



**ZIX CORPORATION  
CHARTER OF THE AUDIT COMMITTEE  
OF THE BOARD OF DIRECTORS**

**I. PURPOSE.**

The purpose of the Audit Committee (the “*Committee*”) is to assist the Board of Directors (the “*Board*”) of Zix Corporation (the “*Company*”) in fulfilling its oversight responsibilities by reviewing the financial information which will be provided to the stockholders and others; reviewing the systems of internal controls which management and the Board have established; appointing, compensating, retaining and overseeing the performance of independent accountants engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company; and overseeing the Company’s accounting and financial reporting processes and the audits of the Company’s financial statements. In carrying out these responsibilities, the Committee will conduct the following activities:

- A. Reviewing and inquiring into the conduct and integrity of the Company’s financial reporting process;
- B. Reviewing the periodic reports prepared by the Company for filing with the Securities and Exchange Commission (the “*Commission*”);
- C. Reviewing and inquiring into the performance of the Company’s systems of internal accounting and financial controls and audit function;
- D. Engaging the Company’s independent auditors and reviewing and inquiring into the performance, qualifications, compensation and independence of the Company’s independent auditors, their conduct of the annual audit of the Company’s financial statements, and their engagement for any other services;
- E. Preparing the audit committee report required to be included in the Company’s annual proxy statement; and
- F. Overseeing the Company’s compliance with legal and regulatory requirements applicable to the Company, compliance with the Company’s Code of Conduct and Code of Ethics and reviewing any related party transactions.

**II. STRUCTURE AND OPERATIONS.**

- A. Term; Size. Each member of the Committee shall be appointed at the annual organization meeting of the Board to serve for a one-year term, or until his or her successor is appointed and qualified. The Committee shall be comprised of at least three members of the Board, which number shall be determined by the Board, consistent with the Company’s bylaws.
- B. Qualifications and 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 (i) Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended (the “*Exchange Act*”) and the rules and regulations promulgated thereunder (including Rule 10A-3), and (ii) Marketplace Rule 4200(a)(15), or any successor thereto, of The NASDAQ Stock Market (“*Nasdaq*”). Each Committee member shall be able to read and understand fundamental financial statements, including the Company’s balance sheet, income statement, and cash flow statement and at least one member of the Committee shall meet the definition of an “audit committee financial expert” within the meaning of Item 401 of Regulation S-K. No Committee member shall have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the last three years. The members of the Committee will possess any additional qualifications required by Nasdaq, the Exchange Act or the rules and regulations of the Commission. Notwithstanding the foregoing, one Board member who is not “independent” as defined in Marketplace Rule 4200(a)(15), but nevertheless (i) meets the criteria set forth in Section 10A(m)(3) under the Exchange Act and the rules and regulations promulgated thereunder; and (ii) is not a current officer or employee or a family member of such officer or employee, may be appointed to the Committee, if the Board, under exceptional and limited circumstances, determines that membership on the Committee by the individual is required by the best interests of the Company and its stockholders, and the Board discloses, in the next annual proxy statement subsequent to such determination, the nature of the relationship and the reasons for that determination. A Committee member appointed under this exception may not serve longer than two years and may not chair the Committee.

- C. Removal. Any member may be removed from the Committee 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, set the agendas for Committee meetings and periodically report the Committee’s findings, conclusions and activities to the Board. If a Chair is not designated or is not present at any meeting, the members of the Committee may designate a Chair for such meeting by majority vote of the Committee members present at the meeting. The Chair of the Audit Committee may not serve as such for more than seven years.
- E. Delegation. The Committee shall be entitled to delegate certain of its responsibilities, where appropriate, to the Chair or to a committee of 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 (including funding) to support the Committee’s activities, including (i) compensation of the Company’s independent auditor, (ii) compensation of independent counsel, consultants and other advisors retained by the Committee and (iii) funding to pay administrative expenses that are necessary or appropriate to enable the Committee to carry out its duties.

### III. MEETINGS.

- A. Meetings. The Committee shall meet at least four times annually, or more frequently as circumstances dictate. The Committee shall maintain minutes or other records of the

meetings and activities of the Committee. The Committee shall meet periodically, but no less frequently than once per year, with management, the person or persons overseeing the Company's internal audit function and with the Company's independent auditor in separate executive sessions to discuss any matters that the Committee believes should be discussed privately. In particular, the Committee shall meet in executive session with the Company's independent auditor no less frequently than once per year to review the Committee's procedures and the Committee's charter and the Committee shall meet in executive session with the Company's outside legal counsel no less frequently than once per year to review the Committee's procedures and the Committee's charter.

- 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.

#### IV. AUTHORITY, RESPONSIBILITIES AND DUTIES.

The functions described below shall serve as a guide regarding the responsibilities and duties of the Committee, 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 from time to time by resolution of the Board.

