

KEY EVENTS IN '99

Record Results, David Tu Named President, Expansion Steps Taken

By Norman Tu, Chairman

For DCL 1999 was a year of many important achievements. We made changes to our organizational structure, invested heavily in new resources, and developed a strategy and expansion plans to bring customers



the growing benefits of the company's expanding capabilities, especially in the B2B e-commerce area. At the same time, we

provided to customers the quality services they want and expect from us.

The Organization

I'm pleased to announce that David Tu, a 12-year veteran of the company, is the new president of DCL. He has had a key role in our ability to meet the evolving demands of customers, most recently as Vice President of Operations. David was responsible for the construction of our two facilities in northern California, and for overseeing the establishment of our facilities in Orange County and Los Angeles. These facilities provide the greatest capacity of any software manufacturer in the western United States.

In addition, David managed our process efficiency efforts in manufacturing. His leadership in streamlining our production capabilities greatly reduced defects, as well as costs, and made it possible to offer value-added services which customers wanted. This included leading

the program to have the facilities in Los Angeles and Orange County earn ISO 9002 certification.

Bill Jacobson, who served as DCL president for three years has a new role as Executive Vice President for Business Development. Bill will continue to have a major part in determining the strategic direction of the company, as well as spending time focusing on sales and marketing.

A member of the Board of Directors who has been with the company for more than 12 years, Bill deserves great credit for his leadership as President. During his tenure, DCL experienced rapid and widespread growth. Also, the company developed and implemented a B2B e-commerce capability called *e-Factory*.

He presided over our transition to a logistics organization laying the foundation for us to take advantage of the huge potential of the Internet.

David, Bill and I share the new vision of re-inventing DCL again as a logistics organization.

Acting on this vision, we have started to make major financial and development focus toward enhancing our B2B *e-factory* software capabilities. We are expanding our traditional customer base of high-tech software and hardware companies to include other industries, such as retailing and general manufacturing, through a new venture.

We're enthusiastic about this enterprise, which we are calling *eShipServices.com*. It will be managed separately from DCL, and targeted mainly to markets we have not served previously. However, we believe that some current customers will find it valuable for aspects of their business.

The Year in Review

1999 was the best year in our 18 year history. Sales were at an all time high, and we successfully

met the challenges of maintaining very high levels of customer satisfaction while manufacturing and distributing a record volume of customer products.

There were many highlights to remember:

- We acquired Memory Chips and merged its operations into On-Line Copy, a wholly owned subsidiary. The combined company was able to double sales in its first year of operations.
- We successfully installed J. D. Edwards One World Enterprise Requirements Planning System (ERP) to be Y2K compliant with zero downtime for us and the clients we serve.
- We released Version 4 of our *e-Factory*, increasing connectivity and usability for our customers. We invested more than a half million dollars upgrading our IT capabilities serving clients, expanding bandwidth and enhancing reliability.
- We reorganized our 80,000 square foot Milmont Ave. headquarters in Fremont to provide a logistics and distribution center to serve our B2B operations.
- We are scheduled to open a 50,000 square foot Dallas facility in June. DCL recognized that it was critical to our logistics strategy to have a presence in the center of the country to serve our customers.

The Future

After the Dallas facility is up and running, we will further expand with an east coast facility next year. This will give us a distribution model with the capability to ship any product from our facilities within three UPS days, anywhere in the United States.

Our move to have plants around the country responds to the changing patterns of the software

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OrderTrak Automatically Tracks Progress of Orders and Shipments for Distributors

A powerful on-line order tracking capability is now available to our customers' distributors through DCL's *e-Factory* customer support system.

DCL's OrderTrak™ System allows distributors to track the movements of their orders from the time the order is shipped from DCL to the delivery point, according to Mary Kung, Director of Symantec Projects for DCL.

The Internet based system was first used by Symantec's distributors, and now can be utilized by all DCL customers for their distributors to track the movement of orders as far back as 60 days, and as current as the last handling step, which could be a few minutes old.

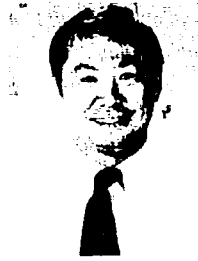
OrderTrak is simple to access. A distributor enters his unique user code number and password to initiate a search for information on a current order. Firewalls protect the privacy of each account. The search can be based on the purchase order number, the date of the order, the ship-to-city address or the DCL facility which shipped the order.

