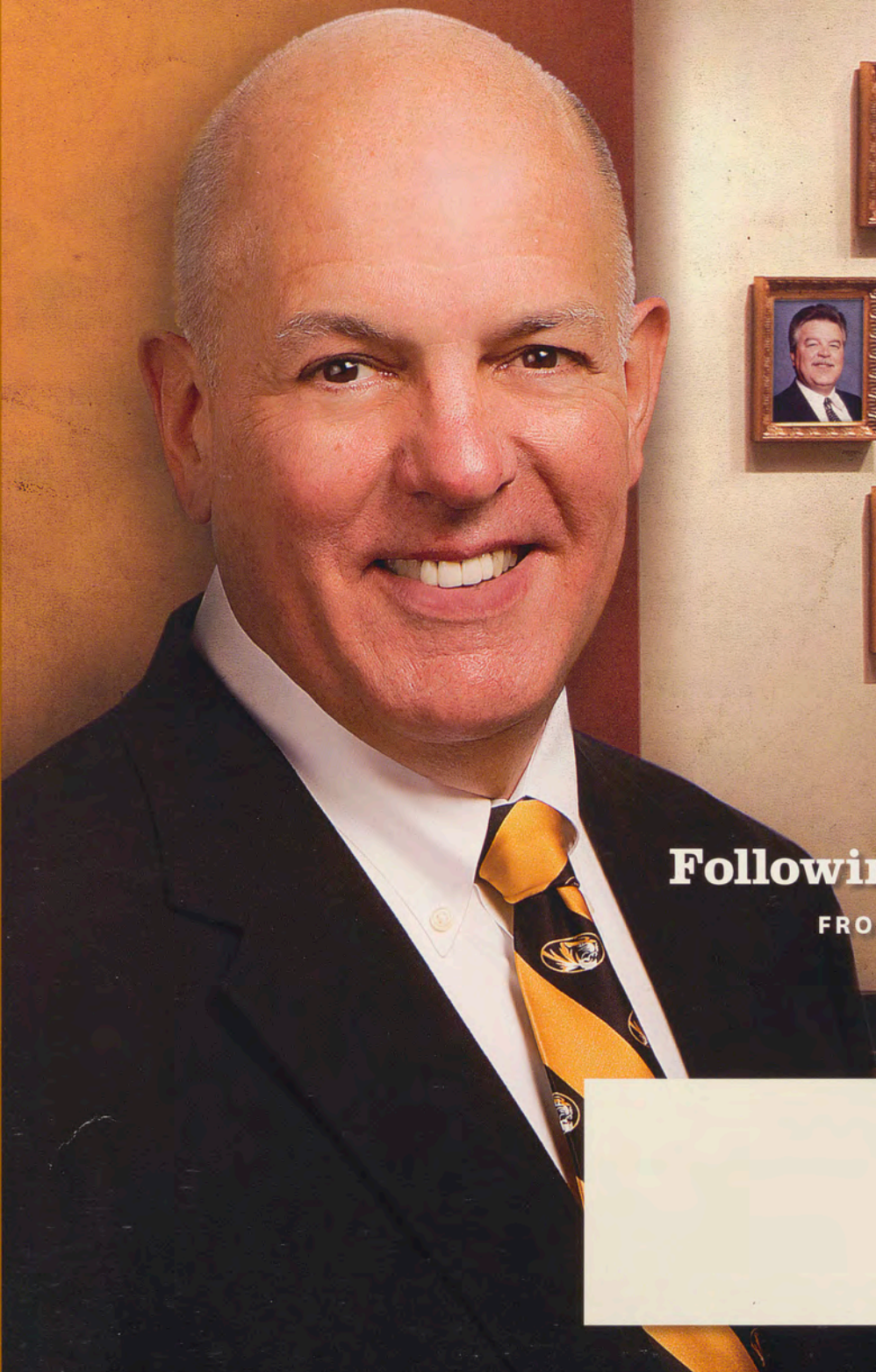


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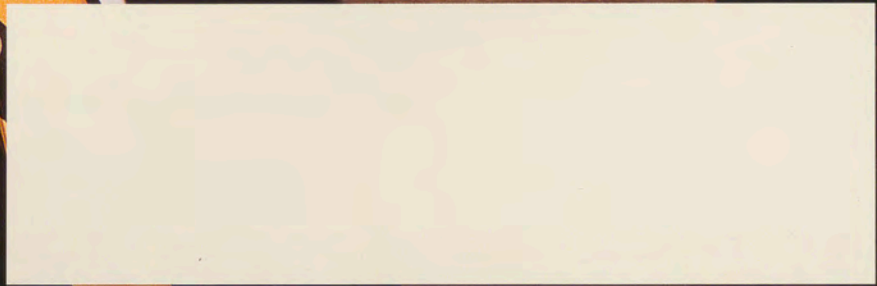
RTOHQ

The Magazine



Following the Leaders

FROM BUD TO TIGER





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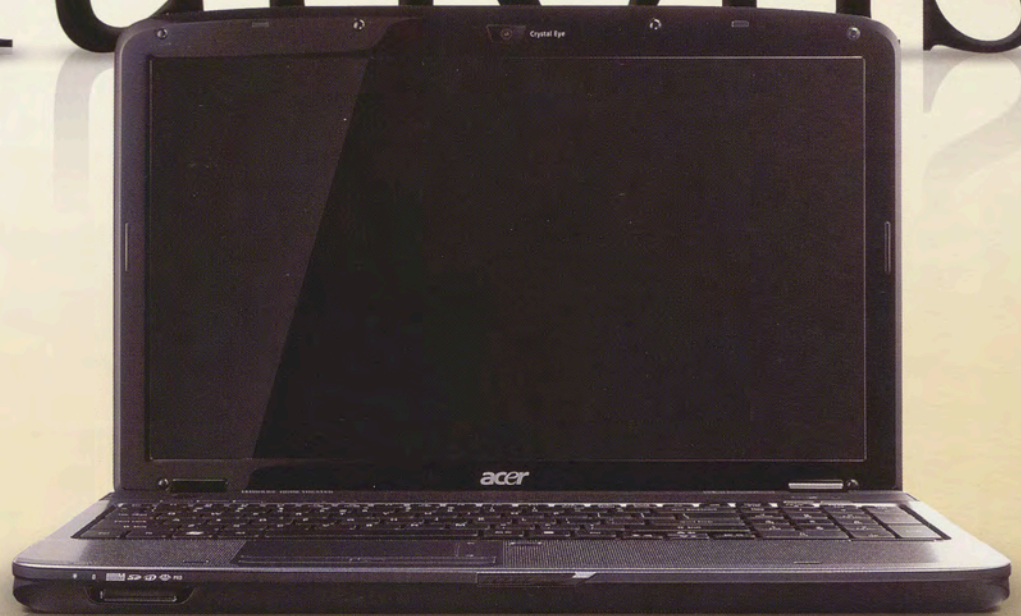
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40 YEARS OF GOING GREEN

Our common humanity

"History cannot give us a program for the future, but it can give us a fuller understanding of ourselves, and of our common humanity, so that we can better face the future."—Robert Penn Warren

Knowing and understanding the history of rent-to-own and the Association of Progressive Rental Organizations is crucial in the pursuit of excellence for ourselves, our companies and our industry. Therefore, it is most appropriate that we rekindle the memories of our past during this, the 30th anniversary of our national trade association.

Most rent-to-own professionals probably have scant, if any, recollections of the obstacles that have been overcome and the trailblazing personalities who have helped shape the industry into what we all enjoy today. I hope you will take time to read and reflect upon our legacy in this and the next five issues of *RTOHQ: The Magazine*. The content will help you better understand who you are professionally and give you insight to prosper in the future.



In this issue, we present some wisdom and insights from 15 of APRO's 17 presidents as they reflect upon the obstacles and achievements of their time in office. Mac Hennigan, APRO's fourth president, is deceased. Unfortunately, we could not locate Dick Grauel, APRO's fifth president. We believe he lives in West Lafayette, Indiana, but all of our efforts to locate Dick were unsuccessful. I regret this, as he was the president who hired me and gave me my first lessons in rent-to-own.

I have had the privilege of knowing all APRO presidents. Fourteen of the 15 men interviewed are still involved in some way with the industry; although a couple of them claim to be retired, they still have either financial interests in rent-to-own or immediate family members running companies. Only Ted Wilson seems to be completely out of rent-to-own, but that will change in July—Ted has promised to attend APRO's 30th anniversary celebration in Louisville.

From the rent-to-own industry's beginning, vendors have played an astonishing role in the development of our business. Three giants who contributed significantly in the early days of rent-to-own are Joe Eason of Transamerica, Tom Kitchens of Whirlpool and Norm Smith of Zenith. All three are deceased, but their names and contributions live on. Joe and Tom did more business with rental dealers on the golf course than anyone else and APRO's annual golf tournament is named for them. Norm was the godfather of our Vendor Advisory Committee and a longtime advisor to the APRO board on vendor issues. APRO named the RTO Vendor of the Year award in Norm's honor. We offer these three men as our vendor focus for this issue.

Enjoy the magazine—reflect on the history within. As Robert Penn Warren said, "so that we can better face the future."

APRO's executive director
bkeese@rtohq.org

RTOHQ

The Magazine



Departments

- 1 : Welcome by Bill Keese
- 5 : RTOMatters
- 8 : Flashback A journey through rent-to-own's past
- 10 : Click! Photographs from rent-to-own events
- 42 : Who's Who in Miscellaneous Rent-to-Own Services
- 44 : For Your Consideration by Ed Winn III

January–February 2010

12 : The Year of the Tiger

by Kristen Card

According to Chinese astrology, the Year of the Tiger begins in February 2010. Tiger John Cleek is making the most of it as he winds down his two-year term as APRO's president. He reflects on personal and industry-wide accomplishments and the love of family that sustains him.

18 : Following the Leaders

In the 30-year history of the Association of Progressive Rental Organizations, 17 rental dealers have served as president. To mark APRO's special anniversary, 15 of these leaders share their experiences in helping to shape the rent-to-own industry.

30 : The Keep Rate Conundrum

by Ed Winn III

Calculating keep rate does not seem to improve the rent-to-own business in any discernible way—and yet this calculation, beyond all the others, has had enormous legal and political implications for rent-to-own almost since its inception.

36 : Vendor Spotlight: What's in a Name?

by Neil Ferguson

These three departed rent-to-own vendors live on, their names indelibly linked to key industry events and honors.

Cover photograph of Tiger John Cleek by Carl Neitzert. Also included in the cover's photo illustration are former APRO presidents: Gary McDougal, Barry Gambini and Wayne Chambers (top row); Bud Holladay, Kevin Quinn and Darrell Tissot (middle row); Lyn Leach and Larry Carrico (bottom row).

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Seeing is believing: APRO membership is worth every penny

If you work in the rent-to-own industry, the Association of Progressive Rental Organizations is an essential part of your business. APRO provides legislative protection, networking opportunities, business resources, education, strength through unity—and so much more. Now, you can see for yourself. APRO has produced a DVD highlighting all the benefits that the association offers, including the latest strategies to enhance the RTO industry's stature in Congress and help win passage of a federal bill defining the rent-to-own transaction. If you know colleagues who are not members of the Association of Progressive Rental Organizations, contact APRO and we'll send them a copy of the DVD. If you are an APRO member and haven't received the DVD, let us know and we'll send it to you. Contact APRO's Membership Director Laurie Hill at 800.204.2776, ext. 103, lhill@rtohq.org.

**APRO IS THE OFFICIAL VOICE OF THE
RENT-TO-OWN INDUSTRY. SEE FOR YOURSELF.**

RTOHQ

The Magazine

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RTOMatters

APRO unveils revamped Rental Training Online program

APRO University, the education section of the Association of Progressive Rental Organization's Web site (www.rtohq.org), has unveiled a completely revised, easier-to-use, lower-cost Rental Training Online program. Currently, the new interface offers APRO's original five training courses: *Introduction to Rent-to-Own*, *Rental Delivery and Safety*, *Customer Satisfaction in Rent-to-Own*, *Communication in the Rent-to-Own Workplace* and *Account Management in Rent-to-Own*. More courses will be added soon; rent-to-own management training is in development now.

The revised Rental Training Online program offers



much more flexibility and ease of use, as well as a lower price for all courses. Rent-to-own companies now have more administrative control on the site and are able to track training progress within a company.

