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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

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**FORM 8-K**

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**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 8, 2009**

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**VASCO Data Security International, Inc.**

(Exact Name of Registrant as Specified in Charter)

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**Delaware**  
(State or Other Jurisdiction  
of Incorporation)

**000-24389**  
(Commission File Number)

**36-4169320**  
(IRS Employer  
Identification No.)

**1901 South Meyers Road, Suite 210**  
**Oakbrook Terrace, Illinois**  
(Address of Principal Executive Offices)

**60181**  
(Zip Code)

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

**Not Applicable**

(Former Name or Former Address, if Changed Since Last Report)

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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:

- 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))
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[Table of Contents](#)**Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.****2009 Compensation**

On January 8, 2009, 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 named executive officers, T. Kendall Hunt, Jan Valcke and Clifford K. Bown, during fiscal year 2009. Bonuses for each of the named executive officers depend upon the achievement of certain performance goals by VASCO during 2009.

*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	\$375,000	\$300,000	\$675,000
Jan Valcke	President and Chief Operating Officer	320,000 Euros (approx. \$431,000)(2)	288,000 Euros (approx. \$388,000)(2)	608,000 Euros (approx. \$818,000)(2)
Clifford K. Bown	Chief Financial Officer	\$315,000	\$189,000	\$504,000

- (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 2009. 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.
- (2) Dollar amounts calculated based on (1 Euro = \$1.346).

*Long-Term Incentive Compensation: Economic Value Grants*

In addition to each named executive officer's cash compensation, the executive officers were awarded grants of shares of restricted VASCO common stock and performance-based shares of restricted VASCO common stock on January 8, 2009, under the VASCO Data Security International, Inc. 1997 Stock Compensation Plan (the "1997 Plan"). The closing price for VASCO common stock on the grant date was \$8.55.

<u>Name of Executive Officer</u>	<u>Number of Shares of Restricted Common Stock (1)(3)</u>	<u>Number of Shares Performance-Based Restricted Stock (2)(3)</u>
T. Kendall Hunt	29,779	36,350
Jan Valcke	21,376	26,094
Clifford K. Bown	16,676	20,356

- (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.
- (2) Each executive officer's right to these performance-based restricted shares is subject to VASCO's achievement of a cumulative fully-diluted earnings per share goal for the three years ending December 31, 2011. 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.

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- (3) In the event of the executive officer's death or disability prior to the vesting of all of the shares, any unvested and unforfeited shares will vest at that time. Under certain circumstances, all or a portion of the unvested and unforfeited shares would also vest upon a termination of employment following a "change in control" as defined in the 1997 Plan.

On January 8, 2009, the Compensation Committee also approved new forms of award agreements pursuant to which the above-described awards to the executive officers were issued. The new form award agreements are substantially similar to their respective predecessor award agreements, except that the new form award agreements:

- Provide for vesting of the restricted common stock and the performance shares upon the executive officer's death or disability prior to vesting of all of the shares;
- Provide for accelerated vesting of the restricted common stock upon certain terminations of employment after a "change in control" (as defined in the 1997 Plan);
- Provide for vesting of a portion of the performance shares prior to the expiration of the performance period upon certain terminations of employment after a "change in control" (as defined in the 1997 Plan);
- Provide that an executive officer's shares will be forfeited and any payments with respect to the shares must be reimbursed to VASCO if the executive officer's "wrongful act" was a significant contributing factor to VASCO or a subsidiary having to restate all or a portion of its financial statements; and
- Provide that an executive officer's unpaid and unsettled shares will be forfeited if the executive officer engages in certain activities competitive with VASCO, discloses proprietary information of VASCO or fails to cooperate with VASCO in certain legal proceedings.

The new forms of award agreements also specify that the shares (and any related dividends or distributions) are intended to be exempt from the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations thereunder.

The above description of the new form award agreements is qualified in its entirety by reference to the complete texts of the forms of such new form award agreements, copies of which are attached hereto as Exhibit 10.1 (Form of Award Agreement For Restricted Shares Under the VASCO Data Security International, Inc. 1997 Stock Compensation Plan (time-vesting)) and Exhibit 10.2 (Form of Award Agreement For Restricted Shares Under the VASCO Data Security International, Inc. 1997 Stock Compensation Plan (performance-based vesting)).

### ***Clifford K. Bown Letter Agreement***

VASCO and Clifford K Bown entered into a letter agreement dated January 8, 2009 (the "New Letter Agreement"). The New Letter Agreement amended the previous letter agreement between VASCO and Mr. Bown dated February 26, 2007 (the "First Letter Agreement"), that had supplemented the Employment Agreement dated January 1, 2003, between VASCO and Mr. Bown. The New Letter Agreement extended the term of Mr. Bown's assignment to work in Switzerland until March 31, 2010 and increased his monthly allowance for goods and services. It also specified that Mr. Bown's annual base salary and annual targeted cash bonus amounts shall not be less than the amounts set forth in the table above and that his allowances for housing and utilities and for transportation be paid monthly in Swiss francs.

The above description of the New Letter Agreement is qualified in its entirety by reference to the complete text of the New Letter Agreement, a copy of which is attached hereto as Exhibit 10.3.

### **Item 8.01 Other Events.**

#### ***Employment Agreement Amendments***

Effective December 31, 2008, VASCO and each of T. Kendall Hunt and Clifford K. Bown entered into amendments to such officers' respective employment agreements. The amendments were approved by the Compensation Committee of the Company's Board of Directors and incorporated applicable provisions under Section 409A of the Code and the regulations thereunder. The Company does not consider the amendments to the employment agreements to be material.

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The above description of the amendments to the employment agreements is qualified in its entirety by reference to the complete texts of such amendments, copies of which are attached hereto as Exhibit 10.4 (Employment Agreement Amendment – T. Kendall Hunt) and Exhibit 10.5 (Employment Agreement Amendment – Clifford K. Bown).

### **1997 Stock Compensation Plan Amendment**

On December 19, 2008, the Board of Directors of VASCO amended the 1997 Plan. The amendment to the 1997 Plan removed VASCO's ability to make or arrange loans to participants with respect to awards under the 1997 Plan. In addition, the amendment incorporated applicable provisions under Section 409A of the Code and the regulations thereunder. The Company does not consider the amendment to the 1997 Plan to be material.

