

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

Filing Date: **1999-06-17** | Period of Report: **1999-06-02**

SEC Accession No. [0000950131-99-003853](#)

([HTML Version](#) on [secdatabase.com](#))

FILER

HOME SECURITY INTERNATIONAL INC

CIK: **1038262** | IRS No.: **980169495** | State of Incorporation: **DE** | Fiscal Year End: **0630**

Type: **8-K** | Act: **34** | File No.: **001-14502** | Film No.: **99647932**

SIC: **7381** Detective, guard & armored car services

Business Address

LEVEL 7 77 PACIFIC
HIGHWAY

NORTH SYDNEY C3 00000
3125802354

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
The Securities and Exchange Act of 1934

Date of Report (Date of earliest event reported): June 2, 1999

Home Security International, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation)

333-26399

(Commission
File number)

98-0169495

(I.R.S. Employer
Identification No.)

Level 7, 77 Pacific Highway
North Sydney, NSW Australia

(Address of principal executive offices)

2060

(Zip Code)

Registrant's telephone number, including area code: (011) (612) 9936-2424

Former name or former address, if changed since last report

Item 2. Acquisition of Assets

On June 2, 1999, Home Security International, Inc. ("HSI" or the "Company"), closed the purchase of the remaining 24.96% interest in Ness Security Products Pty Limited ("Ness"), a 75.04% indirect subsidiary of HSI. Ness is a leading manufacturer of security alarm products in Australia and the Company's sole supplier of the security guard alarm.

On April 9, 1999, the Company agreed to effectively purchase this 24.96% interest through a series of transactions in which: (i) Circosta agreed to enter into a Non-Competition Agreement with the Company in exchange for a cash payment of \$621,200; (ii) Circosta agreed to purchase 277,778 shares of HSI Common Stock for \$2,484,800 (payable through a 90 day promissory note secured by the HSI Common Stock); (iii) Ness agreed to redeem 260,000 shares of Ness ("Ness Shares") from Circosta Pty Limited, a unit trust beneficially owned by Nazareno Circosta the principal management officer of Ness ("Circosta") as well as certain relevant employees, for \$2,025,360 (collectively, the "Redemption Transaction"). In addition, Ness agreed to pay \$2,902,246 to Circosta in exchange for Circosta terminating his existing employment contract and entering into a new employment contract with Ness.

As a result of the Redemption Transaction, the Company's wholly-owned subsidiary, Integrated International Home Security Limited, became the sole owner of Ness. The Redemption Transaction was subject to certain Australia governmental approvals and other closing conditions. The dollar amounts used in this paragraph are in US dollars, reflecting approximate conversion rates from Australian dollars as of April 9, 1999.

The company previously acquired the controlling 75.04% interest in Ness as of September 30, 1998. See the Form 8-K Current Report filed on October 7, 1998.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

- (a) See the Financial Statements filed on the Form 8-KA Current Report on December 15, 1998.
- (b) See the Pro Forma Financial Information filed on the Form 8-KA Current Report on December 15, 1998.
- (c) Exhibits. The following exhibits are filed herewith in accordance with Item 601 of Regulation S-K:
 - 10.1 Share Buy Back Agreement between Ness Security Products Pty Ltd. and Integrated International Home Security Limited.
 - 10.2 Employment Agreement between Ness Security Products Pty Limited; Nazareno Circosta and Home Security International, Inc.
 - 10.3 Agreement between Nazareno Circosta and Ness Security Products Pty Limited.

- 10.4 Non-Competition Agreement between Nazareno Circosta and Home Security International, Inc.
- 10.5 Share Buy Back Agreement between Circosta Pty Limited and Ness Security Products Pty Limited.

HOME SECURITY INTERNATIONAL, INC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this 8-K report to be signed on its behalf by the undersigned, thereunto duly authorized.

HOME SECURITY INTERNATIONAL, INC.

BY: /s/ Mark Whitaker

Mark Whitaker
Chief Financial Officer

Dated: June 17, 1999

SHARE BUY BACK AGREEMENT

NESS SECURITY PRODUCTS PTY LIMITED
ACN 069 984 372

INTEGRATED INTERNATIONAL HOME SECURITY LIMITED

Kevin Munro & Associates
Solicitors
Level 6, Kelco House
364 Kent Street
SYDNEY NSW 2000

Telephone: 9290 3838
Facsimile: 9290 3737

INDEX

CLAUSE NUMBER	CONTENTS
1.	Definitions and Interpretation
2.	Buy-Back
3.	Condition Precedent
4.	Transfer and Registration

THIS AGREEMENT is made on 2 June 1999

PARTIES:

1. NESS SECURITY PRODUCTS PTY LIMITED ACN 069 984 372 of Unit 4, 167 Prospect Highway, Seven Hills, New South Wales (the "Company").
2. INTEGRATED INTERNATIONAL HOME SECURITY LIMITED of C/- Alliance Investments,

RECITALS:

- A. The Company has agreed to buy-back 260,000 Ordinary shares in the capital of the Company held by the Shareholder for \$12.54 per share for total consideration of \$3,260,400 according to the terms in this Agreement and the Shareholder has agreed to sell those shares for the same terms.

IT IS AGREED:

1. DEFINITIONS AND INTERPRETATION

In this Agreement unless the context otherwise requires:

reference to a person includes any other entity recognised by law and vice versa;

words importing the singular number include the plural number and vice versa:

words importing one gender include every gender;

any reference to any of the parties by their defined terms include that party's executors, administrators or permitted assigns or, being a company, its successors or permitted assigns;

every Agreement or undertaking expressed or implied by which more than one person agrees or undertakes any obligation or derives any benefit binds or enures for the benefit of those persons jointly and each severally;

clause headings are for reference purposes only;

2. BUY-BACK

The shareholder for \$12.54 per share for the total consideration of

\$3,260,400 from the Company hereby agrees to sell 260,000 Ordinary Class shares in the capital of the Company held by the Shareholder to the Company.

3. CONDITION PRECEDENT

This Agreement is conditional upon the Company putting all arrangements into place that will make the Agreement valid under Division 2 of Part2J.1 of the Corporations Law.

4. TRANSFER AND REGISTRATION

The Company will register the transfer of shares made pursuant to this Agreement and pay the consideration on completion, which will occur as soon as possible after the condition in clause 3 is satisfied.

EXECUTED as an Agreement.