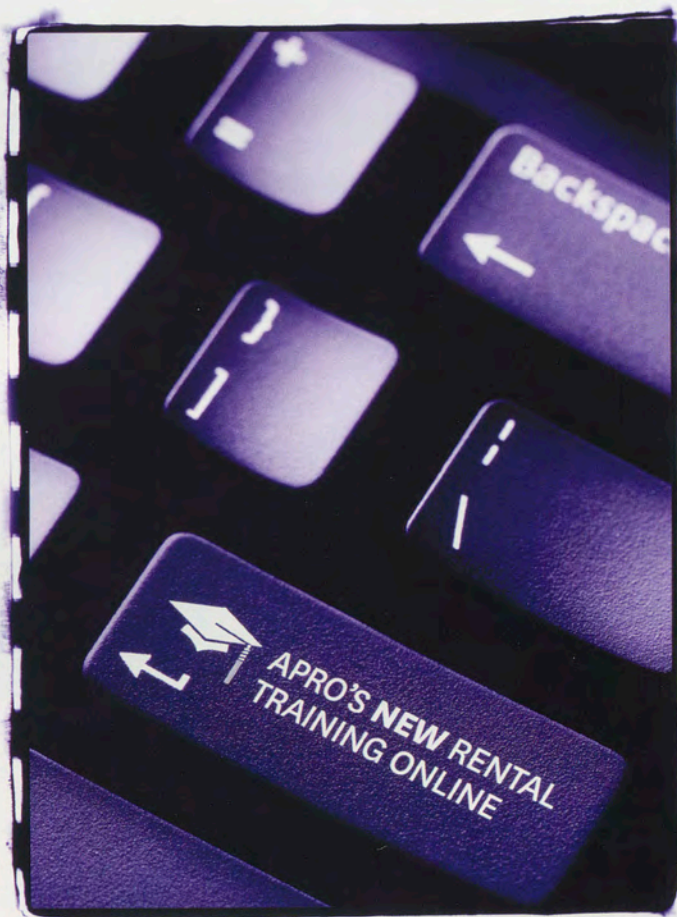
APRO's 2010 version of Rental Training Online offers:

- ▶ Improved course assignment functions that allow business owners to control what courses their employees receive;
- ▶ Expanded payment options, including credit cards, eCheck and online invoicing;
- ▶ New e-mail notification functions that alert employees when a new course is assigned;
- ▶ Certificates of completion generated automatically and stored in the system;
- ▶ Options for employees to self-register or direct control of the registration process to an administrator.

Now, Rental Training Online courses are only \$10. APRO has lowered prices to enrich its membership benefits and because the association believes that it is important that all employees in the industry receive proper training. In addition, APRO will offer free "update"

courses that provide rental industry notifications.

If you would like to see how APRO's Rental Training Online can improve your company's bottom line, sign up today. To register for a free account, visit www.rtohq.org.



rtohq.org, click on the "RTO Education Resources" tab, then "Enter APRO's New Virtual University."

If you have an existing corporate account for APRO's Rental Training Online, contact Keith Carrico at 314/835-0004, ext. 324, to transfer your account to the new system. For questions regarding the Rental Training Online program, contact Shelley Martinek,

APRO's education director, at smartinek@rtohq.org, 800/204-2776, ext. 109.

46 states in 2010 legislative session

The new year means the beginning of many state legislative sessions. All rent-to-own businesses need to take note when legislators

are in session—many bills introduced could have consequences to RTO businesses and employees. It is estimated that more than 125,000 bills will be introduced in 2010, not including those in the U.S. Congress, which will introduce an estimated 6,000 bills.

There already have been 26,000 state bills introduced in 2010. The

Association of Progressive Rental Organizations monitors proposed legislation across the country that might affect the unique elements of the rent-to-own transaction. It is estimated that there are up to 5,000 bills introduced every year that must be analyzed to determine potential effects on the rent-to-own industry.

Rent-to-own part of new consumer diet

As the recession continues, Americans are saving more, spending less and rethinking middle-class living, according to a recent article, “17 Ways Consumers are Changing,” published in *U.S. News and World Report*.

Rent-to-own is referenced in the article as part of a “rental rebound”—a timely alternative to the “ownership society.”

“The ‘ownership society’ is over,” the article states. “After peaking a few years ago, home ownership rates, not surprisingly, have started a long journey downward, as foreclosures shake out people who

APRO heads to Bluegrass State for 2010 Convention and Trade Show

Churchill Downs (home of the Kentucky Derby), the Louisville Slugger Museum (home of the world’s most famous baseball bats), the National Underground Railroad Freedom Center, the Muhammad Ali Center and other attractions await rent-to-own dealers who will converge on Louisville, Kentucky, July 19–22 for APRO’s 2010 Rent-to-Own Convention and Trade Show. Louisville was chosen as the location for APRO’s 2010 event not only because of its exciting attractions, but because it is located within a day’s drive of half of the population of the United States. The Marriott Louisville Downtown and Kentucky International Convention Center will be home base for the event. APRO will celebrate its 30th anniversary during the show—a splendid time is guaranteed for all. And the association is working hard to bring you what you want and need to make this year a successful and productive one for your business. A definitive schedule and details on the educational seminars to be held during the convention will be announced in March. For now, our tentative schedule is at right. For more information on exhibiting at the show, contact Cindy Ferguson, APRO’s marketing director, at 800/204-2776, ext. 107; cferguson@rtohq.org; or visit www.rtohq.org.



Monday, July 19

- 9 a.m.–1 p.m. Joe Eason/Tom Kitchens Golf Tournament
- 2–5 p.m. Early registration
- 6–7:30 p.m. APRO President’s Welcome Reception

Tuesday, July 20

- 8 a.m.–8 p.m. Exhibitor set-up
- 8:30–11 a.m. Rental Roundtable
- 11 a.m.–12 p.m. Exhibitor Luncheon and Vendor Advisory Committee elections
- 12–5 p.m. Educational seminars
- 7–9 p.m. Gala Cocktail Reception

Wednesday, July 21

- 7–11 a.m. Exhibitor set-up
- 9–11 a.m. APRO General Session, keynote address and board elections
- 11 a.m.–6 p.m. Exhibit hall open
- 1:30–2 p.m. Info-to-Go seminars in the exhibit hall
- 3:30–4 p.m. Info-to-Go seminars in the exhibit hall
- 5–6 p.m. Cocktail Party in the exhibit hall
- 7–9 p.m. APRO Awards Banquet

Thursday, July 22

- 8–9 a.m. APRO Vendor Advisory Committee meeting
- 9–10 a.m. APRO full Board of Directors meeting and election of officers
- 9 a.m.–3 p.m. APRO exhibit hall open
- 10–10:30 a.m. Info-to-Go seminar in the exhibit hall
- 3–9 p.m. Exhibitor move-out

couldn't afford their homes in the first place and tough borrowing standards limit new buyers. The home ownership rate peaked in 2004-05, when about 70 [percent] of households were occupied by owners. That percentage could sink to the low 60s within a decade. A renter's mentality is extending to other big purchases, like cars and furniture. The Aaron's rent-to-own furniture chain, for example, has been thriving."

Read the full article at www.usnews.com.

RTO veteran Urena dies

Joe Urena died in Redlands, California, on January 26 at the age of 70. Urena, an associate of rent-



to-own media and trade show professional Marie May, worked in sales for May's Rental Dealer News and Rentex

in the 1990s and had many friends in the industry. He also was a member of the Air National Guard. Urena is survived by his daughters, Debbie and Tracie.

High Touch, RSSS join forces for modernized POS software

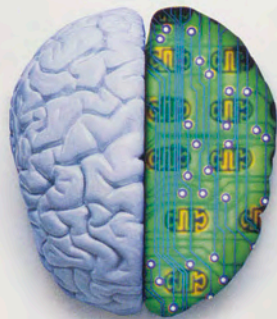
Citing client needs, technology advancements and industry shifts, on January 22 High Touch announced that it will develop and implement a single new modernized system. The initiative is a joint effort

between High Touch and its subsidiary RSSS.

"Rent-to-own is the foundation upon which both companies have achieved expertise and success over the years," says High Touch CEO and President Wayne Chambers. "This initiative includes customer focus groups, in-depth technology analysis and evaluation of how we do business. High Touch and RSSS have researched and evaluated which features and architecture would best support our clients; now we're acting on this research to better serve clients."

The initiative is expected to take place over 18 months, with the goal to be completed and ready for beta testing by mid-2011.

Based in Wichita, Kansas, High Touch provides technology solutions—hardware and software services, network security, managed print services and Web site development and programming—to the rent-to-own industry. Based in Corpus Christi, Texas, RSSS provides end-to-end IT solutions for client companies throughout the United States and Canada. RSSS services rent-to-own, music-and-instrument, wheel-and-tire and furniture retail businesses.



RTOCalendar

February 23-25

APRO Dave Egan Legislative Conference, L'Enfant Plaza Hotel, Washington, D.C. For more information, contact Jeannie Hutchison at 800/204-2776, ext. 108, jhutchison@rtohq.org; or visit www.rtohq.org.

February 28-March 3

RentDirect Nationwide PrimeTime!, MGM Grand, Las Vegas, Nevada. For more information, call 800/777-8741; or visit www.nationwideprimetime.com.

March 9-10

Rent One Annual Meeting, Drury Lodge, Cape Girardeau, Missouri. For more information, contact Larry Carrico at 618/242-8448, lcarrico@shoprentone.com.

March 22-28

High Point Spring Furniture Market, High Point, North Carolina. For more information, call 336/869-1000; or visit www.ihfc.com.

March 23-24

Florida Rental Dealers Association's 11th Annual Legislative Conference, Tallahassee, Florida. For more information, contact Sharon Tomaszewski at 813/241-0607, ext. 11, sharon.rentking@verizon.net; or visit www.frda-rto.com.

March 24

Ohio Rental Dealers Association Annual Business Meeting, Concourse Hotel and Conference Center, Columbus, Ohio. For more information, contact Scott Kinnear at 937/287-3232, srkinnear@sbcglobal.net.

March 27-31

TRIB Group 2010 Annual Convention, Dallas, Texas. For more information, contact Dennis Shields at 770/451-4302, dennis@tribgroup.com; or visit www.tribonline.com.

April 13-14

Tennessee Rental Dealers Association meeting, Nashville, Tennessee. For more information, contact Chris Bolin at 931/906-2066, bolinrto@cdeightband.net.

April 20

Pennsylvania Association of Rental Dealers Annual Meeting, Harrisburg Hilton, Harrisburg, Pennsylvania. For more information, contact Sandi Frye at 814/949-2300, sandifrye@premierrents.com.

Flashback: The APROach, APRO's first magazine

In commemoration of APRO's 30th anniversary, we'll be taking some trips down memory lane this year. Below are a few pages from the rent-to-own industry's first magazine of record, *The APROach*, which APRO debuted in March 1981, just a few months after the formation of the Association of Progressive Rental Organizations. The magazine's name was changed to *Progressive Rentals* in 1984 and then to *RTOHQ: The Magazine* in 2008. In the photograph with Glenn Davis is APRO's first president, Bud Holladay, accepting the check.

DEALER PROFILE

Thomas R. Devlin - President and CEO, Mid-America Leasing, Inc.



Tom Devlin is president and CEO of one of the largest and fastest growing companies in the rental business. Tom has been in the television and appliance business since college. He sold and delivered TV's while attending Wichita State University and by graduation, was responsible for the advertising for Mr. T's. He worked his way up to V.P. Operations for Mr. T's in 1972, then opened his first Sight and Sound rental store in Kansas City in 1973.

Today Mid-America Leasing has 35 stores in 19 states with 7 new ones planned in 1981. By Fall, all stores will operate as Rent-A-Center stores, because the Sight and Sound name cannot be used in all states. Tom credits his success to 6 key points in his

business philosophy. First, have a good partner. Frank Barton's experience and temperament complement Tom, making them a successful team. Second, finding and keeping the right people. Tony Heatherly and Gene Heggstad joined Tom in the first store and today are V.P.'s of Operations. Third, secure adequate financing. Mid-America Leasing has financed its growth with cash flow from profitable operations and external investment. Fourth, pay your people well and demand high performance. Fifth, develop good advertising and use it consistently. Sixth, develop and bring in people at the right time who have the ability to sustain your growth goals profitably.

Tom is a sports enthusiast who plays basketball and tennis to stay fit, and carries a 14 handicap in golf. During the last year, Tom has enjoyed rounds of golf with George Brett, Bill Russell, Doug Sanders, Frank Beard, Jim Simmons and others in Pro-Am events around the country.

Tom believes much of his support and acceptance by other business leaders comes from his active participation in the community. Tom is an active owner of the Wichita Wings, the 1981 Major Indoor Soccer Team Western Division Champions.

Tom, his wife Myra, and his two children live on a 28-acre mini-ranch 25 minutes from the office.