The above description of the amendment to the 1997 Plan is qualified in its entirety by reference to the complete text of such amendment, a copy of which is attached hereto as Exhibit 10.6.

### **Item 9.01 Financial Statements and Exhibits.**

#### (d) Exhibits

<b>Exhibit Number</b>	<b>Description of Exhibits</b>
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).
10.3	Letter agreement dated January 8, 2009, between VASCO Data Security International, Inc. and Clifford K. Bown.
10.4	Employment Agreement Amendment, dated December 31, 2008, between VASCO Data Security International, Inc. and T. Kendall Hunt.
10.5	Employment Agreement Amendment, dated December 31, 2008, between VASCO Data Security International, Inc. and Clifford K. Bown.
10.6	Amendment to the VASCO Data Security International, Inc. 1997 Stock Compensation Plan, dated December 19, 2008.

**SIGNATURES**

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.

VASCO Data Security International, Inc.

Date: January 14, 2009

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

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**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**, 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 (as defined below), 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 \$0.001 per share (the “**Common Stock**”), subject to the terms and conditions set forth in this Agreement 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 in this Agreement have the meanings set forth in the Plan.

**2. Vesting of Awarded Shares.** Subject to Sections 11 and 12, the Awarded Shares are subject to forfeiture to the Company until they become vested in accordance with this Section 2.

(a) Subject to Sections 11 and 12, Awarded Shares will become vested in accordance with the following schedule, provided that on each vesting date, the Grantee 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) In the event of the Grantee's termination of employment for reasons other than (i) quit without Good Reason (as defined below) or (ii) Cause (as defined below), during the two-years following a Change in Control, 100% of the Awarded Shares will become vested immediately prior to (and contingent on) such termination of employment. "**Cause**" means any act that constitutes, in the judgment of the Committee, fraud, dishonesty, bad faith or a felony towards the Company or any of its subsidiaries, any violation of the Company's Code of Ethics and Conduct (or any successor thereto), conviction of a crime involving moral turpitude, entering into any contract or business relationship causing diversion of business opportunity from the Company or any of its subsidiaries (except with the prior written consent of the Board), or willful and material neglect of the individual's duties to the Company or any of its subsidiaries 30 days after having received written notice thereof, in each case as determined by the Committee, whose determination shall be conclusive and binding. "**Good Reason**" means, following a Change in Control:

(i) The assignment to the Grantee of any duties inconsistent in any respect with the Grantee's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities or any other action by the Company or a subsidiary that results in a material diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith;

(ii) Any failure by the Company or a subsidiary to comply with any provision of any employment agreement entered into between the Grantee and the Company or such subsidiary other than an isolated, insubstantial and inadvertent failure not occurring in bad faith;

(iii) The Company (or any subsidiary) requiring the Grantee to be based at any office or location other than the office occupied by the Grantee as of the date of an Award or a reasonably comparable office located within a 40-mile radius of such current office; or

(iv) A material adverse change in the Grantee's base salary.

A "Good Reason" termination will have occurred only if (x) the Grantee terminates his employment during the two years following the initial existence of a Good Reason event; (y) the Grantee provided notice to Company within 90 days of the initial existence of a Good Reason condition; and (z) the Company failed to cure the Good Reason event within 30 days of such notice from the Grantee. Any good faith determination of "Good Reason" made by the Grantee shall be conclusive.

(c) If the Grantee's service with the Company ceases by reason of the Grantee's death or Disability, 100% of the Awarded Shares will become vested immediately prior to (and contingent on) the occurrence of such death or Disability. "**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 will

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 will 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.

(d) Except as provided in Sections 2(b) and 2(c), upon cessation of the Grantee's service with the Company for any reason 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 vested will 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) 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 are vested in accordance with Section 2, at which time, the Escrow Holder shall deliver such certificates representing the 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 will be delivered to the Grantee (or, if the Awarded Shares are not certificated, no transfer of the Awarded Shares will 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 will deliver any stock certificate(s) evidencing those Awarded Shares to the Company (or, if the Awarded Shares are not certificated, such forfeiture will be entered in the stock record books of the Company), and the Company will 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 will be entitled to conclusively rely upon directions executed by a majority of the members of the Board. The Escrow Holder will 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 vesting under Section 2, 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 will be immediately subject to the escrow contemplated by Section 3, deposited with the Escrow Holder and will 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 will 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 will become vested and delivered to the Grantee only if and when the Awarded Shares giving rise to such dividends or distributions become vested under Section 2.

**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) will 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 vested in accordance with Section 2.

**8. Legend.** Share certificates evidencing Awarded Shares will 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.**

Upon request by the Grantee, following vesting of the Awarded Shares pursuant to Section 2, the Company will remove the legend from the certificates evidencing such vested Awarded Shares.

**9. Rights of Grantee.** Prior to the Awarded Shares becoming vested in accordance with Section 2, with respect to the Awarded Shares, Grantee will 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.

**10. 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.

**11. Recoupment of Awarded Shares.** Notwithstanding anything in the Plan or this Agreement to the contrary, if the Company determines that the Grantee's Wrongful Act was a significant contributing factor to the Company or a subsidiary having to restate all or a portion of its financial statements, all outstanding Awarded Shares will immediately and automatically be forfeited and the Grantee shall promptly repay to the Company any Common Stock, cash or other property paid in respect of any Awarded Share during the Recoupment Period. For purposes of this Section 11, the following terms have the following meanings:

(a) "**Recoupment Period**" means the period beginning on the date the financial statements requiring restatement were originally released to the public or submitted to the Securities and Exchange Commission (whichever is earlier) and ending on the date the restated financial statements are filed with the Securities and Exchange Commission.

(b) "**Wrongful Act**" (i) if defined in a then-current written employment agreement between a Grantee and the Company (or a subsidiary), has the meaning assigned to such term in such employment agreement, (ii) if not so defined, means any act that constitutes, in the judgment of the Company, fraud, dishonesty, bad faith or a felony towards the Company or any of its subsidiaries, any violation of the Company's Code of Ethics and Conduct (or any successor thereto), conviction of a crime involving moral turpitude, entering into any contract or business relationship causing diversion of business opportunity from the Company or any of its subsidiaries (except with the prior written consent of the Board), or willful and material neglect of the individual's duties to the Company or any of its subsidiaries 30 days after having received written notice thereof.

