

### Snapshot

April 23, 2012



Document Capture Technologies, Inc. (“DCT” or “the Company”) provides demand-driven solutions through the design, development, manufacture, and sale of document capture platforms. The Company’s products emphasize convenience, speed, and quality and create usable electronic content suited for database, document, content, and other systems. In doing so, these solutions are intended to reduce organizations’ operating costs, improve information accuracy and security, and speed-up processing time. DCT offers more than 40 variations of its imaging platforms, which are distributed globally to Tier 1 **original equipment manufacturers (OEMs)†**, **value-added resellers (VARs)**, and other systems integrators. To date, the Company has shipped over four million scanning products, which are marketed under private labels and used by government agencies, corporations, small offices/home offices (SOHO), professional practices, and consumers. DCT is headquartered in the U.S. with additional offices in Europe.

### Corporate Headquarters

#### Document Capture Technologies, Inc.

4255 Burton Drive  
Santa Clara, CA 95054  
Phone: (408) 436-9888  
Fax: (408) 436-6151

[www.docucap.com](http://www.docucap.com)

### Financial Data

Ticker (Exchange)	DCMT (OTC.BB)
Recent Price (04/20/2011)	\$0.30
52-week Range	\$0.15 - \$0.63
Shares Outstanding	~20.6 million
Market Capitalization	~\$6.2 million
Average 200-day Volume	9,636
Insider Owners	~47.3%
EPS (Year ended 12/31/2011)	(\$0.02)
Employees	30



### Key Points

#### DocuCap® AM481



#### DocuCap® AD481



- DCT reported record revenue of \$17.7 million for the year ended December 31, 2011, which was a 19% increase over revenue in 2010. As well, the fourth quarter 2011 was DCT’s 9<sup>th</sup> consecutive quarter for revenue growth. During the year, the Company made critical strategic investments in personnel and infrastructure, which it believes will likely compound its growth and financial health in 2012 and beyond.
- The combination of smart devices (smartphones and tablets) with the Internet has raised consumer expectations for data access and security. Rather than relying on the PC for file management, many individuals today interact with their data and data processing functions in the **cloud** via an app. Going forward, DCT seeks to capitalize on current market trends by creating products that easily interface with both the Internet and smart devices such as iPhone, iPad, and Android products.
- DCT holds more than 20 U.S. patents, nine patents in other countries, and two pending U.S. patents with additional U.S. patent applications currently in preparation, as well as multiple trademarks.
- The Company recently appointed a chief technology officer among other key individuals in sales and product development. Under this leadership, DCT has created an IP-driven product roadmap and completed detailed planning for new products, for which development is in progress.
- As of December 31, 2011, DCT reported that it continued to be debt free, ending 2011 with cash and cash equivalents of \$2.5 million and an available borrowing capacity of \$1.2 million. Previously, in November 2011, DCT increased its revolving credit facility by 50% to \$3 million.

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## Executive Overview

Document Capture Technologies, Inc. (“DCT” or “the Company”) is a manufacturer and provider of imaging technology solutions. At present, the Company offers over 40 different product variations ranging from **USB**-powered, portable document **scanners** to desktop scanners that manage up to 100 sheets at a time.

Rather than developing an internal retail network to reach the end consumer, DCT emphasizes **vertical markets** and business-to-business sales, working with large branding companies to bring products to market. Its products and technology are sold to Tier 1 original equipment manufacturers (OEMs), value-added resellers (VARs), and other systems integrators worldwide, and are then distributed globally through private-label solutions. This model allows DCT to focus on its core strengths, which include creating technologies, designing products, and establishing solutions that other companies/organizations then supply to their customers. It has the added benefit of limiting the Company’s exposure to the retail environment.

### Increasingly Mobile Consumers, Digital Records, and Cloud Technologies Create Opportunities for DCT

The mobile scanning sector has expanded in recent years in response to the following factors: (1) the prevalence of **broadband**, which is nearly ubiquitous in the U.S. today; (2) legislation (such as the **Check 21 Act** and **USA Patriot Act**) that has aided the establishment of a digital marketplace; and (3) increasing demand for technology solutions to enhance efficiency and security. Additional trends driving adoption of digital document capture systems, such as DCT’s, include a proliferation of green initiatives intended to efficiently reduce waste and paper storage; requirements and legislation governing secure information processing (e.g., the **Health Insurance Portability and Accountability Act [HIPAA]**); and an increasing need for secure, efficient, and remotely performed financial transactions.

Though the Company’s core technology has been around for several years, DCT believes that it is in the early stage of its lifecycle, as cloud-based storage and cloud computing are spurring new opportunities for IT products, such as scanners. Businesses and users alike are rapidly deploying and consuming cloud services, such as online storage and file sharing. By capitalizing on cloud technologies, companies can increase their IT capabilities in a cost- and resource-efficient manner, and users can store, access, and manage their data remotely from a variety of electronic devices, provided these devices have Internet access.

Accordingly, many industries are shifting toward maintaining electronic records rather than paper files. One of the most notable examples of this trend is in the healthcare sector, where government legislation and incentives are driving the adoption of electronic healthcare records (EHRs). By 2015, hospitals and other providers that do not have systems in place to support EHRs could face penalties, including a reduction in Medicare disbursements. Consequently, the healthcare sector represents a considerable market opportunity for products, such as DCT’s HIPPA-compliant scanners, that enable the digital capture and electronic sharing of medical records, patient ID and insurance information, and other paper forms.

Beyond the healthcare community, several other industries are also transitioning to document digitization, including the financial/banking and transportation sectors. The finance and banking sector is an important customer segment for information and document management products, as competitive pressures continue to drive banks to provide state-of-the-art services and technologies to clients. DCT has supplied financial institutions’ **remote deposit capture (RDC)** products for years through longstanding relationships with OEMs and VARs. RDC, one of the fastest growing trends in banking technology, allows customers the convenience of depositing checks from any location equipped with a scanner, computer, and Internet connection. With low-cost, lightweight, easy to integrate, mobile scanners, such as those provided by DCT, banks can supply scanners to customers for RDC as well as implement programs whereby customers can scan and upload important documents to a virtual safety deposit box via the secure banking relationship. DCT’s scanners are equipped with built-in security features and comply with the Check Clearing for the 21<sup>st</sup> Century Act (“Check 21”).

Transportation is another key vertical market where DCT expects significant growth over the next 12 to 18 months, as the economy improves and logistics companies implement technology refreshes. Several transport companies are deploying in-cab satellite-based computer systems for fleet management. Typically, drivers collect a receipt (**bill of lading**) for each delivery and turn these in when they return to dispatch. Once the paperwork is received by accounting, invoicing can occur. In contrast, with an in-cab computer system and DCT’s portable scanners, drivers can scan and send bills of lading immediately after delivery, enabling a much faster start to the invoicing process.

Although many businesses possess departmental scanners, DCT believes that decentralization and an increasingly mobile workforce will likely drive opportunities for individual, mobile document capture platforms that are capable of accessing cloud services. Ultimately, DCT sees every individual possessing multiple document capture devices, ranging from smartphones to high-speed office scanners. To that end, management has emphasized a commitment to continually reinventing and expanding its product line to meet the unique needs of its customers.

### Product Line Overview

Based on its research, DCT believes that personal and remote scanning is in its infancy. Through its products—both current and future—DCT demonstrates that scanners can function as efficient devices easily employed for many daily tasks. Thus, the Company defines its products as more than just a way to upload a paper document and attach it to an email. Rather, DCT gives its document capture platforms smart functionalities where the devices can integrate scanned data into databases or other applications, reducing human error and increasing efficiencies. With smart, fully functional scans, consumers use document capture platforms to not only upload documents but also to digitize pictures, manage expense reports, and deposit checks, among many other activities.

In addition, in response to globally heightened security concerns, DCT is working to address increased demand for state-of-the-art information, identity, and financial transaction protection. Overall, DCT believes that its products’ advanced information management features can continue to lead to greater efficiencies in many industries.

With compact designs and “plug and go” ease of operation, DCT’s products are intended to be user-friendly. To this end, many of the Company’s mobile and travel scanners are USB-powered and feature low power and space requirements, with the aim of providing a simple, low-cost form of document management that is easy to integrate with existing processes. Separately, DCT’s product portfolio also includes more complex, higher-throughput desktop devices that require AC power (versus the USB-powered mobile scanners). These offer advanced features such as automatic document feeders and flat-bed scanning, as summarized in Figure 1.

Figure 1  
PRODUCT LINES

Current Brands		
DocuCap®		
<ul style="list-style-type: none"> <li>▪ High-speed portable and desktop scanning devices fitted with an automatic document feeder (ADF)</li> <li>▪ Offers high-resolution color images up to 600 <b>dots per inch (dpi)</b></li> <li>▪ Features a smart-touch button, making it easy for users to scan, store, and distribute files</li> <li>▪ Software auto-rotates, de-skews, and auto-crops as well as tracks paper count and saves multiple images in a single file</li> <li>▪ Includes two flat-bed models</li> </ul>		
DocketPORT®		
<ul style="list-style-type: none"> <li>▪ High-speed USB-powered (no power adapter required) portable scanners</li> <li>▪ Offers duplex scanning and an optical resolution of 600 DPI</li> <li>▪ Designed to have a small footprint, with minimal power consumption and extremely lightweight</li> <li>▪ Compliant with the <b>Restriction of Hazardous Substance (RoHS) directive</b>, among other regulations</li> <li>▪ Scans any size document from business cards to legal size</li> </ul>		
Legacy Brands		
▪ TravelScan®	▪ SimpleScan®	▪ DocuPass®

Sources: Document Capture Technologies, Inc. and Crystal Research Associates, LLC.

DCT's products are applicable to traditional areas where scanners are typically used and also extend the reach of document capture platforms into new markets. The Company's devices and technologies can be used for remote deposit capture of bank notes and check verification, document and information management, forms processing, scanning barcodes, scanning IDs, passports, or other security measures, reading business cards, and as **optical mark readers**, such as for lottery terminals, among many additional applications. As such, DCT supplies document capture systems for use by government agencies, large corporations, small office/home office (SOHO) setups, professional practices, consumers, and other enterprises. Customers include NCR Corp. (NCR-NYSE), Qualcomm, Inc. (QCOM-NASDAQ), Burroughs Payment Systems, Inc. (formerly part of Unisys Corp. [UIS-NYSE]), and Brother Industries, Ltd. (6448-TYO), among others.

### **DCT's Focus on Software and Hardware Innovation**

During 2011, DCT focused on expanding its customer base and product offerings, improving customer relationships, identifying new market opportunities, and increasing its global presence. For example, in mid-2011, DCT entered into a partnership with a Taiwanese scanner manufacturer, Microtek International, Inc. (2305-TPE), whereby DCT obtained North American distribution rights to four Microtek products. This agreement is noteworthy as it supports DCT's expansion strategy, which includes methods to expand its product line and technology while also leveraging assets for new technologies in other areas of the imaging industry. Greater details on the relationship with Microtek are provided on page 27.

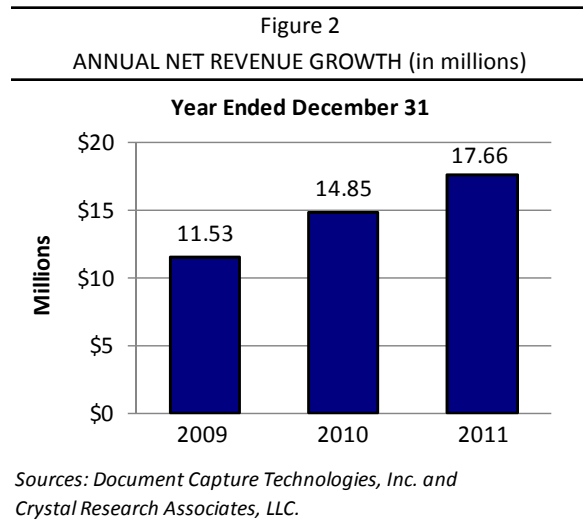
As well, the Company has strategically invested in infrastructure and IT upgrades to support anticipated international growth during 2012. DCT further increased its R&D budget by 24% (approximately \$263,000) during 2011. This investment has helped the Company expand into new revenue opportunities, including designing solutions that incorporate a greater focus on document security and software/web-based services. In order to position DCT to capitalize on emerging software and imaging trends, the Company hired a chief technology officer (CTO) as well as additional staff with core technology and engineering competencies in late 2011. Biographies of Company management are provided on pages 11-13, which includes new CTO Mr. Martin Boliek as well as additional 2011 management appointments: Mr. Jacques F. vonBechmann, III, as senior vice president of sales and Mr. Karl Etzel as product and business development director.

Following its 2011 personnel and infrastructural build-out, DCT believes that it is positioned to support a ramp-up in manufacturing and logistics. This is intended to allow the Company's expanded sales team to better focus on current customers while also pursuing new channels and new customers.

As well, with the expansion of engineering resources, DCT can focus on developing innovative new document capture technology solutions and intellectual property (IP). The Company's focus is now more equally distributed between hardware and software development than ever before. DCT is working to develop and deliver workflow-enhancing solutions that start with document digitization and then facilitate the Internet-based life of the digitized document. In line with this strategy, a key emphasis of the Company's engineering team is greater document/digitized document security.

The engineering team is also exploring **Wi-Fi**, battery-powered units, **Bluetooth** connectivity, USB for iOS and Android OS, among other technologies. The Company aims to incorporate these features with its products' existing competitive advantages: power efficiency, dependability, image quality, and cost efficiency.

*Company Growth Reflected in Rising Revenue*



The Company reported net sales of \$5 million for the fourth quarter 2011, which was a 9% increase over the fourth quarter 2010. Importantly, the increase in sales was derived from a 13% increase in the number of scanners sold during the last three months of 2011 versus the same time period of 2010. The fourth quarter 2011 represented the 9<sup>th</sup> consecutive quarter where the Company reported revenue growth.

DCT’s year-over-year net sales have also maintained an upward trajectory, and the Company reported record-high annual revenues for the year ended December 31, 2011. As illustrated in Figure 2 (and detailed in Figures 21-23 [pages 42-44] under Historical Financial Results), whereas in 2009 the Company’s annual net revenue was just over \$11.5 million, DCT showed sales of nearly \$15 million in 2010 and \$17.7 million in 2011.

Despite increasing its staffing levels during the year, DCT achieved favorable revenue, gross margins, and units shipped per full-time employee (FTE) for 2011. To the Company’s knowledge, its revenue of approximately \$700,000 per FTE in 2011 would rank among the top 20 performing companies on the NASDAQ 100 Index (Source: DCT’s Fourth Quarter Earnings Call, April 2, 2012).

Contributing to revenue growth in 2011, the number of units sold rose by 16%. As well, the weighted average selling price for DCT’s products improved as a result of the Company’s product mix during the year, though selling price was offset slightly by volume-related discounts. Moreover, DCT saw greater profitability in 2011, as measured by a 16% increase in earnings before interest, tax, depreciation, and amortization (EBITDA). As previously overviewed and detailed throughout this report, in 2011, DCT also strategically invested in the future growth and development of its business, particularly as it relates to its ability to bring novel products and solutions to market.

**Corporate Information**

DCT is a Delaware corporation that formerly operated under the name Syscan Imaging, Inc. and, later, as Sysview Technology, Inc. In 2008, Sysview’s management opted to focus on a core product line of document capture platforms, which were the Company’s primary revenue generator. As part of the rebranding, Mr. David Clark (biography on page 11) was named chief executive officer (CEO), and the Company became Document Capture Technologies. The Company’s stock ticker is “DCMT.”

Today, DCT is headquartered in Santa Clara, outside of San José, California, and employs 30 full-time individuals in R&D, sales, operations, and administration. The majority of employees are based in the U.S., with three individuals managing operations in China (where the bulk of DCT’s manufacturing occurs) and two people located in Europe. DCT’s in-house engineering abilities are supplemented with contractors who have specific knowledge in certain areas. The Company’s California facility encompasses 32,000 square feet for corporate offices, product development, inventory management, and distribution. Within Europe, DCT maintains field service/sales offices and inventory management and distribution facilities in the Netherlands (contact information below). Greater details of DCT’s manufacturing are provided on page 20.

