

ZIX CORP  
Form 10-K/A  
April 30, 2015  
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**United States**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**Form 10-K/A**  
**(Amendment No. 1)**

**(Mark One)**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2014**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File Number: 0-17995**

**Zix Corporation**

**(Exact Name of Registrant as Specified in its Charter)**

**Texas**  
**(State or Other Jurisdiction of**  
**Incorporation or Organization)**  
**2711 N. Haskell Avenue, Suite 2200, LB 36, Dallas, Texas 75204-2960**  
**(Address of Principal Executive Offices)**

**75-2216818**  
**(I.R.S. Employer**  
**Identification Number)**

**(214) 370-2000**  
**(Registrant's Telephone Number, Including Area Code)**

**Securities Registered Pursuant to Section 12(b) of the Act:**

<b>Title of each class of stock</b>	<b>Name of each exchange on which registered</b>
<b>Common Stock</b>	<b>NASDAQ</b>
<b>\$0.01 Par Value</b>	
<b>Securities Registered Pursuant to Section 12(b) of the Act: None</b>	

Indicate by check mark whether the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark whether the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such reports) Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form

10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of April 28, 2015, 57,428,827 shares of Zix Corporation's \$0.01 par value common stock were outstanding. As of June 30, 2014, the aggregate market value of the shares of Zix Corporation common stock held by non-affiliates was \$199,220,616.

**DOCUMENTS INCORPORATED BY REFERENCE**

None.

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**EXPLANATORY NOTE**

This Amendment No. 1 ( Amendment No. 1 ) to the Annual Report on Form 10-K of Zix Corporation ( Zix®the Company, we, our, or us ) for the fiscal year ended December 31, 2014, as filed with the Securities and Exchange Commission (the SEC ) on March 11, 2015 (the 2014 Annual Report ), is being filed to amend the 2014 Annual Report to include therein the information required by Part III (Items 10, 11, 12, 13 and 14) of Form 10-K, which information was previously omitted from the 2014 Annual Report in reliance on General Instruction G(3) to Form 10-K. Accordingly, we hereby amend and replace in its entirety Part III of the 2014 Annual Report. This Amendment No. 1 also includes as Exhibits certain updated certifications required by applicable regulations and the reference on the cover page of the 2014 Annual Report to the incorporation by reference to portions of our definitive proxy statement into Part III of the 2014 Annual Report is hereby deleted.

Except as described above, this Amendment No. 1 does not amend any other information set forth in the 2014 Annual Report, and we have not updated disclosures included therein to reflect any subsequent events. This Amendment No. 1 should be read in conjunction with the 2014 Annual Report and with our filings with the SEC subsequent to the 2014 Annual Report.

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The following are our directors and executive officers and their respective ages and positions as of April 29, 2015:

<b>Name</b>	<b>Age</b>	<b>Position</b>
Mark J. Bonney <sup>(1)(3)</sup>	61	Independent Director
Michael E. Dailey <sup>(2)</sup>	49	Independent Director
Taher A. Elgamal <sup>(1)(2)</sup>	59	Independent Director
Robert C. Hausmann <sup>(1)(3)</sup>	52	Chairman of the Board
Maribess L. Miller <sup>(2)(3)</sup>	62	Independent Director
Richard D. Spurr	61	Chief Executive Officer, President and Chief Operating Officer
James F. Brashear	57	Vice President, General Counsel and Corporate Secretary
Michael W. English	58	Vice President and Chief Financial Officer
Russell J. Morgan	55	Vice President, Client Services
David J. Robertson	56	Vice President, Engineering

(1) Member of the Nominating and Corporate Governance Committee

(2) Member of the Compensation Committee

(3) Member of the Audit Committee

**Mark J. Bonney** joined our Board of Directors in January 2013. He currently serves as president and CEO and a director of MRV Communications, Inc., a provider of converged packet and optical solutions for data network management. Mr. Bonney also serves as a director of Sigma Designs, Inc. He was executive vice president and CFO of Direct Brands, Inc., a direct to consumer media company from 2010 to 2012, vice president and the general manager of the Authentication Solutions Group of JDS Uniphase Corporation (JDSU) an optical technologies and telecommunications firm from 2008 to 2010 and executive vice president and CFO of American Bank Note Holographics, Inc., an optical security device company from 2005 to 2008, before the company's sale to JDSU. Mr. Bonney also served as an outside director and chairman of the audit committee of American Bank Note Holographics, Inc. from 2003 until 2005. Mr. Bonney has also held executive roles with technology companies, including president and COO of Axsys Technologies, Inc., a manufacturer of components and subsystems for aerospace, defense, data storage, medical and other high technology applications from 1999 to 2002 and CFO of Zygo Corporation, a manufacturer of metrology measurement and control systems and optical components for semiconductor, data storage and industrial markets from 1993 to 1999. He received a master's degree from the University of Hartford and a bachelor's degree from Central Connecticut State University.

Our Board of Directors selected Mr. Bonney to serve as a director because of his experience as a Chief Executive Officer and a Chief Financial Officer of several middle market publicly-traded companies. This experience and his experience as a director of three publicly traded technology companies allow Mr. Bonney to contribute to the Board's deliberations across a broad array of issues as well as providing the Board with oversight of its corporate governance,

operations and financial performance.

