board is excited and grateful to have Premier franchisee John Darden ready to fill Gary's vacant seat. We look forward to John's

Oklahoma dealers face few challenges

Twenty members of the Oklahoma Rental Dealers Association met on November 13 in Tulsa to elect new officers, share information and learn from vendors. ORDA President Randy Braucher of Stanley's Get It Today reports that rental dealers in the state face few obstacles in doing business, which was verified by ORDA Lobbyist Steve Kelly and Department of Consumer Credit Examiner Curt Daniels.

"In Oklahoma, rent-to-own stores are required to undergo an annual audit by the Department of Consumer Credit—along with other industries such as pawnshops, mortgage brokers, etc.—and Curt Daniels reported that rent-to-own stores have by far the least number of issues or complaints than the other industries they audit," says Braucher. ORDA Lobbyist Steve Kelly reported that there weren't any negative issues facing the state rent-to-own industry floating around the state legislature these days, either.

"Overall, it was a great meeting," says Braucher. "What our members enjoy the most is the open discussion time where we all share information about issues we face in our day-to-day operations. Some of the things that came up were the audits, the new flammability bedding law, operating issues and bed bugs."

ORDA re-elected Braucher to serve as president, Rob Lewis of Rent-A-Center as vice president, Dale Frederick of Bargain Center as secretary and Craig Stanley of Stanley's Get It Today as treasurer. Five vendors were on hand for brief presentations after lunch, including High Touch, DSI, C&L Supply, Alamo EHP and Autco Distributing. RentDirect Nationwide generously sponsored the meeting.

JANUARY 2008

7-10
CES 2008, Consumer Electronics Show, Las Vegas, Nevada, 703/907-7600, www.cesweb.org

13-16
ColorTyme 2008 Convention, Embassy Suites/Frisco Convention Center, Frisco, Texas. For more information, contact Rhonda Davis, 972/403-4945, www.colortyme.com.

21-24
The Premier Companies 2008 National Convention, La Mansion del Rio, San Antonio, Texas. For more information, contact Clyde Stutzman, 214/733-6639, www.premierrents.net.

January 28-February 1
Las Vegas Furniture Market, 888/446-8600, www.lasvegasmarket.com

FEBRUARY 2008

6
Missouri Rental Dealers Association Annual Meeting, Holiday Inn Select, Columbia, Missouri. For more information, contact Ken Steiner, 573/442-2963, www.missourirentaldealers.org.

7
Northwest Rental Dealers Association Meeting. For more information, contact Joe Recla, 208/739-3410.

11-13
APRO's 2008 Dave Egan Legislative Conference, L'Enfant Plaza Hotel, Washington, D.C. For more information, contact Jeannie Hutchison, 800/204-2776, ext. 108, www.rtohq.org.

20-24
Tupelo Furniture Mart's Winter Furniture Market, Tupelo, Mississippi. For more information, call 662/844-1473 or visit www.tupelomarket.com.

MARCH 2008

2-5
RentDirect Nationwide Member2Member Summit and PrimeTime! Vendor Show, Wyndham Anatole, Dallas, Texas. For more information, contact James MacAlpine, 336/714-8802, www.gorentdirect.com.

15-19
TRIB Group Convention and Buying Show/AVB Brandsource, Dallas, Texas. For more information, contact Jennifer Maloney, 714/502-9620, www.brandsource.com.

For a complete list of all rent-to-own industry events, visit RTOHQ's calendar at www.rtohq.org.

involvement at the board level." Darden recently was named the 2007 APRO Rental Dealer of the Year.

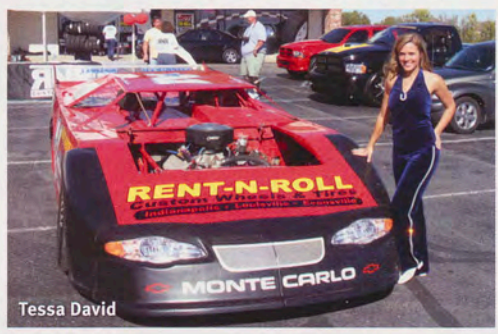
Tire-and-wheel rental industry icon Savell to oversee RimTyme expansion

ColorTyme announced on November 16 that Scott Savell, a forerunner in the wheel-and-tire rental industry, accepted an offer to be a



part of the company's expansion of RimTyme, ColorTyme's custom wheel rental division. Beginning December 1, Savell, who is based in Brownwood, will be a major contributor to RimTyme's growth strategy, including development of corporate-owned stores as well as franchise development.

ColorTyme's approach to expanding RimTyme is three-pronged: franchise development, store acquisitions and corporate store development. In fact, the first store acquisition and conversion to RimTyme will be Savell's own American Tire Rentals, based in Temple, Texas. In addition to the three RimTyme fran-



Tessa David

RNR opens three new stores in three states in 30 days

Rent-n-Roll Custom Wheels and Tires announced the opening of three brand new stores in three different states in the span of 30 days.

Full-O-Pep Wheels, run by longtime APRO board member David P. David, opened a third RNR location in Indianapolis, Indiana, in early October. The official grand opening took place on October 20, complete with a car show, custom wheel display, live radio station feed and a visit from the world champion Indianapolis Colt cheerleader squad, of which David's daughter, Tessa, is a member.

Gulfcoast L&P, owned and operated by former APRO President Shannon Strunk, opened its fourth RNR location in Pensacola, Florida, in late September. Plans are already in the works for at least two additional RNR locations to be opened in 2008.

Fairway Ventures, owned and operated by former APRO board member Wayne Sutton, opened its second RNR location in Baton Rouge, Louisiana, on November 1. The company's original store in Gulfport, Mississippi, was awarded top performing store in the chain for 2006.

In other RNR news, San Diego franchisee Bruce Foster purchased the Bakers-

field, California, location from Les Pearsey on November 1.

"We are very pleased to see these new stores come online and look forward to watching them bring our program to these new markets," says RNR President Larry Sutton. "We have signed leases in several other markets throughout the United States and anticipate at least seven additional locations will be opened by the end of the first quarter of 2008. Our re-branding efforts are underway and we have several new territories under negotiation."

RNR Custom Wheels and Tire was recently recognized by *Tire Business Weekly* as the 20th largest tire retail chain in the United States.



David P. David with his daughter Tessa and RNR President Larry Sutton

chises already in operation, another two stores are planned to open in December. The company plans to launch between six and 10 corporate-owned stores by the end of 2008.

Savell began his career in rent-to-own more than 20 years ago. He gained his status as a wheel rental pioneer in 1994 when he and a business partner ventured into uncharted territory by offering tires for rent. The model proved to be a success. Savell became known as an industry expert as the tire rental concept began

to take root and garner interest from other RTO entities. Savell supervised more than 40 custom wheel franchises before co-founding Premier Wheel Rentals, a division of The Premier Companies, three years ago.

"I really enjoyed my time and the friendships I developed over the past three years at Premier," says Savell. "When I accepted the position with ColorTyme in early November, I saw the opportunity to take the wheel-and-tire rental industry to new levels with a company that shared

a similar philosophy on capturing the lion's share of the market that will see major growth over the next 10 years," he continued. "Being able to work with a company that has the desire and financial backing to capitalize on this opportunity is a dream come true."

"We saw the extreme growth potential of the custom wheel rental industry and determined that RimTyme has a place in the growth of this niche market," says ColorTyme CEO Bob Bloom. "We knew we would need to hire a big gun to lead

the effort and Savell was the obvious choice. His expertise in this market is second to none and we're glad to have him join our RimTyme team."

New York RTO dealer collects 280 pounds of food for charity

Queensbury, New York, rent-to-own dealer and ColorTyme franchisee Tom Glogowski of Your Choice Rentals coordinated a local food drive in October that collected 280 pounds of

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APRO Associate Member since 1997

food for a local mission. Having just opened his first rent-to-own store



Food drive organizers Bruce Richards of the Albany-Saratoga Speedway and Tom Glogowski of Your Choice Rentals

July 5 (with the help of Tom and Lisa Neyhart of ColorTyme), Glogowski

did the standard direct mail and radio advertising to generate business, but he wanted to do something more for his community. So, Glogowski and his local radio station, B95.5, partnered up with Albany-Saratoga Speedway proprietor Bruce Richards to develop a campaign to raise food for their local Open Door Mission. The mission serves the needs of the Queensbury and Glens Falls communities. "Between the three of us—the store, the radio station

and the speedway—we got the word out," says Glogowski.

Throughout the month of October, Glogowski's customers donated food through the store, directly to the Mission or to the racetrack. In return for their donations, Glogowski's customers received a free four-pack admission to the Speedway's annual Halloween Havoc event on October 20. "The annual Halloween Havoc is basically a demolition derby and a very well-attended event," says Glogowski.

"I wanted everyone to realize that people are in need year-round, not just during the holidays. Last year alone, the Mission provided 60,000 meals and anticipates that need growing to 80,000 meals in 2008," says Glogowski. The 280 pounds of food collected will provide 880 meals.

"The food drive culminated with the Speedway event, but people are still bringing me food!" he says. Not one to turn down a donation, Glogowski happily accepts and makes the delivery to the Mission.

High Touch goes uptown with new downtown headquarters

High Touch, the Wichita, Kansas-based provider of technology solutions, finalized a lease today to move its 100-plus person staff in its Wichita corporate headquarters to a 10-story building located at 110 S. Main in downtown Wichita. High Touch CEO Wayne Chambers says preparations will begin immediately as renovations begin and the company prepares to relocate from its current offices.

Renovations will begin in December and a spring relocation is anticipated, according to High Touch Director of Corporate Technology and Facilities Kevin Colborn. Colborn says the company will move from 30,000 square feet into approximately 35,000 square feet on four floors. As the anchor tenant, High Touch will have naming rights on the building.

"It is our expectation that downtown Wichita will evolve dramatically over the next several years and once again be a great place to work, live, shop and experience the culture of our city. As a home-grown Wichita business, we are proud to make this commitment to downtown growth," says Chambers.



