

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, 2001

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

2711 North Haskell Avenue
Suite 2850, LB 36
Dallas, Texas 75204-2911
(Address of Principal Executive Offices)

(214) 515-7300
(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 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, 2001
-----	-----
Common Stock, par value \$.01 per share	17,108,649

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ZIXIT CORPORATION
(A DEVELOPMENT STAGE COMPANY)

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

(Unaudited)

September 30, 2001	December 31, 2000

----- ASSETS	
Current	
assets: Cash	
and cash	
equivalents	
\$ 8,497	\$
13,347	
Marketable	
securities	
17,334	
36,943	Other
current	
assets 1,669	
1,942	-----

- Total	
current	
assets	
27,500	
52,232	
Investment	
in Maptuit	
Corporation	
3,500	3,000
Property and	
equipment,	
net 12,638	
19,400	Other
noncurrent	
assets, net	
3,400	4,045

----- \$	
47,038	\$
78,677	
=====	
=====	
LIABILITIES	
AND	
STOCKHOLDERS'	
EQUITY	
Current	
liabilities:	
Accounts	
payable and	
accrued	
expenses \$	
2,022	\$
2,431	
Liabilities	
related to	
discontinued	
operations	
1,063	1,116
Deferred	
revenues 259	

Total	
current	
liabilities	
3,344	3,547
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;
 19,411,913
 issued,
 17,108,649
 outstanding
 in 2001 and
 19,327,563
 issued,
 17,035,663
 outstanding
 in 2000 194
 193
 Additional
 capital
 176,276
 180,128
 Unearned
 stock-based
 compensation
 (4,428)
 (14,615)
 Treasury
 stock, at
 cost
 (11,414)
 (11,314)
 Accumulated
 other
 comprehensive
 loss (445)
 (169)
 Accumulated
 deficit (net
 of deficit
 accumulated
 during the
 development
 stage of
 \$120,629 at
 September
 30, 2001 and
 \$83,233 at
 December 31,
 2000)
 (116,489)
 (79,093) ---

 ---- Total
 stockholders'
 equity
 43,694
 75,130 -----

 -- \$ 47,038
 \$ 78,677
 =====
 =====

See accompanying notes.

ZIXIT CORPORATION
(A DEVELOPMENT STAGE COMPANY)

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

(Unaudited)

Cumulative
During
Three
Months Nine
Months
Development
Stage Ended
September
30 Ended
September
30 (From
January 1,
1999 -----

Through
2001 2000
2001 2000
September
30, 2001) -

Revenues \$
36 \$ 99 \$
263 \$ 287 \$
756

Research
and
development
expenses
(2,318)
(2,346)
(7,114)
(6,762)
(39,323)
Operating
costs and
general
corporate
expenses
(8,997)
(14,799)
(30,574)
(32,681)
(90,253)

Investment
income
(loss), net
(1,161)
1,024 (19)
2,234 5,442

----- Loss
from
continuing
operations
before
income
taxes
(12,440)
(16,022)
(37,444)
(36,922)
(123,378)

Income tax
benefit --

807 -----

Loss from
continuing
operations
(12,440)
(16,022)
(37,444)
(36,922)

(122,571)
Discontinued
operations
-- 66 48
374 1,942 -

----- Net
loss \$
(12,440) \$
(15,956) \$
(37,396) \$
(36,548) \$
(120,629)
=====

=====

Basic and
diluted
income
(loss) per
common
share:

Continuing
operations
\$ (0.73) \$
(0.97) \$
(2.19) \$
(2.30)

Discontinued
operations
-- 0.01 --
0.03 -----

Net loss \$
(0.73) \$
(0.96) \$
(2.19) \$
(2.27)
=====

=====

Weighted
average
shares
outstanding
17,068
16,572
17,050
16,081
=====

See accompanying notes.

ZIXIT CORPORATION
(A DEVELOPMENT STAGE COMPANY)

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
AND COMPREHENSIVE NET LOSS
(In thousands, except share data)

(Unaudited)

	Common Shares	Stock Amount	Additional capital	Unearned stock- based compen- sation	Treasury stock	Accumulated other comprehensive loss	Accumulated deficit	Total stockholders' equity
	-----	-----	-----	-----	-----	-----	-----	-----
Balance, December 31, 2000	19,327,563	\$ 193	\$ 180,128	\$ (14,615)	\$ (11,314)	\$ (169)	\$ (79,093)	\$ 75,130
Stock issued to Entrust	56,850	1	399	--	--	--	--	400
Exercise of stock options for cash	27,500	--	228	--	--	--	--	228
Unearned stock- based compensation for service providers		--	195	(195)	--	--	--	--
Unearned employee stock- based compensation	--	--	(24)	24	--	--	--	--
Cancellation of stock issuable for purchase of Anacom Communications	--	--	(4,725)	4,725	--	--	--	--
Amortization of unearned stock- based compensation	--	--	--	5,633	--	--	--	5,633
Other	--	--	75	--	(100)	--	--	(25)
Comprehensive net loss:								
Net loss	--	--	--	--	--	--	(37,396)	(37,396)
Unrealized loss on marketable securities	--	--	--	--	--	(276)	--	(276)
Comprehensive net loss	--	--	--	--	--	--	--	(37,672)
Balance, September 30, 2001	19,411,913	\$ 194	\$ 176,276	\$ (4,428)	\$ (11,414)	\$ (445)	\$ (116,489)	\$ 43,694
	=====	=====	=====	=====	=====	=====	=====	=====

See accompanying notes.

ZIXIT CORPORATION
(A DEVELOPMENT STAGE COMPANY)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

(Unaudited)

Cumulative During Nine Months Development Stage Ended September 30 (From January 1, 1999 ----- ----- ----- Through 2001 2000 September 30, 2001) ----- ----- -----	
Cash flows from operating activities: Loss from continuing operations \$ (37,444) \$ (36,922) \$(122,571) Adjustments to reconcile loss from continuing operations to net cash used by operating activities: Depreciation and amortization 8,328 7,238 21,732 Stock- based compensation 5,633 8,695 29,748 Write- down of marketable securities -- -- 1,202 Write-down of investment in Maptuit Corporation 1,500 -- 1,500 Other non-cash expenses 300 -- 431 Changes in assets and liabilities, excluding divestiture of businesses: Other assets 279 78 (1,265) Current liabilities 101 291 707 - ----- ----- -- Net cash used by continuing operations (21,303) (20,620) (68,516) Net cash provided (used) by discontinued operations (5) 342 (1,451) ----- ----- -----	

Net cash used
 by operating
 activities
 (21,308)
 (20,278)
 (69,967) Cash
 flows from
 investing
 activities:
 Purchases of
 property and
 equipment,
 net (1,078)
 (5,819)
 (31,868)
 Purchases of
 marketable
 securities
 (20,674)
 (22,000)
 (177,074)
 Sales and
 maturities of
 marketable
 securities
 40,007 25,164
 186,894
 Investment in
 Maptuit
 Corporation
 (2,000) --
 (5,000)
 Purchase of
 Anacom
 Communications
 -- -- (2,500)
 Proceeds from
 sales of
 discontinued
 operations,
 net of cash
 sold -- 581
 5,885 -----

 ----- Net
 cash provided
 (used) by
 investing
 activities
 16,255
 (2,074)
 (23,663) Cash
 flows from
 financing
 activities:
 Proceeds from
 private
 placement of
 common stock,
 net of
 issuance
 costs --
 43,794 43,784
 Proceeds from
 exercise of
 stock options
 228 2,246
 4,091 -----

 ----- Net
 cash provided
 by financing
 activities
 228 46,040
 47,875 Effect
 of exchange
 rate changes
 on cash and
 cash
 equivalents
 (25) (4) (40)
 Increase
 (decrease) in
 cash and cash
 equivalents
 (4,850)
 23,684
 (45,795) Cash
 and cash
 equivalents,
 beginning of
 period 13,347
 6,598 54,292

 --- Cash and
 cash

equivalents,
end of period
\$ 8,497 \$
30,282 \$
8,497
=====
=====
=====

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 2000 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, 2000 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. The results of operations for the nine-month period ended September 30, 2001 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 classified as discontinued operations in the accompanying financial statements.

Since 1999, the Company has been developing a digital signature and encryption technology and is developing a series of products and services that enhance privacy, security and convenience over the Internet. ZixMail(TM) is a secure email application and service that enables Internet users worldwide to easily send and receive encrypted and digitally signed communications without changing their existing email systems or addresses. The Company did not begin to charge for the use of ZixMail until the first quarter of 2001. Successful development of a development stage enterprise, particularly Internet related businesses, is costly and highly competitive. The Company's growth depends on the timely development and market acceptance of its products and services. A development stage enterprise involves risks and uncertainties, and there are no assurances that the Company will be successful in its efforts. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The amounts presented for basic and diluted loss per common share in the accompanying statements of operations have been computed by dividing the applicable loss by the weighted average number of common shares outstanding. The two presentations are equal in amounts because the assumed exercise of common stock equivalents would be antidilutive, because a loss from continuing operations was reported for each period presented.

2. MAPTUIT CORPORATION

Maptuit Corporation ("Maptuit"), an early stage company, is a privately-held Internet application service provider that supplies wireline and wireless Internet location-based services. In December 2000, the Company purchased approximately 9% of the equity ownership of Maptuit for \$3,000,000 in cash and committed to make a follow-on investment. Accordingly, in July 2001, the Company made an additional \$2,000,000 cash investment in Maptuit and received a promissory note convertible into Maptuit equity securities. The note bears interest at prime plus 1%, is due in July 2006 and automatically converts into Maptuit equity securities at the same price per share obtained if a third party equity financing arrangement is completed, as defined.

