



THE PERFECT ORIGINAL

Winter 2006

Celebrating 25 Years of Service

In June of 2007, DCL will celebrate 25 years in the industry. It's been an exciting and successful road from a modest beginning in a small office above a beauty parlor in Menlo Park to a multi-million dollar company.

DCL was founded in 1982 to provide disk duplication services to software publishers in Silicon Valley. In the 1990s we transitioned to a full turnkey, project management and distribution company. Now, we are a full service, supply chain company, integrating e-commerce order fulfillment with back-end logistics services including returns management. We have expanded our customer base from software publishing companies to consumer electronics and medical device companies.

Founded on the principles of quality and service, we still stand by the original DCL motto of "Each a Perfect Original". While these principles continue to be



David and Norman Tu

embedded in the fabric of DCL, the true secret of our success has been listening to our customers and solving their problems.

We pride ourselves on being an innovative solution provider for our customers. Throughout the years, our ongoing pioneering solutions have provided customers with greater efficiency and lower costs. We are grateful to our customers who have provided us with valuable feedback

and have appreciated the passion for operational efficiency, service, cost reduction and quality for which DCL stands.

It is because of our customers that DCL is what it is today and will become even better tomorrow

We promise that you will continue to sleep easy knowing that DCL will provide you with the highest level of quality and service. On behalf of

DCL and our employees, we wish you and your families a very happy holiday season.



Can domestic packaging and distribution offer greater benefits than overseas production?

It seems in recent years that there has been a "Virtual Gold Rush" as more and more companies opt to move product manufacturing and service jobs offshore in pursuit of lower costs and improved profits. But are the perceived benefits real? Are managers now making such decisions based upon past popular trends? Or is something being lost in translation?

While there can be no doubt that materials and labor costs in China and the rest of Asia are lower than in the U.S., there is also no doubt that ocean bound

shipments are slow and often delayed, air shipments are obscenely expensive, packaging flexibility options diminish and time-to-market issues expand.

Add to those concerns the recent decision by the Chinese government to raise the value of the Yuan by 2% and to peg it to a more flexible basket of yet undetermined currencies, one can see an even greater debate ensue when managers face future offshore manufacturing and packaging decisions. That the Yuan will continue to

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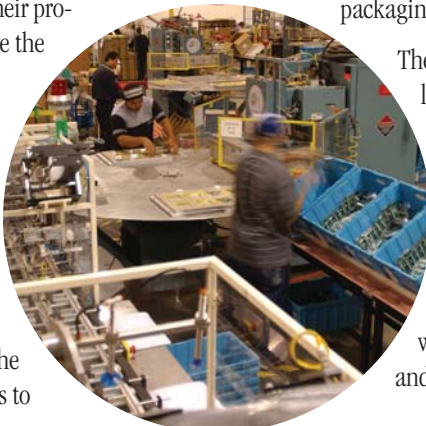
Domestic Benefits

appreciate in value in the months and years to come, we think, is inevitable.

Recently DCL engaged with a prominent networking hardware company with exclusively offshore manufacturing and packaging. Faced with high freight costs, an inventory imbalance, an inability to respond quickly to the retail channel and missed market opportunities, the company was looking to improve profit performance and customer satisfaction.

Packaging and distributing in the U.S. can provide many of the improvements that company seeks. Key benefits include lower freight costs, reduced finished goods inventories with greater turns, faster responses to requests from the retail channel for packaging changes and promotional packaging, and an overall reduced time-to-market for products with the latest versions of software or documentation included.

Let's revisit that networking company. By opting to contract with DCL, a domestic supply chain management company capable of integrated packaging, assembly and distribution services, the company can bulk ship only the hardware of their products and have the rest of the package completed in the U.S. DCL can manage document preparation, allowing for the latest revisions to



be printed while the hardware is still in transit. The same would hold for software or firmware.

Again, while the hardware is still in transit, the latest software versions can be tested, and subsequently installed or copied on to CDs for installation by the consumer.

