

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 1999

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

ZIXIT CORPORATION
(Exact Name of Registrant as Specified in its Charter)

Texas
(State of Incorporation)

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

One Galleria Tower
13355 Noel Road
Suite 1555
Dallas, Texas 75240-6604
(Address of Principal Executive Offices)

(972) 702-7055
(Registrant's Telephone Number, Including Area Code)

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 X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at October 31, 1999
----- Common Stock, par value \$.01 per share	----- 15,308,929

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ZIXIT CORPORATION
(A Development Stage Company)

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

(Unaudited)

	September 30, 1999	December 31, 1998
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 6,007	\$ 54,292
Short-term marketable securities	32,701	26,929
Due from sale of discontinued operations	--	5,304
Other current assets	775	215
	39,483	86,740
Long-term marketable securities	17,000	--
Property and equipment, net	19,059	158
	\$ 75,542	\$ 86,898
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 7,098	\$ 1,574
Liabilities related to discontinued operations	1,360	3,875
	8,458	5,449
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$1 par value, 10,000,000 shares authorized; none outstanding	--	--
Common stock, \$.01 par value, 175,000,000 shares authorized; 17,600,829 issued, 15,308,929 outstanding in 1999 and 17,384,437 issued, 15,092,537 outstanding in 1998	176	174
Additional capital	100,177	88,449
Treasury stock, at cost	(11,314)	(11,314)
Retained earnings (deficit) (net of deficit accumulated during the development stage of \$26,095 in 1999)	(21,955)	4,140
	67,084	81,449
Total stockholders' equity	\$ 75,542	\$ 86,898
	=====	=====

See accompanying notes.

ZIXIT CORPORATION
(A Development Stage Company)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

(Unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
	1999	1998	1999	1998
Research and development expenses:				
Non-employee stock option compensation	\$ 1,418	\$ --	\$ (6,387)	\$ --
Other	(6,530)	--	(12,790)	--
	(5,112)	--	(19,177)	--
Operating costs and general corporate expenses	(7,310)	(523)	(10,585)	(3,350)
Investment income	837	582	2,874	1,154
	(11,585)	59	(26,888)	(2,196)
Income tax (provision) benefit	65	(54)	185	645
	(11,520)	5	(26,703)	(1,551)
Income (loss) from continuing operations				
Discontinued operations:				
Income from discontinued operations, net of income taxes	--	1,262	--	4,965
Gain (loss) on sale of discontinued operations	210	--	608	(1,561)
	210	1,262	608	3,404
Net income (loss)	\$ (11,310)	\$ 1,267	\$ (26,095)	\$ 1,853
	=====	=====	=====	=====
Basic and diluted earnings (loss) per common share:				
Continuing operations	\$ (0.75)	\$ --	\$ (1.75)	\$ (0.10)
Discontinued operations	0.01	0.08	0.04	0.21
	\$ (0.74)	\$ 0.08	\$ (1.71)	\$ 0.11
	=====	=====	=====	=====
Weighted average shares outstanding	15,282	14,903	15,219	16,134
	=====	=====	=====	=====

See accompanying notes.

ZIXIT CORPORATION
(A Development Stage Company)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

(Unaudited)

	Nine Months Ended September 30	
	1999	1998
	----	----
Cash flows from operating activities:		
Loss from continuing operations	\$ (26,703)	\$ (1,551)
Adjustments to reconcile loss from continuing operations to net cash used by operating activities:		
Depreciation and amortization	1,446	10
Non-employee stock option compensation	10,202	--
Employee stock option compensation	275	516
Changes in assets and liabilities, excluding divestiture of businesses:		
Other current assets	(560)	(21)
Current liabilities	2,324	321
	-----	-----
Net cash used by continuing operations	(13,016)	(725)
Net cash provided (used) by discontinued operations	(1,907)	3,857
	-----	-----
Net cash provided (used) by operating activities	(14,923)	3,132
Cash flows from investing activities:		
Purchases of property and equipment, net	(17,147)	(100)
Purchases of marketable securities	(119,015)	(16,053)
Sales and maturities of marketable securities	96,243	1,010
Investing activities of discontinued operations:		
Proceeds from sales of businesses, net of cash sold	5,304	23,483
Purchases of property and equipment, net and other	--	(2,438)
	-----	-----
Net cash provided (used) by investing activities	(34,615)	5,902
Cash flows from financing activities:		
Proceeds from exercise of stock options	1,264	389
	-----	-----
Net cash provided by financing activities	1,264	389
Effect of exchange rate changes on cash and cash equivalents	(11)	22
	-----	-----
Increase (decrease) in cash and cash equivalents	(48,285)	9,445
Cash and cash equivalents, beginning of period	54,292	12,583
	-----	-----
Cash and cash equivalents, end of period	\$ 6,007	\$ 22,028
	=====	=====

See accompanying notes.

ZIXIT CORPORATION
(A Development Stage Company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation

The accompanying financial statements, which should be read in conjunction with the audited consolidated financial statements included in the Company's 1998 Annual Report to Shareholders on Form 10-K, are unaudited but have been prepared in the ordinary course of business for the purpose of providing information with respect to the interim periods. The Condensed Consolidated Balance Sheet at December 31, 1998 was derived from the audited Consolidated Balance Sheet at that date which is not presented herein. Management of the Company believes that all adjustments necessary for a fair presentation for such periods have been included and are of a normal recurring nature, except the accounting for the fair value of stock options granted to non-employees as explained in Note 3. The results of operations for the nine-month period ended September 30, 1999 are not necessarily indicative of the results to be expected for the full year.

During 1998, the Company sold all of its operating businesses and, accordingly, the assets and liabilities, operating results and cash flows of these businesses have been reclassified as discontinued operations in the accompanying financial statements. The results of the discontinued operations do not include any interest expense or allocation of corporate expenses.

Basic and diluted earnings per common share are both computed based on the weighted average number of shares of common stock outstanding. The assumed exercise of outstanding stock options would be antidilutive for all periods presented.

2. New Business

The Company has no revenue producing businesses. In 1999, the Company has been developing a digital signature and encryption technology and is planning a series of products that use this technology. Two products being actively developed are ZixMail(TM), a secure Internet messaging system, and ZixCharge(TM), an Internet transaction authorization system. Successful growth of a start-up enterprise, like the Company, is costly. Moreover, the Internet arena is highly competitive. The Company's internal growth depends, in large measure, on the timely development and market acceptance of its new products, and its growth involves risks and uncertainties. There are no assurances that the Company will be successful in its current business endeavors. See Notes 3 and 4, and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

3. Non-Employee Stock Options

Director Stock Option Plan

In January 1999, certain non-employee directors were granted immediately vested options to purchase, in the aggregate, approximately 150,000 shares of the Company's common stock under a plan that was approved by the Company's shareholders on September 14, 1999. The options have an exercise price of \$10.65 per share, which was 120% of the closing price of the common stock on the date of grant. In accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," the Company recorded a non-cash general corporate expense of \$3,335,000 in the third quarter of 1999 representing the excess of the closing price of the common stock on September 14, 1999 over the exercise price.

New Business Initiatives

The Company entered into an agreement in February 1999 with Lante Corporation ("Lante"), a third party software development firm, to assist the Company in developing software for its new Internet-related businesses. In exchange for the services provided by Lante, the Company pays cash for work performed at

discounted rates and has issued options to purchase 500,000 shares of the Company's common stock to Lante at an exercise price of \$7.62 per share, the closing price of the Company's common stock on the date of the agreement. The options vest over three years and expire at the end of ten years. On the date of grant, these options had an estimated fair value of \$2,865,000 or \$5.73 per share, using the Black-Scholes option valuation model. Accounting for these options require that they be revalued on each subsequent reporting date until performance is complete with a cumulative catch up adjustment recognized for any changes in their fair value. The Company's common stock price has increased from \$7.62 per share at the date of grant to \$29.63 per share at September 30, 1999, thereby increasing the estimated fair value of these options to \$13,525,000 or \$27.05 per share as of September 30, 1999. The revalued amount for these options is being amortized over the three year vesting period; accordingly, the Company's results of operations for the three months and nine months ended September 30, 1999 include a non-cash credit of \$1,418,000 (resulting from a lower common stock price at the end of the third quarter as compared to the \$55.94 common stock price at the end of the second quarter) and a non-cash charge of \$6,387,000, respectively, for amortization of the fair value of these options. The Company's future results of operations could be materially impacted by a change in valuation of the stock options issued to Lante as a result of future increases or decreases in the price of the Company's common stock. However, the required accounting treatment has no impact on the Company's cash flows or total stockholders' equity.

4. Subsequent Event

In October 1999, the Company purchased all of the outstanding shares of Anacom Communications, Inc. ("Anacom"), a privately-held, Dallas-based provider of Internet transaction processing and real-time credit card processing services to Internet merchants. Consideration consists of \$2,500,000 in cash paid at closing and common stock, valued at a minimum of \$7,500,000, to be delivered in two annual allotments. The number of shares to be delivered, set at a minimum of approximately 190,000 shares, may be increased depending on the market value of the common stock at the time of delivery. The final value of the transaction for financial accounting purposes will reflect the value of the common stock when delivered. The purchase price is expected to be amortized to income over two years. The historical results of operations of Anacom are not significant compared to the Company's results of operations.

ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Historically, the Company operated in one industry segment, the provision of systems and solutions for the intelligent transportation, electronic security and other markets through the design, manufacturing, installation and support of hardware and software products utilizing the Company's wireless data and security technologies. The businesses comprising this industry segment were sold during 1997 and 1998 and have been reclassified as discontinued operations in the consolidated financial statements.

In 1999, the Company has been developing a digital signature and encryption technology (the "ZixIt (TM) technology") and is planning a series of products that use this technology. Products being actively developed are: ZixMail (TM), a secure Internet messaging system, and ZixCharge (TM), an Internet transaction authorization system. ZixMail, which is expected to be released to the public soon, will enable Internet users to send and receive encrypted and digitally signed email communications without changing their existing email addresses. The ZixMail software uses 1024-bit public key and Triple-DES encryption and can be exported throughout the world except to certain prohibited countries and territories. ZixCharge is designed to allow consumers to purchase items over the Internet without divulging personal information to Web merchants.

Successful growth of a start-up enterprise, like the Company, is costly. Moreover, the Internet arena is highly competitive. The Company's prospects in the near-term depend on the timely development and market acceptance of its new products. The Company's future growth involves risks and uncertainties, and there are no assurances that the Company will be successful in its current business endeavors.

Results of Operations

Continuing Operations

Research and development expenses

The Company first incurred development expenses for its current business endeavors in the first quarter of 1999. Non-employee stock option compensation consists of a non-cash credit of \$1,418,000 and a non-cash charge of \$6,387,000 for the three months and nine months ended September 30, 1999, respectively, for amortization of the fair value of stock options granted to a third party software development firm that is assisting the Company with its development efforts. See Note 3 to the Condensed Consolidated Financial Statements for additional discussion regarding non-employee stock options. Other research and development expenses of \$6,530,000 and \$12,790,000 for the three months and nine months ended September 30, 1999, respectively, primarily consist of expenditures to third parties for development of software for the Company's ZixIt technology and related ZixMail and ZixCharge systems.

Operating costs and general corporate expenses

Operating costs and general corporate expenses for the three months and nine months ended September 30, 1999 increased \$6,787,000 and \$7,235,000 from the prior year periods, respectively, primarily due to expenditures for marketing, expanded lease facilities, personnel and start-up operating costs relating to establishing the Company's Internet-related businesses. Also contributing to the increase was a non-recurring, non-cash expense of \$3,335,000, recognized by the Company in 1999's third quarter, relating to stock options granted in January 1999 to certain of the Company's outside directors under a plan that was approved by the shareholders in September 1999.

