



DISCOPYLABS

The Complete Software Manufacturing Solution

Perfect Original Quarterly

SUMMER 1996

Expanding to Serve Customers Better

DCL Acquires Software Manufacturer in Irvine; Two New Facilities Lead to Big Increase in Capacity

DisCopyLabs has again enlarged its capabilities to serve the software industry with the acquisition of a large software manufacturer facility in Southern California, and the planned expansion of its Duarte operations.

The company purchased the software manufacturing operations of Encryption Technology Corp. (ETC), a company based in Boston, which left the business. DisCopyLabs has been operating the ETC facility, which is located in Irvine, since this past December when it acquired their assets.

"With the addition of ETC's staff, equipment, and material, DisCopyLabs has become the largest independent software manufacturer in California," said Norman Tu, DisCopyLabs President.

In addition, the company will move its Duarte division, now in a 53,000 sq. ft. plant, to a 70,000 sq. ft. facility in the same city. The relocation is expected to be completed by November 1.

"The acquisition in Irvine and Duarte expansion improves our ability to serve our growing customer base in California and other western states with services ranging from duplication, assembly, packaging, shipping and fulfillment to total turnkey, all supported with extensive back-up capabilities" Norman said.

DisCopyLabs can now offer the software industry a total of 13 packaging lines, with a daily production capacity of 500,000 disks and 200,000 completed packages. Greater volume is possible by adding a shift or work days.

Another relocation is planned for the Irvine facility, obtained in a recent acquisition. Glenda Howard, who manages the Duarte and Irvine operations, explained that the Irvine building, occupied since DisCopyLabs took over the assets

of ETC, was not as well laid out for software manufacturing as the other company plants.

"We have located a more efficiently configured facility for software manufacturing and plan to move into it in July. The new building is located in the neighboring community of Lake Forest and should be in service immediately after the

move," she said.

The 60,000 sq. ft. building will enable DisCopyLabs to boost daily capacity to approximately 120,000 diskettes, about double the present volume. Four assembly lines will be set up in the building, which will have space for 3000

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We do it all for you!

Acquisitions Makes DCL Largest Independent in State; Our Growth Brings Expanded Benefits to Customers

By Norman Tu, President



I don't mind copying a good idea, so I'm borrowing this tag line from a popular television commercial to express how we feel about meeting our customer requirements.

At DisCopyLabs, we, too, do it all for you.

Most recently, what we have done for customers, especially those in Southern California, is to significantly increase our ability to support your fast developing needs (please see the article on our facilities expansion).

We acquired the assets of Encryption Technology Corp., a software manufacturer that maintained a large

plant in Irvine. We've purchased ETC's manufacturing equipment and inventory, and will continue to operate from this facility through the month of June, when we will then move to a more efficient facility in the area.

The addition of this plant now gives us three large facilities, with a total of 13 packaging lines and nearly a quarter of million square feet of space, from which to serve the wide-ranging and dynamic demands of the software industry.

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We Do It All For You!

We were motivated to obtain this manufacturing capability to enlarge our presence in the San Diego-Los Angeles area, where our customer base, and our customers' business, is growing. In making this acquisition we have expanded our overall production capacity to better serve customers throughout California.

The addition of the new Irvine plant to our operations in Duarte, and to our 120,000 sq. ft. headquarters in Fremont, makes DisCopyLabs the largest, independent software manufacturer in the state.

The distinction gives us a lot of gratification, as well as a lot of responsibility. Many companies have come to heavily depend on us for manufacturing services. It was just about 14 years ago that we started our business in a single, cramped room above a retail store in. In a sense, the industry and DisCopyLabs have grown up together.

More significantly, our expanded capabilities offer expanded benefits to our clients. Together, we can now plan production needs in all three key geographic market areas and use the plants as a backup to each other. Another important value to customers is that we can routinely handle unexpected, large volume projects, especially on short notice. Our three manufacturing facilities offer complementary operations. They

support each other to smooth out any production spikes. In this way, we keep turnaround times reasonable for even the biggest rush orders, shortening the time to market for customers who must act quickly.

For example, late in December, while we were concluding the acquisition of Irvine, we inherited a large Intuit order for its Turbo Tax product. The software company wanted to release as early in January as possible to be on store shelves for the start of "tax season".

We made the commitment to deliver, and with Irvine taking the lead, we geared up for around-the-clock operations at all our locations. In two weeks, we manufactured more than two million software packages for Intuit, helping them to take advantage of their window of opportunity – without displacing the work of any other customer.

Many of our customers have major product launches throughout the year. Now, we have strengthened our ability to deliver quality support to them. And we can handle these huge projects without interfering with our processing of smaller, more routine jobs.

DisCopyLabs achieved record results in the first quarter of 1996. This accomplishment is an outcome of the philosophy that has guided us from the beginning – that customer satisfaction is the best measure of our performance. It's been proven to us throughout the years that if we take

care of our customers, our business will take care of itself.