SALES

Our Customers are Different

Why do some customers like us when others don't? Why do some prefer dealing with an older salesman? Why do some want to do business only with the brash, aggressive wheeler-dealer? How important is it that customer and salesman like each other?

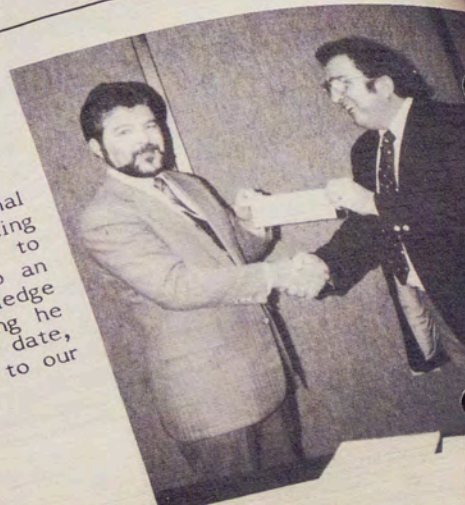
The answers lie in the fact that customers are different. They may want the same hardware and even the same service, but they have different *psychological* wants. They have different personalities, different motivations, different *values*. Each customer has his own value system.

A new breakthrough in behavioral science is called Value System Psychology. It answers

many questions about dealing with rental customers. Several types of people have been identified through research. They are different because they have different values. This simple idea has been used in many areas which are of great interest to the rental trade.

More News Briefs

Associate member Glenn Davis, National Sales Manager for Dynamic Distributing Company, pledged he would donate to APRO \$1 for every unit he sold to an APRO member. Glenn upheld his pledge and at the December board meeting he presented a check for \$998. To date, Dynamic has donated over \$2,100. to our association.



Vol. 1, No. 1 Association of Progressive Rental Organizations

PERSONNEL

Federal Wage and Hour — The

Today's retailer is faced with a variety of rising costs of doing business. Aside from inventory, payroll costs have become the single largest expense category faced by most rental companies today. Payroll costs typically range from 19% to as much as 28%. Therefore, many executives are asking the question, "How do I offset the rising costs of payroll and overtime premiums?"

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ColorTyme's 2010 National Meeting

ColorTyme held its 2010 meeting January 17–20 in Frisco, Texas. More than 250 franchisees, managers and vendors gathered for this annual event, which featured updates from company leaders, a buying show, awards ceremony, hockey game and lots of camaraderie.

1: Gary and Jutta Hughes were named ColorTyme's 2009 Franchisee of the Year, the fifth time they have achieved this "Eagle" stature—pictured here with ColorTyme CEO Bob Bloom (right). 2: ColorTyme's Jessica Adascheck, Amy Woods, Theresa Reinhardt, Christine Saggese and Eric Wiseman. 3: Mark Shaw won the top manager award, the Double Diamond, presented to managers whose store generated \$2 million or more in revenue over the past year. Shaw is pictured (third from left) with franchise owners Gary Hughes and Peter Landretti and Bloom. Dean Traufler, not pictured, also was awarded the Double Diamond. 4: Roger DagDag, Doug Ayano and Keala Bates. 5: APRO's Cindy Ferguson, High Touch's John Rogers and Donna DiTrani. 6: Rent-A-Center President/COO Mitch Fadel. 7: Steve Dwyr earned ColorTyme's New Franchisee of the Year award.



RNR Custom Wheels and Performance Tires Meeting

RNR Custom Wheels and Performance Tires held its annual franchisee meeting on January 18 in Tampa, Florida. RNR of Virginia—owned by Richard Rose, Jeff Loeb and Ron Russell—was named the Franchisee of the Year. More than 25 managers were recognized for doing over \$1 million in revenue over the past year. In December, *Entrepreneur* magazine named RNR Custom Wheels and Performance Tires number 1 in the "Miscellaneous Auto Products" category for 2009. The franchise also landed the 255th spot in *Entrepreneur* magazine's "2010 Franchise 500" listing.



1: Franchisee of the Year was awarded to RNR of Virginia—Jeff Loeb, RNR President Larry Sutton, Ron Russell, Ron Rose and Scott Richardson. 2: Sutton presents Desiree Rivelli Tatum of Out of the Box Media Consultants with the Vendor of the Year award. 3: RNR's Mike Kent Pioneer Award winners Joy Kent and Chris Raffo. 4: RNR employees who have worked for five years or more with the corporate stores: Brent Sutton, Linda Petko, Kyle Parman, Vince Ficarotta, Jason Sexton, Larry Sutton, Andrew Grub, Davian Hughley, Joe Green, Mike Smith and John Stout.



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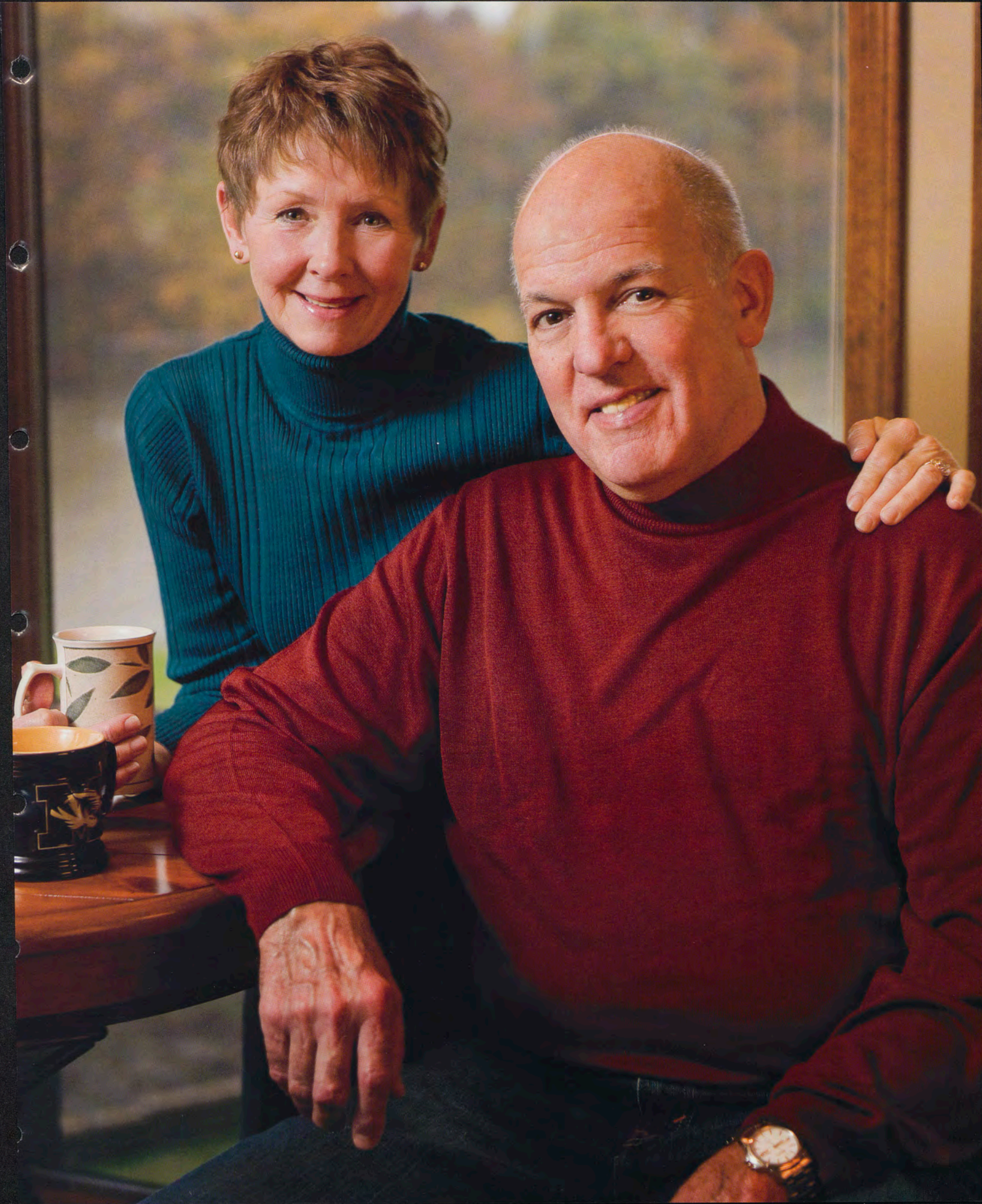
THE YEAR OF THE

Tiger

**TIGER JOHN CLEEK'S
PASSION FOR RENT-TO-OWN
AND LOVE OF FAMILY LEAVES
A LASTING LEGACY**

According to Chinese astrologers, February 14, 2010, marks the start of the Year of the Tiger—a year characterized as being a time for change, as the vigorous sign of the Tiger injects new vitality into old ventures. Tiger John Clifton Cleek Sr. sure hopes so. Coincidentally born during another Tiger year 60 years ago, the two-term president of the Association of Progressive Rental Organizations is—again, following the Chinese zodiac—a typical Tiger: colorful, powerful, passionate and a fierce fighter. For the past two years, Cleek has been directing his fearless, fearsome side at gaining congressional approval for the federal *Consumer Rental-Purchase Agreement Act*. And as his presidency winds down, Cleek feels that the time may at last be right for bill passage. “The timing for the APRO Legislative Conference (February 23–25) is going to be great,” Cleek effuses. “[Congress] should be wrapping up health care and we’ve never had either a lead sponsor like our current one, U.S. Representative William Lacy Clay Jr. (D-Missouri), who’s taken such strong ownership of the bill, or so many bill co-sponsors (113 in the House of Representatives). In my opinion, we’re never going to have a better chance to pass federal legislation than we have right now, in this session.”

**BY KRISTEN CARD
PHOTOGRAPHS BY L.G. PATTERSON**



Though a Tiger by Chinese horoscope as well as by nickname, Cleek didn't grow up in an urban jungle. The sleepy, stable college town of Columbia, Missouri, with a population just north of 100,000, has been his lifelong residence. Continuing to call Columbia home has kept Cleek comfortably close to his roots—especially his family's beloved University of Missouri Tigers.

Cleek's father, Clifton Elmo—or "Missouri Mo," as he was commonly known—and his wife, Wilma, launched Cleek's Appliance and Food Service in Columbia in 1956. With a rented corner of Wilson's Wholesale Meat Market, Mo ran a plan through Amana Refrigeration: customers would buy a freezer full of food and the community bank would finance the whole thing for 24 months. Within a few years, the business began to grow.

"In 1959, Dad moved his business to a building across town, which we shared with people processing meat and renting meat lockers," Cleek says. "In 1962, we got the whole building, remodeled and added TVs to our appliance line. I realized early on that the only way to get to

denly I had two families to support—my little sister was only 12 at the time and I had my wife, Ann, and our son, John Jr. One of the first things I thought about was how important it was to me that my dad would close the store so that he could coach me at little league baseball. So I don't care what happens, whatever I've got to do, I'm always going to make time for my family."

And so, family and business have gone hand-in-hand for the Cleek clan. As Cleek, and now his son, John Jr., have continued to run and expand the company, Mo's business wisdom has continued to give them guidance.

"Dad had only two rules," Cleek says. "One: never say anything you have to remember. As long as you tell the truth, you don't have to remember anything, because the truth is always with you. And two: get bigger, get better or get out. We've added a version of the golden rule—treat everyone the way you want to be treated—and today those are the three basic rules of our company."

This trio of tenets has worked well for the Cleeks. In 1975, Cleek was introduced to the rent-to-own concept via Curtis Mathes and for the next decade-plus, he continued to provide both retail and rent-to-own options. But when the Columbia Mall opened in 1985, Cleek's felt the ill effects.

"My business was flat, it just wouldn't grow," Cleek recalls. "So I turned to my dad's wisdom—'get bigger, get better or get out'—and I got out of retail. It was the toughest business decision I ever made. This was a 31-year-old family business and I was changing the basic culture of it."

Fortunately, rent-to-own was the way to go for Cleek's. The switch from retail to rent-to-own ignited almost two decades of steady growth for the company—from one store in Columbia to nine stores in eight Missouri towns by the end of 2006. Over the next few years, though, another troubling trend transpired.

"We were stagnating as a company," Cleek says. "Our numbers were actually beginning to drop and the common denominator in our key markets was Aaron's. We just weren't keeping pace with them."

