



Sue, Frank, and Tom Happ with employees who have 10 years or more of service to the company.

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1986: *It was a very good year*



Frank and Sue Happ do the cake cutting honors on the Happ Anniversary Cake.



Frank Happ recognized Happ's current key staff.

Twenty years ago the Happ family, Frank, Sue, Tom, Mike, and Tracy sat down at the kitchen table to discuss an opportunity Frank had to start his own business. While Frank was flush with excitement over the prospect, son Tom had visions of the family living in the backyard shed to make ends meet. Obviously, that didn't happen!

Celebrating 20 years of growth, pride, acquisitions, and a staff the Happs treat like family, Happ (no longer called Happ Controls) has evolved from when Frank and Sue opened the American office of U.K.-based Coin Controls in 1980 with just two employees, Frank and Sue, into a force to be reckoned with. But Frank and Sue would not want it described exactly that way. Both are

way too modest to have admiration heaped on them, but they are quick to pile stacks of praise on the employees that now include over 400, including those from acquisitions. And, maybe the respect for employees is their secret.

One of the highest forms of admiration for Frank came from Bob Wasilewski, who has been on the sales team for five years. When asked his fondest memory of working at Happ, he said, "The time that Frank Happ called me to discuss an order for 100 monitors. He was in the warehouse on his cell phone personally pulling boxes off the racks, opening them and making sure that they were the correct monitors. This told me a lot about Frank and Happ Controls. That personal attitude of

commitment to quality and service is inspiring and carries on today." Could that be the secret of Happ's success? Perhaps it's a combination of both.

HISTORY

Let's take a trip down memory lane for insight into this determined, dedicated, devoted icon of coin-op. Frank met his future wife, Sue, when they sat next to each other in study hall during their freshman year of high school. However, they didn't start dating until after graduation. By the time they were married and on their way to starting a family, Frank was already calling the coin machine industry home.

While in the Naval Reserves, he also worked for a small vending company, Town & Country. He began as a route driver and in a few short years held the position of general manager. Although happy there, he realized that the company had limitations because of a lack of capital to expand.

Frank found himself searching for an opportunity with a larger vending company and found it in Tri-R, then the largest independent vending company in the Midwest. Frank recalls that he went from being a general manager in a small company to a leasing salesman for a large company. But again, he worked his way up the ladder and was soon the marketing manager.

Over the years at both Town & Country and Tri-R, Frank worked with a number of companies within the industry, including parts company Wico. Although primarily in amusements, Wico was making plans to expand into vending. Frank had all the qualifications and experience Wico was seeking and when offered a position, he eagerly accepted.

Frank's job at Wico put him in contact with a British company called Coin Controls and he was anxious to take on the Coin Controls

Sue, Frank, and Tom with the two employees with the most years at Happ, 20 years: Mark Savoia and Mike Happ. Both started working there after school and during the summer.



These employees have at least 15 years of working at Happ.

Tom Happ cuts the Thank You to the Happ Family cake.



It may just be a marshmallow, but Tom Happ makes sure his golf form is right.



Bonnie Ogden reads the names of the employees who have been with Happ for at least 10 years and are still on the job.

Frank puts his arm around Sue when she gets emotional as she talks about the wonderful memories she has of working at Happ.



These ladies have been at Happ together for many years on the production line.

product line in the United States. However, Coin Controls had a bigger plan in mind: opening its own office in the United States with Frank as the president.

Frank's six-year tenure at Coin Controls was successful, he expanded the product line to include joysticks, push-buttons, and even home game controls, and was doing quite well. Then Coin Controls went public in England and wanted to focus prima-

rily on its coin handling line. Coin Controls asked Frank if he could find a buyer for the joystick and push-button division and he did—himself!

Sue remembers their conversation about starting their own company. It can be summed up very simply: Frank eagerly tells Sue his plan, she tells him he's crazy! "I thought he was crazy up until the purchase," Sue chuckles.