SIGNED on behalf of NESS)
SECURITY PRODUCTS PTY)
LIMITED by its Authorised Officer in)
the presence of:)
)
)

Signature of Witness) Signature of Authorised Officer
)
)

Name of Witness - please print

SIGNED on behalf of INTEGRATED)
INTERNATIONAL HOME)
SECURITY LIMITED by its)
Authorised Officer in the presence of:)
)
)

Signature of Witness) Signature of Authorised Officer
)
)

Name of Witness - please print

EMPLOYMENT AGREEMENT

DATED: 1999

BETWEEN

NESS SECURITY PRODUCTS PTY LIMITED
ACN 069 984 372

AND

NAZARENO CIRCOSTA

AND

HOME SECURITY INTERNATIONAL INC

DIBBS CROWTHER & OSBORNE
Solicitors
50 Carrington Street
SYDNEY NSW 2000
DX 101 SYDNEY
Tel: (02) 9290-8200

TABLE OF CONTENTS

DEFINITIONS AND INTERPRETATION	2
Definitions	2
Interpretation	4
EMPLOYMENT	6
TERM AND RENEWAL	6
EMPLOYEE'S DUTIES	6
REMUNERATION	7
PERFORMANCE REVIEW	7
EXPENSES	8
ANNUAL LEAVE	8
LONG SERVICE LEAVE	8
SICK LEAVE	8
PLACE OF EMPLOYMENT	9
12. VEHICLE	9
BONUS	9
Profit Target	9
Bonus	10
Calculation and Payment of Bonus	10
Variation of Profit Target	10
Valuation of Options	10
Entitlement to Options	10
Exercise	11
Notice	11
Issue of Shares	11
CONFLICTING ACTIVITY	11
CONFIDENTIALITY	12
NOTES AND MEMORANDA	12
INVENTIONS and INTELLECTUAL PROPERTY	12
SMOKING	13
TERMINATION	13
Termination by the Company	13
Termination by either party	14
RECONSTRUCTION OF THE COMPANY	14
CONSEQUENCES OF TERMINATION	14
SURVIVAL OF OBLIGATIONS	16
RELATIONSHIP OF THE PARTIES	16
VARIATION	16
GOVERNING LAW AND JURISDICTION	16
PROHIBITION AND ENFORCEABILITY	16
WAIVERS	16
ENTIRE AGREEMENT	17

BETWEEN: NESS SECURITY PRODUCTS PTY LIMITED (ACN 069 984 372) of 4/167 Prospect Highway Seven Hills New South Wales ("Company")

AND NAZARENO CIRCOSTA of 618 Windermere Avenue Northmead New South Wales ("Employee")

AND HOME SECURITY INTERNATIONAL INC of Level 7, 77 Pacific Highway North Sydney New South Wales ("HSI")

RECITALS

A. The Company operates the Business.

B. The Company has agreed to employ the Employee and the Employee has agreed to be employed by the Company in the Business on the terms set out in this agreement.

OPERATIVE PROVISIONS

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this agreement, unless contrary to or inconsistent with the context:

"Abnormal Item" means any major decision by HSI or its Associates that have a material adverse or positive effect upon the Company's profits.

"Associates" has the meaning given to it in section 11 of the Corporations Law.

"Board" means the Board of Directors of the Company from time to time.

"Business" means the business of the manufacture, sale and/or distribution of electronic residential security alarm systems for residential and other purposes.

"Business Day" means the day on which trading banks are open for business in Sydney, but does not include a Saturday, Sunday or public holiday.

"Business Hours" means 9 am until 5 pm on any Business Day.

"Change in Ownership of HSI" means a change in ownership of 50% or more of the shares outstanding in HSI in which the acquirer of such shares is a single entity.

"Commencement Date" means the date of this agreement.

"Confidential Information" means all the information including any documentary technical information, know how, ideas, concepts, technology, processes, industrial knowledge, statements, formula, trade secrets, drawings and data concerning the Business operations, intellectual property, finance, customers, markets, suppliers and transactions of the Company or any Related Body Corporate but does not include information which:

- (a) is in or comes into the public domain otherwise than through a breach of obligation of confidentiality by anyone; or
- (b) was already in the possession of the Employee prior to the commencement of his employment in the Business.

"Current Package" means the employment package as specified in Schedule 3.

"Duties" means the duties set out in clause 4 and any other duties which the Company may assign from time to time.

"Employee Bonus Scheme" means any share scheme adopted by HSI for the benefit of HSI's employees including, without limitation, the HSI Stock Option Plan.

"Exercise Period" in relation to an Option means the period commencing on the Issue Date of that Option and ending on the Expiry Date of that Option.

"Expiry Date" in relation to an Option means the tenth anniversary of the Issue Date of that Option or any later date which the Company and HSI determine.

"Financial Year" means the period from 1 January to 31 December in each year during the term of this agreement.

"HSI Stock Option Plan" means HSI's 1997 stock option plan which is annexure 1 to this agreement.

"Intellectual Property" means all present and future copyright, registered and unregistered trademark, patent, design or circuit layout rights and any other intellectual or industrial property rights arising from statute, under common law or in equity

affecting, relating to or capable of being used or adopted for use in the Business.

"Inventions" means any discovery, invention, secret process or improvement in procedure of any kind affecting, relating to or capable of being used or adapted for use in the Business.

"Issue Date" in relation to an Option, means the date the Option is issued in accordance with this agreement.

"Option Price" means the purchase price at which each stock option may be purchased calculated in accordance with HSI Stock Option Plan.

"Options" means the options to purchase stock in the capital of HSI granted by HSI to the Employee under clause 13.2(a) of this agreement

"Position" means the position described in clause 2 and any other position which the Company may give the Employee from time to time.

"Related Body Corporate" has the meaning ascribed to "related body corporate" in the Corporations Law in force at the date of this agreement and includes any related body corporate formed or acquired after the date of this agreement.