RTO veteran Muir opens Premier store in New Hampshire

Rent-to-own veteran Jay Muir opened his first Premier Rental-Purchase



store in Manchester, New Hampshire, in September. En-

couraged to strike out on his own by a colleague who was opening his own store and armed with a business plan that was impressive to the bank, Muir acted on his dream to launch his own business and enjoy the flexibility that comes with owning your own store.

Muir began his career in the industry delivering for Rent-A-Center. He moved up to service

representative, assistant manager and, following a buy-out, to store manager. He managed his first store in Somersworth, New Hampshire, and after a successful year, moved to Concord, New Hampshire, where he ran the third most profitable store in the county. After becoming a district manager, he took over the most profitable market and ran it for four straight years.

According to Muir, he considered several options for franchising and found that Premier allowed him the most flexibility and the

benefits of a network that provided such features as health insurance, a payroll department and the Premier buying group.

With doors open and a commitment to customer service that has made him a success throughout his career, Muir looks for every opportunity to put his business philosophy to work, but this time it is being applied in his own store. Muir's philosophy is to be nice to people, do what you say you'll do and surround yourself with really good people who want to do their job and move forward.



Rent'N Go supports "Beat the Heat"

Rent'N Go has partnered with a nationwide "Cops & Kids" program called "Beat the Heat."

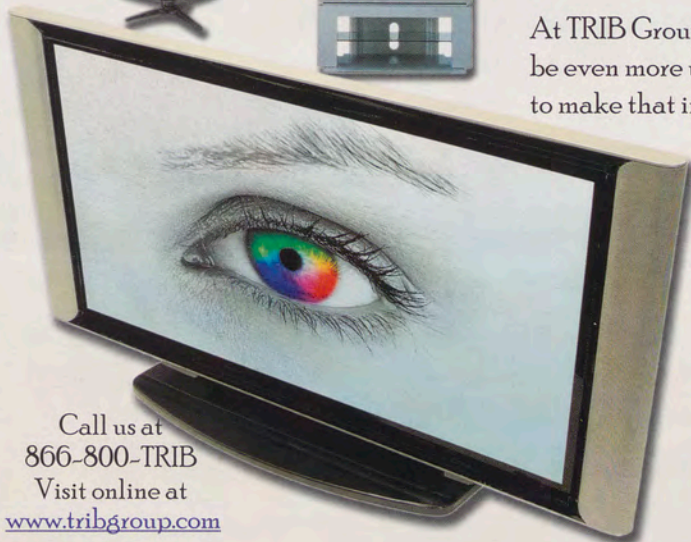
"This is one of the finest youth development programs I have seen. We are happy to support 'Beat the Heat' in any way we can," says RNG President Bob Catino, speaking about



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Television was a great invention -- it literally changed our society. When it was first introduced in 1926, people watched in awe at the tiny moving images and thought, "There's nothing better than this." But the inventors kept on working to improve their idea, convinced that there's always room for improvement.

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the company's support of this program.

"Beat the Heat" brings together young people and police officers in the fight against illegal street racing and the practice of drinking and driving. It educates youngsters about the real problems of illegal drug and alcohol use, the horrors of impaired driving and it educates the general public about the dangers of drag racing on public streets.

The officers use race cars and show cars outfitted to look like police cars to help in reaching

out to the youth. "Officers have told me youngsters would not even think of talking with a police person until now. They do because of the of the 'cool' cars driven by the officers," says RNG Operations Chief Jim Taylor. RNG contributed custom wheels and performance tires to "Beat the Heat" in support of the program.

"Beat the Heat," partnering with the National Hot Rod Association, also offers extracurricular activity for youngsters who do not make high school sports teams

through handicap drag racing. Anyone—male or female—who can drive can participate on an equal basis after the drag racing techniques are learned. "Beat the Heat" conducts the races working in conjunction with local motor sports parks.

Premier partners open store in Portage, Indiana

Seasoned RTO veterans Ted Krygoske and Jason Wood opened their Premier Rental-Purchase store in Portage, Indiana,



Krygoske and Wood

in August. It was a first for Wood and the second store for Krygoske, who opened his first Premier store with Paul Bottomley in Knox, Indiana, in 2005.

Krygoske and Wood began their rent-to-own careers at the ground level and moved up to achieve notable success. In their combined 23 years of RTO experience, they worked together

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THE MOMENTUM IS BUILDING ON CAPITOL HILL...

APRO's 2007 Dave Egan Legislative Conference drew a record 200 attendees and APRO is expecting another record-breaking crowd for 2008. Senator Charles Schumer's bill is still on the table! We need you to come to Washington, D.C., to defend your right to do business. APRO's 2008 Legislative Conference is scheduled for February 11-13, so before the holiday scramble hits, take a few minutes now to reserve your hotel room and register online. The deadline to reserve your hotel room at the L'Enfant Plaza Hotel is January 4. Call the hotel at 202/484-1000 for the APRO room rate of \$219. Register online for the conference through APRO's Web site (www.rtohq.org). For more information, contact Jeannie Hutchison at 800/204-2776, ext. 108. Now is the time to build on the momentum—and the industry needs *your* help to do so!

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Monday, February 11

- 1-2 p.m.: Registration
- 2-5 p.m.: General briefing sessions
- 5-7 p.m.: Welcome reception

Tuesday, February 12

- 9 a.m.-5 p.m.: Meetings on the Hill
- 6-8 p.m.: Networking reception

Wednesday, February 13

- 9 a.m.-4 p.m.: Meetings on the Hill
- 4-6 p.m.: Wrap-up



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for six years for a major rent-to-own firm before Krygoske left to start his own business.

According to Krygoske, they have designed their unconventional new store to appeal to the Portage market. Praising their ability to be flexible through the Premier program, he says their store looks more like a furniture store.

Open and with business flourishing, Krygoske and Wood are pleased to have brought on board two longtime employees of Krygoske's, Leon Hudson and Adam Hall.

Best Buy pulls analog TVs from shelves

On October 1, Best Buy was the first consumer electronics retailer to instruct its stores to stop selling analog televisions and pulled all of its remaining stock from the shelves. The company was quoted as saying it made the decision "as the end of the analog broadcast era draws near."

Broadcasters will stop transmitting analog signals on February 18, 2009. Television sets that are not digital and that



are not attached to satellite or cable or converter boxes will no longer work after that date. It is estimated that 60 million households in the United States use antennas or analog cable.

"We are commit-

ted to helping people understand the digital television transition and exiting the analog video business is one way we can help avoid confusion," says Best Buy's Senior Vice President of Electronics Mike Vitelli.

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There continues to be a lot of conversation in different parts of the rent-to-own world lately about bed bugs. The conversations have often been alarmist and creepy in their details as bed bugs are disgusting little beasts. Dealers who have actually suffered infestations predict dire consequences for rent-to-own and any number of other industries as well. Dealers who have not encountered any bed bugs want very much to keep it that way and fret that the bugs may soon be on their way to them.

Rental dealers have not written any big checks, yet, because of bed bugs, although there are a few

merchants who profit or try to profit from the product—if that product causes any damages that could have been foreseen. A bed bug-ridden mattress is the very definition of a defective product.

Moreover, the *Uniform Personal Property Leasing Act*, Article 2A

of the UCC in every state, declares that any attempt to limit consequential damages to a person in a lease of personal property (like a rent-to-own agreement) is unconscionable on its face. That means that a court would throw out any such language without considering any other evidence than the existence of the words in the agreement.

And so, unfortunately, there is no easy legal fix to the bed bug dilemma for rental dealers. However, a customer complaining of bed bugs does not mean that a dealer needs hand over the keys to the business. Bed bug bites are not fatal, although bed bug infestations are disgusting. Houses can be and have been successfully fumigated and cleared of bed bugs for a few thousand dollars. And just because a customer complains of bed bugs, it does not automatically mean that the bed bugs came from the rental dealer. It is fair in our business to ask the question, “Who gave the bed bugs to whom?”

Dealers who are concerned with bed bugs are not helpless in the face of the threat. While bed bugs can infest any kind of furniture, they are most likely to live in mattresses—close to their food source of warm, sleeping bodies. Dealers can quit renting and, more importantly, re-renting used mattresses. They can get out of the bedding business altogether, although that is a draconian solution to the problem and a costly one. They can choose, instead, to sell their mattresses and rent and re-rent everything else. That way they will never get a used mattress back. It will not reduce the risk of bed bugs in the store down to zero because bed bugs can attach themselves to headboards, sofas and other kinds of furniture. But, that decision will reduce the likelihood of customers getting bed bugs or the store getting infested when used mattresses come back.

If that notion will not work, there are proce-

.....
“Some dealers would like to declare in their rental agreements that the dealer will not be liable for any damages due to bed bugs. It is a lovely thought, but it will not work.”

The bed bug blues

lawsuits currently pending against rental companies. So far, hotels have been harder hit than rental dealers. In Chicago last year, an appeal court upheld a judgment on behalf of a brother and sister against a motel there for \$382,000 on account of bed bug bites. A Catskills resort is defending a \$20 million lawsuit brought because a cabin was infested with bed bugs. A noted hotel in New York City settled a bed bug claim for \$150,000 in 2003. Rental dealers everywhere are concerned with liability and that is a fair concern.

Some dealers would like to declare in their rental agreements—or anywhere else that such a declaration would work—that the dealer will not be liable for any damages due to bed bugs. It is a lovely thought, but it will not work. Restaurants

cannot do it if their food makes you sick. Pharmaceutical companies cannot do it if their drugs kill or maim you. Hotels cannot do it if their rooms get infested with bed bugs. If they could, you would signing a bed bug waiver every time you checked in.

Rental dealers cannot escape liability if their used mattresses harbor bed bugs. It is all because of the law of products liability, a topic lately covered in this magazine (August–September 2007). This law, in summary, provides that any merchant who moves what the law calls a defective product through the chain of commerce is liable—along with all other



By ED WINN III
APRO's general counsel

dures that dealers can adopt and follow to minimize the likelihood of bed bugs coming back on products and infesting the store. There are companies out there who are beginning to specialize in bed bug eradication. Go to www.bedbugger.com for some creative products and solutions for dealing with bed bugs. Check out www.protectabed.com for mattress covers guaranteed to be bed bug proof. State health departments can help with resources and suggested solutions. APRO brought a nationally known bed bug expert to the 2007 Convention and Buying Show and he is available for hire as a consultant to rental companies as needs arise. You can contact Richard Cooper of Cooper Pest Solutions via e-mail at rick.cooper@cooperpest.com or by calling him at 800/949-2667.