While Tom was envisioning living

in the shed, Sue was thinking how nice it was getting a regular paycheck and benefits from Coin Controls. That's why starting their own venture was a scary thought. Sue explained her fears, "We had kids in college and big expenses. It was hard to see the sense in leaving a secure job and striking out on our own. Obviously it worked out!" Frank quips that the old adage must be true: Behind every successful man is a woman telling him he's crazy!

ON THEIR OWN

On July 23rd, 1986, the Happs purchased the game controls side of the business from Coin Controls, called their new company Happ Controls, and literally worked out of their home.

Frank recounts with a chuckle that the first inventory and trade show displays were built and stored in the garage. As the company grew, they moved into a "real" office/warehouse/manufacturing facility in a Chicago, Ill., suburb and grew to include five employees. Ralph Orlowski became the sixth and Mark Savoia joined the company working after school and during the summers along with Frank and Sue's children.

Happ Controls purchased seven companies over the next 18 years, employing 250 people, earning a spot on INC magazine's list of the 500 fastest growing companies from 1986 to 1992, and becoming one of the most esteemed companies in the industry. But don't start congratulating Frank and Sue because they will tell you, "The company's success has always been due to our people; the dedicated hardworking staff that has built and continues to build this fine company."

Thanking the staff during the anniversary celebration, Frank said, "Happ now has a majority owner, Pffingsten Partners, and they have continued our tradition of profitable growth. Pffingsten Partners' capital

A chat with Frank Happ

We cornered Frank Happ to ask just a few questions about the company he started and has watched expand beyond even his most optimistic dreams. In fact, you'll be surprised at his thoughts as he was starting out and the company's future.

We've heard that Sue thought you were crazy and Tom thought you'd be homeless, but what were your feelings when you made the decision to go into business for yourself?

We weren't sure what would happen but we planned to give it our best. One of the first steps was exhibiting at a trade show in New Orleans, La., at the Rivergate. We figured we had enough money to last about six weeks so if people didn't buy from us I'd have to get a job at the end of that time.

Well, they did buy from us and so we were convinced we would make it work. We haven't looked back; we've only moved forward.

Why do you think so many in the industry supported you even though you were a brand-new company?

I had very good relationships that I'd made from my days at Coin Controls. As you know, selling is all about relationships especially in this industry. They knew me, my work ethic, and were willing to give me their business.

Another factor that I think worked in my favor was that the coin machine business consists of many companies run by people with an entrepreneurial spirit who tend to support others with that spirit. They saw Happ Controls as one of their own so they made the decision to give us part of their business. Then it was up to us to offer them the best products and excellent customer service so they would continue buying from us. You can always get that first sale but it's another thing to keep the sales coming.

You've always given a lot of credit to the people who work for you. Even the 20th anniversary party was dedicated to them. Is that really important?

I know without a doubt that a successful company is all about the people who work there. I couldn't have done it by myself and I don't hesitate to admit that. I hire the best people and then treat them like they are the best.

We now have an enterprise of 400 employees and without really good people that care about what they are doing we would not be where we are. Our success is due to good people doing the right job and serving our customers. Also, we credit the banks for continuing

to finance us, and our customers who return the favor by giving us more orders.

Do you think since you worked for others, you can step into the employee's shoes easier?

I came from humble beginnings, working when I was just 11 caddying. I learned about hard work and that helped me encourage hard work from others. It also gave me the insight to offer my employees more than just a paycheck. If you read through the yearbook we handed out, you'll notice that hardly anyone mentioned paychecks or money. They all talked about positive experiences while working. We truly care about the employees.

How do you feel about the industry?

I am encouraged about the industry. I think it's been flat but may be inching up. We are a good bellwether for the industry because if people are buying parts we know things are OK. We have 60 percent of our business on the amusement side, the other 40 percent in gaming. I'm enthused about prospects of having a good year.

I'll admit, though, that the industry needs more innovative product. The movie industry has helped us because there are more good movies and with this especially hot summer, more people are buying tickets. Since more are going to movies the equipment the industry has in movie houses is making more money. I talk to operators all the time and what I've heard from them is that they are making money but they have to work harder.

