

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

Current Report

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

Date of Report (date of earliest event reported): January 9, 2008

VASCO Data Security International, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

000-24389
(Commission File Number)

36-4169320
(I.R.S. Employer
Identification No.)

1901 South Meyers Road, Suite 210
Oakbrook Terrace, Illinois
(Address of principal executive offices)

60181
(Zip Code)

(630) 932-8844
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

[Table of Contents](#)

TABLE OF CONTENTS

ITEM 5.02 [Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.](#)

ITEM 9.01 [Financial Statements and Exhibits.](#)

[SIGNATURES](#)

[EXHIBIT INDEX](#)

EXHIBITS

[Table of Contents](#)

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On January 9, 2008, the Compensation Committee of the Board of Directors (the "Compensation Committee") of VASCO Data Security International, Inc. ("VASCO") amended the compensation to be paid to its three top executive officers, T. Kendall Hunt, Jan Valcke and Clifford K. Bown, during fiscal year 2008. Bonuses for each of the named executive officers depend upon the achievement of certain performance goals by VASCO during 2008.

Cash Compensation

<u>Name of Executive Officer</u>	<u>Position</u>	<u>Base Salary</u>	<u>Bonus (1)</u>	<u>Total Cash Compensation</u>
T. Kendall Hunt	Chief Executive Officer	\$ 350,000	\$245,000	\$595,000
Jan Valcke	President and Chief Operating Officer	310,000 Euros (approx. \$456,000)	248,000 Euros (approx. \$365,000)	558,000 Euros (approx. \$821,000)
Clifford K. Bown	Chief Financial Officer	\$275,000	\$165,000	\$440,000

- (1) Each executive officer's right to the bonus cash compensation is subject to VASCO's achievement of an earnings per share goal for fiscal year 2008. Each will receive a percentage of a target bonus based on the percentage of the performance goal achieved by the Company. The amounts in this column reflect 100% bonus payouts. Each will receive 0% bonus if less than 80% of the performance goal is achieved, 50-75% bonus if 80-90% of the performance goal is achieved, 100% bonus if 100% of the performance goal is achieved, and 110-150% bonus if 110-140% of the performance goal is achieved. The bonus paid for performance at a level between stated performance percentages will be interpolated.

Long-Term Incentive Compensation: Economic Value Grants

In addition to each executive officer's cash compensation, the named executive officers were awarded grants of shares of restricted VASCO common stock and performance-based shares of restricted VASCO common stock on January 9, 2008. The closing price for VASCO common stock on the grant date was \$21.90.

<u>Name of Executive Officer</u>	<u>Number of Shares of Restricted Common Stock (1)</u>	<u>Number of Shares of Performance-Based Restricted Common Stock (2)</u>
T. Kendall Hunt	10,610	12,951
Jan Valcke	8,003	9,769
Clifford K. Bown	5,557	6,784

- (1) 25% of these shares will vest on each of the first four anniversary dates of the grant, if the executive has been continuously employed by VASCO through the respective anniversary. In the event of the grantee's death, disability or retirement prior to the vesting of all of the shares, any unvested and unforfeited shares will vest at that time.
- (2) Each executive officer's right to these performance-based restricted shares is subject to VASCO's achievement of a cumulative earnings per share goal for the three years ending December 31, 2010 (the "performance period"). The amounts in this column reflect the number of shares that will be received if the Company achieves 100% of the performance goal. Each executive officer will receive 0% of the shares if less than 80% of the performance goal is achieved, 50% of the shares if 80% of the performance goal is achieved, 100% of the shares if 100% of the performance goal is achieved, and 125% of the shares if 140% of the performance goal is achieved. The shares received for performance at a level between stated performance percentages will be interpolated. In the event of the grantee's death, disability or retirement during the performance period, all of the shares will vest at that time.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
10.1	Form of Award Agreement For Restricted Shares Under the VASCO Data Security International, Inc. 1997 Stock Compensation Plan (time-vesting)
10.2	Form of Award Agreement For Restricted Shares Under the VASCO Data Security International, Inc. 1997 Stock Compensation Plan (performance-based vesting)

SIGNATURE

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

Date: January 15, 2008

VASCO Data Security International, Inc.
(Registrant)