Maptuit is currently seeking third party debt or equity financing to sustain its operations. Investments of this nature are subject to significant fluctuations in fair market value due to the volatility of the equity markets and the significant business and investment risks inherent in early stage enterprises. The Company identifies and records impairment losses when events and circumstances indicate its investment has been impaired. There is no readily determinable market value for the Company's investments in Maptuit; however, based on current market conditions and discussions with Maptuit, the Company expects that if the additional funding is obtained, it will be at a price per

share that is less than the price per share the Company paid for its initial investment. Accordingly, the Company has reduced the carrying value of its investment in Maptuit to an amount it believes is recoverable, resulting in a \$1,500,000 write-down in the third quarter of 2001. If Maptuit is unable to obtain such funding, or if such funding is obtained at a price per share that is less than the reduced carrying value per share of the Company's investment, the Company may be required to record additional write-downs of its investment for financial accounting purposes.

Mr. Jeffrey P. Papows, a director of the Company since March 2000 and chairman of the Company's board of directors since October 2000, serves as the president and chief executive officer of Maptuit and holds a minority equity interest in Maptuit.

3. STOCKHOLDERS' EQUITY

The Company recognizes significant non-cash stock-based compensation expense resulting from certain stock option grants made to third party service providers, employees and directors. Unearned stock-based compensation expense of \$3,690,000 as of September 30, 2001 related to certain of these equity securities is fixed in amount and will be amortized to expense primarily through 2002. The determination of the amount to be expensed for the remaining equity securities requires that they be revalued on each reporting date until performance is complete with a cumulative catch up adjustment recognized for any changes in their fair value. The Company's future results of operations could be materially impacted by a change in valuation of these variable equity securities as a result of price increases or decreases in the price of the Company's common stock.

4. ANACOM COMMUNICATIONS, INC.

In 1999, the Company purchased Anacom Communications, Inc. ("Anacom"), an on-line credit card processing service provider. Since its acquisition, Anacom has been operated as an independent subsidiary and managed by its former owners. As previously announced on June 20, 2001, the Company reported that the credit card databases at Anacom had been improperly accessed and fraudulent transactions had been processed, causing Anacom to advise its merchant customer base to transfer their electronic commerce transactions to other payment gateways for processing. The Company is currently unable to assess the amount of the liability, if any, to Anacom or the Company, which may result from the unauthorized access to Anacom's databases.

Subsequently, the Company has ceased all operations at Anacom and the former owners of Anacom have separated from employment with Anacom. As a result, the October 2001 final installment of the Company's common stock issuable to the former owners in connection with the purchase of Anacom, which aggregated \$4,725,000, was canceled. These events resulted in a non-recurring net reduction in operating costs of approximately \$3,000,000 in the second quarter of 2001. This reduction was primarily due to the reversal of previously recorded unvested stock-based compensation expense related to the canceled installment totaling \$3,800,000, partially offset by severance costs and asset write-downs, including goodwill. Over the last four quarters ending June 30, 2001, Anacom's operating losses averaged \$1,450,000, including non-cash charges of \$1,075,000 per quarter for amortization of goodwill and stock-based compensation. Substantially all of the Company's revenues since 1999 have been generated by Anacom.

5. COMMITMENTS

The Company has entered into agreements with Yahoo! Inc. ("Yahoo!") to offer its ZixMail secure email service with the Corporate Yahoo! portal offering and to provide Yahoo! Mail users with the option to send encrypted email messages through the Company's ZixMail.net messaging portal. The Company has minimum future commitments to Yahoo! under these agreements totaling \$3,350,000, payable through August 2002. In addition, the Company will pay Yahoo! a specified portion of revenues earned by the Company which are associated with Yahoo! users.

6. LITIGATION

On December 30, 1999, the Company and ZixCharge.com, Inc. ("ZixCharge"), a wholly-owned subsidiary of the Company, filed a lawsuit against Visa U.S.A., Inc. and Visa International Service Association (collectively "Visa") in the 192nd Judicial District Court of Dallas County, Texas. To obtain large numbers of consumers and merchants as users of its ZixCharge system, the Company's initial ZixCharge marketing efforts were focused on obtaining financial institutions as sponsors of the ZixCharge system. The suit alleges that Visa undertook a series of actions that interfered with these prospective business relationships and disparaged the Company, its products, its management and its stockholders. The suit alleges that Visa intentionally set out to destroy the Company's ability to market its ZixCharge system, which competed against the MasterCard and Visa-owned Secure Electronic Transaction system. The suit, which is in the discovery phase, seeks monetary damages and such other relief as the court deems appropriate. The Company believes it is unlikely that any Visa member banks will enter into any ZixCharge sponsorship agreements until the Visa litigation is resolved. Moreover, the resolution of the lawsuit could have a material effect on the Company's ability to market the ZixCharge system.

The Company is involved in legal proceedings that arise in the ordinary course of business. In the opinion of management, the outcome of pending legal proceedings will not have a material adverse effect on the Company's consolidated financial statements.

7. SUBSEQUENT EVENT

In October 2001, the Company entered into an agreement with 911 Computer Co., Ltd. ("911"), a South Korean distributor of technology products, whereby 911 will become the exclusive distributor for the ZixMail service in South Korea for two years. The Company will provide a Korean language version of ZixMail for 911. In exchange, the Company is to receive \$16 per email address per year for up to 125,000 email addresses, and \$20 per year for each email address thereafter. Pursuant to the agreement, 911 is to pay minimum service fees to the Company of \$2,000,000 over the term of the agreement. The Company has already received \$100,000, with another \$600,000 to be paid by 911 before the end of January 2002. Associated expenses include a 25% commission to a strategic marketing partner and possible foreign withholding taxes on the payments from 911.

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. The Company's operations included 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 1998 and 1997 and have been classified as discontinued operations in the condensed consolidated financial statements.

Since January 1999, the Company has been developing a digital signature and encryption technology and related series of products and services that enhance privacy, security and convenience over the Internet. ZixMail is a secure email application and service that enables Internet users worldwide to easily send and receive encrypted and digitally signed communications without changing their existing email systems or addresses. The Company began charging for the use of its ZixMail product and related services in the first quarter of 2001. The Company recently announced two new products, ZixBlast(TM), which is now generally available, and ZixVPM(TM) (Zix Virtual Private Mail(TM)), which is scheduled to be released in the first quarter of 2002. ZixBlast, priced on a transaction basis, will allow enterprises to track messages and receive cumulative reports detailing receipt confirmations for customized, encrypted, time and date stamped emails sent via ZixMail to large volumes of recipients. ZixVPM is a server-based, highly secure solution for email sent over the Internet that allows IT administrators to ensure that all email sent beyond a company's firewall by specified individuals or departments is encrypted.

The foundation of the Company's business model for its current set of products and services centers around the financial leverage expected to be generated by revenues that are believed to be predominantly recurring in nature and an efficient cost structure for data center operations, the core of which is expected to remain relatively stable regardless of the number of users. New business, primarily focused on the corporate market, is expected to be generated from the Company's own direct sales efforts, the promotional efforts of its strategic marketing partners and its affiliate marketing programs. Revenue streams in the near term are projected to consist primarily of ZixMail subscription fees, which are generally expected to be collected annually at the beginning of the subscription period or upon receipt of minimum ZixMail service fees from distributors and resellers. For financial accounting purposes, subscription fees will generally be recognized as revenue on a prorated basis over the length of the subscription period, usually one year. Progress has been made marketing ZixMail in the international arena as evidenced by the Japan and South Korea distributor agreements which provide for minimum payments to the Company aggregating \$3,200,000 over the next three years; however, domestically, the Company is disappointed that the number of email addresses remains relatively small at approximately 9,500 seats as of October 31, 2001.

The Company has changed its previously announced internal sales goal of 600,000 ZixMail subscribers by year-end and the levels of order activity for becoming cash flow positive. While the Company is optimistic that the number of ZixMail seats or seat equivalents will substantially increase by year-end, the Company will not have 600,000 actual ZixMail subscribers using the service by then. Previously, the Company has given guidance and measured progress on a single metric - "subscriber numbers". With the expansion of the Company's product set and related pricing models and the development of international distributor markets for ZixMail, the business model of the Company has broadened. In the future, measurement of the Company's progress will focus on contracted revenues, both recognized and deferred, as the common metric to measure the Company's progress, taking into account all aspects of its business. Given the state of the economy and the uncertain length of the sales cycle for the Company's products and services, there is not sufficient visibility at this time to forecast results beyond 2001.

The Company expects to incur a substantial net loss in the fourth quarter of 2001 based upon anticipated order activity and the related method of recognizing revenue, current cash expenditure levels and the significant levels of non-cash expenses.

In October 1999, the Company purchased all of the outstanding shares of Anacom, a privately-held provider of real-time transaction processing services to Internet merchants. In June 2001, the operations of Anacom were discontinued.

RESULTS OF OPERATIONS

CONTINUING OPERATIONS

Revenues

The Company is in the development stage and had no significant revenues in 2000 or during the nine months ended September 30, 2001. Substantially all of the Company's revenues since 1999 have been generated by Anacom. The Company began charging for its ZixMail products and services in the first quarter of 2001. Subscription fees billed or received from customers in advance are recorded as deferred revenue and recognized as revenues ratably over the subscription period.

Research and development expenses

Research and development expenses decreased from \$2,346,000 and increased from \$6,762,000 for the three months and nine months ended September 30, 2000 to \$2,318,000 and \$7,114,000 for the corresponding periods in 2001. In 2001, employee compensation costs increased over both of the comparable reporting periods in 2000 and were partially offset by a reduction in third-party consulting expenditures as a result of hiring additional technical personnel to support the development of the Company's various Internet products and services.