Here's another example of why I'm encouraged about the industry. Grand Products didn't have its traditional summer shutdown because it was so busy building games. This year is already better than it was last year.

There are other positive examples such as expansion by companies like Chuck E. Cheese's and Incredible Pizza. Also, a private equity firm has purchased Dave & Buster's so it will be getting an infusion of capital. There are a lot of positive factors happening in our industry.

Final question, Frank, are you really retired?

Let's call it semi-retired. I still handle the trade shows and my experience is valuable for sales and acquisitions. Yes, there is more coming. Pflingsten Partners has basically doubled the size of the company and we aren't finished yet.

Thoughts from Sue Happ

How hard was the decision to start your own business?

Frank was so committed to making it a success that I had to go along with it. He was always a dedicated worker for whomever he worked for and in 1986 he got the opportunity to do it for himself.

It was nice and secure working for Coin Controls with benefits and insurance. So to strike out on our own not knowing what the outcome would be was a bit scary. However, my own mother reassured me that Frank would be a success at whatever he did.

With Mike and Tom in college, it was a big decision to take out a second mortgage and a big risk.

What were things like after the decision was made and Happ Controls was in business?

I did the outside sales and typed invoices at our kitchen table. The phone was always busy. Frank was on the phone so much that I insisted we get a second phone line. With only one line you couldn't receive calls if you were making calls and we were making a lot of calls!

Would you do it again?

In a heartbeat, back then. But not now, it's too hard.

and management expertise, along with our excellent management staff, have purchased four companies in just two years. Today our company has customers in over 70 countries, our staff numbers over 400, and our reputation as the #1 company in the world in our industry is growing even stronger."

Pfingsten Partners' philosophy is to create value through operational improvements and profitable business growth. All of its activities are guided by five core principles: shareholder value, responsible ownership, teamwork, integrity, and professional conduct. It sounds like the philosophy Happ has adhered to since its humble beginnings.

When Suzo, which celebrated its 50th anniversary in 2005, and Happ Controls merged in 2004 Pfingsten's John Underwood said, "We are here to provide the resources necessary to support this growing organization and positioning it for world-wide success. Continued investments in technology, product development, e-commerce solutions, and manufacturing and distribution capabilities will

ensure continued growth."

Tom Happ is now President and Frank and Sue have retired. Tom emphasized that he didn't just step into a position of authority. He worked in numerous positions and departments at Happ; his first job was on the assembly line. "I was building both products and my future with the company," he explained. "Exposure to these positions has provided me with an appreciation of what each and every staff member does every day to further the growth of the company for the future."

THE ANNIVERSARY CELEBRATION

Happ, Mazzco, and ProSource employees along with Happ and Pfingsten Partners representatives filled the Happ facility with congratulations, cake, heartfelt toasts, and lots of thank yous when everyone gathered to mark the milestone.

Bonnie Ogden, who has worked in the Human Resources department in Elk Grove for five years, welcomed the Mazzco staff to the Happ

family of employees. They were there not only to be part of the celebration, but for their first quarterly meeting, where employees from all over meet to discuss pressing issues.

The newest members to Happ through the Mazzco Aquisition includes Fran Tucker, John Fedore, Adam Pribanic, Mark Broetzmann, James Sparks, Jill Reams, James Dennis, Mark Sullivan, Jose Navarro, Richard Boyd, Emmanuelle Echevarria, Laura Birch, Bill Wahlund, Ralph Berg, Francisco Santos, Matt Whittier, Drew Wett, Tom Gooley, and Jon Coscio. The staff from the Illinois Mazzco office has moved into the Happ Elk Grove facility.

LET THE GAMES BEGIN

What's a party without games? Everyone who participated in the anniversary games received a raffle ticket for some really big prizes; if you won one of the games you got another ticket. There was no limit on times anyone could play.

First up, Happ Bingo, using a printed card with Happ products for each square. There was also marshmallow golf, challenging the players to see how far they could drive a marshmallow using a golf club; balloon toss, which was tossing water balloons in circles in the grass for points; toilet paper races, unrolling and stuffing toilet paper into a garbage can; and finally, the most anticipated event, the water balloon toss at a moving target, Amy Polich, who works in OEM Sales.