**12. Additional Awarded Shares Forfeiture Provisions.** Notwithstanding anything in the Plan to the contrary, if a Forfeiture Event occurs with respect to the Grantee, each Awarded Share not then paid or settled will be immediately forfeited and canceled upon the occurrence of the Forfeiture Event. For clarification, the Grantee is not prohibited from engaging in any activity, including competing

with the Company or a subsidiary. Rather, the non-occurrence of a Forfeiture Event is a condition to the Grantee's right to realize and retain value from the Awarded Shares, and the consequences under this Agreement if the Grantee engages in an activity giving rise to any such Forfeiture Event, which Forfeiture Events are hereby acknowledged to be harmful to the Company, are the forfeitures described in this Section 12. The Company and the Grantee will not be precluded by this Section 12 or otherwise from entering into other agreements concerning the subject matter of this Section 12.

**"Forfeiture Event"** means the occurrence of any of the following at any time during a Grantee's employment by the Company or a subsidiary or during the one-year period following termination of such employment:

(a) The Grantee, acting alone or with others, with others, directly or indirectly:

(i) Engages, either as employee, employer, consultant, advisor, or director, or as an owner, investor, partner, or stockholder (unless the Grantee's interest is insubstantial), in any business in an area or region in which the Company or a subsidiary conducts business at the date the event occurs, which is directly in competition with a business then conducted by the Company or a subsidiary, except for such engagement that is after a Change in Control and after the Grantee's termination of employment. A Grantee's interest as a stockholder is **"insubstantial"** if it represents beneficial ownership of less than five percent of the outstanding class of stock, and a Grantee's interest as an owner, investor, or partner is "insubstantial" if it represents ownership, as determined by the Committee in its discretion, of less than five percent of the outstanding equity of the entity;

(ii) Induces any customer or supplier of the Company or a subsidiary with whom the Grantee has had contacts or relationships, directly or indirectly, during and within the scope of the Grantee's employment, to curtail, cancel, not renew, or not continue such customer's or supplier's business, with the Company or a subsidiary; or

(iii) Induces, or attempts to influence, any employee of or service provider to the Company or a subsidiary to terminate such employment or service.

The Committee will, in its discretion, determine which lines of business the Company conducts on any particular date and which third parties may reasonably be deemed to be in competition with the Company;

(b) The Grantee discloses, uses, sells, or otherwise transfers, except in the course of employment with or other service to the Company or a subsidiary, any proprietary information of the Company or a subsidiary so long as such information has not otherwise been disclosed to the public or is not otherwise in the public domain, or the Grantee makes statements or representations, or otherwise communicates, directly or indirectly, in writing, orally, or otherwise, or takes any other action which may, directly or indirectly, disparage or be damaging to the Company or a subsidiary or their respective officers, directors, employees, advisors, businesses or reputations, except, in each case, as required by law or pursuant to legal process; and

(c) The Grantee fails to cooperate with the Company or a subsidiary by failing to make himself or herself available to testify on behalf of the Company or a subsidiary in any action, suit, or proceeding, whether civil, criminal, administrative, or investigative, or otherwise fails to assist the Company or any subsidiary in any such action, suit, or proceeding by providing information and meeting and consulting with members of management of, other representatives of, or counsel to, the Company or such subsidiary, as reasonably requested.

### **13. 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 must be in writing and will 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 days after the date of the mailing (which must be by registered or certified mail). Delivery of a notice by telecopy (with confirmation) will be permitted and will be considered delivery of a notice notwithstanding that it is not an original that is received. Any notice to Grantee under this Agreement will 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 will be sent to the Chairman of the Committee at the Company's principal executive office, or to such other address or person as the Company may hereafter specify in writing. Any notice to the Escrow Holder will 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 will be assignable by the Grantee, the Grantee's beneficiaries or legal representatives, and any purported assignment in violation hereof will be null and void.

(f) Either party's failure to enforce any provision or provisions of this Agreement will 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 will 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 does not confer upon the Grantee any right to continue in service with the Company or any of its subsidiaries.

(h) The Awarded Shares and any related dividends or distributions are intended to be exempt from the requirements of Internal Revenue Code Section 409A.

(i) 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.

(j) 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 \_\_ day of \_\_\_\_\_, 20\_\_.

**VASCO DATA SECURITY INTERNATIONAL, INC.**

By: \_\_\_\_\_  
Its: \_\_\_\_\_  
\_\_\_\_\_

**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**, 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 (as defined below), 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 \$0.001 per share (the “**Common Stock**”), subject to the terms and conditions set forth in this Agreement 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 in this Agreement have the meanings set forth in the Plan.

**2. Vesting of Awarded Shares.** Subject to Sections 11 and 12, the Awarded Shares are subject to forfeiture to the Company until they become vested in accordance with this Section 2.

(a) Awarded Shares will become vested if and to the extent, based upon the delivery of the applicable audited financial statements of the Company, the Company achieves the Performance Goal set forth on Exhibit A hereto during the Performance Period. “**Performance Period**” means the period commencing on \_\_\_\_\_ and ending on \_\_\_\_\_. Any Awarded Shares that do not vest in accordance with this Section 2 will automatically be forfeited.

(b) In the event of the Grantee’s termination of employment for reasons other than (i) quit without Good Reason (as defined below) or (ii) Cause (as defined below), during the two years following a Change in Control:

(A) The Awarded Shares earned and outstanding as of the date the Change in Control is determined to have occurred will be payable in full at the level achieved in accordance with Exhibit A hereto; and

(B) If the termination of employment occurs prior to the expiration of the Performance Period, any remaining Awarded Shares outstanding as of the date the Change in Control shall be prorated (based on the ratio of (x) the number of days in that have elapsed in the Performance Period to (y) the total number of days in the Performance Period) at the target payout level up to and including the date of such Change in Control and such prorated amount of shares shall be delivered to the Grantee within 10 days after such termination of employment and in any event no later than March 15 of the year following the calendar year during which such termination of employment occurs.