Operating costs and general corporate expenses

Operating costs and general corporate expenses decreased from \$14,799,000 and \$32,681,000 for the three months and nine months ended September 30, 2000 to \$8,997,000 and \$30,574,000 for the corresponding periods in 2001. The decreases for both periods are primarily due to a reduction in discretionary advertising costs of approximately \$5,500,000 from the levels incurred for the three and nine month periods in 2000 of \$6,712,000 and \$9,147,000, respectively. Also contributing to the decrease in both periods is a reduction in operating costs due to the cessation of the Anacom business, including a non-recurring reduction of approximately \$3,000,000, recorded in June 2001 (see Note 4 to the condensed consolidated financial statements). The decreases in both periods are partially offset by additional costs incurred for sales and marketing of the ZixMail products and services, including the hiring of additional personnel in the areas of direct sales and marketing support. Also, depreciation expense is higher in the 2001 periods due to an increased investment in property and equipment. In the near-term, the Company will begin incurring new categories of costs such as variable customer acquisition costs associated with generating new subscription fees. These variable costs include revenue sharing arrangements with the Company's strategic marketing partners, ranging from 20 to 65 percent of subscription fees, and performance-based incentive compensation earned by the Company's direct sales staff.

Investment income (loss), net

Investment income was \$1,024,000 and \$2,234,000 for the three months and nine months ended September 30, 2000 as compared to net investment losses of \$1,161,000 and \$19,000 for the corresponding periods of 2001. The change from 2000 to 2001 is primarily due to a write-down of the Company's equity investment in Maptuit of \$1,500,000, representing management's estimate of the investment's decline in recoverable value (see Note 2 to the condensed consolidated financial statements). Also contributing to the change are lower interest rates in 2001 and a decrease in invested cash and marketable securities during 2001.

Income tax benefit

The income tax benefit on the loss from continuing operations in 2001 and 2000 is different from the U.S. statutory rate of 34%, primarily due to unbenefited losses and tax credits. The Company has fully reserved its net deferred tax assets due to the uncertainty of future taxable income from the Company's business initiatives.

Loss from continuing operations

As a result of the foregoing, the Company experienced losses from continuing operations of \$12,440,000 and \$37,444,000 for the three months and nine months ended September 30, 2001, respectively, as compared to losses of \$16,022,000 and \$36,922,000 for the corresponding periods in 2000.

Discontinued Operations

The Company recorded a gain of \$48,000 for the nine months ended September 30, 2001, primarily due to a reduction in estimated future costs for various indemnification issues associated with the disposal of its remaining operating businesses in 1998.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2001, the Company's principal source of liquidity is its net working capital position of \$24,156,000, including cash and marketable securities of \$25,831,000. The Company invests its excess cash primarily in short-term, high-grade U.S. corporate debt securities or U.S. government and agency securities. The Company's first nine months 2001 loss from continuing operations included significant non-cash expenses such as depreciation and amortization, write-down of the Maptuit investment, and stock-based compensation, aggregating \$15,761,000. Net cash used by continuing operations in the first nine months of 2001 was \$21,303,000, primarily representing continued development and operating costs relating to the Company's Internet related businesses. The Company began charging for its ZixMail products and services in the first quarter of 2001 and has recently announced two new products that should begin contributing to revenues in the near term. With the addition of the South Korean distribution agreement (see Note 7 to the condensed consolidated financial statements), the minimum payments due to the Company under all its reseller and distributor agreements now total \$7,250,000, including \$2,100,000 scheduled to be received by the end of 2002. The Company's near-term liquidity will be negatively impacted as the Company continues its development stage activities, including the costs associated with forming or supporting its strategic marketing partners, such as a minimum future commitment to Yahoo! totaling \$3,350,000, payable through August 2002. The trend for additions to property and equipment continues to decline, with 2001 capital expenditures not expected to exceed \$1,500,000.

The Company has made cash investments in Maptuit convertible debt and equity securities totaling \$5,000,000, which have been written down to \$3,500,000 in the third quarter of 2001 (see Note 2 to the condensed consolidated financial statements). There is currently no public market for the Maptuit equity securities and the Company does not anticipate there being any near-term opportunity for liquidating its investment. Investments of this nature are subject to significant fluctuations in fair market value due to the volatility of the equity markets and the significant business and investment risks inherent in early stage enterprises. Separately, 222,039 shares of the Company's common stock issued to Entrust Technologies, Inc. in December 2000 are subject to transfer restrictions which lapse in four equal quarterly installments ending in December 2001. If the aggregate value of the shares on the dates the restrictions lapse is less than \$3,400,000, the Company is obligated to fund such deficiency in December 2001. Presently, \$1,801,000 of additional consideration in cash or stock (at the Company's option) would be required to be delivered, based on the value of the shares on the dates that restrictions have already lapsed and assuming the market value of the Company's common stock on the date the remaining restriction lapses is \$4.82, the market value of the Company's common stock on September 30, 2001.

The Company currently has no significant revenues; however, it believes existing cash and marketable securities combined with the scheduled guaranteed payments due from resellers and distributors are sufficient to sustain its current level of operating expenditures through August of 2002. The Company is considering various

capital funding alternatives in order to strengthen the Company's financial position. The Company currently has no existing borrowings or credit facilities. Acquisitions, if any, would be financed by the most attractive alternative available, which could be cash or the issuance of debt or equity securities.

RECENT FINANCIAL ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 141, "Business Combinations" and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets." Under the new rules, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests in accordance with the statements. Other intangible assets will continue to be amortized over their useful lives. In October 2001, the FASB issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement establishes new rules for determining impairment of certain other long-lived assets, including intangible assets subject to amortization, property and equipment and long-term prepaid assets. These new standards are all effective for fiscal years beginning after December 15, 2001. The adoption of these new standards is not expected to have a significant effect on the operating results or the financial position of the Company.

RISKS AND UNCERTAINTIES

The following is a "safe harbor" statement under the Private Securities Litigation Reform Act of 1995: Certain matters discussed in this Quarterly Report on Form 10-Q contain statements that constitute forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. The words "expect," "estimate," "anticipate," "predict," "believe," "plan," "should," "goal" and similar expressions and variations thereof are intended to identify forward-looking statements. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those projected in the forward-looking statements as a result of various factors. These risks and uncertainties include, but are not limited to, the following:

LIMITED OPERATING HISTORY IN INTERNET ARENA

ZixIt Corporation's ("ZixIt") products and services are targeted at the new and rapidly evolving markets for secure Internet communications and e-commerce. Although the competitive environment in these markets has yet to fully develop, ZixIt anticipates that it will be intensely competitive, subject to rapid change and significantly affected by new products and service introductions and other market activities of industry participants.

ZixIt has only a limited operating history in the Internet arena on which to base an evaluation of its business and prospects. ZixIt's prospects must be considered in light of the risks and uncertainties encountered by other Internet companies in the early stages of development. These risks and uncertainties are often more pronounced for companies in new and rapidly evolving markets, particularly Internet-related businesses.

TIMELY DEVELOPMENT OF PRODUCTS AND SERVICES

ZixIt must be able to successfully and timely develop its products and services. The commercial version of ZixMail was first released in March 2000. ZixIt's Internet secure-messaging portal - ZixMail.net(TM) - was first opened at the end of July 2000. ZixIt has not earned any significant revenues from its ZixMail products or services, although ZixIt first began charging for these products and services in the first quarter of 2001. ZixCharge(TM) has not been commercially released.

MARKET ACCEPTANCE

ZixIt must be able to achieve broad market acceptance for its products and services. To ZixIt's knowledge, there are currently no Internet secure-messaging services, such as ZixMail, that currently operate at the scale that ZixIt would require, at its current expenditure levels and proposed pricing, to become profitable from its secure-messaging operations. ZixIt's direct sales efforts are primarily focused on the corporate market.

To reach a larger customer base for its ZixMail products and services than ZixIt can reach through its direct sales efforts, ZixIt is pursuing distribution arrangements and collaborative relationships with third parties to assist ZixIt in promoting its ZixMail products and services. There is no assurance that ZixIt will be successful in entering into these arrangements or relationships, or that if entered into, they will significantly assist ZixIt in obtaining large numbers of ZixMail users. Moreover, in any event, there is no assurance that enough paying ZixMail users will ultimately be obtained to enable ZixIt to operate profitably.

ZIXCHARGE UNCERTAINTIES

Since the commercial version of ZixCharge has not yet been released, there are currently no consumers or merchants using ZixCharge. As noted in Note 6 to the condensed consolidated financial statements, ZixIt has initiated litigation against Visa, which alleges that Visa set out to destroy ZixIt's ability to market ZixCharge. ZixIt believes it is unlikely that any Visa member banks will enter into any ZixCharge sponsorship agreements until the Visa litigation is resolved. Moreover, the resolution of this litigation could have a material effect on ZixIt's ability to market the ZixCharge system.

NO SIGNIFICANT REVENUES

ZixIt currently has no significant revenues; however, it believes existing cash and marketable securities combined with the scheduled guaranteed payments due from resellers and distributors are sufficient to sustain its current level of operating expenditures through August of 2002. ZixIt is considering various capital funding alternatives in order to strengthen ZixIt's financial position.

COMPETITION

ZixIt is a new entrant into the rapidly evolving secure Internet communications and e-commerce markets. ZixIt will be competing with larger companies that have access to greater capital, research and development, marketing, distribution and other resources than it does. In addition, the Internet arena is characterized by extensive research efforts and rapid product development and technological change that could render ZixIt's products and services obsolete or noncompetitive. ZixIt's failure to develop and introduce new products and services successfully on a timely basis and to achieve market acceptance for those products and services could have a significant adverse effect on its business, financial condition and results of operations. ZixIt may decide, at any time, to delay, discontinue or not initiate the development and release of any one or more of its planned or contemplated products and services.