1.2 Interpretation

In this agreement unless contrary to or inconsistent with the context:

(1) words importing:

(1) the singular include the plural and vice versa; and

(2) any gender include all genders;

(2) a reference to a party or person includes a reference to that party or person and its successors, substitutes (including, but not limited to, any party or person taking by novation), executors, administrators and assigns;

(3) the word "person" includes a corporation and vice versa;

(4) a reference to any thing or any matter is a reference to the whole and any part of it;

- (5) a reference to a group of persons or parties is a reference to any two or more of them jointly and to each of them individually;
- (6) a covenant, representation or warranty in favour of two or more persons is for the benefit of them jointly and severally;
- (7) a covenant, representation or warranty on the part of two or more persons binds them jointly and severally;
- (8) a reference to this agreement, or other document includes any variation, novation or replacement of or supplement to any of them from time to time;
- (9) a reference to a part, clause, party, annexure, exhibit, appendix or schedule is a reference to a part and clause of, and a party, annexure, exhibit, appendix or schedule to this deed and a reference to this deed includes any annexure, exhibit, appendix and schedule;
- (10) where any clause contains sub-clauses, paragraphs or sub-paragraphs, each sub-clause, paragraph and sub-paragraph however called are to be read and construed separately and independently of any other;
- (11) a reference to a document includes, but is not limited to, any agreement in writing, certificate, notice or other instrument in writing of any kind;
- (12) "writing" and related expressions includes all means of reproducing words in a tangible and permanently visible form;
- (13) headings are inserted for guidance only and do not affect the interpretation of this agreement;
- (14) a reference (whether specific or general) to a statute or to any other legislation includes any code, proclamation, ordinance or other law, and any regulation, rule or by-law or other instrument made under it, and any official directives and all amendments, consolidations, re-enactments or substitutions, of any of them from time to time;
- (15) any agreement, undertaking, acknowledgment, condition or other term made or given by the Employee is deemed to be a covenant by the Employee in favour of and for the benefit of the Company;

- (16) a reference to a "month" or "monthly" means a calendar month or calendar monthly respectively; and

-6-

- (17) no rule of construction applies to the disadvantage of a party because that party was responsible for the preparation of this agreement.

2. EMPLOYMENT

Subject to the terms of this agreement, the Company agrees to employ the Employee and the Employee accepts employment with the Company as the Managing Director of the Business for the term of this agreement

3. TERM AND RENEWAL

This agreement will commence on the Commencement Date and continue, subject to the rights of early termination in clause 19, for an initial period of 5 years. Upon expiry of the initial period, this agreement will automatically renew for a further 5 year period unless, not less than 2 months prior to the expiration of the initial period, either party notifies the other party in writing that it wishes to terminate this agreement to be effective on the expiration of the initial period. If either party notifies the other in accordance with this clause, this agreement terminates on the expiration of the initial period.

4. EMPLOYEE'S DUTIES

4.1 The Employee agrees to devote all time and attention during Business Hours to discharge the Duties under this agreement.

4.2 The Employee's duties in the Position are the duties in relation to the Company and its Business which the Company may from time to time require the Employee to perform having regard to the Company's objects, as stated from time to time.

4.3 The Employee must perform the Duties to the best of the Employee's knowledge and ability and in accordance with:

(1) any rules of employment or conduct relating to employees generally which are promulgated from time to time by the Company; and

(2) any directions or instructions given to the Employee from time to time by superiors of the Employee.

4.4 The Employee must observe a duty of utmost fidelity to the Company, its businesses and personnel.

- 4.5 The Employee must refrain from acting or giving the appearance of acting contrary to the interests of the Company and HSI.

-7-

5. REMUNERATION

- 5.1 During the continuance of this agreement, the Company agrees to pay to the Employee remuneration in accordance with Current Package (excluding the motor vehicle which is dealt with in clause 12.1), or whatever higher rate from time to time is determined and notified to the Employee by the Company, which is exclusive of superannuation contributions required to be made under the Superannuation Guarantee (Administration) Act 1992 or otherwise.
- 5.2 The remuneration of the Employee will be reviewed annually by the Company and will commence on the first anniversary of this agreement. The Company will notify the Employee of any increase in remuneration. In the event of any increase of remuneration being notified, that increase will have effect as if it were specifically provided for as a term of this agreement. The company agrees that any remuneration reviewed in accordance with this agreement will not be less favourable to the Employee than the remuneration current at the time of the review.
- 5.3 The remuneration will be paid by equal monthly instalments in arrears.
- 5.4 In addition, the Employee will be entitled to participate in any Employee Bonus Scheme from time to time.
- 5.5 The parties agree that the Company must pay any fringe benefits tax arising in connection with the performance by the Employee of his obligations under this agreement.

6. PERFORMANCE REVIEW

- 6.1 The performance of the Employee will be reviewed annually by the Company and will commence on the first anniversary of this agreement.
- 6.2 The purpose of the review is:
- (1) to assess the performance of the Employee generally; and
 - (2) to determine whether the Employee should be paid the bonus specified in clause 13.2.
- 6.3 The Board will review the Employee's performance within 1 month (the

"Review Date") after the general meeting of the Company at which the balance sheet for that year shall have been passed.

-8-

6.4 The Board will, after reviewing the Employee's performance, make a determination as to whether the Employee should be paid the bonus described in 13. The determination will be made within 1 month of the Review Date.

6.5 The determination of the Board will be final and binding on the Employee.

6.6 The criteria on which the performance of the Employee is reviewed will be the satisfactory performance of all of the Duties .

7. EXPENSES

The Company agrees to reimburse the Employee for all expenses reasonably and necessarily incurred by the Employee, with the prior written consent of the Company, in the performance of the Duties.

8. ANNUAL LEAVE

The Company must allow the Employee four weeks paid annual holidays each year in accordance with the Annual Holidays Act 1944 to be taken at such times as the Board considers most convenient having regard to the requirements of the Company's Business and the balance of which must not exceed 8 weeks.

9. LONG SERVICE LEAVE

The Company must allow the Employee to take long service leave in accordance with the Long Service Leave Act 1955.

10. SICK LEAVE

10.1 The Employee is entitled to 8 days' sick leave per year when the Employee is incapacitated by virtue of personal illness, accident or injury from carrying out the Duties.

10.2 Subject to clause 10.5, sick leave not taken in any year must accrue and must be carried over to the following year.

10.3 The Employee is not entitled to payment for unused sick leave on termination or expiration of this agreement.

10.4 If required by the Company, the Employee must produce a medical certificate from a qualified medical practitioner evidencing the incapacity of the Employee to carry out the Duties.

- 10.5 The Employee may accumulate 16 days of sick leave over a period of 2 years. The Employee's entitlement to unused sick

-9-

leave must not exceed 16 days. The Employee forfeits any unused sick leave which has accumulated in excess of 16 days.