Even for those who didn't win a prize or soak Amy there were gifts: a water bottle, soft-sided cooler, and a Happ Yearbook of the employees. The Yearbook is a wonderful inside look at the company because of comments from employees. Many of them said their fondest memory is Christmas parties, while others commented on the warm welcome they received when they started work. You have to love this one from Ralph

Orlowski, "My fondest memory was at a trade show. Frank drove off with the rental van with the side door open, while I am running along side trying to get in."

There were tearful memories like the one from Toni Peterson, who said, "With the passing of my son I could see, feel, and touch the compassion, concern, and sympathy from co-workers and friends. I was especially taken by the kindness and empathy displayed by Frank, Sue, Tom, Michael, and Tracy. It touched me so to see people cry, not only for me, but with me."

It's obvious as you read the fond memories recounted by Happ employees that there is a closeness that can't be found if it's not at the top and that is where it begins. And, by the way, just who is Julie Wallace and why was she mentioned so many times as a fond memory!

FINANCIALLY SOUND

Financial Officer Dave Reginelli, who Frank considers a prize, gave the financial update. He explained that the Mazzco acquisition added to the financial picture. He had some other points to share with the rest of the staff:

- * Looking back at Happ's numbers, sales more than doubled from 1986 to 1987.

- * Shipments in one month now are three times the sales from 1987.

- * Happ is spending yearly more now than it made in 1994.

- * Happ has more than doubled its sales since June 2004, mostly credited to acquisitions.

Tom added that he was proud to announce these first six months of sales not only met but also exceeded the plan. He noted that original equipment manufacturing (OEM) is gaining momentum and expected to have a great second half of the year and the gaming side of the business is expanding.

When the floor was opened to

A moment with Tom Happ

How would you describe Happ today?

Happ is a full-service parts organization with good people, good service, and good products.

What are the reasons Happ has made so many acquisitions?

The reason for acquisitions is to secure products and people. When you are growing your business you need more products and knowledgeable people to handle those products. Ours is a specialized industry and you need employees with experience in this industry.

What other industries does Happ serve?

We definitely serve the amusement industry, which is the biggest part of our business. We also serve the gaming/casino industry, vending for spare parts, and the industrial industry for input devices and controls that move things with hydraulics.

Does Happ have a philosophy?

Happ began as a family-oriented business. Now, even though we are an up-and-coming, growing company we still have the roots of a family-owned business. We still provide services and resources for our staff and customers. Happ has the best product and best people.

What is the most important thing that you would credit to Happ's success?

I would have to say that the key to Happ's success is the dedication and drive of the people that work for Happ.

What do you consider the most pressing issue for coin-op amusement?

The industry is in competition for the discretionary dollar, the discretionary spending. We are still in the entertainment business so no matter how bad things get, people still want to be entertained. The question is what form of entertainment do people like and what combination of things do they want? Is it casinos, arcades, or bars?

We are in that industry so various aspects affect us where we need to continue to diversify. When one industry is bad you have another to keep you going. When one slows down you look for something to fill that area. That is how we got into the industrial market.

What if someone asked you 10 years ago where Happ would be in 10 years, would you have envisioned where you are today?

Honestly, no. Ten years ago was 1996 and being much younger I saw things a bit differently. I saw us as a company that would continue to grow but its growth potential is much different now than it was then.

What do you see for Happ 10 years in the future?

I'm sure it will be four or five times larger than when we sold it to Pfingsten Partners. Just two years after the purchase it's already two times larger. It will definitely continue to grow.

We are always cognizant of who our customers are because we do not want to compete with them. You will not see us developing games, selling games, or operating games. Our focus is on parts that those people need. Our approach is to take our niche and continue to grow in that area. As you get bigger it is harder to keep that neutral approach but it is something Happ is dedicated to, feels strongly about, and will work hard to maintain.

employee questions, the first one concerned acquisitions: "Will there be more?"