**Michael E. Dailey** joined our Board of Directors in January 2013. He is currently chief operating officer and vice president of Worldwide Sales for Optica Technologies Incorporated, a provider of enterprise connectivity

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solutions to the mainframe computer market. Mr. Dailey was a vice president at Right90 Inc., a Software-as-a-Service (SaaS) based Enterprise Sales Forecasting solution for high tech manufacturers from 2005 to 2007. Mr. Dailey served from 2001 to 2005 as vice president of Sales Americas and vice president of Global Account Sales for McData Corporation, now part of Brocade Communications Systems, Inc. Mr. Dailey began his career at IBM Corporation and during his 13-years, Mr. Dailey held various positions in sales, product marketing, and incentives strategy. He also served as director of Sales Operations for IBM Americas multi-billion dollar Server Group. Mr. Dailey earned a Bachelor of Arts degree in History from the College of the Holy Cross.

Our Board of Directors selected Mr. Dailey to serve as a director because of his technology industry experience. His executive experience at public, private and start up information technology companies allows him to contribute valuable insights to the Board's understanding of many matters facing the Company, including strategy, business development, operations, international markets and compensation.

**Taher A. Elgamal** was elected to our Board of Directors in July 2011. Dr. Elgamal currently serves as CTO Security at Salesforce.com, Inc., a provider of enterprise cloud computing solutions. He is also co-founder and Chairman of IdentityMind, Inc. and serves as a director of Intelligent Fiber Optic Systems Corporation and Vindicia, Inc. Dr. Elgamal has also held executive roles at technology and security companies, including as CEO of First Information Security (data security) from 2012 to 2013, CSO of Axway, Inc. (data security) from 2008 to 2011, CTO of Tumbleweed Communications (email encryption) from 2006 to 2008, CTO of Securify, Inc. from 2001 to 2004, CEO and president of Securify, Inc. from 1998 to 2001 and chief scientist of Netscape Communications from 1995 to 1998. Dr. Elgamal is a recipient of the RSA Conference 2009 Lifetime Achievement Award, and he is recognized as the father of SSL, the Internet security standard Secure Sockets Layer. Dr. Elgamal was issued several patents in online security, payments and data compression. He received a bachelor's degree in electrical engineering from Cairo University, a master's degree in electrical engineering from Stanford University and a doctorate in electrical engineering from Stanford University.

Our Board of Directors selected Dr. Elgamal to serve as a director because of his expertise in cybersecurity and encryption technologies. In addition, his experience working with data security firms contributes to the Board's oversight of the Company's cybersecurity risks as well as its marketing strategy. His experience as an executive and director at public and private information technology companies adds to the Board understanding of many matters facing the Company, including personnel management, business operations and corporate governance.

**Robert C. Hausmann** was elected to our Board of Directors in November 2005, was elected Lead Independent Director in December 2012 and non-executive Chairman of the Board in December 2014. Mr. Hausmann was co-founder, a director and Chief Financial Officer of TetraSun, Inc., a solar cell R&D and Manufacturing company that was sold to First Solar, Inc. in 2013. Prior to co-founding TetraSun, Mr. Hausmann was a consultant to public and private companies with respect to operational and financial management matters, including Sarbanes-Oxley and systems and process re-engineering. He also served as Vice President and Chief Financial Officer of Securify, Inc. (computer security monitoring) from September 2002 through June 2005. From September 1999 through September 2002, Mr. Hausmann served as Vice President and Chief Financial Officer of Resonate, Inc. (network traffic management) and managed that company's initial public offering. Prior to these positions, he served as Operations Partner and Chief Financial Officer of Mohr, Davidow Ventures, a Silicon Valley-based venture capital partnership; and as the Chief Financial Officer of Red Brick Systems, Inc., where Mr. Hausmann managed the company's initial public offering. Mr. Hausmann earned a Master of Business Administration degree from Santa Clara University and a Bachelors of Arts degree in Finance and Accounting from Bethel University.

Our Board of Directors selected Mr. Hausmann to serve as a director because of his experience as Chief Financial Officer of two publicly-traded companies and two private companies and as Chief Financial Officer of one of Silicon



Valley's premiere venture capital firms, which contributes to the Board's oversight of the Company's financial and accounting matters, including public company reporting and disclosure. His consulting work at public and private companies, principally in the information technology industry, brings to the Board valuable experience and perspective on a variety of matters facing the Company, including financial markets, operations, corporate governance, compliance and systems and process re-engineering.

**Maribess L. Miller** was elected to our Board of Directors in April 2010. Ms. Miller was a member of the public accounting firm PricewaterhouseCoopers LLP from 1975 until 2009, including serving as the North Texas Market Managing Partner from 2001 until 2009; as Southwest Region Consumer, Industrial Products and Services Leader from 1998 until 2001; and as Managing Partner of that firm's U.S. Healthcare Audit Practice from 1995 to 1998.

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She was appointed in 2009 by Governor Rick Perry to the Texas State Board of Public Accountancy and serves on the behavioral enforcement, rules and executive committees. She is past Board Chair for the Texas Health Institute and serves on the boards of the TCU Neeley School of Business and the North Texas Chapter of the National Association of Corporate Directors and on the board of Midmark Corporation and Triumph Bancorp, Inc. She graduated cum laude with a Bachelor's degree in Accounting from Texas Christian University. Ms. Miller is a Certified Public Accountant.