Attempts have been made to define the size and nature of the market comprising secure Internet communications. A 2000 Robert W. Baird & Co. study of this market has coined the term "Secure e-Document Delivery Industry" to describe the activity and business within this sector. This report is instructive with respect to the competition within this market segment as it seeks to identify the market segments and to analyze the various participants. The analysis divides the secure e-document delivery industry into three segments: (1) email content management; (2) email statement creation and delivery; and (3) secure messaging. The report identifies 26 companies that participate in one, two or all three of these market segments. These companies include: Aladdin Knowledge Systems, CertifiedMail.com, click2send, Content Technologies, Critical Path, Disappearing, Inc., e-Docs, eLynx, ePage, e-Parcel, Hushmail, MessagingDirect, MicroVault, NetEx, PostX, Private Express, Slam Dunk Networks, SRA International, Ten Four AB, Trend Micro, Tumbleweed Communications, United Parcel Service, ValiCert, Xenos, Ziplip and ZixIt. Other participants in these market segments not included in this listing are PGP (Pretty Good Privacy), a division of Network Associates, and SigabaSecure.

While several of these companies participate in two or three of the market segments listed above, more than half -- 14 companies, including ZixIt -- focus only on the secure messaging segment. The report notes that this field is crowded because the technological requirements to compete in this space are widely available -- like public key infrastructure and encryption, as well as standard Internet and email protocols. While many of these companies compete with ZixIt, some of these companies do not. For example, although Slam Dunk Networks delivers messages securely, it does so within an enterprise-to-enterprise environment - the automated exchange of purchase orders between business partners, for example. Today, ZixIt participates primarily in the Desktop-to-

Desktop market allowing individuals to transmit items like contracts, spreadsheets and other sensitive documents that are prepared on an ad hoc basis. Competition in this market includes, but is not limited to, CertifiedMail, Hushmail, PGP, Private Express, SigabaSecure and Ziplip.

Although the foregoing analysis attempts to categorize and classify the secure e-document delivery industry into specific niches, it is too early in the evolution of this industry to accurately portray its structure. What may be viewed today as competitive relationships between two or more participants may, in the near future, become collaborative relationships. Thus, while assessment of the competition is a fundamental part of this analysis, the fluid nature of the evolving technology in this market could produce alliances between apparent competitors that are impossible to predict today.

SECURITY INTERRUPTIONS AND SECURITY BREACHES

ZixIt's business depends on the uninterrupted operation of its secure data center. ZixIt must protect this center from loss, damage or interruption caused by fire, power loss, telecommunications failure or other events beyond its control. Any damage or failure that causes interruptions in its secure data center operations could materially harm its business, financial condition and results of operations.

In addition, ZixIt's ability to issue digitally-signed certified time-stamps and public encryption codes in connection with its ZixMail service and deliver messages through its ZixMail.net message portal depends on the efficient operation of the Internet connections between customers and ZixIt's data center. ZixIt depends on Internet service providers efficiently operating these connections. These providers have experienced periodic operational problems or outages in the past. Any of these problems or outages could adversely affect customer satisfaction.

Furthermore, it is critical that ZixIt's facilities and infrastructure remain secure and the market perceives them to be secure. Despite ZixIt's security measures, its infrastructure may be vulnerable to physical break-ins, computer viruses, attacks by hackers or similar disruptive problems. It is possible that ZixIt may have to use additional resources to address these problems. Messages sent through ZixIt's ZixMail.net message portal will reside, for a user-specified period of time, in its data center facilities. Also, ZixIt's planned ZixCharge business will retain certain confidential customer information in its data center facilities. Any physical or electronic break-ins or other security breaches or compromises of this information could expose ZixIt to significant liability, and customers could be reluctant to use its Internet-related products and services.

As was previously announced, ZixIt determined in June 2001 that credit card databases at its independently operated subsidiary, Anacom, had been improperly accessed (see Note 4 to the condensed consolidated financial statements). The ZixMail and ZixMail.net systems and ZixIt secure data center are entirely separate from those of Anacom. No ZixIt technologies or operations were involved in the incident. ZixIt is currently unable to assess the amount of the liability, if any, to Anacom or ZixIt, which may result from the unauthorized access to Anacom's databases.

KEY PERSONNEL

ZixIt depends on the performance of its senior management team and other key employees, particularly highly skilled technical and sales and marketing personnel. ZixIt's success also depends on its ability to attract, retain and motivate these individuals. There is competition for these personnel, and ZixIt faces a tight employment market for the particular individuals ZixIt needs to attract. There are no agreements with any of ZixIt's personnel that prevent them from leaving ZixIt at any time. In addition, ZixIt does not maintain key person life insurance for any of its personnel. The loss of the services of any of ZixIt's key employees or its failure to attract, retain and motivate key employees could harm its business.

UNKNOWN DEFECTS OR ERRORS

Any of ZixIt's products or services could contain undetected defects or errors. Despite ZixIt's testing, defects or errors may occur, which could result in loss of or delay in revenues, failure to achieve market

acceptance, diversion of development resources, injury to ZixIt's reputation, litigation claims, increased insurance costs or increased service and warranty costs. Any of these could harm ZixIt's business.

PUBLIC KEY CRYPTOGRAPHY TECHNOLOGY

ZixIt's products and services employ, and future products and services may employ, public key cryptography technology. With public key cryptography technology, a user has a public key and a private key, which are used to encrypt and decrypt messages. The security afforded by this technology depends, in large measure, on the integrity of a user's private key, which is dependent, in part, on the application of certain mathematical principles. The integrity of a user's private key is predicated on the assumption that it is difficult to mathematically derive a user's private key from the user's related public key. Should methods be developed that make it easier to derive a user's private key, the security of encryption products using public key cryptography technology would be reduced or eliminated and such products could become unmarketable. This could require ZixIt to make significant changes to its products, which could damage its reputation and otherwise hurt its business. Moreover, there have been public reports of the successful decryption of certain encrypted messages. This, or related, publicity could affect public perception of the security afforded by public key cryptography technology, which could harm ZixIt's business.

GOVERNMENT REGULATION

Exports of software products using encryption technology are generally restricted by the U.S. government. Although ZixIt has obtained U.S. government approval to export its ZixMail product to almost all countries in the world, the list of countries to which ZixMail cannot be exported could be revised in the future. Furthermore, some foreign countries impose restrictions on the use of encryption products, such as the ZixMail product. Failure to obtain the required governmental approvals would preclude the sale or use of the ZixMail product in international markets.

LACK OF GENERALLY ACCEPTED STANDARDS

There is no assurance that ZixIt's products and services will become generally accepted standards or that they will be compatible with any standards that become generally accepted.

INTELLECTUAL PROPERTY RIGHTS

ZixIt may have to defend its intellectual property rights or defend against claims that ZixIt is infringing the rights of others. Intellectual property litigation and controversies are disruptive and expensive. Infringement claims could require ZixIt to develop non-infringing products or enter into royalty or licensing arrangements. Royalty or licensing arrangements, if required, may not be obtainable on terms acceptable to ZixIt. ZixIt's business could be significantly harmed if it is not able to develop or license the necessary technology. Furthermore, it is possible that others may independently develop substantially equivalent intellectual property, thus enabling them to effectively compete against ZixIt.

SALE OF BUSINESSES

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

STOCK PRICE

The market price of ZixIt's common stock has fluctuated significantly in the past and is likely to fluctuate in the future. Also, the market prices of securities of other Internet-related companies have been highly volatile and, as is well known, have declined substantially and broadly.

OTHER UNANTICIPATED RISKS AND UNCERTAINTIES

There are no assurances that ZixIt will be successful or that it will not encounter other, and even unanticipated, risks. ZixIt discusses other operating, financial or legal risks or uncertainties in its periodic SEC filings. ZixIt is, of course, also subject to general economic risks.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For the nine month period ended September 30, 2001, the Company did not experience any material changes in market risk exposures with respect to its cash investments and marketable securities that affect the quantitative and qualitative disclosures presented in the Company's 2000 Annual Report to Shareholders on Form 10-K.

The Company has made investments in Maptuit totaling \$5,000,000, comprised of \$3,000,000 in preferred stock and \$2,000,000 in a promissory note convertible into Maptuit equity securities. Maptuit is an early stage privately-held company. Maptuit is currently seeking third party debt or equity financing to sustain its operations. Investments of this nature are subject to significant fluctuations in fair market value due to the volatility of the equity markets and the significant business and investment risks inherent in early stage enterprises. The Company identifies and records impairment losses when events and circumstances indicate its investment has been impaired. There is no readily determinable market value for the Company's investments in Maptuit; however, based on current market conditions and discussions with Maptuit, the Company expects that if the additional funding is obtained, it will be at a price per share that is less than the price per share the Company paid for its initial investment. Accordingly, the Company has reduced the carrying value of its investment in Maptuit to an amount it believes is recoverable, resulting in a \$1,500,000 write-down in the third quarter of 2001. If Maptuit is unable to obtain such funding, or if such funding is obtained at a price per share that is less than the reduced carrying value per share of the Company's investment, the Company may be required to record additional write-downs of its investment for financial accounting purposes.

PART II - OTHER INFORMATION

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, together with all amendments thereto (filed as Exhibit 3.1 to the Company's Form 10-K for the year ended December 31, 1998, and incorporated herein by reference). Articles of Amendment to Articles of Incorporation, dated September 14, 1999 (filed as Exhibit 3.2 to the Company's Form 10-Q for the quarterly period ended September 30, 1999, and incorporated herein by reference). Articles of Amendment to Articles of Incorporation, dated October 12, 1999 (filed as Exhibit 3.3 to the Company's Form 10-Q for the quarterly period ended September 30, 1999, and incorporated herein by reference). |
| 3.2 | Restated Bylaws of ZixIt Corporation, dated September 14, 1999 (filed as Exhibit 3.2 to the Company's Form 10-Q for the quarterly period ended March 31, 2000, and incorporated herein by reference). |
| *10.1 | International Distribution Agreement, dated October 25, 2001, between ZixIt Corporation and 911 Computer Co., Ltd. |

b. Reports on Form 8-K

No reports of the Registrant on Form 8-K have been filed with the Securities and Exchange Commission during the three months ended September 30, 2001.

