



# DISCOPYLABS

The Complete Software Manufacturing Solution

# Perfect Original Quarterly

WINTER 1997

Looking Back At '96's Accomplishments

## A New Year, A New President, A New Job

By Norman Tu, Chairman & CEO

1996 was an eventful and successful year for DisCopyLabs. Our many accomplishments enabled us to deliver improved services, as well as prepared us to provide even greater value to customers as we continue to grow.

We completed the transition from a software duplication-assembly house to a full turnkey, project management and distribution company. The substantial investments we made in technical and human resources and facilities expansion

has made this possible.

Because DisCopyLabs offers full turnkey operations to the software industry, we can compete successfully

with large, billion dollar software manufacturers. We also offer our customer nimbleness, the ability to react quickly to the fast moving dynamics of their marketplaces.

Focusing solely on the software and the software/hardware business, we are flexible and able to adjust to our customers way of doing business. For example, our ability and willingness to meet critical customer requirements earned us Novell's highest vendor rating for two consecutive quarters.

There were many highlights in 1996, but several in particular will lead to special long-term customer benefits.

- We successfully merged our acquisition of a software duplicator, ETC. into our organization. We moved the acquired company into a

new facility in Lake Forest and integrated it fully into our quality-oriented operations. The result is, larger capacity, improved customer service, and profitable operations.

- We expanded our facilities and planned for further expansion in 1997. We consolidated several small warehouses in the Duarte area into a more efficient 50,000 square foot faci-

lity in the City of Industry, doubling our capacity in the Los Angeles area.

- We acquired 4.5 acres in Fremont, a block away from our headquarters, on which we will construct an 80,000 square foot manufacturing and assembly facility. The plant, scheduled for operations in October, will

*Continued on page 2*



Another 80,000 sq. ft. on the way

### New DCL Facility Near Fremont HQ Scheduled for October Completion

The steady growth of the software industry and our customer base has made it necessary to build another large facility in Fremont, California, announced David Tu, Executive Vice President.

An 80,000-sq. ft. plant for manufacturing, assembly/packaging and warehousing will be constructed on four-and-a-half acre parcel of land near the company's headquarters in Fremont, and is scheduled to be completed in October.

In February, the company is moving into its new 60,000-square foot facility in Duarte (City of Industry), which is 15,000 sq. ft. larger than the facility being vacated.

Along with the 88,000-sq. ft. headquarters facility, and the 60,000 sq. ft. Irvine plant (Lake Forest) which we moved into last July, DisCopyLabs will have almost 300,000 sq. ft. in four plants by the fall of this year to serve the software industry.

This includes space for approximately 11,000 pallet locations and 15 assembly lines. Additional lines can be set up as needed.

"More and more of our customers are relying on us to handle distribution and fulfillment for them," said David. "They find using our capabilities is a very sensible, economical alternative to doing it themselves because they don't have to make the investments in personnel, software, equipment and space to run these support functions. Also, it makes more time available for them to focus on what they know best—developing software products.

"DisCopyLabs has grown right along with the software industry by meeting its varied requirements, such as manufacturing. Increasingly, another important need we are meeting is relieving software publishers from the intensive-labor and facilities requirements of distribution. Consequently, our value to them continues to increase.

"That's why we have had to expand our facilities several times over the past few years and have become one of the largest — perhaps the largest — independent software manufacturer in the country," he said. (See new facility drawing on back page.)

## A New Year

increase our manufacturing capacity in Northern California by 50 percent.

Our customers now have three full-service DisCopyLabs manufacturing sites to use in California: Lake Forest, City of Industry and Fremont.

- We implemented a totally integrated manufacturing system in Fremont, replacing several discreet systems. Later in the year we will install the same system in our City of Industry and Lake Forest facilities for more effective production management.
- We installed a bar code distribution system to track customer inventory in real time. Bar code tracking provides far greater accuracy and speed to our inventory management.
- We put video-conference capabilities in all three of our facilities for better internal communications. Several customers have expressed interest in having access to the system and we are opening it up to customers and vendors for enhanced communications with our organization.
- We have developed an On-Line Customer Service system for customers to obtain information on their inventory with us. They can download this real-time data into their spreadsheets for visibility and review. Customers also can dial-in shipping order to us anytime of the day and night for processing. We will be expanding this capability shortly to include other information customers want, such as shipping, production run status, confirmation and forecast information.
- We upgraded our communication network infrastructure to 100 Mbit bandwidth for faster internal operations, improving our customer response time.
- We greatly strengthened our management team. The addition of a number of highly experienced professionals, such as Shahid A. Masood, Vice President -Operations; Liza Gordon, Customer Support Manager; Mike Hale, Fulfillment Manager; and Dana Ratto,



Bill Jacobson, President

Human Resources Manager, enhance our ability to give better service and to create new ways to make our organization more useful to customers. Our organization has never been deeper in first rate management talent.