"So when they started pursuing us [to sell Cleek's to Aaron's], I said, 'Well, I'll listen,'" Cleek says. "Robert Briley, one of Aaron's most successful conversions ever, said, 'You and your son need to come see my stores and draw your own conclusions.' So we spent three days visiting with them [in Abilene, Texas] and, in the end, my son, who had been really fighting this idea, said, 'Dad, they've

MY DAD WOULD CLOSE THE STORE SO THAT HE COULD COACH ME AT LITTLE LEAGUE BASEBALL...SO I DON'T CARE WHAT HAPPENS, WHATEVER I'VE GOT TO DO, I'M ALWAYS GOING TO MAKE TIME FOR MY FAMILY.

spend time with my dad was to go to work with him."

By the time Cleek was 15, he could do any job at the store except legally drive the delivery truck. He continued working full-time while earning his bachelor of science in business administration at Mizzou; by graduation, it was clear that Cleek was in the family business to stay.

"The day I graduated, Dad made me store manager," Cleek remembers. "I just knew I wanted to work with my dad. I loved being around him, I had tremendous respect for the man and we had fun together. Dad was one of the founders of the Daniel Boone Little League and he coached me for about five or six years. If he didn't have a salesman to watch the store, then he just closed up shop and put a sign on the door: 'Gone to little league park. Back in two hours.'

"I graduated in 1972, we moved into a new store location in August of '73 and on November 19 [of that year], my dad was killed in a plane crash coming back from a Missouri football game," Cleek says. "I was 23 and sud-



got a heckuva system, don't they?' That's what it came down to—they just have a better system."

Cleek's Lease or Own officially became Cleek's Inc./Aaron's in December 2008, with two stores bought and two stores sold—and plans to get bigger, better and add another two by 2012.

While his company had been evolving, Cleek was dipping his paws into deeper rent-to-own waters. Not long after Cleek abandoned retail and embraced rent-to-own, he received a call from one of the industry's earliest icons, Dave Egan.

"I had joined APRO in 1985, but I don't know how he knew me, a little single-store operator," Cleek laughs, "But he said, 'We need to set up a state association in Mis-



THE CLEEK CLAN (IN 2006): TIGER JOHN JR. AND HEATHER, WITH THEIR CHILDREN JOHNNY, MARY AND THOMAS; AND TIGER SR. AND ANN (AT RIGHT).

souri. Can you call a meeting?' So I did and on the day before Thanksgiving in 1987 we had the first organizational meeting of the Missouri Rental Dealers Association. Six months later, we had state legislation passed."

MRDA co-founder Cleek went on to serve as the group's president and remains an active board member under the leadership of his son, who took over the presidency in 2007. Meanwhile, Cleek joined the APRO board in 1998 to create and lead the group's state association coordination committee.

"I saw a real need for stronger state associations; I believe state associations are the backbone of this industry," Cleek asserts. "In 1998, we had fewer than 10 state asso-

ciations and whenever somebody wanted to start one up, they were working from scratch. I said, 'This is crazy; let's get together and share our information and benefit the whole industry.' So, for 10 years, I helped organize state associations all over the United States. I put all I had into it and I'm proud of it. Today, with the current excellent leadership of Dave Edwards, we have 45 states represented by 37 state associations around the country. It was my baby and someday I hope it's my APRO legacy."

APRO's 2010 Convention, scheduled for mid-July in Louisville, Kentucky, will mark not only the association's 30th anniversary, but also Cleek's 25th year with APRO, 12th year as an APRO board member and the end of his reign as its president. Cleek is in the home stretch and remains single-minded in his drive to move the industry forward with the congressional approval of federal rent-to-own legislation.

"I never meant to spend so much time on one issue," Cleek says. "But honestly, between January and April last year, I spent about 75 percent of my waking hours working for federal legislation. Right now, we're concentrated on gaining stronger Senate support. I'm just doing whatever I can to make it happen. When I step down from the presidency, I'd like to say 'Thanks to all of you folks, we did it—we got the federal legislation passed.' That would be a great way to go out, wouldn't it?"

As time consuming as the federal bill has been for Cleek, he's quick to bring the focus back to family. Without the unequivocal support of his family—his wife of 39 years, Ann, at home, and his son, John Jr., at work—he says he wouldn't have considered a second term as APRO president.

"It's extremely demanding—lots of time, travel and stress," Cleek confides. "I'm just so grateful for them and everything they do. It's what lets me do all I'm doing."

So while Cleek and the rest of the industry wait to see whether the rent-to-own stars will align on Capitol Hill, Cleek knows that no matter what happens, it will still be a great Year of the Tiger for him—as he works beside his own son every day.

"Just like me, he worked his way through college and wanted to be involved in the business," Cleek says. "Whenever we get some free time, we do stuff together. John Jr. and I are best friends—it's like the relationship I had with my dad. And it just doesn't get any better than that." *

Kristen Card is a freelance writer based in Austin, Texas.

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FOLLOWING THE Leaders

In APRO's 30-year history, 17 rental dealers have served as president. Here they share their experiences helping lead and shape the rent-to-own industry.

When Bud Holladay convened a meeting in Dallas in July 1980 to launch what would become the Association of Progressive Rental Organizations, there were just a handful of attendees and a modest measure of objectives. Rent-to-own was a nascent industry—renting televisions, primarily—and this group of entrepreneurs needed to legitimize their transaction with help of a legal definition. Beyond that, any other services the newly formed APRO provided to its members were just gravy. Thirty years and 47 state RTO definitions later, the association continues to pursue elusive *federal* legislation and, indeed, that remains one of APRO's primary ambitions. But APRO has grown into something that encompasses much more than the passage of a bill. Networking—is there an industry that does it better or one where members share their ideas more readily with each other? Education—for its members, its members' employees and, lately, for its members' families and customers (by way of a scholarship fund). Community relations—reaching out to build Habitat homes, aid Katrina victims and supply schools with much-needed computers. Business enhancement—providing a wide array of resources to strengthen every store. And yes, legislative protection—of course. For all that APRO has become, the association's presidents were at the helm to guide the process. To kick off a year of reflection on where we've been and a celebration on what we are today, let's read the story of APRO and rent-to-own from the men who've led the charge.

Bud Holladay | 1980–81 and 1985

The biggest achievement during my tenure as president? I don't see any one event or accomplishment as *The Big One*. Rather, I think it was the stitching together of diverse interests and aims for a common good at a time when many dealers were just beginning to see some nice returns on their investment of sweat, time and dollars and had little motivation to change anything. People generally are loathe to reinvent anything that seems to be working. There was a sense among many that openness and collaboration could bring considerable risk with little immediate upside. Fortunately some forward-thinkers carried the day and my job was made a lot easier. I was like the emcee at an all-star game—my job was to avoid dropping the trophy.

The two big rent-to-own issues at the time were inextricably linked: 1) sharing information with people who might become competitors; and 2) mainstreaming the industry so that we could realize benefits in financing, purchasing and marketing that were essential to developing markets faster while—to put it bluntly—offsetting some of the costs of cleaning up our act.

The low point during my tenure as president was a purely personal one that speaks more to my ability to keep a lot of plates spinning in all parts of my life than it does to any difficulties in serving an industry that had been pretty good to me. Everything else was just the evolution of business. The high point was the realization that this thing really would work; some very good people were solidly behind it and most of us turned out to be better people with larger minds than even we had imagined. I can't fail to mention my good fortune in having a lot of very good people to take care of things in my own company while we were building APRO. That many of them have gone far beyond where I could take them makes me mighty proud.

One memory that stands out is being on a stage [at an APRO Convention] and looking out at more than a thousand people who had discovered a place to be, something to be a part of, where we were all in it together and didn't have to explain what we do. It sounds a little goofy now, but a couple decades ago that was a very big deal. Chuck Sims—who, I believe, remains the greatest innovator in our business—said a funny and revealing thing at a very early APRO Convention: "I just met two guys I thought I was mad at and none of us could remember why. This is a helluva deal."

It is a different industry today. Back then, a big company might have 100 stores (or 50), but little "mom-n-pop" outfits all over the country had high hopes, long work days and a hunger for information and assistance. They wrote some checks as big

as their hearts and they were the backbone of APRO. *Anybody* making a buck in this business today owes them. Even though many of those owners have since sold and realized a handsome gain, some of the fun has gone out of it as a result.

Because my family had become annoyingly accustomed to regular meals and a roof over their heads, I kept renting TV sets and dinettes, and hiring myself out to folks who had either hit the wall or were reaching for the hand brake. And, like others, I had those intermittent bouts of getting out of the rent-to-own business entirely; but I'd always wake up and realize that it's what I do.

Now, I'm overseeing a start-up in New York City called Gallery Homestore. It's an interesting concept blending the best of the best and trimming back much of the other stuff. We did a pilot store outside of Philadelphia and got the kinks worked out, so we're taking the show, if not to Broadway, at least to Brooklyn. If you're visiting the Statue of Liberty and you see an old tour guide who looks vaguely familiar, you'll know it didn't fly. Tip him well.

Chuck Sims said a funny and revealing thing at a very early APRO convention: "I just met two guys I thought I was mad at and none of us could remember why. This is a helluva deal."

Barry Gambini | 1982–84

I was fortunate to be involved in helping establish a moral and ethical code for the rent-to-own industry that has been beneficial to consumers, as well as business people. We set APRO membership requirements, provided education and forged the way for legislation to be passed that has done a great deal to uplift what might have been an industry that did not have the respect it has today.

During my tenure, it became necessary to implement state and federal laws to protect and improve our industry. As important as this effort was, it was just as important to bring together the industry's brightest entrepreneurs to share their knowledge, hope and experience. As a result of this collaboration, we raised the standards of operation for all APRO members.

Our biggest frustration was retaining the access to lobbyists who could help us move bills through the process. The political system was so complicated and self-serving that common sense seemed to be the least important factor in convincing the powers-that-be that we were a growing industry that wanted to protect both consumers and businessmen. Time and money just seemed to drain away with little movement of the legislative process.

On the plus side, it was uplifting to be instrumental in helping APRO reach out to others less fortunate. During my tenure, APRO became the first non-profit trade association to initiate a national fundraising effort to support a non-profit charity. We



Bud Holladay, Barry Gambini, Glenn Davis, Mac Hennigan and Dick Grauel

made a significant contribution to Big Brothers/Big Sisters of America at a time when that charity was struggling to get started.

These days, APRO is more consolidated, customer-oriented, professional and ethical. Today's technology enables communication at a much more sophisticated level. Everything is clearer, more available and moves much faster.

When my term as president ended, I continued to direct and build my own business while remaining active in APRO. I watched many of the ideas that had started during my tenure develop and be completed with my support. APRO has continued to be an important part of my life, even if now it is from a distance. I sold my business at a great time, allowing me to try other endeavors, start several small, unique businesses and serve as a consultant to other rent-to-own dealers. I maintained a work schedule because, when I retired, my wife told me that she had married me for better or worse—but not for lunch. I continue to be associated with Walter Clark & Associates, APRO's endorsed commercial insurance agency, helping to design and implement plans and policies for the rent-to-own industry.

Glenn Davis | 1985

I consider the biggest achievement while serving as APRO's president was the successful reorganization of the association. When I took office, membership was down, so we went to work soliciting new members. We set up a different structure for membership dues. Prices for booth space at the APRO trade show were restructured. The formula I helped put into place is still in use today.

The main issue during my term was urging rental dealers to set good standards for running their businesses. Also, we made a strong push for starting the federal legislation process.

I was proud of the annual convention held the year I was president. The APRO show in Las Vegas was quite a production. A woman dressed as Cleopatra wandered around while I was dressed as Caesar. There was a parade of lions, elephants and other animals. Some members still reminisce about it.

Today, APRO members' stores are more upscale, with the look of a home-furnishings store. The quality of the merchandise has improved. Customer service is still very important.

After my term as president, I continued to own and operate several rent-to-own stores until the late 1980s. Now, I sell King Koil mattresses and build custom homes in the Dallas/Fort Worth area. My heart is still with the rent-to-own business. Working with APRO was a big part of my life and I have many wonderful memories and great lifelong friends as a result.

Mac Hennigan | 1986-87

Deceased.

Richard Grauel | 1988

Unavailable for comment.

Ted Wilson | 1989-90

When I was elected APRO president in 1989, the association had just appointed Bill Keese as its executive director, we were finishing a less-than-successful convention in Washington, D.C., and many vendors and members were concerned about the continued viability of the association. As the new president, it occurred to me that I might be considered the guy who either killed APRO or saved it! The rent-to-own transaction was under fire—our opponents were attempting to re-characterize the transaction as an installment sale—so I knew that APRO needed to be unified and focused for the fight ahead.

I decided to attack two problems: we had to figure out a way to make our membership proud of the association and join together, and I had to take the flak directed at our new executive director until he was able to learn the ropes and take care of himself. The following year, we held APRO's 10th-anniversary Convention at the Peabody Hotel in Orlando (under some protest); it has since been considered by some as one of the best rent-to-own conventions ever. Following that event, I felt that we had gotten the unity we needed to go forward.

