

# **Spherix's 2010 Annual Shareholder Meeting Script**

**August 31, 2010**

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## **Robert VZ**

Good morning, ladies and gentlemen. I am Robert Vander Zanden, Chairman of the Board of Spherix Incorporated. It is my pleasure, on behalf of the Board of Directors and Officers of Spherix, to extend to you a warm welcome and to express our appreciation for those of you attending this meeting. We have already supplied each Shareholder with a copy of the Proxy Statement and the Form 10-K, and copies of these documents are available to any Shareholder who does not have one.

Today's meeting will include the Company's formal remarks regarding our achievements since our last meeting, and will provide status updates and future plans of Spherix Incorporated. The meeting will also include the election of Directors, and the vote on proposals to issue up to 15,000,000 shares of common stock for aggregate consideration of not more than \$12,000,000 million in cash, and to ratify the Independent Auditors. After these formal updates and voting issues have been completed, the formal portion of the meeting will end and the informal portion of the shareholder meeting will continue.

I would now like to take a moment to introduce the Board of Directors and Company Officers, as well as other key members of the Spherix team. As I call your name, please stand to be recognized.

First, our Directors:

1. Mr. Douglas Brown
2. Dr. Claire Kruger, CEO
3. Dr. Gilbert Levin, Chairman Emeritus
4. Dr. Robert Lodder, Jr., President
5. Mr. Aris Melissaratos
6. Mr. Thomas Peter

Now I would like to introduce our Officers, key employees, general counsel, and representative from our independent auditor:

1. Mrs. Katherine Brailer, Corporate Secretary
2. Mr. Robert Clayton, Chief Financial Officer and Treasurer
3. Mr. James Baker, Corporate Counsel
4. Mr. Michael Buher, Grant Thornton LLP

I believe that 2010 will go down as a pivotal year in the history of Spherix. Dr. Kruger will address the details in her remarks, so I will briefly highlight what I think was a smart, forward-thinking decision by Spherix management to address an issue that positions the

Company well for future growth, while at the same time preserves shareholder value in Spherix. The decision to expand the clinical focus of D-tagatose to include triglyceride management demonstrates a nimble and agile management able to recognize the implications of factors beyond its control, quickly assess the clinical market environment, and purpose a recommendation that underscores the core corporate goal of bringing D-tagatose to market as a clinically effective therapy.

At the same time, Spherix remains committed to our original goal of bringing D-tagatose to market as a therapy for the treatment of Type 2 diabetes. Spherix executives are actively seeking out potential partners that have the wherewithal to conduct the clinical trials mandated by the Food and Drug Administration to bring to market D-tagatose as a safe and effective treatment for Type 2 diabetes.

Before I turn to the formal portion of our meeting over to Dr. Kruger, I want to reiterate that Spherix management has done an excellent job of keeping its “eyes on the prize” of commercializing D-tagatose. The Board is confident of the direction that management is taking, has faith in the people it has brought on board to realize our goals, and looks forward to an exciting, yet challenging and successful, 2011.

**Robert VZ**

Mrs. Brailer, has the Notice of this Meeting been sent to all Shareholders entitled to vote at this meeting?

**Kathy**

Yes.

**Robert VZ**

Thank you. Mrs. Brailer has also been appointed Inspector of Election. Will you please present your report of attendance at this Meeting so that we can determine whether a quorum is present?

**Kathy**

There were approximately 17.1 million shares entitled to vote as of the July 2, 2010 Record Date. There are 14.6 million shares, or 85% of the shares present by Proxy.

**Robert VZ**

Thank you. On the basis of the report of the Secretary and the Inspector of Election, I find that proper Notice has been given and that a quorum is present; accordingly, this Meeting has been properly convened. The polls for voting on all matters are hereby opened.

**Robert VZ**

Each matter to be acted on at this Meeting will be discussed separately. At the conclusion of the discussion of all items, voting will take place for those requesting ballots. We will then tally and report the votes.

Mrs. Brailer, were there any Shareholder nominations or proposals for business for this meeting properly filed with you as Secretary?

**Kathy**

No.

**Robert VZ**

Since no Shareholder nominations or proposals were properly filed in advance of this Meeting, the business of this Meeting is limited to the three matters on the Agenda.

The first proposal we will consider is the election of seven Directors to serve until new Directors are elected at the next Annual Meeting. Information concerning their principal occupations, their service with Spherix Incorporated, and other matters which may be of interest are contained in the Proxy Statement. No additional nominations may be made at this Meeting, so, therefore, I declare nominations to be closed. Is there any discussion with respect to the nominations for Director?

**Robert VZ**

The second item of business we will consider is the proposal to issue up to 15,000,000 shares of common stock for aggregate consideration of not more than \$12,000,000 million in cash, as described in detail in the Proxy Statement.

Is there any discussion with respect to this proposal?

**Robert VZ**

The third and final item of business we will consider is the ratification of the appointment of Grant Thornton LLP as independent certified public accountants for the fiscal year ending December 31, 2010.

Mr. Michael Buher is here to represent Grant Thornton and is available to answer appropriate questions.

Is there any discussion with respect to ratification of auditors?

**Robert VZ**

I believe that concludes discussion on all matters.

We shall now proceed with the voting. Most of you have already voted and there is no need for you to recast your vote. If you have

not voted yet, please raise your hand so that a ballot may be given to you.

**Robert VZ**

Will the Shareholders who just received ballots please mark their ballots as to Items 1, 2, and 3.

Please collect the ballots from all Shareholders present who have indicated a desire to vote by ballot rather than by proxy.