It is an unpleasant topic, to be sure, bed bugs in rental property, but now that it has arisen, rental dealers need to seek solutions actively. Bed bugs have been around longer than humans and they have not destroyed civilization, yet. It is unlikely that this latest surge will do so, either. ■

Ed Winn's e-mail address is edwinn@mwwmlaw.com.

Association of Progressive Rental Organizations

RTO EMPLOYEE DISASTER RELIEF FUND

Rent-to-own families helping families of rent-to-own

In 2005, members of the Association of Progressive Rental Organizations contributed more than \$190,000 to help rent-to-own employees get back on their feet after the devastation caused by hurricanes Katrina and Rita. The rent-to-own community helped 159 employees recover from these natural disasters. Unfortunately, natural disasters have become all too common. The rent-to-own industry must be ready to help whenever a natural disaster occurs that affects our family of employees.

To address such needs, APRO has established a permanent disaster relief fund: RTO [Relief To Our] Employees Disaster Relief Fund. Every dollar raised will go directly to rent-to-own employees in need. RTO Employees Disaster Relief Fund organizers are asking every rent-to-own company owner to implement a voluntary payroll-deduction plan within his/her company—suggesting a small donation per month from each employee. We ask that each company match its employees' monthly contributions. APRO can provide you with a template for paycheck stuffers to encourage your employees to participate.

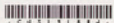
Rent-to-own has always been a family of generosity. Please contribute to the RTO Employees Disaster Relief Fund and encourage your employees to do the same. A small contribution will make a big difference.

For more information, contact Bill Keese at bkeese@aprovision.org or by calling 800/204-2776, ext. 101.



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A Capitol


BY RICHARD MAY





W

hen the third most powerful United States senator in the land introduces a bill to put an industry out of commission, business leaders need to stand up, take notice and take action. That is exactly what the rent-to-own industry did this year and will need to do again in February at the upcoming APRO Dave Egan Legislative Conference in Washington, D.C., February 11-13. Two hundred rent-to-own professionals descended on Capitol Hill earlier this year. Another strong attendance from the rent-to-own industry is necessary in 2008. With the Democratic shift of power in both houses on Congress, the congressional focus on sub-prime issues and Senator Charles Schumer's (D-New York) extraordinarily powerful position in the U.S. Senate, the industry's involvement is imperative. ★ With the legislative climate being so potentially dangerous for the rent-to-own industry and for the industry's continued evolution, a federal definition bill would answer that vacuum of federal code recognition. ★ If you have never been to an APRO Legislative Conference, then you need to make plans now to attend. APRO leaders make sure you are comfortable visiting with your representatives by either attending your meetings with you and/or making sure you are fully prepared. Every attendee in the past has walked away with a new sense of empowerment or has become an APRO Legislative Conference regular and attends every year. APRO also recognizes those brave and hardy individuals who best represent the rent-to-own industry before the U.S. Congress with American flags, pins, rings, statutes and bookends.



Investment: *Politicking for Progress*

The focus of this year's Legislative Conference will be on the passage of the Consumer Rental Purchase Agreement Act. Because the dynamics of the new Congress and the focus on consumer issues puts rent-to-own on the radar, it is now up to us to make sure the industry's legislation (H.R. 1767 and S. 1012) is what is being considered regarding rent-to-own regulations. The lead House sponsor of H.R. 1767, Representative William Lacy Clay (D-Missouri), is already trying to leverage movement in the House Financial Institutions and Consumer Credit Subcommittee of the House Financial Services Committee. The subcommittee is where H.R. 1767 has been referred. Clay is a member of the subcommittee and is trying to convince Subcommittee Chair Carolyn Maloney and Committee Chair Barney Frank to hold a hearing and to vote on the legislation.

Clay and his office are working with members of the committee to move RTO legislation forward. He has already approached committee members who have been longtime opponents of our industry to ask them to take another look at his legislation. The RTO legislation is balanced in that it protects consumer rights and allows rent-to-own dealers to do business as regulated in 47 states. Therefore, this balanced approach is a win-win situation if Clay and the RTO industry can generate enough support.

During the 2008 Legislative Conference, the grassroots targets will be lobbying those subcommittee and committee members as well as generating additional co-sponsors. As of press time, H.R. 1767 has 61 House sponsors and S. 1021 has 21 Senate sponsors. While those numbers are very impressive, there is no magic number for movement or passage when it comes to co-sponsorship. It just helps to show support to actually get something moving and the chance for passage. A personal visit to your Congressperson in his or her office in Washington, D.C. is extremely powerful and effective. So, please attend the legislative conference to raise the power of your industry for both industry and consumer protection.

In the Senate, the strategy is a little more difficult. From a political party standpoint, the author of the Senate bill (S. 1012), Senator Mary Landrieu (D-Louisiana), appears to be vulnerable in her re-election bid for another six years in the Senate. Senator Charles Schumer, as a Democratic leader in the Senate, is charged with the responsibility of helping Demo-



The current Congress and the legislative climate bring a unique and powerful opportunity to actually pass federal legislation that would finally take the rent-to-own industry to the next level. However, to fully understand today's legislative climate, you will have to join with your peers and stand on Capitol Hill.

cratic senators get re-elected. Therefore, Schumer's success as a party leader hinges on helping re-elect Landrieu.

It is hoped that both senators' staffs will work together for fair and balanced rent-to-own legislation. The Landrieu bill is similar to Schumer's bill, without the price controls. Perhaps a win-win situation can be created with this dynamic. Passage of the Landrieu bill would help both consumers and businesses in Louisiana. Another six-year term for Landrieu will help Schumer maintain Democratic control of the U.S. Senate. APRO President Larry Carrico always uses the following quote from Zig Ziglar: "You can achieve your goals by helping enough people achieve their goals."

Yes, it will be cold in February in D.C. and the cherry blossom buds will still be frozen in the branches, but February is a calculated date for political strategy. During the beginning of 2008, members of Congress will be trying to pass legislation so

they will have a story to tell and a reason for constituents to re-elect them. February will also come before presidential politicking, which really clouds the air. When each party gets serious about aligning itself with the right candidate so that its candidate gets elected, very little legislation gets passed.

What are the chances of anything happening on the industry's bills this session? On one hand, the current Congress and the legislative climate is a dangerous pit of vipers on the brink of sending a deadly bite to the rent-to-own industry's existence. On the other hand, the current Congress and the legislative climate bring a unique and powerful opportunity to actually pass federal legislation that would finally take the rent-to-own industry to the next level. However, to personally participate and to fully understand today's legislative climate, you will have to join with your peers and stand on Capitol Hill February 11-13.

To register for the APRO's 2008 Dave Egan Legislative Conference, please visit the APRO Web site at www.rtohq.org or contact APRO's Jeannie Hutchison at jhutchison@aprovision.org or 800/204-2776, ext. 108. The conference will be held at L'Enfant Plaza Hotel. The deadline to reserve your room at the L'Enfant Plaza is January 4. Call 202/484-1000 to get the APRO room rate of \$219. ■

Contact your legislators

House Committee on Financial Services

Below is a list of the members of the House Financial Services Committee and Financial Institutions and Consumer Credit Subcommittee, where H.R. 1767 by U.S. House of Representative William Lacy Clay has been referred. Clay is diligently urging the chair and the committee to schedule a hearing and mark up and needs all the help he can get from our industry. Please identify your congressional member and keep up the contact to encourage him/her to co-sponsor H.R. 1767—or at least commit to a “yes” vote on the bill. Asterisk (*) denotes members of the Subcommittee on Financial Institutions and Consumer Credit.

Chairman: Barney Frank *
(Massachusetts, District 4)

Democratic members

Paul E. Kanjorski *
(Pennsylvania, District 11)

Maxine Waters *
(California, District 35)

Carolyn B. Maloney *
(New York, District 14)
(sub chair)

Luis V. Gutierrez *
(Illinois, District 4)

Nydia M. Velázquez
(New York, District 12)

Melvin L. Watt *
(North Carolina, District 12)

Gary L. Ackerman *
(New York, District 5)

Julia Carson *
(Indiana, District 7)

Brad Sherman *
(California, District 27)

Gregory W. Meeks
(New York, District 6)

Dennis Moore *
(Kansas, District 3)

Michael E. Capuano
(Massachusetts, District 8)

Rubén Hinojosa *
(Texas, District 15)

William Lacy Clay *
(Missouri, District 1)

Carolyn McCarthy *
(New York, District 4)

Joe Baca *
(California, District 43)

Stephen F. Lynch
(Massachusetts, District 9)

Brad Miller *
(North Carolina, District 13)

David Scott *
(Georgia, District 13)

Al Green *
(Texas, District 9)

Emanuel Cleaver *
(Missouri, District 5)

Melissa L. Bean *
(Illinois, District 8)

Gwen Moore
(Wisconsin, District 4)

Lincoln Davis *
(Tennessee, District 4)

Albio Sires
(New Jersey, District 13)

Paul W. Hodes *
(New Hampshire, District 2)

Keith Ellison *
(Minnesota, District 5)

Ron Klein *
(Florida, District 22)

Tim Mahoney *
(Florida, District 16)

Charles Wilson *
(Ohio, District 6)

Ed Perlmutter *
(Colorado, District 7)

Christopher S. Murphy
(Connecticut, District 5)

Joe Donnelly
(Indiana, District 2)

Robert Wexler
(Florida, District 19)

Jim Marshall
(Georgia, District 8)

Dan Boren
(Oklahoma, District 2)

Republican members

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(Alabama, District 6)

Richard H. Baker *
(Louisiana, District 6)

Deborah Pryce *
(Ohio, District 15)

Michael N. Castle *
(Delaware, At Large)

Peter King *
(New York, District 3)

Edward R. Royce *
(California, District 40)

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Ron Paul
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(West Virginia, District 2)

Tom Feeney *
(Florida, District 24)

Jeb Hensarling *
(Texas, District 5)

Scott Garrett *
(New Jersey, District 5)

Ginny Brown-Waite *
(Florida, District 5)

J. Gresham Barrett *
(South Carolina, District 3)

Jim Gerlach *
(Pennsylvania, District 6)

Stevan Pearce *
(New Mexico, District 2)

Randy Neugebauer *
(Texas, District 19)

Tom Price *
(Georgia, District 6)

Geoff Davis *
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Patrick T. McHenry *
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John Campbell *
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Adam Putnam
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(Minnesota, District 6)

Peter J. Roskam
(Illinois, District 6)

Kenny Marchant
(Texas, District 24)

Thaddeus McCotter
(Michigan, District 11)

Kevin McCarthy
(California, District 22)

Senate Banking Committee

Below is a list of the members of the Senate Banking Committee, where S. 1530 by U.S. Senator Charles Schumer and S. 1012 by U.S. Senator Mary Landrieu both have been referred. Both bills are pending hearings and mark-ups. If you have business(es) in the states these senators represent—and they are not yet S. 1012 co-sponsors—please contact their offices and ask their support and co-sponsorship for S. 1012.