By: /s/ T. Kendall Hunt
T. Kendall Hunt
Chief Executive Officer

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
10.1	Form of Award Agreement For Restricted Shares Under the VASCO Data Security International, Inc. 1997 Stock Compensation Plan (time-vesting)
10.2	Form of Award Agreement For Restricted Shares Under the VASCO Data Security International, Inc. 1997 Stock Compensation Plan (performance-based vesting)

**AWARD AGREEMENT FOR RESTRICTED SHARES
UNDER THE
VASCO DATA SECURITY INTERNATIONAL, INC.
1997 STOCK COMPENSATION PLAN**

THIS AWARD AGREEMENT FOR RESTRICTED SHARES (this "Agreement") is made as of [_____] (the "Effective Date"), between VASCO DATA SECURITY INTERNATIONAL, INC. (the "Company") and [_____] (the "Grantee").

WHEREAS, the Company maintains the VASCO Data Security International, Inc. 1997 Stock Compensation Plan (as amended, the "Plan") for the benefit of its employees, directors, consultants, and other individuals who provide services to the Company; and

WHEREAS, the Plan permits the purchase of shares of the Common Stock (as defined below), subject to certain restrictions; and

WHEREAS, to compensate the Grantee for his or her service to the Company and to further align the Grantee's personal financial interests with those of the Company's shareholders, the Company wishes to award the Grantee a number of shares of Common Stock, subject to the restrictions and on the terms and conditions contained in the Plan and this Agreement.

NOW, THEREFORE, in consideration of these premises and the agreements set forth herein, the parties, intending to be legally bound hereby, agree as follows:

1. Grant of Restricted Shares. The Company hereby grants to the Grantee an award of [_____] shares (the "Awarded Shares") of the Company's common stock, par value of \$.001 per share (the "Common Stock") subject to the terms and conditions set forth herein and in the Plan. The terms of the Plan are hereby incorporated into this Agreement by this reference, as though fully set forth herein. Capitalized terms used but not defined herein shall have the same meaning as defined in the Plan.

2. Vesting of Awarded Shares. The Awarded Shares are subject to forfeiture to the Company until they become nonforfeitable in accordance with this Section 2.

(a) Vesting. Awarded Shares will become nonforfeitable in accordance with the following schedule, provided that on each vesting date, Grantee is, and has, from the date hereof, continuously provided services to the Company or a subsidiary:

- (i) 25% of the Awarded Shares will vest on the first anniversary date of the Effective Date;
- (ii) An additional 25% of the Awarded Shares will vest on the second anniversary date of the Effective Date;
- (iii) An additional 25% of the Awarded Shares will vest on the third anniversary date of the Effective Date; and
- (iv) The final 25% of the Awarded Shares will vest on the fourth anniversary date of the Effective Date.

(b) Accelerated Vesting upon a Change in Control. If a Change in Control occurs and the Grantee remains continuously employed or engaged by the Company through the completion of that Change in Control, 100% of the Awarded Shares will become nonforfeitable immediately prior to (and contingent on) the occurrence of that Change in Control

(c) Accelerated Vesting upon Death, Retirement or Disability. If the Grantee's service with the Company ceases by reason of the Grantee's death, Disability or Retirement, 100% of the Awarded Shares immediately shall become nonforfeitable immediately prior to (and contingent on) the occurrence of such death, Disability or Retirement. For purposes of this Section 2(c), the following terms shall have the following meanings:

(i) "Disability" means a mental or physical illness that entitles the Grantee to receive benefits under the long-term disability plan of the Company, or if the Grantee is not covered by such a plan, a mental or physical illness that renders the Grantee totally and permanently incapable of performing the Grantee's services for the Company. Notwithstanding the foregoing, a Disability shall not qualify if it is the result of (A) a willfully self-inflicted injury or willfully self-induced sickness; or (B) an injury or disease contracted, suffered, or incurred while participating in a criminal offense. The determination of Disability shall be made by the Committee. The determination of Disability for purposes of this Agreement shall not be construed to be an admission of disability for any other purpose.

(ii) "Retirement" means the cessation of the Grantee's service as an employee of the Company after attaining either the normal retirement age or the early retirement age as defined in the principal (as determined by the Committee) tax-qualified plan of the Company, if the Grantee is covered by such a plan, or if the Grantee is not covered by such a plan, then age 65.