**Document Capture Technologies, Inc.**  
 4255 Burton Drive  
 Santa Clara, CA 95054  
 Phone: (408) 436-9888  
 Fax: (408) 436-6151

**Document Capture Technologies, Inc.**  
 IJsselburcht 3, Suite 212  
 6825BS Arnhem  
 Netherlands  
 Phone: (+31) 26-36 53 440  
 Fax: (+31) 26-36 53 441

## Recent Milestones

During 2011, DCT focused on expanding its customer base and product offerings, improving customer relationships, identifying new market opportunities, and increasing its global presence. The Company strategically invested in infrastructure, IT, engineering, R&D, and management's capabilities to support global growth during 2012. As summarized below, DCT has achieved a number of milestones over the past year that the Company believes to be noteworthy.

- **March 2012**—DCT reported record 2011 annual revenue of \$17.7 million, a 19% increase over 2010. Gross profit percentage was 38% during 2011. EBITDA increased 16% to approximately \$809,000 in 2011 versus just under \$700,000 in 2010. DCT reported a net loss in 2011 of \$356,000, or (\$0.02) per share, compared to net income of \$279,000, or \$0.01 per share, in 2010.

DCT reported fourth quarter 2011 revenue of \$5 million, up roughly 9% over the fourth quarter 2010. Comparable EBITDA also rose in the last three months of 2011, totaling \$379,000 for the quarter versus \$6,000 for the fourth quarter 2010. Working capital plus line-of-credit availability increased to \$6.7 million at December 31, 2011, from \$6.5 million at December 31, 2010.

- **November 2011**—the Company increased its revolving credit facility by 50% to \$3 million as it prepared for future growth, including a higher quantity of orders from overseas markets.
- **November 2011**—the Company announced third quarter 2011 revenues of \$5.3 million, up 48% from the third quarter 2010. For the first nine months of 2011 (as at September 30), revenues were \$12.7 million, up more than 24% over the same period in 2010.
- **September 2011**—Appointed Mr. Richard “Bo” Dietl as chairman of the Company’s Board of Directors (biography provided on pages 13-14). Former chairman, Mr. Edward Straw (biography on page 14), assumed the role of vice chairman and lead independent director.
- **September 2011**—Entered into an exclusive global sales and marketing agreement with NICA Srl for the DOCS-mobile line of portable document scanner terminals, which includes DCT’s technologies and components.
- **September 2011**—Launched the DocuCap® line of high-speed mobile and desktop image capture products, which includes four products capable of high-resolution 600 dots per inch (dpi) imaging. Each product includes robust software for image editing and programmable controls for custom scanning, storage, and distribution of files.
- **September 2011**—DCT announced the appointment of Mr. Martin Boliek as chief technology officer (biography on page 12).
- **August 2011**—Secured a substantial order from a global technology company for three products sold through North American retail channels, including office supply chains and electronic specialty retailers.
- **May 2011**—Secured a significant purchase order from one of its newer OEM customers, with the potential for follow-on orders of substantial size.



## Growth Strategy

DCT's anticipated expansion centers around supporting its existing customers' needs while also generating new relationships; hardware, software, and cloud-based innovation; and an emphasis on establishing new IP to protect and enrich the Company's competitive position.

### Cultivating Customer and Partner Relationships

DCT remains committed to being a customer-focused organization that is highly responsive to the needs of its customers and partners. In January 2011, the Company hired Mr. Jacques vonBechmann, III, as senior vice president of sales (biography on page 12) in order to establish deeper relationships with the Company's OEM and VAR customers. As well, Mr. vonBechmann was provided a staff to assist in supporting customer needs and developing new business proposals. The Company believes that its 19% sales increase during 2011 is an early indication of its success in accomplishing this customer-focused imperative.

In addition to providing support to existing Tier 1 OEM partners and VAR customers, the Company is also investing in expanding its connections with customers, suppliers, and partners in international markets, particularly across Europe and Asia.

### Innovation

As a result of its R&D emphasis over the past year, the Company is positioned to target new revenue opportunities that build upon its core technology platform. Among other initiatives, DCT is devoting considerable resources to developing advanced software in support of cloud-based solutions and greater document security, as well as designing new hardware configurations.

The combination of smart devices (smartphones and tablets) with the Internet has raised consumer expectations for data access and security. Rather than relying on the PC for file management, many individuals today expect to interact with their data and data processing functions in the cloud via an app on the smart device. Even content creation is moving to an app-based model.

As the consumer market rapidly embraces such technology, DCT believes that the business community will likely also adopt mobile, cloud-based document management. However, more than for the consumer market, the business market will emphasize data security and trust—areas where DCT has long been recognized for its ability to provide secure document capture. The Company seeks to capitalize on current market trends by creating products that easily interface with both the Internet and smart devices, such as iPhone, iPad, and Android products.

### *Software Development May Drive Future Value*

DCT believes that the majority of its future technology value will likely come from unique layers of software. As such, the Company's growth strategies focus on trust and security throughout the lifecycle of a document. DCT's security model is innovative, beginning with new **firmware** embedded within its scanners to enable special secure and data-rich operations at the point of capture that work together with the Company's computer programs, smart device applications, and Internet web services. Innovative software is expected to increase DCT's value as a provider of a wide range of novel, sector-specific page-capture products for its existing customers as well to further the Company's penetration of new vertical markets worldwide. DCT believes that the financial and banking, healthcare, and transportation sectors represent the largest vertical markets for its solutions at present, though there are a number of additional applications where its technology has been or may be employed (as summarized in Figure 19 [page 37]).



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Through accelerating investments in internal R&D as well as in licensing, DCT is working to expand the scope of its proprietary input devices. DCT recognizes the importance of being able to offer various software bundles based on what the Company's partners and customers require in order to serve their customers. The Company is continuing to enhance its multi-platform (Windows®, Mac, **Linux**, Windows® Mobile, and **Windows® CE**) software development kits (SDKs) and leverage them in the creation of cloud-based software applications to facilitate a range of input devices. With a global software as a service (SaaS) market—of which a major component is scan-to-cloud technology—forecast to reach \$21.3 billion by 2015 (Source: Gartner, Inc.), there is significant opportunity for DCT to penetrate this area.

DCT is exploring new configurations of its existing technology scanners, which are anticipated to include near-term launches of products with direct Internet connectivity and smart device operation. Next-generation product development is intended to capitalize on market trends for cloud storage and file sharing, support societal shifts from PCs to mobile devices, and further distinguish DCT's technology from competitive approaches. Page 26 details the Company's pipeline initiatives and R&D.

R&D expense is likely to continue to increase over the long term as a result of growth of existing products, new product opportunities, and expansion into new markets and technologies. DCT remains committed to significant R&D efforts to extend its technology leadership in the imaging technology markets.

### **New Intellectual Property**

Following the Company's recent investments in IT and infrastructure, DCT is directing resources toward the development of novel products and expanding its IP portfolio. DCT believes that expanding its patent portfolio could help establish and strengthen competitive barriers, provide marketing and partnership advantages, add assets to increase its valuation, and offer potential for licensing and cross-licensing. Greater details of the Company's current IP portfolio are provided on page 10.

## Intellectual Property

DCT's product development strategy is fueled by its IP with the objective of creating market-driven products. DCT holds multiple patents related to scanning devices, including for efficient low-power designs, and specializes in adaptability, integration into new and existing systems, and mobility, with an ongoing commitment to R&D.

With the hiring of Mr. Boliek as CTO in September 2011, DCT launched a renewed and stronger commitment toward product innovation and overall IP strategy, with a particular emphasis upon document security. Initiatives include expanding existing technology, developing new technology, and licensing third-party, complementary technology. To that end, DCT is collaborating with various third parties with the intent of licensing new features that can be combined with the Company's IP to create stronger barriers to entry.

The Company holds more than 20 patents in the U.S. and several more in preparation to be filed, as well as seven trademarks. DCT's IP portfolio includes nine patents in jurisdictions outside of the U.S. Current patents do not expire until 2017.

## Company Leadership

### Management

Over the past year, DCT has made a number of strategic additions to its leadership, appointing individuals who have the expertise to help promote the Company's product and software development initiatives as well as further worldwide sales and partnerships. New executive members include Mr. Martin Boliek as chief technology officer (CTO), Mr. Jacques F. vonBechmann, III, as senior vice president of sales, and Mr. Karl Etzel as product and business development director. During 2011, DCT also hired sales associates and engineers, and expanded its use of specialized contractors. Figure 3 summarizes DCT's key management, followed by detailed biographies.

Figure 3  
MANAGEMENT

David P. Clark	Chief Executive Officer (CEO) and Director
Craig H. Weber, MBA, J.D.	President, Chief Operating Officer (COO), and Secretary
M. Carolyn Ellis, MBA, CPA	Chief Financial Officer (CFO)
Martin Boliek, MSEE, MBA	Chief Technology Officer (CTO)
Jacques F. vonBechmann, III, MBA	Senior Vice President of Sales
Pim (Willem) Blom	Vice President Business Development EMEA (Europe, Middle East, Africa)
Karl Etzel, M.S.	Product and Business Development Director

*Source: Document Capture Technologies, Inc.*

#### *David P. Clark, Chief Executive Officer (CEO) and Director*

Mr. Clark has been CEO since March 1, 2008, and previously served as senior vice president of business development and as a director since July 2004. From October 2003 to July 2004, Mr. Clark was president of Nautical Vision, Inc., a market-specific image display company, where he created and implemented a business plan that involved product sourcing, sales and marketing, and general management. From June 2001 to October 2003, Mr. Clark actively invested in and consulted to a diverse group of companies in addition to being involved in residential development. He was president and CEO of Homebytes.com from November 1998 to May 2001, where he was primarily responsible for raising in excess of \$25 million in funding from investors including America Online (AOL-NYSE), FBR Technology Venture Partners L.P., PNC Bank (PNC-NYSE), and Bank of America Corp. (BAC-NYSE), as well as being instrumental in the acquisition of a key competitor of Homebytes.com. Prior to that, Mr. Clark was the head of distribution and a director of Take-Two Interactive Software, Inc. (TTWO-NASDAQ), as a result of Take-Two's acquisition of Inventory Management Systems, Inc. (IMSI), of which Mr. Clark was a co-founder and president. Prior to founding IMSI, he held various management positions with Acclaim Entertainment, Inc. and the Imagesoft division of SONY Music (SNE-NYSE). Mr. Clark received a B.S. in business from the State University of New York at Binghamton in 1990.

*Craig H. Weber, MBA, J.D., President, Chief Operating Officer (COO), and Secretary*

Mr. Weber joined DCT as president and COO in November 2010. During a more than 25-year career, Mr. Weber has served as president and CEO, chief financial officer (CFO), COO, and chief legal officer (CLO), among other executive roles. Most recently, he was executive vice president, corporate development and CFO of Home Care Delivered, Inc., a supplier of disposable medical supplies, where he was also responsible for strategic planning and growth initiatives, acquisitions, and leadership development. Previously, he was managing partner of Hollymeade Group, LLC, a private investment firm; president and CEO of Whitlock eBusiness Solutions, a business and technology consulting company; COO, strategic planning officer, and legal officer of Homebytes.com; and vice president, business development and chief legal, administrative, and human resources officer for Walco International, Inc., a \$400 million pharmaceutical distribution company owned by Bain Capital. Before beginning his business career, Mr. Weber practiced law as a partner at McGuireWoods in Richmond, Virginia, and as an associate at Sullivan & Cromwell in New York City, where he specialized in corporate finance, mergers and acquisitions (M&A), and banking. Mr. Weber holds an MBA from the College of William and Mary; a J.D. from the University of Virginia, where he was a member of the Virginia Law Review; and a B.S. from Cornell University. Since 2002, Mr. Weber has been a member of the Board of Directors of Optical Cable Corp. (OCC-NASDAQ), where he is chairman of the Compensation Committee and serves on the Audit Committee.

*M. Carolyn Ellis, MBA, CPA, Chief Financial Officer (CFO)*

Ms. Ellis was appointed DCT's CFO in November 2007. She had been an independent contractor to the Company since 2006 in the role of supervising financial reporting obligations. Prior to her work with the Company, Ms. Ellis served as a director, secretary, and treasurer of Knovative, Inc., a telecommunications R&D company that she co-founded in 2003 and where she remains a member of the Board of Directors. From April 2000 to July 2003, Ms. Ellis served as the vice president of finance for Correlant Communications. She has been a certified public accountant (CPA) since 1989. She earned a Bachelor's degree in economics and accounting from Hendrix College in 1986 and an MBA from the University of New Mexico in 1994.

*Martin Boliek, MSEE, MBA, Chief Technology Officer (CTO)*

DCT appointed Mr. Boliek as chief technology officer in September 2011. In addition to an M.S. in electrical engineering from the University of California, Davis, Mr. Boliek also holds an MBA from the University of San Francisco. As the holder of over 50 technology patents, Mr. Boliek brings extensive knowledge within the hardware engineering, imaging, and document processing disciplines. He was the driving force behind the JPEG 2000 still image compression family of standards and the editor of Parts 1 and 2. Mr. Boliek has worked with large, medium, and startup companies, most recently as program manager with Ricoh Innovations, Inc. He has also worked as a consultant focusing on SaaS applications and integration, which may have direct benefits for DCT's products and R&D as SaaS and cloud technology partnerships are becoming an important constituent of the Company's growing revenue base.

*Jacques F. vonBechmann, III, MBA, Senior Vice President of Sales*

Mr. vonBechmann joined DCT as senior vice president of sales in January 2011. Previously, he was senior vice president of sales and marketing at Home Care Delivered. He has held executive positions in sales and marketing for companies ranging from Internet start-ups to Fortune 100 companies, including national accounts, Allergan, Inc. (AGN-NYSE); vice president, marketing of Cendant Corporation; and vice president, sales at Allianz. He is also experienced with a variety of markets that include pharmaceutical, consumer products, technology, and financial institutions and has worked with companies such as Capital One Financial Corp. (COF-NYSE), Bank One Corp. (now part of JPMorgan Chase & Co. [JPM-NYSE]), Qwest, Genworth Long Term Care, Columbia HCA, Double Click, Orbitz Worldwide, Inc. (OWW-NYSE), The Walt Disney Co. (DIS-NYSE), Continental Airlines and United Airlines (both part of United Continental Holdings, Inc. [UAL-NASDAQ]), American Airlines, Inc. (AMR-NYSE), Expedia, Inc. (EXPE-NASDAQ), and Blue Cross and Blue Shield. Mr. vonBechmann also taught marketing, economics, and leadership courses as an adjunct professor at the University of Richmond. He is a graduate of the University of Virginia and received an MBA from the College of William and Mary.

*Pim (Willem) Blom, Vice President Business Development EMEA (Europe, Middle East, Africa)*

Mr. Blom, a native Dutchman, joined DCT in October 2005. He has extensive experience in the distribution of well-known document imaging brands, such as Kodak, Kofax, Microtek, Agfa, Polaroid, Fujitsu, and Omnipage. Before joining DCT, he was the European sales manager at Fibrenetix Group in the UK, where he was responsible for sales, marketing, and distribution of mass storage devices for document imaging and video applications. Mr. Blom has over 20 years of experience in marketing and sales of a variety of IT products and equipment in the international marketplace and started his career in the IT sector at Philips Telecommunications and Data Systems in 1988. Other experience includes serving as director of sales and marketing at Phertron, a Netherlands-based company, where he managed a sales group in the Benelux countries with international accounts including Philips and DuPont Optical, Mitsubishi Chemical Holdings Corp. (4188-TYO), Agfa, and Teac Corporation (6803-TYO).

*Karl Etzel, M.S., Product and Business Development Director*

Mr. Etzel holds a Master's in mechanical engineering from the University of California at Irvine. He joins the Company after more than a decade as program manager for the U.S. Navy as well as product manager for the Data Communications Division of Cypress Semiconductor Corp. (CY-NASDAQ) and Intel Corp.'s (INTC-NASDAQ) Digital Health Group. His graduate education was fully funded by a National Science Foundation Graduate Research Fellowship. DCT expects that Mr. Etzel can help facilitate the continual strengthening of the Company's product engineering department. Throughout his career, Mr. Etzel has demonstrated an ability to accelerate the development of new products, and manage those products from concept through launch to the forging of sales partnerships. His past assignments have addressed several industry verticals of importance to DCT, including leading the development, marketing, and OEM support for a hardware reference design for the healthcare sector.