Chairman: Chris Dodd
(Connecticut)

Democratic members

Tim Johnson (South Dakota)

Jack Reed (Rhode Island)

Charles Schumer (New York)

Evan Bayh (Indiana)

Tom Carper (Delaware)

Robert Menendez (New Jersey)

Daniel Akaka (Hawaii)

Sherrod Brown (Ohio)

Robert Casey (Pennsylvania)

Jon Tester (Montana)

Republican members

Richard Shelby (Alabama)

Robert Bennett (Utah)

Wayne Allard (Colorado)

Michael Enzi (Wyoming)

Chuck Hagel (Nebraska)

Jim Bunning (Kentucky)


Mike Crapo (Idaho)

John Sununu (New Hampshire)

Elizabeth Dole (North Carolina)

Mel Martinez (Florida)

H.R. 1767 and S. 1012 co-sponsors are in boldface type



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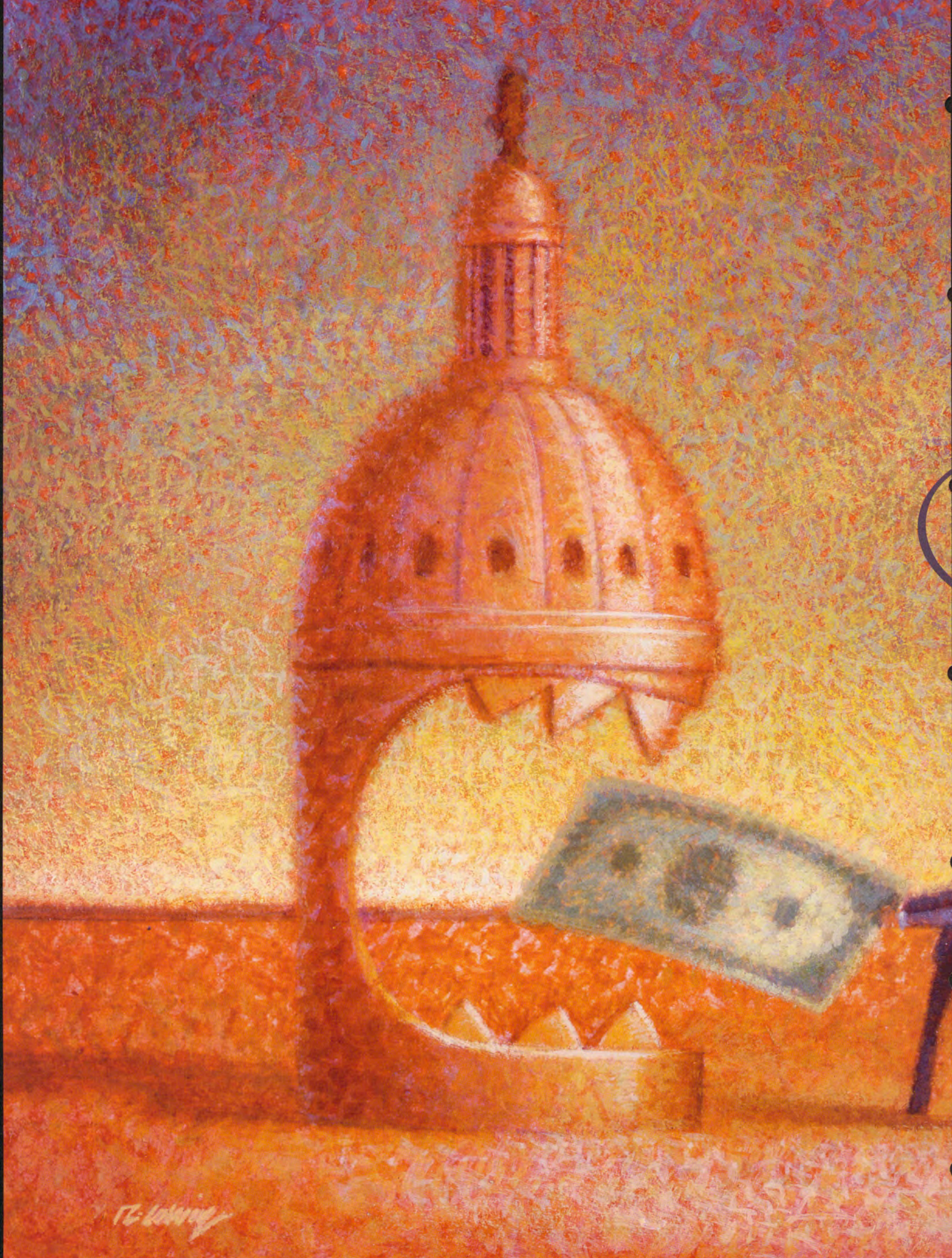
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TC-LOWMEY

DEATH and (PERSONAL PROPERTY)

TAXES



HIS ARTICLE IS REALLY ABOUT RENT-TO-OWN MERCHANDISE, PARTICULARLY UNITS IN THE FIELD AND PERSONAL PROPERTY TAXES, SOMETIMES CALLED AD VALOREM TAXES, BECAUSE THE TAX IS BASED ON THE VALUE OF THE PROPERTY. IT SHOULD NOT HAVE ANYTHING TO DO WITH DEATH. NO RENTAL DEALER HAS EVER ACTUALLY DIED FROM HAVING HAD TO PAY THE PERSONAL PROPERTY TAX DUE ON UNITS IN THE FIELD, ALTHOUGH A FEW HAVE SUFFERED SEVERE EMOTIONAL DISTRESS WHEN PRESENTED WITH A BILL FOR BACK TAXES, INTEREST AND PENALTIES THAT CAN BE 100 PERCENT OF THE TAX.

By Ed Winn III

Not every state imposes a tax on personal property, although these days, most do. Most often personal property tax is levied on a person's or a business' tangible personal property. There is a separate tax on real property. Taxpayers must fill out a schedule and, as of a certain date each year (often January 1), list the value of all personal property that the taxpayer owns on that date that is not subject to one of the exemptions in the state tax code. Taxpayers must then remit the tax due to the county according to the taxing schedule—a percentage of the declared value of the property.

States have enacted many exemptions to the personal property tax: motor vehicles, personal effects, household furnishings, business inventories, intangibles, etc. Some rental dealers have paid the tax on their idle units only and have left the value of their units out on rent off the return. Not all county tax assessors are familiar with the rent-to-own business and so even under audit, these dealers have avoided paying tax on the value of their units in the field, because the valuation offered by the dealer corresponded roughly with the units on display and in the back room and the auditor left, satisfied.

Other dealers have challenged the premise of having to pay personal property tax on their units held for rental altogether. They have made different kinds of arguments over the years, depending upon the specific wording of the applicable tax provisions. Most often, rental dealers have argued that their rental units qualify for the business inventory exemption—that they are goods held for resale in the ordinary course of business. These arguments have been made in Virginia, Florida, Missouri, Utah, Texas and, most recently, in Indiana. All of these attempts at qualifying for the exemption have failed.

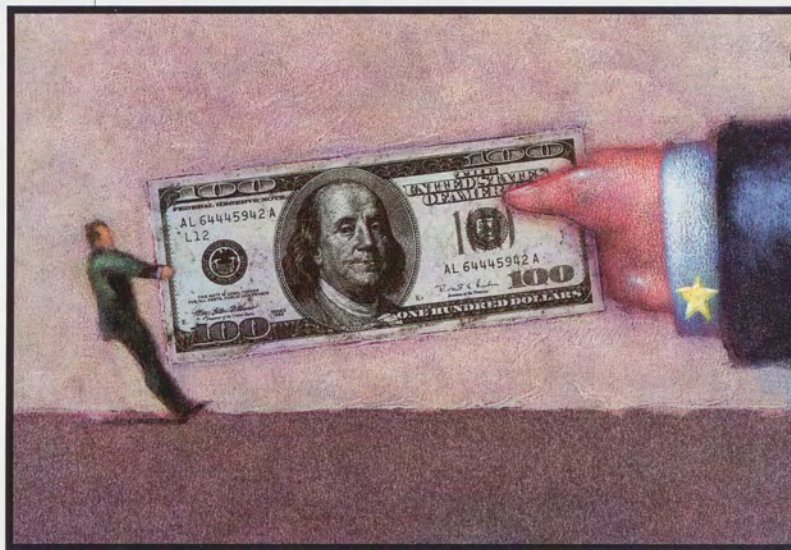
Whe one state where the argument succeeded was Kansas. The Kansas challenge began in 1991 and was based upon amendments to the tax code that were enacted in 1989. As a result of those amendments, the definitions of “merchant” and “inventory” in the Kansas law are unique. Inventory is defined as “any tangible personal property...which shall have been purchased primarily for resale without modification or change...and without any intervening use, except that, an incidental use, including but not limited to the rental or lease of any such property, shall not be deemed to be an intervening use.” (The amendment added the language in italics.)