(d) All Unvested Shares Forfeited upon Other Cessation of Service. Upon cessation of Grantee's service with the Company for any reason other than Grantee's death, Disability or Retirement, or for no reason (and whether such cessation is initiated by the Company, the Grantee or otherwise): (i) any Awarded Shares that have not, prior to such cessation, become nonforfeitable (taking into account the application of Sections 2(b) and 2(c), above) shall immediately and automatically, without any action on the part of the Company, be forfeited, and (ii) the Grantee shall have no further rights with respect to those Awarded Shares.

(e) Service with Subsidiaries. Solely for purposes of this Agreement, service with the Company shall be deemed to include service with any subsidiary of the Company (for only so long as such entity remains a subsidiary).

3. Escrow of Shares.

(a) Certificates evidencing the Awarded Shares issued under this Agreement shall be held in escrow by the Secretary of the Company or his or her designee (the "Escrow Holder") (or, if the Awarded Shares are not certificated, shall be entered in the stock record books of the Company as held in escrow by the Escrow Holder) until such Awarded Shares cease to be subject to forfeiture in accordance with Section 2, at which time, the Escrow Holder shall deliver such certificates representing the nonforfeitable Awarded Shares to the Grantee (or, if the Awarded Shares are not certificated, the Awarded Shares shall be entered in the stock record books of the Company as held and owned by the Grantee); provided, however, that no certificates for Awarded Shares shall be delivered to the Grantee (or, if the Awarded Shares are not certificated, no transfer of the Awarded Shares shall be entered in the stock record books of the Company) until appropriate arrangements have been made with the Company for the withholding or payment of any taxes that may be due with respect to such Awarded Shares.

(b) If any of the Awarded Shares are forfeited by the Grantee under Section 2, upon request by the Company, the Escrow Holder shall deliver any stock certificate(s) evidencing those Awarded Shares to the Company (or, if the Awarded Shares are not certificated, such forfeiture shall be entered in the stock record books of the Company), and the Company shall then have the right to retain and transfer those Awarded Shares to its own name free and clear of any rights of the Grantee under this Agreement or otherwise.

(c) The Escrow Holder is hereby directed to permit transfer of the Awarded Shares only in accordance with this Agreement or in accordance with instructions signed by both parties hereto. In the event further instructions are reasonably desired by the Escrow Holder, he or she shall be entitled to conclusively rely upon directions executed by a majority of the members of the Board. The Escrow Holder shall have no liability for any act or omissions hereunder while acting in good faith in the exercise of his or her own judgment.

4. Stock Splits, etc. If, while any of the Awarded Shares remain subject to forfeiture, there occurs any merger, consolidation, reorganization, reclassification, recapitalization, stock split, stock dividend, or other similar change in the Common Stock, then any and all new, substituted or additional securities or other consideration to which the Grantee is entitled by reason of the Grantee's ownership of the Awarded Shares shall be immediately subject to the escrow contemplated by Section 3, deposited with the Escrow Holder and shall thereafter be included in the term "Awarded Shares" for all purposes of the Plan and this Agreement.

5. Dividends and Distributions During Restricted Period. The Grantee shall have the right to receive dividends and distributions with respect to the Awarded Shares; *provided, however*, that any cash dividends or distributions paid in respect of the Awarded Shares while those Shares remain subject to forfeiture may be delivered to the Grantee only if and when the Awarded Shares giving rise to such dividends or distributions become nonforfeitable.

6. Tax Consequences. The Grantee acknowledges that the Company has not advised the Grantee regarding the Grantee's income tax liability in connection with the grant, receipt or vesting of the Awarded Shares. The Grantee has reviewed with the Grantee's own tax advisors the federal, state, local and foreign tax consequences of this investment and the transactions contemplated by this Agreement. The Grantee is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. The Grantee understands that the Grantee (and not the Company) shall be responsible for the Grantee's own tax liability that may arise as a result of the transactions contemplated by this Agreement.