## **Board of Directors**

DCT's Board of Directors oversees the conduct of and supervises the Company's executive management team. Figure 4 provides a summary of Board members, followed by brief biographies.

Figure 4  
BOARD OF DIRECTORS

Richard "Bo" Dietl	Chairman of the Board
Edward M. Straw, MBA	Vice Chairman and Lead Independent Director
David P. Clark	CEO and Director
Roseann Larson, CPA	Director
Darwin Hu, M.S.	Director
Jody R. Samuels, J.D.	Director

*Source: Document Capture Technologies, Inc.*

*Richard "Bo" Dietl, Chairman of the Board*

Mr. Dietl became chairman of the Board of Directors in September 2011. Mr. Dietl is the founder and chairman of Beau Dietl & Associates. Founded in 1985, following Mr. Dietl's 16-year career as one of the most decorated detectives in the NYPD, Beau Dietl & Associates has grown to become one of the premier investigative and security firms in the nation. Mr. Dietl has been DCT's largest stockholder and has been instrumental with numerous DCT strategic initiatives since July 2008. In 2010, he formed Beau Dietl Consulting Services (BDCS) to recruit temporary and permanent placements in the IT, finance, and business verticals for global leaders and Fortune 500 companies. Clients include JPMorgan Chase & Co. (JPM-NYSE), Citibank (part of Citigroup Inc. [C-NYSE]), and Ernst & Young. Mr. Dietl is the founder of Electronic Risk Management Solutions (ERMS), believed to be at the forefront of corporate security initiatives by providing state-of-the-art anti-hacking security systems. Mr. Dietl has been the chairman of Security Solutions since 1999, a company that provides professional computer network security for all size companies from small businesses to multinational corporations.

Mr. Dietl has also founded and served as the chairman of a revolutionary software tool called Bo Dietl's One Tough ComputerCop. The software was developed to significantly increase a parent's ability to protect children from online predators. In 1998, the software was approved by the National Center for Missing and Exploited Children, and was featured on *America's Most Wanted*. In 2003, he became the principal of NetWolves, an innovator of a three-tier firewall software system called the Fox Box. NetWolves entered into an agreement with General Electric Co. (GE-NYSE) for worldwide installation of NetWolves technology. Mr. Dietl is a Fox News contributor focused on current events and is a regular guest on the radio talk show *Imus in the Morning*.

*Edward M. Straw, MBA, Vice Chairman and Lead Independent Director*

Mr. Straw became chairman of the Board of Directors in July 2008 and became vice chairman and lead independent director in September 2011. He is currently executive vice president of PRTM Management Consultants, an operational strategy consulting group, where he assists with business development in federal, high-tech, and consumer packaged goods verticals as well as mentors and coaches younger partners in leadership, communication, presentation, and deal closing skills. He also serves on the Boards of Eddie Bauer Holdings, Inc., Ply Gem Industries, Inc., Panther Expedited Services, Inc., and is the chairman of Odyssey Logistics and Technology Corp. From 2000 to 2005, Mr. Straw served as president of global operations of Estée Lauder Companies Inc. (EL-NYSE), where he led the manufacturing, research and development, information systems, package engineering, quality assurance, and global supply chain areas, which support all 20 brands of the Estée Lauder Companies around the world. From 1998 to 2000, Mr. Straw was senior vice president, global manufacturing and supply chain management at Compaq Computer Corp. (now part of Hewlett-Packard Co. [HPQ-NYSE]). At Compaq, Mr. Straw was responsible for integrating and managing the global supply chain across the entire organization and among suppliers, partners, and customers. From 1997 to 1998, he was president of Ryder Integrated Logistics Inc., a provider of supply chain services.

Prior to joining the private sector, Mr. Straw served in various positions in the U.S. Navy for over 30 years, including as vice admiral, director, and CEO of the Defense Logistics Agency, the Department of Defense's largest combat support agency. Mr. Straw is also currently trustee for the U.S. Naval Academy Foundation, and has served on the Board of Directors of the Navy Federal Credit Union, the U.S. Chamber of Commerce, and the Boy Scouts of America, National Capital Region. He holds a B.S. in engineering from the U.S. Naval Academy and an MBA from George Washington University.

*David P. Clark, CEO and Director*

Biography on page 11.

*Roseann Larson, CPA, Director*

Ms. Larson was appointed director and chairman of the Audit Committee on June 8, 2010. Ms. Larson has held several executive positions with Estée Lauder in her more than 20 years with the company. Most recently, she held the position of vice president and program manager, EMEA for Estée Lauder, responsible for centralizing, standardizing, and streamlining information systems across Estée Lauder's global enterprise. At the commencement of her career at Estée Lauder in 1989, Ms. Larson was manager, internal audit where she conducted operational, IT, financial, and environmental audits and contributed to fraud investigations for all divisions worldwide. Ms. Larson is a CPA and a member of the American Institute of Certified Public Accountants (AICPA). She earned a Bachelor's degree in accounting from Bernard Baruch College (New York) in 1980.

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*Darwin Hu, M.S., Director*

Mr. Hu became chairman, president, and CEO on April 2, 2004, in connection with the acquisition of Syscan, Inc. Mr. Hu resigned as president and CEO on March 1, 2008, and stepped down as chairman of the Board of Directors on July 15, 2008. He continues to serve as a director of the Company. Prior to April 2, 2004, Mr. Hu was the president and CEO of Syscan, Inc. Mr. Hu has over 21 years of experience in the high-tech industry and has held various management-related positions within organizations associated with color graphic imaging input scanning, display output and imaging communication product development, manufacturing, and sales and marketing. Before joining Syscan in April 1998, Mr. Hu held senior management positions at Microtek, Xerox Corp. (XRX-NYSE), OKI Electric Industry Co. Ltd., Advanced Vision Research, Inc., Olivetti S.p.A., and Grundig Business Systems. He holds a Bachelor's degree in engineering science from National Cheng-Kung University, Taiwan, and a Master's degree in computer science and engineering from California State University.

*Jody R. Samuels, J.D., Director*

Mr. Samuels has been a member of the Board of Directors since 2009 and is chairman of the Compensation Committee. In November 2010, he started his own consulting business through which he provides legal and business consulting services to public and private companies. Mr. Samuels also acts as corporate counsel to several public companies and represents investment banking firms and private investors in connection with private securities transactions, private investment public entity (PIPEs), reverse mergers, and M&A transactions. From 2006 through 2010, Mr. Samuels was a partner of the law firm of Richardson & Patel LLP. Prior to that, he was an associate and then a partner with the law firm of Ellenoff, Grossman & Schole from 2004 through 2006. From 1996 through 2004, Mr. Samuels was an associate at the law firm of Gersten Savage LP. He has been the Company's corporate counsel since Syscan merged with Bankengine Technologies, Inc. in 2004. Throughout his career, Mr. Samuels has represented numerous public and private companies in connection with corporate and securities transactions, including public offerings, PIPEs, and reverse mergers, as well as M&A transactions and regulatory compliance. Mr. Samuels has also represented broker-dealers in connection with many public and private securities offerings. He received a B.S. in accounting from Brooklyn College in 1991 and a J.D. from New York Law School in 1995.



## Core Story

Document Capture Technologies, Inc. (“DCT” or “the Company”) operates in the design, development, and delivery of imaging technology solutions, which are most notably document and image scanners. DCT’s document management products encompass a range of functionalities and designs, as they are intended to meet the unique needs of multiple market segments. The Company’s scanners are marketed as private-label solutions by original equipment manufacturers (OEMs), value-added resellers (VARs), and other system integrators to government agencies, corporations, small offices/home offices (SOHO), professional practices, and consumers.

DCT’s platforms can be used for remote deposit capture (RDC), bank note and check verification, document and information management, scanning barcodes, scanning IDs, passports, or other security measures, reading business cards, and as optical mark readers, such as for lottery terminals.

The Company’s product line includes more than 40 variations of document capture devices across multiple categories, including mobile, USB-powered scanners; simplex (one-sided scan) and duplex (two-sided) scanners; page-fed and auto document feed (ADF) scanners; and flat-bed scanners. With these devices, **end-users** of DCT’s products manage the processing of millions of forms, documents, and transactions annually. The Company’s brands include the newly launched DocuCap® line of high-speed mobile and desktop image capture products, and the DocketPORT® line of mobile, USB-powered scanners, as well as an array of legacy offerings launched over the past decade, such as the TravelScan® brand.

Though the Company’s core technology has been around for several years, DCT believes that it is in the early stage of its lifecycle, as cloud-based storage and cloud computing are spurring new growth for IT products, such as scanners. Ultimately, DCT sees every individual possessing multiple document capture devices, ranging from smartphones to high-speed office scanners. To that end, management has emphasized a commitment to continually reinventing and expanding its product line to meet the unique needs of DCT’s customers. The Company’s current document and image capture portfolio is detailed on the accompanying pages. Subsequently, page 27 overviews its strategic relationships facilitating product distribution. Pages 28-31 detail key customer agreements, followed by a description of DCT’s target markets for its proprietary document and image capture products.

## Technology and Product Platforms

### Product Evolution

Over the past decade, DCT has developed and sold scanners through a global network of solution providers and value-added resellers. DCT's initial scanners were centered on portability, which defined the Company's early stages. Launched in 2002, DCT's first scanners were approximately the size of the cardboard tube within a roll of paper towels and ran solely on USB power, similar to that pictured in Figure 5. These products were geared toward "road warriors" (people who travel extensively for business) and capitalized on the expanding use of notebook computers.

To the Company's knowledge, it was among the first to develop a portable scanner, a high-speed portable scanner using USB 2.0, and a duplex (dual-sided) USB-powered scanner. Since these developments, the Company has continued to release new and next-generation products, such as the DocuCap® line described on pages 21-22 and cloud integration, as described on pages 18-19. Figure 6 summarizes key milestones in DCT's product development history.

Figure 5  
DCT'S LEGACY MOBILE SCANNERS



Source: Geeks.com™.

Figure 6  
KEY PRODUCT DEVELOPMENT MILESTONES

<b>2000</b>	Introduced the first portable scanner with a PCMCIA interface
<b>2004</b>	Introduced USB 2.0 high-speed portable scanners
<b>2005</b>	Introduced A4 Duplex products
<b>2006</b>	Introduced a "Check 21" version of the A4 Duplex scanner
<b>2007</b>	Introduced an A6 Duplex scanner
<b>2008</b>	Brought new products to market, including the "7" series, DP 488, and DP 688
<b>2009</b>	Launched a next-generation controller (TS-PRO-XL, 4 Xena models)
<b>2010</b>	Introduced RDC solutions
<b>2011</b>	Certified the DocketPORT® scanners for use with a proprietary scan-to-cloud software technology
<b>2011</b>	Acquired distribution rights for the DocuCap® high-speed mobile and desktop image capture products

Source: Document Capture Technologies, Inc.

Throughout its history, the Company has marketed scanners under the following brand names: DocketPORT®, TravelScan®, SimpleScan®, DocuPass®, and DocuCap®. These products have supported popular computing platforms such as Windows®, Mac OS, Linux, Windows® Mobile, and Windows® CE. In addition, DCT has and continues to offer proprietary Software Development Kits (SDKs) for custom integration, application control, and reseller configurations.

Over the past year, DCT has enhanced the design and internal components of its scanners with the objective of improving performance and durability in a variety of operating conditions. The Company has further expanded its product lines to include several new models, including a selection of devices with automatic document feeders (as described under the DocuCap® brand on pages 21-22).

## Proprietary Software

The Company custom designs document capture solutions that are lightweight, have a small **footprint**, and, most importantly, are easily integrated with third-party systems. The ease of integration comes from proprietary software development kits (SDKs) and application programming interfaces (APIs), which allow the scanners to interface with both new and existing systems at a rapid rate. The Company can develop an interface, if one does not already exist, with any computing device where there is a need for a small footprint scanner. To DCT's knowledge, competitors' small retail scanners are generally not equipped for such integration.

In addition to ease of integration, the Company's SDKs and APIs allow for a broad range of applications and a faster time to market. DCT's standard software packages include drivers to support Microsoft® Windows® 7/Vista/XP, Windows® CE, Linux, and Mac OS. Since the software is bundled with the scanner to meet specific customer needs, DCT's products can be configured to run via servers or cloud-based solutions. As well, the Company is presently expanding its software support for newer operating systems, including the forthcoming Window® 8 and the Mac OSX/OSX 10.8.

DCT's products can be easily configured to support different languages, and the Company provides ongoing support for **Romanized**, **Cyrillic**, and **Sinographic** character software. Thus, its products are believed to be well suited for sales opportunities in many international markets.

Going forward, DCT intends to focus on software applications as well as hardware applications. As the Company develops wireless capabilities (Bluetooth and Wi-Fi), its software components are likely to become more innovative to meet new demands. In connection with the Company's drive to launch new product configurations and migrate to next-generation components, its software engineers have either updated or created new drivers for roughly 44 products since the start of 2011. This work not only illustrates DCT's renewed commitment to software development but also showcases the Company's recent gains in productivity, as the software engineers are currently working at two to three times the pace of previous years in terms of product updates.

## Cloud Computing

Through its product developments over the past decade, DCT has emphasized expanding scanners' features and functionalities while adhering to a user-friendly form factor. Recently, this focus led DCT to evaluate the importance of being able to manage documents in the cloud for businesses and consumers alike. Today, the "cloud" or cloud computing is often understood to mean online data. Cloud computing encompasses any subscription-based or pay-per-use service that is accessible in real time over the Internet and does not require dedicated hardware or software on behalf of the user. By capitalizing on cloud technologies, companies can increase their IT capabilities in a cost- and resource-efficient manner, and users can store, access, and manage their data remotely from a variety of electronic devices, provided these devices have Internet access.

In general, the Company's products are suited to scan-to-cloud applications, with various partnerships in process. DCT is aggressively pursuing an Internet-based services and software solutions strategy designed to complement and increase the value proposition of its digital scanning devices.

DCT believes that mobile banking and mobile transactions will likely increase in the future with Web-based solutions becoming more prominent. To capitalize on this trend, the Company is developing products with Wi-Fi connectivity and autonomous products that do not need a host device (e.g., a computer) but rather connect directly to cloud services. As an example, Hewlett-Packard Company (HPQ-NYSE) has introduced printers with an independent IP address so consumers can print from a cell phone to a printer and bypass the need for a computer. With a scanner that has cloud connectivity, consumers could scan a document directly to their online database and then access the scanned information from their computer, cellphone, iPad®, etcetera, without requiring a physical connection between the scanner and the viewing device.

As the DocketPORT® and DocuCap® scanners are well suited for small business use, integrating cloud-based software with DCT's technology is expected to enable a seamless and cost-effective method for customers to simplify the management of critical online information. Functions could include a USB or Bluetooth connection with a simple user interface that allows the user to interact with cloud services, such as contact management or photo services (e.g., scanning photos to an online account). Additional scanner plug-ins could enable expense report management for small and **micro businesses** or the business traveler who maintains a cloud database, and access to a secure electronic vault, among many other possible functions. Ultimately, there are many uses for mobile scanners as an input device.

### *SaaS Market Opportunities*

The global software as a service (SaaS) sector was valued at roughly \$10 billion in 2010, forecast to increase to \$21.3 billion by 2015 (Source: Gartner, Inc., a global information technology research and advisory company, July 2011). A major component of this sector is scan-to-cloud technology.

Cloud computing is a significant factor of IT investment, as spending for public IT cloud services is growing at more than four times the rate of the worldwide IT market as whole (Source: International Data Corporation's [IDC] *Worldwide and Regional Public IT Cloud Services 2011-2015 Forecast*, June 20, 2011). By emphasizing the development of document and image capture platforms that can be integrated with cloud-based services, such as Google Docs™, DCT is creating products that offer advanced, flexible features for which there is considerable demand. Going forward, the Company seeks to obtain greater market share and build revenues in this area.

### **DCT Strives to Develop Products that Enable Compliance with Regulatory and Legislative Standards**

The USA Patriot Act, passed in response to the September 11, 2001, terrorist attacks, encompasses numerous provisions aimed at improving security and identification measures in the U.S., particularly with regard to border controls, law enforcement, and financial activities. As a result, institutions have a greater responsibility to collect and maintain identifying information about their customers. As drivers' licenses and passports are among the most common forms of identification presented, there is increased demand for efficient ID scanners and devices that can capture this paper-based information for secure digitization, transmittal, or storage.