That's why I am very comfortable announcing my new role at DisCopyLabs. After 15 years as a founder and President, I will step away from the day-to-day, hands-on duty of President. As Chairman and CEO, I will devote myself to long-range strategic planning, financial controls, and customer relations.

In developing a strategic plan, we will be guided by the special needs of the software industry that make it very different from virtually all other industries.

In the area of finance, I will focus on establishing and maintaining expense controls so that we remain financially sound.

I will spend a great deal of time building strong customer relations. I intend to talk to customers to become very familiar with their issues, and develop additional ways to support their varied requirements. My goal is to make DisCopyLabs an even better "partner" with customers so they can be more competitive. You will probably see me more now than ever before.

I make this move in total confidence because Bill Jacobson, who many of you know and respect, will be President and Chief Operating Officer, handling our daily operations. Bill has been a full-time consultant to us for more than two years, working side-by-side with us every day. He also has been a member of our Board of Directors for ten years.

He knows both the software industry and our company's culture intimately and brings many years of big company, high-tech experience with him, including time at Four-Phase and Scientific Data Systems. I look forward to working closely with him and our entire management team as we continue to add to our customer values.

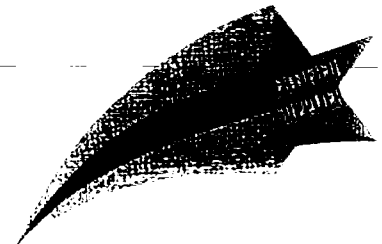
For example, we are already evaluating opportunities to offer customers new benefits through participation in electronic commerce and the Internet in 1997. We expect to report on

developments in these areas before long.

Whatever direction the dynamic software industry takes in the years ahead, DisCopyLabs is well positioned and strongly committed to meeting its customers' requirements with quality service.

Only 15 years ago, my wife, my brother and I started a little business with a big ambition. In a small room above a retail shop in Menlo Park, we handled our first software duplication order. Today, DisCopyLabs is a professionally managed organization of three large, state-of-the-art manufacturing facilities, staffed by nearly 300 customer-oriented employees. Like the industry we support, we are one small story in the great American dream of finding opportunity and earning success by filling the needs of people.

We are thankful for the chance to have served you in the past and to grow with you in the exciting future.



## DisCopyLabs Earns Special Supplier Status at Varian

Varian, a manufacturer of scientific, medical and industrial equipment, has qualified DisCopyLabs as a Certified Supplier, a status indicating a preferred vendor.

To achieve certification, DisCopyLabs has had to deliver at least 95 percent of its services on-time to Varian at a 99 percent quality level for a minimum of three months.

According to Varian Manufacturing Engineer Raul Rodriguez, DisCopyLabs, as a Certified Supplier, will be considered first as a supplier when software manufacturing services are needed for new projects or new business activities. He also said that Certified Supplier recognition means that two companies have formed a "partnership relationship on which to grow.

Grayson Martin, Turnkey Account Manager for DisCopyLabs, represented the company at Varian's Supplier Recognition Day this past fall, when the certification was announced and a plaque presented marking the occasion.

Suppliers must be re-certified annually by Varian to maintain their preferred vendor status.

# CD-ROM Analyzer Tests Integrity of Discs Before and After Copying

An additional quality assurance process has been put in place to evaluate the reliability and format of CD-R and CD-ROM masters.

DCL technicians are using the state-of-the-art SL 25 CD Analyzer to test the integrity of the master to determine if it needs to be remastered or re-engineered by the CD manufacturer, said David Tu, Executive Vice President.

"For replication purposes, the new system will provide confirmation that the proper format was

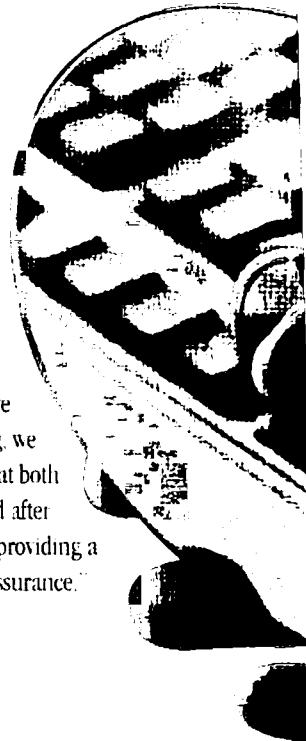
selected during the mastering process. In addition, we will be able to evaluate certain quality aspects of the CD, which also will indicate selected characteristics of the manufacturing process, as well as drive compatibility to the CD.