*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 7, 2001

By: /s/ Steve M. York

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

INDEX TO EXHIBITS

EXHIBIT
NUMBER
DESCRIPTION -

----- 3.1
Articles of
Incorporation,
together with
all
amendments
thereto
(filed as
Exhibit 3.1
to the
Company's
Form 10-K for
the year
ended
December 31,
1998, and
incorporated
herein by
reference).
Articles of
Amendment to
Articles of
Incorporation,
dated
September 14,
1999 (filed
as Exhibit
3.2 to the
Company's
Form 10-Q for
the quarterly
period ended
September 30,
1999, and
incorporated
herein by
reference).
Articles of
Amendment to
Articles of
Incorporation,
dated October
12, 1999
(filed as
Exhibit 3.3
to the
Company's
Form 10-Q for
the quarterly
period ended
September 30,
1999, and
incorporated
herein by
reference).
3.2 Restated
Bylaws of
ZixIt
Corporation,
dated
September 14,
1999 (filed
as Exhibit
3.2 to the
Company's
Form 10-Q for
the quarterly
period ended
March 31,
2000, and
incorporated
herein by
reference).
*10.1
International
Distribution
Agreement,
dated October
25, 2001,
between ZixIt
Corporation
and 911
Computer Co.,
Ltd.

INTERNATIONAL DISTRIBUTION AGREEMENT

BETWEEN

ZIXIT CORPORATION

AND

911 COMPUTER CO., LTD.

1 DEFINITIONS.

1.1 "Distributor" shall mean 911 Computer Co., Ltd., which is incorporated under the laws of The Republic of South Korea.

1.2 "Effective Date" shall mean the date set forth on the signature page to this Agreement.

1.3 "Eligible Customer" shall mean a business enterprise headquartered in The Republic of South Korea or that conducts business in The Republic of South Korea and that subscribes to use the ZixIt Software/Service for the benefit of its employees and other agents that reside in the Territory. An "Eligible Customer" specifically includes a person who has obtained the ZixMail(TM) software by downloading it from a Web site hosted by Distributor or from a compact disk obtained from Distributor.

1.4 "Protected Information" shall mean any information pertaining to ZixIt or its affiliated, or associated companies not generally known to the public, including but not limited to, any information, data, or other material of ZixIt, regardless of form, whether oral or written, relating to, referring to, or evidencing any technology, processes, designs, patent applications, computer programs, supplier or customer lists, or any other financial or business information of ZixIt.

1.5 "Term" shall have the meaning given in Subsection 5.1.

1.6 "Territory" shall mean The Republic of South Korea.

1.7 "ZixIt" shall mean ZixIt Corporation, a Texas corporation.

1.8 "ZixIt Software/Service" shall mean the ZixIt ZixMail(TM) secure messaging software and related services provided by ZixIt's worldwide signature server and other mutually agreed-upon ZixIt products and services. Other ZixIt products and services added to this

Agreement by the mutual agreement of the parties will be provided by ZixIt to Distributor at the prices set forth in ZixIt's Price Schedule, which will become Exhibit A to this Agreement. ZixIt may change any price on the Price Schedule by giving at least 30 days' notice prior to the effectiveness of the new price.

2 APPOINTMENT; OBLIGATIONS OF DISTRIBUTOR.

2.1 Appointment. ZixIt appoints Distributor the exclusive distributor of the ZixIt Software/Service in the Territory, subject to the pre-existing distribution arrangements to distribute ZixIt's products as described in Exhibit B. These pre-existing arrangements permit the other distributors to sell, market and engage in other promotional activities (as defined below) for the ZixIt Software/Service throughout the world. ZixIt will notify Distributor if ZixIt is working with these other distributors in relation to a prospect located in the Territory. ZixIt and Distributor will negotiate the compensation payable to Distributor, if any, arising from these situations. As the exclusive distributor, Distributor shall have the right to locate Eligible Customers in the Territory to use the ZixIt Software/Service and to provide support relating to the ZixIt Software/Service in the Territory. Without the prior written approval of ZixIt in each instance, Distributor's sales efforts and contacts and support services shall be limited to the Territory. Distributor shall not initiate or continue any sales efforts, contacts, or support efforts with respect to the ZixIt Software/Service outside the Territory without the prior written approval of ZixIt in each instance. Distributor agrees to use its best efforts to locate Eligible Customers in the Territory to use the ZixIt Software/Service. Distributor may establish relationships with dealers, distributors, integrators, value-added resellers and other third parties (collectively, "Third-Party Representatives") for the promotion, sale and/or distribution of the ZixIt Software/Service on behalf of Distributor within the Territory, provided: (i) Distributor registers the Third-Party Representative with ZixIt in writing and in accordance with ZixIt's then-current registration procedures, no less than 30 days in advance of establishing such a relationship; (ii) Distributor is solely responsible for any compensation owed to Third-Party Representatives; (iii) Distributor is solely responsible for and shall insure the Third-Party Representative's compliance with the terms of this Agreement; and (iv) Distributor is solely liable for, and shall indemnify ZixIt from any liability associated with, the actions of its Third-Party Representatives (including any breach of this Agreement). ZixIt shall not directly or indirectly market the ZixIt Software/Service to prospects located in the Territory, except that ZixIt and its other distributors shall be permitted to market, promote, license, sell and/or distribute (collectively, "promotional activities") licenses to use the ZixIt Software/Service to any prospect for the prospect's use anywhere in the world so long as ZixIt's promotional activities are directed toward the prospect's operations outside of the Territory.

2.2 Contracts with Eligible Customers. Distributor will contract directly with the Eligible Customers to provide the ZixIt Software/Service. Distributor will include for every sale in every license and services agreement with its customers the terms and conditions that are specified in Exhibit C attached hereto. Additionally, Distributor will provide a customer information sheet in the form of Exhibit D attached hereto. Distributor may suggest changes to the English version of the license and services agreement attached as Exhibit C for the purposes of creating a suitable version at Distributor's cost for use in the Territory. Distributor and ZixIt will then jointly develop

a Korean version of the form of license and services agreement to be used by Distributor. Any further changes to the form of license and services agreement are to be approved by ZixIt.

2.3 Provision of ZixIt Software/Service. In approximately three months from the Effective Date, ZixIt will, at its cost, deliver a Korean language version for ZixMail (Outlook plug-in) and for ZixMail.net. ZixIt will provide the ZixIt Software/Service to Distributor for the benefit of the Eligible Customers and their users. The terms and conditions attached hereto as Exhibit E shall apply to the provision of the ZixIt Software/Service by ZixIt to Distributor. ZixIt may change the terms and conditions by providing Distributor a revised Exhibit E at least five days prior to the effective date of the new terms and conditions. The provision of the ZixIt Software/Service subsequent to such effective date shall be governed by the revised terms and conditions.

2.4 Billing; Collection of Accounts Receivable. Distributor shall be responsible for billing to, and collecting from, its Eligible Customers for the use of the ZixMail Software/Service. Distributor shall be obligated to pay ZixIt the amounts owed pursuant to Subsection 3.1, regardless of whether or not Distributor's customers actually pay Distributor.

2.5 Promotional Materials. All materials referencing the ZixIt Software/Service distributed by Distributor shall include ZixIt's brand name and product logos in a manner as prominent as Distributor's brand name and logos and will include such proprietary, trademark, service mark, and patent protection notices as ZixIt may require. All of Distributor's promotional materials, including any English materials Distributor desires to translate at Distributor's cost, are to be submitted to ZixIt for approval prior to use. Distributor shall never take any action that is inconsistent with ZixIt's proprietary rights in ZixIt's brand name and product logos. Distributor agrees to allow ZixIt to use Distributor's logos and trademarks in ZixIt promotional activities with respect to the ZixIt Software/Service. Distributor must use all trade names or marks used by ZixIt to identify the ZixIt Software/Service, in accordance with ZixIt's most current requirements, whenever identifying the ZixIt Software/Service, however, all such marks and names shall remain the sole and exclusive property of ZixIt. ZixIt shall have the right to identify Distributor as a distributor of the ZixIt Software/Service in its advertising and promotional materials.

2.6 Governmental Approvals. Distributor shall be solely responsible for securing, and paying for, any governmental approvals required in connection with the licensing and use of the ZixIt Software/Service in the Territory, including import and use licenses. ZixIt shall provide reasonable technical support to Distributor in securing these governmental approvals.

3 FEES.

3.1 Minimum Guaranteed Services Fees Payable to ZixIt. Distributor agrees to pay to ZixIt the services fees stated in this Subsection 3.1. Distributor shall pay to ZixIt a guaranteed minimum services fee of U.S. \$2.0 Million (the "Minimum Guaranteed Services Fee"). This Minimum Guaranteed Services Fee entitles Distributor to contract for up to 125,000 email addresses (at U.S.\$16 per email address per year) during the Term. After the 125,000 email

addresses, Distributor agrees to pay Zixit U.S \$20 per email address per year, including renewals, payable on a quarterly basis.

