

ZIX CORPORATION
CHARTER OF THE COMPENSATION COMMITTEE
OF THE BOARD OF DIRECTORS

I. PURPOSE.

The Compensation Committee (the “Committee”) shall discharge the responsibilities of the Board of Directors (the “Board”) by:

- A. Recommending to the Board for determination, fair compensation for the Company’s CEO and other executive officers; and
- B. Producing an annual report on executive compensation for inclusion in the Company’s proxy statement.

II. STRUCTURE AND OPERATIONS.

- A. Size. The Committee shall be comprised of the number of directors determined by the Board and consistent with the Company’s bylaws.
- B. Appointment of Members. The Board shall appoint the members of the Committee from qualified members of the Board. Each member of the Committee will be “independent” in accordance with, and the members will possess any additional qualifications required by, NASDAQ, the Securities Act of 1934 and the rules and regulations of the Securities and Exchange Commission (the “Commission”).
- C. Removal. Members shall continue to be members until their successors are elected and qualified or until their earlier resignation or removal. Any member may be removed by the Board, with or without cause, at any time.
- D. Chair. Unless a Chair is elected by the full Board in accordance with the Company’s bylaws, the members of the Committee shall designate a Chair by majority vote of the full Committee membership. The Chair will chair all regular sessions of the Committee and set the agendas for Committee meetings. If a Chair is not designated or is not present at any meeting, the members of the Committee may designate a chairman for such meeting by majority vote of the Committee.

- E. Delegation. The Committee shall be entitled to delegate certain of its responsibilities, where appropriate, to the Chair or to one or more other members of the Committee, subject to policies and/or procedures adopted by the Committee, which shall be consistent with applicable legal and regulatory requirements.
- F. Funding. The Company shall provide adequate resources to support the Committee's activities, including compensation of the Committee's counsel, consultants and other advisors.

II. MEETINGS.

- A. Meetings. The Committee shall meet at least two times annually, or more frequently as circumstances dictate. The Committee shall maintain minutes or other records of the meetings and activities of the Committee.
- B. Attendance of Non-Members. The Committee may invite to its meetings any director, any manager of the Company and any other persons it deems appropriate in order to carry out its responsibilities. The Committee may also exclude from its meetings any persons it deems appropriate in order to carry out its responsibilities.

III. AUTHORITY, RESPONSIBILITIES AND DUTIES.

The following functions shall be within the power of the Committee in carrying out its purposes outlined in Section I of this Charter. These functions should serve as a guide with the understanding that the Committee may carry out additional functions and adopt additional or different policies and procedures as may be appropriate in light of changing business, legislative, regulatory, legal or other conditions. The Committee shall also have such further powers as may be delegated to it by the Board from time to time related to the purposes of the Committee outlined in Section I of this Charter.

The Committee, in fulfilling its responsibilities, is empowered to study or investigate any matter of interest or concern that the Committee deems appropriate and shall have independent authority to retain outside counsel or other experts for this purpose. The Committee shall have the direct responsibility for the appointment, termination, compensation and oversight

of compensation and benefit consultants retained by the Company in respect of executive compensation and shall have the authority to negotiate and approve such consultant's fees and terms of engagement.

A. Compensation Philosophy.

The Committee shall establish and review the Company's overall management compensation philosophy and policy. The Committee shall periodically review the Company's executive compensation programs to determine whether they are properly coordinated and achieving their intended purpose(s) and recommend any appropriate modifications.

B. CEO Compensation.

1. With input from management and any compensation consultant retained by the Committee, the Committee shall develop and make a recommendation to the Board with respect to corporate goals and objectives with respect to compensation for the CEO, including annual performance objectives.
2. The Committee shall annually evaluate the CEO's performance in light of these goals and objectives. The Committee shall make a recommendation to the Board with respect to the CEO's annual compensation, including salary, bonus and incentive and equity compensation. Furthermore, the Committee shall make a recommendation to the Board with respect to any limitations, restrictions and conditions on any incentive and equity compensation for the CEO and approve any modification or cancellation of any existing awards that have been made to the CEO.

C. Executive Officer Compensation.

1. With input from the CEO, management and any compensation consultant retained by the Committee, the Committee shall develop and make a recommendation to the Board with respect to corporate goals and objectives with respect to compensation for the Company's executive officers, including annual performance objectives.

2. The Committee shall annually evaluate the executive officers' performance in light of these goals and objectives. The Committee shall make a recommendation to the Board with respect to the annual compensation of the Company's executive officers, including salary, bonus and incentive and equity compensation. Furthermore, the Committee shall set limitations, restrictions and conditions on any incentive and equity compensation for the executive officers and approve any material modification or cancellation of any existing awards that have been made to such officers.

D. Incentive Compensation and Other Stock-based Plans.

1. The Committee shall review and make recommendations to the Board regarding the Company's incentive compensation plans and stock-based plans, including, but not limited to (a) option and restricted stock guidelines and general size of overall awards, (b) awards for the CEO and executive officers, (c) interpretation of the plans, (d) rules and regulations relating to the plans, (e) modification or cancellation of existing awards, (f) employee eligibility to participate in the long-term incentive plans, and (g) imposition of limitations, restrictions and conditions upon awards.
2. The Committee shall monitor awards made under the Company's long-term incentive plans for compliance with any restrictions placed thereon by any laws, rules, regulations, the plans, the Committee or the Board.

E. Issue an Annual Report.

To the extent required by applicable rules and regulations of the Commission, NASDAQ and other regulatory bodies, the Committee shall issue a report on executive compensation for inclusion in the Company's proxy statement in accordance with such applicable rules and regulations.

IV. ANNUAL PERFORMANCE EVALUATION.

The Committee shall perform a review and evaluation, at least annually, of the performance of the Committee, including but not limited to reviewing the compliance of the Committee with this Charter. In conducting its evaluation, the Committee may address all matters that it considers relevant to its performance, including but not limited to (a) the adequacy, appropriateness and quality of the information and recommendations presented by the Committee to the Board, (b) the manner in which they were discussed or debated or (c) whether the number and length of meetings of the Committee were adequate for the Committee to complete its work in a thorough and thoughtful manner. In addition, the Committee shall review and reassess, at least annually, the adequacy of this Charter and recommend to the Board any improvements to this Charter that the Committee considers necessary or desirable. The Committee shall conduct such evaluations and reviews in such manner as it deems appropriate.

V. GENERAL.

Notwithstanding any other provision of this Charter to the contrary, no provision of this Charter will, except to the extent required by applicable law, rule or regulation, be construed to create any duty, liability or obligation on the part of the Committee or any of its members or create any third party beneficiaries.