The low point of my tenure came in the first year as I tried to deal with members who were not as eager as I was



Ted Wilson, Wayne Chambers and Kevin Quinn

to make APRO stronger and better. I endured a lot of stress from all of the traveling while trying to do a good job for my employer. The high point of my term was during the Orlando convention, when the APRO membership gave a standing ovation to the staff and board of directors for a job well done.

I feel that rent-to-own has become much more professional and focused on the problems as they come along. I'm confident that APRO can survive as long as the membership maintains its solidarity and continues to elect caring, professional board members and officers.

Alreco, the company for whom I worked, went public in 1996. Following two public offerings, we continued to grow the company until 1998 when we merged with Action RTO, which subsequently was purchased by RentWay. I retired in mid-1998 and played golf almost every day for 20 months; but eventually, I became bored with the retirement lifestyle and took a CFO position with a large regional insurance broker. After three years there, I accepted a controller position with a large, local home-building materials business and remain there today. Whenever possible, I still try to get together with my old rent-to-own friends for a game of golf and a cocktail or two.

Wayne Chambers | 1991-92

As APRO's president, my biggest achievement was working with industry leaders—representing both large and small rent-to-own companies—to withstand the onslaught of the legislators and regulators who wanted to re-characterize the transaction and potentially put us out of business. In the process of getting everyone to work together, APRO was able to position the industry so that, eventually, it would win the sale-versus-lease tax issue and create more of a safe haven for rent-to-own—one that would last for a long time.

A low point for me was when Congressmen Henry B. Gonzalez and Joseph Kennedy II publicly confronted the rent-to-own industry, which created quite a crisis for us. During this same period, Rent-A-Center made the front page of the *The Wall Street Journal*, with charges that the company was conducting inappropriate collection practices. Another low point was when one of the circuit courts ruled against a rent-to-own dealer in a significant tax case.

Some of the high points included an opportunity to speak to the House of Representatives' Ways and Means

Committee on behalf of the industry and APRO; this occurred *after* I served as president, but related to my time and tenure as president. Walking the hallowed halls of the Internal Revenue Service and the U.S. Capitol, working with some outstanding professionals to carry the flag for the rent-to-own industry on tax issues, was quite an experience.

One of my favorite memories as president was visiting the U.S. Congress with APRO Executive Director Bill Keese, Ron Waters [APRO's legislative director at the time] and Ed Winn [APRO's legal counsel]. When I was being prepared for my congressional testimony, Ed Winn spent many hours and a lot of effort to polish my presentation. I am sure that it was a chore for him, but it is much appreciated on my part. I appreciate all of the good times and the wonderful people with whom I worked in the industry and at the APRO office. I consider many of them to be lifelong friends.

I don't think that rent-to-own is all that different today. Maybe there is a little less turmoil. The consumer still has the same basic needs and the rent-to-own dealer still fills those needs with value and purpose. It is good to see the sons and daughters of those with whom I worked still in the business, carrying on as their parents did before them.

Since my term as president, I've stayed involved in the rent-to-own business. I've tried to stay close to the APRO staff and membership. I spent six years as an executive for Advance America, the nation's largest payday-loan company, and learned a great deal doing that. My wife and I have been fortunate to travel the world—both for business and pleasure—and we have enjoyed experiencing all of the reasons that we are thankful to be Americans. Today, I serve as president and CEO of High Touch, a technology-solutions provider for the rent-to-own industry.

Kevin Quinn | 1993-94

My presidency involved keeping APRO together during very tumultuous times when the industry was being attacked by the federal government and the IRS. We nurtured a united front—had we not been together, the industry would have been in a lot of hurt; it probably wouldn't be where it is today, that's for sure. I had to play a balancing act between what the big companies wanted done and what the smaller companies wanted done. We had to keep everyone together and I didn't want to ignore the smaller rental dealers—we wanted to avoid an attitude of "let's throw the baby out with the bath water." We needed to listen to each other and make sure that every vote carried the same weight.

Toward the end of my term, we were able to get the IRS to classify that, for tax purposes, the rent-to-own agreement was a lease, not a sale, and that our products were depreciable under MACRS. Without that accomplishment, the industry

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would have been broke. I'm not saying that I was solely responsible for that, but it happened under my term. If APRO hadn't stayed united and formed the relationships with people like [Congressman] Dick Shelby, we wouldn't be here right now. Rent-to-own would have become a bankrupted industry.

My low point was not getting a federal bill passed; but the high point was that we drew attention at the federal level to recognize our transaction as a lease, not a sale. We had never introduced a bill at the federal level. APRO pushed a good bill to fight a bad bill. In the process, I learned a great deal about how things work on Capitol Hill. It was a real eye-opener for me and made me more aware that politics is a very complicated business!

I enjoyed working with all the rental dealers, the APRO board of directors and staff and how we handled very stressful circumstances. I cultivated many long-term friendships that remain with me to this day.

The industry is very different now. It's a lot more professional, a lot cleaner and it cares a lot more about its customers than it did in the early-1990s. Rent-to-own dealers today are in the business for the long term. It's not just about making money, it's also about creating longevity in the industry, one that rental dealers can pass down. In the early 1980s, some—not all, but some—dealers treated customers merely as profit centers. We don't do that now, but we're still paying for that perception of the industry. I'm not sure we'll ever get out from under it completely, but we sure are working on it.

Today, I stay active within the association and attend every APRO Convention. Also, my wife, Angie, and I hold the annual KLQ Golf Tournament to raise funds for education scholarships and many of my friends in the industry participate in that tournament. I have 17 stores [Quality Rentals] and, in addition to rent-to-own, I'm in the wheel-and-tire business with two stores.

Bill White | 1995–96

I was elected APRO's president at the end of a very difficult period for the rent-to-own industry. Prior to my first term, we faced major issues with the IRS on whether or not we were a lease. The U.S. House of Representatives Banking Committee held hearings and its chairman, Henry B. Gonzalez, introduced a bill declaring rent-to-own a sale. Spurred on by a negative article in *The Wall Street Journal*, there was a great amount of media scrutiny and attacks on our industry. Kevin Quinn was president just before me and had to deal with all of these issues. He did a great job in pro-

tecting rent-to-own during his term. My greatest achievement as president was to reassure all in the industry that rent-to-own was going to survive and prosper because of the great deeds accomplished during Kevin's presidency.

A big issue during my term was consolidation of the industry. At that time, there were seven publicly traded RTO companies and there was a frenzy among them to buy out independents. The long-term effects of all that consolidation on the industry and APRO were unknown and sometimes frightening. It was a time to think conservatively and maintain a steady course of action in an ever-changing business environment. Witnessing and participating in these changes was the high point of my time as president. I don't consider there to have been any low points.

My favorite memory occurred at APRO's Convention in New Orleans when I led a band marching around the auditorium where we held our general session. At that event, APRO members had given me a nice ovation for my work. I was handed an umbrella and—uncharacteristically—I danced around the room.

The industry is much different today than during my presidency. Now, there are only two really big public companies. It's interesting to observe all of the second-generation rental dealers succeeding. We have so many new peo-

ple in rent-to-own and they all bring greater professionalism and business acumen to our industry.

After my term, I sold my company, Action TV and Appliance Rental. I started and continue to nurture a company that invests in real estate and, from time to time, rental companies. I am in great health and am thoroughly enjoying my semi-retirement.

Darrell Tissot | 1997

During my year as APRO's president, we endured a lot of negative media coverage and, as a result, potential negative legislation. Those issues continue today and will for as long as the industry exists. There is always an attitude by some that wholesale is free and therefore businesses essentially should give their products away. The most frustrating issue during my term was not being able to achieve more harmony and common direction from both the largest and smallest rent-to-own dealers.

The industry has evolved ever since the beginning of APRO. Every year, the professionalism of the industry has improved and, as a result, our business has been increasingly accepted as mainstream. When I was president, there were

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He was right, as
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still a few rental dealers who had serious lapses of judgment when it came to collection practices.

For a few years after my presidency, I continued to work in the business with my son, Mike. Finally, I turned the business over to him—a more talented person—and just concentrated on personal projects, grandchildren and golf.

Ernie Lewallen | 1998

When I became president, our issues focused primarily on the media. Rent-to-own was—and remains—misunderstood. Even former Congressman Joseph Kennedy II declared in the mid-1990s, with understatement, that we had “an image problem.” He was right, as our focus-group results revealed soon thereafter. Many potential rent-to-own customers chose not to deal with us because of their perception that our merchandise lacked quality, our stores weren’t

as APRO’s president, rental dealers built their first Habitat house using APRO-member labor and donations.

While I was president, it seemed that every news organization was broadcasting negative news about rent-to-own. I worried that everything we had worked for all of our lives would be destroyed. In one instance, CBS ran a very negative prime-time exposé on rent-to-own. We feared that the APRO office would be besieged by reporters’ calls after the piece ran, but nobody from the media called. I believe that our persistent public relations efforts and image enhancements had worked, making the impact of that exposé rather moot.

One of my favorite memories is from the APRO Convention in Reno, as my term was coming to an end. [APRO Executive Director] Bill Keese asked me if I wanted to make a big impression on members at the awards banquet and, being a team guy, I said sure. Bill’s idea of a big impression was me riding on stage on the back of an elephant! As I saddled the old girl, Bertha, I had sec-



clean and our staff weren’t trained. They cited our advertising as deceptive and unattractive.

APRO’s public relations committee, which I chaired prior to becoming president, went to work to help the industry change its image and give customers a clearer understanding of our value to them. We hired Disney creative talent to produce an animated TV spot promoting rent-to-own. The spot won a Telly Award. We followed that with more very professional television and radio ads using live talent. All of the commercials were made available to APRO members at no cost.

Also, rent-to-own’s image was boosted when APRO teamed up with Habitat for Humanity, demonstrating the industry’s desire to give back to the communities in which it did business. Under the leadership of Gary Romine, my board’s public relations committee chairman and my succes-

and thoughts. She had the power of a Mack truck and her trainer was having a hard time keeping her settled down backstage. The elephant started knocking things over and soon I wondered if being a team player was all it was cracked up to be—but it all worked out and I am grateful to be alive to write about it.

The difference in the industry between then and now is like night and day. Dealers who operate today don’t go to bed at night wondering if their company will be run out of business. There are still challenges to face, but at this point, the industry’s future looks pretty certain. This wasn’t always the case.

After my term, I continued to serve on the APRO board of directors for two more years, left the board for two years and then was back on the board in 2003 for another two terms. I retired from the APRO board in 2007 while serving as first vice president. I am still involved every day in a business that I love. My company is looking forward to its

25th anniversary in 2011. I am completing my third term as president of TRIB Group and have served for nine years on TRIB Group's board of directors. I hope someday to return to serving on the APRO board. I don't expect to retire—I love this industry too much to do anything else.

Gary McDougal | 1999–2001

My biggest achievements as APRO's president were developing a relationship with the Congressional Black Caucus and keeping APRO members together to pursue federal legislation. We corralled a hard-working board and association staff to pursue our goals. The APRO board stayed the course in pursuit of a federal bill and we witnessed passage of legislation in the House of Representatives in September 2002. We were able to get the rent-to-own industry's vendors to help on legislative initiatives and invited an active associate member to be on our board of directors for the first time.

We worked very hard during the 2000 election cycle to get the people into office who would support the industry's efforts. I was fortunate that, during my years as president, our association and industry moved forward smoothly. It couldn't have happened without the tremendous efforts from our board. Larry Carrico, with the help of the APRO staff, developed our online training program. Tiger John Cleek helped reorganize and reenergize state associations that had lost some steam and were not protecting themselves.

I was disappointed that after so much hard work, we did not get much action in the U.S. Senate for passage of our bill; but I recall with fondness developing a friendship with Representative J.C. Watts, who co-sponsored rent-to-own legislation at that time. At the inauguration of President George W. Bush on a rainy day in 2001, we celebrated with Congressman Watts on Pennsylvania Ave.

Once, when I couldn't make it to Capitol Hill for some important meetings and hearings, my wife, Mary, attended with APRO Public Affairs Director Richard May filling in for me. Soon thereafter, my senator told me that he saw my wife running around with a new guy on Capitol Hill. I told him it didn't matter, just so long as we could get sponsorships for our bill! Another fond memory is being invited to Congressman James Clyburn's [D-South Carolina] 40th wedding anniversary and having him publicly recognize the rent-to-own industry.

After my final term as president, I continued to run my stores until 2004; then I sold them and retired. Now, I have some rental properties and manage them. Mary and I enjoy traveling, good health and our family.