"This data will identify marginal CDs which should not be released to the field and consequently will lower the rate of returns from customers," he said.

Stopping products of marginal quality from

entering the distribution pipeline will help DisCopyLabs customers to avoid the cost, loss of time, and bad marketplace image that often results from having to recall products because of quality problems.

Before this new test was established, CDs were tested by the vendors who did the replicating. "Now that we are doing the evaluating, we can test key parameters at both receipt of the master and after the discs are replicated, providing a higher level of quality assurance," said David.



A point-to-point videoconference system has been installed linking the company's three facilities, giving staff an additional communications capability.

According to Ian Poulsen, MIS Supervisor, the video capability provides employees the extra dimension of instantaneous face-to-face contact, allowing such items as package designs, color samples, layouts for manuals, and other graphic materials to be seen at DisCopyLabs facilities.

A document camera associated with the system enables shipping orders and other

## Videoconference Capability Links Plants For Faster, More Accurate Communications

forms with details to be reviewed by employees at each DisCopyLabs plant who are involved in specific customer jobs. Videoconferencing communication leads to greater accuracy and understanding of documents filled with specifications.

"Several customers have asked about getting access to the system

and we encourage this type of communication," said Poulsen. "Although the videoconferencing capability is but a few months old, it already has made a big positive difference in our internal communications."

## On-Line System Gives Customers Fast Access to Information

Another step-up in communications capabilities for customers was achieved with the cut-over of DisCopyLabs' On-Line Customer Service System (OCSS).

According to Shahid A. Masood, Vice President of Operations, customers now can electronically transmit their fulfillment orders over the system around the clock and receive immediate acknowledgment.

They also can obtain inventory status reports on-line.

A unique password scheme for each user allows controlled authorized access to a customer's file.

Shahid said the new system responds to customers' needs to get information about their orders and accounts as quickly and conveniently as possible. A number of other information services will be made available through the On-Line Customer Service system as it is expanded throughout the year, he said.



## Company Opens Web Site

DisCopyLabs has introduced its web site to the Internet, at [www.discopylabs.com](http://www.discopylabs.com).

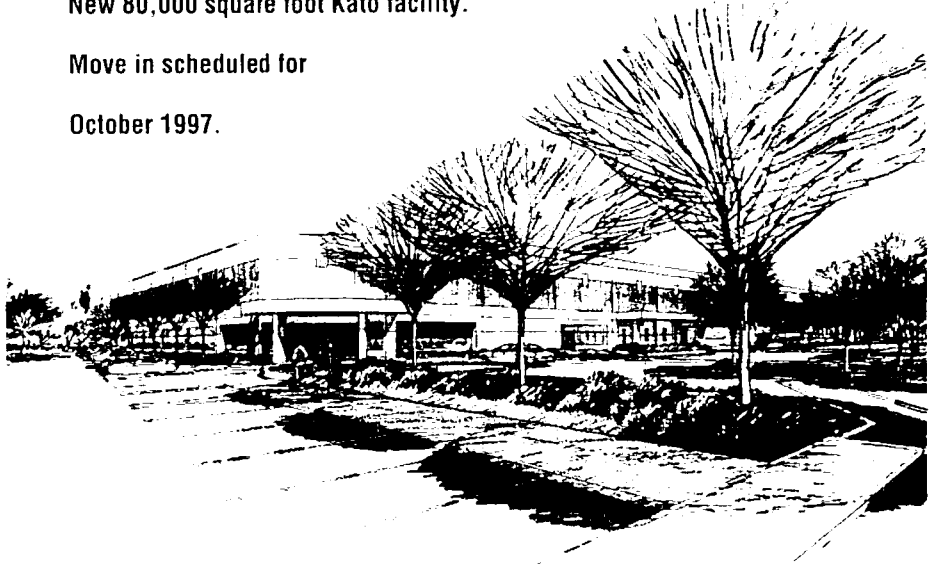
General information about the company's services and operations, and specific information of interest to customers, will be available at the site.

"After some experience with the site, we'll discuss with customers about what they would like to see available through the site. Then we'll evaluate what interactive capabilities we might add to our site," said Ian Poulsen, MIS Supervisor.

New 80,000 square foot Kato facility.

Move in scheduled for

October 1997.



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