3.2 Furthermore, if applicable, Distributor will pay the amounts stated in Exhibit F or in clause (b) of the third bullet dot below. The services fees will be paid as follows:

- o The first U.S. \$214,285 guaranteed payment is due and payable as follows: U.S \$100,00 due no later than Tuesday, October 30, 2001. The balance of U.S \$114,285 is due no later than Friday, November 9, 2001.
- o The second minimum guaranteed payment of U.S \$500,005 is due no later than Friday, January 25, 2002.
- o Six quarterly guaranteed payments equal to the greater of (a) U.S. \$214,285 or (b) the product obtained by multiplying U.S. \$16 per email address per year by the number of email addresses contracted by (including renewals) Distributor in that quarter. The first such quarterly payment will be due on the third month anniversary of the Effective Date and the remaining payments will be due in accordance with the Payment Schedule as set forth in Exhibit F attached hereto. Distributor will pay a minimum of U.S. \$1,285,710 pursuant to this bullet dot.

3.3 Taxes; Duties; Customs Fees. Distributor shall be responsible for payment of any fees, sales, use, gross receipts, value added, property or other taxes, duties, or customs fees that are levied on the sale, use, import, or license of the ZixIt Software/Service to Eligible Customers and its users, however designated, levied, or based by any authority (except any tax based on ZixIt's net income). Distributor shall reimburse ZixIt for such taxes, duties, or customs fees whenever ZixIt is required by applicable law to pay them.

3.4 Payment Information.

All payments to ZixIt hereunder shall be sent via wire transfer as follows:

Bank of America, N.A.
Dallas, Texas 75205
Federal Wire Transfer:
Routing No. 111000025
For credit to: ZixMail.com, Inc.
Account No. 4779594348

ZixIt may change its payment instructions from time-to-time by notice given as provided herein. All monies owed under this Agreement are stated, and shall be paid, in U.S. dollars.

3.5 Audit Rights. ZixIt shall have the right, upon at least five business days prior written notice, to visit Distributor's facilities, during normal business hours, and at its own expense,

for the purpose of inspecting, reviewing, photocopying, and determining the adequacy of Distributor's procedures for maintaining the confidentiality of ZixIt's confidential information and to otherwise audit, monitor and ensure compliance with the terms of this Agreement. All such audits shall be reasonable in scope and duration. ZixIt shall maintain the confidentiality of any information disclosed during an audit that is identified as confidential by Distributor. If ZixIt's inspection reveals an underpayment of fees payable to ZixIt under this Section 3 of more than five percent, then Distributor shall pay for the costs and expenses of the audit.

4 SERVICE; MAINTENANCE. ZixIt will provide English language on-line help pages, accessible through www.zixit.com. Also, ZixIt will provide English language technical support via email at support@zixit.com. Distributor will be responsible for providing all other necessary technical support to its customers, including any assistance they may require in installing ZixMail. ZixIt will provide to Distributor modifications and enhancements to the ZixMail software at such time as ZixIt makes them generally available.

5 TERM AND TERMINATION.

5.1 Term. The Term of this Agreement shall extend for two years from the Effective Date, unless terminated earlier as permitted in this Section 5 below. The Term may be renewed as mutually agreed to by the parties.

5.2 Termination By ZixIt. This Agreement may be terminated by ZixIt by written notice to Distributor upon the happening of any of the following: (a) a failure by Distributor to pay to ZixIt any sum due and owing within ten days after the date payment is due; (b) Distributor licenses or attempts to license the ZixIt Software/Service outside the Territory without ZixIt's prior written approval; (c) Distributor violates any international treaties, trade agreements, trade policies, export/import regulations or laws or governmental decrees or requirements of the United States or Distributor is convicted of a criminal offense in any court of competent jurisdiction; (d) insolvency or the adjudication of bankruptcy or the petition for or consent to or becoming subject to any relief under any bankruptcy, reorganization or moratorium statutes or similar debtor relief laws by or of Distributor; (e) a breach by Distributor of Section 7 of this Agreement; and (f) any material breach by Distributor of any other provision of this Agreement that is not cured within 30 days after written notice by ZixIt to Distributor specifying the alleged breach in reasonable detail. Upon termination of this Agreement, Distributor shall cease endorsing, promoting, marketing or otherwise distributing the ZixIt Software/Service and shall immediately provide ZixIt with all originals and copies of the ZixIt Software/Service, promotional materials, marketing literature, written information, reports and ZixIt's confidential information. Distributor is not entitled to a refund or set-off for any fees, charges or other monies paid to ZixIt for any reason.

5.3 Termination By Distributor. This Agreement may be terminated by Distributor by written notice to ZixIt upon the happening of any of the following: (a) insolvency or adjudication of bankruptcy or the petition for or consent to or becoming subject to any relief under any bankruptcy, reorganization or moratorium statutes or similar debtor relief laws by or of ZixIt; and

(b) any material breach by ZixIt of this Agreement that is not cured within 30 days after written notice by Distributor to ZixIt specifying the alleged breach in reasonable detail.

5.4 Effect on Payments. Upon the expiration or termination of this Agreement, Distributor will pay to ZixIt all fees (including the Minimum Guaranteed Services Fee) earned by ZixIt (pursuant to Section 3) prior to the effective date of the expiration or termination that have not yet been paid.

6 COMPLIANCE WITH LAWS. Distributor agrees that it will comply with all applicable laws imposed by any foreign governmental agency or foreign state or other political subdivision in the Territory. Distributor shall also comply with the requirements of the U.S. Foreign Corrupt Practices Act, as outlined in Exhibit G attached hereto.

7 CONFIDENTIALITY AND USE OF PROTECTED INFORMATION.

7.1 Nondisclosure. Distributor shall keep in strict confidence any and all Protected Information. Furthermore, Distributor shall not directly or indirectly disclose such Protected Information or make it available for any purpose to any person or entity other than bona-fide employees of Distributor or its wholly-owned subsidiaries who have a legitimate "need to know." Distributor shall also require such personnel, by written agreements with such personnel, to keep in confidence, not disclose or make available to any other person, or use any such Protected Information. In no event shall any disclosure of Protected Information be made to any competitor, actual or potential, of ZixIt in any applications market.

7.2 Exceptions. Distributor shall have no obligation under 7.1 with respect to "Protected Information" that: (a) is or becomes part of the public domain through no wrongful act of Distributor; (b) is or becomes known to Distributor (from a source other than ZixIt) without the source violating any duty to ZixIt or any confidentiality restriction on subsequent disclosure or use; or (c) is disclosed pursuant to any judicial or governmental requirement or order; provided that, Distributor gives ZixIt sufficient prior notice in order to contest such requirement or order.

7.3 Use. Distributor shall not directly or indirectly use Protected Information for its own benefit or the benefit of any third-party.

7.4 Copies; No Rights. Distributor shall reproduce Protected Information only to the extent necessary for fulfilling its obligations under this Agreement. All Protected Information, including copies thereof, shall remain the property of ZixIt and shall be immediately returned to ZixIt upon the request of ZixIt or upon any termination of this Agreement, whichever occurs first. Neither this Agreement nor the disclosure or receipt of Protected Information shall constitute or imply a grant of any rights, by license or otherwise, in any Protected Information disclosed to Distributor by ZixIt.

8 GENERAL.

8.1 Assignment. Distributor shall not without the prior written consent of ZixIt assign or attempt to assign this Agreement or any of its rights hereunder or delegate any of its duties hereunder. For the purposes of this Subsection, a change in controlling ownership of Distributor shall be deemed to be an assignment hereunder. Any attempted assignment in violation of the preceding sentences shall be void and ineffective for all purposes. ZixIt may at any time assign all or any part of its right to receive payments from Distributor under this Agreement to any person. ZixIt may also assign this Agreement to any ZixIt affiliate. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the parties and their successors or assigns. The term "affiliate" as used in this Agreement with respect to an entity means an entity controlling, controlled by, or under common control with such entity.

8.2 Patents; Marks. Distributor acknowledges and agrees to the validity of all patents, trademarks, service marks, and applications thereof of ZixIt and its affiliates. Distributor shall take no action to challenge the validity of any patent, trademark, service mark, or applications thereof of ZixIt or its affiliates, and ZixIt may terminate this Agreement upon notice to Distributor in such event.

8.3 Relationship of Parties. The relationship between ZixIt and Distributor hereunder is that of independent contractor. Nothing herein shall be construed to constitute Distributor an agent, licensee, employee or consignee of ZixIt, nor a partner or joint venturer with ZixIt. Neither party shall, in its contractual relationships with third parties or otherwise, represent or imply that any agency, licensee, employee or consignee relationship exists between the parties or that either party is a partner or joint venturer of the other party. ZixIt shall have no liability to Distributor's Eligible Customers or their users in connection with their use of the ZixMail Software/Service.

8.4 Force Majeure. Neither party shall be held responsible for any delay in performance hereunder arising out of causes beyond that party's control and without that party's fault or negligence. Such causes may include, by way of example and not limitation, force majeure, fire, strikes, unavailability of parts, embargoes, governmental requirements or actions of civil or military authorities, acts of nature or of the public enemy, inability to secure material or transportation facilities, or acts or omissions of carriers. Notwithstanding the foregoing, each party reserves the right to terminate this Agreement under 5.2 or 5.3, as applicable, if the other party fails to perform its obligations hereunder due to an act of force majeure.

8.5 Limitation on Liability. IN NO EVENT WILL EITHER PARTY BE LIABLE TO THE OTHER FOR ANY INDIRECT, SPECIAL, INCIDENTAL, OR CONSEQUENTIAL DAMAGES (INCLUDING LOSS OF PROFITS) OF ANY NATURE ARISING UNDER THIS AGREEMENT, REGARDLESS OF WHETHER LIABILITY ARISES IN CONTRACT, TORT, STRICT LIABILITY, BREACH OF WARRANTY, INDEMNIFICATION, OR OTHERWISE. IN ADDITION TO THE FOREGOING, ZIXIT'S AGGREGATE LIABILITY TO DISTRIBUTOR ARISING UNDER THIS AGREEMENT OR RELATING TO THE PROVISION OF THE ZIXMAIL SOFTWARE/SERVICE TO DISTRIBUTOR UNDER ANY THEORY OF RECOVERY SHALL NOT EXCEED THE AMOUNTS ACTUALLY PAID BY

DISTRIBUTOR TO ZIXIT UNDER THIS AGREEMENT WITHIN THE ONE-YEAR PERIOD PRECEDING THE ASSERTION OF A CLAIM BY DISTRIBUTOR.

