

Fonix Letter to Shareholders

SALT LAKE CITY, UT (December 30, 2008) Fonix Corporation (OTC BB: FNXC) releases the following letter to its shareholders:

Dear Fonix Shareholders,

During the past year, the Company has taken significant steps to leverage its technology and products in two key market segments: (i) mobile devices and (ii) video entertainment platforms and games. Fonix aggressively reduced operating expenses, eliminated debt from its balance sheet and initiated expansion into China through an acquisition target. As 2008 comes to a close with unparalleled uncertainty in the US and global economies, significant stock market fluctuations and a recession in the US affecting nearly every market, we approach the New Year expecting to leverage the following fundamental objectives:

- Increase revenue through organic growth and acquisition
- Achieve neutral to positive cash flow
- Improve balance sheet / capital structure

Progress towards realization of these objectives, today, we announce further steps toward the completion of the GaozhiSoft (based in Shanghai, China) acquisition, further improvement in the Company's balance sheet through converting certain liabilities to equity and the implementation of the shareholder-approved reverse split of our common stock (new stock symbol: "FNXC") Further progress and performance of these objectives is central to Fonix' enterprise and brand value. Our focus is as follows:

Increase revenue through organic growth and acquisition:

Organic Growth: Through Fonix Speech, Inc, the Company will continue to deliver speech enabled software solutions for mobile devices like the Apple iPhone, Casio eDictionaries and video games with software game developers such as Vivendi, Ubisoft and others for Xbox, PS/3, PC, Wii and the iPhone. We expect to further implement and expand the new paradigm for video games - video games controlled primarily with voice command - with Fonix VoiceIn for Games. This was the voice software used by Ubisoft for its highly successful EndWar® video game – a video game played primarily with Fonix voice commands. Revenue gains will be realized from engineering fees, license fees and per unit royalties/ revenue sharing agreements. Consumer consumption will influence sales; however, revenue growth is expected based on the increase number of devices which should become available in multiple geographical markets. Fonix speech software is available in US/UK English, Castilian and Latin Spanish, French, German, Italian, Japanese, Korean, Russian and Polish

Acquisition strategy: Gaozhisoft is a software service provider to China's leading mobile operators with a strategic 2G and 3G implementation built on a Lucent/Alcatel

framework. Based on 2008 annualized performance¹, GaozhiSoft will generate approximately US\$300,000 in net income on US\$1.2 million in sales. Fonix' purchase consideration is a short term note and Series P convertible securities. However, 53% of the consideration is paid over four years based on a net income performance earn out. Total consideration is as follows:

- \$400,000 short term note
- \$3 million Series P convertible shares
- \$3.8 million performance based earn out issued with Series P convertible shares

We expect to target other acquisition candidates, including China-based technology companies that meet the following acquisition criteria: net income and cash flow positive, performance-based valuation and consideration, accretive and synergistic growth market segments.

Achieve neutral to positive cash flow:

Positive cash flow is expected based on the consolidated income statement from Gaozhisoft (following the closing of the transaction expected in the near term) and Fonix Speech. The combination of software licenses and unit royalties/revenue sharing, together with the cost reductions achieved in 2008, should result in positive cash flow to Fonix. Revenue growth will come from the expanded market and product channels with our customers like China Telcom, China Mobile, Casio, Cannon, Casiosoft, Apple iPhone, Ubisoft and Vivendi, and others.

Improve balance sheet / capital structure:

During 2008, the Company exchanged \$12 million in long-term debt to convertible preferred equity securities and has an agreement in principle to transfer accrued liabilities of approximately US\$ 4.0 million to equity securities. Continued investor confidence in market liquidity and the Company's execution allows improvement to the balance sheet and decreased debt. The recently approved reverse stock split is expected to support the revenue growth with acceptable margins and market parameters.

Outlook:

We expect 2009 will provide unique market challenges due to the global recession and unstable capital markets. General macro-economic pressures are outside Fonix's control. However, we expect to continue to deliver innovative speech technologies for mobile devices and video games, and we expect to enhance the revenue stream with accretive, performance-based acquisitions. We thank you for your continued support.

Sincerely, Roger D. Dudley, CEO

¹ Subject to US GAAP audit for period ending December 31, 2008

About Fonix

Fonix Corporation (OTC BB: FNXC), based in Salt Lake City, Utah, currently operates through its wholly owned subsidiary, Fonix Speech, Inc., an innovative speech recognition and text-to-speech technology company that provides value-added speech solutions. Fonix Speech offers voice solutions for mobile/wireless devices; interactive video games, toys and appliances; computer telephony systems; the assistive market and automotive telematics. Fonix Speech provides developers and manufacturers with cost-effective speech solutions to enhance devices and systems. Visit www.fonix.com for more information, or call (801) 553-6600 and say "Sales."

Investors and shareholders contact:

Michelle Aamodt

(801) 553-6736

investorrelations@fonix.com

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.

###