Investment income

Investment income for the three months and nine months ended September 30, 1999 increased from \$582,000 to \$837,000 and increased from \$1,154,000 to \$2,874,000, respectively. The increase for both periods is primarily due to the increase in invested cash and marketable securities resulting from the sale of the Company's businesses during 1998.

Income tax (provision) benefit

The income tax benefit on the loss from continuing operations of \$65,000 and \$185,000 for the three months and nine months ended September 30, 1999 and the income tax provision of \$54,000 and the income tax benefit of \$645,000 for the comparable periods in 1998, respectively, is different from the U.S. statutory rate of 34%, primarily due to unbenefitted U.S. losses. The Company fully reserves its deferred tax assets due to the uncertainty of future taxable income from the Company's new business initiatives.

Income (loss) from continuing operations

As a result of the foregoing, the Company experienced losses from continuing operations of \$11,520,000 and \$26,703,000 for the three months and nine months ended September 30, 1999 as compared to income of \$5,000 and a loss of \$1,551,000 for the same periods in 1998.

Discontinued Operations

The Company sold its remaining operating businesses in 1998 and, accordingly, their net operating income of \$1,262,000 and \$4,965,000 for the three months and nine months ended September 30, 1998, respectively, has been reclassified as discontinued operations. Discontinued operations in 1998 also included the net loss from the sales of the Company's Transportation Systems Group and Cotag International. The Company recorded a gain of \$210,000 and \$608,000 for the three months and nine months ended September 30, 1999, respectively, primarily due to a reduction in estimated future costs for various indemnification issues associated with the disposal of these businesses.

Liquidity and Capital Resources

At September 30, 1999, the Company's principal source of liquidity is its cash investments and marketable securities totaling \$55,708,000. The Company plans to continue to invest its excess cash in high-grade U.S. corporate debt securities or U.S. government and agency securities.

The Company's new business initiative to create Internet related businesses requires significant investment. The Company's purchase of Anacom Communications, Inc. in October 1999 included a cash payment of \$2,500,000. In addition, the Company currently expects to invest \$9,000,000 to \$12,000,000 during the fourth quarter of 1999 on ZixCharge and ZixMail for software development, marketing, expanded lease facilities, communications, computers and related equipment to expand its computing center and related personnel and start-up operating costs. Management believes the Company's existing cash position will be sufficient to meet near-term anticipated needs. The Company has no existing borrowings or credit facilities. Acquisitions, if any, would be financed by the most attractive alternative available, which could be the utilization of cash or the issuance of debt or equity securities.

Non-Employee Stock Options

See Note 3 to the Condensed Consolidated Financial Statements regarding the accounting for stock options granted to non-employees and their potential impact on the Company's future operating results.

Impact of the Year 2000

The Year 2000 Issue is primarily the result of computer programs being written using two digits rather than four to define the applicable year. There are no material Year 2000 compliance requirements confronting the Company since it has no existing operating businesses. The Company's current financial and administrative systems are fully compliant. Accordingly, the Company has no ongoing remediation plans with respect to its current systems.

Software systems developed for use in connection with the Company's new Internet related businesses will be designed and tested for Year 2000 compliance. The Company continues to assess the impact, if any, the Year 2000 Issue will have on its key vendors and development partners before the inception of a relationship. If the Company's assessments of the impact of the Year 2000 Issue prove to be incorrect, the Company's new Internet related businesses may be materially affected.

Risks and Uncertainties

The Company has no revenue producing businesses. In 1999, the Company has been developing the ZixIt technology and is planning a series of products that use this technology. The Company's future success is subject to risks and uncertainties, including, but not limited to, the following:

Product Development and Market Acceptance

- . There are no assurances that the Company will be able to successfully and timely develop its planned products, that it will be able to compete effectively against similar or alternative businesses, that it will gain market acceptance, that it will not be made obsolete by further technological development, that it will be able to provide or attract the necessary capital, or that it will not encounter other, and even unanticipated, risks.
- . Use of the Internet by consumers, while growing, is still at an early stage of development, and market acceptance of the Company's planned products is subject to a high level of uncertainty.
- . The Company may decide, at any time, to delay or discontinue the development and release of any one or more of its planned products.

Competition and Technological Change

The Company will be competing with larger companies that have access to greater capital, research and development, marketing, distribution and other resources than the Company. In addition, the Internet arena is characterized by extensive research efforts and rapid product development and technological change that could render the Company's planned products obsolete or noncompetitive.

Intellectual Property Rights

The Company relies, in part, on patents, trade secrets and proprietary technology to remain competitive. It may be necessary to defend these rights or to defend against claims that the Company is infringing the rights of others. Intellectual property litigation and controversies are disruptive and expensive.

Lack of Standards

There are currently no generally accepted standards for secure Internet messaging systems or Internet transaction authorization systems. There is no assurance that any of the Company's planned products will become a generally accepted standard or that any of them will be compatible with any standards that become generally accepted.

Sales of Businesses

The Company disposed of its operating businesses in 1998 and 1997. In connection with those dispositions, the Company agreed to provide customary indemnifications to the purchasers of those businesses for breaches of representations and warranties, covenants and other specified matters. Although the Company believes that it has adequately provided for future costs associated with these indemnification obligations, indemnifiable claims could exceed the Company's estimates.

Other Uncertainties.

Other operating, financial or legal risks or uncertainties are discussed in this Form 10-Q in specific contexts and in the Company's other periodic SEC filings. The Company is, of course, also subject to general economic risks, dependence on key personnel and other risks and uncertainties.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For the period ended September 30, 1999, the Company did not experience any material changes in market risk exposures that affect the quantitative and qualitative disclosures presented in the Company's 1998 Annual Report to Shareholders on Form 10-K.

PART II - OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES

See Note 4 to Condensed Consolidated Financial Statements regarding the Company's acquisition of Anacom Communications, Inc. ("Anacom"). The transaction is exempt from registration pursuant to section 4(2) of the Securities Act of 1933 and Regulation D thereunder since the shares of common stock, valued at a minimum of \$7,500,000, are to be delivered to the two owners of Anacom, who qualify as "accredited investors" under Regulation D.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company held its annual meeting of shareholders on September 14, 1999. At this meeting, the shareholders elected as directors of the Company, David P. Cook, Michael E. Keane, James S. Marston, Jack L. Martin, Antonio R. Sanchez, Jr., Dr. Ben G. Streetman and Mark A. Tebbe. The tabulation of votes with respect to the election of directors is as follows:

Nominee -----	Shares For -----	Shares Withheld -----
David P. Cook	14,620,052	211,144
Michael E. Keane	14,606,295	224,901
James S. Marston	14,627,095	204,101
Jack L. Martin	14,604,145	227,051
Antonio R. Sanchez, Jr.	14,618,150	213,046
Dr. Ben G. Streetman	14,566,045	265,151
Mark A. Tebbe	14,614,200	216,996

The shareholders voted to amend the Company's Articles of Incorporation to change the Company's name from CustomTracks Corporation to ZixIt Corporation. The tabulation of the votes with respect to the Company's name change is as follows:

For	14,687,759
Against	112,801
Abstain	30,286
Non-Vote	350

The shareholders voted to amend the Company's Articles of Incorporation to increase the number of authorized shares of common stock, par value \$0.01, from 30,000,000 to 175,000,000 shares. The tabulation of the votes with respect to the change in the number of authorized shares of common stock is as follows:

For	13,845,891
Against	937,426
Abstain	47,429
Non-Vote	450

The shareholders voted to adopt the 1999 Directors' Stock Option Plan. The tabulation of votes with respect to adopting the plan is as follows:

For	13,830,121
Against	757,055
Abstain	91,132
Non-Vote	152,888

ITEM 5. OTHER INFORMATION

See Note 4 to Condensed Consolidated Financial Statements regarding the Company's acquisition of Anacom Communications, Inc.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a. Exhibits

The following is a list of exhibits filed as part of this Quarterly Report on Form 10-Q.

Description of Exhibits

- * 3.1 Articles of Incorporation of Amtech Corporation, dated January 28, 1988.
- * 3.2 Articles of Amendment to the Articles of Incorporation of CustomTracks Corporation, dated September 14, 1999.
- * 3.3 Articles of Amendment to the Articles of Incorporation of ZixIt Corporation, dated October 12, 1999.
- * 10.1 ZixIt Corporation 1990 Stock Option Plan (Amended and Restated as of September 1999).
- * 10.2 ZixIt Corporation 1992 Stock Option Plan (Amended and Restated as of September 1999).
- * 10.3 ZixIt Corporation 1995 Long-Term Incentive Plan (Amended and Restated as of September 1999).
- * 10.4 ZixIt Corporation 1999 Directors' Stock Option Plan.
- * 27.1 Financial Data Schedule.

- b. The Registrant filed Form 8-K with the Securities and Exchange Commission on October 13, 1999 to report the October 1, 1999 purchase of Anacom Communications, Inc.

*Filed herewith.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ZIXIT CORPORATION
(Registrant)

Date: November 15, 1999

By: /s/ Steve M. York

Steve M. York
Senior Vice President, Chief Financial
Officer, and Treasurer
(Principal Financial Officer and
Duly Authorized Officer)

ARTICLES OF INCORPORATION
OF
AMTECH CORPORATION

ARTICLE I

The name of the Corporation is Amtech Corporation.

ARTICLE II

The period of its duration is perpetual.

ARTICLE III

The purpose for which the Corporation is organized is to engage in any act, activity or business for which corporations may be organized under the Texas Business Corporation Act, as the same exists or may hereafter be amended; provided, however, the Corporation shall not be authorized to transact any business in this State which is prohibited by Article 2.01-B of the Texas Business Corporation Act.

ARTICLE IV

The total number of shares of capital stock which the Corporation shall have the authority to issue is Ten Million (10,000,000) shares of Common Stock, \$.01 par value, and Ten Million (10,000,000) shares of Preferred Stock, \$1.00 par value. The Board of Directors of the Corporation is authorized, subject to limitations prescribed by law and the provisions of this Article IV, to provide for the issuance of the Preferred Stock from time to time in one or more series, to establish the number of shares to be included in each series, and to fix the designations, powers, relative rights, qualifications, preferences, limitations and restrictions of the shares of each such series not fixed hereby.

ARTICLE V

No stockholder of the Corporation shall, by reason of his holding shares of any class of capital stock of the Corporation, have any preferential right to purchase or subscribe to any shares of any class of capital stock of the Corporation, or any notes, debentures, bonds, warrants, options or other securities of the Corporation, now or hereafter to be authorized.

ARTICLE VI

Cumulative voting for the election of directors shall be permitted.

ARTICLE VII

The Corporation will not commence business until it has received for the issuance of its shares consideration of the value of at least One Thousand Dollars (\$1,000.00), consisting of money, labor done or property actually received.

ARTICLE VIII

The address of the initial registered office of the Corporation is 4514 Cole Avenue, Suite 1200, Dallas, Texas 75205, and the name of its initial registered agent at such address is G. Russell Mortenson.

ARTICLE IX

The number of directors from time to time constituting the Board of Directors of the Corporation shall be fixed in the manner provided in the Bylaws of the Corporation. The number of directors constituting the initial Board of Directors is four (4), and the names of the persons who are to serve as directors until the first annual meeting of shareholders or until their successors are duly elected and qualified are as follows:

Name	Address
David P. Cook	4514 Cole Avenue Suite 1200 Dallas, Texas 75205
Kenneth W. Anderson	4514 Cole Avenue Suite 1200 Dallas, Texas 75205
Michael P. Corboy	4514 Cole Avenue Suite 1200 Dallas, Texas 75205
Gary L. Seawright	2530 Camino Entrada Santa Fe, New Mexico 87505

ARTICLE X

The incorporator is G. Russell Mortenson, whose mailing address is 4514 Cole Avenue, Suite 1200, Dallas, Texas 75205.

