



February 23, 2010

Fonix Update

Dear Fonix Shareholders,

2009 was a transition year for Fonix—growth through accretive acquisition and diversification. Quarterly revenue increased and operating losses declined over the prior year. Fonix expects to continue to grow its holdings through acquisition and diversification. The primary objective is to enhance asset valuation, positive EBITDA and net income. We believe a diversified allocation of acquired assets, with compelling market advantage and management teams will result in increased consolidated valuations. This diversification will drive Fonix as a capital allocation vehicle.

Fonix currently operates two subsidiaries: Fonix Speech, Inc., and Gaozhisoft.

- Fonix Speech provides speech technology, software and solutions, primarily focused on growth in three market segments:
 - Mobile devices – Existing customers include: Casio Computers, Canon, Inventec Besta, Apple iPhone, Casio Information Systems (KDDI / au mobile phone carrier), Seiko Instruments, Windows Mobile devices and Linux Mobile platforms. During 2009, Fonix Speech reached a significant milestone of over 10 million devices sold world-wide which include its software. A new license contract, based on per unit quarterly revenue, with Casio was signed in late 2009—this increase will be reflected in 2010 quarterly revenue.
 - Video Games & Console Platforms; including: Microsoft Xbox, Xbox 360, Sony PS 2/3, Nintendo Wii, PC and Apple iPhone – Existing customers include: Ubisoft, Vivendi, EA Sports, Epic, Microsoft, AutoDesk and OC3. One time license fees are paid to Fonix.
 - Government Contractors, System Integrators & Healthcare devices – Sanmina, McKesson, Dynavox, Prentke Romish, Code Factory, Kinnor