Mrs. Brailer please tally the final votes.

**Robert VZ**

Mrs. Brailer, would you now present your report on the vote.

**Kathy**

"Each Director Nominee has received the necessary plurality of votes required."

"A majority of the votes cast has voted FOR the proposal to issue up to 15,000,000 shares of common stock for aggregate consideration of not more than \$12,000,000 million in cash."

“A majority of the votes cast has voted FOR ratification of Grant Thornton LLP as the Company's independent certified public accountants for fiscal year 2010.”

## **Robert VZ**

Thank you. The report of the Inspector of Election as presented is accepted. The Director Nominees have been duly elected, management is authorized to proceed with the issuance of up to 15,000,000 shares of common stock for aggregate consideration of not more than \$12,000,000 million in cash, and Grant Thornton LLP is hereby appointed Spherix's independent certified public accountant for fiscal year 2010.

I want to thank all of you for attending today's Shareholder's Meeting and for the interest you have shown in the affairs of your Company.

I will now ask for a motion to adjourn the formal meeting. Thank you, do I have a second? Thank you. All in favor please say “Aye”. All opposed please say “Nay”. Motion carried. This Meeting is hereby adjourned to our Informal Meeting.

Now, it is my pleasure to introduce to you, Dr. Claire Kruger, Chief Executive Officer, who will begin the Company's formal comments and tell you about what has happened since we last met.

## Claire

Thank you, Dr. Vander Zanden, and thanks to all of you for joining us. Since our last shareholder meeting, I am happy to report that Spherix has taken important and we believe the right steps to reach the goal of commercializing D-tagatose. Over the next few minutes, I will provide you with updates to our clinical programs involving D-tagatose, including contracts with experts in drug development and the lipids market, and a few additional activities that demonstrate our continued commitment to executing our business plan and growing shareholder value.

In regard to D-tagatose, I want to provide you with some background information that led us to make the decision to expand our clinical strategy.

The Phase 3 trials for D-tagatose for people with Type 2 diabetes began in 2006. At that time, the FDA had approved our clinical trial design, including safety as well as effectiveness trial arms. We duly reported interim analyses of the data as they came available, and we are confident that D-tagatose will prove to be a safe and effective therapy for people with Type 2 diabetes.

In 2008, the FDA announced new preliminary guidelines for diabetes drug development that greatly expanded the scope of the safety trials necessary to gain approval to bring a therapy to market. The

new guidelines were in response to a diabetes drug that had been approved for marketing. However, after the drug was on market, the FDA began receiving reports of adverse reactions involving cardiac issues. Based on the number and the seriousness of these adverse effects, the FDA decided to greatly expand the number of patients needed and the time frame required to evaluate a diabetes drug for safety issues. In December of 2009, the FDA made the preliminary guidelines final.

These new requirements were beyond what it had approved for the D-tagatose clinical trial. Spherix management met with FDA diabetes experts to make our case that we should be allowed to rely on our safety trials, especially in light of the fact that the FDA had approved D-tagatose as GRAS (Generally Recognized As Safe) for human consumption in 2001 as a food ingredient.

The results of this due diligence indicated that the path forward would be a longer and more expensive one than predicted in 2006. The new FDA requirements put us in a quandary. We had to decide if we would try to raise the millions of dollars to pursue the diabetes trials or risk giving up our dream to commercialize D-tagatose. Fortunately, we didn't have to do either.

In examining our options, we soon realized that triglycerides were beginning to be recognized commercially as viable therapeutic

target. While not as well known as other lipids such as HDL and LDL cholesterol, triglycerides are recognized as an important indicator of potential heart disease. We examined the treatment market, and currently only omega-3 fatty acids or fish oils are being actively promoted as a treatment. There's only one prescription fish oil currently on the market, and it is indicated for treatment of only the highest triglyceride levels. And fish oils have some unpleasant side effects.

Our analysis shows that the global market for dyslipidemia in 2009 stands at \$26 billion. Most of that is statins or statin combinations, niacin and fenofibrate. Looking at the size of the market and commercial efforts to raise awareness of triglyceride as a heart disease risk factor, we believe that D-tagatose's potential in the triglyceride market may prove to be even more than its potential in the diabetes market.

Suffice it to say, we believe that D-tagatose may offer effective treatment of triglyceride levels without the unpleasant side effects associated with currently recommended treatments.

To bring Spherix up to speed for the triglyceride market, we have contracted with experts in drug development and the lipids market. Among others, they include:

Nick Livingston, Ph.D., an expert in preclinical through Phase 2, formerly with Bayer and GlaxoSmithKline developing such drugs as Precose for Bayer and a variety of development-stage drugs in the metabolic area for GlaxoSmithKline.

John Amatruda, M.D., an expert in Phase 3 clinical trials, formerly with Bayer and Merck developing drugs such as Precose for Bayer and Januvia for Merck.

In addition, in July we secured a license agreement to the patent rights to develop and market D-tagatose as a triglyceride treatment in the US and international markets from its patent holder, the University of Kentucky Research Foundation.

Our triglycerides drug program is in development. If all goes well, we expect to initiate trials in 2011. Our next step is to develop a Phase I PK/PD clinical trial protocol with monitoring of triglycerides.

As many of you know, in addition to being the CEO of Spherix, I also act as the Director of Spherix Consulting. Before moving on to the Q&A's, I would like to say that this subsidiary, which may be overshadowed at times by the exciting events and news that comes out of the Biospherics subsidiary, continues to grow and generate a critical revenue stream for the company.

We will now open the floor to questions from our shareholders.