“Cause” means any act that constitutes, in the judgment of the Committee, fraud, dishonesty, bad faith or a felony towards the Company or any of its subsidiaries, any violation of the Company’s Code of Ethics and Conduct (or any successor thereto), conviction of a crime involving moral turpitude, entering into any contract or business relationship causing diversion of business opportunity from the Company or any of its subsidiaries (except with the prior written consent of the Board), or willful and material neglect of the individual’s duties to the Company or any of its subsidiaries 30 days after having received written notice thereof, in each case as determined by the Committee, whose determination shall be conclusive and binding. “Good Reason” means, following a Change in Control:

- (i) The assignment to the Grantee of any duties inconsistent in any respect with the Grantee’s position (including status, offices, titles and reporting requirements), authority, duties or responsibilities or any other action by the Company or a subsidiary that results in a material diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith;
- (ii) Any failure by the Company or a subsidiary to comply with any provision of any employment agreement entered into between the Grantee and the Company or such subsidiary other than an isolated, insubstantial and inadvertent failure not occurring in bad faith;
- (iii) The Company (or any subsidiary) requiring the Grantee to be based at any office or location other than the office occupied by the Grantee as of the date of an Award or a reasonably comparable office located within a 40-mile radius of such current office; or
- (iv) A material adverse change in the Grantee’s base salary.

A “Good Reason” termination will have occurred only if (x) the Grantee terminates his employment during the two years following the initial existence of a Good Reason event; (y) the Grantee provided notice to Company within 90 days of the initial existence of a Good Reason condition; and (z) the Company failed to cure the Good Reason event within 30 days of such notice from the Grantee. Any good faith determination of “Good Reason” made by the Grantee shall be conclusive.

(c) If the Grantee's service with the Company ceases by reason of the Grantee's death or Disability, 100% of the Awarded Shares will become vested immediately prior to (and contingent on) the occurrence of such death or Disability. "**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 will 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 will 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.

(d) Except as provided in Sections 2(b) and 2(c), upon cessation of the Grantee's service with the Company for any reason 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 vested will 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) 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 are vested in accordance with Section 2, at which time, the Escrow Holder shall deliver such certificates representing the 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 will be delivered to the Grantee (or, if the Awarded Shares are not certificated, no transfer of the Awarded Shares will 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 will deliver any stock certificate(s) evidencing those Awarded Shares to the Company (or, if the Awarded Shares are not certificated, such forfeiture will be entered in the stock record books of the Company), and the Company will 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 will be entitled to conclusively rely upon directions executed by a majority of the members of the Board. The Escrow Holder will 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 vesting under Section 2, 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 will be immediately subject to the escrow contemplated by Section 3, deposited with the Escrow Holder and will 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 will 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 will become vested and delivered to the Grantee only if and when the Awarded Shares giving rise to such dividends or distributions become vested under Section 2.

**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) will 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 vested in accordance with Section 2.

**8. Legend.** Share certificates evidencing Awarded Shares will 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.**

Upon request by the Grantee, following vesting of the Awarded Shares pursuant to Section 2, the Company will remove the legend from such vested Awarded Shares.

**9. Rights of Grantee.** Prior to the Awarded Shares becoming vested in accordance with Section 2, with respect to the Awarded Shares, Grantee will 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.

**10. 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.

**11. Recoupment of Awarded Shares.** Notwithstanding anything in the Plan or this Agreement to the contrary, if the Company determines that the Grantee's Wrongful Act was a significant contributing factor to the Company or a subsidiary having to restate all or a portion of its financial statements, all outstanding Awarded Shares will immediately and automatically be forfeited and the Grantee shall promptly repay to the Company any Common Stock, cash or other property paid in respect of any Awarded Share during the Recoupment Period. For purposes of this Section 11, the following terms have the following meanings:

(a) **"Recoupment Period"** means the period beginning on the date the financial statements requiring restatement were originally released to the public or submitted to the Securities and Exchange Commission (whichever is earlier) and ending on the date the restated financial statements are filed with the Securities and Exchange Commission.

(b) **"Wrongful Act"** (i) if defined in a then-current written employment agreement between a Grantee and the Company (or a subsidiary), has the meaning assigned to such term in such employment agreement, (ii) if not so defined, means any act that constitutes, in the judgment of the Company, fraud, dishonesty, bad faith or a felony towards the Company or any of its subsidiaries, any violation of the Company's Code of Ethics and Conduct (or any successor thereto), conviction of a crime involving moral turpitude, entering into any contract or business relationship causing diversion of business opportunity from the Company or any of its subsidiaries (except with the prior written consent of the Board), or willful and material neglect of the individual's duties to the Company or any of its subsidiaries 30 days after having received written notice thereof.

**12. Additional Awarded Shares Forfeiture Provisions.** Notwithstanding anything in the Plan to the contrary, if a Forfeiture Event occurs with respect to the Grantee, each Awarded Share not then paid or settled will be immediately forfeited and canceled upon the occurrence of the Forfeiture Event. For clarification, the Grantee is not prohibited from engaging in any activity, including competing with the Company or a subsidiary. Rather, the non-occurrence of a Forfeiture Event is a condition to the Grantee's right to realize and retain value from the Awarded Shares, and the consequences under this Agreement if the Grantee engages in an activity giving rise to any such Forfeiture Event, which Forfeiture Events are hereby acknowledged to be harmful to the Company, are the forfeitures described in this Section 12. The Company and the Grantee will not be precluded by this Section 12 or otherwise from entering into other agreements concerning the subject matter of this Section 12.

**"Forfeiture Event"** means the occurrence of any of the following at any time during a Grantee's employment by the Company or a subsidiary or during the one-year period following termination of such employment:

(a) The Grantee, acting alone or with others, with others, directly or indirectly:

(i) Engages, either as employee, employer, consultant, advisor, or director, or as an owner, investor, partner, or stockholder (unless the Grantee's interest is insubstantial), in any business in an area or region in which the Company or a subsidiary conducts business at the date the event occurs, which is directly in competition with a business then conducted by the Company or a subsidiary, except for such engagement that is after a Change in Control and after the Grantee's termination of employment. A Grantee's interest as a stockholder is "**insubstantial**" if it represents beneficial ownership of less than five percent of the outstanding class of stock, and a Grantee's interest as an owner, investor, or partner is "insubstantial" if it represents ownership, as determined by the Committee in its discretion, of less than five percent of the outstanding equity of the entity;

(ii) Induces any customer or supplier of the Company or a subsidiary with whom the Grantee has had contacts or relationships, directly or indirectly, during and within the scope of the Grantee's employment, to curtail, cancel, not renew, or not continue such customer's or supplier's business, with the Company or a subsidiary; or

(iii) Induces, or attempts to influence, any employee of or service provider to the Company or a subsidiary to terminate such employment or service.

