



## Zix Corporation

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### **Policy on the Prevention of Insider Trading and Selective Disclosure**

In the normal course of business, individuals working for Zix Corporation and its subsidiaries (collectively, the “Company”) may come into possession of significant, sensitive, confidential or proprietary information. In the eyes of the law, this information is considered the Company’s property. Individuals working for the Company are entrusted with this information and have a duty to protect it against inappropriate use or disclosure.

In addition, federal securities laws generally prohibit individuals from buying or selling securities of a public company while they possess material nonpublic information (also called “inside information”) about that company.<sup>1</sup> They are also prohibited from passing inside information to others (which is called “tipping”). For purposes of these insider trading laws, securities include common stock as well as stock options, convertible debt securities or other derivatives. The laws apply to direct holdings as well as indirect holdings, such as holdings through a family trust.

Other federal securities laws are designed to ensure that the Company discloses inside information only through broad, non-discriminatory distribution to the public. Regulation FD, which stands for *Fair Disclosure*, prohibits Company personnel from selectively disclosing inside information to the investment community or other third parties.

Violation of these laws can result in substantial legal consequences – including fines, civil penalties and imprisonment – being imposed on the Company, on individual Covered Persons (as defined below), and on recipients of material nonpublic information. The purpose of this policy is to facilitate compliance with these laws by: (i) informing Covered Persons of their responsibilities; (ii) establishing procedures for certain Covered Persons to follow in connection with their trading in Company securities; and (iii) informing Covered Persons of the consequences of violating the law and this policy. The Company has adopted this policy to fulfill its obligation to prevent insider trading and selective disclosure and to help Covered Persons avoid the severe consequences associated with violation of these laws. If you have any questions regarding the application of this policy, please contact the Company’s General Counsel, who is the designated compliance officer for purposes of this policy.

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<sup>1</sup> The prohibition applies not only to information about Zix Corporation, but to inside information that Covered Persons learn about other companies in the course of their work for Zix Corporation.

## I. Material Nonpublic Information

*Material Information.* Information may be considered “material” when the information is possibly significant to a reasonable investor making a decision to purchase, sell or hold stock or other securities. Information may be significant for this purpose even if that information would not by itself determine the investor’s decision. It doesn’t matter whether the information is positive or negative. Even speculation about the likelihood something might happen or not happen can be considered material information. In short, any information which could reasonably be expected to affect the trading price of the Company’s common stock or other securities is material information. To avoid a violation of the insider trading laws, Covered Persons, and their family members described in Part III below, must not engage in any transaction involving Company securities, nor discuss material information with others, until after material information has been made public by the Company. See “*Public Information*” below.

By way of example, it is probable that the following information, in most circumstances, would be deemed material:

- annual, quarterly or monthly financial results;
- a change in revenue or earnings, or projections or guidance relating to either;
- discussions, negotiations and agreements regarding a significant proposed or pending transaction, including a merger, acquisition, business combination or tender offer;
- a significant sale of assets or the disposition of a significant subsidiary;
- significant changes in prices, customers or suppliers;
- planned changes in dividend or distribution policies;
- declaration of a stock split, the initiation of a stock buy-back program or the offering of additional debt or equity securities;
- entering into significant new contracts or the non-performance or termination of a significant existing contract;
- significant threatened claims or litigation or significant developments in existing litigation;
- significant developments involving the Company’s intellectual property rights;
- significant labor disputes;
- top management changes; or
- significant changes in the Company’s product or service offerings.

***This list is not exhaustive; other types of information may also be material.***

*Public Information.* Information is considered “public” (no longer inside information) only after it has been effectively disclosed by the Company in a manner sufficient to ensure it is broadly disseminated to the investing public. Adequate dissemination requires allowing enough time after the Company’s public announcement for the information to be distributed. When the Company releases information through public channels, it may take a day or two for the information to be considered adequately disseminated to be considered “public.”

## **II. Insider Trading Laws**

*Prohibited Insider Trading.* Federal insider trading laws generally prohibit individuals who possess material nonpublic information relating to a publicly-traded company from buying or selling shares of stock or other securities of that company. The key is that a person is prohibited from trading any time that he or she possesses the inside information. It does not matter whether the inside information is the basis for the buying or selling of securities.<sup>2</sup> The insider trading laws also broadly prohibit individuals from engaging in any other action to take advantage of inside information.