Our Board of Directors selected Ms. Miller to serve as a director because of her extensive experience in auditing and consulting with companies in various fields, including healthcare and technology companies, which allows her to contribute valuable perspective and insights about the Company's operations. In addition, Ms. Miller has special expertise in public company accounting and financial reporting. She brings to our Board and its Audit Committee invaluable technical understanding of public company accounting and internal controls over financial reporting.

**Richard D. Spurr** was elected to our Board of Directors in May 2005 and served as Chairman of the Board from February 2006 until December 2014. He joined our Company in January 2004 as President and Chief Operating Officer. In March 2005, Mr. Spurr was promoted to his current position as Chief Executive Officer. Mr. Spurr brings more than 30 years of IT experience in building sales, marketing and operations departments in corporate environments. Prior to joining ZixCorp, he served as Senior Vice President, Worldwide Sales, Marketing and Business Development for Securify, Inc. (information security). From 1997 to 2001 he served in several senior executive positions at Entrust, Inc. (information technology security) including VP of Sales, Marketing, Business Development and Professional Services, helping to take this technology company from an early stage to and beyond the initial public offering. From 1991 to 1996, he served in several senior executive positions at SEER Technologies, Inc. (information technology) and from 1974 to 1990, he worked for IBM Corporation (information technology) where, as Regional Manager, he was responsible for over 1,000 employees, and as group director in Tokyo, where he managed a \$1.2 billion Asia Pacific business. Mr. Spurr earned a Bachelor of Arts degree from the University of Notre Dame.

Our Board of Directors selected Mr. Spurr to serve as a director because as the Company's Chief Executive Officer his direct, day-to-day knowledge of and interaction with all aspects of our business, including shareholders, employees and customers is unique among the directors and provides our Board with important insights into our Company's business. In addition, he brings over 30 years of experience in building and managing sales, marketing, business development and service operations in global information technology businesses, which is unique among the members of our Board.

**James F. Brashear** has served as Vice President, General Counsel and Corporate Secretary since February 2010. From September 2007 until joining our Company, Mr. Brashear was a partner at the law firm Haynes and Boone, LLP. From July 1996 until August 2007, he served in various executive capacities at Sabre Holdings Corporation (travel commerce) including Senior Vice President, Deputy General Counsel, Corporate Secretary and Chief Governance Officer. He was previously an attorney at AMR Corporation's subsidiary American Airlines, Inc. (air transportation), and at the law firms Skadden, Arps, Slate, Meagher & Flom and O'Melveny & Myers. Mr. Brashear received a Juris Doctorate degree, magna cum laude, from the University of San Diego School of Law and a Bachelor of Arts degree from the University of California at San Diego. He is a member of the Bar of the United States Supreme Court, the California Bar Association and the State Bar of Texas. He served from 2004 to 2011 as a national director of The Society of Corporate Secretaries and Governance Professionals.

**Michael W. English** has served as our Chief Financial Officer (CFO) since July 2011. Since joining the Company in June 2007, he has served in many roles, including Controller and Treasurer. Mr. English is a certified public accountant and has more than 30 years of experience in finance and accounting. Before joining the Company,

Mr. English was Vice President of Finance for Advance Fibre Communications (telecommunications) from March 2004 through June 2005, and Vice President of Finance for Marconi, PLC (telecommunications) from June 1999 to February 2004. Previously, he served as Division Controller for the Access Division of RELTEC Corporation, Division Controller at Rockwell Automation and Division Controller at Reliance Electric Company. Mr. English earned a Master's degree in accountancy from DePaul University and a Bachelor of Arts degree in English from John Carroll University. In July 2009, Mr. English was discharged from personal debts pursuant to a voluntary petition filed in April 2009 under federal bankruptcy laws.

**Russell J. Morgan** has served as our Vice President, Client Services since September 2002. From February 1997 until August 2002, he worked at Entrust, Inc. (information technology security) where he held a variety of

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senior management positions, including director, professional services and senior director, Entrust.net. At Entrust, he founded the professional services organization and then managed the business and technical operations for the Entrust.net business unit. Previously, he held several management positions at Lockheed Martin (aerospace), where he specialized in secure messaging and military command and control systems. Mr. Morgan is a professional engineer with over 30 years' experience in managing, delivering and supporting complex customer-focused technology solutions. Mr. Morgan holds a Bachelor of Engineering degree from Concordia University, Montreal, Quebec, Canada.

**David J. Robertson** has served as our Vice President, Engineering since March 2002. Mr. Robertson has over 30 years of experience in the internet and telecommunications industries, with specific expertise in hosted network architecture, electronic security, communication protocols, software systems and wireless infrastructure. From 1981 through 2000, he was employed by Nortel Networks (telecommunications), where he held technology Vice President positions in the Wireless, Carrier and Enterprise Divisions. From 2001 to 2002, he participated in creating technology startup companies with STARTech Early Ventures (venture capital). He has been a participant in several industry standards-setting groups and serves with the City of Richardson Chamber of Commerce. He holds a Bachelor of Science degree in Electrical Engineering from the University of Waterloo, Canada, and a Master's degree in Engineering from Carleton University, Canada.