The Committee will, in its discretion, determine which lines of business the Company conducts on any particular date and which third parties may reasonably be deemed to be in competition with the Company;

(b) The Grantee discloses, uses, sells, or otherwise transfers, except in the course of employment with or other service to the Company or a subsidiary, any proprietary information of the Company or a subsidiary so long as such information has not otherwise been disclosed to the public or is not otherwise in the public domain, or the Grantee makes statements or representations, or otherwise communicates, directly or indirectly, in writing, orally, or otherwise, or takes any other action which may, directly or indirectly, disparage or be damaging to the Company or a subsidiary or their respective officers, directors, employees, advisors, businesses or reputations, except, in each case, as required by law or pursuant to legal process; and

(c) The Grantee fails to cooperate with the Company or a subsidiary by failing to make himself or herself available to testify on behalf of the Company or a subsidiary in any action, suit, or proceeding, whether civil, criminal, administrative, or investigative, or otherwise fails to assist the Company or any subsidiary in any such action, suit, or proceeding by providing information and meeting and consulting with members of management of, other representatives of, or counsel to, the Company or such subsidiary, as reasonably requested.

### **13. 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 must be in writing and will 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 days after the date of the mailing (which must be by registered or certified mail). Delivery of a notice by telecopy (with confirmation) will be permitted and will be considered delivery of a notice notwithstanding that it is not an original that is received. Any notice to Grantee under this Agreement will 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 will be sent to the Chairman of the Committee at the Company's principal executive office, or to such other address or person as the Company may hereafter specify in writing. Any notice to the Escrow Holder will 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 will be assignable by the Grantee, the Grantee's beneficiaries or legal representatives, and any purported assignment in violation hereof will be null and void.

(f) Either party's failure to enforce any provision or provisions of this Agreement will 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 will 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 does not confer upon the Grantee any right to continue in service with the Company or any of its subsidiaries.

(h) The Awarded Shares and any related dividends or distributions are intended to be exempt from the requirements of Internal Revenue Code Section 409A.

(i) 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.

(j) 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 \_\_ day of \_\_\_\_\_, 20\_\_.

**VASCO DATA SECURITY INTERNATIONAL, INC.**

By: \_\_\_\_\_

Its: \_\_\_\_\_

\_\_\_\_\_

**Exhibit A**

“**Performance Goal**” means the Company’s achievement, for the Performance Period, of a cumulative earnings per share of Common Stock, on a fully diluted basis, of \$\_\_.

**Awarded Shares:**

Target number of Awarded Shares for 100% achievement of the Performance Goal: \_\_\_\_\_

The following table shows the number of Awarded Shares that will be earned and become vested and will be payable to the Grantee based on achievement of the Performance Goal at various levels:

<u>Percentage Achievement of Performance Goal</u>	<u>Percentage of Awarded Shares earned (as a percentage of the target number of Awarded Shares)*</u>	<u>Number of Awarded Shares</u>
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\* The number of Awarded Shares that will be earned and become vested and payable for achievement of performance levels between the stated Performance Goal achievement percentages shall be interpolated.

January 8, 2009

Mr. Clifford K. Bown  
Executive Vice President, Chief Financial Officer  
VASCO Data Security International, Inc.  
1901 South Myers Road, Suite 210  
Oakbrook Terrace, IL 60181

Dear Mr. Bown:

This letter is a supplement to your employment agreement with VASCO Data Security International, Inc. (VASCO) dated January 1, 2003 and amended effective December 31, 2008 ("Employment Agreement") and amends the letter agreement dated February 26, 2007 ("First Letter Agreement"), and confirms our mutual understanding of the terms and conditions applicable to your assignment to work in Switzerland. It is understood that your Employment Agreement and the terms of the First Letter Agreement not modified in this letter agreement will continue in full force and effect.

It is agreed that your term of the assignment outlined in the First Letter Agreement will be extended for one year (a total of three years), notwithstanding termination of the Employment Agreement in accordance with its terms and conditions. Should the assignment continue beyond three years, then new terms will be agreed upon with you.

#### **Base Salary and Bonus Scheme**

As stated in the First Letter Agreement, your base salary will continue to be determined by the Compensation Committee of the Board of Directors of VASCO in accordance with your Employment Agreement and paid by bi-monthly installments directly into your nominated bank account. Such base salary shall in no event be less than your current annual base salary of \$315,000.

As stated in the First Letter Agreement, your annual performance bonus amounts and related performance targets will also be determined annually by the Compensation Committee of the Board of Directors of VASCO in accordance with your Employment Agreement. The annual targeted bonus amount shall in no event be less than your current annual target bonus of \$189,000.

#### **Goods and Services Allowance**

The amount of your goods and services allowance, as stated in the First Letter Agreement, will be increased to CHF 7,307 per month.

#### **Housing and Utility Allowance**

The amount of your housing and utility allowance, as stated in the First Letter Agreement, will remain at USD 4,500 per month, but will be paid in Swiss Francs. You agree that the Swiss Franc equivalent of USD 4,500 is CHF 4,802.

#### **Transportation**

You will receive a car allowance of CHF 1,333 per month.

This agreement is made in Illinois in the U.S. and shall be subject to the state and federal laws thereof. In the event any provision of this letter shall be held invalid or unenforceable by reason of law, such invalidity shall not affect or render invalid or unenforceable any other provision of the letter.

Sincerely,  
VASCO Data Security International, Inc.

/s/ T. Kendall Hunt  
T. Kendall Hunt  
Chairman and CEO

VASCO Data Security International, Inc. I hereby agree and accept this assignment as outlined above. I understand all policies which apply to U.S. domestic employees, including employment at will policy, will also apply to me. I also understand that this is not a Contract of Employment, but an agreement which supplements any existing arrangements.