The issue of whether RTO property qualified as inventory under Kansas law bounced around the courts in several different counties, through multiple admin-

istrative hearings with multiple rental companies joining the fray and made two trips to the Kansas Supreme Court before finally being resolved in favor of the rental companies in 1999 with the ruling in *Board of Sedgwick County Commissioners v. Action Rent To Own Inc.*, 969 P2d 844 (1999).

The court specifically held that the rental company's rent-to-own merchandise qualifies as inventory and is statutorily exempt from taxation. Even so, in 2000, the Kansas Department of Revenue issued a directive to all county appraisers (No. 99-037), that concluded: “If a county appraiser is in doubt as to whether rent-to-own property is held primarily for sale or for rent in the ordinary of business, he or she should construe in favor of taxation... All relevant facts should be presented to the Board to allow them to make a proper determination.” It is apparent that the Department of Revenue did not care for the Supreme Court's reading of the tax code.

To read the briefs in the Kansas litigation is to fall down the rabbit hole and find rental dealers arguing that down is up and that leases are sales for the purposes of interpreting the Kansas property tax code. Some of these arguments were being made at the very same time that Representative Henry B. Gonzalez was holding his infamous hearing in the U.S. House Banking Committee in 1993, “Rent-To-Own: Providing Opportunities or Gouging Customers?” Gonzalez did not allow the indus-



try's doublespeak to pass unnoticed:

“A rent-to-own company is now arguing in a Kansas appellate court that it is in the ‘sales’ business in order to avoid paying state taxes on rental property... One thing is clear. The industry cannot have it both ways. Rent-to-own operators cannot be lessors in order to evade state usury ceilings and federal disclosure laws, and yet be sellers in order to escape state property taxes.”

The industry held its collective breath during those hearings and their aftermath. Having fought long and hard and successfully to prove that rent-to-own trans-

actions were really leases and not disguised sales, the industry could only watch, awestruck, as a handful of Kansas rental dealers threatened the legal status of RTO for the whole country to save a few thousand dollars in local taxes.

Gonzalez was not successful in putting RTO dealers out of business, despite his best efforts. The world did not split in half on account of the Kansas rental dealers. The rent-to-own industry continued to flourish and rental dealers have, from time to time, continued to argue for an exemption to paying personal property taxes on their units in the field, although to date, only the Kansas dealers have been successful. The latest unsuccessful attempt brought by a music merchant came in Indiana—see *W.H. Paige & Co. v. State Board of Tax Commissioners*, 711 N.E. 2d 552 (Ind. 1999) or view the case online at <http://www.ai.org/judiciary/opinions/previous/wpdp/07190001.tgf.doc>

The issue has most recently come to life in Colorado, where a two-store dealer intends to challenge a personal property tax audit by making the inventory/sale argument.

The rent-to-own world is safer in the 21st century than it was during the 1990s. It is unlikely that the Colorado dealer's arguments will seriously affect the

legal status of RTO transactions in the country or even in Colorado. If every dealer in the country started making this argument, there might be legislative repercussions, but an isolated tax challenge here and there should not undermine the RTO legal edifice that has been so laboriously constructed over the years.

There is, however, something to be said for consistency. Rental dealers who understand the business that they are in and who feel that they are paying too much in personal property taxes every year can challenge those taxes

without having to twist their logic and words and pretend that they are retailers.

They can challenge how their property is being valued and in most places, it is probably being overvalued, which means that the dealer is paying too much in personal property taxes. The reason for this is that many county assessors apply generic depreciation tables to the kinds of products that rental dealers rent. Those tables reflect how long televisions or refrigerators typically last in a business environment when used by the business and they might be on seven or even 10-year depreciation

schedules. This means that a dealer who paid \$1,000 for a TV in 2007 might be assessed tax on a value of \$900 in 2008 when, in fact, the TV will only be the property of the dealer for 18 months or so and the real value should be \$667 or even \$334, depending upon when the unit was acquired.

Dealers have been successful arguing for more realistic depreciation schedules for rent-to-own property in a number of jurisdictions, including Florida and California, although not all such efforts have been successful—see *Rent-Way Inc. v. Wilkins, Tax Commissioner*, Ohio Board of Tax Appeals, No. 2004-A-331 (April 13, 2007). The board acknowledged that the code allows a taxpayer to show that the administrative code guidelines can be rebutted if the taxpayer can prove a more accurate valuation. Then the board rejected the rental company's proof as inadequate.

In Texas, rental dealers have taken another approach to the too-high personal property tax issue. Fresh on the heels of their successes in getting the Legislature to increase late charges in rent-to-own transactions and to decrease grace periods, Texas rental dealers sought a constitutional amendment that would exempt RTO property from personal property taxation altogether. A few years previously, car dealers had gotten an amendment for their industry that allowed them to lease vehicles in Texas. Prior to this change, Texas car dealers had to offer vehicle leases by selling cars to consumers with an agreement to buy them back at the end of the "lease." Television and appliance rental dealers were able to go to the Legislature and argue equal protection. The car dealers got their inventory exempted and it is only fair for TV and appliance dealers to be treated the same way. The argument was persuasive and Texas dealers got bills passed out of both houses of the Texas Legislature, but ran out of time on the legislative calendar to get the issue on a statewide referendum for voters, which is a requirement for a constitutional amendment in the state. Most states would not require a constitutional amendment to make changes to the personal property tax code. It is a quirk in Texas law that requires this extra step for Texas rental dealers.

Ad valorem taxes remain a lively issue in the industry and, for most rental dealers, a painful, but not unmanageable cost of doing business. Dealers may be able to lower their personal property taxes if they are willing to challenge the system and spend some time and money on the process. They are unlikely to beat the tax altogether unless they die—or live in Kansas. ■

Ed Winn is APRO's general counsel. His e-mail address is edwinn@mwvmlaw.com.

RTO dealers may be able to lower their personal property taxes if they are willing to challenge the system and spend some time and money on the process. But they are unlikely to beat the tax altogether.

BY
VAN
CARLISLE

VITAL RECORDS PROTECTION

IMAGINE FOR A SECOND how you go about recovering customer and store operation information if a natural disaster (think hurricane, flood, earthquake, fire) destroyed your store and all of its contents. If you find yourself breathing a sigh of relief because you and your employees take all the proper precautionary steps to protect the store's vital records, then read no further. If, however, the words "natural disaster" and "records retention" strike fear into your heart, then keep reading.

Protecting your store's vital records in the event of disaster will most certainly allow you to pick up the pieces a lot more quickly than if you had to start from scratch. Vital records are defined as "records containing information essential to the survival of an organization in the event of a disaster, since they document an organization's legal and financial position and preserve the rights of employees, customers and stockholders," according to ARMA, the international association of managing records and information.

Establishing a vital records protection (VRP) program is an essential part of business planning for the rent-to-own industry. A records and information disaster—in other words, a situation or event that results in the loss of vital records—is a serious threat that needs to be mitigated against and a VRP program is one of the most effective measures to be taken to prevent such an occurrence.



HEN
DE
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Vital records usually consist of a somewhat small percentage of the sheer volume of recorded and saved data created by a modern, digitally operated, organization—normally around 5 percent. That percentage can vary greatly, however, depending on the type of business. A typical rent-to-own business, for example, will likely have a much higher proportion of documents and records categorized as “vital” since the active case files and customer contracts are the lifeblood of the business and are absolutely crucial to ongoing operations.

According to Robert Scott of RTO Insurance in Peoria, Illinois, “a proactive VRP program is really essential for working with insurance underwriters in order to provide the appropriate coverages and limits for RTO businesses due to their higher-than-average percentage of valuable records. The issue of [insurance] pricing for not only the company’s vital records and money assets, but also the entire account, can be adversely affected by the lack of a VRP program.”

The fact is that underwriters look to all the practices of a rent-to-own business to determine its pricing schedules for an entire account. “The insurance industry views RTO businesses that do not have a VRP program as no more different than not having a safety program for the company fleet, that’s how important it is,” says Scott.

WHAT TO PROTECT

So, we’ve posited that businesses in the rent-to-own industry have more vital records than most. In order to begin development of an adequate and formalized VRP program, it still needs to be determined—being as specific as possible—what constitutes a “vital record” for a rent-to-own business.

In addition to active case files, client account histories and customer contracts, recorded data that typically fall under the category of being vital may include:

- ▶ Contracts/agreements that prove ownership of property, equipment, vehicles, products, etc.;
- ▶ Operational records, such as current or un-audited accounting and tax records, current personnel and payroll records, and shipping delivery records;
- ▶ Current standard operating procedures;
- ▶ Produced reports and summaries;
- ▶ Software source codes to include both licensed programs and systems and custom developed applications and registration keys.

The above list is a basic starting point. Next, consider that although a specific category of records may not be deemed to be vital, it does *not* automatically mean that that type of record is not worth protecting.

Each must be analyzed and tiered to determine the amount of protection you should provide. If not vital, you may determine non-vital—but valuable—records to be classified as:

- ▶ Important records that are not irreplaceable but could be reproduced only at considerable expense, time and labor;

- ▶ Useful records are records that, if lost, will cause some inconvenience but could be readily replaced;
- ▶ Non-essential records are those records that are routinely destroyed.

In order to validate the classifications, those responsible for the vital records program should interview the managers and personnel who create records. Making for an excellent argument to justify outsourcing the development of the business continuance/disaster recovery plan, it is important to remember that most business managers will consider most, if not all, of their records to be in the vital category. Fortunately, you do not have to implement a viable VRP plan in a vacuum as there is quite a bit of information and advice on the Internet.

HOW TO PROTECT: THE AARON'S EXAMPLE

For an instructive example, consider the proactive approach used by the sales and leasing giant Aaron Rents Inc. The Atlanta-based corporation is one of the leading rental and rent-to-own companies in the United States, with 1,452 company-operated and franchised stores across 47 states and Canada. Each Aaron Rents location is equipped with two UL-rated fireproof safes, as well as at least one fireproof filing cabinet for VRP purposes.