7. Restrictions on Unvested Awarded Shares. Except for the escrow described in Section 3 or the forfeiture of Awarded Shares to the Company described in Section 2, the Grantee may not sell, pledge, assign, encumber, hypothecate, gift, transfer, bequeath, devise, donate or otherwise dispose of, in any way or manner whatsoever, whether voluntary or involuntary, any legal or beneficial interest in any of the Awarded Shares until the Awarded Shares become nonforfeitable in accordance with Section 2. Prior to the Awarded Shares becoming nonforfeitable in accordance with Section 2, share certificates evidencing Awarded Shares shall bear the following legend to be placed on all certificates evidencing any Awarded Shares (in addition to any other legends that may be required to be placed on such certificates pursuant to the Plan, applicable law or otherwise):

THE TRANSFERABILITY OF THIS CERTIFICATE AND THE SHARES REPRESENTED HEREBY ARE SUBJECT TO THE TERMS AND CONDITIONS (INCLUDING FORFEITURE) OF THE VASCO DATA SECURITY INTERNATIONAL, INC. 1997 STOCK COMPENSATION PLAN, AS AMENDED, AND AN AGREEMENT ENTERED INTO BETWEEN THE REGISTERED OWNER AND VASCO DATA SECURITY INTERNATIONAL, INC. COPIES OF SUCH PLAN AND AGREEMENT ARE ON FILE IN THE PRINCIPAL OFFICES OF VASCO DATA SECURITY INTERNATIONAL, INC. AND WILL BE MADE AVAILABLE TO ANY SHAREHOLDER WITHOUT CHARGE UPON REQUEST TO THE SECRETARY OF THE COMPANY.

8. Rights of Grantee. Prior to the Awarded Shares becoming nonforfeitable in accordance with Section 2, with respect to the Awarded Shares, Grantee shall have all of the rights of a shareholder of the Company, including the right to vote the Awarded Shares and the right to receive any distributions or dividends payable on Shares, subject to the reinvestment and forfeiture provisions of the Plan and to Sections 4 and 5 hereof.

9. Securities Laws. The Company may from time to time impose any conditions on the Awarded Shares as it deems necessary or advisable to ensure that the Plan satisfies the conditions of Rule 16b-3 adopted under the Securities and Exchange Act of 1934 and otherwise complies with applicable rules and laws.

10. General Provisions.

(a) This Agreement, together with the Plan, represent the entire agreement between the parties with respect to the purchase of the Awarded Shares and may only be modified or amended in a writing signed by both parties.

(b) Any notice, demand or request required or permitted to be given by either the Company or the Grantee pursuant to the terms of this Agreement shall be in writing and shall be deemed given on the date and at the time delivered via personal, courier or recognized overnight delivery service or, if sent via telecopier, on the date and at the time telecopied with confirmation of delivery or, if mailed, on the date five (5) days after the date of the mailing (which shall be by regular, registered or certified mail). Delivery of a notice by telecopy (with confirmation) shall be permitted and shall be considered delivery of a notice notwithstanding that it is not an original that is received. Any notice to Grantee under this Agreement shall be made to Grantee at the address listed in the Company's personnel files. If directed to the Company, any such notice, demand or request shall be sent to the Company's principal executive office, c/o the Company's Secretary, or to such other address or person as the Company may hereafter specify in writing. Any notice to the Escrow Holder shall be sent to the Company's address, with a copy to the other party not sending the notice.

(c) The Company may condition delivery of certificates for Awarded Shares (or, if the Awarded Shares are not certificated, the entry in the stock record books of the Company of the transfer to the Grantee of the Awarded Shares) upon the prior receipt from Grantee of any undertakings which it may determine are required to assure that the certificates are being issued in compliance with federal and state securities laws.

(d) The Grantee has received a copy of the Plan, has read the Plan and is familiar with its terms, and hereby accepts the Awarded Shares subject to all of the terms and provisions of the Plan, as amended from time to time. Pursuant to the Plan, the

Board and the Committee are authorized to interpret the Plan and to adopt rules and regulations not inconsistent with the Plan as they deem appropriate. The Grantee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Board or the Committee upon any questions arising under the Plan.

(e) Neither this Agreement nor any rights or interest hereunder shall be assignable by the Grantee, his beneficiaries or legal representatives, and any purported assignment in violation hereof shall be null and void.

(f) Either party's failure to enforce any provision or provisions of this Agreement shall not in any way be construed as a waiver of any such provision or provisions, nor prevent that party thereafter from enforcing each and every other provision of this Agreement. The rights granted both parties herein are cumulative and shall not constitute a waiver of either party's right to assert all other legal remedies available to it under the circumstances.

(g) The grant of Awarded Shares hereunder shall not confer upon the Grantee any right to continue in service with the Company or any of its subsidiaries.

(h) This Agreement shall be governed by, and enforced in accordance with, the laws of the State of Delaware, without regard to the application of the principles of conflicts or choice of laws.

