

LecStar Telecom Signs Customer Service Management Agreement with Lightyear Network Solutions

ATLANTA, GA (July 18, 2006) LecStar Telecom, Inc., a wholly owned subsidiary of Fonix® Corporation (OTC BB: FNIX) offering a full array of fixed wire-line voice, data, Internet and operator services to business and residential customers in the Southeast, has entered into a management agreement with Lightyear Network Solutions, LLC (“Lightyear”) in order to decrease LecStar operating and related costs.

Under the terms of the agreement, effective July 1, 2006, Lightyear will manage all operating support services for LecStar including billing, provisioning, customer relationship management systems and telecommunications services under the terms of LecStar’s commercial agreements with wholesale telecom providers. Lightyear will receive specified fees from LecStar for these services.

Immediate results of implementing the management agreement include a reduction of LecStar personnel by 53 percent and reduced monthly selling, general and administrative expenses (SG&A) of \$200,000. Fonix anticipates additional headcount reductions continuing through mid-August. In total, headcount will be reduced to 16 employees, a 72 percent decrease, with total monthly SG&A savings of \$300,000.

“Outsourcing LecStar Telecom’s telecommunications and customer service functions to Lightyear significantly reduces the Company’s operating costs in the wake of recent regulatory actions that have negatively impacted small CLECs,” explains Thomas A. Murdock, Chairman and CEO, Fonix Corporation. “This change further enhances the Company’s financial and competitive positions, while better enabling us to focus on developing and deploying integrated communication technologies.”

About Lightyear

Lightyear Network Solutions, LLC, based in Louisville, Kentucky, was founded in 1993 by J. Sherman Henderson, III as a national sales and marketing organization providing telecommunications services and solutions to both commercial and residential customers. Lightyear provides a full suite of business and residential communications services including local, long distance, data, VoIP and Internet and offers one bill and complete customer care for services over a number of national and regional carriers including MCI, Level 3, Sprint, Qwest, BellSouth, Verizon, SBC and others. Lightyear serves more than 200,000 customers nationwide, generating annual revenue of \$80 million through an independent national sales force of Lightyear Agent Partners and Representatives. For more information, call 1-800-805-8383 or go to www.lightyear.net.

About LecStar Telecom, Inc.

LecStar Telecom, Inc, a wholly owned subsidiary of Fonix Corporation, is based in Atlanta, GA and offers a full array of fixed wire-line voice, data, Internet and operator services to business and residential customers throughout BellSouth’s southeastern operating territory. Visit www.lecstar.com for more information, or call (866) 486-4733.

About Fonix

Based in Salt Lake City, UT, Fonix Corporation is an innovative communications and technology company that provides integrated telecommunications services and value-added speech technologies through Fonix Telecom, Inc., LecStar Telecom, Inc. and Fonix Speech, Inc. The combination of interactive speech technology and integrated telecommunications services allows Fonix to provide customers with comprehensive cost-effective solutions to enhance and expand their communications needs. Visit www.fonix.com for more information, or call (801) 553-6600 and say “Sales.”

Statements released by Fonix that are not purely historical are forward-looking within the meaning of the “Safe Harbor” provisions of the Private Securities Litigation Reform Act of 1995, including statements regarding the Company’s expectations, hopes, intentions and strategies for the future. Investors are cautioned that forward-looking statements involve risk and uncertainties that may affect the Company’s business prospects and performance. The Company’s actual results could differ materially from those in such forward-looking statements. Risk factors include general economic, competitive, governmental and technological factors as discussed in the Company’s filings with the SEC on Forms 10-K, 10-Q and 8-K. The Company does not undertake any responsibility to update the forward-looking statements contained in this release.

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