ARTICLE XI

A director of the Corporation shall not be personally liable to the Corporation or its shareholders for monetary damages for breach of fiduciary duty as a director, except liability for (i) any breach of the director's duty of loyalty to the Corporation or its shareholders, (ii) any act or omission not in good faith or which involves intentional misconduct or a knowing violation of law, (iii) any transaction from which the director derived any improper personal benefit, (iv) any act or omission where the liability of the director is expressly provided for by statute; or (v) any act related to an unlawful stock repurchase or payment of a dividend. If the Texas Business Corporation Act or other applicable law of the State of Texas is amended after the filing of these Articles of Incorporation to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Texas Business Corporation Act or other applicable law of the State of Texas, as so amended.

Any repeal or modification of the foregoing paragraph by the shareholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

ARTICLE XII

A. Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director or officer of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (hereinafter an "indemnitee"), whether the basis of such proceeding is alleged action in an official capacity as a director or officer or in any other capacity while serving as a director or officer shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Texas Business Corporation Act or other applicable law of the State of Texas, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than permitted prior thereto), against all expense, liability and loss (including, without limitation, attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such indemnitee in connection therewith and such indemnification shall continue as to an indemnitee who has ceased to be a director or officer and shall inure to the benefit of the indemnitee's heirs, executors and administrators; provided, however, that, except for a proceeding brought by an indemnitee to enforce his rights to indemnification, the Corporation shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation. The right to indemnification conferred in this Article XII shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition (hereinafter an "advancement of expenses"); provided, however, that, if the Texas Business Corporation Act or other applicable law of the State of Texas requires, an advancement of expenses incurred by an indemnitee in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the Corporation of an undertaking (hereinafter an "undertaking"), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (hereinafter a "final adjudication") that such indemnitee is not entitled to be indemnified for such expenses under this Article or otherwise.

B. If a claim under this Article XII is not paid in full by the Corporation within a reasonable time after a written claim has been received by the Corporation, the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit. In (i) any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and (ii) in any suit by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking the Corporation shall be entitled to recover such expenses upon a final adjudication that, the indemnitee has not met the applicable standard of conduct set forth in the Texas Business Corporation Act or other applicable law of the State of Texas. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel or its stockholders) to have made a determination prior to the commencement of such suit that indemnification met the applicable standard of conduct set forth in the Texas Business Corporation Act or other applicable law of the State of Texas, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its shareholders) that the indemnitee has not met such applicable standard of conduct, shall create a

presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder or by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Article XII or otherwise shall be on the Corporation.

C. The rights to indemnification and to the advancement of expenses conferred in this Article XII shall not be exclusive of any other right which any person may have or hereafter acquire under these Articles of Incorporation or any bylaw, agreement, vote of shareholders or disinterested directors or otherwise.

D. The Corporation may maintain insurance, at its expense, to protect itself and any director or officer of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Texas Business Corporation Act or other applicable law of the State of Texas.

E. The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification and to the advancement of expenses to any employee or agent of the Corporation to the fullest extent of the provisions of this Article XII with respect to the indemnification and advancement of expenses of directors and officers of the Corporation.

ARTICLE XIII

The initial Bylaws of the Corporation shall be adopted by the Board of Directors. The power to alter, amend or repeal the Bylaws or adopt new Bylaws is vested in the Board of Directors.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 28th day of January, 1988.

/s/ G. Russell Mortenson

G. Russell Mortenson, Incorporator

STATE OF TEXAS (S)
(S)
COUNTY OF DALLAS (S)

Before me, a Notary Public, on this day personally appeared G. Russell Mortenson, known to me to be the person whose name is subscribed to the foregoing document, and being by me first duly sworn, declared that the statements therein contained are true and correct.

Given under my hand and seal of office this 28th day of January, 1988.

/s/ Cheryl M. Smith

Name (Printed)

Notary Public, State of Texas

My commission expires:

ARTICLES OF AMENDMENT
TO THE
ARTICLES OF INCORPORATION
OF
CUSTOMTRACKS CORPORATION

Pursuant to the provisions of Article 4.04 of the Texas Business Corporation Act, as amended, the undersigned corporation adopts the following Articles of Amendment to its Articles of Incorporation:

ARTICLE ONE

The name of the corporation is CustomTracks Corporation.

ARTICLE TWO

The following amendment to the Articles of Incorporation was adopted by the shareholders of the corporation on September 14, 1999. The amendment alters Article I of the current Articles of Incorporation, as last amended on September 1, 1998, and the full text of Article I as amended is as follows:

"ARTICLE I

The name of the corporation is ZixIt Corporation."

ARTICLE THREE

The number of shares of the corporation outstanding at the time of the adoption of the above amendment was 17,600,829, and the number of shares entitled to vote on the amendment was 15,267,929.

ARTICLE FOUR

The number of shares of the corporation voted for the above amendment was 14,687,759, and the number of shares voted against the amendment was 112,801.

Dated: September 14, 1999

CUSTOMTRACKS CORPORATION

By: /s/ Ronald A. Woessner

Ronald A. Woessner, Secretary

ARTICLES OF AMENDMENT TO THE
ARTICLES OF INCORPORATION OF
ZIXIT CORPORATION

Pursuant to the provisions of Article 4.04 of the Texas Business Corporation Act, as amended, the undersigned corporation adopts the following Articles of Amendment to its Articles of Incorporation:

ARTICLE ONE

The name of the corporation is ZixIt Corporation.

ARTICLE TWO

The following amendment to the Articles of Incorporation was adopted by the shareholders of the corporation on September 14, 1999. The amendment alters Article IV of the current Articles of Incorporation, as last amended on September 16, 1999, and the full text of Article IV as amended is as follows:

"ARTICLE IV

The total number of shares of capital stock which the Corporation shall have the authority to issue is One Hundred Seventy-Five Million (175,000,000) shares of Common Stock, \$.01 par value, and Ten Million (10,000,000) shares of Preferred Stock, \$1.00 par value. The Board of Directors of the Corporation is authorized, subject to limitations prescribed by law and the provisions of this Article IV, to provide for the issuance of Preferred Stock from time-to-time in one or more series, to establish the number of shares to be included in each series, and to fix the designations, powers, relative rights, qualifications, preferences, limitations and restrictions of the shares of each such series not fixed hereby."

ARTICLE THREE

The number of shares of the corporation outstanding at the time of the adoption of the above amendment was 17,600,829, and the number of shares entitled to vote on the amendment was 15,267,929.

ARTICLE FOUR

The number of shares of the corporation voted for the above amendment was 13,845,891, and the number of shares voted against the amendment was 937,426.

Dated: October 12, 1999

ZIXIT CORPORATION

By: /s/ Ronald A. Woessner

Ronald A. Woessner, Secretary

ZIXIT CORPORATION

1990 STOCK OPTION PLAN
(Amended and Restated as of September 1999)

1. Purpose. The purpose of the Plan is to benefit the Company and its

Subsidiaries by offering certain present and future Employees a favorable opportunity to acquire shares of Stock of the Company over a period of years, thereby giving such Employees a permanent stake in the growth and prosperity of the Company, encouraging such Employees to continue their services with the Company and its Subsidiaries, and motivating such Employees to devote their best efforts to the business and profitability of the Company and its Subsidiaries.

2. Definitions. As used herein, the following definitions shall apply:

(a) An "Acquiring Person" shall mean any Person (including any "person" as such term is used in Sections 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that, together with all Affiliates and Associates of such Person, is the beneficial owner (as the term "beneficial owner" is defined under Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act) of 10% or more of the outstanding Common Stock. The term "Acquiring Person" shall not include the Company, any subsidiary of the Company, any employee benefit plan of the Company or subsidiary of the Company, any Person to the extent such Person is holding Common Stock for or pursuant to the terms of any such plan, or Optionee or any Affiliate or Associate of Optionee. For the purposes of this Plan, a Person who becomes an Acquiring Person by acquiring beneficial ownership of 10% or more of the Common Stock at any time after the date of this Agreement shall continue to be an Acquiring Person whether or not such Person continues to be the beneficial owner of 10% or more of the outstanding Common Stock.

(b) "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Exchange Act in effect on the date of this Agreement.

(c) "Board" shall mean the Board of Directors of the Company.

(d) "Change of Control" shall mean the occurrence, with respect to an Option held by Employees of a Subsidiary, at any time during the specified term of such Option, of any of the following events:

- (1) The Company is merged or consolidated or reorganized into or with another Person and as a result of such merger, consolidation or reorganization less than seventy-five percent (75%) of the outstanding voting securities or other material capital interests of the surviving, resulting or acquiring Person are owned in the aggregate by Persons who were shareholders of the Company immediately prior to such merger, consolidation or reorganization;
- (2) The Company sells all or substantially all of its business or assets to any other Person, less than seventy-five percent (75%) of the outstanding voting securities or other material capital interests of which are owned in the aggregate by Persons who were shareholders of the Company, directly or indirectly, immediately prior to such sale; or

- (3) Any Person (or group of Persons acting in concert), other than the Company, becomes the beneficial owner, directly or indirectly, of thirty-five percent (35%) or more of the issued and outstanding shares of voting securities of the Company.

(e) "Change of Control" shall mean the occurrence, with respect to an Option held by Employees of the Company, at any time during the specified term of such Option, of any of the following events:

- (1) (a) Any Sale of the Company or (b) any Sale of any Material Subsidiary for consideration valued at \$300 million or more; or
- (2) Any Acquiring Person has become the beneficial owner of securities which, when added to any securities already owned by such person, would represent in the aggregate 25% or more of the then-outstanding securities of the Company that are entitled to vote to elect any class of directors;
- (3) If at any time, the Continuing Directors then serving on the Board of Directors of the Company cease for any reason to constitute at least a majority thereof; or
- (4) Any occurrence that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A or any successor rule or regulation promulgated under the Exchange Act.

(f) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(g) "Company" shall mean ZixIt Corporation, a Texas corporation.

(h) A "Continuing Director" shall mean a director of the Company who (i) is not an Acquiring Person or an Affiliate or Associate thereof, or a representative of an Acquiring Person or nominated for election by an Acquiring Person, and (ii) was either a member of the Board of Directors of the Company on the date of this Agreement or subsequently became a director of the Company and whose initial election or initial nomination for election by the Company's shareholders was approved by a majority of the Continuing Directors then on the Board of Directors of the Company.

(i) "Date of Grant" shall mean, with respect to each Option granted by the Plan Administrator pursuant to the Plan, the date specified in Section 1 of the Option Agreement relating to such Option.

(j) "Director" shall mean any duly elected and qualified member of the Board.

(k) "Disability" shall mean any medically determinable physical or mental impairment that, in the opinion of the Plan Administrator, based upon medical reports and other evidence satisfactory to the Plan Administrator, can reasonably be expected to prevent an Employee from performing substantially all of his customary duties of employment for a continuous period of not less than twelve (12) months.

(l) "Employee" shall mean any salaried employee of the Company or any Subsidiary, except a salaried employee who is serving as a Director.

(m) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(n) "Fair Market Value" shall mean the closing price of the Stock as quoted on NASDAQ/NMS on the last business day immediately preceding the date on which the Option is granted or the date of exercise, as the case may be.

(o) A "Material Subsidiary" shall mean any majority-owned subsidiary of the Company that is material to the business of the Company, taken as a whole, and that is engaged in the digital data distribution business or other business involving a concept primarily fostered by Mr. David P. Cook.

(p) "NASDAQ/NMS" shall mean the NASDAQ National Market System.