“The most important part of our business is collecting month after month from customers who purchase or lease a product from us,” says Bill Sebastian, Aaron’s director of purchasing for all locations. “If our customer’s information was destroyed for whatever reason, we wouldn’t know who they are or how much they owe us. To prevent this from ever happening, customer agreements are kept secure in top-line fireproof filing cabinets.

“All of the company-owned stores are required by policy to have two fireproof safes and one fireproof filing cabinet,” says Sebastian. “On the other hand, our franchised locations are not required—but almost all of them do it anyway—to

FOR MORE INFORMATION...

www.VitalRecordsProtection.org A non-commercial Web site dedicated to providing information about the protection of vital records from fire, disasters, theft and other dangers.

ARMA International A not-for-profit professional association and an authority on managing paper and electronic records and information (www.arma.org)

Underwriters Laboratories An independent, not-for-profit product safety testing and certification organization. UL has tested products for public safety for more than a century (www.ul.com)

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follow our company guidelines when it comes to using UL-rated fireproof protection for the cash and other up-front items, as well as the vital records in the form of customer agreements. We have been very lucky because there have been few disasters to put anything at serious risk, but we are ready for the moment something bad does happen.”

Shannon Strunk, president of Baber’s, a family-owned chain of 48 rent-to-own locations serving customers in Mississippi, Alabama and Louisiana, says the decision to store the corporation’s vital records in UL-rated fireproof filing cabinets was a “conscious decision” and that he recommends that all rent-to-own businesses invest similarly in their VRP setup.

“It is especially important for single-store operations who may not have the infrastructure that a chain has, such as anything like a corporate headquarters or resources for regular backups and/or off-site storage,” says Strunk. “In

those cases, they absolutely need to use UL-rated fireproof files and safes, because they may only have a single copy of the rental agreement and since in this industry that document is their major asset right there, it needs to be protected from a disaster to the highest degree possible.”

Unfortunately, not all rent-to-own organizations have the foresight to protect themselves from disaster. Making what may seem like an expensive precautionary measure can prove to be the most economical decision if and when a disaster occurs. The cost of replacing or reproducing vital company records, leases, deeds, titles, customer agreements, cash, merchandise, etc., will be astronomically higher than preparing your business in advance. Your ability

to recover from an unexpected tragedy is only as good as your business contingency plan and the tools you deploy to make the plan work. Making sure that your plan includes using UL-rated fire-resistant storage solutions and containers, as evidenced by Aaron Rents, is one of the most crucial elements.

Absolutely steer clear of equipment with manufacturers’ or non-independent ratings. Products with the Underwriters Laboratories rating, in particular, are the best as no other testing and standards organization matches its reputation. One “trick” to be wary of is a product that claims to be “built to” a certain UL class specification claim. This is marketing-driven wordplay, pure and simple—it falsely leads the customer to believe he is getting a UL rating, but in reality it’s just the manufacturer’s dubious claim; UL has never tested it and how it will stand up to a real fire is anyone’s guess. Mark Fulton, a company official at Virtual Insurance, an underwriting firm in south Florida, says his decision to purchase a fireproof data safe was fully informed by the UL logo. In fact, Fulton claims that he “doesn’t buy so much as a light bulb” unless it is UL tested.

A typical rent-to-own business will likely have a much higher proportion of documents and records categorized as “vital” since the active case files and customer contracts are the lifeblood of the business and are absolutely crucial to ongoing operations.

OFF-SITE VS. ON-SITE

The concept of hiring a vendor to make scheduled pickups of stored records (tape, disc or paper) and store them at a specially built off-site location can be a viable option for archived records. However, for current information such as daily backups, current client files and transaction records, storing vital records off-site requires such a high degree of discipline and coordination that it will become extraordinarily expensive and time consuming. At the end of the day, it is just not feasible to rely 100 percent on off-site storage.

For daily backups, experts recommend keeping them on-site in a secure, fire-protected location in a fire-resistant file or vault. For archival records such as annual, monthly or even weekly backups, supplement that backup with off-site storage. At the end of a predetermined time period, say one month, run two copies—one for off-site and one for on-site.

In the process of doing due diligence while researching off-site storage companies, make sure that you get a complete understanding of all charges, including pick-up and delivery charges, privacy and security, what type of care is used in transport, what type of facility the records are kept in and whether your computer media is stored separately.

There are also some universal factors to consider when selecting an off-site storage facility:

- ▶ *Distance.* The facility should be located far enough away from the organization to ensure that a major disaster would not heavily impact both locations.
- ▶ *Accessibility.* The facility should have decent access roads, 24-hour access and be accessible within a reasonable period of time so that the records can be obtained quickly.
- ▶ *Safety.* The facility should not be located in high-risk areas, such as airports, railroads, chemical plants, flood plains, tornado belts, etc.
- ▶ *Level of service.* Some vendors provide courier service, photocopying, notary services, conference rooms, tape rotation, cleaning, maintenance and destruction.
- ▶ *Security.* Rural and low-traffic areas can be more secure and easier to guard.

The take-away lesson learned from major catastrophes such as 9/11 and Hurricane Katrina, as well as smaller scale events such as fires or floods, are clear—proactively developing a strategy for vital records protection, including on-site storage in UL-rated fireproof containers and possibly off-site storage, as well as the only way for your business to survive an unexpected disaster. ■

Van Carlisle is president and CEO of New Albany, Indiana-based FireKing Security Group. FireKing provides a full line of fireproof file cabinets and safes to fit every filing requirement, space constraint and budget. For more information, call 800/457-2424, e-mail vanc@fireking.com or visit www.fireking.com.

For more information on this topic, refer to “Backing Up Your Data: What You Might Be Missing” published in the April-May 2007 issue of Progressive Rentals.

THE MOMENTUM IS BUILDING ON CAPITOL HILL...

APRO's 2007 Dave Egan Legislative Conference drew a record 200 attendees and APRO is expecting another record-breaking crowd for 2008. Senator Charles Schumer's bill is still on the table! We need you to come to Washington, D.C., to defend your right to do business. APRO's 2008 Legislative Conference is scheduled for February 11-13, so before the holiday scramble hits, take a few minutes now to reserve your hotel room and register online. The deadline to reserve your hotel room at the L'Enfant Plaza Hotel is January 4. Call the hotel at 202/484-1000 for the APRO room rate of \$219. Register online for the conference through APRO's Web site (www.rtohq.org). For more information, contact Jeannie Hutchison at 800/204-2776, ext. 108. Now is the time to build on the momentum—and the industry needs *your* help to do so!

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- 5-7 p.m.: Welcome reception

Tuesday, February 12

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- 6-8 p.m.: Networking reception

Wednesday, February 13

- 9 a.m.-4 p.m.: Meetings on the Hill
- 4-6 p.m.: Wrap-up



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A stylized illustration of a man in a purple suit and tie falling from a building. He is upside down, with his right hand raised and palm facing forward. The background is a blue sky with large, white, fluffy clouds. The building below is a multi-story structure with many windows, rendered in a dark, textured style. The overall style is painterly and expressive.

**YOUR BEST
STORE MANAGER
ISN'T ALWAYS
THE BEST PICK
FOR THE NEXT
STEP ON THE
COMPANY
LADDER**



WHEN Topcat GETS PROMOTED

We've all seen it: Company A needs a district manager, so it promotes the organization's top profit-producer to run six stores scattered throughout nearby counties. The decision appears to be a no-brainer: Mr. Topcat has won Store of the Year three years running, he has added 100 new customers the past two years and the numbers for his store always top every report. Best of all, Topcat's staff turnover has been nearly zero. But six months later, the six stores have shown almost no improvement—in fact, two are clearly worse off than ever, some managers have quit—and the smooth operation that Mr. Topcat left behind is in disarray, too. Profit and customer count are declining and Topcat's successor, his longtime assistant, suddenly seems lost. Judging from results to date, it appears the company just wasted its best store manager and still doesn't have a good district manager either. What happened?

by Bud Holladay

The dilemma the company faces could have been avoided had management done a little more homework before making its move. Eager to reward its top manager for a successful run at the single-store level and fill an important slot at the same time (“*We promote from within!*”), it failed to understand that a manager’s job expands both horizontally and vertically when he takes on more than a few stores. If his skills and abilities are not extra-dimensional, disaster awaits. Someone should have told management that Mr. Topcat’s practice of just doing more of what got him promoted would prevent him from being successful in that new position.

Back in his own store, he *was* the “Top Cat.” All decisions were made by him; his touch was on every activity. Nobody gassed up a truck without first checking with Mr. Topcat. He was famous throughout the company for coming in early, leaving late and calling the store or dropping in on days off and during vacations. The owner often spoke glowingly of his “favorite workaholic.” And therein lies the problem. It is difficult to be a workaholic, at least an effective one, in six different workplaces at once.

While a district manager must lead, direct, inspire and orchestrate the activities of six or more managers, a store manager has only one manager to manage: himself. The assistant manager is rarely more than the second key holder and relief truck driver. He or she fills holes, handles some paperwork

of professional hari-kari. Upward mobility is not on their résumé.

It should not be surprising that Mr. Topcat and this assemblage of hardworking anybodies can turn out impressive work over a long period of time. The rent-to-own business is so number-centric that once a few key ratios are mastered and good customer service is a habit and not a goal, everything else falls into place. Of all the events that can interrupt growth and impact profit in a rent-to-own store, none match the prolonged or frequent absence of an experienced, hard working manager. Likewise for the debilitating effect of a manager who works short hours and takes off at inopportune times. The Mr. Topcats of the industry often get promoted because they are *always* on the job. But they have to be, because nobody else in the operation can make a decision or start or stop any of the processes that make the store go. No one in the store is trained upward but everyone is trained exceptionally well in doing the tasks required for tenure at their job level.