Signature: /s/ Clifford K. Bown Date: 01/12/09  
(Clifford K. Bown)

## VASCO DATA SECURITY INTERNATIONAL, INC.

## EMPLOYMENT AGREEMENT AMENDMENT

**WHEREAS**, VASCO Data Security International, Inc. a Delaware corporation (the “**Company**”) entered into an Employment Agreement (the “**Original Agreement**”), dated November 20, 2002, with T. KENDALL HUNT (“**Executive**”); and

**WHEREAS**, the Company and Executive would like to amend the Original Agreement to comply with applicable provisions of Section 409A of the Internal Revenue Code of 1986, as amended;

**NOW, THEREFORE**, Executive and the Company hereby agree to amend the Original Agreement, effective December 31, 2008 (the “**Effective Date**”), as follows:

1. Section 4(b) of the Original Agreement is revised by adding the following sentence at the end thereof:

Any such incentive compensation shall be paid to Executive in accordance with the terms of the governing incentive plan document.

2. Section 6(d) of the Original Agreement is revised by adding the following new paragraph at the end thereof:

For purposes of payments to Executive under this Agreement after an involuntary termination of employment or termination for Good Reason, Executive must have incurred a separation from service, as such term is defined under Section 409A of the Code (as defined in Section 8).

3. Section 6 of the Original Agreement is revised by adding the following new subsection (e) at the end thereof:

(e) Payments to Executive as a Specified Employee. In the event of any payments to Executive after a termination of employment, as described in sections (a)(iii) and (b)(ii) above and in Section 7 while Executive is a “specified employee” (as defined in Code Section 409A), no payments will be made to Executive during the first six months following his separation from service date.

4. Section 7(a) of the Original Agreement is revised by substituting the following therefor:

(a) For purposes hereof, a “Section 7 Termination” will have occurred if Executive’s employment is terminated by the Company other than for Cause or by Executive for Good Reason (as defined in Section 6(b)(ii)) within two years following the occurrence of a Change in Control of VASCO Data Security International, Inc. (the “Parent Company”) or the Company. Any payments made due to a Section 7 Termination must be on account of Executive’s separation from service and shall be subject to Section 6(e).

5. Section 7(b) of the Original Agreement is revised by substituting the following therefor:

(b) "Change in Control" has the meaning set forth in the VASCO Data Security International, Inc. 2008 Equity Incentive Plan, which is intended to meet the definition of a change in control under Code Section 409A.

6. Section 7(c) of the Original Agreement is revised by substituting the following therefor:

(c) If a Section 7 Termination occurs, the Company shall pay Executive, as severance compensation, his Base Salary and Incentive Compensation at the rate then in effect for the period set forth in Exhibit A, from the date of Executive's separation from service. Subject to Section 6(e), such payment will be made within 90 days following Executive's separation from service date and will be made in a lump sum payment equal to the present value of the stream of monthly payments due. For purposes of this computation, present value will be calculated on the basis of the prime rate of interest announced by the Company's principal bank, or if it has no principal bank, as published in The Wall Street Journal on the business day immediately preceding the payment.

7. Section 7(d) of the Original Agreement is deleted in its entirety.

8. Section 8 of the Original Agreement is revised by adding the following sentence at the end thereof:

For purposes of complying with Code Section 409A, in no event will any Gross-Up Payment be made to Executive later than the end of the calendar year following the calendar year in which Executive remits the tax payments to the appropriate taxing authorities.

All other terms, conditions and provisions of the Original Agreement not herein modified shall remain unchanged and in full force and effect.

This Employment Agreement Amendment may be executed in one or more counterparts, and each such counterpart shall be deemed an original, but all such counterparts together shall constitute but one Employment Agreement Amendment. In the event that any signature to this Employment Agreement Amendment is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof.

*SIGNATURE PAGE TO EMPLOYMENT AGREEMENT AMENDMENT*

**IN WITNESS WHEREOF**, the Company and Executive have caused this Employment Agreement Amendment to be executed effective as of the Effective Date.

**VASCO DATA SECURITY INTERNATIONAL, INC.**

**EXECUTIVE**

By: /s/ Clifford K. Bown

/s/ T. Kendall Hunt

Its: Executive Vice President, CFO & Secretary

T. KENDALL HUNT

## VASCO DATA SECURITY INTERNATIONAL, INC.

## EMPLOYMENT AGREEMENT AMENDMENT

**WHEREAS**, VASCO Data Security International, Inc. a Delaware corporation (the “**Company**”) entered into an Employment Agreement (the “**Original Agreement**”), dated January 1, 2003, with CLIFFORD K. BOWN (“**Executive**”);

**WHEREAS**, the Company and Executive entered into a letter agreement (the “**Letter**”), dated February 26, 2007, to supplement the Original Agreement; and

**WHEREAS**, the Company and Executive would like to amend the Original Agreement and the Letter to comply with applicable provisions of Section 409A of the Internal Revenue Code of 1986, as amended;

**NOW, THEREFORE**, Executive and the Company hereby agree to amend the Original Agreement and Letter, effective December 31, 2008 (the “**Effective Date**”), as follows:

1. Section 4(b) of the Original Agreement is revised by adding the following sentence at the end thereof:

Any such incentive compensation shall be paid to Executive in accordance with the terms of the governing incentive plan document.

2. Section 6(d) of the Original Agreement is revised by adding the following new paragraph at the end thereof:

For purposes of payments to Executive under this Agreement after an involuntary termination of employment or termination for Good Reason, Executive must have incurred a separation from service, as such term is defined under Section 409A of the Code (as defined in Section 8).

3. Section 6 of the Original Agreement is revised by adding the following new subsection (e) at the end thereof:

(e) Payments to Executive as a Specified Employee. In the event of any payments to Executive after a termination of employment, as described in sections (a)(iii) and (b)(ii) above and in Section 7 while Executive is a “specified employee” (as defined in Code Section 409A), no payments will be made to Executive during the first six months following his separation from service date.

4. Section 7(a) of the Original Agreement is revised by substituting the following therefor:

(a) For purposes hereof, a “Section 7 Termination” will have occurred if Executive’s employment is terminated by the Company other than for Cause or by Executive for Good Reason (as defined in Section 6(b)(ii)) within two years following the occurrence of a Change in Control of VASCO Data Security International, Inc. (the “Parent Company”) or the Company. Any payments made due to a Section 7 Termination must be on account of Executive’s separation from service and shall be subject to Section 6(e).