(q) "Non-employee Director" shall have the meaning given such term in Rule 16b-3.

(r) "Option" shall mean any right to purchase Stock that has been granted pursuant to the Plan.

(s) "Option Agreement" shall mean an agreement executed by an officer of the Company and an Optionee evidencing the grant of an Option pursuant to the Plan.

(t) "Optionee" shall mean any Employee who receives an Option or any Person who acquires an Option by reason of the death of an Employee.

(u) A "Person" shall mean an individual, a corporation, a partnership, an association, a joint-stock company, a trust, an incorporated organization, or a government or political subdivision thereof and any other entity. A Person, together with that Person's Affiliates and Associates, and any Persons acting as a partnership, limited partnership, joint venture, association, syndicate, or other group (whether or not formally organized), or otherwise acting jointly or in concert or in a coordinated or consciously parallel manner (whether or not pursuant to any express agreement), for the purpose of acquiring, holding, voting, or disposing of securities of the Company with that Person, shall be deemed a single "Person."

(v) "Plan" shall mean this ZixIt Corporation 1990 Stock Option Plan.

(w) "Plan Administrator" shall mean a committee of the Board of Directors comprised of at least two directors. Members of the Committee shall be selected by the Board of Directors. To the extent necessary to comply with the requirements of Rule 16b-3, the Committee shall consist of two or more Non-employee Directors. Also, if the requirements of (S)162(m) of the Code are intended to be met, the Committee shall consist of two or more "outside directors" within the meaning of (S)162(m) of the Code.

(x) "Resignation" shall mean the voluntary termination by an Employee of his or her employment relationship with the Company or its Subsidiaries under circumstances other than voluntary Retirement.

(y) "Retirement" shall mean the termination of an Employee's employment in accordance with the requirements of a written retirement plan, policy or rule of the Company or its Subsidiaries which has been duly adopted by the Board.

(z) "Rule 16b-3" shall mean Rule 16b-3 of the rules and regulations under the Exchange Act as it may be amended from time-to-time and any successor provision to Rule 16b-3 under the Exchange Act.

(aa) A "Sale" occurs with respect to the Company or a Material Subsidiary, as applicable, if it engages in a merger, consolidation, recapitalization, reorganization, or sale, lease, license, transfer, or

other effective disposition of all or substantially all of the Company's or Material Subsidiary's assets and the Company or its shareholders or Affiliates immediately before such transaction beneficially own, immediately after or as a result of such transaction, equity securities of the surviving or acquiring corporation or such corporation's parent corporation possessing less than fifty one percent (51%) of the voting power of the surviving or acquiring Person or such Person's parent corporation, provided that a Sale shall not be deemed to occur upon any public offering or series of such offerings of securities of the Company or a Material Subsidiary that results in any such change in beneficial ownership.

(bb) "Securities Act" shall mean the Securities Act of 1933, as amended.

(cc) "Stock" shall mean the \$.01 par value Common Stock of the Company.

(dd) "Subsidiary" shall mean any corporation in an unbroken chain of corporations beginning with the Company in which each of the corporations (other than the last corporation) in the unbroken chain owns shares of capital stock possessing fifty percent (50%) or more of the total combined voting power of all classes of capital stock of one of the other corporations in such chain at the date of grant of an Option.

3. Shares Subject to the Plan. Except as otherwise required by the ----- provisions of Section 9 hereof, the aggregate number of shares of Stock issuable upon the exercise of Options granted pursuant to the Plan shall not exceed 345,045 shares. Such shares may either be authorized but unissued shares or treasury shares.

The exercise price of each Option granted pursuant to the Plan shall be determined by the Plan Administrator and, subject to the provisions of Section 9 hereof, shall be not less than the Fair Market Value, at the time the Option is granted, of the shares of Stock subject to the Option.

Subject to the limitations provided above, if an Option should expire or become unexercisable for any reason without having been exercised in full, the unpurchased shares of Stock that were subject thereto shall, unless the Plan shall have terminated, be available for the grant of other Options under the Plan.

4. Administration of the Plan. The following provisions shall govern the ----- administration of the Plan:

(a) The Plan shall be administered by the Plan Administrator.

(b) The Plan Administrator is authorized (but only to the extent not contrary to the express provisions of the Plan) to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to the Plan and to the Options granted under the Plan, to determine the form and content of Options to be issued under the Plan (including the exercise price, the exercise period and the exercise increments of each such Option) and to make such other determinations and exercise such other powers and authority as may be necessary or advisable for the administration of the Plan. Each Option granted pursuant to the Plan shall be evidenced by the Option Agreement in such form as may be determined by the Plan administrator.

(c) A majority of the members of the Plan Administrator eligible to act shall constitute a quorum for purposes of acting with respect to the Plan, and the action of a majority of the members present who are eligible to act at any meeting at which a quorum is present shall be deemed the action of the Plan Administrator.

(d) All decisions, determinations and interpretations of the Plan Administrator with respect to the Plan and Option Agreements executed pursuant thereto shall be final and conclusive on all persons affected thereby.

(e) Neither the Plan Administrator nor any member thereof shall be liable for any act, omission, interpretation, construction or determination made in connection with the Plan in good faith, and the members of the Plan Administrator shall be entitled to indemnification and reimbursement by the Company in respect of any claim, loss, damage or expense (including counsel fees) arising therefrom to the full extent permitted by law. The members of the Plan Administrator shall be named as insureds under any directors and officers liability insurance coverage that may be in effect from time to time.

5. Eligibility. All Employees of the Company and its Subsidiaries are

eligible to receive Options under the Plan. The Plan Administrator is authorized to select from the Employees who are eligible to receive Options under the Plan the particular Employees who will receive Options and to determine the number of Options and the number of shares of Stock under each Option. In granting Options, the Plan Administrator shall take into consideration the contribution an Employee has made or may make to the success of the Company or its Subsidiaries and such other factors as the Plan Administrator shall determine. The Plan Administrator shall also have the authority to consult with and receive recommendations from Directors and Employees of the Company and its Subsidiaries with regard to these matters. In no event shall any Employee or his legal representatives, heirs, legatees, distributees or successors have any right to participate in the Plan except to such extent, if any, as the Plan Administrator shall determine.

6. Term of the Plan. The Plan shall continue in effect until terminated

pursuant to Section 15; provided, however, that all Options granted pursuant to the Plan must be granted within 10 years from the effective date of the Plan.

7. Termination of Employment - Exercise Thereafter. (a) For those

Optionees who are not subject to the provisions of Subsection 7(b), in the event of termination of the Optionee's employment due to death, Retirement, Resignation, Disability or termination by the Company for any reason other than "cause" (such five events each being a "Qualified Termination"), the Option may be exercised by the Optionee or his estate, personal representative or beneficiary to the full extent that the Optionee was entitled to exercise the same on the day immediately prior to such termination (i) at any time within the one-year period commencing on the day next following such termination if such termination is due to death of the Optionee; (ii) at any time within the thirty-day period commencing on the day next following the effective date of such termination if such termination is due to the Resignation of the Optionee; or (iii) at any time within the six-month period commencing on the day next following such termination in the case of any other Qualified Termination. In the event that the Optionee's employment is terminated for any reason other than a Qualified Termination, the Option shall automatically expire simultaneously with such termination. For purposes of this Section, "cause" shall mean (x) the failure, in the sole opinion of the Company or the Subsidiary which employs Optionee, of Optionee to adequately perform the duties assigned to Optionee (other than any such failure resulting from Optionee's Disability); (y) the engagement by Optionee in misconduct which, in the sole opinion of the Company or the Subsidiary which employs Optionee, is or may have the effect of being materially injurious to the Company or its Subsidiaries; or (z) the conviction of Optionee of any felony or crime of moral turpitude.

(b) For those Optionees who are senior officers of the Company, in the event of termination of the Optionee's employment due to death, Retirement, Resignation, Disability or termination by the Company for any reason other than "cause" (such five events each being a "Qualified Termination"), the Option may be exercised by the Optionee or his estate, personal representative or beneficiary to the full extent that the Optionee was entitled to exercise the same on the day immediately prior to such

termination (i) at any time within the 18 month period commencing on the day next following such termination if such termination is due to death of the Optionee; (ii) at any time within the thirty-day period commencing on the day next following the effective date of such termination if such termination is due to the Resignation of the Optionee; or (iii) at any time within the 18 month period commencing on the day next following such termination in the case of any other Qualified Termination. In the event that the Optionee's employment is terminated for any reason other than a Qualified Termination, the Option shall automatically expire simultaneously with such termination. For purpose of this Section, "cause" shall have the meaning given such term in the applicable severance agreement between the Company and Optionee. If the officer and the Company are not parties to a severance agreement that defines "cause", then "cause" shall mean (x) the failure, in the sole opinion of the Company or the Subsidiary which employs Optionee, of Optionee to adequately perform the duties assigned to Optionee (other than any such failure resulting from Optionee's Disability); (y) the engagement by Optionee in misconduct which, in the sole opinion of the Company or the Subsidiary which employs Optionee, is or may have the effect of being materially injurious to the Company or its Subsidiaries; or (z) the conviction of Optionee of any felony or crime of moral turpitude.

(c) The determination as to whether the Optionee is subject to the provisions of Subsection 7(a) or 7(b) will be determined in the sole opinion of the Company.

8. Transferability. An Option granted pursuant to the Plan shall not be

transferable by the Optionee otherwise than by will or the laws of descent and distribution, and the Option shall be exercisable, during the Optionee's lifetime, only by Optionee or Optionee's legal representative or guardian. More particularly (but without limiting the generality of the foregoing), an Option may not be assigned, transferred (except as aforesaid), pledged or hypothecated in any way (whether by operation of law or otherwise), and shall not be subject to execution, attachment or similar process, without the prior written consent of the Company. Any attempted assignment, contrary to the provisions hereof, and the levy of any attachment or similar process upon the Option, which would otherwise affect a change in the ownership of the Option, shall terminate the Option.

9. Adjustment. The number of shares subject to the Plan and to Options

granted pursuant to the Plan shall be adjusted as follows: (a) in the event that the outstanding Stock is changed by reason of a stock dividend, stock split, recapitalization or combination of shares, the number of shares of Stock subject to the Plan and to Options granted pursuant to the Plan shall be proportionately adjusted; or (b) in the event of any merger, consolidation or reorganization of the Company with any other corporation or corporations, there shall be substituted for each share of Stock then subject to the Plan and to Options granted pursuant to the Plan the number and kind of shares of stock or other securities to which the holders of shares of Stock will be entitled pursuant to the transaction. In the event of any such adjustment, the purchase price per share shall be proportionately adjusted.

10. Change of Control. Any Option previously granted under the Plan to an

Optionee who is an Employee on the date of a Change in Control shall become exercisable in full on such date and, except in the case of a termination of employment for cause in conjunction with or following the Change of Control, may be exercised by the Optionee at any time during the remainder of the term of the Option, without regard to any exercise increments established pursuant to any applicable Option Agreement. In the case of a termination of employment for cause in conjunction with or following a Change of Control, the Option may be exercised by the Optionee at any time within a period of not less than six months nor more than three (3) years (the length of which period shall be within the discretion of the Plan Administrator and shall be evidenced conclusively by the giving of appropriate and timely notice to the Optionee in accordance with the terms of the applicable Option Agreement) after the date of such termination.