8.6 Governing Law; Authority. This Agreement shall be governed, by the laws of the state of Texas (without regard to its choice of law rules). The parties expressly exclude the applicability of the Convention on Contracts for the International Sale of Goods. Distributor agrees to submit to the personal jurisdiction of any court of competent subject matter jurisdiction in the state of Texas. If there is a foreign language translation of this Agreement, the English version shall be the governing language.

8.7 Severability; Captions. If any provision of this Agreement is deemed to be unlawful or unenforceable, such provision shall be deemed severable, and the other provisions shall remain in full force and effect. The failure of either party to exercise, in any respect, any right provided for herein shall not be deemed a waiver of that right or any other right in this Agreement. If there is a conflict between any part of this Agreement and any present or future law, this Agreement shall be curtailed only to the extent necessary to bring it within the requirements of that law. The headings herein are provided for ease of reference only and are not to be used in interpreting the provisions of this Agreement.

8.8 Notices. All official notices, requests, demands, reports or other communications pursuant to this Agreement shall be given by prepaid certified mail, return receipt requested, or personally delivered to the respective parties at the addresses set forth below:

If to: ZixIt Corporation
2711 North Haskell Avenue
Dallas, Texas 75204-2911
USA
Attn: Legal Department
Tel: (214) 370-2000
Fax: (214) 515-7385

If to: 911 Computer Co., Ltd.
Suit #214, 672, Seounggok-Dong,
Ansan, Kyungki-Do, 425-836
Korea
Attn: Charles Han, COO
Tel: 82-2-5393-911
Fax: 82-2-7049-196

Contact for technical matters:
Ted Hull-Ryde
Vice President of Product Strategy
(214) 370-2028 (phone)
(214) 370-2074 (fax)
tryde@zixit.com

Contact for business matters:
Steve Gersten
Senior Vice President of Sales & Marketing
(214) 370-2039 (phone)
(214) 370-2074 (fax)
sgersten@zixit.com

Such notices shall be deemed given when received by the other party.

8.9 Entire Agreement. This Agreement constitutes the complete understanding between the parties with respect to the subject matter hereof and supersedes all previous communications and representations or agreements, whether written or oral, with respect to the subject matter hereof. No modification to this Agreement will be binding upon the parties unless acknowledged in writing by their duly authorized representatives.

8.10 Public Statements. Upon the execution of this Agreement, each party has the right to issue a press release pertaining to this Agreement. Each party will give the other party a reasonable opportunity to review and comment on its press release prior to issuance.

8.11 Remedies. Distributor agrees that in the event of any threatened or actual breach by Distributor of any of its obligations under Section 7, ZixIt will suffer irreparable harm and that monetary damages will be inadequate to compensate ZixIt for such breach. Accordingly, Distributor agrees that ZixIt will, in addition to any other remedies available to it at law or in equity, be entitled to preliminary and permanent injunctive relief to enforce any such breach of the terms of this Agreement. Distributor further agrees that all of its obligations under Section 7 shall survive and continue after termination of this Agreement for any reason.

8.12 Indemnification. Each party shall indemnify, defend and hold harmless the other and its officers, employees, directors, shareholders, suppliers and agents, from any losses, claims, demands, actions, causes of action, suits, costs, attorney's fees, damages, expenses, compensation, penalties, liabilities or obligations of any kind (collectively, "Losses") asserted by a third party that arise out of or relate to the indemnifying party's: (i) failure to comply with applicable law or (ii) failure to comply with the terms of this Agreement.

8.13 Further Assurances. Distributor, and the person signing on behalf of Distributor, represents and warrants that it has the full legal capacity and authority to enter into and perform the obligations of this Agreement without any further approval, and that entering into this Agreement does not violate any other obligation to which it may be subject.

8.14 Rules of Construction; Multiple Counterparts. This Agreement shall be construed equally against the parties regardless of who is more responsible for its preparation. This Agreement may be executed in multiple counterparts that, together, shall be deemed a single binding agreement.

EXECUTED the date set forth below the parties signatures, to be effective as of October 25, 2001 (the "Effective Date").

ZIXIT CORPORATION

911 COMPUTER CO., LTD.,

By: /s/ Steven Gersten

By: /s/ Senng Wook, Park

Name (print): Steven Gersten

Name (print): Senng Wook, Park

Title: Sr. Vice President

Title: President

Date: 10/25/01

Date: 10/25/01

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ZixIt International Distribution Agreement
Revised October 2001

EXHIBIT A
PRICE SCHEDULE

A-1

EXHIBIT B
PRE-EXISTING ARRANGEMENTS

ZixIt has already entered into the following distribution arrangements:

1. Entrust Technologies, Inc. (Nasdaq: ENTU), under which Entrust has the right to incorporate ZixMail into Entrust's products, to provide users of Entrust's digital certificates with the option of sending secure email through the ZixMail.net service.
2. IT Factory, Inc., a leading developer of Lotus Notes applications, under which IT Factory has the right to market ZixMail to Lotus Notes, Lotus Domino, Microsoft Outlook and Microsoft Exchange Server users.
3. sNET Systems Corporation, the leading developer of distributed network deception management solutions, under which sNET has the right to integrate the use ZixMail into sNET's computer network security solutions.
4. Xenos (TSE: XNS), a leading provider of software that allows companies to rapidly Web enable their customers' bills and statements, under which Xenos has the right to market ZixMail.
5. Hummingbird Ltd. (Nasdaq: HUMC) (TSE:HUM), a world-leading enterprise solutions company, under which Hummingbird has the right to offer ZixMail within the Hummingbird Enterprise Information Portal (EIP).
6. Control Systems Inc., a provider of cost recovery products, under which Control Systems has the right to market ZixMail to law firms and other professional organizations as part of Control Systems' cost recovery product suite.
7. Esker, Inc., a Lyon, France-based leader in intelligent information delivery, under which users of Esker's Pulse(TM) product, an intelligent multi-channel delivery solution of business-critical information, will be enabled to send electronic documents and data securely through ZixIt's ZixMail.net(TM) secure message portal.
8. Net2Link, LLC, a California-based provider of security and infrastructure solutions to vertical markets, under which ZixIt will be a preferred secure email solutions provider for Net2Link's healthcare customers.
9. Yahoo! (Nasdaq: YHOO), a leading global Internet communications, commerce, and media company, under which Yahoo has agreed to offer the ZixMailecure email service with the Corporate Yahoo! (<http://corporate.yahoo.com>) portal offering.

EXHIBIT C
LICENSE AND SERVICES AGREEMENT

For the use of ZixIt Corporation Products, between Distributor
and its Customer

DISTRIBUTOR NAME: _____

LICENSE NO. _____

This License and Services Agreement ("Agreement") is between the Customer
identified below and 911 Computer Co., Ltd.

USE OF SOFTWARE AND SERVICE

When Distributor accepts an order, Customer and its users (collectively and
individually, as appropriate, "Customer") will have a non-exclusive license and
right, subject to the terms and conditions of this Agreement, to use the ZixIt
service ("ZixIt Service") that Customer subscribes to, the executable form of
the related ZixIt software (the "Software"), and related documentation files
("Documentation"). The Software and the Documentation are collectively referred
to as the "Licensed Materials."

CUSTOMER NAME

BILLING ADDRESS

CITY, STATE, ZIP/POSTAL CODE, COUNTRY

CONTACT NAME

CONTACT EMAIL

CONTACT TELEPHONE

CONTACT FAX

TITLE: RESTRICTIONS

Title to the Licensed Materials and the ZixIt Service and all intellectual
property rights remains at all times with ZixIt. Customer will not remove or
destroy any proprietary markings of ZixIt. In no event will Customer de-compile,
disassemble or otherwise reverse engineer the Licensed Materials, except to the
extent that this restriction is expressly prohibited by applicable law, or
attempt to infiltrate, hack or otherwise interfere with the operation of the
ZixIt servers.

ENTIRE AGREEMENT AND MODIFICATIONS

This Agreement, including the terms and conditions and other exhibits attached
to this Agreement, represent the entire agreement between Distributor and
Customer with respect to the use of the Licensed Materials and ZixIt Service.
Customer agrees that all other agreements, proposals, purchase orders,
representations and other understandings concerning the Licensed Materials and
ZixIt Service, whether oral or written, between the parties are superseded in
their entirety. No alterations or modifications to this Agreement will be valid
unless made in writing and signed by the parties. No attachment, supplement or
exhibit to this Agreement shall be binding against Distributor unless signed by
an authorized signatory of Distributor.

EMAIL CLIENT

DOMAIN(S) COVERED

TERM/RENEWAL

The term of this Agreement for the Customer shall extend for _____ years (the
"Term") and shall automatically renew for such Term unless either party gives
the other party written notice of non-renewal more than 30 days prior to the end
of the Term.

(SEE NEXT PAGE FOR ADDITIONAL IMPORTANT PROVISIONS)

(License and Services Agreement - Distributor/Customer)

The following terms and conditions supersede any terms and conditions that may be included in the software installation package for the Software.