Identification verification, insurance card scanning, and scanning patient documents are believed to be among the most common uses for document capture platforms. DCT's passport and ID scanners enable transaction verification by capturing images of photo IDs or drivers' licenses, among other forms. In addition to the Patriot Act, there have been a number of other laws passed that mandate increased information security, such as the Check Clearing for the 21<sup>st</sup> Century Act ("Check 21") (for banking and finance transactions) and the Health Insurance Portability and Accountability Act (HIPPA) (for patient protections in the healthcare sector). The establishment of digital marketplaces requires advanced technologies and information-protection measures, which DCT has strived to achieve with built-in security features for its scanners, as described below.

### *Security Features*

DCT incorporates security features into its hardware and software that are targeted to the intended market audience. For instance, its scanners sold to healthcare entities are HIPPA compliant. To help ensure the security of private patient information, scanned images are not stored on the devices but rather are transferred and then erased from the **buffer** with no residual image to interfere with various healthcare privacy regulations. Greater details on the application of DCT's products to the healthcare field are provided on pages 35-36.

In addition, each scanner has digital serialization, which can be used in many ways from marketing to security. As a marketing tool, digital serialization enables recognition of where scanners are deployed. As a security tool, it provides users with verification functions, such as in employed during the remote check deposit process. When a check is scanned, it is digitally serialized. Before being deposited, the digital serial number must match the pre-specified customer and scanner. This gives banks an additional verification measure before the deposit is completed.

*Emphasis on Quality Standards*

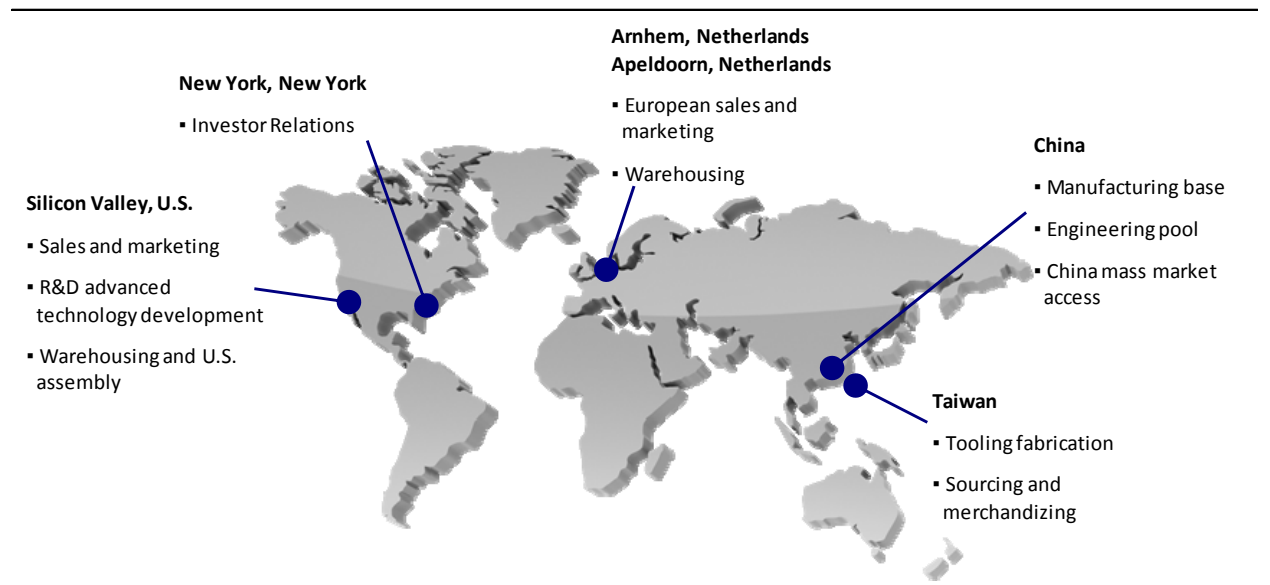
DCT’s products meet stringent product compliance requirements from various countries, including the EU’s Restriction of Hazardous Substances (RoHS) Directive and **Waste Electrical and Electronic Equipment (WEEE) Directive**. The Company’s products have been RoHS compliant since January 2006. In addition, DCT and its product manufacturers emphasize compliance with requirements set by standards organizations, such as the Underwriters Laboratories, the Canadian Standards Association, CB Safety Standards, and the Federal Communications Commission (FCC class B), as well as strive to meet the standards of the EU (**CE mark**) and Japan (**Voluntary Control Council for Interference [VCCI]**).

The Company’s scanners further meet **TWAIN** imaging standards. The TWAIN standards are specifications created by the TWAIN Working Group, a nonprofit organization representing the imaging industry to link applications and image capture devices. These specifications help scanner and camera vendors write the drivers for their devices. Drivers that follow TWAIN specifications are known as “TWAIN drivers” or “TWAIN-compatible drivers.”

**Manufacturing**

DCT seeks to remain cost-competitive by efficiently sourcing components and materials, driving manufacturing costs lower and carefully controlling overhead. As depicted in Figure 7, much of the Company’s manufacturing occurs in China and Taiwan. Logistics services, such as transportation, storage, and distribution, are provided by third parties. DCT purchases the majority of its finished products from a contract manufacturer in mainland China with which DCT has maintained a close relationship for over a decade. A new factory was opened by that contract manufacturer in Wuhan, China, in mid-2011 and production of DCT’s products became fully operational at the new facility on June 1, 2011. A pricing agreement, negotiated periodically, is in place between DCT and the contract manufacturer. Further, the Company believes that using this supplier provides better control over both product quality and cost, as DCT’s engineers work closely with the manufacturing team from the early stages of product design. DCT procures and delivers to the contract manufacturer substantially all of the critical components and tooling required for scanner manufacture.

Figure 7  
DCT’S GLOBAL PRESENCE



Source: Document Capture Technologies, Inc.

In September 2010, DCT combined its corporate office and warehousing facilities, at which time the Company also expanded its U.S. production capabilities. This move was anticipated to create significant operational efficiencies and better position DCT to capitalize on certain market opportunities, specifically those presented by U.S. government agencies that require products to be manufactured in the U.S. under the Trade Agreements Act.

**PRODUCT PORTFOLIO**

**DocuCap® Product Line**

In the second half of 2011, DCT launched the DocuCap® line of high-speed mobile and desktop image capture products, which was developed in response to the needs of the Company’s current customers. The DocuCap® line presently includes four products (as illustrated in Figure 8). Each scanner supports high-resolution color imaging (600 dots per inch [dpi]) and includes robust software for image editing and scanning versatile documents. A novel feature of the DocuCap® line is a “smart-touch” button, which simplifies user controls for functions like scanning, storing, and sharing files.

Figure 8  
DOCUCAP® IMAGE CAPTURE SERIES

AM481	AD481	AB481	SB562
			
Mobile Duplex Scanner with ADF*	Desktop Duplex Scanner with ADF	Desktop Flatbed Scanner with ADF	Compact Portable Flatbed Scanner

\* ADF = Automatic Document Feeder

Source: Document Capture Technologies, Inc.

The DocuCap® devices include auto-rotate, “deskew,” and auto-crop functions as well as the capability to track paper count and save multiple images in a single file. Deskew is a newer feature for scanners, which manufacturers developed to address a common problem in scanning whereby the pages do not feed properly causing some images or text to appear slanted. With deskew software, the device can look at the information on the page and compare its angle or rotation to that of the page itself. The scanner then auto-rotates the page to match the page’s alignment with that of the image.

The DocuCap® line augments DCT’s DocketPORT® product portfolio. DCT’s management believes that these scanners could become a substantive revenue source for the Company in the future, as they may be beneficial in a range of legal, financial, medical, retail, and commercial applications. In its November 2011 conference call to announce record third quarter 2011 financial results, DCT stated that it had received significant interest for DocuCap® scanners in the few months after the initial release of these products.

*DocuCap® AM481: Mobile Duplex Scanner*

This portable (cordless) scanner can process 15 pages per minute (ppm) in color and 20 ppm in grayscale. Its ADF can handle up to 20 pages at a time. It is a “duplex” scanner, indicating that it can scan both sides of a two-sided document simultaneously in a single pass. The AM481’s smart-touch button is located on top of the scanner. Like all of the other DocuCap® scanners as well, the AM481 comes equipped with multiple software programs, including ScanWizard DI® with OCR capability, ABBYY FineReader Sprint®, ABBYY Barcode Reader®, and Adobe Acrobat Reader®. It is compatible with Microsoft® Windows® 2000/XP/Vista/7. Figure 9 (page 22) further elaborates on key specifications for each of the first four products in the DocuCap® line.

*DocuCap® AD481: Duplex Desktop Scanner*

The higher-capacity DocuCap® AD481 can manage up to 100 sheets at a time. The AD481 is designed for stationary desktop use in contrast to the AM481 (overviewed on page 21), which is compact enough for easy transport. The AD481 scans 30 ppm in both color and grayscale, and performs two-sided (duplex) imaging. This product also incorporates the smart-touch button on top of the scanner.

*DocuCap® AB481: Desktop Smart Duplex Flatbed Scanner*

The AB481 is optimized for desktop use. In contrast to the AM481 and AD481, this product is a flatbed scanner. It is equipped with smart duplex scanning features, whereby the ScanWizard DI® software enables the AB481 to scan both sides of a document in one simple click. Like the other DocuCap® devices, the AB481 offers users programmable function buttons that access scanner controls, such as storing and distributing files. This flatbed desktop scanner is capable of 15 ppm in color and 20 ppm in grayscale, and can process 50 sheets at a time.

*DocuCap® SB562: Compact Portable Flatbed Scanner*

The DocuCap® SB562 is the lightest weight (approximately 2.2 pounds) of the DocuCap® scanners. It is a portable, flatbed scanner optimized for simplex (one-sided) documents. It has a space-efficient slim design and is intended to present users with a way to achieve high image quality (600 dpi), high precision, and optimal color depth in a compact device.

Figure 9 summarizes several of the key specifications for the DocuCap® line.

Figure 9  
SUMMARY OF DOCUCAP® SPECIFICATIONS

	<b>AM481</b>	<b>AD481</b>	<b>AB481</b>	<b>SB562</b>
	Mobile Duplex Scanner	Duplex Desktop Scanner	Desktop Flatbed Scanner	Compact Flatbed Scanner
<b>Interface</b>	USB 2.0 (high-speed)	USB 2.0 (high-speed)	USB 2.0 (high-speed)	USB 2.0 (high-speed)
<b>Image Sensor</b>	Contact Image Sensor (CIS)	Charged Coupled Device (CCD)	CCD	CIS
<b>Resolution</b>	600 dpi	600 dpi	600 dpi	600 dpi
<b>Scanning Speed</b>	Simplex: 20 ppm @ 200 dpi grayscale, 15 ppm color Duplex: 40 ipm* grayscale and 30 ipm color @ 200 dpi	Simplex: 30 ppm @ 200 dpi grayscale, color Duplex: 60 ipm @ 200 dpi grayscale, color	20 ppm @ 200 dpi grayscale, 15 ppm @ 200 dpi color	Grayscale: 4 ms/line @ 300 dpi, 3 ms/line @ 600 dpi Color: 5 ms/line @ 300 dpi, 4.5 ms/line @ 600 dpi
<b>Min. Page Size</b>	3.15" x 2.05"	2.9" x 2.05"	4.14" x 5.83"	4.14" x 5.83"
<b>Max. Page Size</b>	8.5" x 65"	8.5" x 65"	8.5" x 25"	8.5" x 25"
<b>Weight</b>	2.64 lbs	8.8 lbs	10.6 lbs	2.16 lbs
<b>Dimensions</b>	11.29" x 4.33" x 2.71"	8.19" x 11.77" x 7.76"	17" x 11.4" x 5.7"	11.29" x 4.33" x 2.71"
<b>Power Consumption</b>	15 W Max	36 W Max	38 W Max	15 W Max
<b>Regulatory and Environmental Standards</b>	FCC Class B, CE, WEEE, RoHS	FCC Class B, CE, WEEE, RoHS	FCC Class B, CE, WEEE, RoHS	FCC Class B, CE, WEEE, RoHS

\*ipm = images per minute

Source: Document Capture Technologies, Inc.



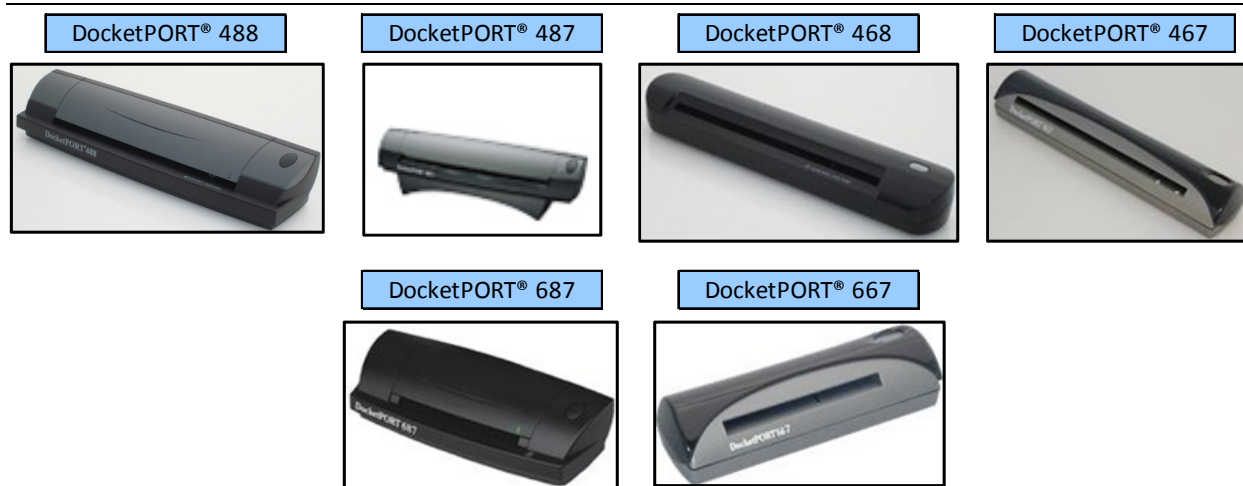
## DocketPORT® Product Line

At present, DCT’s most popular scanners are largely concentrated within the DocketPORT® product line, which represents the fourth generation of the Company’s compact page-capture devices. Illustrated in Figure 10, DocketPORT® products share several common features, as noted below.

- High-speed USB powered (no power adapter required)
- True duplex scanning capability
- 600 DPI optical resolution
- Minimal power consumption
- Extremely lightweight
- Compliant with Restriction of Hazardous Substance (RoHS)
- Internal 48-bit analog-to-digital conversion for three-color channels (red, green, and blue)
- Scans any size document from business cards to legal-size documents

Figure 10

### A SELECTION OF CURRENT DOCKETPORT® PRODUCTS



Source: Document Capture Technologies, Inc.

Figure 11 (page 24) highlights product specs for the DocketPORT® 400 series. The 488 represents the third generation of DCT’s duplex scanners. It is fully USB powered and scans materials that range in size from business cards to legal documents. The 487 scans full-size documents on both sides simultaneously in as quickly as 10 seconds. The 468 model is a simplex scanner designed for improved document handling and user interface. Lastly, the 467 has a total weight of only 12 ounces, which is low even compared to DCT’s other lightweight scanners.

Figure 12 (page 25) summarizes technical data for DCT’s 600 series models. The 687 and 667 offer quick scanning of ID cards and licenses. Supported document sizes range from business cards to 4” x 10” documents. Like many of DCT’s products, the 687 duplex scanner and 667 simplex scanner are fully USB-powered, portable scanners.

### CMOS Image Sensor

In the 1990s, DCT’s wholly owned subsidiary, Syscan, Inc., began creating a new generation of patented **contact image sensors (CIS)** that are **complementary metal-oxide-semiconductor (CMOS)** imaging sensor devices. Many scanners use CIS technology, which gathers light from red, green, and blue LEDs (which, when combined, provide white light) and directs the light at the document being scanned. The light reflected back is absorbed by a lens and directed at an image sensor array that records the images based on light intensity. The DocketPORT® line also utilizes a CMOS CIS image capture system. This fast image capture technology uses multiple light sources for enhanced accuracy. It also incorporates color, grayscale, and infrared scanning modes.