11. PLACE OF EMPLOYMENT

The Employee is not obliged (except for occasional visits in the ordinary course of business) to work or to reside outside the Sydney metropolitan area.

1. VEHICLE

- 11.1 The Company agrees to provide and maintain a car of a type determined by the Company which will not be less favourable than the car currently provided for the sole use of the Employee while on business of the Company and the Company agrees to pay all expenses in connection with use of the car.
- 11.2 The Company agrees to replace the Employee's car from time to time in accordance with the Company's policy regarding motor car replacement.
- 11.3 The Company agrees to pay any fringe benefits tax payable in respect of the use by the Employee of the car in accordance with the terms of this agreement.

12. BONUS

12.1 Profit Target

- (1) The Company, the Employee and HSI will negotiate in good faith an annual profitability target for the Company before the commencement of each Financial Year (the "Profit Target");
- (2) If no agreement is reached between the parties as to the Profit Target for a Financial Year then each party must, no later than 1 month before the commencement of the next Financial Year deliver to Paul Brown, in his capacity as a director of HSI, written submissions as to the appropriate Profit Target for the Financial Year. Before the commencement of the Financial Year, Paul Brown will decide the Profit Target. The parties agree that this decision is binding in the parties;
- (3) In the event that Paul Brown ceases for any reason to be a director of HSI, the parties agree that his role will be

performed by any other director of HSI as mutually agreed between the parties. If no agreement is reached before 1 month before the commencement of the next Financial Year, the finance director of HSI will perform the role until such times as the parties agree otherwise.

-10-

12.2 Bonus

Subject to clauses 6.4, 13.3 and 13.5, the Company and HSI agree to pay to the Employee a bonus if the Company in any Financial Year exceeds the Profit Target as follows:

- (a) If the Company achieves 105% of the Profit Target, HSI agrees to grant to the Employee an amount of options to purchase stock in the capital of HSI in accordance with the HSI Stock Option Plan with a value equivalent to Aus\$300,000 for nil consideration;
- (b) If the Company achieves 110% of the Profit Target, the Company agrees to pay to the Employee a further cash payment of Aus\$100,000; and
- (c) If the Company achieves 120% of the Profit Target, the Company agrees to pay to the Employee a further cash payment of Aus\$100,000.

12.3 Calculation and Payment of Bonus

The bonuses referred to in clause 13.2:

- (a) are calculated on the basis that the Profit Target represents the Company's net profits (before interest, depreciation and tax as dividends) earned by the Company in each financial year;
- (b) must be paid within 30 days after the determination made by the Board in accordance with clause 6.4.

12.4 Variation of Profit Target

The Company, the Employee and HSI agree that the Profit Target may be changed by agreement between the parties if at any time the Company's business is affected by an Abnormal Item .

12.5 Valuation of Options

The parties agree that the Options must be valued in accordance with the Black and Scholes Option Pricing Model which is annexure 2 of this agreement.

12.6 Entitlement to Options

The Options entitle the Employee to acquire shares if:

-11-

- (a) an exercise right has vested in accordance with clause 13.7:
- (b) at the Option Price; and
- (c) during the Exercise Period.

12.7 Exercise

Subject to the terms of the HSI Stock Option Plan, the right of the Employee to exercise Options will be limited in accordance with this clause. Options issued to the Employee under this agreement can only be exercised at the following times unless HSI and the Company determine (at their absolute discretion) that the Options can be exercised at an earlier time:

- (1) up to 40% of Options can be exercised at any time during the Exercise Period which applies to those Options;
- (2) up to 60% of Options can be exercised between the third anniversary of the Issue Date and the Expiry Date which apply to those Options;
- (3) up to 80% of the Options can be exercised between the fourth anniversary of the Issue Date and the Expiry Date which apply to those Options;
- (4) 100% of the Options can be exercised between the fifth anniversary of the Issue Date and the Expiry Date which relate to those Options.

12.8 Notice

The Employee must give HSI written notice (the "Exercise Notice") of his intention to exercise an Option and deliver to HSI a cheque for the amount payable in relation to the number of Options being exercised.

12.9 Issue of Shares

The Company must issue the shares described in an Exercise Notice within 14 days of the date upon which HSI receives cleared funds from the Employee for the shares described in the Exercise Notice.

13. CONFLICTING ACTIVITY

During the term of this agreement the Employee must not engage in any other employment, occupation, consulting or other business activity

-12-

directly or indirectly related to or competing with the Business or in conflict with the Employee's obligations to the Company.

14. CONFIDENTIALITY

14.1 Any Confidential Information of the Company or any Related Body Corporate gained by the Employee whether during or prior to this agreement, must be kept secret and must not be used directly or indirectly otherwise than for the purposes of the Business.

14.2 Without the consent of the Company, the Employee must not infringe any restriction or obligation of non-disclosure relating to trade secrets or any other Confidential Information contained in any agreement between the Company or Related Body Corporate and any third party.

15. NOTES AND MEMORANDA

15.1 The Employee agrees not to use or permit to be used, any notes or memoranda relating to any matter within the scope of the Business or concerning any of the Company's dealings or affairs, otherwise than for the benefit of the Company.

15.2 The Employee acknowledges that any notes or memoranda of the type referred to in clause 16.1 are the absolute property of the Company and must be left at the Company's offices, or at whatever place the Company may direct upon the termination of the Employee's employment under this agreement.

16. INVENTIONS and INTELLECTUAL PROPERTY

16.1 The Employee agrees to immediately disclose to the Company any Inventions or Intellectual Property made or discovered by the Employee during the term of this agreement which are connected with or in any way affect, relate to or are capable of being used or adapted for use in or in connection with the Business or the business of any Related Body Corporate.

16.2 The Employee acknowledges that:

- (1) the Inventions and Intellectual Property referred to in clause 17.1 are the absolute property of the Company or any person

nominated by it for that purpose;

- (2) the Employee must assign absolutely any rights in those Inventions and Intellectual Property to the Company or its nominee; and
- (3) at the expense of the Company, the Employee must do any act or thing which the Company may require, either

-13-

during the term of this agreement or after its termination, to protect the Company or its nominee's rights in those Inventions and Intellectual Property, throughout the world.