Gary Romine | 2002

I count it a great privilege to have served as APRO's president. My term was met with some controversy, but what I endeavored to do was bring resolution without damage to the integrity or heritage of this great association. I was president when we had "our day" in the U.S. House of Representatives. For many years, I had worked with U.S. Representative Richard Gephardt's (D-Missouri) office and, because of that relationship, he promised not to oppose our bill. As a ranking member of Congress, this was critical in order to get the bill to the floor for a vote. It would be vain of me to say that there is any achievement during my tenure that didn't include the efforts of this industry as a whole and all of those who came before me.

I fought for continuing APRO's relationship with the Congressional Black Caucus, which my predecessor, Gary McDougal, had worked so hard to establish. Efforts initiated during my years as APRO's public relations committee chairman were ultimately realized during my presidency—positive academic research on rent-to-own, continuing studies by America's Research Group's Britt Beemer and a report on our industry by the Federal Trade Commission that confirmed the value of the

As was the case with other APRO presidents, time demands while I was in that position could be a drain. The trips and the phone calls were tough at times, but I count those as high points.

rent-to-own transaction.

I don't look at the tough times as low points, but as part of the responsibility of serving in the position. As was the case with other APRO presidents, time demands while I was in that position could be a drain. The trips and the phone calls were tough at times, but I count those as high points. The experiences in Washington, D.C., were invaluable, especially now, as I plan my run for state senate in Missouri. Actually, I think *association* politics can be tougher than *legislative* politics!

My favorite memory was sitting in the House of Representatives gallery and watching the vote on our rent-to-own legislation. It was exhilarating—especially on the heels of having negotiated with Gephardt's office.

The rent-to-own industry is better identified and has been validated by studies and reports published in recent years. We are better understood and recognized for the service we offer our customers. I feel that I left a greater mark on this industry in the time that I worked with Richard May [APRO's public affairs director] on the public relations committee. We weren't afraid to sanction studies on the industry; we knew that the truth would come out and that it would be good for the industry. If it wasn't positive, then we would fix that which needed fixing.

I have continued to serve on the Missouri Rental Dealers Association board and expand my rental business. A few



Gary McDougal, Gary Romine and Lyn Leach

years ago, I ran for Missouri state representative; I lost, but was privileged to serve as chief of staff for Missouri State Senator Kevin Engler for three years. I was on the APRO board until I accepted the chief of staff position.

Currently, I own, and serve as president and CEO of nine Show-Me Rent-to-Own stores. I am chairman of the board for MRV Banks, secretary of the board for Mineral Area College and chairman of the board for a Young Faith in Christ program; but most of all, I enjoy time with my 10 grandchildren, playing golf and being at the lake.

Lyn Leach | 2003

Being president of APRO is a big job—bigger than I had imagined. It takes a great deal of time and involves much traveling, but I loved serving as APRO's president and remember it fondly. The biggest accomplishment during my term as president was the Senate Banking Committee hearing and being a part of the preparation for that testimony. Senator Mary Landrieu (D-Louisiana) testified on behalf of the rent-to-own industry and did a great job. I attended the hearing and saw what it was like first hand. It was exciting and it appeared that we were finally going to get some movement on our bill in the Senate. We had been working for some time to get this hearing and it was an important landmark to see it finally happen. The bill had already passed in the House of Representatives, but we were struggling in the Senate. I traveled to Washington regularly to help gain support and co-sponsorship from additional senators.

There were no low points for me. One of the high points was the APRO Convention and Buying Show in Tampa. Attendance was outstanding and the vendors and members were really excited—increased attendance brought the ability to buy and sell more product. Another high point was the opportunity to speak at the state association conventions and meetings. I met a lot of great people and had the opportunity to share my love for this industry with them.

My favorite memory is the APRO Legislative Conference. There was such a positive feeling about our chances for success. We had terrific attendance, including lots of first-time attendees. It was rewarding to be a part of that process.

Rent-to-own is not that much different today, but the industry is in greater jeopardy politically. The proposed consumer protection agency potentially is a big threat. There have been a number of times in APRO's history when the industry has come under fire—and now is one of those times. We have a great legislative champion in the House of Representatives in Congressman William Lacy Clay. He is more engaged than any of our previous bill sponsors.

After I was finished serving as APRO president, I returned to focusing on my business. While I was president, we opened our seventh store. Now we have 15 stores. I am enjoying involvement in my company. We continue to grow, both in new stores and same-store growth. I have a terrific team of people running my company and I consider myself very fortunate to be able to work with them every day.

Shannon Strunk | 2004-05

Education has always played a critical role in the development and maturation of our industry. APRO's founding fathers established a culture of sharing information and educating those who were pursuing businesses and careers in rent-to-own. Also, rental dealers have always been generous within their communities and that has served as a way to educate people about the rent-to-own transaction. I wanted to extend this spirit of generosity and education by offering college scholarships to our customers, co-workers and their children. The creation and funding of APRO's Educational Scholarship during my presidency—a program that is actively awarding college scholarships today—is the achievement of which I am most proud.

During my terms, there were some challenges. Two of the three publicly traded rent-to-own companies withdrew from APRO just prior to my first regular meeting as president of the association's board of directors. A united industry benefits all rental dealers—this division was not going to be healthy for any of us. Fortunately, with open dialog and a lot of give-and-take, the industry united once again within two years. In our industry, an individual's prosperity is closely tied to unity among companies large and small, private and public, inde-



Shannon Strunk and Larry Carrico

pendents and franchisees. I hope that future generations in rent-to-own understand this. Simply put, the low point of my term occurred when Rent-A-Center and RentWay left APRO—and a high note was when we were all united again.

On a personal note, the low point for me, and most other rent-to-own dealers located along the Gulf Coast, was when Hurricane Katrina struck. We had 21 stores closed for more than two weeks, three stores totally destroyed, customers' homes damaged or destroyed, product gone, employees and stores without income and many of us without homes. We, along with many others, wondered whether we would even be able to continue in the rent-to-own business. It was an unbelievably difficult time for all of us in Katrina's path.

The personal high point was being part of APRO when the association jumped right in and established the Employee Disaster Relief Fund in the aftermath of Katrina. Dealers across the nation donated to the cause and provided many of our fellow dealers and their employees with income during that period. I was proud to be a part of an organization that was able to do such a noble deed so quickly. The fund continues to assist employees in times of trouble and I encourage all of you to support this effort.

I will always remember the many trips my wife, Cynthia, and I made to Washington, D.C., on behalf of the industry. Our daughter, Kristen, worked in Senator Trent Lott's office and, during our visits on Capitol Hill, we always stopped in to see her and say hello to the senator.

Since I have been in the rent-to-own industry, I have been amazed at how innovations and modernization have played such a big part of the professionalizing of our industry. One example of this is how the use of credit and debit cards has become such a normal payment method for our customers, both in person and online.

After my tenure as president, I returned to being just an ordinary rent-to-own citizen. My greatest adjustment was not having to spend hours on the telephone dealing with APRO matters every day. I refocused my energies back on our own business. I will always remember my tenure with a sense of honor and humility at having been elected to serve an industry that I do so love. I continue to stay in touch with the many friends I developed during my time on the APRO board of directors.

Cynthia and I enjoy a fantastic life. Our business is good and continues to grow. All our children and grandchildren are close to us. We have two more grandchildren on the way. We love to travel and have only two continents left in our quest to visit all seven. We rebuilt our home in Pascagoula, Mississippi, and once again enjoy living on the Gulf of Mexico.

Larry Carrico | 2006-07

When I was asked to identify my biggest accomplishment as APRO's president, initially I only thought about the challenges presented during my two years in that office. Upon further reflection, however, I'd say that bringing dealers together for a common cause—whether it was for the Congressional Black Caucus, legislative issues in Washington, D.C., or the Computers for Kidz program—gave me the greatest sense of accomplishment.

One of my greatest challenges concerned the divisive nature of the relationships between RentDirect Nationwide, TRIB Group/AVB and APRO. These groups were growing and trying to identify their roles in the rent-to-own industry. Even though rental dealers were unified in purpose and coming together in record numbers, we faced some fractious circumstances with the buying groups and APRO.

I'm not sure that I had any low points besides the flurry of telephone calls and e-mails when a supposed crisis arose. The high points were always at the APRO Convention and Buying Show, when dealers, staff and vendors were recognized for their selfless accomplishments.

I have many good memories of having served as APRO's president and most involve rent-to-own dealers getting the accolades they deserved. Presenting the President's Award of Excellence to Gary McDougal in 2007 was an honor. Gary's contributions to the industry are unending. Also, it was deeply gratifying the following year to see Mike Tissot and his father, Darrell, on stage together as Mike was presented the same award. These two fellow rental dealers' contributions are unending and most appreciated.

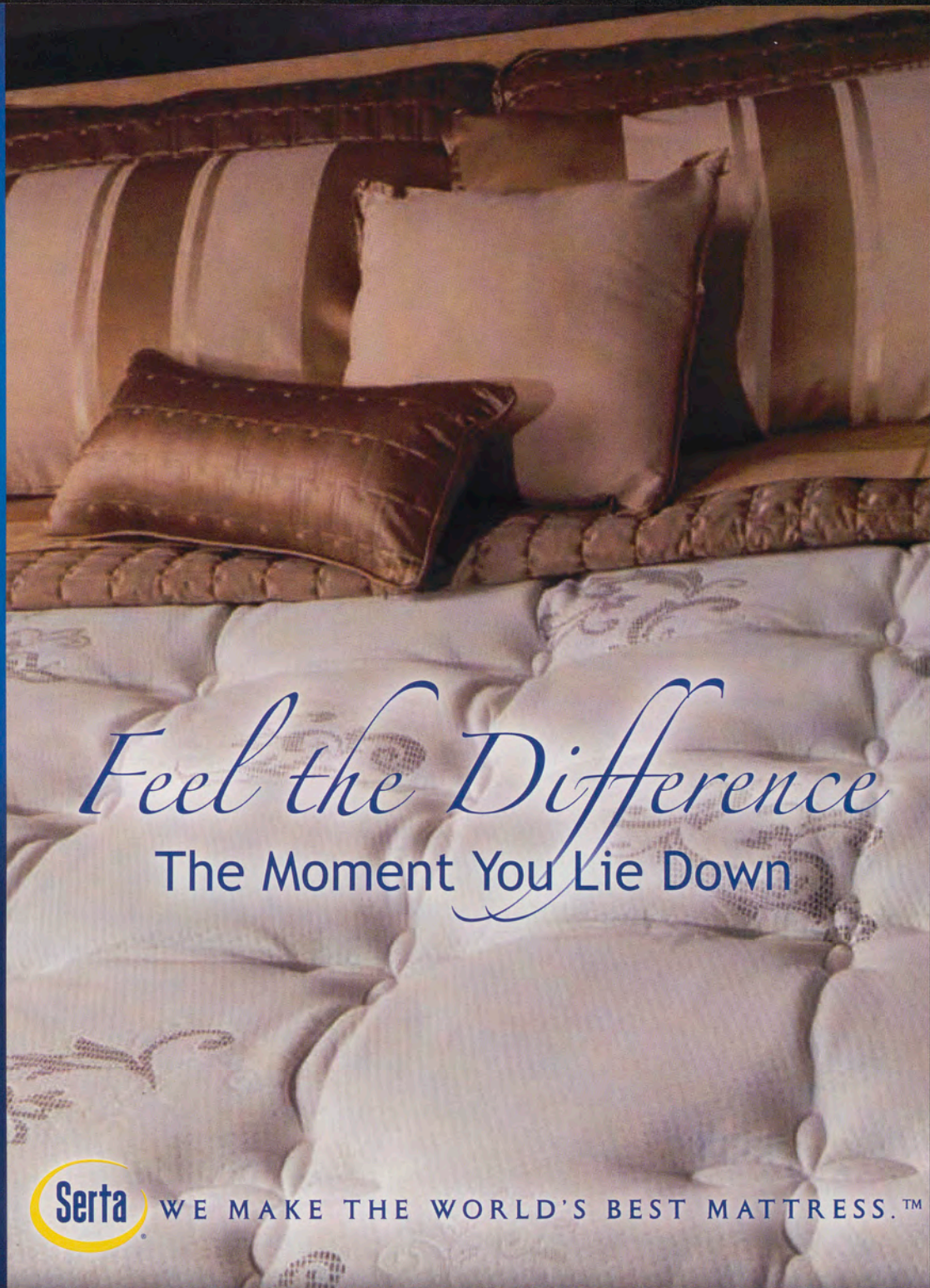
After speaking to many of my fellow past-presidents, we've observed that, while the challenges and successes change, most presidential terms remain the same. One commonality is that most presidents say it's an unusual feeling when it's over because the phone calls, e-mails, letters and faxes dwindle rapidly. Upon leaving the office, I didn't know what to do for a few weeks! But soon, I kicked back and enjoyed the silence.