5. Section 7(b) of the Original Agreement is revised by substituting the following therefor:

(b) "Change in Control" has the meaning set forth in the VASCO Data Security International, Inc. 2008 Equity Incentive Plan, which is intended to meet the definition of a change in control under Code Section 409A.

6. Section 7(c) of the Original Agreement is revised by substituting the following therefor:

(c) If a Section 7 Termination occurs, the Company shall pay Executive, as severance compensation, his Base Salary and Incentive Compensation at the rate then in effect for the period set forth in Exhibit A, from the date of Executive's separation from service. Subject to Section 6(e), such payment will be made within 90 days following Executive's separation from service date and will be made in a lump sum payment equal to the present value of the stream of monthly payments due. For purposes of this computation, present value will be calculated on the basis of the prime rate of interest announced by the Company's principal bank, or if it has no principal bank, as published in The Wall Street Journal on the business day immediately preceding the payment.

7. Section 7(d) of the Original Agreement is deleted in its entirety.

8. Section 8 of the Original Agreement is revised by adding the following sentence at the end thereof:

For purposes of complying with Code Section 409A, in no event will any Gross-Up Payment be made to Executive later than the end of the calendar year following the calendar year in which Executive remits the tax payments to the appropriate taxing authorities.

9. The Letter is amended by adding the following new Section as the last paragraph thereof:

**Compliance with Code Section 409A**

For purposes of complying with Section 409A of the Internal Revenue Code of 1986, as amended, all reimbursements and in-kind benefits provided pursuant to this Letter or the Employment Agreement are subject to this Section. Any taxable reimbursements or in-kind benefits provided by the Company to Executive will be made no later than the end of the calendar year following the calendar year the expense was incurred or right to the in-kind benefit accrued. Further, (a) payment of such reimbursements or in-kind benefits during one calendar year will not affect the amount of such reimbursement or in-kind benefits provided during a subsequent calendar year; and (b) such reimbursement benefit or rights or in-kind benefits may not be exchanged or substituted for another form of compensation to Executive.

All other terms, conditions and provisions of the Original Agreement and Letter not herein modified shall remain unchanged and in full force and effect.

This Employment Agreement Amendment may be executed in one or more counterparts, and each such counterpart shall be deemed an original, but all such counterparts together shall constitute but one Employment Agreement Amendment. In the event that any signature to this Employment Agreement Amendment is delivered by facsimile transmission or by e-mail delivery of a “.pdf” format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or “.pdf” signature page were an original thereof.

*[Remainder of page intentionally blank]*

IN WITNESS WHEREOF, the Company and Executive have caused this Employment Agreement Amendment to be executed effective as of the Effective Date.

VASCO DATA SECURITY INTERNATIONAL, INC.

EXECUTIVE

By: /s/ T. Kendall Hunt

/s/ Clifford K. Bown

Its: Chief Executive Officer

CLIFFORD K. BOWN

**AMENDMENT  
TO THE  
VASCO DATA SECURITY INTERNATIONAL, INC.  
1997 STOCK COMPENSATION PLAN**

**WHEREAS**, Vasco Data Security (the “**Company**”) sponsors the Vasco Data Security International, Inc. 1997 Stock Compensation Plan, as amended and restated (the “**Plan**”);

**WHEREAS**, Section 11(e) of the Plan grants to the Company’s Board of Directors (the “**Board**”) the authority to amend the Plan at any time;

**WHEREAS**, the Board desires to amend the Plan to comply with the applicable provisions of Section 409A of the Internal Revenue Code of 1986, as amended (“**Code Section 409A**”);

**THEREFORE**, effective December 19, 2008, the Board hereby amends the Plan, as follows:

1. **Section 2(m) is revised by adding the following sentence at the end:**

For purposes of determining the Fair Market Value of an Award at the date of grant, Fair Market Value must be determined in a manner described in Treasury Regulation § 1.409A-1(b)(5)(iv).

2. **Section 6(e)(i) is revised by adding the following sentence between the existing first and second sentences:**

For purposes of complying with Code Section 409A and the related transition guidance, for Awards of Deferred Stock granted before December 31, 2008, the deferral period must be either specified in the Award or elected by the Participant no later than December 31, 2008, and such deferral period may be modified only in a manner permitted by Code Section 409A.

3. **Section 6(e)(iii) is revised to read:**

(iii) *Dividend Equivalents*. The Committee has the discretion to grant on the specified number of shares of Stock covered by an Award of Deferred Stock. At the time of grant, the Committee shall determine whether such Dividend Equivalents will be (A) paid with respect to such Deferred Stock at the dividend payment date in cash or in shares of unrestricted Stock having a Fair Market Value equal to the amount of such dividends, or (B) deferred with respect to such Deferred Stock and the amount or value thereof automatically deemed invested in additional Deferred Stock, other Awards or other investment vehicles as the Committee shall determine. The Committee may permit a Participant to make elections related to a Dividend Equivalent, provided that any elections relating to the distribution or deferral of the Dividend Equivalent is made at the time the Committee Awards the Dividend Equivalent to the Participant and provided further that such elections will not result in constructive receipt of amounts otherwise intended to be deferred for tax purposes.

4. **Section 6(f) is revised by adding the following sentence at the end:**

Any Stock or other Award granted as a bonus or in payment of obligations under this Plan or any other plan may be made only if such grant does not result in (A) for payment of an amount subject to Code Section 409A, an impermissible extension of a deferral period of such amount or (B) for payment of an amount exempt from Code Section 409A, causing such payment or prior Award to become subject to Code Section 409A.

5. **Section 6(g) is revised to read:**

(g) *Dividend Equivalents*. The Committee is authorized to grant Awards of Dividend Equivalents to a Participant alone or in conjunction with other Awards (other than Options and SARs), on such terms and conditions as the Committee determines in accordance with Code Section 409A. Unless otherwise provided in the Award or in Section 6(e)(iii), Dividend Equivalents will be paid immediately when accrued and, in no event, later than March 15 of the calendar year following the calendar year in which such Dividend Equivalents accrue. Unless otherwise provided in the Award if the Participant terminates employment prior to the date such Dividend Equivalents accrue, the Participant's right to such Dividend Equivalents will be immediately forfeited.