- 16.3 The Employee irrevocably appoints the Company to be the Employee's attorney and to execute any instrument or do any thing and generally to use the Employee's name for the purpose of giving to the Company or to its nominee the full benefit of this clause. The Employee acknowledges that a certificate in writing, signed by any director or secretary of the Company (other than the Employee) that any instrument or act falls within the authority conferred by this clause, will be conclusive evidence of that fact.

17. SMOKING

Smoking is prohibited in the office environment.

18. TERMINATION

18.1 Termination by the Company

The Company may terminate this agreement, at any time without prior notice, if the Employee:

- (1) commits any serious or persistent breach of the Employee's obligations under this agreement;
- (2) is guilty of wilful neglect in the discharge of the Duties or any serious misconduct;
- (3) becomes bankrupt or makes any assignment, arrangement or composition with creditors of the Employee pursuant to the Bankruptcy Act 1966 or otherwise;
- (4) is convicted of any criminal or civil offence other than an offence which, in the reasonable opinion only of the Company, does not affect the Employee's ability to perform the Duties;
- (5) becomes of unsound mind or under the control of any committee

or officer under any law relating to mental health; or

- (6) becomes permanently incapacitated by reason of accident or illness from performing the Duties. For the purposes of this clause incapacity in excess of 60 Business Days in any 12 month period is to be taken to be permanent incapacity.

-14-

18.2 Termination by either party

During the operation of this agreement either party may terminate this agreement on 12 months written notice to the other party.

- 18.3 At its discretion, the Company will be entitled to pay the Employee in lieu of the notice period referred to in clause 19.2.

19. RECONSTRUCTION OF THE COMPANY

If, before the termination of this agreement, the employment of the Employee under this agreement ceases because of the liquidation of the Company for the purpose of reconstruction or amalgamation and the Employee is offered employment with another company or concern resulting from that reconstruction or amalgamation on terms and conditions as favourable as this agreement, then the Employee will have no claim against the Company in respect of any failure to fulfil this agreement.

20. CONSEQUENCES OF TERMINATION

- 20.1 After termination of this agreement (whether done lawfully and pursuant to the terms of this agreement or not and without prejudice to any claim for damages which may arise as a result of the termination), the Employee must:

- (1) not directly or indirectly be engaged, employed, concerned with or interested as principal, employer, employee, consultant, partner, director, shareholder (other than as a minority shareholder in a publicly listed company) or otherwise with or in:

- (1) any customer of or supplier to the Company;
- (2) any entity related to, Related Body Corporate of, any customer of, or supplier to the Company; or
- (3) any business which may be actually or potentially in competition with the Business,

for the period of:

- (A) 6 years;
- (B) 5 years;
- (C) 4 years;

-15-

- (D) 3 years;
- (E) 2 years
- (F) 1 year;
- (G) 6 months,

from the date of this agreement at any place within:

- (A) the United States, Europe, Australia and New Zealand;
- (B) the United States, Australia and New Zealand;
- (C) Australia and New Zealand;
- (D) Australia.

- (2) not on the Employee's own account or for any other person solicit, interfere with, or endeavour to entice away from the Company or any of its Related Bodies Corporate, any person who at any time during the term of this agreement was a client, customer or employee of the Company or any of its Related Bodies Corporate for the period of 2 years.
- (3) immediately deliver to the Company all documents relating to the Confidential Information, Inventions and Intellectual Property prepared by the Employee or any other person and any equipment, tools or other devices owned by the Company in the possession of the Employee; and
- (4) from the date of termination of this agreement, immediately cease to hold himself out to the public as being in any way associated with the Company or the Business.

20.2 In the event that a Court determines the period or area of the restraint in clause 21.1 to be unenforceable, the next largest period and the next largest area acceptable to the Court will be deemed to apply.

20.3 On the termination of this agreement under clause 19, the Employee must immediately resign as a director and officer of the Company

effective from the date of termination.

- 20.4 In the event of a Change in Ownership of HSI during or after the termination of this agreement, the greatest period of restraint

-16-

under clause 21.1(a) is reduced on the date of the acquisition to 2 years from the date this agreement.

22. CHANGE IN OWNERSHIP

If a Change in Ownership of HSI occurs during the term of this agreement, the Company agrees to pay to the Employee an amount in cash being equivalent to the salary component for one year of the Employee's remuneration at the time of the Change in Ownership of HSI. The Company agrees to pay this amount to the Employee within 30 days of completion of the transfer of shares under the Change in Ownership of HSI.

21. SURVIVAL OF OBLIGATIONS

The obligations of the Employee contained in this agreement which are intended to survive its termination, will continue in force for the benefit of the Company.

22. RELATIONSHIP OF THE PARTIES

The parties acknowledge that this agreement is intended as a contract of service and to create the relationship of employer and employee and not any other relationship and, in particular, not the relationship of principal and contractor or the relationship of partnership.

23. VARIATION

Any variation of this agreement must be in writing signed by the parties.

24. GOVERNING LAW AND JURISDICTION

This agreement is governed by the laws of New South Wales and both parties submit to the exclusive jurisdiction of the courts of that State.

25. PROHIBITION AND ENFORCEABILITY

25.1 Any provision, or the application of any provision, of this agreement which is prohibited in any jurisdiction is, in that jurisdiction, ineffective only to the extent of that prohibition.

25.2 Any provision, or the application of any provision, of this agreement which is void, illegal or unenforceable in any jurisdiction does not affect the validity, legality or

enforceability of that provision in any other jurisdiction or of the remaining provisions in that or any other jurisdiction.

26. WAIVERS

-17-

- 26.1 Waiver of a breach or any right of election arising from a breach of this agreement must be in writing and signed by the party granting the waiver.
- 26.2 A breach or a right of election arising from a breach of this agreement is not waived by any failure to or delay in exercise, or partial exercise, of that right of election or any other right.

27. ENTIRE AGREEMENT

This agreement contains the entire agreement and is in substitution of any previous contracts of service between the Company and the Employee which are deemed to have been terminated by mutual consent from the date of this agreement.

-18-

Executed by the parties as an agreement.