Multiple business ventures have slowed and real estate has consumed more of my time. I am still involved with Rent One—developing more efficiencies for our customers, creating a better work place for our co-workers and enjoying a healthy life with my wife, Sharon. ✧



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the **keep rate** conundrum

Rental dealers have a plethora of things that they count and analyze. They count customers, BOR, accounts, deliveries, pick-ups, SMSAs, SEs, SEOs, SLAs, RNAs, idle inventory, APUs, percentage of dollars collected, five-day accounts, 30-day accounts, skips, stolens and on and on. They count and compare and analyze these things to help them run their businesses better. One of the things that they do not calculate is keep rate. Calculating keep rate does not seem to improve the business in any discernible way—and yet this calculation, beyond all the others, has had enormous legal and political implications for rent-to-own almost since its inception. Keep rate has often loomed large when policy-makers have decided how to regulate the industry. Rental dealers, can, of course, accurately calculate keep rate when called upon to do so, and they do measure things closely associated with keep rate, e.g., deliveries versus pick-ups per month, average and mean length of agreements. It is paradoxical that this aspect of the business—so argued over, so debated, so misunderstood—is so unimportant inside rent-to-own businesses and, at the same time, so overwhelmingly important to those looking at the industry from the outside.

By Ed Winn III



WHAT IS KEEP RATE?

Reasonable minds differ over how to calculate keep rate, although those same minds probably generally do agree as to what the term means. Keep rate is the percentage of customers who do, indeed, rent-to-own divided by the total number of customers who rent during a given period. Or, it may be the percentage of rental units that are rented to term divided by the total number of units rented during a given period. Or, it may mean the number of rental agreements that go to term divided by the total number of agreements entered into during a given period of time. Or, it may mean the number of deliveries that go to term divided by the number of deliveries during a given period. Dealers will begin to get a sense of what keep rate means from these different ratios.

If the keep rate were 100 percent, it would mean that no product ever came back to the store, plus no skips and no stolens and every customer either paid to term or paid off early. That store would never rent any used product, because it would never have any used product to rent. If a store had a keep rate of 0 percent, it would mean that everything came back and no customers kept any product to term.

If the overall keep rate were 100 percent, the industry would have lost the recharacterization argument long ago and would be regulated like other retail credit sellers. If the keep rate were 0 percent throughout the industry, then rent-to-own would really be the rent-to-rent industry and the recharacterization argument never would have arisen. After all, rental yards have never had to fight the "disguised credit sale" battle.

KEEP RATE HISTORY

Keep rate has been a legal and political issue for a long time. In 1979, then-Representative Frank Annunzio (D-Illinois) introduced an amendment to the *Truth-in-Lending Act* to redefine the term "credit sale" to include terminable rental agreement with a nominal purchase option—i.e., rent-to-own transactions. The congressman did not know what the industry keep rate was, but presumed that it was very high and therefore he included language in his bill presuming that the consumer makes all payments necessary for ownership for the purposes of calculating APR. While the *Truth-in-Lending Act* ultimately was amended in serious fashion with the *TILA Simplification Act* of 1981, the Annunzio bill died a quiet death in committee with no hearings and no vote on the rent-to-own issue.

In 1981, when Congress was simplifying the *Truth-in-Lending Act*, the Federal Reserve Board sent staffers out to study the rent-to-own industry to determine whether it should be covered by the law. Those staffers visited rent-to-own stores in Maryland. They spent time observing how the business worked and talked to industry insiders about, among other things, keep rates. The FRB staff concluded that rent-to-own transactions were not, in fact, disguised credit sales needing coverage by the *Truth-In-Lending Act* and added an important parenthetical to the definition of credit sale in *Regulation Z*. Credit sale includes a lease "(unless terminable at any time without penalty by the consumer)..." The FRB inserted this language because it was persuaded that most customers—more than half, anyway—returned their rent-to-own merchandise and were not using the transaction as a means of acquiring ownership. In fact, the keep rate in those Maryland stores at the time was around 25 percent.

In 1982, the industry had a scare when, in *Clark v. The Rent-It Corp.*, the U.S. Eighth Circuit Court of Appeals wondered whether rent-to-own transactions might be credit sales after all, depending upon whether "most customers [of the defendant] kept their TV sets for 78 weeks and exercised the option to become its [sic] owner," as alleged by the plaintiff. The rent-to-own company had won in the trial court and the customer appealed. The circuit court sent the case back down to the lower court for more evidence on, among other things, the defendant company's keep rate. The company went out of business before any further proceedings could occur.

KEEP RATE AND TAXES

During the next decade plus, state legislatures debated the rent-to-own issue and most concluded that RTO transactions were fundamentally different from credit sales. These legislatures proceeded to regulate the industry accordingly with their own, separate rent-to-own statutes. Keep rates were an issue in those debates, but neither side presented hard evidence of keep rates in any systematic fashion.

Then, the Internal Revenue Service attacked the industry in the mid- and late-1990s. During one period, there were active IRS audits of more than 90 rent-to-own companies, all focusing on how dealers were booking their revenues and treating their rental inventory. The IRS maintained that rent-to-own transactions should be taxed as conditional sales with dealers booking the total RTO sales price as income when the agreement was initiated. Rental items were really retail inventory whereby

original costs could be deducted from gross revenues as costs of goods sold, but whose value could not be depreciated. The industry was facing a tax liability of \$1 billion—if the IRS had prevailed in its position.

All of these audits, while painful and time consuming for the rental dealers involved, did have the beneficial effect of causing IRS agents to examine hard statistical data from rental company records. As a result of these audits and what they showed about how the business really works, the IRS backed off its original position in 1995 and issued *Revenue Procedure 95-38* defining rent-to-own

The rent-to-own industry had persuaded the Internal Revenue Service that RTO transactions were more like rentals than sales and that, indeed, “most customers” just rented. Now, that conclusion had been challenged by the Federal Trade Commission—the federal agency charged with consumer protection—and the implications were serious if the industry was going to continue to seek favorable federal legislation.

transactions as leases rather than installment sales. In the background statement of the *Revenue Procedure*, the IRS stated: “Typically, a substantial portion (and in many cases, a majority) of a rent-to-own dealer’s contracts terminate with the return of the property to the rent-to-own dealer.” This language, without the parenthetical, made its way into the *Taxpayer Relief Act of 1997*, an amendment to the federal tax code, and established rent-to-own transactions as leases for tax purposes.

The implication of the parenthetical is that rent-to-own companies with keep rates above 50 percent can still treat their transactions as leases and use a three-year modified accelerated cost recovery system (MACRS) to depreciate their rental units without being challenged by the IRS. No one knows how high a keep rate can be, as “substantial portion” isn’t defined anywhere. There have been no challenges to rent-to-own companies on the installment sale issue by the IRS since the code was amended in 1997.

If the IRS’s scrutiny of rent-to-own industry records and the resulting conclusion should have been the end of the recharacterization issue, it was not. In 1999, consumer advocates published an article after interviewing 58 rent-

to-own customers and concluded that 76 percent of those customers ended up owning the items that they rented by completing the term. While possible, the sample was small, the procedures badly defined and the findings suspect. That 76 percent keep rate quickly made it into the anti-RTO literature and was often quoted (Zikmund-Fisher and Parker, “Demand for Rent-to-Own Contracts: A Behavioral Explanation,” *Journal of Economic Behavior and Organization*, volume 38, pages 199–216, published in 1999).

The next time keep rate became a hot topic was in 2000, when the Federal Trade Commission published its “Survey of Rent-to-Own Customers.” The FTC’s study involved telephone surveys of 532 people who had done business with a rent-to-own store at some time during the previous five years. To get this sample, the FTC staff called more than 12,000 people. The interview questions sought a lot of information about these customers’ experiences with, and attitudes toward, rent-to-own, including whether they ever rented long enough to own. The study reported that, indeed, 67 percent of the merchandise rented was “purchased by the customer.” This finding led to a policy conclusion in the report that “most rent-to-own merchandise was purchased by the customer.” This finding was a huge surprise to rental dealers who instinctively knew better. The industry immediately criticized this aspect of the report as being based on faulty memories and self-serving statements; some customers probably claimed that they rented to own to avoid the embarrassment of having to admit that they ran out of money and had to return the products before ownership (*Progressive Rentals*, May–June 2000, page 44–49).

The FTC survey asked participants to self-report their recollections of what happened to them during the past five years. The commission made no effort to verify the responses with outside information and, instead, accepted them unquestioningly as accurate. There was no pre-testing of the questions to measure their validity. The methodology of the survey, particularly with regard to what happened to customers’ rental property over five years, was so flawed as to be statistically useless. Not surprisingly, consumer advocates leapt upon this finding in the FTC study—a study that otherwise was favorable to the industry—and added it to their anti-RTO arsenal.

The industry had persuaded the IRS that rent-to-own transactions were more like rentals than sales and that, indeed, “most customers” just rented. Now, that conclusion had been challenged by the FTC—the federal agency

charged with consumer protection—and the implications were serious if the industry was going to continue to seek favorable federal legislation.

A rebuttal to the FTC's study came, not from the industry, but from academia, in an article published in 2003 in the *Journal of Applied Business Research*, "Rent-to-Own Agreements: Purchases or Sales?" Michael H. Anderson and Raymond Jackson, two University of Massachusetts finance and economic professors, analyzed statistical data from 100 rent-to-own stores in 46 states. Their study examined more than 350,000 transaction records. The conclusion of this study was that the keep rate in those

Keep rate is, finally, more of a political tool than anything. It is a useful calculation because it proves that rent-to-own dealers are really and truly in the rental business.

rent-to-own stores was less than 39 percent. This study remains the most comprehensive to date. Other academic studies involving fewer stores and fewer customer records have found a keep rate of 24 percent, measuring keep rate by rental product, and 32 percent, measuring keep rate by customers. This was a study involving four stores in the south and some 75,000 rent-to-own transaction records (Anderson and Jaggier, "Rent-to-Own Agreements: Customer Characteristics and Contract Outcomes," *Journal of Economic Business*, published in 2008).

CALCULATING KEEP RATE

So, if one were interested in doing so, how *would* one calculate the keep rate in a rent-to-own store or company? APRO formed an accounting committee in the 1990s when the IRS audits were underway. The committee consisted of in-house and out-of-house CPAs, attorneys and rental dealers. Ultimately, the committee couldn't agree on the one correct method for calculating keep rate after trying to do so over a three-year period. That is one of the reasons that the percentages vary so greatly. Keep rate can very much depend upon who is doing the calculating.

A quick-and-dirty keep rate calculation is to divide the pick-ups by the deliveries in a month. One hundred minus that percentage is the keep rate.

A more accurate, albeit cumbersome, methodology is to go back in time long enough to look at a group of

transactions that have been completed. Take a period of several months at least two years in the past (assuming all agreements have terms of 18 months or less). Count the transactions initiated, either by customer, product, or agreement. That is the denominator for the keep rate percentage. Count the number, by the same measure, of transactions that resulted in the customer owning the property. Correct this number for rewritten agreements. For example, if a television was delivered, that transaction goes in the denominator. If the TV agreement was rewritten for that same customer, such rewrites do not count as new agreements, or new deliveries in the denominator of the fraction, no matter how many times the agreement may have been rewritten. Finally, the original transaction terminated either in the customer obtaining ownership or not—a return, swap-out, skip or stolen. If the customer obtained ownership, the transaction goes in the numerator of the fraction; otherwise, not. When all transactions for the trial period have been analyzed this way, the result is a fairly accurate picture of what the keep rate was in that store or company two years ago. Of course, the keep rate may have changed since then, depending upon store growth, change in product mix (furniture and appliances have a higher keep rate than electronics), change in weekly/monthly agreement mix (the higher the percentage of monthly accounts, the higher the keep rate) or other changes.

Few dealers, if any, use keep rate as an operational tool at the store level. Employees are not being paid bonuses on keep rates. Computer systems are not programmed to calculate it. Keep rate is, finally, more of a political tool than anything. It is a useful calculation because it proves that rent-to-own dealers are really and truly in the rental business. RTO dealers know this instinctively without bothering to calculate keep rates, because of all of the merchandise they have to go out and pick up every day. If they were selling, the stuff would be sticking; but, try as they might, units keep coming back into the stores, the ululations of consumer advocates be damned. Every day, stuff comes back. Too much. Every day. It is, for better or worse, the rent-to-own business. Stuff goes out; most of it comes back. *Some* of it sticks: keep rate. ✱

Ed Winn III is APRO's general counsel and has been involved with the association since its inception in 1980. Contact Winn at 512/476-0750; or by e-mail at edwinn@mwvmlaw.com.