There is an immediate impact upon customer satisfaction. Concurrently, while the product is still in transit, product marketers



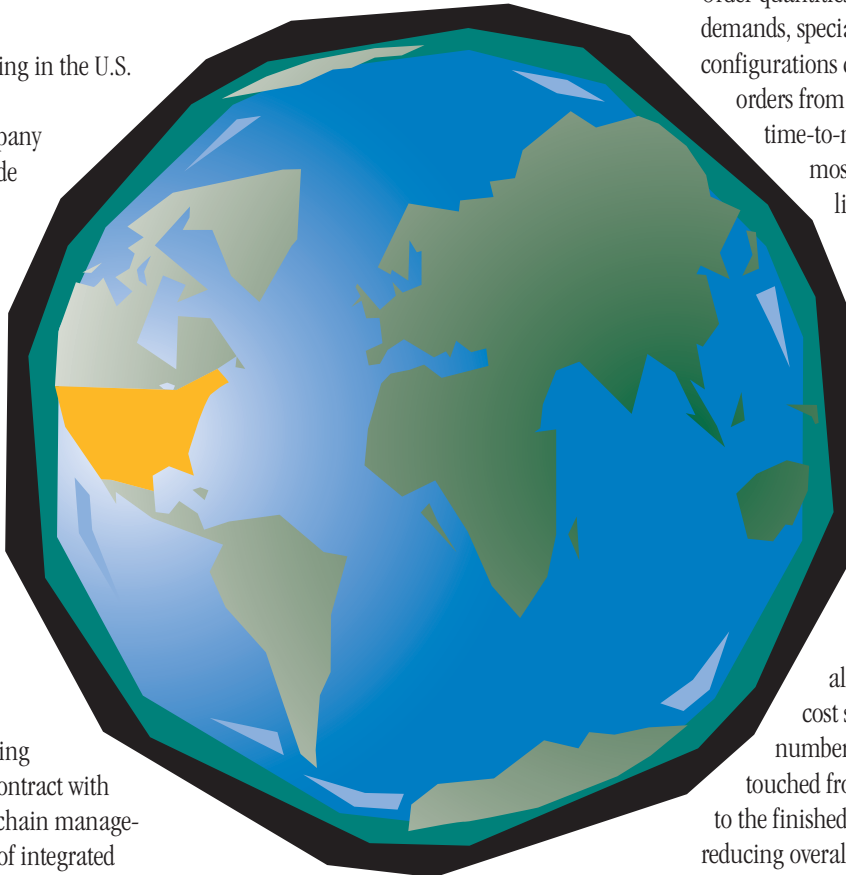
shipping completely finished packaged goods. Many times 80% of what goes into a consumer electronics package is air. The savings realized are significant!

Once the hardware hits the dock of the domestic packaging partner, packaging could begin nearly immediately. Order quantities can be adjusted to meet demands, specialized retail packaging configurations can be met, last minute orders from retailers can be filled and time-to-market can be reduced as most orders can be fulfilled in as little as 24 to 48 hours after the hardware hits the receiving dock.

Finished goods inventories are reduced as the domestic solution allows more of a "just-in-time" approach to channel demand. Reworks are nearly eliminated as product packaging is postponed to the last possible hour. This alone could be a significant cost savings but by reducing the number of times a product is touched from the bulk hardware stage to the finished good is another means of reducing overall cost.

At DCL we understand that printing, media replication, and assembly labor costs may appear cheaper overseas. However, when an in-depth analysis is done across all stakeholders, including the channel partners and the consumers, we believe domestic packaging and fulfillment is the most effective and potentially the most total cost reducing / customer satisfying strategy available.

With proper planning, execution costs are reduced, revenues are increased, channel partners are happy, and consumers are satisfied.



could continue to add value to the retail packaging image.

The company could begin lowering landed costs by shipping core hardware products in bulk, reducing container volumes. If speed is of the essence and air freight is key to timely market delivery, again bulk shipping only the hardware component would reduce air freight charges and offer significant savings over

Dave Tu Joins DCL Management Team as Director of Business Development



Dave Tu has recently joined the DCL management team as the Director of Business Development. Dave will spearhead new business development activities for the company. His focus will be on developing new strategies that will enable DCL to add value to their industry-leading supply chain solutions in the form of strategic partnerships, acquisitions and strategic positioning.

"I am excited to have Dave aboard to help spearhead strategic activities for DCL," said Norman Tu, CEO and co-founder of DCL. "Dave's background in finance, and his analytical skills and passionate energy will help us take huge strides in the supply chain industry. With the increased globalization of sourcing leading to ever-changing industry dynamics, we need Dave to have his finger on the pulse of the industry."

Dave recently graduated with his MBA from London Business School with a concentration in entrepreneurial management. Prior to business school, Dave worked in Sales and Marketing at DCL. Previously, Dave worked in the finance and banking industries at JPMorgan and Boeing Capital. He is a graduate of the University of California at Irvine with a B.A. degree in Economics and Management.