OrderTrak will deliver on-line information about the shipment, including the number of pallets and packages in the order, where it is in the distribution process, and the dates and time of various points along the shipping route. If the freight company has real-time tracking, OrderTrak will provide a hot-link to that service so distributors will know the location of their orders in shipment, including report of delivery, at all times.

"Users tell us that OrderTrak makes it possible for them to be more productive because they don't have to take the time and trouble of following up on orders themselves," said Mary. "This *e-Factory* feature is automated and fast, and keeps them up-to-date in a very convenient way so they can focus more on their primary jobs."

OrderTrak is fee-based and can be customized to specific requirements..

David Tu Named President, Will Focus on Customer Service and Growth



As the new President of DCL, David Tu will dedicate most of his time and energy to two main objectives: maintaining the highest level of customer service and growing the company.

Both of these goals – customer satisfaction and growth – were under threat from the Y2K compliance issue. But what could have been a problem was converted into an opportunity by the company.

"From a few years ago, we knew that the Y2K remedy would be expensive in terms of dollars and management time. At the same

time, we were at a point that if we made additional investments to the already high cost of resolving Y2K, we could improve and expand our IT infrastructure to deliver enhanced customer services, as well as open new growth possibilities," said David.

The decision was made to make the substantial commitment of financial and executive resources to take care of the Y2K matter and to fund the actions necessary to be positioned for future expansion.

The first step was installing the new J.D. Edwards One World Enterprise Requirements Planning System (ERP) and the extensive training for personnel to utilize it properly. The powerful capabilities of the ERP allowed for more effective customer connectivity via the Internet. It enabled customers to use the Web to track fulfillment orders, and to access manufacturing and inventory data.

"By integrating our *e-Factory* tools and features into our manufacturing capabilities, we provided a time to market solution, an increasingly important customer value," said David. "Integration allows DCL to shorten cycle time between manufacturing and shipment because we can now manufacture products to the shipping orders. The end result is that our customers products get delivered to their customers more quickly."

Another strategy to add to customer values was to lower customers' shipping costs. To make DCL's logistics services more attractive, the company decided to locate facilities where freight rates are lower to customer destinations. The decision was made in conjunction with an invitation by a major customer to provide services for them in the Dallas area.

Coming on-line in June, the 50,000 square foot Texas plant will be fully connected with DCL's four California sites, and will offer our full range of services.

"This nationwide logistics capability is the platform for DCL's new venture.

eShipServices.com. This B2B enterprise opens up opportunities for valuable new services to our customers and non-customers as the e-commerce revolution begins to pick up speed. We're committed to capitalizing on the latest developments in on-line business technology to give clients the new e-tools that will make them more competitive," David said.

For the new president, it promises to be a busy and eventful year.

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Record Results

business. Three years ago, eighty percent of our product distribution was bulk shipments to major distributors of our customers. Today, eighty percent are single or multiple unit orders shipped directly to end-users, by passing the traditional distribution network.

The planned east coast plant will be intercon-

nected, forming a true logistics network. We'll have the ability to handle client projects at the plant which allows for the lowest cost, fastest delivery to their customers.

All in all, 1999 was an eventful year for DCL. To those who made it possible, our customers and employees, my heartfelt thanks. We are determined to keep earning your loyalty in the exciting years ahead.

DCL Forms New Company, *eShipServices.com*, Offering Distribution Services to Internet e-tailers

DCL's new company, *eShipServices.com*, is being organized to meet the growing need for back-end, brick and mortar logistic services to help the increasing number of e-commerce companies.

According to Bill Jacobson, Executive Vice President for

Business Development, the company's extensive development of distribution and fulfillment capabilities, including its Internet based information system, is the foundation of the new company.

"DCL's fast growth over a relatively short time was due, in large part, to our ability to give our customers effective logistics support during times of rapid change in the software industry," said Bill. "Timely, affordable distribution became an essential factor in order to be competitive and successful, and that's what we provided."

A spin-off of DCL's logistics capabilities, *eShipServices.com*, is being directed to those smaller retailing or "e-tailing" organizations with distribution requirements that are not being well served. It is scheduled to begin operations in the 3rd quarter of this year.

While the largest on-line sellers have internal service structures to handle their own distribution, most e-tailers ship 500 orders or less per day, and are too small to manage their shipping conveniently or cost-effectively.

"These small shops, which make up approximately 80 percent of firms selling on the Internet, get very little or almost no logistics help and fall further behind the competitive race. To serve this niche, *eShipServices.com* will offer a suite of services designed for specialty on-line sellers," said Bill.