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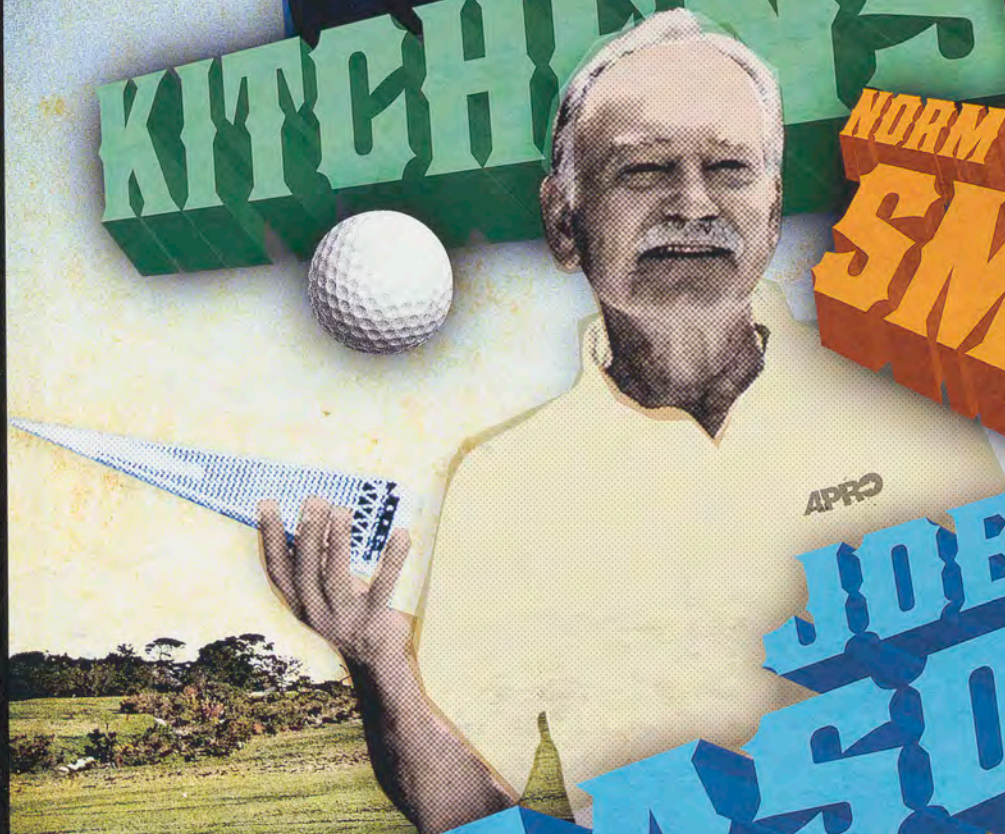
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What's in a name?

JUST WHO ARE JOE, TOM AND NORM?

**These departed
rent-to-own
vendors live on,
their names
indelibly linked
to key industry
events and
honors**

**By Neil
Ferguson**

If you've played golf at an APRO Convention, perhaps you've heard the names Joe Eason and Tom Kitchens. After all, the event is officially titled APRO's annual Joe Eason/Tom Kitchens Golf Tournament. If, at the same convention, you've attended APRO's Awards Banquet, perhaps the name Norm Smith rings a bell. The association's RTO Vendor of the Year award is named after him. Of course, many of you knew one or more of these rent-to-own vendors personally. But for those who didn't, there might be a bit of curiosity. Just who *are* these guys and what did they do to garner industry events and awards named in their honor? Wonder no longer.

Joe Eason was one of rent-to-own's pioneer vendors, involved in the industry since 1980, the same year APRO was founded. In fact, he was at the first meeting convened to discuss organizing a rent-to-own association. That year, Eason, along with Mel Daniel, initiated a rental finance division at Borg-Warner Acceptance Corp., a company for whom he'd worked since 1957. In 1987, Borg-Warner was bought out by Transamerica; Eason continued to provide RTO financing through Transamerica until he retired in 1990, at which time APRO named its golf tournament in his honor.

Eason's help in shaping the nascent rent-to-own industry is remembered with reverence by rental dealers and vendors alike. In a 1990 interview published in APRO's *Progressive Rentals* magazine, Eason recalled the early days of the business, when many vendors were reluctant to dip their feet into the rent-to-own water: "Our goal [as rental financiers] was not only to sign up dealers, but to call on vendors and manufacturers—

to make them aware that there was [a new] industry that needed to be served."

Eason, a Tennessean who majored in physical education at Arkansas State University, maintained a life-long interest in sports—including a particular passion for golf. He used the greens, as many in the industry do, to talk shop and make deals. His rent-to-own colleagues were eager to have Eason on their golf team during tournaments. "No matter how bad it's going, Joe always finds a way to turn it around," observed Mike Walts, then-president and CEO of Alrenco, in 1990, referring to Eason's golf prowess. "He's such a competitor that you want him on your side. He can keep you going when you're down."

When asked in 1990 how he felt about having the APRO golf tournament named in his honor, Eason replied: "I don't understand this. I'm not trying to be too humble—I just don't understand it." But others in the industry understood it well.

Tom Kitchens loved to laugh and finesse others to do the same. That is what comes to mind readily when APRO staffers remember his years as Whirlpool's key representative to the rent-to-own industry. "He always had a ready smile and charm that made anyone who met him want to spend time with him," recalls Cindy Ferguson, APRO's marketing director, who worked closely with Kitchens in her role as the association's vendor liaison. "Tom was a wonderful man to work with. His willingness to support APRO will never be forgotten."

Kitchens lived—along with his wife, Jennifer, and daughters, Kerry and Heather—in



Norm Smith:
**“I know that my
attire draws
attention, but
for a salesman,
that ain’t
necessarily a
bad thing!”**

St. Joseph, Michigan; he died of a heart attack in September 1996 at the too-young age of 49. During his years of service to the rent-to-own industry, he served on APRO’s Vendor Advisory Committee (née Vendor Relations Committee) and, in 1993, was named APRO’s Vendor of the Year. He’s in Whirlpool’s National Sales Manager Hall of Fame, as well.

Kitchens’ close friend on the Vendor Advisory Committee was Zenith’s Norm Smith—whom we’ll learn more about in a minute. “I worked with Tom on many ventures, promotional activities and customer conventions over the years,” Smith said in 1996. “Tom and I developed a very close working relationship and I was proud to call him a true friend.”

“I can’t remember seeing Tom without that warm smile on his face. You could tell he was a man who enjoyed life,” says Shelley Martinek, APRO’s education director. “He did a lot to help shape our trade show and was a great supporter of the annual golf tournament held during the APRO Convention. Whirlpool sponsored the event for many years while Tom was with the company and Whirlpool continues to sponsor the golf tournament to this day.”

Both Eason and Kitchens died in September 1996 and, soon thereafter, APRO rechristened its annual event on the greens the Joe Eason/Tom Kitchens Golf Tournament.

As was the case with Eason and Kitchens, Norm Smith was known by his colleagues for his friendly demeanor. That and his suit jackets—pink, yellow, lime green, plaid. Always flashy. At any APRO event, you could see Smith coming from a mile away. “I know that my attire draws attention,” Smith confided to APRO Executive Director Bill Keese, “but for a salesman, that ain’t necessarily a bad thing!”

Smith—for whom APRO’s annual RTO Vendor of the Year award is named—knew rent-to-own as well as anybody and brought Zenith products into the RTO mix soon after the industry was established. “Zenith was interested in opportunities that could help

expand its market share; but the company realized that it did not understand rent-to-own and had done nothing to become a part of this business opportunity,” Smith recalled in 1997. In 1982, he was tapped to build Zenith’s rental division from the ground up. Over the next 15 years, he worked hard to do that building for his company and worked just as hard to nurture the health of the rent-to-own industry, serving on APRO’s Vendor Advisory Committee year after year.

Smith didn’t need a computer database to remind him of who his customers were. He pressed the flesh and made his business personal. “Sometimes I’ll see a customer’s name that doesn’t look familiar and I’ll ask Norm about it,” recalled Smith’s Zenith associate, Terry Martini, in 1997. “Almost all of the time, he knows a rental dealer’s name off the top of his head, without having to look it up. He knows the dealers and managers like his own family.”

Smith, who earned his bachelor’s degree in economics from Iowa State University, retired in 1997, but continued to offer his expertise and consulting to the industry until his 2008 death in Illinois at the age of 81.

Upon his retirement, APRO saw fit to honor vendors with the Norm Smith RTO Vendor of the Year award. Appending Smith’s name to the honor was the right thing to do, considering that the first rent-to-own Vendor of the Year recipient, awarded in 1991, was Norm Smith.

Eason, Kitchens and Smith are three rent-to-own vendors whose legacies endure. APRO pays homage to other names in the industry, as well. The trophy awarded annually for the highest achievements in rent-to-own is called the Buddy, in honor of industry rental dealer pioneer and APRO’s first president Bud Holladay (see RTOHQ: *The Magazine*, September–October 2009). Another rental dealer icon, Dave Egan, has his name attached to APRO’s annual Legislative Conference held in Washington, D.C. What’s in a name? In some instances, a lot. ✧

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A dubious distinction



Rent-to-own has made a top-10 list. RTO companies have made such lists before: fastest-growing companies, best franchise systems of the year—that sort of thing. This top-10 list is nothing to brag about, but nonetheless useful to note. Rent-to-own has been named one of the “Top 10 Financial Products and Services that Must Be Regulated in 2010.” It was posted on the popular liberal Web site Huffington Post (www.huffingtonpost.com/jonathan-b-mintz/the-top-10-financial-prod_b_440537.html).

The New York City commissioner of the Department of Consumer Affairs wrote the article, so the author has a point of view. The rent-to-own industry was pilloried before the DCA last year, part of the ongoing battle between consumer advocates and New York rental dealers over business practices, in general, but really over whether the state government is going to impose price controls on rent-to-own and, if so, at what level.

The company being kept by rent-to-own on this top-10 list is interesting: 1) overdraft protection—\$38 billion in fees in 2008; 2) refund anticipation loans—\$800 million in fees each year; 3) debt collection—66,627 complaints filed with the FTC against collection agencies in 2005; 4) mortgage loan modification services—1.75 million loan modifications in 2008 increased monthly mortgage payments; 5) check-cashing services—\$1.5 billion in check-cashing fees in one year; 6) debt settlement services—high fees and little or no debt reduction; 7) used-car loans—lower-income borrowers pay a 2 percent higher interest rate on car loans than middle and upper classes; 8) payday loans—high interest rates for small loans lead to cycle of debt; 9) car-title loans—puts essential asset at great risk for small loans of money at interest rates more than 100 percent. And rounding out the top 10: rent-to-own financing—high prices for products and interest rates more than 70 percent.

The author’s recommendation is for Congress to pass the Consumer Financial Protection Agency bill so that—with unbridled powers—it can curb all of

the purported abuses and, one might suppose, in due course, do away with poverty in America altogether.

It would be interesting to find out how the author’s constituents, the consumers of New York City, would feel if he got his way and eliminated every fee, business practice and business on the list. We know how actual rent-to-own customers feel about our business. We have asked them. In surveys conducted over 15 years, they report satisfaction rates higher than retail consumers.

If one were to require banks and finance companies to loan money to all consumers at the same rate, regardless of the risk, no money would get lent. The reason that lower-income borrowers pay higher interest rates is because they do not pay their bills in as timely a fashion as others do and so the risks of loaning money to them is higher.

I am not a banker, so I’m not sure what to do about overdraft fees. Maybe the answer is for the government to replenish everybody’s bank account whenever it gets too low. That is what we have been doing for companies that are “too big to fail.” Maybe it is time to try the maneuver at the other end of the economic scale and see how that works. It certainly would redistribute some wealth, which is what the president has said he would like to do.

As for rent-to-own, the business is a competitive one and getting more so every day. Rental dealers charge what they must to keep the doors open. RTO profits are well known because the public companies publish them every quarter. They are modest, alas, by any standard.

The only solution for the author’s “rent-to-own problem” would be to outlaw the transaction altogether, which would be the result if the government were to set prices too low. Rent-to-own customers do not want the RTO choice taken away from them. That is something the author would learn if he ever bothered to ask them. ✽

Ed Winn III is APRO’s general counsel and has been involved with the association since its inception in 1980. His e-mail address is edwinn@muvvmlaw.com.

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