The common seal of NESS SECURITY)	
PRODUCTS PTY LIMITED ACN 069)	
984 372 was affixed in accordance)	
with its articles of association)	
in the presence of:)	
)
	)	Signature of
.....	)	authorised person
Signature of authorised)	
person	)	.....
	)	Office held
.....)	
Office held	)	.....
	)	Name of authorised person
.....	)	(block letters)
Name of authorised person)	
(block letters))	

Signed sealed and delivered by)
NAZARENO CIRCOSTA in the)
presence of:)

.....)	
Signature of witness)	
)	
.....)
Name of witness (block letters))	

-19-

The common seal of HOME)	
SECURITY INTERNATIONAL INC)	
was affixed in accordance)	
with its articles of)	
association in the presence)	
of:)	
)	
.....)
Signature of authorised	)	Signature of authorised person
person)	
)
.....	)	Office held
Office held)	
)
.....	)	Name of authorised person
Name of authorised person	)	(block letters)
(block letters))	

AGREEMENT

DATED: 1999

BETWEEN:

NAZARENO CIRCOSTA

AND:

NESS SECURITY PRODUCTS PTY LIMITED

DIBBS CROWTHER & OSBORNE
Solicitors
50 Carrington Street
SYDNEY NSW 2000
DX 101 SYDNEY
Tel: 9290 8200
Fax: 9290 2964
Ref: JEC/JPL:990332

AGREEMENT

THIS AGREEMENT dated 1999

BETWEEN: NAZARENO CIRCOSTA of 61b Windermere Avenue Northmead New South Wales
(in his personal capacity and as agent for Relevant Employees)
("Circosta")

AND: NESS SECURITY PRODUCTS PTY LIMITED ACN 069 984 372 of 4/167 Prospect Highway, Seven Hills New South Wales ("Ness")

RECITALS:

A. Under an employment agreement between Circosta and Ness (previously Lisluck Pty Limited) dated 3 October 1995 ("Employment Contract"), Circosta provided managerial services to Ness.

B. In consideration of Circosta agreeing to:

(i) terminate the Employment Contract; and

(ii) enter into a new employment contract with Ness.

Ness has agreed to pay to Circosta the sum of AUS\$4,672,000.00 on the terms and conditions of this agreement.

1. OPERATIVE PROVISIONS

1.1 DEFINITIONS

In this agreement, including the recitals, unless contrary to or inconsistent with the context:

"Completion Date" means the date being the earlier of:

(a) the date of execution by Circosta of the new employment contract with Ness;

(b) the date of completion of the share buy-back by Ness of the shares in Ness owned by Circosta Pty Limited; and

(c) the date of the subscription by Circosta for the shares in HSII referred to in clause 3.1.

"Confidential Information" means all information in relation to the existence and content of this agreement.

3

"HSII" means Home Security International Inc. of Level 7, 77 Pacific Highway, North Sydney, New South Wales.

"Relevant Employees" means those employees of Ness as agreed by the parties to this agreement.

1.2 Interpretation

In this deed unless contrary to or inconsistent with the context:

- (1) words importing:
 - (1) the singular include the plural and vice versa; and
 - (2) any gender includes all genders;
- (2) a reference to a party or person includes a reference to that party or person and its successors, substitutes (including, but not limited to, any party or person taking by novation), executors, administrators, assigns and principals;
- (3) the word "person" includes a corporation and vice versa;
- (4) a reference to any thing or any matter is a reference to the whole and any part of it;
- (5) a reference to a Group of persons or parties is a reference to any 2 or more of them jointly and to each of them severally;
- (6) a covenant, representation or warranty in favour of 2 or more persons is for the benefit of them jointly and severally;
- (7) a covenant, representation or warranty on the part of 2 or more persons binds them jointly and severally;
- (8) a reference to this deed or other document includes any variation, novation or replacement of or supplement to any of them from time to time;
- (9) a reference to a clause means a reference to a clause of this deed;
- (10) where any clause contains sub-clauses, paragraphs or sub-paragraphs, each sub-clause, paragraph and sub-

paragraph however called is to be read and construed separately and independently of each other;

- (11) a reference (whether specific or general) to a statute or to any other legislation includes any code, ordinance or other law, and any regulation, rule or by-law or other instrument made under it, and all official directives (if any) and all amendments, consolidations, re-enactments or substitutions of any of them from time to time;

- (12) a reference to a document includes, but is not limited to, any agreement in writing, certificate, notice or other instrument in writing of any kind;
- (13) "writing" and related expressions includes all means of reproducing words in a tangible and permanently visible form; and
- (14) headings are inserted for guidance only and do not affect the interpretation of this deed.

2. INCENTIVE

2.1 Subject to clauses 2.2 and 3, in consideration of Circosta:

- (a) terminating the Employment Contract on the Completion Date; and
- (b) entering into a new employment contract with Ness on the Completion Date,

Ness agrees to pay to Circosta the sum of Aus\$4,672,000.00 within 90 days of the Completion Date.

2.2 Circosta acknowledges that the amount which Ness must pay to Circosta under clause 2.1 is before tax, in respect of which Ness will assume liability for group tax of Aus\$2,265,920 and all on costs including, without limitation, workers compensation and payroll tax on behalf of Circosta. Circosta agrees that after the deduction of group tax by Ness, the amount payable by Ness to Circosta under clause 2.1 is Aus\$2,406,080.

3. COMPLETION

Completion of this Agreement will occur in accordance with clause 2.1 and upon Circosta subscribing for shares in HSII in accordance with a Subscription Agreement between Circosta and HSII made on or about the date of this Agreement.

4. CONFIDENTIALITY

- 4.1 Circosta covenants and undertakes to keep the Confidential Information secret and confidential and to refrain from disclosing the Confidential Information to any person.
- 4.2 The obligations of confidentiality contained in this clause do not prevent the disclosure by Circosta of the Confidential Information in circumstances where:

- (1) Circosta is required by law to make the disclosure; and
- (2) the Confidential Information enters the public domain otherwise than as a result of a breach of this agreement.

5. WARRANTY

- 5.1 Circosta warrants and undertakes to Ness and it is a condition of this agreement that Circosta has the capacity to act as agent for and bind the Relevant Employees.
- 5.2 Circosta must indemnify and keep indemnified Ness against any loss incurred or liable to be incurred by reason of any claim, of whatever nature, arising out of or in relation to the warranty contained in this clause 5 being incorrect in any way.

6. VARIATION

Any variation of this agreement must be in writing signed by the parties.

7. GOVERNING LAW AND JURISDICTION

This agreement is governed by the laws of New South Wales and both parties submit to the exclusive jurisdiction of the courts of that State.