So if Mr. Topcat was the wrong cat for the job, who might have been the right one? The effective multi-store manager must, above all, be good at managing managers, or be able to get good at it. This quality can be spotted early if one knows what to look for. Beyond basic job knowledge and the ability to communicate effectively (Ever see some of those memos from rookie district managers?), some other characteristics trump things like loyalty, dependability, etc. Those are: inclusiveness, sharing, patience and a tolerance for forward-leaning errors.

Inclusiveness simply means that the potential district manager includes everybody in the management of his current store. Each person is accountable for managing some part of the operation and all are regularly reviewed on the progress and gains they make on their own. This is a form of coaching that assumes everyone can manage something, even if it is only himself. Employees who experience it gain confidence that fosters new competencies and they usually want to go on to bigger things.

Sharing and patience may be in short supply among the Type-A managers preferred by some companies, but among the best of the best those attributes are commonplace. A manager at any level who has learned to share the credit with his workers—and has taught them to share the responsibility

for satisfying customers and managing outcomes—will probably never lose his entire staff at one swoop or suffer two consecutive quarters of customer losses and revenue slippage. His people simply won’t let those things happen. They want to be part of a good thing.



and can generally answer a few questions about inventory and past dues. But all power resides with the store manager. Topcats surround themselves with people of unquestioned work ethic, character and loyalty. The people they hire and keep are used to following orders. Making decisions is, in the eyes of those people, a form

Patience is critical because people don't learn to accept their responsibilities overnight in all cases, just as some don't learn new procedures as quickly as others. The manager who is patient, who includes his people in running things, who shares the credit for wins and analyzes failures evenly, will rarely be slack enough to hire people who don't want to be part of those things.

Most everybody has at some time in their life proclaimed, "There are no dumb questions!" Of course, we all know that is incorrect. The more accurate response would be, "There are no dumb questions that I will be rude enough to point out." Forward-leaning errors are the opposite of dumb questions. People ask dumb questions just to hear themselves or because they truly are too dumb to know that their question has already been answered. An employee who makes a forward-leaning error has tried to do something helpful, for the right reason, but somehow got it wrong. The part that went wrong can usually be attributed to lack of sufficient training, knowledge or experience.

Now doing that same thing again and again with the same result is akin to asking the dumb question. But doing it once—and learning from it—is part of developing as an effective decision-maker and task handler. Managers who don't allow employees such freedom fail to do so because they do not want to absorb the fallout from critical mistakes and they are unable to create scenarios where employees can fail without doing significant harm to the business. So those managers become good at stifling and just come in earlier and leave later to cover all the bases.

The skills required to effectively manage managers are very different from those needed to manage employees or hourly associates. All good managers are competitive by nature. The really good ones are high performers. Managing high-performing competitors is no easy task—just ask any NBA or NFL coach. Mr. Topcat and those like him who have never employed or led high-performing, ego-driven employees in their own stores miss this simple precept. Managers don't become managers to take orders from other people who know about the same or even less, or to get lost in the tall grass with the other underachievers. Most people become managers so they can earn high reward for personal performance.

The best managers know that personal performance in business means leading others in organized activity. Those who figure that out early have a good start on becoming effective multi-unit managers. A high-performing store manager who has not turned out other store managers, who never loses an employee to the competition, who never offers up his second-in-command to go help another manager in trouble, who never offers valid observa-

A HIGH-PERFORMING STORE MANAGER WHO HAS NOT TURNED OUT OTHER STORE MANAGERS, WHO NEVER LOSES AN EMPLOYEE TO THE COMPETITION, WHO NEVER OFFERS UP HIS SECOND-IN-COMMAND TO GO HELP ANOTHER MANAGER IN TROUBLE, WHO NEVER OFFERS VALID OBSERVATIONS ON THE PROBLEMS OF OTHER STORES, IS THE WRONG CHOICE FOR DISTRICT OR REGIONAL MANAGER.

tions on the problems of other stores, is the wrong choice for district or regional manager. No matter how great his numbers or how long his tenure, that manager does not possess the big-picture mentality required of an effective district manager.

The big picture doesn't mean he can take apart the company's balance sheet. It means he has developed an overview of the business that goes beyond today's deliveries and this week's closeout; he understands what is good for the company and realizes that might take away from his own operation, if only temporarily. He can plot trajectories based on skills, competencies, training levels and actual results.

If you ask a big-picture manager why he thinks Store 17 across town hasn't gained a customer in six months, his answers will be compelling, insightful and accurate. They will match your thinking (let's hope yours is right). Mr. Topcat will tell

you it is the advertising or the bad neighborhood that surrounds Store 17. He will probably take a shot at the manager, too. If you ask the good manager why his store has gained every month for a year he will cite training, the company's customer service initiatives and support, and knowledgeable staff. Asked the same question, Mr. Topcat will tell you it's because he is the best salesperson in the company and gets the most out of his people.

It is not easy, this science of picking managers and district managers and regional managers. Sometimes personality and clichés play too big a role: "strong," "dynamic," "winner," "team player." You've heard them all. But the descriptive term least often used is "rounded." Being rounded means having an even balance between developing people and driving numbers; understanding that not all people are alike, but the people we like share many of our same qualities. Rounded describes the manager who can work a 50-hour week and get great results or put in 70 hours solving problems and never experience the same issues later. A manager who is rounded can convince other managers to follow him because he has everyone's interest at heart, not just his. And that is probably the key to effective multi-unit management: understanding the "What's in it for me?" equation. If you are a good district manager or ready to become one, you know that you have six "me's" and none of them are you. ■

Bud Holladay is a founding member of APRO, was APRO's first president and now is director of business development for Bryce Co. headquartered in Cullman, Alabama. Holladay lives in Frisco, Texas.

big thinking



**OVERSEEING
THE COUNTRY'S
LARGEST RENT-
TO-OWN STORE,
NEW AVENUES'
BILL KELLY
BELIEVES SIZE
IS SIGNIFICANT
WHEN IT COMES
TO BUSINESS
SUCCESS**

**AN APROFILE BY KRISTEN CARD
PHOTOGRAPHS BY KEN RADA**

H



Kelly is a study in dichotomy. He is deliberative, yet driven. An optimistic pragmatist. And while he loves laughter, he strives for perfection. And all of these fascinating facets of Kelly's personality were evident by the age of 11. ✂ "Between the ages of 11 and 21, I worked at a golf course," says Kelly. "I started caddying and was carrying bags bigger than I was at five dollars a loop. By 15, I was the No. 1 caddy. Expectations were high—people paying those expensive dues at the golf course wanted things perfect. As first caddy, I got to go out with the first group, which meant I got to go out on more loops every day. I'd get to work at dawn and leave at dark. It taught me the value of a good work ethic and how to get along with people. It was also a lot more fun than mowing lawns. One year at summer solstice, we got up and played all day long, from sun-up straight through to dark. When we counted it up, we had played 99 holes of golf in a single day."

T

oday, 49-year-old Bill Kelly channels all of that impressive drive, diligence and determination into his work as chief operating officer of Georgia's New Avenues Rentals. Under President Mike Moore's guidance and Kelly's daily direction, the rent-to-own start-up has opened eight stores in less than two years, including a 35,000-square-foot über-facility believed to be America's biggest rent-to-own storefront.

Just a Midwestern boy from Springboro, Ohio (population approximately 10,000), Kelly was the only child of a stock broker/real estate dealer father and a mother who began her career serving as secretary to TV talk show godfather and fellow Ohioan Phil Donahue. Kelly's growing-up years were clearly consumed by golf as he went on to captain the golf team at Heidelberg College, a liberal-arts school located in Tiffin, Ohio. Kelly followed a pre-med academic track, attending four years with a dual major in biology and English.

"It was 1979, I wasn't going to get into med school with a 3.2 GPA, and I didn't want to go to school anymore," says Kelly. "I didn't know what I was going to do. I ended up working for Rex TV and Appliances, selling car stereos. From the first day, I was the No. 1 salesman in the company. I got moved up to selling everything—TVs, appliances, stereo equipment—and at 21, became the company's youngest assistant manager."

Kelly spent the next decade moving up within Rex and launching the first few of many moves—from Dayton to Mobile, Alabama, to Jackson, Mississippi. By 27, Kelly was a multi-unit manager, running 14 stores in five states, and traveling extensively to help the company open up many of its stores nationwide. His Jackson store was photographed and used as the model store for the stock prospectus when Rex decided to go public.

Kelly wasn't moving up alone—during the same years, he and his wife, Linda (who he met at Heidelberg), had grown into a family. As Kelly's professional path continued to meander—with seven more moves over the next 15 years—his three young children learned to adapt to new environments readily and make friends wherever they went.

In 1989, Kelly was contacted by rent-to-own pioneers Mike Walts and Bud Holladay at Alrenco about switching his career course from retail to rent-to-own, a move that made good sense to Kelly.

"I got out of retail because it was becoming too dog-eat-dog," he says. "All about price, not about service, just buying and selling widgets. I've always believed in good value, but I also believe in good customer service. The rental business wasn't just about price points—it was one factor, but not necessarily the most important factor."

With his new direction came a new sort of working relationship for Kelly; Holladay became an invaluable mentor for him, the first of many surprisingly supportive—rather than competitive—colleague camaraderies.

"I'd had a lot of finance deals at Rex, so I already knew how to deal with customer applications," says Kelly. "I didn't know anything about collections, but working with Bud was priceless. He really immersed me in the collections part of the business and gave me a lot of confidence. After about a month of working with Bud, I felt like I could do it as well as anybody, with such terrific training."

Kelly stayed with Alrenco for the next nine years, helping grow the company from 34 stores to 167 as its vice president of operations. When Alrenco merged with Home Choice in 1998, Kelly launched and, as chief operating officer, ran his own start-up, RentWise, for a few years. In 2001, Kelly decided to leave rent-to-own and earn his insurance license—a Series 6 & 63 broker's license—and sell insurance and mutual funds. Not surprisingly, he was his company's top rookie salesman.

"It was O.K.," says Kelly, "but not as lucrative for me as rental-purchase."