Reginelli said he didn't think there would be more in 2006; Tom wasn't so convincing. He said maybe, adding, "There have been four acquisitions since 2004 and time is needed to absorb those and get the people and products situated. However, history will dictate the future!"

Tom reflected on how long he has been in the industry, beginning when his father was at Wico and Tom would visit the office and play pin-ball machines as a youngster. He worked on the product line at Coin Controls and laughed when he told this tale: "This is a story of very early research and development. When we were making joysticks for Atari home systems we wanted to improve the spring durability in the joystick. No fancy machines yet so we began to heat treat springs by baking in our oven. Frank carved the pieces in soap or pieces of clay and baked them in mom's kitchen. Look at Happ's product development resources now. That was definitely before AutoCAD!"

MORE QUESTIONS

Since there are more branch offices, one employee wanted to know if there would be walk-in sales. Tom answered, "Yes, where that already exists. The Bensenville Maz-zco location is only 3.7 miles away and will be moving to the Happ location but will have a walk-up for Maz-zco parts. Other branches with Maz-zco are smaller in size so they will be limited stocking locations. Happ will still use South Carolina, Illinois, Nevada, and other branches as major shipping locations for both Happ and Mazzco parts.

Asked if Happ would be buying another building in Illinois, Tom said that in the past the company grew in small increments. "But we seemed to have changed that with the last four

Talk about a team building game! We can't even pretend to know what they are doing!



During the balloon toss game a long line of Happ employees wait to soak Amy Polich with water balloons. She said it was the worst bunch of throwers she'd ever seen!

acquisitions," he admitted. "Right now Happ has expanded the Las Vegas location from 12,000 square feet to 28,000 square feet and we will be moving some things from Illinois to Las Vegas to make more room in our current location. We will look at other options when our lease is up."

LOOKING FORWARD

Here are some of the milestones in Happ's timeline:

- * In 2000 Happ opened an international office in the UK.
- * In 2002 Happ acquired Wholesale Electronics.

* In 2003 Happ opened the South Carolina office.

* In 2004 Frank sold majority percent of his interest in Happ to Pflingsten Partners.

* In 2005 Happ merged with Suzo.

* In 2006 Happ acquired Mazzco, ProSource, and merged with Advanced Electronic Systems Inc. (AESI).

It's almost impossible to believe that in the beginning Tom was viewing the backyard shed as a future home, and there were less than 10 employees at board meetings that were held at the family's kitchen



Most of those at this table are on the party committee. No wonder they are smiling, it turned out great!

Frank may look like he's interviewing a new employee, but actually, Christina Serene is on maternity leave but came in for the party and brought the new baby. Who knows though, he may just be a Happ employee in a few years.



company to continue its growth. Happ has doubled in size since Pflingsten Partners took over."

Sue was asked to say a few words. She said that she enjoyed her time with Happ, she was proud that the company had the best products, and that the best part of working there was all the people who made a difference. She began to tear up when she said, "I'll remember forever my years at Happ."

Tom Bagley, Founder of Pflingsten Partners, joined the party. Frank complimented Pflingsten as being a very professional company that is well organized. "We sold Pflingsten a good company and they made it an excellent company. It was more than I expected," he said. ▲

table. Now the board meetings could be in the Chicago office, in Las Vegas, in Holland, or in London.

Tom got a little teary-eyed as he introduced his father. "The first 20 years were a great start and I expect Happ to continue for 20, 30, 40 years, and more."

As the microphone was turned over to Frank, he invited Sue to join him. He thanked his two sons and daughter for their support when no one was sure how things would turn out. He reflected on his modest beginnings, remembering when he hired Mark when he was only 14. "We kept his age a secret and put him in charge," laughed Frank.

Frank seems to have accepted retirement, well semi-retirement at least, with a sense of ease and confidence in the future of his company. "Since retiring, I've lost 20 lbs., golf a few times a week, and taken Sue on a Mediterranean cruise," he said.

He continued, "I am pleased with the way Pflingsten Partners have handled Happ. They have lowered insurance costs and re-invested into the

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