8. PROHIBITION AND ENFORCEABILITY

- 8.1 Any provision, or the application of any provision, of this agreement which is prohibited in any jurisdiction is, in that jurisdiction, ineffective only to the extent of that prohibition.

6

- 8.2 Any provision, or the application of any provision, of this agreement which is void, illegal or unenforceable in any jurisdiction does not affect the validity, legality or enforceability of that provision in any other jurisdiction or of the remaining provisions in that or any other jurisdiction.

9. WAIVERS

- 9.1 Waiver of a breach or any right of election arising from a breach of this agreement must be in writing and signed by the party granting the waiver.
- 9.2 A breach or a right of election arising from a breach of this agreement is not waived by any failure to or delay in exercise, or partial exercise, of that right of election or any other right.

10. NOTICES

A notice or other communication including, but not limited to, a request, demand, consent or approval to be made or given to or by a party to this agreement:

- (a) must be in writing unless expressly specified otherwise;
- (b) must be sent to the address of the addressee or sent by facsimile to the facsimile number respectively of the addressee given in this agreement or, if the addressee notifies another address or facsimile number, then to that address or facsimile number respectively;
- (c) must be signed by an authorised officer of the party giving or making it;
- (d) is deemed to be duly given or made;
 - (i) in the case of a posted letter, on the third (seventh, if posted to or from a place outside Australia) day after posting;
 - (ii) in the case of a facsimile, on production of a transmission report by the machine from which the facsimile was sent which indicates that the facsimile was sent in its entirety to the facsimile number of the recipient; and
 - (iii) in the case of delivery by hand, on delivery,

but, if delivery or receipt is not on a Business Day in that place to which a notice or communication is sent or is

7

later than 4.00 pm (local time) in the place of receipt, it will be deemed to have been duly given or made at 9.00 am on the next succeeding Business Day in that place; and

- (e) in the case of a facsimile transmission, is regarded as legible unless the addressee telephones the sender within two hours after the transmission is deemed to be received and informs the sender that it is not legible.

11. ENTIRE AGREEMENT

This agreement contains the entire agreement and is in substitution of any previous sub-contracting or employment agreements between the parties or related persons which are deemed to have been terminated by mutual consent from the date of this agreement.

EXECUTED as an Agreement

Signed by NAZARENO CIRCOSTA in the)
presence of:)
)
)
.....)
Signature of witness)
)
.....)
Name of witness (block letters)

.....
Signature of NAZARENO CIRCOSTA

The common seal of NESS)
SECURITY PRODUCTS PTY LIMITED)
was affixed in accordance with)
its articles of association in)
the presence of:)
)
)
.....)
Signature of authorised person)
)
.....)
Office held)
)
.....)
Name of authorised person)
(block letters))

.....
Signature of authorised person
.....
Office held
.....
Name of authorised person
(block letters)

NON-COMPETITION AGREEMENT

DATED: 1999

BETWEEN:

NAZARENO CIRCOSTA

AND

HOME SECURITY INTERNATIONAL, INC

DIBBS CROWTHER & OSBORNE
Solicitors
50 Carrington Street
SYDNEY NSW 2000
DX 101 SYDNEY
Tel: (612) 9290 8200
Fax: (612) 9290 2964
Ref: JEC/JPL:990332

NON-COMPETITION AGREEMENT

THIS AGREEMENT dated day of 1999

BETWEEN: NAZARENO CIRCOSTA of 61b Windermere Avenue Northmead, New South Wales
(in his personal capacity and as agent for Relevant Employees)
("Circosta")

AND: HOME SECURITY INTERNATIONAL INC of Level 7, 77 Pacific Highway North
Sydney New South Wales
("HSI")

RECITALS

HSI has agreed to pay to Circosta the sum of AUS\$1,000,000 in consideration for Circosta agreeing to give covenants in favour of HSI and its Affiliates on the terms and conditions of this Agreement.

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this agreement, unless the context otherwise requires:

"Affiliate" of HSI means a corporation, partnership, limited liability company or other business entity if:

- (i) HSI directly or indirectly owns in excess of fifty percent (50%) of the voting securities or interests of such entity; or
- (ii) such entity directly or indirectly owns in excess of fifty percent (50%) of the voting securities or interests of HSI.

"Business Enterprise" means:

- (i) any entity primarily engaged in the sale, distribution, manufacture and/or development of home security systems, or any business utilizing any intellectual property of HSI; or
- (ii) any business segment of any entity engaged in the sale, distribution, manufacture and/or development of home security systems, or any business utilizing any intellectual property of HSI or any other business in which HSI or Ness is currently engaged, but, in the case of this subsection (ii)

3

the definition of Business Enterprise shall not include the portion of any business entity not engaged in any of the foregoing activities.

"Change of Control" means:

- (1) any merger or consolidation of, or any sale, transfer or other conveyance, whether direct or indirect, of all or substantially all of the assets of, HSI in each case on a consolidated basis, in one transaction or a series of related transactions, if, immediately after giving effect to such transaction, any "person" or "group" (as such terms are used for purposes of sections 13(d) and 14(d) of the Exchange Act, whether or not applicable) is or becomes the "beneficial owner", directly or indirectly, of more

than 50% of the aggregate voting power normally entitled to vote in the election of directors of the transferee;

- (2) the time that any "person" or "group" (as such terms are used for purposes of sections 13(d) and 14(d) of the Exchange Act, whether or not applicable), is or becomes the "beneficial owner" directly or indirectly, of more than 50% of the aggregate voting power of all classes of Capital Stock then outstanding of HSI normally entitled to vote in elections of directors; or
- (3) during any period of 12 consecutive months after the date of this Agreement, individuals who at the beginning of any such 12 month period constituted the board of directors of HSI (together with any new directors whose election by such board or whose nomination for election by the stockholders of HSI was approved by a vote of a majority of the directors then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved), cease for any reason to constitute a majority of the board of directors of HSI then in office.

"Confidential Information" means all information, and all documents and other tangible items which record information relating to or useful in connection with HSI's business (including the business of any of HSI's Affiliates), which at the time or times concerned is protectible as a trade secret or confidential information under applicable law, and which has been or is from time to time disclosed to or known by Circosta either before or after the date of this Agreement. This term shall be broadly construed to include anything protectible as a trade secret or confidential information under applicable law;

4

"Ness" means Ness Security Products Pty Limited ACN 069 984 372 of 4/167 Prospect Highway, Seven Hills, NSW.