*No Excuses.* It does not matter under this policy or the insider trading laws whether a securities transaction seems necessary or justifiable for independent reasons (such as the need to raise money for an emergency expenditure). Those circumstances provide neither an exception to this policy nor a safeguard against prosecution for violation of insider trading laws.

*Prohibited Tipping.* Federal insider trading laws also generally prohibit individuals from passing inside information to other companies or people (such as family members, friends, relatives or business associates). When this “tipping” activity occurs, both the person who discloses the information (called the “tipper”) and the person who receives the information (called the “tippee”) may be liable under the insider trading laws. This liability may extend down a chain of multiple tippees. This liability applies even if a tipper derives no monetary benefit from the ultimate tippee’s trading activity.

## **III. Restrictions on Purchases, Sales and Certain Other Activities**

*Persons Covered by this Policy.* This insider trading policy applies to every director, officer, employee, consultant or agent of the Company (each, a “Covered Person”). It also applies to the spouse, minor children, or other adults living in the same household, any family members who do not live in the same household but whose transactions in stock or other securities of the Company are directed by such Covered Person or are subject to influence or control by such Covered Person (collectively, “family members”).

*Policy Prohibiting Insider Trading.* If a Covered Person possesses material nonpublic information concerning the Company, that Covered Person and his or her family members, whether or not such family members are aware of or otherwise possess the material nonpublic

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<sup>2</sup> The United States Securities and Exchange Commission (“SEC”), which is the primary enforcer of the federal securities laws, takes the view that the mere fact that a person knows or possesses the information is enough to bar him or her from trading, even if the reasons for the potential trade are not based on that information.

information, are prohibited from buying or selling stock or other securities of the Company (including options or other derivatives relating to such securities).

*Policy Prohibiting Tipping.* Each Covered Person and his or her family members are prohibited from disclosing to third parties, without the Company's authorization, any material nonpublic information concerning the Company.

*Policy on Inside Information About Other Publicly Traded Companies.* The prohibitions on trading or tipping also apply to stock or other securities (including options relating to such securities) issued by any other company – such as customers, suppliers, competitors or joint venture partners – if a Covered Person acquired or possesses material nonpublic information relating to the other company in the course of his or her employment or affiliation with our Company.

*Trading Restrictions On Certain Company Insiders.* The Company's directors, officers holding the office of "Vice President" or any higher office, Designated Company Spokespersons (as defined below), and any other Covered Person who regularly has access to inside information, as designated by the General Counsel, and the respective family members of each of the foregoing (collectively, "Restricted Persons") are prohibited from trading in any Company securities at any time, except during a Quarterly Window Period.

*Quarterly Window Periods.* A Quarterly Window Period will begin at the opening of regular trading on the Nasdaq Stock Market on the second trading day after the Company publicly issues its full set of public financial results and performance measures for the prior quarter, and will end not later than the close of regular trading on the fifteenth calendar day of the third month of then-current quarter (or if not a trading day, the immediately preceding trading day). For example, if the Company issues its customary quarterly earnings press release on July 24th, the related Quarterly Window Period would begin when regular trading commences on July 26th and would end at the close of regular trading on September 15th (or if not a trading day, the immediately preceding trading day). The Company reserves the right to from time to time adjust the commencement time/date and the ending time/date of any Quarterly Window Period, both forward and backward.

*Trading Pre-Clearances.* Even during a Quarterly Window Period, all Restricted Persons, including family members, are required to pre-clear any and all transactions in any Company securities with the General Counsel's office. Absent the receipt of pre-clearance, transactions in Company stock and other securities by Restricted Persons and their family members are strictly prohibited. In order to further this pre-clearance policy, the Company will block trades by Restricted Persons through Company-sponsored brokerage accounts until the General Counsel has provided pre-clearance.

*No Safe Harbor.* During a Quarterly Window Period, Restricted Persons remain subject at all times to the provisions of this policy regarding insider trading and tipping. The existence of a Quarterly Window Period is not a safe harbor for trading in securities. For example, if a Restricted Person learns during a Quarterly Window Period that the Company's financial results for an unreported quarter are likely to fall materially below market expectations, this policy would prohibit trading in the Company's securities.

*Blackout Periods.* Potentially material events or circumstances may from time to time require the Company to implement a Blackout Period related to a specific event or set of circumstances, during which all trading in Company securities may be prohibited. The Company may designate Covered Persons with access to material nonpublic information concerning that event or circumstances as being subject to a Blackout Period. In that case, the Company will advise those Covered Persons that they are subject to a Blackout Period and will inform them when the Blackout Period terminates. Covered Persons who are advised about the existence of a Blackout Period are prohibited from disclosing the existence of the Blackout Period to any other person.