We sincerely appreciate your confidence in our ability and dedication to provide the value-giving services you must have to compete effectively. Thanks for counting on DisCopyLabs to help you succeed. We look forward to sharing in your success in the years ahead as we continue *to do it all for you.*

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Expanding to Serve Customers Better

pallets and enough warehouse area to handle all services, including fulfillment and turnkey.

"Besides the immediate benefits of more space for increased production, the new plant will allow us to maintain a growth pattern so we can prepare for future customer requirements and meet them pro-actively," said Glenda.

"When we resume operations at the Lake Forest site we will get improved manufacturing efficiencies as well as greater capacity. Our work flow will be smoother easier to adjust to customer needs."

All the quality controls procedures, such as quality assurance systems and the cross-training of personnel, that are in place at the Fremont and Duarte plants have been implemented at Irvine.

"We are preparing to apply for ISO 9000 Registration for DCL-Irvine in a few weeks and plan to achieve certification in 1997. Later this year, following the completion of an ISO audit at DCL-Duarte, we expect to receive certification for that facility," said Norman.

"Our Fremont operation was ISO certified last year. Quality system registration is one of the ways we demonstrate our commitment to the quality ideal," said Norman.

Bill Jacobsen, Director of Strategic Planning, who lead the transition effort that installed DisCopyLabs' operations and policies at Irvine, said that the facility is fully integrated into the company's extensive MIS network. As in the other plants, customers can electronically transmit their software masters to the facility for processing.

The present Irving facility will relocated in the first week of July. Its new address will be 225671 Commercenter Drive, Lake Forest, CA 92620. Telephone: 714-588-8884. Fax: 714-588-2926.

SOFTWARE SALES DATA

Region	4Q95 Revenues	4Q95 vs. 4Q94	Full Year Revenues	Year '95 vs. '94
N. America	\$2,066.1	-8.8%	\$7,525.3	+12%
Latin America	\$46.0	-2%	\$158.0	+11%
W. Europe	\$642.7	+26%	\$1,987.1	+19%
Asia/Pacific	\$326.6	+58%	\$1,143.4	+57%
TOTAL	\$3,081.4		\$10,814.7	

Category	1995	1994	1995	1994
Word Processors	\$1,087.5	1	\$1,029.3	1
Other Productivity*	\$1,040.3	2	\$816.0	3
Spreadsheets	\$865.2	3	\$829.2	2
Entertainment	\$649.1	4	\$454.8	5
Home Education	\$571.6	5	\$566.2	4
Utilities	\$452.4	6	\$326.6	9
Finance	\$477.7	7	\$398.5	6

1995 Application Sales by Operating System



New CD-ROM Packaging System Improves Assembling Speed, Yields

To more efficiently manage its growing volume of CD-ROM production, DisCopyLabs has recently installed the GIMA CD Package Machine, a fully electronic, state-of-the-art packaging system.

The system automatically inserts duplicated CD-ROMs and associated printed material into jewel box cases at the rate of 50 discs per minute.

The GIMA greatly improves the output that was achievable using the previous equipment and procedures which required some manual handling to assemble and package CD-ROM products. This was a slower process and also was vulnerable to more assembling errors and product defects because of the manual steps

involved, according to Mary Kung, Director of Manufacturing.

"Our new equipment maintains the quality of copied CD-ROMS through fully automated operations," said Mary. "Each insertion of a disc and its inlay card and booklet into the jewel case is done the same exact way, so no variation is possible.

"The GIMA system, along with the advanced heat-shrink wrapping equipment also recently installed, enables DCL to deliver CD-ROM jobs more quickly and at even higher yields that we could previously. This means customers can bring their CD products to market in a shorter time, an advantage they always seek," Mary said.

On-Line & DCL Team-Up to Deliver Satisfaction to Small and Large Customers

On-Line Copy and DisCopyLabs are teaming up to more effectively handle the diverse needs of customers.

On-Line Copy, an affiliate of DisCopyLabs, began operations in 1991 to specialize in short-run, fast turnaround duplication services. On-Line works with many end-user accounts in the corporate world, supporting them with duplication, printing/copying, packaging and fulfillment services, according to Larry Muzinich, President of On-Line Copy.

DisCopyLabs, on the other hand, specializes in delivering complex packaged products in large volumes to the software manufacturing community. Over the years, the requirements of many DisCopyLabs customers have grown larger and more complex.

With the prior approval of customers, DisCopyLabs started transitioning smaller jobs to On-Line to deliver the faster turnaround time that smaller-size customers wanted.

On-Line Copy also has made the necessary internal adjustments to be able to accept smaller turnkey projects and, as a result, delivers the same high quality, error free products that DisCopyLabs does.

"Because On-Line Copy is smaller and more flexible, short run turnkey projects can be turned faster than can be typically handled by DisCopyLabs," said Larry. "As a customers grow, and their needs approach those better served by DisCopyLabs, the accounts can then be transitioned to the larger facility, transparently and with minimum effort."