As a result of its work in this area, DCT holds multiple patents for linear imaging technology. Its patented CIS and mobile imaging scanner technology lead to high-quality images at low power consumption levels. This characteristic allows DCT to deliver compact scanners that are simple to use and easily integrated with computers, peripherals, and other systems.

Figure 11  
DOCKETPORT® 400 SERIES PRODUCT SPECIFICATIONS

	DocketPORT® 488	DocketPORT® 487	DocketPORT® 468	DocketPORT® 467
<b>Interface</b>	USB 2.0 (high speed)	USB 2.0 (high speed)	USB 2.0 (high speed)	USB 2.0 (high speed)
<b>Image Sensor</b>	CMOS CIS	Dual, 2 linear color CMOS	CMOS CIS	Linear color CMOS
<b>Resolution</b>	600 dpi	600 dpi (optical)	600 dpi	600 dpi (optical)
<b>Scanning Modes</b>	Internal 48-bit analog-to-digital conversion for R,G,B three-color channels	48-bit color (internal), 24-bit color (output), 8-bit grayscale, 1-bit B&W	Internal 48-bit analog-to-digital conversion for R,G,B three-color channels	48-bit color (internal), 24-bit color (output), 8-bit grayscale, 1-bit B&W
<b>Scan Speed</b>	10 ppm B/W; 4 ppm color	6 ppm B/W; 3 ppm color	5 ppm B/W; 2 ppm color	6 ppm B/W; 3 ppm color
<b>Scan Area</b>	8.5" x 14" max.	Business cards to legal documents	8.5" x 14" max.	Business cards to legal docs, A4 format
<b>Weight</b>	21 oz. w/o cable	17.8 oz.	12 oz. w/o cable	12 oz.
<b>Dimensions (L x W x H)</b>	12.25" x 2.0" x 2.65"	11.8" x 2.4" x 1.9"	11.5" x 2.0" x 1.7"	11.7" x 2" x 1.7"
<b>Cable Length</b>	150 cm	152 cm (detachable)	150 cm	152 cm (detachable)
<b>Power Consumption</b>	0.01W suspend; 0.2W standby; 2.0W during scan	0.2W standby; 2.0W during scan	0.01W suspend; 0.2W standby; 2.0W during scan	0.2W standby; 2.0W during scan
<b>Paper Sensor</b>	Mechanical	Electro-mechanical	Mechanical	Electro-mechanical
<b>Paper Thickness</b>	0.1 mm to ~1.2 mm	0.1 mm to 1.0 mm	0.1 mm to ~0.6 mm	0.1 mm to 0.8 mm
<b>Regulatory Requirement</b>	CE, FCC Class B	FCC Class B, CE, USB-IF.org	CE, FCC Class B	FCC Class B, CE, USB-IF.org
<b>Environmental Requirement</b>	RoHS, WEEE	RoHS, WEEE	RoHS, WEEE	RoHS, WEEE
<b>Operating Systems</b>	Windows® 7, Vista, XP, 2003, 2000; Mac OS X 10.4 and later	Windows® 7, Vista, XP, 2003, 2000; Mac OS X 10.4 and later	Windows® 7, Vista, XP, 2003, 2000; Mac OS X 10.4 and later	Windows® 7, Vista, XP, 2003, 2000; Mac OS X 10.4 and later
<b>Bundled Software</b>	DocketSCAN II with Scan-to-PDF utility		DocketSCAN II with Scan-to-PDF utility	Presto! PageManager 7

Source: Document Capture Technologies, Inc.

Figure 12  
DOCKETPORT® 600 SERIES PRODUCT SPECIFICATIONS

	DocketPORT® 687	DocketPORT® 667		DocketPORT® 687	DocketPORT® 667
<b>Interface</b>	USB 2.0 (high speed)	USB 2.0 (high speed)	<b>Cable Length</b>	152 cm (detachable)	152 cm (detachable)
<b>Image Sensor</b>	Dual, 2 linear color CMOS	Linear color CMOS	<b>Power Consumption</b>	0.2W standby; 2.0W during scan	0.2W standby; 2.0W during scan
<b>Resolution</b>	600 dpi (optical)	600 dpi (optical)	<b>Paper Sensor</b>	Electro-mechanical	Electro-mechanical
<b>Scanning Modes</b>	48-bit color (internal), 24-bit color (output), 8-bit grayscale, 1-bit B&W	48-bit color (internal), 24-bit color (output), 8-bit grayscale, 1-bit B&W	<b>Regulatory and Environmental Requirements</b>	FCC Class B, CE, USB-IF.org, WEEE, RoHS	FCC Class B, CE, USB-IF.org, WEEE, RoHS
<b>Scan Speed</b>		6 ppm B/W; 3 ppm color	<b>Operating Systems</b>	Windows® 7, Vista, XP, 2003, 2000	Windows® 7, Vista, XP, 2003, 2000
<b>Scan Area</b>	4.13" x 10" A6 format	4.13" x 10" A6	<b>Paper Thickness</b>	0.1 mm to 1.0 mm	0.1 mm to 0.7 mm
<b>Weight</b>	10.6 oz.	8.4 oz.	<b>Bundled Software</b>	DocketSCAN	Presto! PageManager 7
<b>Dimensions (L x W x H)</b>	8" x 2.75" x 1.8"	7.5" x 2" x 1.7"			

Source: Document Capture Technologies, Inc.

### Legacy Products

Figure 13 illustrates a selection of DCT's legacy products, for which the Company still offers technical support and software downloads on its website, [www.docucap.com](http://www.docucap.com). These comprise several DocketPORT® devices as well as the TravelScan® line, which are entry-level document management products.

Figure 13  
LEGACY PRODUCTS

DocketPORT® 485	DocketPORT® 465	DocketPORT® 685	DocketPORT® 665
			
TravelScan® FS531	TravelScan® PRO600/600ND	TravelScan® 464/464M	TravelScan® PRO 2300 U/UP
			
TravelScan® 662	TravelScan® 660		
			

Source: Document Capture Technologies, Inc.

The TravelScan® products are lightweight, have a small footprint, and are powered by a fixed USB cable. As they require minimal workspace, they can be conveniently carried with laptops, enabling users to fax, email, and organize business documents on the go. The optical resolution of the scanners in the TravelScan® line is 300 dpi. TravelScan® scanners require minimal power consumption and are designed for simple operation at the touch of a button. Each of these devices is RoHS compliant.

## **PIPELINE INITIATIVES/RESEARCH AND DEVELOPMENT (R&D)**

DCT is committed to R&D and product innovation, a focus that it believes helps it stay at the forefront of the paper-to-digital revolution. Using patented technology, DCT optimizes product designs to be compact, lightweight, and capable of providing quality images at low power. DCT continues to enhance its next-generation image capture solutions through ongoing R&D initiatives and through exclusive agreements with third-party corporations (such as those with NICA Srl and Microtek International, Inc., as detailed on page 27). In support of future R&D, the Company added Mr. Martin Boliek (biography on page 12) as chief technology officer in September 2011.

DCT's product development seeks to address both of the following: (1) customer and market demand for particular new features; as well as (2) a general interest among existing clients to expand their product lineups. The Company recently completed six separate prototypes that include two Internet web services, an iOS application, two mock-ups of new scanning products, and a design for a next-generation scanner module. These prototypes demonstrate the core technology that DCT has developed to create complete document lifecycle solutions beyond current capture devices. DCT believes that its ability to offer a full portfolio to its clients could strengthen both new and existing client relationships as well as increase the Company's market penetration.

DCT reported R&D expenses of \$1.35 million and \$1.09 million for the years ended December 31, 2011 and 2010, respectively.

### **New Configurations of Existing Technology**

The Company's approach to next-generation product development entails exploring new configurations of its existing technology (scanners). New initiatives are anticipated to include a greater emphasis on wireless scanning as well as software development, with the objective of optimizing scanners for direct Internet connectivity (where the scanner does not need to be plugged into a host device, e.g., a laptop, in order to access the Internet). Wireless features are scheduled to begin rolling out on products in the second half of 2012.

DCT is also developing an autonomous scanning device capable of interaction with a wider variety of user modes and devices, called the Xena project. Autonomous products could include scanners that operate on a lithium ion battery and that incorporate a small LCD screen and Bluetooth or Wi-Fi connectivity, allowing users to scan documents and upload the scans to their mobile device—personal digital assistants (PDAs), iPhones, iPads, or BlackBerry or Droid smartphones—via Bluetooth. Users could also display and edit their digital, scanned images directly on the scanner via the LCD screen. Updates on the launch of such features could also occur in the latter half of 2012.

Importantly, DCT is in the process of developing its first solutions specific to tablets and smartphones, and continues to pursue various exclusive product partnership opportunities both domestically and internationally.

By developing the above features, DCT strives to capitalize on the expanding market for cloud storage, processing, and file sharing as well as support the technological transition from personal computers to smart, mobile devices.

### **Emphasis on Software**

A considerable portion of DCT's R&D resources are directed toward developing the unique layers of software required to enable the aforementioned system solution functionalities. The Company is focused not only on firmware embedded in the hardware, but computer programs, smart device applications, and Internet web services that all work in concert to deliver secure, authenticated, traceable, and accurately processed scanned documents and derived data.

## Strategic Partnerships

DCT continues to evaluate synergistic partnerships that combine skills from each company and that have the potential to speed the development process and cycle time for bringing new products to market. The Company plans to continue to focus on further potential partnership agreements that serve to enhance its current products, complement current products, or expand the worldwide distribution of its products.

### Global Sales and Marketing Agreement for NICA's DOCS-mobile

In September 2011, DCT entered into an exclusive agreement with Italy-based NICA Srl for the global sales and marketing of NICA's DOCS-mobile portable document scanner terminal, which incorporates DCT's technologies and components. NICA Srl has over two decades of experience designing and developing image capture solutions, participating in more than 100 major client projects throughout Europe. The Company believes that this agreement may help DCT to increase market share in the EU and globally. Target markets for DOCS-mobile include transportation, home healthcare providers, exhibition centers, hospitals, or large commercial institutions. The features of the DOCS-mobile device are highlighted in Figure 14.

Figure 14  
NICA'S DOCS-MOBILE PRODUCT FEATURES

- |  |                       |
|--|-----------------------|
| ▪ Communicates via Wi-Fi and HSDPA (enhanced 3G mobile protocol) | ▪ Battery powered     |
| ▪ Scans documents up to A4 size                                  | ▪ 7-inch touch screen |
| ▪ Emails scanned images seamlessly from the platform             | ▪ Runs on WinCE5.0    |

*Source: Document Capture Technologies, Inc.*

### Recent Exclusive Distribution Agreement with Microtek

DCT holds an exclusive distribution agreement with Microtek International, Inc. ([www.microtek.com](http://www.microtek.com)), a global provider of scanning solutions with headquarters in Taiwan. Under the three-year agreement, DCT is serving as the sole North American sales agent for four of Microtek's next-generation image capture technologies, which have features that are desirable for the retail, medical, transportation, financial and industrial sectors, among others. Some of the products for which DCT is responsible for marketing and selling come from Microtek's ArtixScan series, targeted to meet the needs of the professional art and design industry, among other current product lines. Commercialization of these products is ongoing, with initial shipments underway. Moreover, the Company is commencing an aggressive marketing campaign to further drive sales. DCT anticipates that its distribution of Microtek products may appeal to existing customers as well as create revenue opportunities with new clients, as the agreement augments DCT's image capture offerings across a broad range of price points and functionalities.

Microtek has been producing scanning solutions since 1980 and holds over 450 patents (Source: Microtek). The company is recognized as one of the top global scanner brands, and DCT reports that Microtek has held over a 40% market share in China for scanning and image capture technologies for the past 20 years. Microtek has approximately 1,500 sales locations and 90 service centers throughout China.

Accordingly, DCT believes that its partnership with Microtek provides substantial opportunities for the Company, as it provides access to additional products that meet its customers' needs.

## Customers

DCT's imaging products are distributed globally through private-label solutions. The Company supplies its page-capture systems to Tier 1 original equipment manufacturers (OEMs), value-added resellers (VARs), and other system integrators, such as NCR Corp., Qualcomm, Inc., Burroughs Payment Systems, Inc. (formerly part of Unisys Corp.), and Brother Industries, Ltd. (as illustrated in Figure 15). The percentage of DCT's total sales that were generated by the Company's "significant customers" (customers representing more than 10% of DCT's net sales) were 67% and 62% during the years ended December 31, 2011 and 2010, respectively. The Company expects this sales structure—where a small number of customers account for a substantial portion of sales—to continue.

Please note that the entities listed in Figure 15 are companies for which DCT has designed and manufactured product, and are believed to be representative of the customer base for the Company's technology and products. Due to the confidential nature of many agreements, Figure 15 is not an exhaustive listing of DCT's customers. For instance, additional recent orders for the Company's scanners are described on pages 29-30 where details have been made publicly available.

Figure 15  
CUSTOMER SNAPSHOT

DCT has provided products to many entities in the document capture market, including but not limited to...



NCR Corp.



DYMO-CardScan®, the technology division  
of Newell Rubbermaid Inc.



Qualcomm, Inc.



Brother Industries, Ltd.



Xerox Corp., via a relationship with Visioneer, Inc.



Digital Check Corp.



Burroughs Payment Systems, Inc.



Ambir Technology Inc.

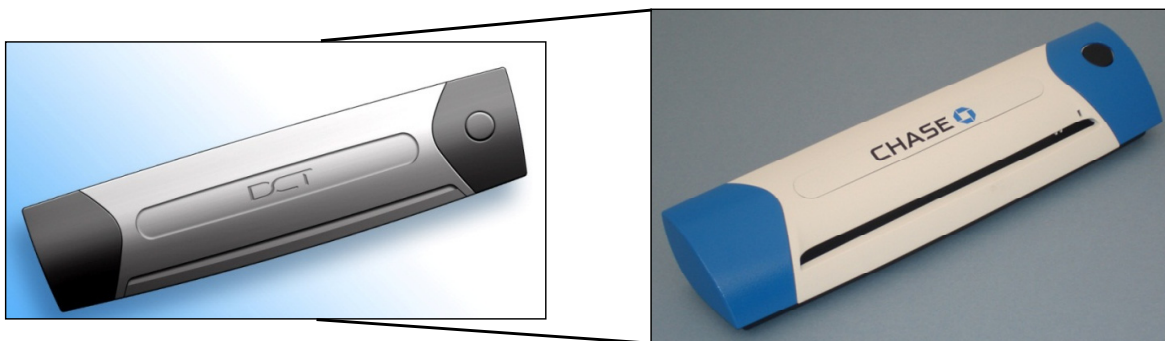
Sources: Crystal Research Associates, LLC and Document Capture Technologies, Inc.

The products DCT sells to OEMs and VARs include optical image capturing devices, modules of optical image capturing devices, and **chips** and other optoelectronic products. Ultimately, as a result of the Company's relationships with the companies shown in Figure 15 and others, its scanning equipment is developed into branded products that are purchased by many different types of end-users, including government agencies, large corporations, small office/home office (SOHO) setups, professional practices, consumers, and other enterprises. During 2011, DCT focused on expanding relationships with existing clients as well as obtaining new clients and new orders to increase its exposure in both domestic and global markets. These efforts were supported by the Company's January 2011 appointment of Mr. Jacques F. vonBechmann (biography on page 12) to the position of senior vice president of sales. Mr. vonBechmann's marketing expertise in the pharmaceutical, consumer products, technology, and finance sectors has helped grow and enhance sales in the Company's key global markets.

Figure 16 (page 29) illustrates how DCT's product designs may become branded third-party products.



Figure 16  
FROM DESIGN TO REALITY



Source: Document Capture Technologies, Inc.

### Global Distribution

DCT serves end-users across the U.S., Canada, Europe, South America, Australia, and Asia. Its products are supplied domestically and internationally through a network of more than 45 independent distributors and channel partners across North America, Europe, and Asia. DCT's products are also sold by its customers (e.g., the entities listed in Figure 15 [page 28]) through several retail and Internet-based channels.