The Committee's role with regard to the financial statements of the Company is one of oversight only. The Company's management is responsible for preparing the Company's financial statements, and the Company's independent auditor is responsible for auditing those financial statements. It is acknowledged that the Company's management as well as its independent auditor, have more knowledge and more detailed information about the Company than do Committee members, as well as more time to devote to the preparation of the Company's financial statements. Consequently, in carrying out its oversight responsibilities, the Committee is not providing any expert or special assurance as to the Company's financial statements or any professional certification as to the independent auditor's work.

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 engage independent counsel or other advisors for this purpose and to fix the compensation of such independent counsel or other advisors. The Committee shall be given full and direct access to the person or persons overseeing the Company's internal audit function, the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer and any other executive of the Company and the Company's independent auditor as deemed necessary by the Committee to carry out the Committee's responsibilities.

To fulfill its responsibilities and duties, the Committee will:

- A. Supervise the Independent Audit.
1. The Committee shall have the direct responsibility for the appointment, compensation, retention and oversight of the work of the Company's independent auditor, including, where appropriate, the dismissal of the independent auditor. The independent auditor shall report directly to the Committee, and the

Committee's responsibility includes the resolution of disagreements between management and the independent auditor regarding financial reporting.

2. The Committee shall review and must approve the scope of the annual audit to be performed by the Company's independent auditor, and must pre-approve any audit-related services to be provided by the Company's independent auditor. All non-audit services permitted pursuant to law to be provided by the independent auditor must also be considered and pre-approved by the Committee, except in the limited circumstances permitted by Rule 2-01(c)(7)(i) of Commission Regulation S-X. The Committee may delegate the authority to grant pre-approvals to one or more members of the Committee, whose decisions must be presented to the full Committee at its next scheduled meeting.
3. The Committee shall review a formal written statement from the Company's independent auditor delineating all relationships between the independent auditor and the Company, consistent with Independence Standards Board Standard No. 1. The Committee shall actively engage in a dialogue with the independent auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditor and take, or recommend that the Board take, appropriate action in response to the independent auditor's report to satisfy itself of the auditor's independence. The Committee shall also (i) be apprised each year of the identity of the independent auditor's lead partner (and any change in the identity), (ii) consider whether, in the interest of assuring continuing independence of the auditor, the Company should regularly rotate its independent auditor, and (iii) set clear hiring policies for the Company (which shall be compliant with governing laws and regulations) for employees or former employees of the independent auditor.
4. The Committee shall consider and review with management, the Chief Financial Officer or Controller and the Company's independent auditor: (i) significant findings during the year, including the status of previous audit recommendations; (ii) any audit problems or difficulties encountered in the course of audit work including any restrictions on the scope of activities or access to required information; (iii) any changes required in the planned scope of the audit plan; (iv) the audit budget and staffing; and (v) the coordination of audit efforts in order to monitor completeness of coverage, reduction of redundant efforts, and the effective use of audit resources.

B. Oversee Internal Audit, Internal Controls and Risk Management.

1. The Committee shall consider and review with the Company's independent auditor and management: (i) the adequacy of the Company's disclosure controls and procedures and internal controls over financial reporting; (ii) all significant deficiencies and material weaknesses in the design or operation of the Company's internal controls over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial data (and all special audit steps adopted in light of material control deficiencies); (iii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls; (iv) any disclosure from the Company's Chief Executive Officer or Chief Financial

Officer made in connection with the certification of the Company's annual or quarterly reports filed with the Commission; and (v) the related findings and recommendations of the independent auditor together with management's responses. The Committee shall review and discuss the independent auditor's attestation and report on management's internal control report from the time that such report is prepared.

2. The Committee shall inquire of management, the Company's independent auditor, and the Chief Financial Officer or Controller about significant risks or exposures and assess the steps management has taken to minimize such risks. The Committee shall discuss with management, the independent auditor, and the Chief Financial Officer or Controller and oversee the Company's underlying policies with respect to risk assessment and risk management.
3. The Committee shall establish and maintain procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submissions by Company employees of concerns regarding questionable accounting or auditing matters.
4. The Committee shall review and concur in the appointment, replacement, reassignment, or dismissal of the Chief Financial Officer or Controller.
5. The Committee shall review the regular internal control reports to management (or summaries thereof) and management's response, if applicable.

C. Oversee Financial Reporting.

1. The Committee shall review and discuss with management and the Company's independent auditor the Company's accounting policies and practices that may be viewed as critical, and review and discuss any significant changes in the accounting policies and any accounting and financial reporting proposals that may have a significant impact on the Company's financial reports. The Committee shall review and discuss with management and the independent auditor all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor.
2. The Committee shall review and discuss with the independent auditor the matters required to be discussed with the independent auditor by: (i) Statement of Auditing Standards No. 90, including whether management's choices of accounting principles are conservative, moderate, or aggressive from the perspective of income, asset, and liability recognition, and whether those principles are common practices or are minority practices, (ii) Statement of Auditing Standards No. 61, as amended by Statement of Auditing Standards 84 and Statement of Auditing Standards 90, including the auditor's responsibility under generally accepted auditing standards, the significant accounting policies used by the Company, accounting estimates used by the Company and the process used by management in formulating them, any consultation with other

accountants and any major issues discussed with management prior to its retention, and (iii) Statement of Auditing Standards No. 100, including the review of the interim financial information of the Company and any material modifications that need to be made to the interim financial information for it to conform with GAAP.