(i) This Agreement may be executed, including execution by facsimile signature, in one or more counterparts, each of which shall be deemed an original, and all of which together shall be deemed to be one and the same instrument.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have duly executed this Award Agreement for Restricted Shares on the [_____].

**VASCO DATA SECURITY
INTERNATIONAL, INC.**

By: _____
Title: _____

GRANTEE

**AWARD AGREEMENT FOR RESTRICTED SHARES
UNDER THE
VASCO DATA SECURITY INTERNATIONAL, INC.
1997 STOCK COMPENSATION PLAN**

THIS AWARD AGREEMENT FOR RESTRICTED SHARES (this "Agreement") is made as of [_____] (the "Effective Date"), between VASCO DATA SECURITY INTERNATIONAL, INC. (the "Company") and [_____] (the "Grantee").

WHEREAS, the Company maintains the VASCO Data Security International, Inc. 1997 Stock Compensation Plan (as amended, the "Plan") for the benefit of its employees, directors, consultants, and other individuals who provide services to the Company; and

WHEREAS, the Plan permits the purchase of shares of the Common Stock (as defined below), subject to certain restrictions; and

WHEREAS, to compensate the Grantee for his or her service to the Company and to further align the Grantee's personal financial interests with those of the Company's shareholders, the Company wishes to award the Grantee a number of shares of Common Stock, subject to the restrictions and on the terms and conditions contained in the Plan and this Agreement.

NOW, THEREFORE, in consideration of these premises and the agreements set forth herein, the parties, intending to be legally bound hereby, agree as follows:

1. Grant of Restricted Shares. The Company hereby grants to the Grantee an award of the shares set forth on Exhibit A hereto (the "Awarded Shares") of the Company's common stock, par value of \$.001 per share (the "Common Stock") subject to the terms and conditions set forth herein and in the Plan. The terms of the Plan are hereby incorporated into this Agreement by this reference, as though fully set forth herein. Capitalized terms used but not defined herein shall have the same meaning as defined in the Plan.

2. Vesting of Awarded Shares. The Awarded Shares are subject to forfeiture to the Company until they become nonforfeitable in accordance with this Section 2.

(a) Vesting. Awarded Shares shall become nonforfeitable if and to the extent, based upon the delivery of the applicable audited financial statements of the Company, the Company achieves the performance goals set forth on Exhibit A hereto. For purposes of this Agreement, the term "Performance Period" shall be the period commencing on January 1, 20____ and ending on December 31, 20____.

(b) Effect of Change in Control. In the event of and contingent upon the occurrence of a Change in Control prior to the last day of the Performance Period, the Awarded Shares shall become fully vested.

(c) Accelerated Vesting upon Death, Retirement or Disability. If the Grantee's service with the Company ceases by reason of the Grantee's death, Disability or Retirement, 100% of the Awarded Shares immediately shall become nonforfeitable immediately prior to (and contingent on) the occurrence of such death, Disability or Retirement. For purposes of this Section 2(c), the following terms shall have the following meanings:

(i) "Disability" means a mental or physical illness that entitles the Grantee to receive benefits under the long-term disability plan of the Company, or if the Grantee is not covered by such a plan, a mental or physical illness that renders the Grantee totally and permanently incapable of performing the Grantee's services for the Company. Notwithstanding the foregoing, a Disability shall not qualify if it is the result of (A) a willfully self-inflicted injury or willfully self-induced sickness; or (B) an injury or disease contracted, suffered, or incurred while participating in a criminal offense. The determination of Disability shall be made by the Committee. The determination of Disability for purposes of this Agreement shall not be construed to be an admission of disability for any other purpose.

(ii) "Retirement" means the cessation of the Grantee's service as an employee of the Company after attaining either the normal retirement age or the early retirement age as defined in the principal (as determined by the Committee) tax-qualified plan of the Company, if the Grantee is covered by such a plan, or if the Grantee is not covered by such a plan, then age 65.

(d) All Unvested Shares Forfeited upon Other Cessation of Service. Upon cessation of Grantee's service with the Company for any reason other than Grantee's death, Disability or Retirement, or for no reason (and whether such cessation is initiated by the Company, the Grantee or otherwise): (i) any Awarded Shares that have not, prior to such cessation, become nonforfeitable (taking into account the application of Section 2(c), above) shall immediately and automatically, without any action on the part of the Company, be forfeited, and (ii) the Grantee shall have no further rights with respect to those Awarded Shares.