"These services should not only improve their customers' satisfaction with the on-line buying process, it will also relieve them of the many details involved in distribution and allow them more time to focus on their core activities."

eShipServices.com will be a complete provider of backend logistics services, including

inventory receipt, verification, warehousing, bar coding, picking, packing, shipping, assembly, gift wrapping, bulk shipping, reporting and RMA processing. *eShipServices.com* clients

using DCL's proprietary B2B application called *e-Factory* will be able to completely

automate the front-end data capturing to the back-end logistics services we provide.

Furthermore, the Web enabled application will allow the client to have complete on-line Web access to real time shipping reporting as well as a tracking link to the freight carriers.

"Typical targets for *eShipServices.com* are Web companies that sell or make products that are non-perishable, non-jewelry, and non-pornographic, have a value of \$2,500 or less per unit, inventory less than 400 SKUs, and make shipments of 100 to 500 per day," Bill explained.

A good fit for these services would be a supplier or manufacturer who wants to outsource their primary products that are sold on the Internet, Chairman Norman Tu explained. For example, an e-tailer who sells telephone systems or other electronics, vitamins and other health items, office supplies, or a small manufacturer of these items is an ideal prospect.

"DCL is establishing *eShipServices.com* with a legacy of more than 18 years of experience in the supply chain and fulfillment operations business. Over these years, we have shipped millions of orders, and have developed a reputation for excellence in distribution in the demanding software industry. Along with this background, we have the resources and trained people to help smaller companies struggling with their logistic problems," said Norman.

Control of costs, greater efficiency, better reporting, increased shipping accuracy, and Web enabled capabilities are some of the benefits of outsourcing distribution that *eShipServices.com* will bring to its customer.

Larry Dial, VP-Manufacturing & Distribution, Banks on His Years' Experience to Serve Customer Requirements

Larry Dial, Vice President of Manufacturing and Distribution, comes to the company with years of management experience in production, operations and distribution with a variety of companies.



Immediately before joining DCL last year, Larry, who has degrees in both electrical and mechanical engineering, was with Bishop-Wisecarver Corporation. There, his responsibilities included product development and manufacturing operations for linear motion systems used in many high tech applications.

Previous to Bishop-Wisecarver Corporation, he specialized in operations management for Bausch and Lomb, and Sunrise Medical, and Baxter Healthcare.

Earlier, Larry was a Program Manager for Hughes Aircraft Co., where he worked on R & D and international manufacturing projects.

Larry is listed in "Who's Who in the World" as one of the leaders in the design of minimally invasive surgery products, especially in the specialty of laproscopy.

In his new position, Larry said he will draw on his 25 plus years of design, operations and distribution experience to enhance and create new value-added services to meet the special needs of DCL customers.

Reeves To Service Accounts in Southern California

Richard Reeves has joined DCL as the new Account Manager for southern California.

Richard brings extensive experience — more than 15 years — in turnkey management, especially custom packaging and printing, and product distribution. He will serve as the primary customer contact person in that part of the state for DCL.

eFactory Version 5 Delivers New User Capabilities

Since its introduction three years ago, *eFactory* has become an indispensable tool used daily by all DCL customers to obtain manufacturing, materials and shipping information directly from their desktop. Now these capabilities will get even better with the upcoming release of Version 5 in 3rd quarter. The new release includes a host of new features suggested by customers and even more timely information to support faster time-to-market demands.

"With businesses having to respond to market requirements more rapidly, customers need even more timely, accurate information and in different formats," observed Shahid Masood, Vice President IT. DCL's recently installed One World Enterprise System from J.D. Edwards provides the flexibility for being able to satisfy these requirements. It allows



eFactory to access material and manufacturing information directly from One World providing real-time status to customers. RF scanners will also be added to the data collection/entry process to get information into the system quicker and more accurately.

The current *eFactory* provides real-time shipping information. Now Version 5 will do

the same for material and manufacturing information making the reports even more valuable. In addition, users will be able to lookup bill of materials and determine material shortages from *eFactory*.

One of the most asked for features has been the ability to customize *eFactory* reports to fit the user's needs. Version 5 will answer this request by providing the flexibility to: export data directly to an Excel spreadsheet or Word processing program, sort information, change font and color and create different views of the information. Version 5 will also support downloading of electronic customer files for label samples, manuals and CD artwork.

eFactory Version 5 – your improved "glass factory" tool providing even more and quicker information to run your business more efficiently.



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