11. Exercise of Option. An Option may be exercised by giving written

notice to the Company, attention of the Treasurer. The notice shall (i) state the election to exercise the Option and the number of shares in respect of which it is being exercised; (ii) be signed by the Optionee; and (iii) be accompanied by the representation and covenant required under Section 12 hereof and any other written representations, covenants, and undertakings that the Company may prescribe to satisfy securities laws and regulations or other requirements. In addition, the notice shall be accompanied by (a) cash in an amount equal to the full purchase price of the shares to be purchased, a certified or bank cashier's check payable to the order of the Company in an amount equal to the full purchase price of the shares to be purchased, shares of Stock or a combination of these methods of payment; or (b) if the shares to be purchased are covered by an effective registration statement under the Securities Act, a written statement signed by the Optionee that the exercise is a "cashless exercise" through a brokerage firm in accordance with Section 220.3(e)(4) of Regulation T issued by the Board of Governors of the Federal Reserve System ("Reg T") pursuant to the Exchange Act, in which latter event the Company will use its best efforts to comply with the requirements of Reg T. In the event that shares of Stock are used as a method of payment, the per share value of Stock shall be the Fair Market Value on the date of exercise. The certificate or certificates for the shares as to which the Option shall have been so exercised shall be registered in the name of the Optionee or his designee and shall be delivered to or upon the written order of the Optionee. If applicable, the Company shall be entitled to place the following legend (or a legend which is substantially similar to the following legend) upon, and to issue appropriate stop transfer instructions with respect to, the certificate or certificates representing the shares issued upon exercise of the Option:

"THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY APPLICABLE STATE SECURITIES LAWS (THE "STATE LAWS"), AND SUCH SHARES MAY NOT BE TRANSFERRED UNLESS (A) A REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND APPLICABLE STATE LAWS COVERING SUCH TRANSFER IS THEN IN EFFECT; OR (B) AN OPINION OF COUNSEL, SATISFACTORY TO THE ISSUER, HAS BEEN FURNISHED STATING THAT SUCH TRANSFER IS EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE LAWS."

All shares of Stock issued as provided herein shall be duly and validly issued, fully paid and non-assessable.

12. Securities Law Restrictions. The Company shall not be obligated to

issue any shares purchased upon exercise of an Option until, in the opinion of the Company and its counsel, such issuance will not involve any violation of applicable federal and state securities laws, the rules and regulations promulgated thereunder and the requirements of any stock exchange upon which the Stock may then be listed. Acceptance of an Option by an Optionee shall constitute the Optionee's agreement that any shares of Stock purchased upon the exercise of the Option shall be acquired for the Optionee's own account and not with a view to distribution and that each notice of the exercise of any portion of the Option shall be accompanied by a written representation and covenant signed by the Optionee, in such form as may be specified by the Company, confirming such agreement and containing such other provisions as may be prescribed by the Company. The Company may, at its election, release an Optionee from the Optionee's agreement to take for the Optionee's own account and not with a view to distribution of the shares of Stock purchased upon exercise of the Option, if in the opinion of the Company such covenant ceases to be necessary for compliance with the applicable federal and state securities laws (including the rules and regulations promulgated thereunder) and the requirements of any stock exchange upon which the Stock may be then listed.

13. Listing or Registration of Stock. Each Option granted pursuant to the

Plan is subject to the requirement that, if at any time the Board shall determine, in its discretion, that the listing, registration or qualification of the shares of Stock subject to the Option upon any securities exchange or under any state or federal law, or the consent or approval of any government regulatory body, is necessary or desirable as a condition of, or in connection with, the granting or exercise of the Option or the issue or purchase of shares under the Option, the Option may not be exercised in whole or in part until such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Board. The Company shall be under no obligation to effect or obtain any such listing, registration, qualification, consent or approval if the Board shall determine, in its discretion, that such action would not be in the best interests of the Company. The Company shall not be liable for damages due to a delay in the delivery or issuance of any stock certificates for any reason whatsoever, including, but not limited to, a delay caused by listing, registration or qualification of the shares of Stock subject to an Option upon any securities exchange or under any federal or state law or the effecting or obtaining of any consent or approval of any governmental body with respect to the granting or exercise of the Option or the issue or purchase of shares under the Option.

14. Modification of Options. At any time and from time to time the Plan

Administrator may execute an instrument providing for modification, extension, or renewal of any outstanding Option, provided that no such modification, extension or renewal shall (i) impair the Option in any respect without the consent of the holder of the Option or (ii) conflict with the provisions of Rule 16b-3.

15. Amendment and Termination of the Plan. The Board may alter, suspend

or discontinue the Plan, except that no action of the Board may increase the benefits accruing to Employees under the Plan, increase (other than as provided in Section 9) the maximum number of shares permitted to be issued upon the exercise of Options granted pursuant to the Plan or materially modify the requirements as to eligibility for participation in the Plan unless such action of the Board shall be subject to approval by the shareholders of the Company.

16. Shareholder Rights. The holder of an Option shall have none of the

rights of a shareholder with respect to the shares of Stock subject to the Option until such shares shall have been issued to him upon the due exercise of the Option.

17. Withholding of Taxes. The Plan Administrator may make such provisions

and take such steps as it may deem necessary or appropriate for the withholding of any taxes which the Company or any Subsidiary is required by any law or regulation of any governmental authority, whether federal, state or local, domestic or foreign, to withhold in connection with any Option, including, but not limited to, the withholding of the issuance of all or any portion of the shares of Stock subject to the Option until the Optionee reimburses the Company or the applicable Subsidiary for the amount the Company or the applicable Subsidiary is required to withhold with respect to such taxes, canceling any portion of the issuance in an amount sufficient to reimburse the Company or the applicable Subsidiary for the amount it is required to so withhold, or taking any other action reasonably required to satisfy the withholding obligation of the Company or the applicable Subsidiary.

18. Restrictions on Stock. The Plan Administrator may impose such

restrictions on the ownership and transfer of shares of Stock issued upon exercise of Options granted pursuant to the Plan as it deems desirable and any such restrictions shall be set forth in the Option Agreement evidencing the Options; provided, however, that any such restrictions shall not be materially more burdensome than the restrictions imposed upon the other outstanding, unregistered shares of Stock.

19. Reservation of Stock. The Company during the term of the Plan will

reserve and keep available such number of shares of Stock as shall be sufficient to satisfy the requirements of the Plan.

20. Continued Employment Not Presumed. Nothing in the Plan or any

document describing it nor the grant of an Option shall give an Optionee the right to continue in employment with the Company or any of its Subsidiaries or affect the right of the Company or a Subsidiary to terminate the employment of any Optionee with or without cause.

AMENDED AND RESTATED as of September 14, 1999.

ZIXIT CORPORATION

By: /s/ Ronald A. Woessner

Ronald A. Woessner
Secretary

ZIXIT CORPORATION
1992 STOCK OPTION PLAN
(Amended and Restated as of September 1999)

1. Purpose

The purpose of the ZixIt Corporation 1992 Stock Option Plan (hereinafter called the "Plan") is to advance the interests of ZixIt Corporation (hereinafter called the "Company") by strengthening the ability of the Company to attract and retain personnel of high caliber through encouraging a sense of proprietorship by means of stock ownership.

Certain options granted under this Plan are intended to qualify as "incentive stock options" pursuant to Section 422 of the Internal Revenue Code of 1986, as amended from time to time (the "Code"), while certain other options granted under this Plan will constitute nonqualified options.

2. Definitions

As used in this Plan, and in any Option Agreement, as hereinafter defined, the following terms shall have the following meanings, unless the context otherwise requires:

(a) "Common Stock" shall mean the common stock of the Company, par value \$.01 per share, giving effect to the 3 shares for 2 shares stock split on the record date of January 24, 1992 and the effective issuance date of February 13, 1992.

(b) "Committee" shall mean a committee of the Board of Directors comprised of at least two directors. Members of the Committee shall be selected by the Board of Directors. To the extent necessary to comply with the requirements of Rule 16b-3, the Committee shall consist of two or more Non-employee Directors. Also, if the requirements of (S)162(m) of the Code are intended to be met, the Committee shall consist of two or more "outside directors" within the meaning of (S)162(m) of the Code.

(c) "Date of Grant" shall mean the date on which a stock option is granted pursuant to this Plan.

(d) "Disinterested Director" shall mean a director who is not, during the one year prior to service as an administrator of this Plan, granted or awarded an option pursuant to this Plan or any other plan of the Company or any of its affiliates (except as provided in Section 4(b) or Section 4(c) of this Plan and as may be permitted by Rule 16b-3 promulgated under the Exchange Act).

(e) "Effective Date" shall mean the first business day following the date of the 1993 annual meeting of the shareholders of the Company.

(f) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(g) "External Director" shall mean a Director that is not an employee of the Company.

(h) "Fair Market Value" shall mean the closing sale price (or average of the quoted closing bid and asked prices if there is no closing sale price reported) of the Common Stock on the date specified as reported by NASDAQ/NMS or by the principal national stock exchange on which the Common Stock is then listed. If there is no reported price information for such date, the Fair Market Value will be determined by the reported price information for Common Stock on the day nearest preceding such date.

(i) "Non-employee Director" shall have the meaning given such term in Rule 16b-3.

(j) "Optionee" shall mean the person to whom an option is granted under this Plan or who has obtained the right to exercise an option in accordance with the provisions of this Plan.

(k) "Plan Adoption Date" means the later of the date on which this Plan is adopted by the Board of Directors of the Company and by the shareholders of the Company in accordance with Rule 16b-3.

(l) "Rule 16b-3" shall mean Rule 16b-3 of the rules and regulations under the Exchange Act as it may be amended from time to time and any successor provision to Rule 16b-3 under the Exchange Act.

(m) "Subsidiary" shall mean any now existing or hereafter organized or acquired corporation of which more than fifty percent (50%) of the issued and outstanding voting stock is owned or controlled directly or indirectly by the Company or through one or more Subsidiaries of the Company.

3. Shares Subject to this Plan

Except as otherwise provided by the provisions of Section 9 hereof, the aggregate amount of Common Stock for which options may be granted under this Plan shall not exceed 450,000 shares of Common Stock. Such shares may be authorized and previously unissued shares or previously issued shares that have been reacquired by the Company. Any shares of Common Stock subject to unexercised portions of options granted under this Plan which shall have terminated, been canceled, or expired may again be subject to the granting of options under this Plan.

4. Administration

Notwithstanding herein anything to the contrary, to the extent necessary to comply with the requirements of Rule 16b-3, this Plan shall be administered by Committee. Options may be granted under this Section 4(a) only by majority agreement of the members of the Committee. Stock Option Agreements ("Option Agreements"), in the form as approved by the Committee, and containing such terms and conditions not inconsistent with the provisions of this Plan as shall have been determined by the Committee, may be executed on behalf of the Company by the President or any Vice President of the Company. The Committee shall have complete authority to construe, interpret and administer the provisions of this Plan and the provisions of the Option Agreements granted hereunder; to prescribe, amend and rescind rules and regulations pertaining to this Plan; and to make all other determinations necessary or deemed advisable in the administration of this Plan. The determinations, interpretations and constructions made by the Committee shall be final and conclusive.

5. Eligibility

Incentive stock options to purchase Common Stock may be granted under Section 4(a) of this Plan to such employees of the Company or its Subsidiaries (including any director who is also an employee of the Company or one of its Subsidiaries) as shall be determined by the Committee. Nonqualified stock

options to purchase Common Stock may be granted under Section 4(a) of this Plan to such employees or directors of the Company or its Subsidiaries as shall be determined by the Committee. The Committee shall determine which persons are to be granted options under Section 4(a) of this Plan, the number of options, the number of shares subject to each option, the exercise price or prices of each option, the vesting and exercise period of each option, whether an option may be exercised as to less than all of the Common Stock subject thereto, and such other terms and conditions of each option, if any, as are not inconsistent with the provisions of this Plan. In addition, the Committee may, in its sole discretion, provide for vesting of stock options to accelerate upon a change in control of the Company as defined in an applicable Agreement ("Change in Control") and enable an employee to "put" the excess of the fair market value over the exercise price of the options to the Company in the event of a Change in Control. In connection with the granting of incentive stock options, the aggregate Fair Market Value (determined at the Date of Grant of an incentive stock option) of the shares with respect to which incentive stock options are exercisable for the first time by an Optionee during any calendar year (under all such plans of the Optionee's employer corporation and its parent and subsidiary corporations as defined in Section 424 of the Code) shall not exceed \$100,000 or such other amount as from time to time provided in (S)422(d) of the Code or any successor provision.