(e) Service with Subsidiaries. Solely for purposes of this Agreement, service with the Company shall be deemed to include service with any subsidiary of the Company (for only so long as such entity remains a subsidiary).

3. Escrow of Shares.

(a) Certificates evidencing the Awarded Shares issued under this Agreement shall be held in escrow by the Secretary of the Company or his or her designee (the "Escrow Holder") (or, if the Awarded Shares are not certificated, shall be entered in the stock record books of the Company as held in escrow by the Escrow Holder) until such Awarded Shares cease to be subject to forfeiture in accordance with Section 2, at which time, the Escrow Holder shall deliver such certificates representing the nonforfeitable Awarded Shares to the Grantee (or, if the Awarded Shares are not certificated, the Awarded Shares shall be entered in the stock record books of the Company as held and owned by the Grantee); provided, however, that no certificates for Awarded Shares shall be delivered to the Grantee (or, if the Awarded Shares are not certificated, no transfer of the Awarded Shares shall be entered in the stock record books of the Company) until appropriate arrangements have been made with the Company for the withholding or payment of any taxes that may be due with respect to such Awarded Shares.

(b) If any of the Awarded Shares are forfeited by the Grantee under Section 2, upon request by the Company, the Escrow Holder shall deliver any stock certificate(s) evidencing those Awarded Shares to the Company (or, if the Awarded Shares are not certificated, such forfeiture shall be entered in the stock record books of the Company), and the Company shall then have the right to retain and transfer those Awarded Shares to its own name free and clear of any rights of the Grantee under this Agreement or otherwise.

(c) The Escrow Holder is hereby directed to permit transfer of the Awarded Shares only in accordance with this Agreement or in accordance with instructions signed by both parties hereto. In the event further instructions are reasonably desired by

the Escrow Holder, he or she shall be entitled to conclusively rely upon directions executed by a majority of the members of the Board. The Escrow Holder shall have no liability for any act or omissions hereunder while acting in good faith in the exercise of his or her own judgment.

4. Stock Splits, etc. If, while any of the Awarded Shares remain subject to forfeiture, there occurs any merger, consolidation, reorganization, reclassification, recapitalization, stock split, stock dividend, or other similar change in the Common Stock, then any and all new, substituted or additional securities or other consideration to which the Grantee is entitled by reason of the Grantee's ownership of the Awarded Shares shall be immediately subject to the escrow contemplated by Section 3, deposited with the Escrow Holder and shall thereafter be included in the term "Awarded Shares" for all purposes of the Plan and this Agreement.

5. Dividends and Distributions During Restricted Period. The Grantee shall have the right to receive dividends and distributions with respect to the Awarded Shares; *provided, however*, that any cash dividends or distributions paid in respect of the Awarded Shares while those Shares remain subject to forfeiture may be delivered to the Grantee only if and when the Awarded Shares giving rise to such dividends or distributions become nonforfeitable.

6. Tax Consequences. The Grantee acknowledges that the Company has not advised the Grantee regarding the Grantee's income tax liability in connection with the grant, receipt or vesting of the Awarded Shares. The Grantee has reviewed with the Grantee's own tax advisors the federal, state, local and foreign tax consequences of this investment and the transactions contemplated by this Agreement. The Grantee is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. The Grantee understands that the Grantee (and not the Company) shall be responsible for the Grantee's own tax liability that may arise as a result of the transactions contemplated by this Agreement.

7. Restrictions on Unvested Awarded Shares. Except for the escrow described in Section 3 or the forfeiture of Awarded Shares to the Company described in Section 2, the Grantee may not sell, pledge, assign, encumber, hypothecate, gift, transfer, bequeath, devise, donate or otherwise dispose of, in any way or manner whatsoever, whether voluntary or involuntary, any legal or beneficial interest in any of the Awarded Shares until the Awarded Shares become nonforfeitable in accordance with Section 2. Prior to the Awarded Shares becoming nonforfeitable in accordance with Section 2, share certificates evidencing Awarded Shares shall bear the following legend to be placed on all certificates evidencing any Awarded Shares (in addition to any other legends that may be required to be placed on such certificates pursuant to the Plan, applicable law or otherwise):