The end result is that a customer, regardless of size, gets the same high quality product and service. Moreover, he is aligned with a software manufacturer who can serve his needs as he grows from relatively small requirements to the large volume jobs of a major software supplier.

Working as a closely-knit team focused on customer values, On-Line Copy and DisCopyLabs can provide the best solutions to all software manufacturing needs – small or large, simple or complex.

For more information on On-Line Copy, please call: Larry Muzinich, President: 800-833-4460; Fax: 510-226-7543.

Shahid Masood Named Operations Head; New VP Has Broad Production Background

Shahid A. Masood has been named Vice President of Operations at DisCopyLabs.

In this position, Shahid is responsible for the company's manufacturing operations, management information systems (MIS), and customer support.

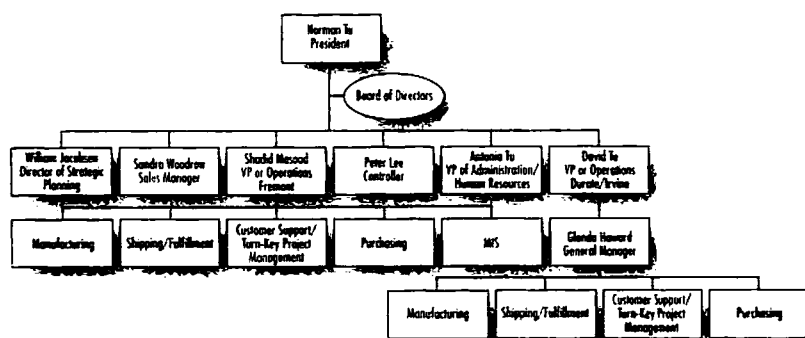
He and his staff support customer service through production engineering responsibilities, including setting up systems and producing products that meet customer requirements.

Shahid, who brings more than 10-years' experience in operations, project management, and MIS, says his priority is to make it possible to provide better customer service through more effective production systems and procedures.

He plans to bring special focus on real-time manufacturing planning and controlling, order entry procedures, and distribution in order to assure strong customer values.

Prior to joining DisCopyLabs, Shahid was Director of Operations for Access Business Systems, Toronto, Canada, a manufacturer of personal computers and business systems integrator.

He holds an MBA in Operations from York University, Toronto, and a BS in Electronics Engineering from Cal Poly, in Pomona.



New MRP Provides Improved Access to Information

A single, integrated MRP system, combining four separate electronic data bases into one, is now up and running in the company's Fremont facility, announced Shahid Masood, Vice President of Operations.

The new MRP system also will be installed in the two other DisCopyLabs facilities before the end of the year.

Shahid explained that Info-Max by Relevant Business Systems, and two programs custom-designed by the company's MIS staff, were integrated into a single MRP data base.

The integrated MRP will streamline most of the company's data processing activities, and will make information accessible more quickly and more accurately than was possible previously to both customers and company personnel who support them.

Shahid said that the system facilitates the company's ability to grow and maintain high quality service to a growing customer base.

Tom Hubbs, Finance Specialist, Joins Board

Thomas W. Hubbs, a veteran of the high-technology industry and a specialist in corporate financial management, has been elected to the company's Board of Directors.

Hubbs, 51, is the Senior Vice President and Chief Financial Officer of interWAVE Communication International, Ltd., a developer of digital microcellular wireless communications products.

"Tom's broad experience will contribute a great deal to our board and our company, and we look forward to his active participation in our management," said Norman Tu, Board Chairman and President.

Before interWave, Hubbs had been Vice President for Finance and Chief Financial Officer for Verifone. During his seven-year stay at Verifone, annual revenues rose from \$30 to more than \$300 million.

Earlier, Hubbs had been the first Vice President and Chief Financial Officer for Ungermann-Bass, a networking organization.

He started his career with Price Waterhouse in Philadelphia, and holds a B. S. in Business Administration from Lehigh University and an M. B. A. from the University of Santa Clara.

DisCopyLabs' Board now has four outside members: Russell Kubota, Denis Coleman, Chris Paisley, and Hubbs; and four inside directors: Norman Tu, Antonia Tu, David Tu, and Bill Jacobson.



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DisCopyLabs – Fremont

48641 Millmont Drive • Fremont, CA 94538-7354
(510) 651-5100

Fax: (510) 651-2261 Sales/Administration
(510) 651-0549 Customer Support
(510) 651-1751 Shipping
(510) 651-1679 Production & Packaging

• Sales	Tammy Bytmar	x275
	Greg Holsen	x212
	Sandra Woodrow	x207
	Grayson Martin	x273

DisCopy Labs – Duarte

1540 Flower Avenue • Duarte, CA 91010
(818) 303-1571

Fax: (818) 303-1570

• Sales Doreen Guaglione x116

DisCopy Labs – Irvine

25671 Commercentre Drive • Lake Forest, CA 92630
(714) 588-8884

Fax: (714) 588-2926

• Sales Doreen Guaglione x232

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