*Rule 10b5-1 Trading Plans.* Covered Persons who adopt a pre-arranged trading plan may be able to effect certain transactions in the Company's stock or other securities even when trades would otherwise be prohibited by this policy. Any such trading plan must (i) satisfy the requirements of the SEC's Rule 10b5-1, and (ii) be approved by the Company's General Counsel. If you have questions about trading plans or wish to establish a trading plan, please contact the Company's General Counsel.

*Option Exercise-and-Hold Transactions.* The restrictions in this policy on trading in the Company's securities do not apply to "direct" (as opposed to "cashless" or "broker assisted") exercises of Company-issued options to purchase common stock where no sale of the underlying stock is involved (so-called "exercise and hold" transactions). Any sale of the resulting Company stock would, however, be subject to all restrictions in this policy.

*No Short Sales, No Limit Orders Exceeding Date When Placed.* Covered Persons and their family members are prohibited from making any short sales of Company common stock or any other Company securities. Further, Covered Persons and their family members may not place limit orders for shares of Company stock or such other securities that remain effective after the day on which they are placed (such as "good until cancelled" orders).

*No Trading in Options.* Covered Persons and their family members are strictly prohibited from engaging in transactions in put options, call options or other derivative securities of Company stock. A transaction in these kinds of options is, in effect, a bet on the short-term movement of the Company's stock, and thus could create the appearance that the trading was based on inside information.

*No Hedging Transactions.* Covered Persons and their family members are prohibited from engaging in hedging transactions involving Company stock or securities. Certain forms of hedging or monetization transactions (such as zero-cost collars and forward sale contracts) allow a person to lock in much of the value of his or her stock holdings, often in exchange for all or part of the potential upside appreciation in the stock. These transactions would allow a person to continue to own the covered securities, but without the full risks and rewards of ownership. Thus, a person who engaged in these transactions would no longer have the same objectives as the Company's shareholders.

*Margin Accounts and Pledges of Company Stock are Prohibited.* Covered Persons and their family members are prohibited from purchasing Company securities on margin, holding Company securities in a margin account or pledging Company stock as collateral for a loan, except in connection with a broker assisted exercise and sale of stock when any loan is outstanding only

until the sale is cleared (i.e., a so-called “cashless option exercises”). Brokers may generally sell stock in a margin account without the customer’s consent if the customer fails to meet a margin call. Similarly, securities pledged as collateral for a loan may be sold in foreclosure if the borrower defaults on the loan. Because these sales could occur at a time when a Covered Person possesses material nonpublic information, a Covered Person cannot engage in these types of transactions except in connection with a cashless exercise of stock options when any loan is outstanding only until the sale is cleared.

*Post Employment or Other Relationship.* This policy will continue to apply to Covered Persons after the termination of their employment or other relationship with the Company. If your employment or other relationship terminates for any reason while you are in possession of material nonpublic information or you are subject to a Blackout Period, you will continue to be subject to this policy until the Blackout Period ends or until that information has become public or is no longer material, whichever is later.

#### **IV. Additional Rules for “Section 16 Insiders”**

In addition to the rules set forth above, the Company’s directors and executive officers, and all stockholders holding more than 10 percent of the outstanding shares of any class of the Company’s stock (collectively, “Section 16 Insiders”), are subject to certain additional rules governing their transactions in the Company’s securities. Section 16 of the Securities Exchange Act of 1934 prohibits Section 16 Insiders from buying any shares of stock within six months before or after a sale, or selling any stock within six months before or after a purchase. The gain or avoided loss on any such transaction must be forfeited by the Section 16 Insider to the Company. Although Section 16 is designed to prevent the abuse of inside information, it is an *absolute* rule, and therefore it applies whether or not a Section 16 Insider actually possesses any material nonpublic information. Additionally, Section 16 Insiders are required to report their ownership and transactions in Company securities to the SEC on certain forms (i.e., Form 3 and Form 4 filings). Section 16 Insiders should contact the Company’s General Counsel, who has been designated as the Company’s Section 16 compliance officer, before they engage in any transaction involving Company stock, so that the information necessary to prepare these forms may be obtained and it can be determined if there is any reason why the Section 16 Insider should not be trading in Company stock.