1. Limited Warranty; Infringement. Distributor warrants that the Software will perform substantially in accordance with the specifications for a period of 90 days from delivery to Customer. If it is determined that the Software does not operate according to such specifications, Distributor's only responsibility will be to use its best efforts, consistent with industry standards, to cure the defect. Distributor will defend, or, at its option, settle any action at law against Customer based on a claim that Customer's use of the Software in accordance with this Agreement infringes any patent, copyright or other intellectual property right of any third party. Distributor shall not have any duty or liability for such infringement if the infringement arises from Customer's modification of the Software or from the use of the Software in combination with other products or software not furnished by Distributor.

2. Technical Info. ZixMail messages optionally routed through ZixIt's mail relays, rather than through Customer's email server, are limited to 10 Megabytes compressed in size per message. See our on-line help pages, accessible through www.zixit.com, for technical information about the ZixIt Service. Technical support is available through the ZixIt Distributor from whom Customer subscribes for the ZixIt Service.

3. Assignment. Either party may assign this Agreement to any third party, provided that such party agrees to assume the obligations of the assigning party hereunder.

4. Acknowledgements. The Software incorporates compression code by the Info-ZIP group. There are no extra charges or costs due to the use of this code, and the original compression sources are freely available from CompuServe in the IBMPRO forum and by anonymous ftp from the Internet site "ftp.uu.net/pub/archiving/zip". We will also, upon request, mail Customer the full sources to the compression code that we use on a 3.5" MSDOS-format diskette (or other appropriate medium) for the cost of mailing. Send U.S. \$10.00 to us at our address noted above, Attention: Legal Department, and reference "request for Info-ZIP source code." Also, hash functions used in the Software are derived from the RSA Data Security, Inc. MD-5 Message-Digest Algorithm. The Software incorporates spell-checking code from The Sentry Spelling-Checker Engine, copyright(c) 1999 WintertreeSoftware, Inc.

5. Export and Import Restrictions. The Licensed Materials contain encryption technology that is controlled for export by the U.S. government. Under U.S. law, Customer may not (and agrees not to) export, re-export, or download the Licensed Materials (a) into (or to a national or resident of) Cuba, Iran, Iraq, Libya, North Korea, Sudan, Syria or the Taliban-controlled areas of Afghanistan (or other countries listed on our web site from time-to-time) or (b) to anyone on the U.S. Treasury Department's list of Specially Designated Nationals or the U.S. Commerce Department's Table of Denial Orders or Entity List. The Licensed Materials may also be subject to import and/or use regulations in foreign jurisdictions. It is the Customer's responsibility to comply with foreign laws and regulations on encryption import, export and use.

6. DISCLAIMERS. OTHER THAN FOR A WARRANTY OF TITLE, THE LICENSED MATERIALS AND ZIXIT SERVICE ARE PROVIDED "AS IS," "AS AVAILABLE" WITHOUT WARRANTIES OF ANY KIND, EITHER EXPRESSED OR IMPLIED, INCLUDING IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. NEITHER YOU NOR WE WILL BE LIABLE TO THE OTHER OR ANY THIRD PARTY FOR ANY INDIRECT, INCIDENTAL, SPECIAL, PUNITIVE, EXEMPLARY, OR CONSEQUENTIAL DAMAGES OF ANY KIND ARISING UNDER THIS AGREEMENT OR IN CONNECTION WITH YOUR USE OF THE LICENSED MATERIALS OR ZIXIT SERVICE. IF A COURT DETERMINES OUR DISCLAIMER OF WARRANTY OR LIABILITY TO BE INEFFECTIVE, IN WHOLE OR IN PART, THEN OUR AGGREGATE LIABILITY TO YOU IN CONNECTION WITH THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT SHALL NOT EXCEED, FOR ALL CAUSES OF ACTION THAT AROSE IN A CALENDAR YEAR, THE AMOUNTS YOU ACTUALLY PAID TO US UNDER THIS AGREEMENT FOR SUCH CALENDAR YEAR. OUR LIMITS OF LIABILITY APPLY REGARDLESS OF THE TYPE OF CLAIM BROUGHT, INCLUDING THOSE FOR NEGLIGENCE.

7. Breach. If Customer breaches any term of this Agreement or if Customer becomes insolvent or if bankruptcy or receivership proceedings are initiated by or against Customer, Distributor shall have the right to terminate this Agreement immediately.

8. General. This Agreement shall be governed by the laws of The Republic of South Korea.

ZIXIT CORPORATION		CUSTOMER	

By:		By:	

Name (printed):		Name (printed):	

Title:	Date:	Title:	Date:

(License and Services Agreement - Distributor/Customer)

EXHIBIT D
CUSTOMER INFORMATION SHEET

DISTRIBUTOR NAME:

[DISTRIBUTOR MUST SUPPLY THIS INFORMATION TO ZIXIT]

CUSTOMER INFORMATION:

Name:

Address:

City, State, Zip/Postal Code, Country:

ZIXIT SERVICES: Check boxes that are applicable.

ZIXMAIL SERVICES

ZixMail Start Date:

Number of Email Addresses:

Term: year(s)

Email client

Domain(s) covered

Annual Corporate Key

Yes No

If "yes," customer is required to complete ZixIt "Activate/Deactivate Corporate Key Function" form

EXHIBIT E

1. ZixMail Software/Service. So long as Distributor has made the payments it is required to make under Section 3 of the Agreement, ZixIt agrees to provide the ZixIt Service to an Eligible Customers' employees and other agents that reside in the Territory.

2. Disclaimer. THE SOFTWARE AND ANY SUBSEQUENT RELEASE OF THE SOFTWARE IS PROVIDED "AS IS," AND ALL WARRANTIES, WHETHER STATUTORY, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTIES OF MERCHANTABILITY, FITNESS FOR PARTICULAR PURPOSE, COMPLIANCE OF DATA OUTPUT WITH APPLICABLE LAW, DESIGN, QUALITY, DURABILITY, CONTINUOUS USE, PERFORMANCE OR ERROR-FREE OPERATION (EVEN IF CREATED BY THE INTERNATIONAL SALE OF GOODS CONVENTION) ARE DISCLAIMED IN THEIR ENTIRETY.

3. Technical Info. ZixMail messages optionally routed through ZixIt's mail relays, rather than through an Eligible Customer's email server, are limited to 10 Megabytes compressed in size per message. See ZixIt's on-line help pages, accessible through www.zixit.com, for technical information about the ZixMail Service. Technical support is available via email at support@zixit.com.

4. Acknowledgements. The ZixMail Software is being provided for no charge by ZixIt's subsidiary ZixMail Technology Company, and the Services are being provided in exchange for the specified fees by ZixIt's subsidiary ZixMail.com, Inc. The ZixMail Software incorporates compression code by the Info-ZIP group. There are no extra charges or costs due to the use of this code, and the original compression sources are freely available from CompuServe in the IBMPRO forum and by anonymous ftp from the Internet site "[ftp.uu.net/pub/archiving/zip](ftp://ftp.uu.net/pub/archiving/zip)." ZixIt will also, upon request, mail to Distributor the full sources to the compression code that we use on a 3.5" MSDOS-format diskette (or other appropriate medium) for the cost of mailing. Send 10.00 to us at our address noted above, Attention: Legal Department, and reference "request for Info-ZIP source code." Also, hash functions used in the ZixMail Software are derived from the RSA Data Security, Inc. MD-5 Message-Digest Algorithm. The ZixMail Software incorporates spell checking code from The Sentry Spelling-Checker Engine, copyright(c) 1999 WintertreeSoftware, Inc.

EXHIBIT F
PAYMENT SCHEDULE

PAYMENT	MINIMUM AMOUNT (U.S. DOLLARS)	DUE DATE
1	100,000	October 30, 2001
2	114,285	November 9, 2001
3	500,005	January 25, 2002
4	214,285	April 25, 2002
5	214,285	July 25, 2002
6	214,285	October 25, 2002
7	214,285	January 25, 2003
8	214,285	April 25, 2003
9	214,285	July 25, 2003

EXHIBIT G
COMPLIANCE WITH LAWS

1. Compliance With U.S. Foreign Corrupt Practices Act. In connection with performing its obligations under this Agreement, Distributor agrees that it will not offer, pay, promise to pay, or authorize the payment of any money, or offer, gift, promise to give, or authorize the giving of anything of value to:

(i) any foreign official, foreign political party or official thereof, or any candidate for foreign political office for purposes of:

(a) influencing any act or decision of such official, political party or official thereof, or candidate in his or its official capacity; or

(b) inducing such official, political party or official thereof, or candidate to do or omit to do any act in violation of the lawful duty of such official, party or official thereof, or candidate; or

(c) inducing such official, party or official thereof, or candidate to use his or its influence with a foreign government or any instrumentality thereof to affect or influence any act or decision of such government or instrumentality.

(ii) any person, while knowing that all or a portion of such money or thing of value will be offered, given, or promised, directly or indirectly, to any foreign official, to any foreign political party or official thereof, or to any candidate for foreign political office, for purposes of accomplishing the prohibited acts in Subsection 6.1(i) above.

2. Permitted Exceptions. The above does not prohibit Distributor from:

(i) making any facilitating or expediting payment to a foreign official, political party, or party official, the purpose of which is to expedite or to secure the performance of a routine governmental action by such foreign official, political party, or party official;

(ii) making a payment, gift, offer, or promise of anything of value that is lawful under the written laws and regulations of the country of the foreign official, political party, party official or candidate to whom such payment, gift, offer or promise was made; or

(iii) making a payment, gift, offer, or promise of anything of value that is a reasonable and bona fide expenditure, such as travel and lodging expenses, incurred by or on behalf of a foreign official, political party, party official, or candidate and is directly related to (a) the promotion, demonstration, or explanation of ZixIt's or Distributor's products or services or (b) the execution or performance of a contract with a foreign government or agency thereof.