

Welcome to our first Newsletter of 2008. I would like to take this time to thank all of our customers and partners who have enabled Carbon to have its best fiscal year since its inception four years ago. This was further highlighted with a record quarter in Q4 of 2007, reflecting the widespread adoption of Carbon as a key part of system validation strategies.

In the past year, we have witnessed a marked increase in the number of companies adopting Virtual System Prototypes (VSPs) to validate software in parallel with hardware development. These companies have found it critical to have access to both internal and external models that can quickly integrate into their target VSPs. Carbon is committed to integrating with all virtual prototype environments, and continues to work in partnership with our customers to integrate their models into a wide array of system prototyping targets. In fact, no other company has had as much experience helping customers deploy models into as many system environments as Carbon! Our customer base now reads like a “who’s who” of leading edge system and IP design companies. We are extremely pleased that so many quality development teams have chosen Carbon as a key component in their methodology, and we are proud to be part of the deployment of their strategic investment in VSPs.

During the past eighteen months, Carbon has focused on how to ease the deployment of VSPs. We have done this by enabling a critical step in this process: allowing customers to automatically generate fast cycle-accurate software models that can be easily verified and deployed in a variety of VSPs. In 2007 we announced Carbon Model Studio which provided our customers with a complete modeling solution we commonly refer to as the “modeling lifecycle”. This solution focuses on five primary activities required to successfully enabling a VSP: 1) Generate models, 2) Validate the model, 3) Target the models to a particular platform, 4) Deploy the platform for software validation and architectural analysis, and 5) Distribute the models internally and externally. These five activities are critical success factors in successfully utilizing VSPs and exploiting the benefits of this methodology.

Carbon realizes that this task requires a close relationship with both IP and Platform providers and is proud to have the likes of ARM, CoWare, MIPS, Synopsys, VAST and host of other partners to help ensure that our customers’ expectation are met. We continue to support open, standards-based modeling development and participate actively in many language, modeling, and IP standards efforts.

As we look forward to 2008 we see a year of strong momentum fueled by increasing customer adoption and a successful round of financing in December of over \$6M. We have moved our corporate headquarters to a larger facility in Acton, Massachusetts which will give us room to add additional engineering and support personnel. In 2008, we will continue to focus on flexible modeling methodologies and ease-of-deployment for VSPs. We will continue to ensure that we support the generation

of fast, accurate models, while also addressing our customer's future requirements. As we continue to invest in the support of higher levels of model abstraction, we will continue to ensure the fidelity of those models both up and down the modeling stack. New use-models for the VSPs, such as Power driven analysis, will be built upon our modeling capabilities and we will continue to leverage our existing partnerships and technologies to support emerging standards. Our primary goal is to remain focused on our customers' success and to apply the lessons learned into improving our overall solution.

Once again I would like to thank our customers and partners for stellar 2007 and we look forward to working with you and growing together in 2008.

Rick Lucier is President and CEO at **Carbon Design Systems**, based in Acton, Mass.