6. **Section 7(c) is revised to read:**

(c) *Form and Timing of Payment under Awards*. Subject to the terms of the Plan and any applicable Award document, payments to be made by the Company or a subsidiary upon the exercise of an Option or other Award or settlement of an Award may be made in a lump sum payment in such forms as the Committee may determine, including, without limitation, cash, Stock, other Awards (provided, that such Award is included in the Participant's taxable income at the time it is granted to settle such prior Award), or other property. For Awards that are not subject to Code Section 409A, the settlement of any Award may be accelerated, and cash paid in lieu of Stock in connection with such settlement, in the discretion of the Committee or upon the occurrence of one or more specified events (such as a Change in Control).

7. **Section 7(e) is deleted in its entirety.**

8. **The first sentence of Section 8(b)(v) is revised to read:**

Settlement of such Performance Awards shall be in cash, Stock other Awards (provided, that such Award is included in the Participant's taxable income at the time it is granted to settle such prior Award) or other property, in the discretion of the Committee.

9. **Section 9 is revised by adding the following subsection (c):**

(c) Notwithstanding Section 9(b) above, for any Award that is subject to Code Section 409A, the following definition of "Change in Control" as set forth in this Section 9(c) shall apply if the payment of such Award is made solely due to the Change in Control:

(i) An acquisition by any individual, entity or group, within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act, (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of more than 40% of either (1) the then outstanding shares of Common Stock of the Company (the "Outstanding Common Stock") or (2) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Voting Securities"); excluding, however, the following: (A) any acquisition directly from the Company, other than an acquisition by virtue of the exercise, exchange or conversion of any Convertible Securities unless such securities were themselves acquired directly from the Company, (B) any acquisition by the Company; (C) any acquisition by T. Kendall Hunt or any of his affiliates, or (D) any acquisition by any Person pursuant to a transaction which complies with clauses (1) and (2) of the exception contained in the definition of "Company Transaction;" or

(ii) Within any period of 12 consecutive months, a change in the composition of the Board such that the individuals who, immediately prior to such period, constituted the Board (such Board shall be hereinafter referred to as the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, for purposes hereof, that any individual who becomes a member of the Board during such period, whose election, or nomination for election by the Company’s stockholders, was approved by a vote of at least a majority of those individuals who are members of the Board and who were also members of the Incumbent Board (or deemed to be such pursuant to this proviso) shall be considered as though such individual were a member of the Incumbent Board; but, provided further, that any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board shall not be so considered as a member of the Incumbent Board; or

(iii) A Company Transaction; or

(iv) The approval by the stockholders of the Company of a complete liquidation or dissolution of the Company (other than to an entity pursuant to a transaction which would comply with clauses (1) and (2) of the exception contained in the definition of “Company Transaction”), assuming for this purpose that such transaction would be a Company Transaction.

For purposes of the definition of “Change of Control” and “Company Transaction”, a series of transactions undertaken with a common purpose shall be treated as a single transaction that begins at the consummation of the first transaction in the series and ends at the consummation of the last transaction in the series.

“Company Transaction” means the consummation of:

(i) a reorganization, merger or consolidation of the Company; or

(ii) the sale or other disposition of all or substantially all of the assets of the Company and its direct and indirect subsidiaries taken as a whole to a Person or Persons who are not “related persons” as defined in Treasury Regulation § 1.409A-3(i)(5)(vii)(B);

except in each case a transaction pursuant to which:

(1) all or substantially all of the individuals and entities who are the beneficial owners, respectively, of the Outstanding Common Stock and Outstanding Voting Securities immediately prior to such transaction will beneficially own, directly or indirectly, 50% or more of, respectively, the outstanding shares of common stock, and the combined voting power of the outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the entity resulting from such transaction (including, without limitation, an entity which as a result of such transaction owns the Company or all or substantially all of the Company’s assets, either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such transaction, of the Outstanding Common Stock and Outstanding Voting Securities, as the case may be; and

(2) individuals who were members of the Board immediately prior to the approval by the stockholders of the Company of such transaction will constitute at least a majority of the members of the board of directors of the entity resulting from such transaction.

For all purposes of the definition of Change in Control that applies to Awards subject to Code Section 409A, stock ownership is determined under Code Section 409A. This definition of Change in Control is intended to comply with Code Section 409A for purposes of payment of any Awards subject to Code Section 409A. Accordingly, any interpretation or determination of the Committee regarding the payment of such Awards in connection with a Change in Control will take into account any applicable guidance and regulations under Code Section 409A.

10. **Section 11 is revised by adding the following subsection (p):**

(p) *Code Section 409A.* To the extent applicable and notwithstanding any other provision of this Plan, this Plan and Awards hereunder will be administered, operated and interpreted in accordance with Code Section 409A and Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation, any such regulations or other guidance; provided, however, in the event that the Committee determines that any amounts payable hereunder may be taxable to a Participant under Code Section 409A and related Department of Treasury guidance prior to the payment and/or delivery to such Participant of such amount, the Company may (i) adopt such amendments to the Plan and related Award, and appropriate policies and procedures, including amendments and policies with retroactive effect, that the Committee determines necessary or appropriate to preserve the intended tax treatment of the benefits provided by the Plan and Awards hereunder and/or (ii) take such other actions as the Committee determines necessary or appropriate to comply with or exempt the Plan and/or Awards

from the requirements of Code Section 409A and related Department of Treasury guidance, including such Department of Treasury guidance and other interpretive materials. The Company and its subsidiaries make no guarantees to any person regarding the tax treatment of Awards or payments made under the Plan, and, notwithstanding the above provisions and any agreement or understanding to the contrary, if any Award, payments or other amounts due to a Participant (or his or her beneficiaries, as applicable) results in, or causes in any manner, the application of an accelerated or additional tax, fine or penalty under Code Section 409A or otherwise to be imposed, then the Participant (or his or her beneficiaries, as applicable) will be solely liable for the payment of, and the Company and its subsidiaries will have no obligation or liability to pay or reimburse (either directly or otherwise) the Participant (or his or her beneficiaries, as applicable) for, any such additional taxes, fines or penalties. In the case of any Award subject to Code Section 409A, the provisions relating to permitted times of settlement will apply to such Award.

11. **All other terms, conditions and provisions of the Plan not herein modified shall remain unchanged and in full force and effect.**