3. The Committee shall review and discuss with management and the independent auditor any material financial or non-financial arrangements of the Company which do not appear on the financial statements of the Company, including off-balance sheet structures.
4. The Committee shall review with the independent auditor (i) any accounting adjustments that were noted or proposed by the auditors, including those adjustments which were “passed” (as immaterial or otherwise) and those adjustments that were recorded by management, (ii) any communications between the audit team and the audit firm’s national office respecting auditing or accounting issues presented by the engagement; (iii) any “management” or “internal control” letter issued, or proposed to be issued, by the independent auditors to the Company; and (iv) all other material written communications between the independent auditor and management.
5. The Committee shall review the Company’s financial statements, including (i) prior to public release, reviewing with management and the independent auditor the Company’s annual and quarterly financial statements to be filed with the Commission, including (A) the Company’s disclosures under “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and (B) any certifications regarding the financial statements or the Company’s internal accounting and financial controls and procedures and disclosure controls or procedures filed with the Commission by the Company’s senior executive and financial officers; (ii) with respect to the independent auditor’s annual audit report and certification, before release of the annual audited financial statements, meeting separately with the independent auditor without any management member present and discussing the adequacy of the Company’s system of internal accounting and financial controls and the appropriateness of the accounting principles used in and the judgments made in the preparation of the Company’s audited financial statements and the quality of the Company’s financial reports; (iii) making a recommendation to the Board regarding the inclusion of the audited annual financial statements in the Company’s Annual Report on Form 10-K to be filed with the Commission; and (iv) prior to submission to any governmental authority of any financial statements of the Company that differ from the financial statements filed by the Company with the Commission, reviewing such financial statements and any report, certification or opinion thereon provided by the independent auditor. The Committee shall review and discuss earnings press releases, paying particular attention to any pro forma or adjusted non-GAAP information and earnings and other forward looking guidance provided by the Company. Such discussion may be in general terms (i.e. the types of information to be disclosed and the type of presentations to be made).
6. The Committee shall, at least annually, obtain and review a report by the Company’s independent auditor describing: (i) the firm’s internal quality-control

procedures; (ii) any material issues raised by the most recent internal quality-control review or peer review of the firm, or by any inquiry or investigation by governmental or professional authorities, during the preceding five years, regarding one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (iii) all relationships between the independent auditor and the Company (to be set out in the formal written statement described above).

7. The Committee shall inquire as to the Company's independent auditor's view of the accounting treatment related to significant new transactions or other significant matters or events not in the ordinary course of the Company's business.

D. Oversee Legal and Ethical Compliance.

1. The Committee shall review periodically with the General Counsel (i) legal and regulatory matters that may have a material impact on the Company's financial statements and (ii) the scope and effectiveness of compliance policies and programs.
2. The Committee shall review periodically with senior management the provisions of the Company's Code of Conduct (including the Company's policies and procedures with regard to trading by Company personnel in securities of the Company and use in trading of proprietary or confidential information) as adopted by the Board, including any waivers provided under such Code since the last annual review. The Board must approve any waivers for directors or executive officers and report such approval to the Committee.

E. Related Party Transactions.

1. The Committee shall review and address conflicts of interest of directors and executive officers.
2. Unless otherwise approved by an independent body of the Board in accordance with Nasdaq Marketplace Rule 4350(h), the Committee shall review, discuss with management and, if deemed advisable, the Company's independent auditor and must approve any transactions or courses of dealing with related parties. "Transactions or courses of dealing with related parties" shall include all transactions required to be disclosed under Item 404 of Regulation S-K.

F. Reporting.

1. The Committee shall oversee the preparation and must approve all reports required by the Committee, including the report for inclusion in the Company's annual proxy statement stating whether or not the Committee (i) has reviewed and discussed the audited financial statements with management; (ii) has discussed with the independent auditor the matters required to be discussed by Statement of Auditing Standards Nos. 61 and 90, as the same may be modified or supplemented; (iii) has received the written disclosure and letter from the independent auditor (delineating all relationships they have with the Company in

accordance with Independence Standards Board Standard No. 1) and has discussed with them their independence; and (iv) based on the review and discussions referred to above, the Committee recommended to the Board that the audited financial statements be included in the Company's Annual Report on Form 10-K for filing with the Commission.

2. The Committee shall report its findings and recommendations regularly to the Board, including any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the independent auditors or the performance of the internal audit function, if established.

#### V. 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.

#### VI. 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.