As illustrated in Figures 21-23 (pages 42-44) under Historical Financial Results, DCT reported 2011 net sales of \$17.7 million, a \$2.8 million increase over sales in 2010. Revenue growth in 2011 was primarily generated by increased sales to existing customers and, although the customer mix varies from quarter to quarter, last year's sales were largely driven by three customers. Within the sales mix, international customers accounted for 4% of DCT's revenue in 2011, down from 7% in 2010. This decline in share results from three factors: (1) a sluggish European economy that has constrained sales in this region as well as affected manufacturers in Asia that supply European customers; (2) DCT's transition to a new product distributor in Asia; and (3) the Company's significant increase in U.S. revenues, which reduced the impact of global sales.

Going forward, DCT intends to emphasize greater sales both domestically and internationally, a move that is reflected in the September 2011 appointment of Mr. David Funk as the Company's territory sales manager for Germany, Austria, and Switzerland. Importantly, DCT's products are already, and continue to be, optimized for use in European countries, as the devices can be easily configured to support multiple languages, and the Company offers ongoing support for Romanized, Cyrillic, and Sinographic character software.

### Key Recent Orders

#### *Fortune 500 Global Technology Company*

In August 2011, the Company received one of its largest purchase orders to date. This order—from a Fortune 500 global technology company for which details could not be publicly disclosed—entails three products for sales through North American retail channels, including major office supply chains and electronic specialty retailers.

DCT has experienced and expects to continue growth in this customer relationship. The relationship started as an OEM-type arrangement, with the customer purchasing one product, which has since expanded to three products. DCT is now in the process of discussing co-development opportunities.

In its August 11, 2011, press release, DCT reported that this customer was a Fortune 500 company with over \$1 billion in annual revenues. It provides home, home office, and office imaging products.



### *OEM Order for a U.S. Financial Institution*

DCT also received a significant purchase order in May 2011 from one of its newer, large OEM customers. This order was for thousands of units delivered to a U.S. financial institution. Subsequently, the customer made a follow-on order as well.

In addition to the magnitude of the August 2011 sale to the technology company, DCT considered the mid-2011 order to the financial institution to also be a breakthrough in its business for the following reasons:

- it established the Company's products as viable solutions within the financial sector;
- it was received from one of DCT's newer partners; and, chiefly,
- it served as a catalyst fueling the adoption of DCT's product and solutions by other OEMs and VARs evaluating information management technologies.

DCT believes that a key aspect of this relationship is that the VAR that facilitated this order continues to present the Company's product line to a wide array of financial institutions, several of which are in varying phases of product testing. Such financial and banking customers continue to be an emphasis for DCT, as noted on pages 33-34 under Target Markets.

### *Snapshots of Existing Customers*

- NCR Corp. is a global technology company that supplies automated teller machines (ATMs), retail **point-of-sale (POS)** workstations, self-service kiosks, check and document imaging, and other solutions that aim to help businesses connect, interact, and transact with their customers. DCT currently manufactures and sells scanning products intended for resale by NCR under a July 2009 strategic supplier master procurement agreement. The duration of this agreement extends until August 2014. Under the terms, DCT may not provide any products to any other entity engaged in remote deposit capture (RDC) or that seeks to facilitate electronic document management on a bank's secure server. As well, DCT's technology is synergistic with NCR's products in multiple areas, which may facilitate entry into new markets, such as hospitality and travel.
- Qualcomm, Inc. specializes in wireless communications worldwide, particularly for mobile communications and consumer electronics.
- Brother Industries, Ltd. provides products for the home, home office, and office, including industrial products, home appliances, and business products. Other well-known Brother products include printers, fax machines, and electronic labeling.
- CardScan® was a developer of contact management technology for scanning business cards and managing contact information in a database. In 2008, CardScan® was merged into DYMO, the technology division of Newell Rubbermaid Inc. (NWL-NYSE), which supplies a variety of organization and productivity solutions.
- Visioneer, Inc. is a developer of intelligent imaging solutions. Visioneer has an exclusive licensing agreement with Xerox Corp. to develop and market Xerox-branded document scanners and digital projectors.

### **DCT's Vertically Integrated Business Structure Enhances Customer Relationships**

One of the primary benefits that DCT offers its customers is a vertically integrated business structure. The Company designs, develops, and manufactures, allowing for a quicker time to market. DCT also handles product compliance and seeks to address any other concerns presented by its clients. Many customers, such as NCR, visit the Company's manufacturing facility on a biannual basis. As such, these relationships serve to validate DCT's capabilities. In addition, the Company maintains a product service and support group for key channel partners that offers Web-based driver support, call center support, and warranty and repair support.

## Market Opportunities

Over the past several years, a mobile scanning market has developed in response to the widespread prevalence of broadband, which is nearly ubiquitous in the U.S. today. With reliable broadband service, businesses have the ability to operate websites 24 hours a day, seven days a week, and to deliver products and services in real time. Government, education, and healthcare institutions also profit from online services, such as interactive home-based medical monitoring, multimedia distance learning, or sending and receiving data to run a home business, among other applications (Source: Communications Workers of America).

Accordingly, society has gravitated to electronic forms of communication, transmitting documents online rather than in paper form. DCT is capitalizing on the paper-to-digital revolution, which is fueled by advancements within the broadband sector itself, particularly with regard to the speeds that are now available for consumers that make transmitting large files online far less time consuming than previously.

Several trends today are helping to drive demand for document capture solutions such as DCT's, as noted below:

- Increasing demand for digital storage to reduce paper storage;
- A proliferation of "green" initiatives intended to efficiently reduce waste;
- Greater requirements and legislation governing secure information processing; and
- Increasing demand for secure, efficient, and remotely performed financial transactions.

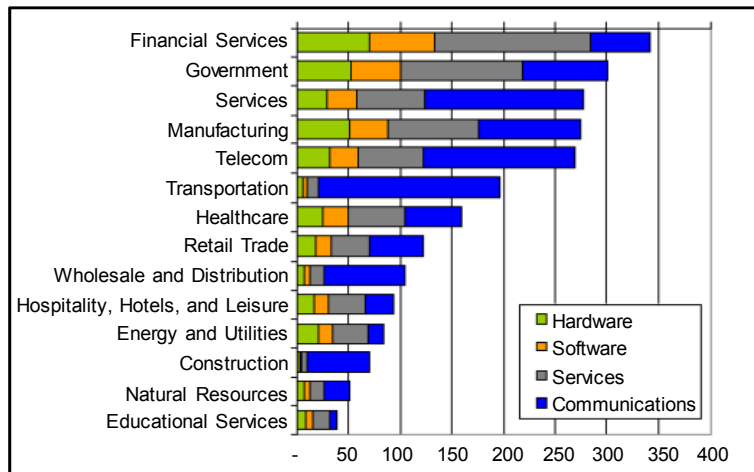
A key advantage of DCT's scanners is that they improve efficiencies, which may benefit a range of vertical markets, including finance and banking, healthcare, and transport, among many others. Across all markets, global information management spending is valued in the trillions of dollars.

### Global Information and Communications Technology (ICT) Demand

Based on research conducted by IHS Global Insight, Inc., a division of IHS Inc. (IHS-NYSE), the World Information Technology and Services Alliance ([WITSA] [www.witsa.org](http://www.witsa.org)) anticipated worldwide **information and communications technology (ICT)** growth of over 8% during 2011, stabilizing near 6% in 2013 (Source: WITSA's *Digital Planet 2010: the Global Information Economy*, June 2010). ICT generally entails any device, service, or technology concerned with the storage, retrieval, manipulation, transmission, or receipt of digital data. From 2009 to 2013, *Digital Planet 2010* forecast regional growth rates ranging from 5.9% per year for the Americas to 9.5% for Asia-Pacific, although the Americas will likely still be the largest market for ICT products and services in 2013.

Government and business account for a much larger share of ICT spending than consumers due to ICT's ability to create cost efficiencies, boost productivity, and enhance competitiveness among these entities. Moreover, vertical markets, such as financial services and telecommunications, tend to have the greatest level of ICT (Source: WITSA, November 23, 2010). To this extent, Figure 17 (page 33) highlights global ICT spending levels during 2009 for a number of major industries. The financial services market, which is among the largest markets for ICT products, is expected to remain a leading sector over the next several years as well (Source: *Digital Planet 2010*).

Figure 17  
ICT SPENDING BY INDUSTRY SEGMENT IN 2009 (\$US Billions)



Source: Figure 7, page 16 of Digital Planet 2010 from the World Information Technology and Services Alliance and IHS Global Insight, Inc.

### DCT's Target Markets

As described below and on the accompanying pages, DCT addresses multiple distinct vertical markets with its wide-ranging product portfolio. The Company evaluates direct and focused opportunities where its products can be simple to use and be integrated at a lower cost with ease to its customer base as well the end-user. In terms of revenue generation and growth opportunities, DCT's primary customer segments at present comprise the financial and banking sector, healthcare, and transportation. In addition to these three main areas, DCT also supplies products that are ultimately used in an array of other corporate and government applications.

#### Financial and Banking Sector

The finance and banking sector is an important customer segment for information and document management products, as competitive pressures continue to drive banks to provide state-of-the-art services and technologies to clients. Effectively targeting this sector requires hardware and software providers to offer multiple online products that include, among other functions, check scanning. Check scanning is becoming more widely accepted due to its convenience, improved software, and cost savings. With the support of strategic partners, DCT is capitalizing on this trend and believes that the financial and banking sectors could become a major market for its solutions.

DCT has supplied remote deposit capture (RDC) products to the finance and banking sectors for years through longstanding relationships with OEMs and VARs. RDC is one of the fastest growing trends in banking technology because it allows customers the convenience of depositing checks from any location equipped with a scanner, computer, and Internet connection. Recently, RDC has expanded to smartphones, which now have the ability to photograph a check and send it to the bank. RDC offers banks and consumers alike multiple benefits, including convenience, speed (as funds are often available earlier using RDC than in-person deposits), reduced processing and paper costs, and enhanced operational efficiencies.

For the bank, innovative hardware can facilitate and improve upon customers' online experiences but it has the added benefit of being a tool to aid customer acquisition and retention. With the introduction of lower cost, lightweight, easy to integrate, mobile scanners, such as those provided by DCT, banks may be able to renew programs where small and micro businesses are incentivized to open an account and remain a customer. For instance, a bank could offer a complimentary portable scanner with new accounts, which the customer could then use to remotely deposit checks into their new online business checking account. On a larger scale, banks may be able to implement a program using DCT's scanners where business accounts (or any other customer for whom this approach is employed) could scan and upload important documents via the secure banking relationship to a virtual safety deposit box.

## Check 21 Act

As a result of all of the changes brought about by the technological revolution over the past several decades, people and businesses alike are in need of solutions to address newly arising security concerns. RDC in particular is associated with heightened security concerns, such as consumers' account information being hacked if checks are transmitted over an unsecured connection. Thus, it is important for banks and other RDC vendors to be selective in choosing RDC platforms that address potential security issues. DCT's scanners are not only equipped with built-in security features but also comply with the Check Clearing for the 21<sup>st</sup> Century Act ("Check 21"), which became effective in October 2004. Check 21 allowed banks to process electronic checks in the same way that paper checks are processed, which created a space for RDC in the financial business model.

The establishment of Check 21 enabled RDC as a means for account holders to remotely upload images of their paper checks to banking institutions instead of physically depositing the paper check. As well, and perhaps a lesser known effect of Check 21, is that it was also designed to enable banks to handle checks electronically between branches and institutions. Traditionally, banks had to physically move paper checks from the bank where they were deposited to the bank that paid them.

## Customers for RDC

DCT has previously entered into agreements with Bridgeport Technologies, Digital Check, Burroughs, and NCR to develop RDC services using DCT's USB-powered mobile scanners. The Company and its partners supply RDC products and applications to reduce the processing cost of deposits and related transaction costs. Moreover, DCT's proprietary technologies allow its partners and clients to customize their RDC solutions, with the goal of creating improved customer service and ongoing revenue growth by increasing customer satisfaction and retention.

In particular, DCT entered into a strategic OEM agreement with NCR in August 2009 to supply an RDC solution targeting small businesses. DCT's technologies have served to augment NCR's existing portfolio, thereby helping NCR's financial customers implement effective RDC programs.

DCT also recognizes an opportunity to integrate RDC solutions within its healthcare offerings. Such functionality allows a healthcare provider to deposit co-payment checks instantly, making funds more readily available while reducing the overhead costs associated with processing such payments.

## Scanners as a Value-added Solution for Customer Retention

The small and micro business banking sector exemplifies how large banks could employ DCT's products. DCT estimates that there are over 25 million small and micro businesses in the U.S. that have a business checking account. By capitalizing on low-cost, lightweight, easy to integrate, mobile scanners, such as those provided by DCT, banks may be able to incentivize small and micro businesses to open an account and remain a customer. For instance, the bank could offer a complimentary portable scanner with new accounts, which the customer could then use to remotely deposit checks into the new online business checking account.

On a larger scale, small and micro businesses (or any other customer for whom this approach is employed) could scan and upload important documents via their secure banking relationship to a virtual safety deposit box. Financial institutions could supply a plug-in for DCT's scanner software, allowing consumers to open an online secure storage area sponsored by the institution. With scan-to-cloud functionality (as is now being rolled out in DCT's products), consumers could scan and upload birth certificates, vehicle titles, social security cards, and many other documents to what is essentially a virtual safety deposit box accessible from any terminal worldwide.

The Company's products may help facilitate the management of business cards, expense reports, and a number of new services that banks seek to offer customers. Incorporating DCT's platforms allows banks to offer cost-efficient perks that aid in customer acquisition. Moreover, by having a dedicated device to interact with their online banking, customers may be less likely to move to a different bank. This is a sample scenario of how DCT may be able to expand its sales going forward by targeting the banking sector. In addition, DCT also works with various kiosk manufacturers for financial transactions, such as NCR.

## Healthcare

Healthcare has always been a key revenue driver for DCT, traditionally representing over 50% of the Company's revenues on an annual basis. Historically, the Company's products here were based on ID verification. In today's environment, and going forward, the applications for scanners in healthcare are expected to expand significantly beyond ID verification as legislation and the high costs of paperwork drive demand for digitized records.

Scanners are used within the healthcare industry for the following tasks, among others: (1) updating medical records at nursing stations, examining rooms, or other remote locations; (2) patient or customer registration and verification through a kiosk; (3) facilitating insurance claim documentation; and (4) co-payment processing. Often, claims are rejected by insurance companies due to manual errors; however, electronically capturing patient information and sharing it with other providers and insurance partners may minimize the potential for error. DCT's scanners can lead to shortened registration times, reduced errors, and reduced costs.

As well, facilitating fraud detection has been a critical driver of DCT's healthcare business. Patient fraud occurs when someone goes into a healthcare provider and supplies their personal insurance card and identification but fills out the appropriate forms on behalf of a friend or relative who actually has the health issue and is in need of the care but lacks insurance. Often, once the receptionist photocopies the ID and insurance information and places it in the patient's file, it is not verified again. To address this issue, healthcare providers can use simple, compact products, such as the DocketPORT® 600 series (illustrated in Figure 18), for scanning ID and insurance information at the front desk of a healthcare facility.



Thus, when an individual checks in at the receptionist, their patient forms are scanned into an online or local office database, which is available for verification by physicians and other medical personnel as they see the patient. For example, when a physician orders an X-ray or an MRI for a patient, the technician can pull up the patient's information and view a photograph of the patient to ensure that the correct person is receiving treatment. These procedures may help reduce insurance fraud.

In a move to further establish contacts in the healthcare industry, DCT continues to expand its relationships to provide ongoing representation in the healthcare industry, generating awareness for DCT's products' significance and application in the industry beyond solely ID card scanning. Specifically, such relationships are expected to help the Company capitalize on the current U.S. government's push toward the digitization of healthcare documents and the storage of that information in a cloud-based environment. Healthcare represents approximately 17.4% of gross domestic product (GDP) in the U.S. today (Source: MSNBC, April 2012), and is a crucial area for DCT going forward.

### Rising Healthcare Costs Create Opportunities for More Efficient Technologies

The U.S. spent over \$2.8 trillion on healthcare in 2010, representing the largest total expenditure on healthcare per capita globally (Sources: MSNBC and the Alta Group). The Centers for Medicare and Medicaid Services (CMS) has estimated that U.S. healthcare expenditures are likely to expand by an average 8.9% per year to reach \$4.5 trillion in 2019 (Source: the Alta Group's March 2012 white paper, *The Current Environment for Hospital Leasing and Financing*).