THE TRANSFERABILITY OF THIS CERTIFICATE AND THE SHARES REPRESENTED HEREBY ARE SUBJECT TO THE TERMS AND CONDITIONS (INCLUDING FORFEITURE) OF THE VASCO DATA SECURITY INTERNATIONAL, INC. 1997 STOCK COMPENSATION PLAN, AS AMENDED, AND AN AGREEMENT ENTERED INTO BETWEEN THE REGISTERED OWNER AND VASCO DATA SECURITY INTERNATIONAL, INC. COPIES OF SUCH PLAN AND AGREEMENT ARE ON FILE IN THE PRINCIPAL OFFICES OF VASCO DATA SECURITY INTERNATIONAL, INC. AND WILL BE MADE AVAILABLE TO ANY SHAREHOLDER WITHOUT CHARGE UPON REQUEST TO THE SECRETARY OF THE COMPANY.

8. Rights of Grantee. Prior to the Awarded Shares becoming nonforfeitable in accordance with Section 2, with respect to the Awarded Shares, Grantee shall have all of the rights of a shareholder of the Company, including the right to vote the Awarded Shares and the right to receive any distributions or dividends payable on Shares, subject to the reinvestment and forfeiture provisions of the Plan and to Sections 4 and 5 hereof.

9. Securities Laws. The Company may from time to time impose any conditions on the Awarded Shares as it deems necessary or advisable to ensure that the Plan satisfies the conditions of Rule 16b-3 adopted under the Securities and Exchange Act of 1934 and otherwise complies with applicable rules and laws.

10. General Provisions.

(a) This Agreement, together with the Plan, represent the entire agreement between the parties with respect to the purchase of the Awarded Shares and may only be modified or amended in a writing signed by both parties.

(b) Any notice, demand or request required or permitted to be given by either the Company or the Grantee pursuant to the terms of this Agreement shall be in writing and shall be deemed given on the date and at the time delivered via personal, courier or recognized overnight delivery service or, if sent via telecopier, on the date and at the time telecopied with confirmation of delivery or, if mailed, on the date five (5) days after the date of the mailing (which shall be by regular, registered or certified mail). Delivery of a notice by telecopy (with confirmation) shall be permitted and shall be considered delivery of a notice notwithstanding that it is not an original that is received. Any notice to Grantee under this Agreement shall be made to Grantee at the address listed in the Company's personnel files. If directed to the Company, any such notice, demand or request shall be sent to the Company's principal executive office, c/o the Company's Secretary, or to such other address or person as the Company may hereafter specify in writing. Any notice to the Escrow Holder shall be sent to the Company's address, with a copy to the other party not sending the notice.

(c) The Company may condition delivery of certificates for Awarded Shares (or, if the Awarded Shares are not certificated, the entry in the stock record books of the Company of the transfer to the Grantee of the Awarded Shares) upon the prior receipt from Grantee of any undertakings which it may determine are required to assure that the certificates are being issued in compliance with federal and state securities laws.

(d) The Grantee has received a copy of the Plan, has read the Plan and is familiar with its terms, and hereby accepts the Awarded Shares subject to all of the terms and provisions of the Plan, as amended from time to time. Pursuant to the Plan, the Board and the Committee are authorized to interpret the Plan and to adopt rules and regulations not inconsistent with the Plan as they deem appropriate. The Grantee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Board or the Committee upon any questions arising under the Plan.

(e) Neither this Agreement nor any rights or interest hereunder shall be assignable by the Grantee, his beneficiaries or legal representatives, and any purported assignment in violation hereof shall be null and void.

(f) Either party's failure to enforce any provision or provisions of this Agreement shall not in any way be construed as a waiver of any such provision or provisions, nor prevent that party thereafter from enforcing each and every other provision of this Agreement. The rights granted both parties herein are cumulative and shall not constitute a waiver of either party's right to assert all other legal remedies available to it under the circumstances.

(g) The grant of Awarded Shares hereunder shall not confer upon the Grantee any right to continue in service with the Company or any of its subsidiaries.

(h) This Agreement shall be governed by, and enforced in accordance with, the laws of the State of Delaware, without regard to the application of the principles of conflicts or choice of laws.

(i) This Agreement may be executed, including execution by facsimile signature, in one or more counterparts, each of which shall be deemed an original, and all of which together shall be deemed to be one and the same instrument.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have duly executed this Award Agreement for Restricted Shares on the [_____].

**VASCO DATA SECURITY
INTERNATIONAL, INC.**

By: _____
Title: _____

GRANTEE