#### **V. Insider Trading Compliance and Penalties**

*Surveillance.* The SEC and the national securities exchanges in the U.S. (including the Nasdaq Stock Market) have extensive surveillance facilities that are used to monitor trading in stocks and stock options. Frequently, these institutions have cooperative arrangements with comparable institutions outside the U.S. Through these surveillance facilities, the SEC and major securities exchanges are able to identify unusual trading in stocks and stock options that may be indicative of insider trading. Where this occurs, both informal and formal investigations may be launched by a securities exchange and/or the SEC. The Company will cooperate with those investigations. Covered Persons should remember that if a transaction in Company securities becomes the subject of scrutiny, the transaction will be viewed after the fact, with the full benefit of hindsight. As a result, before engaging in any transaction involving Company securities,

Covered Persons should carefully consider how regulators and others might view the transaction in hindsight.

*Penalties.* The consequences of insider trading violations can be severe under U.S. law. The SEC takes the position that these laws apply to all transactions in stock (including options) and other securities of companies listed for trading in the U.S., *whether or not the actual trades take place in the U.S.* For individuals who trade on inside information (or tip information to others), penalties include:

1. A civil penalty of disgorgement, or return, of profit gained or loss avoided, plus a fine of up to three times the profit gained or loss avoided;
2. A criminal fine (no matter how small the profit) of up to \$5 million; and
3. A jail term of up to 20 years.

In addition to civil and criminal penalties, persons contemporaneously trading at the time of a violation of the insider trading laws have the right to sue the insider for an amount equal to the profit gained or loss avoided by the insider in such transaction, offset by any amounts the insider is required to disgorge by the SEC.

For a company (as well as any supervisory person of a company) that fails to take appropriate steps to prevent illegal insider trading, penalties include:

1. A civil penalty of up to the greater of \$1 million or three times the profit gained or loss avoided as a result of the employee's violation; and
2. A criminal penalty of up to \$25 million.

## **VI. Regulation FD (Fair Disclosure)**

Our policy is that disclosures of material nonpublic information about the Company should be broadly disseminated via the wire services, SEC filings or by other means reasonably designed to provide broad dissemination to the public, so that all investors have prompt and fair access to information that might affect the price of the Company's securities.

*Prohibited External Communications.* No Covered Person should issue any external communication (including via "social media") that includes inside information, or authorize others to do so, unless that Covered Person is a Designated Company Spokesperson, or is authorized to do so on that specific occasion by a Designated Company Spokesperson.

*Communications with Investment Community.* Material information about the Company should not be discussed with members of the investment community (such as Company shareholders, financial analysts and financial news media representatives) or other external parties unless that information has already been disclosed by the Company in a manner that satisfies Regulation FD. To further this policy, only Designated Company Spokespersons are authorized to give interviews, make speeches, comment or respond on behalf of the Company to members of the investment community. Other Covered Persons who receive inquiries from members of the

investment community should refrain from commenting on Company matters and should refer the inquirer to a Designated Company Spokesperson or to the Company's investor relations consultant.

*Designated Company Spokesperson.* Designated Company Spokesperson means the Company's CEO and CFO and any other person or job position named on a list of Designated Company Spokespersons that is maintained by the Company's Disclosure Committee. Designated Company Spokespersons (other than the CEO and CFO) may be authorized to speak for the Company only on specified topics.

*Penalties.* Violations of Regulation FD are subject to SEC enforcement action, which may include an administrative action seeking a cease-and-desist order, or a civil action against the Company or an individual seeking an injunction and/or monetary penalties.

## **VII. Administration**

*Compliance.* This policy is part of, and is incorporated by reference into, the Company's Code of Conduct and Code of Ethics. All Covered Persons must strictly comply with this policy. Failure to observe this policy may result in serious legal difficulties for the involved Covered Person, as well as for the Company, including the possibility of civil suits by stockholders.

*Company Sanctions.* Failure to comply with this policy may also subject Covered Persons to Company-imposed sanctions and disciplinary action, including termination of employment for cause. Those sanctions and disciplinary actions could be imposed even in the absence of a criminal prosecution or a violation of law.

*Amendment.* The Company reserves the right to amend, modify, terminate and/or replace this policy at any time and from time to time.

*Questions.* All questions and inquiries regarding this policy, the prevention of insider trading and compliance with Regulation FD should be directed to the Company's General Counsel, who has been designated as the Company's compliance officer for purposes of this policy. If you are unsure about any aspect of this policy or its applicability to you or any given transaction or situation, ask for guidance.

*Certification.* All Covered Persons annually certify their understanding of and intent to comply with the Code of Conduct and Code of Ethics, which includes this policy.