With ongoing pressure to control costs and simplify complicated processes, healthcare providers and organizations are seeking new, more productive approaches. Such methods may include implementing new technologies geared toward creating low-cost efficiencies, such as DCT's platforms, which can work as stand-alone document and image scanners or as part of larger systems for automated healthcare records.

Moreover, there is a significant need for IT systems that reduce administrative expenses and improve healthcare resources and processes, particularly as it relates to insurance plan management. Recent federal healthcare reform in the U.S. included two new laws signed in March 2010: (1) the Patient Protection and Affordable Care Act; and (2) the Health Care and Education Reconciliation Act of 2010. Among other changes, these acts include provisions that establish new regulations on health plans, establish health insurance exchanges, and modify certain payment systems to encourage more cost-effective care and to reduce inefficiencies and waste, including through new tools to address fraud and abuse.

Due to federal healthcare reform as well as incentive programs, such as Medicare's Electronic Health Record (EHR) program, which rewards hospitals and medical providers for transitioning from paper to electronic records, the medical community is now widely investing in IT. In some cases, hospitals that do not offer EHRs by 2015 may be penalized in the form of Medicare disbursement cuts. Such trends are creating a considerable market opportunity for IT equipment that is optimized to facilitate healthcare processes, such as DCT's HIPPA-compliant scanners, which could entail a simple method for scanning paper records into an electronic, hospital-wide database.

In its report, *The Current Environment for Hospital Leasing and Financing*, the Alta Group notes that greater demand for healthcare services (from an aging population) coupled with increasingly limited public resources is expected to positively influence medical equipment expenditures through 2030, in particular for devices that can improve productivity.

#### *Transportation*

Transportation is an area where DCT expects significant growth over the next 12 to 18 months, as the economy improves and logistics companies implement technology refreshes. In this sector, one of the primary applications for scanners is arising as part of bulk freight's in-cab ICT systems.

Several transport companies have commenced creating full in-cab solutions, which entail an in-cab satellite-based computer system for fleet management. Typically, drivers collect a receipt/bill of lading for each delivery and turn these in when they arrive back to dispatch. Once the paperwork is received by accounting, invoicing can occur. In contrast, with an in-cab computer system and DCT's mobile scanners, drivers could scan and send the bills of lading immediately after delivery, enabling a much faster start to the invoicing process. In the U.S. alone, there were over 5.6 million commercial trailers, including semis, registered in 2009, suggesting a sizeable market opportunity for the sale of document capture devices into each vehicle (Source: the U.S. Department of Transportation's Federal Highway Administration, January 2011).

As an example of DCT's transport customer base, in April 2009, DCT entered into an agreement with Belgium-based, transportation management company, Punch Telematix n.v., which has since been acquired by Trimble's (TRMB-NASDAQ) Transport & Logistics division. Trimble provides integrated onboard computers, wireless communication services, and Web-based back-office applications for the transport and logistics sector. Per the agreement, DCT's mobile scanning technologies were adopted for Punch's CarCube™ onboard computer system. The inclusion of DCT's products was expected to allow drivers to communicate instantly with their back offices and clients, improving cost-effective information delivery of invoices, purchase orders, and trip routes.

Other transportation applications include long-haul carrier delivery verification; enabling real-time rail and multi-mode manifest updates; emergency and public safety vehicles; and border patrol processing of commercial vehicles.



*Additional End-users*

While not at the forefront of DCT’s agenda, there are a number of additional customer bases that the Company is cultivating. These include corporate, government, gaming and lottery, SOHO, and mobile/web-based areas.

Beyond the vertical markets described on the preceding pages, DCT’s product lines are also applicable for general corporate IT functions, such as facilitating paper-to-digital submissions of contracts, agreements, critical records, and other documents. Due to the scanners’ lightweight, compact nature, sales and field forces could capitalize on DCT’s mobile units to scan meeting notes, upload business cards, or save and organize receipts, as could telecommuters and individuals who fax for convenience. Likewise, large consultancy, insurance, and financial firms can equip mobile employees with DCT scanners designed to securely integrate with corporate document management systems. Some products are designed especially for capturing business card data, while others aid record-keeping and archiving, such as for receipts and tax documents.

A range of other government agencies represent target customers for DCT including but not limited to the following: (1) the Veterans Administration (VA); (2) U.S. Customs and Border Protection; (3) the Transportation Security Administration (TSA); (4) the Department of Homeland Security; and (5) the Department of Defense’s (DOD) procurement system. Essentially, any government agency that reviews and verifies documentation at multiple processing points, or process documents remotely, is a potential customer for DCT.

In addition, DCT works within the SOHO arena, and expects the point-of-sale to become more of an opportunity in the future as well. Further, the Company’s pipeline includes products that capitalize on trends toward mobile and web-based transactions. Figure 19 summarizes target markets for DCT’s solutions.

Figure 19

APPLICATIONS WHERE DCT BELIEVES ITS PRODUCT PLATFORMS ARE WELL SUITED

Healthcare and Medical	Financial Sector and Banking
Passport and ID Card Security Readers	Gaming and Lottery
Remote Deposit Capture (RDC)	Bulk Freight In-Cab Solutions (Trucking and Transport Form Input)
Document Management	Legal and Sales Contracts
Corporate IT Solutions	Faxing and Mobile Imaging Communication
Business Cards and Receipts	

*Source: Document Capture Technologies, Inc.*

## Competition

DCT's chief competition comes from manufacturers of imaging products that are targeting the same vertical markets as the Company. As well, DCT may compete with other companies and resellers that provide scanners to retail markets. To maintain a competitive advantage, DCT focuses on R&D and factory efficiency, which is intended to enable improved time-to-market product cycles and quality products. Figure 20 summarizes what DCT believes to be its competitive advantages.

Figure 20  
POTENTIAL COMPETITIVE ADVANTAGES FOR DCT

- Product quality and performance
- Patented and proprietary-based products
- Established reputation, experience, and presence in the USB-powered document and image capture market
- Relationships that allow DCT to identify and work closely with customers to meet market demands
- A vertical integration design and manufacturing business model that reduces the time to introduce a new or improved product to the market
- Broad distribution channels

*Source: Document Capture Technologies, Inc.*

The companies listed on the accompanying pages are not intended to be an exhaustive collection of DCT's competitors but rather an indication of the type of competition that the Company may encounter as it continues to grow its business.

### **Canon Inc. (CAJ-NYSE)**

Canon is a multinational Japanese corporation that focuses on manufacturing imaging and optical products. The company was founded in 1937 and is headquartered in Tokyo. Globally, Canon's business can be categorized as Consumer, Office, and Industry and Others. Imaging equipment is prevalent across each of these sectors, with document scanners optimized for industry customers as well as image scanners for consumer use. In addition to scanners, Canon supplies an array of multifunction devices, which serve as scanners, printers, and copiers. In the U.S., Canon U.S.A., Inc. offers many products that are potentially competitive to DCT. For instance, the company's line of check scanners (the "CR-Series," within which there are at least six products) enables Check 21 electronic image exchange and RDC applications. These devices are targeted to financial institutions, corporate, and retail organizations of all sizes. Canon's consumer and small office products include photo, document, and film scanners.

Canon U.S.A. also offers high-speed and network scanners suitable for office environments. The company's P- and DR-Series of high-speed document scanners comprises roughly 20 products, which include devices with Mac compatibility; compact, USB-powered personal document scanners (the "imageFORMULA P-150" and "P-215 Scantini"); as well as professional-grade devices, such as the "imageFORMULA DR-2020U Universal Workgroup scanner," which offer features like three-way scanning, ADF, flatbed imaging, and dedicated business card scanning plus rapid, one-pass duplex scanning.

The company further offers software downloads enabling access to cloud portals for certain of its products. For example, users of Canon's imageRUNNER ADVANCE devices (multifunction scanner/copiers) can access cloud services folder and file structure from the front panel of the equipment (provided the application has been downloaded and installed on device). Canon-branded products are available through numerous resellers as well as its Canon Business Solutions, Inc. unit.

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### **Seiko Epson Corporation (6724-TYO)**

The global Epson Group is engaged in the development, manufacturing, sales, marketing, and servicing of information-related equipment comprising computers, printers, scanners, and projectors, among a number of other electronic devices (such as quartz devices, semiconductors, displays, watches, plastic corrective lenses, and factory automation equipment). The company's imaging products include scanners for the home or office, photo scanners, flatbed and sheet-feed scanners, business document scanners, portable scanners, large-format scanners, and network and workgroup document scanners. In February 2009, the Epson GT-2500 business scanner, sold by Epson-affiliated sales company Epson Taiwan Technology & Trading Ltd. (ETT), became the first unit in its category to be certified with Taiwan's Green Mark eco label. In order to meet this certification, the Epson scanner has to demonstrate a low-power and easily recyclable design with plastic components that were free of specified harmful substances like lead and cadmium.

Among its broad scanner portfolio, Epson does offer several models designed for portability, similar to DCT's. For example, the Epson WorkForce DS-30 Portable Scanner captures receipts, documents up to 8.5" x 14", and plastic ID cards at a resolution of 600 dpi. This product is USB powered, Mac and PC compatible, and offers scan-to-cloud functionality, where users can scan their documents directly into an email, searchable PDF, or other database.

### **Fujitsu Ltd (6702-TYO)**

Headquartered in Tokyo, Fujitsu offers a variety of products in the document imaging and computing industries. The company reports that it is the world's third-largest and Japan's largest IT services provider. Additionally, Fujitsu believes that it is a global leader in terms of unit shipments and revenues for document imaging solutions. At the global scale, Fujitsu emphasizes the development of products and solutions to meet the unique needs of the following industries: automotive, financial services, healthcare, retail, and telecommunications. The company has also devoted considerable resources to establishing the Fujitsu Cloud, leading cloud services to be integrated into many of the company's solutions.

Fujitsu's U.S. arm, Fujitsu Computer Products of America, Inc. (FCPA), addresses the document imaging needs of organizations within healthcare, government, the financial and insurance industries, and education. FCPA offers workgroup, departmental, and production-level scanners. The company states that its scanners deliver speed and image quality, and are compatible with over 200 document imaging applications. In January 2012, Fujitsu introduced new workgroup scanners, including the Fujitsu fi-6140Z and fi-6240Z (flatbed model) which deliver scanning speeds of 60 ppm (120 images per minute) at 200 dpi. Fujitsu's professional-grade scanners incorporate intelligent features, such as centralized administration allowing users to monitor scanner running status, update drivers, and more, over a network from one location. They are also equipped with 50-page automatic document feeders (ADFs) and "post imprinters," which prints identification content (dates, codes) on the reverse side of the scanned document.

For personal, travel, and home-office use, FCPA markets its ScanSnap™ scanners. The ScanSnap™ S1100 is reported to be among the world's smallest portable document scanners. The S1100 is USB powered and weighs roughly 12 ounces. Additionally, the S1100 enables the user to scan documents into Evernote® and Google Docs™ cloud services. Similarly, Fujitsu's ScanSnap™ S300M, designed for Mac operating systems, is USB powered and is reported to have a scanning speed of 16 ppm. In March 2012, Fujitsu was awarded a 2012 Readers' Choice Award by *CPA Practice Advisor* in the category of Document Management Utilities for its ScanSnap™ line of scanners.

### **Plustek Inc. (Closely held)**

Headquartered in Taiwan, Plustek originated in 1986 as an OEM and has since become a global manufacturer of imaging solutions. Plustek leverages its factories and engineering skills for just-in-time manufacturing on a contract basis. During January 2012, the company showcased several of its new or key products at the 2012 International Consumer Electronic Show (CES) in Las Vegas. These included the SmartOffice PS406U, which is a workgroup-class document scanner with a 100-sheet feeder and capable of 40 ppm; and the SmartOffice PN2040, a network scanner allowing all users in an office to share one scanner. Plustek's MobileOffice line comprises compact, portable scanners for varying applications. For instance, the MobileOffice S410 is intended for documents, receipts, business travel, and document management, while the MobileOffice D430 is a high-speed document and card scanner for vertical applications, such as patient registration, pharmacy, and front desk scanning. Many of the lightweight MobileOffice models are USB powered. Plustek has created units geared for home and road use, as well as for healthcare, pharmacy, financial, and transportation (e.g., in-truck use) applications worldwide. In 2011, *PCMag* named Plustek's OpticBook 4800, a scanner for books, magazines, and bound materials, as the "flatbed scanner of the year" (Source: *PCMag's* "The Best Products of 2011," November 14, 2011).

Rather than focusing solely on the retail customer, Plustek targets its products as industry solutions for vertical markets, such as accounting, education, finance, healthcare, and transportation. In addition, Plustek's SDK collection includes a barcode reader library, a check reader library, and an ID card scanning library, thus allowing software developers and system integrators to integrate the use of Plustek scanners into their software applications. The company's technologies are available through software vendors, VARs, and solution and distribution partners. In the U.S., the company operates through Plustek Technology Inc.

### **The Neat Company (Closely held)**

Headquartered in Philadelphia, Pennsylvania, the Neat Company develops and markets scanner and software solutions. It was founded in 2002 and formerly operated as NeatReceipts. The Neat Company offers a lightweight, USB-powered mobile scanner and a desktop ADF scanner that is marketed as a digital filing system. The company's NeatDesk® desktop scanner and digital filing system is equipped with a patented input tray capable of scanning receipts, business cards, and other documents in one batch. The device uses patented optical character recognition (OCR) and parsing technology to identify and capture key information from scanned documents, then populates that data automatically in a robust digital filing system. The Neat Company's software further enables document scanning and editing within Microsoft Word®, PowerPoint®, Excel®, and Outlook®.

The company's former namesake, NeatReceipts®, is also the brand of its lightweight mobile scanner (and digital filing system) that captures business cards, receipts, and other documents to produce expense reports, digitize contact information, and create searchable PDFs. Neat Company products are designed as a way to add scanning into existing solutions through integrated scanner and software solutions. At CES 2012, the company demonstrated two new products that it expected to launch in spring 2012: NeatCloud™ and NeatMobile™. This introduction marks the Neat Company's intention to integrate cloud and mobile services into its existing scanners and software.

The Neat Company is a Microsoft Certified Partner, and has partnered with synergistic solution providers, ExpenseWire and MyBusinessExecutive. Neat Company products are available for purchase through the Neat Company's store, retail stores, and authorized resellers. The company has also created an infomercial campaign for "As Seen on TV" sales.

## Key Points to Consider

- DCT's products transform business-critical paper information into a manageable digital format for a variety of enterprises, including government agencies, corporations, small offices and home offices (SOHO), professional practices, and consumers. Through efficient document management solutions, DCT enables reduced operating costs, more accurate information, and increased processing speeds.
- The Company is focused on delivering lightweight, cost-effective products that have a small footprint and are simple to integrate with other systems. Its patented scanners are designed to produce quality images at low power consumption levels.
- DCT targets diversified, growing vertical markets, such as financial services and banking, healthcare, travel and hospitality (e.g., reading passports, ID cards), bulk freight transport, and an array of other industries that benefit from the secure digitization of paper forms and images. Vertical markets, such as financial services, tend to have the greatest level of such forms of information and communications technology (ICT). Across all markets, global information management spending is valued in the trillions of dollars.
- Compact devices, such as DCT's platforms, can function as stand-alone document and image scanners or as part of larger systems facilitating digital records. DCT's equipment is accompanied by proprietary software development kits (SDKs) for integration with new and existing third-party systems. SDKs support multiple applications, faster time to market, and ease of integration for partners/customers.
- Over the past decade, the Company's DocketPORT®, TravelScan®, SimpleScan®, and DocuPass® brands have been distributed through a global network of original equipment manufacturers (OEMs) and value-added resellers (VARs), including NCR Corp., Qualcomm, Inc., Burroughs Payment Systems, Inc., and Brother Industries, Ltd.
- DCT is focused on the continual expansion of its hardware and software offerings. In the third quarter 2011, the Company launched its DocuCap® line of high-speed mobile and desktop image capture products. As well, DCT entered into an exclusive agreement for the global sales and marketing of NICA Srl's DOCS-mobile (which incorporates DCT's technologies and components).
- DCT is led by a leadership team with expertise in research and development (R&D), business development, corporate finance, sales, and marketing, among other fields.
- The Company holds more than 20 patents in the U.S. (with additional patents pending) and seven trademarks. As well, DCT's IP portfolio includes nine patents in jurisdictions outside of the U.S.
- As of December 31, 2011, DCT reported that it continued to be debt free, ending 2011 with cash and cash equivalents of nearly \$2.5 million with an available borrowing capacity of approximately \$1.2 million on its bank line of credit. The Company further reported net sales of \$17.7 million for the full year 2011, which represented the highest annual revenues for DCT to date.
- With increasing sales and strengthened leadership, DCT believes that it is poised to pursue business expansion and a greater global presence.