6. Exercise Price

The purchase price or prices for Common Stock subject to an option (the "Exercise Price") granted pursuant to Section 4(a) of this Plan shall be determined by the Committee at the Date of Grant; provided, however, that (a) the Exercise Price for any option shall not be less than 100% of the Fair Market Value of the Common Stock on the Date of Grant, and (b) if the Optionee owns more than 10 percent of the total combined voting power of all classes of stock of the Company or its parent or any of its subsidiaries, as more fully described in (S)422(b)(6) of the Code or any successor provision (such shareholder is referred to herein as a "10-Percent Stockholder"), the Exercise Price for any incentive stock option granted to such Optionee shall not be less than 110% of the Fair Market Value of the Common Stock on the Date of Grant.

7. Term of Stock Options and Limitations on Right to Exercise

No incentive stock option granted pursuant to Section 4(a) of this Plan shall be exercisable (a) more than five years after the Date of Grant with respect to a 10-Percent Stockholder, and (b) more than ten years after the Date of Grant with respect to all persons other than 10-Percent Stockholders. No nonqualified stock option granted pursuant to Section 4(a) of this Plan shall be exercisable more than ten years after the Date of Grant. The Company shall not be required to issue any fractional shares upon the exercise of any options granted under this Plan. No Optionee nor his legal representatives, legatees or distributees, as the case may be, will be, or will be deemed to be, a holder of any shares subject to an option unless and until said option has been exercised and the purchase price of the shares in respect of which the option has been exercised has been paid. An option shall not be exercisable except by the Optionee or by a person who has obtained the Optionee's rights under the option by will or under the laws of descent and distribution.

8. Termination of Employment

The Committee shall determine at the Date of Grant what conditions shall apply to the exercise of an option granted under Section 4(a) in the event an Optionee shall cease to be employed by the Company or a Subsidiary for any reason. In the event of the death of an Optionee while in the employ or while serving as a director of the Company or a Subsidiary, the option theretofore granted to him shall be exercisable by the executor or administrator of the Optionee's estate, or if the Optionee's estate is not in administration, by the person or persons to whom the Optionee's right shall have passed under the Optionee's will or under the laws of descent and distribution, within the year next succeeding the date of

death or such other period as may be specified in the Option Agreement, but in no case later than the expiration date of such option, and then only to the extent that the Optionee was entitled to exercise such option at the date of his death. Neither this Plan nor any option granted hereunder is intended to confer upon any Optionee any rights with respect to continuance of employment or other utilization of his services by the Company or by a Subsidiary, nor to interfere in any way with his right or that of his employer to terminate his employment or other services at any time (subject to the terms of any applicable contract).

9. Dilution or Other Adjustments

In the event that there is any change in the Common Stock subject to this Plan or subject to options granted hereunder as the result of any stock dividend on, dividend of or stock split or stock combination of, or any like change in, stock of the same class or in the event of any change in the capital structure of the Company, the Board of Directors or the Committee shall make such adjustments with respect to options, or any provisions of this Plan, as it deems appropriate to prevent dilution or enlargement of option rights.

10. Expiration and Termination of this Plan

Options may be granted at any time under Section 4(a) of this Plan prior to ten years from this Plan Adoption Date, as long as the total number of shares which may be issued pursuant to options granted under this Plan does not (except as provided in Section 9 above) exceed the limitations of Section 3 above. This Plan may be abandoned, suspended or terminated at any time by the Board of Directors of the Company except with respect to any options then outstanding under this Plan.

11. Restrictions on Issuance of Shares

(a) The Company shall not be obligated to sell or issue any shares upon the exercise of any option granted under this Plan unless:

(i) the shares with respect to which such option is being exercised have been registered under applicable federal securities laws or are exempt from such registration;

(ii) the prior approval of such sale or issuance has been obtained from any state regulatory body having jurisdiction; and

(iii) in the event the Common Stock has been listed on any exchange, the shares with respect to which such option is being exercised have been duly listed on such exchange in accordance with the procedure specified therefor.

The Company shall be under no obligation to effect or obtain any listing, registration, qualification, consent or approval with respect to shares issuable on any option.

If the shares to be issued upon the exercise of any option granted under this Plan are intended to be issued by the Company in reliance upon the exemptions from the registration requirements of applicable federal securities laws, the Optionee, if so requested by the Company, shall furnish to the Company such evidence and representations, including an opinion of counsel, satisfactory to it, as the Company may reasonably request.

The Company shall not be liable for damages due to a delay in the delivery or issuance of any stock certificates for any reason whatsoever, including, but not limited to, a delay caused by listing, registration or

qualification of the shares of Common Stock subject to an option upon any securities exchange or under any federal or state law or the effecting or obtaining of any consent or approval of any governmental body with respect to the granting or exercise of the option or the issue or purchase of shares under the option.

(b) No option granted pursuant to this Plan shall be transferable by the Optionee other than by will or the laws of descent and distribution or pursuant to a "qualified domestic relations order" as defined in the Code.

(c) Any Common Stock issued pursuant to the exercise of an option granted pursuant to this Plan shall not be transferred until at least 6 months have elapsed from the later of (i) the date of grant of such option or (ii) this Plan Adoption Date to the date of disposition of the Common Stock underlying such option.

(d) The Board of Directors or Committee may impose such other restrictions on the ownership and transfer of shares issued pursuant to this Plan as it deems desirable; any such restrictions shall be set forth in any Option Agreement entered into hereunder.

12. Proceeds

The proceeds to be received by the Company upon exercise of any option granted under this Plan may be used for any proper purposes.

13. Amendment of this Plan

The Board of Directors may amend this Plan from time to time in such respects as it may deem advisable in its sole discretion or in order that the options granted hereunder shall conform to any change in applicable laws, including tax laws, or in regulations or rulings of administrative agencies or in order that options granted or stock acquired upon exercise of such options may qualify for simplified registration under applicable securities or other laws; provided, however, that, to the extent required by Rule 16b-3 and the Securities and Exchange Commission interpretations and releases thereunder, no amendment may be made without the consent of shareholders which would materially (a) increase the benefits accruing to participants under this Plan, (b) increase the number of securities which may be issued under this Plan, other than in accordance with Section 9 hereof, or (c) modify the requirements as to eligibility for participation in this Plan.

14. Payment Upon Exercise

Upon the exercise of any option granted under this Plan, the Company may make financing available to the Optionee for the purchase of the Common Stock that may be acquired pursuant to the exercise of such option on such terms as the Committee shall specify. An Optionee may pay the Exercise Price of the shares of Common Stock as to which an option is being exercised by the delivery of cash, a certified cashier's check or, at the Company's option, by the delivery of shares of Common Stock having a Fair Market Value on the date immediately preceding the exercise date equal to the exercise price.

If the shares to be purchased are covered by an effective registration statement under the Securities Act of 1933, as amended, any option granted under this Plan may be exercised by a broker-dealer acting on behalf of an Optionee if (a) the broker-dealer has received from the Optionee instructions signed by the Optionee requesting the Company to deliver the shares of Common Stock subject to such option to the

broker-dealer on behalf of the Optionee and specifying the account into which such shares should be deposited, (b) adequate provision has been made with respect to the payment of any withholding taxes due upon such exercise, and (c) the broker-dealer and the Optionee have otherwise complied with Section 220.3(e)(4) of Regulation T, 12 CFR Part 220, or any successor provision.

15. Liability of the Company

Neither the Company, its directors, officers or employees, nor any Subsidiary which is in existence or hereafter comes into existence, shall be liable to any Optionee or other person if it is determined for any reason by the Internal Revenue Service or any court having jurisdiction that any incentive stock option granted hereunder does not qualify for tax treatment as an incentive stock option under Section 422 of the Code.

AMENDED AND RESTATED as of September 14, 1999.

ZIXIT CORPORATION

By: /s/ Ronald A. Woessner

Its: Secretary

ZIXIT CORPORATION
1995 LONG-TERM INCENTIVE PLAN
(Amended and Restated as of September 1999)

Section 1. Purpose

The purpose of the ZixIt Corporation 1995 Long-Term Incentive Plan (hereinafter called the "Plan") is to advance the interests of ZixIt Corporation (hereinafter called the "Company") by strengthening the ability of the Company to attract, on its behalf and on behalf of its Subsidiaries (as hereinafter defined), and retain personnel of high caliber through encouraging a sense of proprietorship by means of stock ownership.

Section 2. Definitions

"Board of Directors" shall mean the Board of Directors of the Company.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"Committee" shall mean a committee of the Board of Directors comprised of at least two directors. Members of the Committee shall be selected by the Board of Directors. To the extent necessary to comply with the requirements of Rule 16b-3, the Committee shall consist of two or more Non-employee Directors. Also, if the requirements of (S)162(m) of the Code are intended to be met, the Committee shall consist of two or more "outside directors" within the meaning of (S)162(m) of the Code.

"Common Stock" shall mean the Common Stock of the Company, par value \$.01 per share.

"Date of Grant" shall mean the date on which an Option is granted pursuant to this Plan.

"Designated Beneficiary" shall mean the beneficiary designated by the Participant, in a manner determined by the Committee, to receive amounts due the Participant in the event of the Participant's death. In the absence of an effective designation by the Participant, Designated Beneficiary shall mean the Participant's estate.

"Effective Date" shall mean the first business day following the date of the 1995 annual meeting of the shareholders of the Company.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Fair Market Value" shall mean the closing sale price (or average of the quoted closing bid and asked prices if there is no closing sale price reported) of the Common Stock on the date specified as reported by the Nasdaq National Market, or by the principal national stock exchange on which the Common Stock is then listed. If there is no reported price information for such date, the Fair Market Value will be determined by the reported price information for Common Stock on the day nearest preceding such date.

"Incentive Stock Option" shall mean a stock option granted under Section 6 that is intended to meet the requirements of Section 422 of the Code (or any successor provision).

"Non-employee Director" shall have the meaning given such term in Rule 16b-3.

"Nonqualified Stock Option" shall mean a stock option granted under Section 6 that is not intended to be an Incentive Stock Option.

"Option" shall mean an Incentive Stock Option or a Nonqualified Stock Option.

"Optionee" shall mean the person to whom an option is granted under the Plan or who has obtained the right to exercise an option in accordance with the provisions of the Plan.

"Plan Adoption Date" means the later of the date on which the Plan is adopted by the Board of Directors of the Company and by the shareholders of the Company in accordance with Rule 16b-3.

"Rule 16b-3" shall mean Rule 16b-3 of the rules and regulations under the Exchange Act as it may be amended from time-to-time and any successor provision to Rule 16b-3 under the Exchange Act.

"Subsidiary" shall mean any now existing or hereafter organized or acquired corporation or other entity of which more than fifty percent (50%) of the issued and outstanding voting stock or other economic interest is owned or controlled directly or indirectly by the Company or through one or more Subsidiaries of the Company.

Section 3. Administration

The Plan shall be administered by the Committee. The Committee shall have sole and complete authority to adopt, alter and repeal such administrative rules, guidelines and practices governing the operation of the Plan as it shall from time to time deem advisable, and to construe, interpret, and administer the terms and provisions of the Plan and the agreements thereunder. The determinations and interpretations made by the Committee are final and conclusive.