## **Committees of the Board of Directors**

Our Board has three standing committees: Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee. These committees devote attention to specific subjects and to assist our Board in discharging its business and risk oversight and governance responsibilities. Each committee's charter is available on our website at [www.zixcorp.com/company/corporate-governance](http://www.zixcorp.com/company/corporate-governance).

### ***Nominating and Corporate Governance Committee***

Our Nominating and Corporate Governance Committee comprises Robert C. Hausmann (chair), Mark J. Bonney and Taher A. Elgamal. Our Board has determined that each member of the Nominating and Corporate Governance Committee qualifies as independent in accordance with the NASDAQ Listing Rules. Under its charter, the committee's principal responsibilities include: establishing the criteria for nominating new directors, identifying suitable individuals under those criteria who are qualified to serve as directors; recommending to the Board nominees for election as directors; developing and recommending to the Board corporate governance principles or practices that the Committee believes should be adopted or implemented by the Company, the Board or its committees. The Nominating and Corporate Governance Committee presents qualified director candidate(s) to our Board as appropriate. There is no third party that we currently pay to assist in identifying or evaluating potential director nominees. The Nominating and Corporate Governance Committee met on 5 occasions during 2014.

### ***Shareholder Nomination of Director Candidates***

The Nominating and Corporate Governance Committee has a policy with respect to the consideration of director candidates recommended by shareholders. The Nominating and Corporate Governance Committee will consider director nominations suggested by shareholders, in accordance with the Committee's bylaws and the Director Nomination Process that is available on our website at [www.zixcorp.com/company/corporate-governance](http://www.zixcorp.com/company/corporate-governance).

A shareholder desiring to nominate a person for election to our Board must send a written notice to our principal executive offices at Zix Corporation, Attention: Corporate Secretary, 2711 North Haskell Avenue, Suite 2200, LB 36, Dallas, Texas 75204-2960. Shareholder nominations for our 2016 annual meeting of shareholders must be received no

earlier than 120 days and not later than 90 days prior to the date of such 2016 annual meeting of shareholders. The written notice must contain the information required by section 1.12 of our bylaws, including all information required to be disclosed in solicitations of proxies for election of directors and as otherwise required pursuant to Regulation 14A under the Securities Exchange Act of 1934. The final selection of director nominees is within the sole discretion of our Board.

*Diversity of Directors*

The Board of Directors and the Nominating and Corporate Governance Committee believe that the Board should include directors with diversity of education, experience, skills, qualities, backgrounds and other attributes. The Board does not follow any ratio or formula to determine the appropriate mix of directors, but instead uses its judgment to identify nominees whose education, experience, skills, qualities, backgrounds and other attributes, taken as a whole, will contribute to the diversity of the Board.

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*Director Qualification Criteria*

The criteria considered by the Nominating and Corporate Governance Committee and the Board of Directors in evaluating director candidates include characteristics such as the following:

Integrity

The candidate's ability to objectively analyze complex business problems and develop creative solutions.

The candidate's business and financial sophistication.

The candidate's availability and ability to participate in Board activities and fulfill the responsibilities of a director, including attendance at, and active participation in, meetings of the Board and its committees.

The candidate's ability to work well with the other directors and senior management of the Company.

The candidate's ability to meet the independence criteria that have been adopted by the Board. Candidates who will serve on our Audit Committee must have the following additional characteristics:

The candidate must meet additional independence requirements in accordance with applicable rules and regulations.

The candidate must have the ability to read and understand fundamental financial statements, including a company's balance sheet, statement of operations and statement of cash flows.

At least one member of the Audit Committee must meet the requirements of an audit committee financial expert under SEC rules and regulations.

Other factors considered in candidates may include, but are not limited to, the following:

The extent to which the candidate possesses pertinent technological, political, business, financial or social/cultural expertise and experience.

The extent of the candidate's commitment to increasing shareholder value.

The candidate's achievement in education, career and community.

The candidate's past or current service on boards of directors of public or private companies, charitable organizations and community organizations.

The extent of the candidate's familiarity with issues affecting the Company's business and industry.

The candidate's expected contribution to the Board's desired balance and diversity.

The Nominating and Corporate Governance Committee will evaluate a nominated candidate and, after consideration taking account of the Director Qualification Criteria described above, will determine whether or not to proceed with the candidate. These procedures have not been materially modified since our disclosure of these procedures in our proxy statement in connection with our 2014 Annual Meeting of Shareholders. These procedures do not create a contract between our Company, on the one hand, and a Company shareholder(s) or a candidate recommended by a shareholder(s), on the other hand. We reserve the right to change these procedures at any time, consistent with the requirements of applicable law, rules and regulations, and the discretion of our Board. There are no material differences in the procedures for evaluating new director nominees based on whether they are recommended by a security holder in or by our Board.