## Historical Financial Results

Figures 21, 22, and 23 provide a summary of DCT's key historical financial statements: its Statements of Operations, Balance Sheets, and Statements of Cash Flows. The Company reports that its business has a seasonal cycle, with greater sales in the second half of the year than the first half.

Figure 21

Document Capture Technologies, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF OPERATIONS (in thousands, except per share amounts)

	Years Ended December 31,	
	2011	2010
<b>Net sales</b>	\$ 17,658	\$ 14,849
Cost of sales	10,952	9,030
<b>Gross profit</b>	<b>6,706</b>	<b>5,819</b>
<b>Operating expenses:</b>		
Selling, general, and administrative	5,944	5,098
Research and development	1,351	1,088
<b>Total operating expenses</b>	<b>7,295</b>	<b>6,186</b>
<b>Operating loss</b>	<b>(589)</b>	<b>(367)</b>
<b>Non-operating income (expense):</b>		
Change in fair value of stock option liability and derivative instruments	309	733
Interest income	1	1
Interest expense	(5)	(57)
Other	(8)	71
<b>Total non-operating income (expense)</b>	<b>297</b>	<b>748</b>
Net (loss) income before income taxes	(292)	381
Provision for income taxes	64	102
<b>Net (loss) income</b>	<b>\$ (356)</b>	<b>\$ 279</b>
<b>Basic (loss) earnings per share</b>	<b>\$ (0.02)</b>	<b>\$ 0.01</b>
<b>Diluted (loss) earnings per share</b>	<b>\$ (0.02)</b>	<b>\$ 0.01</b>
<b>Weighted average Common Shares outstanding – basic</b>	<b>20,562</b>	<b>20,581</b>
<b>Weighted average Common Shares outstanding – diluted</b>	<b>20,562</b>	<b>27,092</b>

Source: Document Capture Technologies, Inc.

Figure 22  
Document Capture Technologies, Inc. and Subsidiary  
CONSOLIDATED BALANCE SHEETS (in thousands)

	<u>December 31, 2011</u>	<u>December 31, 2010</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,455	\$ 2,322
Trade receivables	2,207	2,539
Inventories, net	2,876	1,730
Prepaid expenses and other current assets	226	259
<b>Total current assets</b>	<b>7,764</b>	<b>6,850</b>
Other non-current assets	36	44
Fixed assets, net	125	145
<b>Total assets</b>	<b>\$ 7,925</b>	<b>\$ 7,039</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Line of credit	\$ —	\$ —
Trade payables to related parties	1,014	654
Trade payables and other accrued expenses	717	546
Accrued compensation and benefits	444	712
Deferred revenue and customer deposits	—	29
Income tax payable	23	100
<b>Total current liabilities</b>	<b>2,198</b>	<b>2,041</b>
Stock option liability	502	811
Long-term deferred rent	113	70
Commitments and contingencies		
Stockholders' equity:		
Preferred Stock \$.001 par value, 2,000 authorized, 0 issued and outstanding at December 31, 2011 and December 31, 2010		
Common Stock \$.001par value, 50,000 authorized, 20,578 and 20,479 shares issued and outstanding at December 31, 2011 and 2010, respectively		
	21	20
Additional paid-in capital	38,290	36,940
Accumulated deficit	(33,199)	(32,843)
<b>Total stockholders' equity</b>	<b>5,112</b>	<b>4,117</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 7,925</b>	<b>\$ 7,039</b>

Source: Document Capture Technologies, Inc.



Figure 23

Document Capture Technologies, Inc. and Subsidiary  
 CONSOLIDATED STATEMENTS OF CASH FLOWS (in thousands)

	<b>Years Ended December 31,</b>	
	<b>2011</b>	<b>2010</b>
<b>Operating activities</b>		
Net (loss) income	\$ (356)	\$ 279
Adjustments to reconcile net (loss) income to cash provided by operating activities:		
Depreciation expense included in operating expenses	48	49
Depreciation expense included in cost of sales	40	54
Allowance for slow-moving inventory	33	—
Fair value of Common Stock and Common Stock Warrants issued for services rendered	80	74
Stock-based compensation expense	1,270	940
Change in fair value of stock option liability and derivative Instruments	(309)	(733)
Non-cash interest expense	5	45
Changes in operating assets and liabilities:		
Trade receivables	332	(1,042)
Inventories	(1,179)	(56)
Prepaid expenses and other current assets	7	(131)
Other non-current assets	8	(44)
Trade payables to related parties	360	313
Trade payables and other accrued expenses	171	106
Accrued compensation and benefits	(268)	588
Income taxes payable	(77)	100
Deferred revenue and customer deposits	(29)	(82)
Long-term deferred rent	43	70
<b>Cash provided by operating activities</b>	<b>179</b>	<b>530</b>
<b>Investing activities</b>		
Capital expenditures	(39)	(72)
<b>Cash used by investing activities</b>	<b>(39)</b>	<b>(72)</b>
<b>Financing activities</b>		
Proceeds from issuance of Common Stock, net of issuance costs	1	3,971
Net advances (payments) on bank line of credit	—	(225)
Loan origination fees	(8)	(13)
Payments for repurchase of Common Stock	—	(2,197)
<b>Cash (used) provided by financing activities</b>	<b>(7)</b>	<b>1,536</b>
<b>Increase in cash and cash equivalents</b>	<b>133</b>	<b>1,994</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>2,322</b>	<b>328</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 2,455</b>	<b>\$ 2,322</b>
<b>Supplemental disclosures of cash flow information:</b>		
<b>Cash paid during the year for:</b>		
Interest	\$ —	\$ 16
Income taxes	\$ 163	\$ 2
<b>Non-cash investing and financing activities:</b>		
Transfer of deposits to fixed assets	\$ 29	\$ —

Source: Document Capture Technologies, Inc.

## Risks

Some of the information in this Executive Informational Overview® (EIO®) relates to future events or future business and financial performance. Such statements can only be predictions and the actual events or results may differ from those discussed due to the risks described in DCT's statements on Forms 10-K, 10-Q, and 8-K, as well as other forms filed from time to time. The content of this report with respect to DCT has been compiled primarily from information available to the public released by the Company through news releases, Annual Reports, and U.S. Securities and Exchange Commission (SEC) filings. DCT is solely responsible for the accuracy of this information. Information as to other companies has been prepared from publicly available information and has not been independently verified by DCT. Certain summaries of activities have been condensed to aid the reader in gaining a general understanding. For more complete information about DCT, please refer to the Company's website at [www.docucap.com](http://www.docucap.com).

Investors should carefully consider the risks and information about DCT's business, as presented in the Company's Form 10-K for the year ended December 31, 2011 (filed with the SEC on 03/30/2012). The risks listed in DCT's Form 10-K are hereby incorporated by reference. Investors should not interpret the order in which these considerations are presented as an indication of their relative importance. The risks and uncertainties described in DCT's SEC filings are not the only risks that the Company faces. Additional risks and uncertainties not presently known to DCT or that the Company currently believes to be immaterial may also adversely affect its business. If risks and uncertainties develop into actual events, DCT's business, financial condition, and results of operations could be materially and adversely affected, and the trading price of the Company's shares could decline.

Click here to access DCT's Form 10-K filing for the year ended December 31, 2011:  
<http://finance.yahoo.com/q/sec?s=DCMT.OB+SEC+Filings>

## Glossary

**Bill of Lading**—A document signed by a carrier (a transporter of goods) or the carrier’s representative and issued to a consignor (the shipper of goods) that evidences the receipt of goods for shipment to a specified designation and person.

**Bluetooth**—A short-range wireless technology designed to allow connection of portable devices in a wire-free manner.

**Broadband**—Of or relating to or being a communications network in which the bandwidth can be divided and shared by multiple simultaneous signals (as for voice, data, or video). Broadband is essentially high-speed Internet access that is always available.

**Buffer**—(computers) Part of RAM used for the temporary storage of data that is waiting to be sent to a device.

**CE Mark**—Conformité Européenne. A mandatory European marking for certain product groups to indicate conformity with the essential health and safety requirements set out in European Directives. To permit the use of a CE Mark on a product, proof that the item meets the relevant requirements must be documented.

**Check 21 Act (“Check Clearing for the 21<sup>st</sup> Century Act”)**—Signed into law on October 28, 2003, and effective on October 28, 2004, Check 21 is designed to foster innovation in the payments system and to enhance efficiency by reducing some of the legal impediments to check truncation. The law facilitates check truncation by creating a new negotiable instrument called a substitute check, which permits banks to truncate original checks, to process check information electronically, and to deliver substitute checks to banks that want to continue receiving paper checks.

**Chip**—Short for microchip, the complex yet tiny modules that store computer memory or provide logic circuitry for microprocessors. Many special-purpose chips, known as application-specific integrated circuits, are being made today for automobiles, home appliances, telephones, and other devices.

**Cloud**—(as it relates to computing) Internet-based computing, whereby shared resources, software, and information are provided to computers and other devices on-demand.

**Complementary Metal-Oxide Semiconductor (CMOS)**—A semiconductor technology process that is also applied on the image sensor device of all of DCT’s mobile scanners to convert the light intensity of the exposed document into a digitized electronic signal for computing process. DCT’s CMOS image sensor also uses linear-type CMOS sensors to line up a number of segments to form a size A4 or A6 length to capture images applied in the mobile sheet-fed scanner. It consumes less power, making them suitable for use in battery-powered devices, such as portable scanners, computers, and memory devices.

**Contact Image Sensors (CIS)**—A relatively recent technological innovation in the field of optical flatbed scanners in low power and portable applications. A CIS places the image sensor in near direct contact with the object to be scanned, in contrast to using mirrors to bounce light to a stationary sensor, as is the case in conventional scanners. A CIS typically consists of linear array of detectors, covered by a focusing lens and flanked by red, green, and blue LEDs for illumination. LED use allows the CIS to be power efficient, with many scanners being powered through the minimal line voltage supplied via a USB connection.

**Cyrillic**—Denoting the alphabet used by many Slavic peoples, chiefly those with a historical allegiance to the Orthodox Church. Ultimately derived from Greek uncials, it is now used for Russian, Bulgarian, Serbian, Ukrainian, and some other Slavic languages.

**Dots per Inch (dpi)**—A measure of output resolution produced by printers or monitors. The greater the dpi, the better the clarity and resolution of an image.

**End-user**—The final consumer of a product. The end-user may differ from the person or entity that initially purchases the product.

**Firmware**—Permanent software programmed into a read-only memory that is installed at the time of manufacturing.

**Footprint**—The area taken up by some object.

**Health Insurance Portability and Accountability Act (HIPPA)**—Legislation passed in 1996 that includes a privacy rule creating national standards to protect personal health information.

**Information and Communications Technology (ICT)**—Any device, application, service, or technology concerned with speeding and facilitating the exchange and distribution of information. ICT includes products that store, retrieve, manipulate, transmit, or receive information electronically in a digital form.

**Linux**—A Unix-like operating system that was designed to provide personal computer users a free or low-cost operating system comparable to traditional and usually more costly Unix systems. Linux has a reputation as an efficient and fast-performing system.

**Micro Businesses**—A very small business that is privately owned and operated with a small number of employees and a relatively low volume of sales.

**Optical Mark Readers**—A scanning device that can read carefully placed pencil marks on specially designed documents. These are frequently used in forms, questionnaires, and answer-sheets.

**Original Equipment Manufacturers (OEMs)**—Entities that supply equipment to other companies to resell or incorporate into another product using the reseller's brand name. OEMs may also be considered to be the companies that acquire a product or component and reuse or incorporate it into a new product under the new brand name.

**Point-of-Sale**—Combination of hardware and software that records customers' purchases, accepts payments, and adjusts inventory levels.

**Remote Deposit Capture (RDC)**—A system that allows a customer or bank to scan checks remotely and transmit the check images to a bank for deposit, usually via an encrypted Internet connection. RDC is made possible by the Check 21 Act, passed in October 2003 and implemented in October 2004, which allows banks to clear checks based on images of the original checks rather than having the physical checks in hand in order to post the deposit.

**Restriction of Hazardous Substances (RoHS) Directive**—Bans the use of certain hazardous substances (such as lead, mercury, cadmium, hexavalent chromium, and some polybrominated flame-retardants) in electrical and electronic equipment. RoHS allows possible exemptions. In July 2006, the EU began requiring all electronics products sold within the EU to be RoHS compliant pursuant to the European Directive 2002/95/EC as amended by European Directive 2003/108/EC(e).

**Romanized**—The most widely used alphabet, the standard script of most languages that originated in Europe.

**Scanners**—Electronic devices that generate a digital representation of an image for data input to a computer.

**Sinographic**—Script (writing systems) based on Chinese characters.

**TWAIN**—An image capture standard for Microsoft® Windows® and Apple Macintosh operating systems. TWAIN is typically used as an interface between image processing software and a scanner or digital camera.

**USA Patriot Act**—The **Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA Patriot)** Act is a U.S. law passed in the wake of the September 11, 2001, terrorist attacks. Its goals were to strengthen domestic security and broaden the powers of law-enforcement agencies with regards to identifying and stopping terrorists.

**USB (Universal Serial Bus)**—The most widely used hardware interface for attaching peripherals to a computer. USB 1.0 (1996) and USB 1.1 (1998) provide a low-speed 1.5 Mbps subchannel for keyboards and mice and a full-speed channel at 12 Mbps. High-speed USB 2.0 (2001) offers a top rate of 480 Mbps (up to 40 times faster than USB 1.0) while SuperSpeed USB 3.0 (2008) provides a 10 times increase to 4.8 Gbps.

**Value-added Resellers (VARs)**—A company that integrates the hardware and software of several vendors with its own software, then resells the entire package.

**Vertical Markets**—In business, all of the potential purchasers within a business sector; a market that meets the needs of a particular industry by producing similar goods or services (e.g., banking, insurance, transportation).

**Voluntary Control Council for Interference (VCCI)**—The Voluntary Control Council for Interference by Information Technology Equipment is the Japanese body governing radiofrequency emissions (i.e., electromagnetic interference) standards. It was formed in December 1985 and the VCCI mark also appears on some electrical equipment sold outside Japan.

**Waste Electrical and Electronic Equipment (WEEE) Directive**—Sets out the financial and other responsibilities of EEE producers with regard to the collection and recycling of waste from a broad range of EEE at their end of life.

**Wi-Fi**—A logo from the Wi-Fi Alliance that certifies that network devices comply with the IEEE 802.11 wireless Ethernet standards. In the early 2000s, Wi-Fi/802.11 became widely used, and within a short time, all laptops and other handheld devices were equipped with built-in Wi-Fi. Earlier laptops can be Wi-Fi enabled by plugging in a Wi-Fi adapter via the USB port or PC card.

**Windows® CE**—Microsoft® Windows® CE is an open, scalable, 32-bit operating system that integrates real-time capabilities with advanced Windows® technologies for a range of small footprint devices. A typical Windows® CE-based device is designed for a specific use, often runs disconnected from other computers, and requires a small operating system that has a deterministic response to interrupts. Examples include enterprise tools, such as industrial controllers, communications hubs, and point-of-sale terminals, and consumer products, such as cameras, Internet appliances, and interactive televisions.

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# Crystal Research

a s s o c i a t e s

**Jeffrey J. Kraws and Karen B. Goldfarb**

**Phone: (609) 306-2274**

**Fax: (609) 395-9339**

**Email: [eio@crystalra.com](mailto:eio@crystalra.com)**

**Web: [www.crystalra.com](http://www.crystalra.com)**

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