Section 4. Eligibility

All employees and non-employee consultants and advisors (other than members of the Committee), in each case, who, in the opinion of the Committee, in each case, have the capacity for contributing in a substantial measure to the successful performance of the Company are eligible to receive Options under the Plan.

Section 5. Maximum Amount Available for Options

(a) The maximum number of shares of Common Stock in respect of which Options may be made under the Plan shall be a total of 1,000,000 shares of Common Stock. Of that amount, the maximum number of shares of Common Stock in respect of which Options may be granted under the Plan shall be 1,000,000 shares. In addition, no Participant may be granted Options for more than 400,000 shares of Common Stock in the aggregate during the term of the Plan. Shares of Common Stock may be made available from the authorized but unissued shares of the Company or from shares reacquired by the Company, including shares purchased in the open market. In the event that an Option is terminated unexercised as to any shares of Common Stock covered thereby such shares shall thereafter be again available for award pursuant to the Plan.

(b) In the event that the Committee shall determine that any stock dividend, recapitalization,

reorganization, merger, consolidation, split-up, spin-off, combination, exchange of shares, warrants or rights offering to purchase Common Stock at a price substantially below fair market value, or other similar corporate event affects the Common Stock such that an adjustment is required in order to preserve the benefits or potential benefits intended to be made available under the Plan, then the Committee shall adjust appropriately any or all of (1) the number and kind of shares which thereafter may be optioned under the Plan and (2) the grant, exercise or conversion price with respect to the Options and/or, if deemed appropriate, make provision for cash payment to a Participant; provided,

however, that the number of shares subject to any Option shall always be a

whole number.

Section 6. Stock Options -----

(a) Subject to the provisions of the Plan, the Committee shall have sole and complete authority to determine the Participants to whom Options shall be granted, the number of shares to be covered by each Option, the option price therefor and the conditions and limitations applicable to the exercise of the Option.

(b) The Committee shall have the authority to grant Incentive Stock Options, or to grant Nonqualified Stock Options, or to grant both types of options. In the case of Incentive Stock Options, the terms and conditions of such grants shall be subject to and comply with the Code and relevant regulations. Incentive Stock Options to purchase Common Stock may be granted to such employees of the Company or its Subsidiaries (including any director who is also an employee of the Company or one of its Subsidiaries) as shall be determined by the Committee. Nonqualified Stock Options to purchase Common Stock may be granted to such Participants as shall be determined by the Committee. Neither the Company nor any of its Subsidiaries or any of their respective directors, officers or employees, shall be liable to any Optionee or other person if it is determined for any reason by the Internal Revenue Service or any court having jurisdiction that any Incentive Stock Option granted hereunder does not qualify for tax treatment as an Incentive Stock Option under the then applicable provisions of the Code.

(c) The Committee shall, in its discretion, establish the exercise price at the time each Option is granted, which in the case of Nonqualified Stock Options shall not be less than 100% of the Fair Market Value of the Common Stock on the Date of Grant, or in the case of grants of Incentive Stock Options, shall not be less than 100% of the Fair Market Value of the Common Stock on the Date of Grant or such greater amount as may be prescribed by the Code.

(d) Exercise

(1) Each Option shall be exercisable at such times and subject to such terms and conditions as the Committee may, in its sole discretion, specify in the applicable grant or thereafter; provided, however, that in no event may any Option granted hereunder be exercisable after the expiration of ten years from the date of grant. The Committee may impose such conditions with respect to the exercise of Options, including without limitation, any relating to the application of federal or state securities laws, as it may deem necessary or advisable.

(2) No shares shall be delivered pursuant to any exercise of an Option until payment in full of the option price therefore is received by the Company. Such payment may be made in cash, or its equivalent, or, if and to the extent permitted by the Committee, by exchanging shares of Common Stock owned by the Optionee (which are not the subject of any pledge or other security interest), or by a combination of the foregoing, provided that the combined value of all cash and cash equivalents and the Fair Market Value of any such Common Stock so tendered to the Company, valued as of the date of such tender, is at least equal to such option price.

If the shares to be purchased are covered by an effective registration statement under the Securities Act of 1933, as amended, any Option may be exercised by a broker-dealer acting on behalf of an Optionee if (a) the broker-dealer has received from the Optionee instructions signed by the Optionee requesting the Company to deliver the shares of Common Stock subject to such option to the broker-dealer on behalf of the Optionee and specifying the account into which such shares should be deposited, (b) adequate provision has been made with respect to the payment of any withholding taxes due upon such exercise, and (c) the broker-dealer and the Optionee have otherwise complied with Section 220.3(e)(4) of Regulation T, 12 CFR Part 220, or any successor provision.

(3) The Company, in its sole discretion, may lend money to an Optionee, guarantee a loan to an Optionee or otherwise assist an Optionee to obtain the cash necessary to exercise all or any portion of an Option granted under the Plan.

(4) The Company shall not be required to issue any fractional shares upon the exercise of any Options granted under this Plan. No Optionee nor an Optionee's legal representatives, legatees or distributees, as the case may be, will be, or will be deemed to be, a holder of any shares subject to an option unless and until said option has been exercised and the purchase price of the shares in respect of which the option has been exercised has been paid. Unless otherwise provided in the agreement applicable thereto, an Option shall not be exercisable except by the Optionee or by a person who has obtained the Optionee's rights under the Option by will or under the laws of descent and distribution or pursuant to a "qualified domestic relations order" as defined in the Code.

(5) Any Common Stock issued to a person subject to the provisions of Section 16(b) of the Exchange Act, as interpreted by the rules, regulations, and interpretations of the Securities and Exchange Commission thereunder, pursuant to the exercise of an Option granted under this Plan and intended to comply with the requirements of Rule 16b-3 shall not be transferred until at least 6 months have elapsed from the later of (i) the date of grant of such Option or (ii) the Plan Adoption Date to the date of disposition of the Common Stock underlying such option.

(e) No Incentive Stock Options granted pursuant to this Section 6 shall be exercisable (a) more than five years (or such other period of time as from time-to-time provided in the then applicable provisions of the Code governing Incentive Stock Options) after the Date of Grant with respect to an Optionee who owns 10-Percent or more of the outstanding Common Stock (within the meaning of the Code), and (b) more than ten years after the Date of Grant with respect to all other Optionees. No Nonqualified Stock Options shall be exercisable more than ten years after the Date of Grant.

Section 7. General Provisions

(a) The Company and its Subsidiaries shall have the right to deduct from all amounts paid to a Participant in cash (whether under the Plan or otherwise) any taxes required by law to be withheld in respect of Option exercises under the Plan. However, if permitted by the Committee or under the terms of the applicable agreement, the Participant may pay all or any portion of the taxes required to be withheld by the Employer or paid by the Participant with respect to such Common Stock by electing to have the Employer withhold shares of Common Stock, or by delivering previously owned shares of Common Stock, having a Fair Market Value equal to the amount required to be withheld or paid. The Participant must make the foregoing election on or before the date that the amount of tax to be withheld is determined ("Tax Date"). Any such election is irrevocable and subject to disapproval by the Committee. If the Participant is subject

to the short-swing profits recapture provisions of Section 16(b) of the Exchange Act, then the applicable agreement shall not provide the Participant an election, or, if it does, any such election shall be subject to the restrictions imposed by Rule 16b-3.

(b) Each Option hereunder shall be evidenced in writing, delivered to the Participant, and shall specify the terms and conditions thereof and any rules applicable thereto, including but not limited to the effect on such Option of the death, retirement, disability or other termination of employment of the Participant and the effect thereon, if any, of a change in control of the Company.

(c) Unless otherwise provided in the agreement applicable thereto, no Option shall be assignable or transferable except by will or under the laws of descent and distribution or pursuant to a "qualified domestic relations order" as defined in the Code, and no right or interest of any Participant shall be subject to any lien, obligation or liability of the Participant.

(d) No person shall have any claim or right to be granted an Option. Further, the Company and its Subsidiaries expressly reserve the right at any time to dismiss a Participant free from any liability, or any claim under the Plan, except as provided herein or in any agreement entered into with respect to an Option. Neither the Plan nor any Option granted hereunder is intended to confer upon any Participant any rights with respect to continuance of employment or other utilization of his or her services by the Company or by a Subsidiary, nor to interfere in any way with his or her right or that of his or her employer to terminate his or her employment or other services at any time (subject to the terms of any applicable contract). The conditions to apply to the exercise of an Option in the event a Participant ceases to be employed by the Company or a Subsidiary for any reason shall be determined by the Committee, and such conditions shall be specified in the written agreement evidencing the Option.

(e) Subject to the provisions of the applicable Option, no Participant or Designated Beneficiary shall have any rights as a stockholder with respect to any shares of Common Stock to be distributed under the Plan until he or she has become the holder thereof.

(f) The validity, construction, interpretation, administration and effect of the Plan and of its rules and regulations, and rights relating to the Plan, shall be determined solely in accordance with the laws of the State of Texas (without giving effect to its conflicts of laws rules) and, to the extent applicable, federal law.

(g) Subject to the approval of the stockholders of the Company, the Plan shall be effective on April 21, 1995. No Options may be granted under the Plan after April 20, 2005; however, all previous Options issued that have not expired under their original terms or will not then expire at the time the Plan expires will remain outstanding.

(h) Restrictions on Issuance of Shares

(1) The Company shall not be obligated to sell or issue any Shares upon the exercise of any Option granted under the Plan unless: (i) the shares pertaining to such Option have been registered under applicable federal and state securities laws or are exempt from such registration; (ii) the prior approval of such sale or issuance has been obtained from any state regulatory body having jurisdiction; and (iii) in the event the Common Stock has been listed on any exchange, the shares pertaining to such Option have been duly listed on such exchange in accordance with the procedure specified therefor. The Company shall be under no obligation to effect or obtain any listing, registration, qualification, consent or approval with respect to shares pertaining to any Option granted

under the Plan. If the shares to be issued upon the exercise of any Option granted under the Plan are intended to be issued by the Company in reliance upon the exemptions from the registration requirements of applicable federal and state securities laws, the recipient of the Option, if so requested by the Company, shall furnish to the Company such evidence and representations, including an opinion of counsel, satisfactory to it, as the Company may reasonably request.

(2) The Company shall not be liable for damages due to a delay in the delivery or issuance of any stock certificates for any reason whatsoever, including, but not limited to, a delay caused by listing, registration or qualification of the shares of Common Stock pertaining to any Option granted under the Plan upon any securities exchange or under any federal or state law or the effecting or obtaining of any consent or approval of any governmental body.

(i) The Board of Directors or Committee may impose such other restrictions on the ownership and transfer of shares issued pursuant to this Plan as it deems desirable; any such restrictions shall be set forth in the applicable agreement.

(j) The Board of Directors may amend, abandon, suspend or terminate the Plan or any portion thereof at any time in such respects as it may deem advisable in its sole discretion, provided that no amendment shall be made without stockholder approval (including an increase in the maximum number of shares of Common Stock in respect of which Options may be made under the Plan) if such stockholder approval is necessary to comply with any tax or regulatory requirement, including for these purposes any approval requirement that is a prerequisite for exemptive relief under Section 16(b) of the Act.

(k) In order to preserve a Participant's rights under an Option in the event of a change in control of the Company, the Committee in its discretion may, at the time an Option is made or any time thereafter, take one or more of the following actions: (i) provide for the acceleration of any time period relating to the exercise of the Option, (ii) provide for the purchase of the Option upon the Participant's request for an amount of cash or other property that could have been received upon the exercise or realization of the Option had the Option been currently exercisable or payable, (iii) adjust the terms of the Option in a manner determined by the Committee to reflect the change in control, (iv) cause the Option to be assumed, or new rights substituted therefor, by another entity, or (v) make such other provision as the Committee may consider equitable and in the best interests of the Company.