Larry Shaker, VP of Operations

Larry Shaker has recently been promoted as Vice President of Operations where he will continue to oversee manufacturing, quality and fulfillment services for all DCL facilities.

Larry has been an instrumental part of the company's success throughout his tenure at DCL. Larry started with DCL in 1997 as the Operations Manager for the Lake Forrest facility. Since then, he has held numerous managerial positions at DCL, most recently as the Director of Operations covering all DCL facilities. He has spearheaded initiatives that have resulted in multi-fold productivity and efficiency improvements at DCL, most notably in DCL's southern California Ontario facility.

"On Demand" Manufacturing Strategy a Success

DCL successfully launched the company's newly developed "On Demand" manufacturing program. The program, the culmination of a joint effort by the DCL Management, Operations, Planning, Business Development and IT team, resulted in the award of a multi million dollar software manufacturing and distribution contract for DCL in 2005.

In the spring of 2005, DCL was invited to respond to a Request for Proposal (RFP) from a large networking software company. The company was challenging prospective vendors to present a program that would minimize both component level and finished goods inventory, reduce product obsolescence and yet meet rapid delivery requirements for both packaged software, including CDs and documentation, and software licenses.

The challenge was complicated by the fact that the software company's product offering exceeded five hundred unique configurations or SKUs, each selling anywhere from \$5,000 to \$50,000 per order.

To minimize the component inventory levels and begin the migration towards a true "Build to Order / Assemble to Order" BTO/ATO operation, DCL entered into strategic relationships with two San Francisco Bay Area printers who were heavily vested in digital printing and who were willing to commit to the "fast turn / low quantity" requirements of the program. DCL also invested in CD-R duplication and printing hardware and software capable of being networked into the DCL ERP driven by Oracle software.

Customer orders, received electronically through the DCL Fulfillment Service Group, are entered into the ERP. Components, maintained at a minimal level based on product history and forecasted demand, are picked, kitted, and made ready for a final package. All parts are scanned and verified for accuracy. The final order is again verified for accuracy prior to being prepared for shipment. All orders are shipped either the same day or within 48 hours of receipt of the order. All backordered components are produced within 48 hours by DCL or by our vendor partners so we can meet the 48 hours shipment business model.

Presently DCL is processing in excess of 500 orders daily in this new model. Excited by the success of the program, DCL is currently working with other prospective software and hardware companies who are looking to migrate from a traditional, volume manufacturing model to a "Build to Order / Assemble to Order" strategy.



The Perfect Original Resurrected

DCL is pleased to announce the resurrection of our newsletter, the Perfect Original. The first publication of the Perfect Original was in the summer of 1985. It became a valuable tool for our software customers to keep apprised of DCL, DCL employees, and the state of the industry. The newsletter was

published quarterly with the last publication in the spring of 2000.

Although the Perfect Original has been dormant for a while, this does not mean that activity at DCL has been anything less than newsworthy. On the contrary, activity at DCL is abundant with new customers, new solutions and new ideas. In our quest to continually communicate with customers, vendors and friends, our new newsletter will provide you with updates on DCL and also include insightful thematic articles about the dynamics changing the supply chain industry.

We hope that you find the Perfect Original helpful!

DCL – Northern California

48641 Milmont Drive
Fremont, CA 94538
Toll-free: 800.325.9933
Phone: 510.651.5100
Fax: 510.651.2261

DCL – Southern California

3550B E. Jurupa Street
Ontario, CA 91761
Phone: 909.390.3800
Fax: 909.390.9300

For more information email us at:

Solutions & Services:
info@dclcorp.com
Career Opportunities:
careers@dclcorp.com
Web Site Comments:
webmaster@dclcorp.com

For all sales or other inquiries, contact Lori Grim at x266

DCL, www.dclcorp.com, is a leading provider of outsourced manufacturing and logistics services for technology and logistics services for technology industries. Its customers include electronics, software and healthcare companies. DCL's business-to-business services include order processing, project management, packaging and assembly, fulfillment and distribution, inventory management and warehousing and returns management. DCL is ISO 9001-2000 certified, EDI, RFID and MRP/ERP enabled for on-line, 24/7 visibility to production, inventory and shipping information.

About DCL:

DCL Inc.
48641 Milmont Drive
Fremont CA, 94538-7354
www.dclcorp.com
1-800-325-9933



FIRST-CLASS MAIL
U.S. POSTAGE PAID
PERMIT NO. 208
FREMONT, CA 94538