By late 2005, Kelly was working for a ColorTyme franchisee in Florida and living in the panhandle town of Navarre, which had just gone through three hurricanes in two years—Hurricanes Ivan (September 2004) and Dennis (July 2005) both hit the coastal community directly. By the time Katrina rolled over in August 2005, Kelly was feeling worn down.

"I had six stores severely affected by weather," he says. "They closed for weeks. We lost customers, employees, merchandise, store fixtures...it was devastating."

In November, another rent-to-own opportunity came knocking for Kelly, this time in the form of Mike Moore, then vice president of a successful chain of 300 specialty finance stores, who had decided rent-to-own would be a great way to diversify their business. Moore was searching for expertise from an RTO veteran, and Kelly fit the bill.

New Avenues Rentals opened the doors of its first store about two years ago in Jonesboro, Georgia, just south of Atlanta. Thanks in large part to Bill Kelly's strategic and operational know-how, the company has opened seven more since, all located around Atlanta.

"Atlanta is probably the most competitive marketplace in the United States," says Kelly. "We've



got Circuit City, Best Buy, BrandsMart, Fry's, H.H. Gregg, 45 Aaron's with their headquarters here, 50-plus Rent-A-Centers and myriad other competitors. At New Avenues, we're trying to hold our head above and be something different for the consumer."

Key differentiators for New Avenues are the size, look and feel of the stores. Store size averages a spacious 14,000 square feet. Kelly says what the company aims for is an atmosphere of grandeur and style, which when combined with true value, packs a one-two punch.

"We like larger stores, bigger footprints, in high-visibility areas," says Kelly. "We want customers to walk in and think they're in a retail furniture or electronics store. We have a director of purchasing and design who keeps us at the cutting edge with our furniture; I do the electronics, appliances and computers. We do an exceptional job in presentation and in price. I believe if [rent-to-own companies] all made our stores look and feel more like retail

stores and less like flea markets—even if people don't use our industry, maybe their opinion of us might improve."

And then there's that Decatur-Georgia-based enormo-store, the 35,000-square-foot former Circuit City that, as America's single largest rent-to-own store, is now New Avenues' crown jewel.

"We adapted much of [Circuit City]'s infrastructure to meet our needs," says Kelly. "We've turned their sound rooms into AV rooms; their clearance center is where we accept returns and host a nice bargain area. The facility also has quite a big warehouse with a shipping dock. It's working out wonderfully."

Naturally, Kelly continues to hunt for more spots the company can grow into. He says despite its pumped-up competitiveness—especially among electronics businesses—he and Moore still see plenty of market room for growth in and around Atlanta, but they've also got a wandering eye on markets beyond.

WE WANT CUSTOMERS TO WALK IN AND THINK THEY'RE IN A RETAIL FURNITURE OR ELECTRONICS STORE... I BELIEVE IF [RENT-TO-OWN COMPANIES] ALL MADE OUR STORES LOOK AND FEEL MORE LIKE RETAIL STORES AND LESS LIKE FLEA MARKETS—EVEN IF PEOPLE DON'T USE OUR INDUSTRY, MAYBE THEIR OPINION OF US MIGHT IMPROVE."



Service and Fleet Manager Brad Hurtado, Service Assistant Manager Margaret Lily, Store Manager Mike Joiner, CSR Sherica Smith, MIT Frankie Augusta, CSR Mary Platts, Warehouse Manager Doug Wheatley, Assistant Store Manager Hershel Smith, CSR Tyrant Ealey (kneeling) and New Avenues' COO Bill Kelly (seated)

You might think a man with his eyes so unwaveringly on the proverbial prize may be unconcerned about the human relations component of the business world. But truth be told, you can't talk business with Kelly for more than five minutes without him mentioning someone in the rent-to-own industry who has helped, supported or inspired him. He offers high praise for RTO trailblazers like Chris Bolin (Bolin Rent-To-Own), Larry Carrico (Rent One), David P. David (American Rentals), Ron DeMoss (Rent-A-Center), James McAlpine (Nationwide Marketing Group), Bill Milby (Home Express), Andy Simpson (Credit Merchandise), Daryl and Mike Tissot (Countryside Rentals) and Ed Winn (APRO).

As Kelly outlines some of the essential lessons he's learned over the years, he frequently mentions colleagues as teachers. He also credits many industry vendors like John Blair (DSC) and Bob Saunders (United Furniture) with helping him go out on his own.

"Bob has always been there for me with advice, insight and recommendations," says Kelly. "I consider him a man with a solid work ethic and incredible integrity. John helped me while he was the director of the TRIB Group. He's welcomed me into the Atlanta area and has been invaluable as a vendor and supplier for New Avenues.

"We're all basically trading customers in this industry," says Kelly. "So you've got to treat customers with respect. Treat them the way you want to be treated; the Golden Rule applies in rental-purchase as well as anywhere else. And having a positive attitude is very, very important. You've got to learn to laugh, learn to have fun.

"Working with Bud [Holladay] was as fun as it gets," he says. "I learned something from him every day, and he made me laugh every day. This job can be so hard—you can stay busy 24/7; you're never done. So if you don't laugh along the way somehow, you can get overwhelmed



"I CAN NAME 40 PEOPLE IN THIS INDUSTRY WHO, IF I HAD A QUESTION ABOUT SOFTWARE OR PRODUCT OR PEOPLE OR ADVERTISING, I KNOW WOULD GIVE ME SOME OF THEIR TIME AND HELP FIND THE RIGHT ANSWER. I DON'T FEEL LIKE THAT WOULD HAPPEN WITH ANY OTHER INDUSTRY—SURELY NOT IN RETAIL. WE CAN BE FRIENDLY COMPETITORS AND SHARE SUCCESSES, TOO."

really easily. Whenever I felt overwhelmed like that, Bud made me laugh. He was always ready with a kick in the pants to jolt me out of my complacency. I honestly try to follow that example and use it with my people. And if you can make customers laugh and break down those barriers, they'll follow you anywhere."

Interestingly, Kelly credits rent-to-own industry organizations—such as the Association of Progressive Rental Organizations and TRIB Group, both to which

he belongs—with cultivating the environment of encouragement he has enjoyed with his professional peers.

"I worked for a while in the payday loan industry through ColorTyme and found that industry much more divided than rental-purchase," says Kelly. "I think APRO has done such a better job of uniting its members around a common cause and being extremely consistent. I can name 40 people in this industry who, if I had a question about software or product or people or advertising, would give me some of their time and help to find the right answer. I don't feel like that would happen with any other

industry—surely not in retail. We can be friendly competitors and share successes, too.”

Kelly has been involved in APRO since 1989, as well as in state rent-to-own associations in Kentucky, West Virginia and Indiana, where he served as president of the Rental-Purchase Dealers Association from 1997 to 1998. Kelly doesn't see himself as a trade association mover and shaker, but he does acknowledge the importance of the role he plays for the industry.

“Whenever APRO's called upon me, I've tried to be supportive of the organization,” says Kelly. “I'm an operator, not an owner, and the difference is, honestly, I just don't have the time to invest in the industry-wide big picture because I'm focused on the daily details. I have a tremendous amount of respect for the people who can and do make that huge commitment—hopefully, they've got someone like me helping them run their business. But you can be part of things and set an example by doing things right and fair and leading with integrity. I've always held myself and my people to the highest standards. I think that helps our industry as much as anything.”

The way Bill Kelly speaks—slowly, carefully, with frequent long, thoughtful pauses—belies the “man on the move” lifestyle he's followed for more than 25 years. But asked where he sees himself 10 years from now, Kelly's answer indicates his nomadic days may be numbered.

“Ten years from now? Well, hopefully New Avenues will be growing along the same path it's going right now,” says Kelly. “I'd love to be doing what I'm doing, except with a lot more stores. I'd like to have people point to us and say, ‘Wow—they really led rent-to-own in this different direction, and they've done a wonderful job.’ I just love the people I work with—especially Mike Moore, who believes in me and provides the best support in giving us the right tools to go forth and conquer. We've got an amazing team at New Avenues, from the small home-office staff to our store managers and customer-service associates. We all have the same goal, which is to improve every day.

“The people who are doing business the same way we were doing it 25 years ago are going to be left in the dust,” he says. “If you're not continuously improving, then you're on a slow evolutionary path toward extinction. You've got to grow every day.”

At the end of every day, Kelly goes home to Linda, now his wife of 25 years, whom he calls his “partner, best friend and biggest cheerleader. We laugh all the time,” says Kelly. “She says that's why she loves me.”

Kelly still golfs some, though he claims he's had to learn to “let go and not be as good at it anymore.” He also



Above: A Kelly family vacation to Grand Teton National Park in Wyoming—wife Linda, Bill and children Annabelle, Tom and Caroline. Right: Linda and Bill celebrating 25 years of marriage. Below: Kelly at age 16 on his high school golf team.



loves to grill for family and friends and has won several chili cook-offs. But Kelly really gets animated talking about the memorable family vacations he and Linda take annually with their kids—Tom, 21, Caroline, 17, and 15-year-old Annabelle.

“Our favorite was Moose, Wyoming, at the Triangle X Ranch,” says Kelly. “It's up among the Grand Tetons—just stunning. We rode horses and lived in a little cabin. We saw bears and bison and moose. It was outstanding.”

Other Kelly family vacations have included walking Boston's Freedom Trail, visiting the Alamo in San Antonio and cruising to Mexico to see Mayan ruins.

Maybe the dichotomies that seem to make up Bill Kelly are really just a manifestation of his obvious desire to live life to its fullest, embracing as much of it as he can wherever he is, with every passing moment.

“There is never a reason to be bored,” says Kelly. “There's always something fun to do. In rental-purchase, you're running a retail store, a financial center and a service center all-in-one. In my position, I have not only those three balls to juggle, but I also have others, like purchasing and advertising and site selection. But it's a lot of fun when you're building something; you don't mind working a lot. I could work every day, because every day is fun. This—my work with New Avenues—is big, big fun.” ■



Kristen Card is an independent business writer in Austin, Texas.

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www.frigidaire.com

GE Consumer & Industrial * ^ +

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www.geappliances.com

O'Rourke Sales Co. * ^

Contact: Joe O'Rourke
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