AMENDED AND RESTATED as of September 14, 1999.

ZIXIT CORPORATION

By: Ronald A. Woessner

Its: Secretary

ZIXIT CORPORATION
1999 DIRECTORS' STOCK OPTION PLAN

Section 1. Purpose

The purpose of the ZixIt Corporation 1999 Directors' Stock Option Plan (hereinafter called the "Plan") is to advance the interests of ZixIt Corporation, a Texas corporation (hereinafter called the "Company"), by strengthening the ability of the Company to attract, on its behalf, and retain External Directors (as defined below) of high caliber through encouraging a sense of proprietorship by means of stock ownership.

Section 2. Definitions

"Adoption Date" shall mean January 28, 1999.

"Board" shall mean the Board of Directors of the Company.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time-to-time.

"Committee" shall mean the entire Board of Directors, or if the administration of the Plan has been delegated to a committee of the Board, a committee selected by the Board and comprised of at least two directors. To the extent necessary to comply with the requirements of Rule 16b-3, the Committee shall consist of two or more Non-Employee Directors.

"Common Stock" shall mean the Common Stock of the Company, par value \$.01 per share.

"Date of Grant" shall mean the date on which an Option is granted under the Plan.

"Designated Beneficiary" shall mean the beneficiary designated by the Optionee, in a manner determined by the Committee, to receive amounts due the Optionee in the event of the Optionee's death. In the absence of an effective designation by the Optionee, Designated Beneficiary shall mean the Optionee's estate.

"Eligible Director" shall mean an External Director who has served on the Board at least 12 consecutive months as of the Date of Grant.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"External Director" shall mean a member of the Board who is not an employee of the Company or a subsidiary.

"Fair Market Value" shall mean the closing sales price (or average of the quoted closing bid and asked prices if there is no closing sales price reported) of the Common Stock on the date specified as reported by the NASDAQ Stock Market, or by the principal national stock exchange on which the Common Stock is then listed. If there is no reported price information for such date, the Fair Market Value will be determined by the reported price information for Common Stock on the day nearest preceding such date.

"Grant Shares" shall mean, with respect to each Eligible Director for a particular year, a number of shares calculated according to the following formula: 1% of the number of the Company's outstanding Common Stock shares as of the December 31 immediately preceding the Date of Grant divided by the number of then-Eligible Directors. In no event, may the number of Grant Shares in any given year to any given Eligible Director exceed one-half of 1% of the Company's outstanding Common Stock shares.

"Non-Employee Director" shall have the meaning given such term in Rule 16b-3.

"Option" shall mean a nonqualified option to purchase shares of the Company's Common Stock.

"Optionee" shall mean the person to whom an Option is granted under the Plan or who has obtained the right to exercise an Option in accordance with the provisions of the Plan.

"Rule 16b-3" shall mean Rule 16b-3 of the rules and regulations under the Exchange Act as it may be amended from time-to-time and any successor provision to Rule 16b-3 under the Exchange Act.

Section 3. Administration

The Plan shall be administered by the Committee. The Committee shall have sole and complete authority to adopt, alter and repeal such administrative rules, guidelines and practices governing the operation of the Plan as it shall from time-to-time deem advisable, and to construe, interpret and administer the terms and provisions of the Plan and the agreements thereunder. The determinations and interpretations made by the Committee are final and conclusive and binding on all persons.

Section 4. Eligibility

All External Directors shall be eligible to receive awards of Options under the Plan.

Section 5. Maximum Amount Available for Awards

Subject to the provisions of Section 9, the maximum number of shares of Common Stock in respect of which Options may be granted under the Plan shall be 750,000 shares of Common Stock. Shares of Common Stock may be made available from authorized but unissued shares of the Company or from shares reacquired by the Company, including shares purchased in the open market. In the event that an Option is terminated unexercised as to any shares of Common Stock covered thereby, such shares shall thereafter be again available for award pursuant to the Plan.

Section 6. Stock Options

(a) During the term of the Plan, on the day that an External Director is first appointed or elected to the Board, such director shall be granted nonqualified Options to purchase 25,000 shares of the Company's Common Stock. Also, during the term of the Plan, on the first business day of January of each year after the Adoption Date, each Eligible Director shall be granted Options to purchase the Grant Shares. Each Eligible Director serving on the Board on the Adoption Date shall be granted Options to purchase the Grant Shares, effective as of the Adoption Date. Directors that receive the Grant Shares are not eligible to receive a directors' retainer cash payment, although they are eligible to be reimbursed for expenses related to Board activities.

(b) All Options granted under the Plan prior to shareholder approval of the Plan shall be subject to the approval of the Plan by the shareholders of the Company.

(c) The exercise price of the 25,000 share option grants shall be 100% of the Fair Market Value of the Common Stock on the Date of Grant. The exercise price for the Grant Shares shall be 120% of the Fair Market Value of the Common Stock on the Date of Grant. The exercise price of any outstanding Options may not be repriced without the approval of the Company's shareholders (obtained in accordance with applicable law), given in each specific instance.

(d) Each Option hereunder shall be evidenced in writing, delivered to the Optionee, and shall be exercisable at such times and subject to such terms and conditions as specified in the applicable grant and agreement, subject to the following principles:

- (1) the 25,000 share option grants shall vest six months from the Date of Grant, while the Grant Shares option grants shall be 100% vested as of the Date of Grant;
- (2) the Grant Shares are subject to the following transfer restrictions: 100% of the shares may not be transferred for one year from the Date of Grant, 66% of the shares may not be transferred for two years, and 33% may not be transferred for three years; and the sale restrictions will immediately lapse if (a) a change in control of ZixIt occurs or (b) the director is removed by vote of the shareholders other than for cause; and
- (3) the Options may not be exercised after the tenth anniversary of the Date of Grant.

The Committee may impose such conditions with respect to the exercise of Options (that are consistent with the foregoing principles), including without limitation, any relating to the application of federal or state securities laws, as it may deem necessary or advisable.

(e) No shares shall be delivered pursuant to any exercise of an Option until cash payment in full of the option price therefor is received by the Company. If the shares to be purchased are covered by an effective registration statement under the Securities Act of 1933, any Option may be exercised by a broker-dealer acting on behalf of an Optionee if (a) the broker-dealer has received from the Optionee instructions signed by the Optionee requesting the Company to deliver the shares of Common Stock subject to such Option to the broker-dealer on behalf of the Optionee and specifying the account into which such shares should be deposited, (b) adequate provision has been made with respect to the payment of any withholding taxes due upon such exercise, and (c) the broker-dealer and the Optionee have otherwise complied with Section 220.3(e)(4) of Regulation T, 12 CFR Part 220, or any successor provision. The Company shall have the right to deduct from all amounts paid to an Optionee in cash (whether under the Plan or otherwise) any taxes the Company withholds in respect of Options under the Plan.

(f) The Company shall not be required to issue any fractional shares upon the exercise of any Options granted under the Plan. No Optionee or such Optionee's legal representatives, legatees or distributees, as the case may be, will be, or will be deemed to be, a holder of any shares subject to an Option unless and until said Option has been exercised and the purchase price of the shares in respect of which the Option has been exercised has been paid. Unless otherwise provided in the agreement applicable thereto, an Option shall not be exercisable except by the Optionee or by a person who has obtained the Optionee's rights under the Option by will or under the laws of descent and distribution or pursuant to a "qualified domestic relations order" as defined in the Code, and no right or interest of any Optionee shall be subject to any lien, obligation or liability of the Optionee.

Section 7. Plan Amendments

The Board may amend, abandon, suspend or terminate the Plan or any portion thereof at any time in such respects as it may deem advisable in its sole discretion, provided that no amendment shall be made without shareholder approval if such amendment is material or if shareholder approval is necessary to comply with any tax or regulatory requirement.

Section 8. Restrictions on Issuance of Options and Option Shares

The Company shall not be obligated to issue any shares upon the exercise of any Option granted under the Plan unless: (1) the shares pertaining to such Option have been registered under applicable securities laws or are exempt from such registration; (2) if required, the prior approval of such sale or issuance has been obtained from any state regulatory body having jurisdiction; and (3) in the event the Common Stock has been listed on any exchange, the shares pertaining to such Option have been duly listed on such exchange in accordance with the procedure specified therefor. The Company shall be under no obligation to effect or obtain any listing, registration, qualification, consent or approval with respect to shares pertaining to any Option granted under the Plan. If the shares to be issued upon the exercise of any Option granted under the Plan are intended to be issued by the Company in reliance upon the exemptions from the registration requirements of applicable federal and state securities laws, the recipient of the Option, if so requested by the Company, shall furnish to the Company such evidence and representations, including an opinion of counsel satisfactory to it as the Company may reasonably request.

The Company shall not be liable for damages due to a delay in the delivery or issuance of any stock certificates for any reason whatsoever, including, but not limited to, a delay caused by listing, registration or qualification of the shares of Common Stock pertaining to any Option granted under the Plan upon any securities exchange or under any federal or state law or the effecting or obtaining of any consent or approval of any governmental body.

The Committee may impose such other restrictions on the ownership and transfer of shares issued pursuant to the Plan as it deems desirable; any such restrictions shall be set forth in the agreement applicable thereto.

Section 9. Adjustment to Shares

In the event that the Committee shall determine that any stock dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, exchange of shares, warrants or rights offering to purchase Common Stock at a price substantially below Fair Market Value or other similar corporate event affects the Common Stock such that an adjustment is required in order to preserve the benefits or potential benefits intended to be made available under the Plan, then the Committee shall adjust appropriately any or all of (a) the number and kind of shares that thereafter may be optioned under the Plan, (b) the number and kind of shares subject of Options and (c) the exercise price with respect to any of the foregoing and/or, if deemed appropriate, make provision for cash payment to an Optionee or a person who has an outstanding Option; provided, however, that the number of shares subject to

any Option shall always be a whole number.

Section 10. Effective Date; Term; Effect on 1996 Plan

Subject to the approval of the shareholders of the Company, the Plan shall be effective as of the Adoption Date. No Options may be granted under the Plan after January 27, 2009; however, all previously granted Options that have not expired under their original terms or will not then expire at the time the Plan

expires will remain outstanding. The Plan supersedes the Company's 1996 Directors' Stock Option Plan, effective upon the approval of the Plan by the Company's shareholders.

Section 11. General Provisions

(a) Neither the Plan nor any Option granted hereunder is intended to confer upon any Optionee any rights with respect to continuance of the utilization of his or her services by the Company, nor to interfere in any way with his or her right or that of the Company to terminate his or her services at any time (subject to the terms of any applicable contract, law, regulation, and the articles and bylaws of the Company).

(b) No Optionee or Designated Beneficiary shall have any rights as a shareholder with respect to any shares of Common Stock to be distributed under the Plan until he or she has become the holder thereof.

(c) The validity, construction, interpretation, administration and effect of the Plan and of its rules and regulations, and rights relating to the Plan, shall be determined solely in accordance with the laws of the State of Texas (without giving effect to its conflicts of laws rules) and, to the extent applicable, federal law.

IN WITNESS WHEREOF, the Company has caused this Plan to be executed on its behalf as of the 28th day of January 1999.

ZIXIT CORPORATION

By: /s/ Ronald A. Woessner

Title: V.P.

Date: 9/17/99

3-MOS

	DEC-31-1999	JUL-01-1999	SEP-30-1999
			6,007
		32,701	0
		0	0
	39,483		0
		1,460	20,519
	8,458	75,542	
	0		0
		0	176
75,542		66,908	
		0	0
		0	0
		0	0
		0	0
	(11,585)		
		(65)	
(11,520)		210	
		0	0
		(11,310)	
		(0.74)	
		(0.74)	