#### *Director Election Procedures*

Under our Director Nomination and Election Policies revised in 2014, each director nominee in an uncontested election tenders his or her conditional resignation to the Corporate Secretary before the election. If a director nominee receives a Majority WITHHELD Vote in the election, that director's resignation offer becomes effective automatically. The Nominating and Corporate Governance Committee then recommends to the Board whether to accept the offered resignation. Within 90 days after the certification of voting results in the election, the

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Board will decide whether or not to accept the offered resignation. In general, any director nominee who receives a Majority WITHHELD Vote will not participate in the Nominating and Corporate Governance Committee recommendation or the Board decision regarding an offered resignation. If all members of the Nominating and Corporate Governance Committee received a Majority WITHHELD Vote, then the independent directors who did not receive a Majority WITHHELD Vote will appoint a committee among themselves to consider and make a recommendation to the Board with respect to the offered resignations. If three or fewer directors receive a majority of FOR votes cast out of all votes cast in the election, then all directors (including those who received a Majority WITHHELD Vote) may participate in the Board's decision whether to accept or not to accept the offered resignations. The Company will promptly disclose the Board's decision in a Current Report on Form 8-K, including the reasons a resignation is not accepted.

***Audit Committee***

Our Audit Committee is comprised of Maribess L. Miller (chair), Mark J. Bonney and Robert C. Hausmann. Our Board determined that all three members of the Audit Committee satisfy the independence and other requirements for audit committee membership required by the NASDAQ Listing Rules and the SEC, and that each has sufficient knowledge in reading and understanding our financial statements to serve on the Audit Committee. Our Board also determined that all three members of the Audit Committee qualify as an audit committee financial expert under SEC rules.

Our Audit Committee oversees our financial reporting process, related controls and audit functions on behalf of our Board, pursuant to a written charter adopted by our Board that is available on our website at [www.zixcorp.com/company/corporate-governance](http://www.zixcorp.com/company/corporate-governance). The Audit Committee met on 9 occasions during 2014.

***Compensation Committee***

Our Compensation Committee consists of Taher A. Elgamal (chair), Michael E. Dailey and Maribess L. Miller. Our Board has determined that each member of the Compensation Committee qualifies as independent in accordance with the NASDAQ Listing Rules. The independent directors on our Board ultimately approve the compensation payable to our executives and directors, but the Board has established the Compensation Committee to assist it in compensation decisions. The Compensation Committee met on seven occasions during 2014.

The Compensation Committee operates under a written charter that is available on our website at [www.zixcorp.com/company/corporate-governance](http://www.zixcorp.com/company/corporate-governance). Under its charter, the Compensation Committee's primary responsibilities include, among other things, the following:

Establish and review the Company's overall management compensation philosophy and policies;

Directly review and approve corporate goals and objectives relevant to the compensation of the Company's CEO and other executive officers, including annual and long-term performance goals and objectives;

Evaluate the performance of the Company's CEO and other executive officers in light of those goals and objectives; and determine and approve the compensation of the CEO and other executive officers based on that evaluation, including incentive-based cash compensation and equity-based compensation;



Review and authorize any employment, compensation, benefit or severance agreement with any executive officer (and any amendments or modifications thereto);

Administer and oversee any equity-based or other compensation plan or program as to which the Board has delegated such responsibility to the Committee; and

Review and make recommendations to the Board with respect to the Company's overall director compensation philosophy and policies.

The Compensation Committee's charter provides that the Compensation Committee, in its sole discretion, has the authority to retain a compensation consultant. Paradox Compensation Advisors ( Paradox ), has been retained directly by the Compensation Committee to provide various advice to the Compensation Committee. Paradox did not provide any services directly to the Company or to management

The Compensation Committee has evaluated the independence of its advisors in light of SEC rules and NASDAQ Listing Rules, which require consideration of the following factors:

Whether any other services are provided to the Company by the consultant;

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The fees paid by the Company as a percentage of the consulting firm's total revenue;

The policies or procedures maintained by the consulting firm that are designed to prevent a conflict of interest;

Any business or personal relationships between the individual consultants involved in the engagement and a member of the Compensation Committee;

Any company stock owned by the individual consultants involved in the engagement; and

Any business or personal relationships between our executive officers and the consulting firm or the individual consultants involved in the engagement.

The Compensation Committee discussed these considerations and concluded that its engagement of the advisors and the services provided to the Compensation Committee by its advisors did not raise any conflict of interest.

*Policies, Procedures, and Practices*

Our processes and procedures for the consideration and determination of executive and director compensation are as follows:

Our Compensation Committee requests recommendations from the CEO with respect to the elements of compensation for the members of management that are direct reports to the CEO.

Our Compensation Committee consults with and meets with the CEO as required to discuss his recommendations, meets in executive session, or discusses among themselves, as appropriate, in order to formulate a recommendation regarding the compensation of our executives to the independent directors on our Board.

Our Compensation Committee then makes a recommendation to the independent directors on our Board.

The independent directors on our Board consult and meet with the CEO and the members of the Compensation Committee as required to discuss the latter's recommendation, meet in executive session, or discuss among themselves, as appropriate, to reach a decision.

The independent directors' decision is communicated to the CEO.

As required by NASDAQ Listing Rules, the CEO does not participate in discussions or decisions regarding his own compensation.

For the consideration and determination of director compensation, our Board typically refers the matter to the Compensation Committee in order for it to review the matter and make a recommendation to the entire Board.

The Committee has the authority to create one or more subcommittees of two or more of its members. The Committee may delegate any of its responsibilities to a subcommittee of this Committee so long as such delegation is not otherwise inconsistent with law and applicable rules and regulations of the SEC and NASDAQ.

#### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires that our directors and executive officers, and certain persons who beneficially own more than 10% of a registered class of our equity securities, file with the SEC initial reports of ownership and reports of changes in ownership of our common stock and other securities. Directors, executive officers, and 10%-or-greater shareholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file with the SEC.

Based solely on a review of the forms filed during or with respect to fiscal year 2014 and written representations from the reporting persons, the Company believes that its executive officers and directors filed all required reports on a timely basis.

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**Code of Ethics**

We have a Code of Conduct and Code of Ethics, which applies to all of our employees, officers and directors, including our Chief Executive Officer and senior financial officials. It is available on our website at [www.zixcorp.com/company/corporate-governance](http://www.zixcorp.com/company/corporate-governance). The Code of Conduct and Code of Ethics affirms that we expect all directors and employees to uphold our standards of ethical behavior and compliance with the law and to avoid conflicts of interest between the Company and their personal and professional affairs. It establishes procedures for the confidential reporting of suspected violations of the Code of Conduct and Code of Ethics. It also sets forth procedures to receive, retain, and treat complaints received regarding accounting, internal accounting controls, auditing or compliance matters and to allow for the confidential and anonymous submission by employees of concerns regarding questionable accounting, auditing or compliance matters. Our Code of Conduct and Code of Ethics also addresses conflicts between the interests of our directors or officers and our Company or its shareholders. Any waiver of our Code of Conduct and Code of Ethics must be approved by the Board of Directors, or a committee of the Board of Directors, as applicable, and in compliance with applicable law. Any waiver of our Code of Conduct and Code of Ethics will be publicly disclosed by posting the waiver on our website at [www.zixcorp.com/company/corporate-governance](http://www.zixcorp.com/company/corporate-governance).

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**Item 11. *Executive Compensation*  
Compensation Discussion and Analysis**

***Executive Summary***

***Our Business***

The Company is a leader in email data protection. We offer email encryption, email data loss prevention and Bring-Your-Own-Device ( BYOD ) data security to meet business data protection and compliance needs. We primarily serve the healthcare, financial services, insurance and government sectors. Our customers include one in every four U.S. banks, one in every five U.S. hospitals and more than 30 Blue Cross Blue Shield organizations, and significant financial regulators such as the Federal Financial Institutions Examination Council ( FFIEC ), divisions of the U.S. Treasury, the SEC, and the Financial Industry Regulatory Agency ( FINRA ).

***2014 Financial Performance***

In 2014, we delivered revenue of \$50.3 million, growth of 5% year-over-year. GAAP Net Income was \$4.1 million in 2014, compared to \$10.5 million in 2013. The lower earnings in 2014 compared to the prior year resulted primarily from higher income taxes and increased sales and marketing investment. Net income in 2013 included a decrease in the Company's deferred tax asset valuation allowance resulting in a tax benefit, while the 2014 net income included a tax expense. The combined result of the 2013 tax benefit and 2014 tax expense resulted in a year-over-year tax expense increase of \$3.8 million in 2014 compared to the prior year. Additionally, in 2014 we increased sales and marketing investment by approximately \$4.5 million to increase market awareness and grow our sales pipeline, especially relating to our new product, ZixOne. Cash flow from operations for the full year ended December 31, 2014, was \$13.3 million. Cash and cash equivalents at 2014 year-end was \$21.7 million. We spent \$16.5 million on share repurchases during 2014. We delivered \$0.07 of GAAP diluted earnings per share in 2014, down from \$0.17 in 2013, a decrease of \$0.10 per share resulting from the higher tax expense and marketing and sales investments described above.

***Governance and Evolving Compensation Practices***

The Compensation Committee and the Board are mindful of evolving practices in executive compensation and corporate governance. In response, we have adopted certain policies and practices that are in keeping with best practices in many areas. For example:

The Compensation Committee engages an independent compensation consultant to evaluate our executive compensation practices in comparison to a peer group.

We do not provide excessive executive perquisites or extraordinary relocation benefits to our named executive officers.

We do not provide tax gross-ups on compensation paid to our named executive officers, or on golden parachute excise taxes.

Our Incentive Plan and our Employee Termination Benefit Agreements have double-trigger vesting for equity awards in the context of a change in control if the awards are assumed by the acquiring company.

Our Incentive Plan expressly prohibits repricing of options (directly or indirectly) without prior shareholder approval.

Our Policy on the Prevention of Insider Trading prohibits various types of transactions involving Company stock or securities, including short sales, options trading, hedging, margin purchases and pledges.

Our executive compensation is subject to recoupment or clawback under applicable law.

***Executive Compensation Overview***

A significant portion of the 2014 compensation of our named executive officers was directly affected by our financial results and stock price, both in the amount of cash compensation earned and the value of outstanding long-term equity awards.

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For 2014, compensation designed for our executive officers consisted of:

Base salary

Short-term cash awards conditioned upon achieving objective performance targets

Long-term equity in the form of stock options and restricted stock or restricted stock units

The same group health and welfare benefit programs and tax-qualified retirement plans that are available to all of our employees.

As described in more detail below, short-term cash performance awards under our 2014 Variable Compensation Program ( VCP ) were tied to achieving pre-established target levels under four objective performance measures: revenue, new first year orders, adjusted EBITDA, and adjusted EPS. The Company failed to achieve the 2014 targets for any of those four metrics. Accordingly, none of the named executive officers will receive any payout with respect to the 2014 VCP.

### ***General***

The independent, non-employee directors on our Board, with the assistance of the Compensation Committee, administer the cash and non-cash compensation programs applicable to our executive officers.

The independent directors on our Board also make all decisions about executive officer compensation, with advice from the Compensation Committee and after discussion with our Chief Executive Officer about his subordinates. The independent directors have often refined compensation recommendations made by the Chief Executive Officer or the Compensation Committee. Consistent with NASDAQ requirements, our Chief Executive Officer's compensation is determined solely by the independent directors, and the Chief Executive Officer does not participate in those discussions or decisions.

During 2014, our executive officers were Richard D. Spurr, James F. Brashear, Michael W. English, Russell J. Morgan, and David J. Robertson (collectively, named executive officers, or NEOs ). The compensation paid in 2014 to our NEOs, as set forth below in the Summary Compensation Table, primarily consisted of base salary, stock options, and either restricted stock or restricted stock units. NEOs also received partial match contributions to the Company-sponsored 401(k) plan (which we offer on a non-discriminatory basis to all 401(k) plan participants) and Company-funded life insurance benefits (which we offer on a non-discriminatory basis to all full-time employees). We have no non-qualified deferred compensation arrangements, defined benefit retirement plans or meaningful NEO perquisites.

### ***Compensation Philosophy and Objectives***

Our Board of Directors believes that an effective executive compensation program is one that, among other things, accomplishes the following goals:

Attracts and retains executives with the experience, skills, and knowledge that our Company seeks and requires;

Attracts and retains executives committed to achieving our goals;

Rewards the achievement of specific, objective performance metrics established by our Board; and

Motivates management to increase long-term shareholder value.

Our Board and Compensation Committee seek to implement and maintain a compensation plan for our executive officers that is fair, reasonable, and competitive, and that attracts and retains talented and qualified personnel. Our Board believes that equity awards supplement the cash base salary and motivate the recipient to work to achieve long term value for our shareholders. Our Board also believes that equity awards, variable compensation awards, and termination benefit agreements are crucial to recruiting (and retaining) the services of qualified and talented personnel.

***Risk Considerations***

The Board and Compensation Committee reviewed with management the design and operation of our compensation programs for all employees, including executive officers, for the purpose of determining whether such programs might encourage inappropriate risk-taking that could have a material adverse effect on the Company. After conducting its evaluation, the Compensation Committee concluded that the Company's compensation programs do not encourage employees to take risks that are reasonably likely to have a material adverse effect on the Company.



**Table of Contents*****Role of Executive Officers in Compensation Decisions***

Our Board, the Compensation Committee and our management each play a role in our compensation process. The Compensation Committee reviews and makes recommendations to our Board regarding our executive compensation practices, after which the Board makes the final determinations. The CEO does not participate in discussions or decisions about his own compensation. Our Board delegates to our management the authority to make certain compensation related decision for employees who are not executive officers.

***Approval Authority for Certain Compensation Related Matters***

Compensation decisions affecting the CEO and other NEOs are approved by the Compensation Committee, which is comprised solely of independent directors, and are separately ratified by the Board, except that the CEO does not participate in any discussions or decisions related to the CEO's own compensation.

***Competitive Market Information***

In 2012, the Compensation Committee engaged Paradox to evaluate the Company's compensation for various selected positions, including the named executive officers, in order to assist the Compensation Committee in setting executive compensation that is market competitive. The Compensation Committee and Board considered this study when setting executive compensation for 2014. As noted below, the Compensation Committee engaged Paradox to conduct another competitive analysis in 2014, which the Board considered when setting executive compensation for 2015.

After consideration of company revenue and market capitalization of companies in the Company's technology industry segment, Paradox and the Compensation Committee chose a group of 19 peer companies as compensation analysis comparators for the 2012 study. This group consisted of the following companies:

***Compensation Analysis Peer Group***

Brightcove	Market Leader
Broadvision	Pervasive Software
Callidus Software	Proofpoint
Carbonite	Sciqest
Convio	Smith Micro Software
Digimarc	Soundbite Communications
Egain Communications	Splunk
Ellie Mae	Wave Systems
Glowpoint Imperva	Widepoint

Similar to the Company, each of these peer group companies used a business-to-business (B2B) sales model. The Compensation Committee believed this was important factor in the selection of the peer group because B2B companies tend to have very different revenue and profit profiles than companies using business-to-consumer (B2C) sales models. Data from the compensation analysis peer group was evaluated with respect to base salary, actual total cash (base salary + last actual bonus), long-term incentive values, and total direct compensation (base salary + last actual bonus + total long-term incentive values).

Although comparisons varied by individual, on average, Paradox considered the Company to have good positioning on total cash compensation for the named executive officers in the 2012 study. While the data showed that total cash compensation was significantly below the median and mean for several positions, Paradox indicated that nine of the 19 companies in the compensation analysis peer group had low or no bonus awards, due to negative EBITDA. With positive EBITDA more consistently represented across the peer group, total cash compensation in the benchmark companies would have been expected to be higher.

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However, the Company's total direct compensation for the named executive officers was significantly below median and mean in the 2012 study, primarily due to lower-than-average long-term incentive awards. For example, for the CEO, total direct compensation was more than 25% below the median (50th percentile) of the compensation analysis peer group.

When evaluating the types of long-term incentive awards granted, Paradox reviewed the practices of a broader group of companies and determined that, on average, such companies were granting a mix of both stock options and restricted stock awards to their executive officers.

***Executive Officer Base Salaries and Compensation Comparisons***

Our executive officers' salaries are, in general, established by (a) reference to each executive's position with our Company and (b) a subjective assessment of the cost to us of hiring executives with comparable experience and skills. For 2014, the Board also considered the 2012 executive compensation study prepared by Paradox. We believe this approach offers our executives, including our named executive officers, a reasonable base salary as subjectively determined by our Board following a recommendation by our CEO. The amount of compensation awarded to each of the executive officers relates primarily to the experience, responsibilities and performance of each executive officer, as well as to a subjective assessment of compensation paid by similar companies for comparable positions.

After consideration of these factors, in April 2014, Mr. English's base salary was increased by 7.0% and Mr. Brashear's base salary was increased by 4.0%. Base salaries for Mr. Spurr, Mr. Morgan and Mr. Robertson remained unchanged.

***Executive Officer Variable Compensation***

We believe that variable compensation, based on the Company's achievement of objective performance measures, is an important component of an executive's overall compensation package and helps to attract and retain executives with the skills, experience, and knowledge we seek. Furthermore, we believe a variable compensation element motivates the recipient to achieve financial and business objectives established by our Board and enables the recipient to share in the success of our business endeavors.

The Company's executive officers, other than executives whose primary function is sales, typically are eligible to receive awards under variable compensation programs (VCP) approved by our Board for each calendar year. Each executive officer is provided a total variable compensation opportunity, with payment conditioned upon the Company meeting objective performance targets under various metrics that are established by the Board. Achievement of the target level of performance, and payment of the associated variable compensation opportunity, is determined separately by the Board for each performance metric. Therefore, the Company need not meet the performance targets under all of the metrics in order to pay variable compensation. For 2014, our Board approved a VCP with metrics based on four objective performance measures:

Revenue

New first year orders

Non-GAAP adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA). Adjusted EBITDA adds back stock-based compensation and non-recurring litigation and consulting expenses.

Non-GAAP adjusted earnings per share (Adjusted EPS). Adjusted EPS adds back stock-based compensation, non-recurring litigation and legal expenses, and certain income tax effects.

The 2014 VCP established award levels at 100 percent, 110 percent and 120 percent of the target for each of the four objective metrics. Each metric was given a 25% weighting. As indicated in the table below, the Company failed to achieve any of the 2104 performance metrics, and the named executive officers did not receive a payout under the 2014 VCP.

**Table of Contents****Variable Compensation for Named Executive Officers**

2014 Performance					2014 Actual	2014 Actual %
Metrics	Weight	2014 Metric Target Levels*			Achievement*	Achievement
Revenue	25%	\$ 55.06	\$ 55.50	\$ 56.00	\$ 50.35	0.0%
New First Year Orders	25%	\$ 14.03	\$ 14.80	\$ 16.50	\$ 8.49	0.0%
Adjusted EBITDA**	25%	\$ 12.08	\$ 12.40	\$ 12.70	\$ 10.84	0.0%
Adjusted EPS**	25%	\$ 0.17	\$ 0.18	\$ 0.19	\$ 0.15	0.0%
		Target Achievement Payout %		Weighted Average Payout		
		100%	110%	120%	0.0%	

\* Dollar amounts in millions, except adjusted EPS.

\*\* For a detailed description of how the Company uses non-GAAP metrics and arrived at Adjusted EBITDA and Adjusted EPS for the full year 2014, see our fourth quarter earnings release and Form 8-K dated February 18, 2015.

The 2014 VCP 100% target in Revenue required the Company to exceed the upper end of the Company's publicly forecast 2014 revenue range. The 2014 VCP 100% target for Adjusted EPS required the Company to meet the upper end of the Company's publicly forecast 2014 adjusted EPS range. The 2014 VCP 100% targets in Adjusted EBITDA and Adjusted EPS were based on detail internal budget forecasts and were calculated by applying the same methodology used to determine the actual Adjusted EBITDA and Adjusted EPS reported quarterly in our earnings release.

The table below sets forth the variable compensation amounts payable to our named executive officers at 100% target achievement under the 2014 VCP, and the amounts actually paid.

Name	Year	Amount Payable at 100% Target Achievement	Amount Actually Paid	Weighted Average Payout Percentage
Richard D. Spurr	2014	\$ 220,000	\$ -0-	0.0%
James F. Brashear	2014	\$ 80,063	\$ -0-	0.0%
Michael W. English	2014	\$ 79,188	\$ -0-	0.0%
David J. Robertson	2014	\$ 87,500	\$ -0-	0.0%
Russell J. Morgan	2014	\$ 80,500	\$ -0-	