"Relevant Employees" means those employees of Ness as agreed by the parties to this agreement.

1.2 Interpretation

In this agreement, including the recitals, unless contrary to or inconsistent with the context:

- (1) words importing:
 - (1) the singular include the plural and vice versa; and
 - (2) a gender includes every other gender;

- (2) a reference to a party or person includes a reference to that party or person, its successors, substitutes (including, but not limited to, a party or person taking by novation), executors, administrators, assigns and principals;
- (3) a reference to any thing or matter is a reference to the whole and any part of it;
- (4) the word "person" includes a corporation and vice versa; an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and any governmental agency;
- (5) a reference to a group of persons or parties is a reference to any two or more of them jointly and to each of them individually;
- (6) a covenant, representation or warranty in favour of two or more persons is for the benefit of them jointly and severally;
- (7) a covenant, representation or warranty on the part of two or more persons binds them jointly and severally;
- (8) a reference to this agreement or other document includes any variation, novation or replacement of or supplement to any of them from time to time;

- (9) a reference to a part, clause, party, annexure, exhibit, appendix or schedule is a reference to a part and clause of, and a party, annexure, exhibit, appendix or schedule to this agreement and a reference to this agreement includes any annexure, exhibit, appendix and schedule;
- (10) where any clause contains sub-clauses, paragraphs or sub-paragraphs, each sub-clause, paragraph and sub-paragraph however called will be read and construed separately and independently of any other;
- (11) a reference to a document includes without any limitation any agreement or agreement in writing, certificate, notice or other instruction of any kind;
- (12) "writing" and related expressions includes all means of reproducing words in a tangible and permanently visible form;
- (13) headings are inserted only for guidance and do not affect the interpretation of this agreement;

- (14) a reference to any statute, regulation, proclamation, ordinance or by-law includes all statutes, regulations, proclamations, ordinances or by-laws amending, consolidating or replacing them and a reference to a statute includes all regulations, proclamations, ordinances and by-laws made or issued under that statute;
- (15) a reference to a body other than a party to this agreement:
- (1) which ceases to exist; or
 - (2) the powers or functions of which are transferred to another body,
- is a reference to the body which replaces it or which substantially succeeds to its powers or functions;
- (16) no rule of construction applies to the disadvantage of a party because that party was responsible for the preparation of this agreement; and
- (17) a reference to HSI includes each of its Affiliates.

2. HSI PAYMENT

6

HSI agrees to pay to Circosta the sum of AUS\$1,000,000 on the date of this agreement and on the terms and conditions of this agreement.

3. NON-SOLICITATION COVENANTS

3.1 Circosta covenants that he will not, for the lesser of:

- (a) a period of 6 years or, where this is held by a Court to be unenforceable, the greater of;
 - (A) 5 years;
 - (B) 4 years;
 - (C) 3 years;
 - (D) 2 years
 - (E) 1 year;
 - (F) 6 months,

after the date of this Agreement; or

- (b) a period of two (2) years after the date HSI enters into a transaction relating to a Change of Control,

directly or indirectly, on his own behalf or on behalf of any other person or entity, without the express written permission of HSI:

- (i) solicit, hire or attempt to hire or employ any employee of HSI or its Affiliates on behalf of an individual or other entity which provides the same or similar services, processes or products as HSI or its Affiliates;
- (ii) induce or attempt to induce any employee of HSI or its Affiliates to leave his or her employ with HSI or its Affiliates;
- (iii) induce or attempt to induce any customer, supplier, vendor, joint venture partner or any other person to curtail or cease doing business with HSI or its Affiliates; or
- (iv) solicit or attempt to solicit any customer of HSI on behalf of an individual or other entity which provides the same or similar services, processes or products as HSI or its Affiliates.

4. NON-COMPETITION

4.1 Except as otherwise provided in this Agreement, or for and on behalf of HSI, Circosta agrees that for either the lesser of:

- (1) a period of 6 years or, where this is held by a Court to be unenforceable, the greater of;
 - (A) 5 years;
 - (B) 4 years;
 - (C) 3 years;
 - (D) 2 years
 - (E) 1 year;
 - (F) 6 months,

after the date of this Agreement; or

- (2) two (2) years after the date HSI enters into a transaction

relating to a Change of Control,

he will not, without the express written consent of HSI, either directly or indirectly, own, manage, operate, control, be employed or retained by, or in any way engage in or be connected with any Business Enterprise, in any capacity whatsoever, including, but not limited to, as a partner, owner, creditor, director, officer, employee, agent or independent contractor in:

- (a) any geographic territories served by HSI;
- (b) the United States, Europe, Australia and New Zealand;
- (c) the United States, Australia and New Zealand;
- (d) Australia and New Zealand;
- (e) Australia.

4.2 Circosta's ownership of less than one percent of the outstanding equity securities of a firm which is listed on a US or Australian national or regional securities exchange market shall not, in itself, constitute a violation of this clause 4.

8

4.3 In the event that a Court determines the period of the restraint in clauses 3.1 and 4.1 or the area of restraint in clause 4.1 to be unenforceable, the next largest period or area acceptable to the Court will be deemed to apply.

5. DISCLOSURE OF CONFIDENTIAL INFORMATION

Circosta recognises that he will occupy a position of trust and confidence with HSI as to Confidential Information pertaining to HSI. Therefore Circosta agrees that:

- (a) for the longest period permitted by law from the date of this Agreement, Circosta and each Affiliate of Circosta shall hold in the strictest confidence and shall not, other than as required by law, without the prior written consent of HSI, use for his own benefit or that of any third party or disclose to any person, firm or corporation (except HSI, an Affiliate of HSI or employees of HSI and its Affiliates) any Confidential Information;
- (b) Circosta and each Affiliate of Circosta (and if deceased, their personal representatives) must promptly following a request therefor from HSI return to HSI, without retaining copies, all tangible items which are or which contain Confidential Information. Circosta must

also surrender all computer print-outs, laboratory books, floppy discs and other such media for storing software and information, work papers, files, client lists, telephone and/or address books, rolodex cards, internal memoranda, appointment books, calendars, keys and other tangible things entrusted to Circosta by HSI or authored in whole or in part by Circosta within the scope of his duties to HSI even if such things do not contain Confidential Information; and

- (c) at the request of HSI made at any time, Circosta and each Affiliate of Circosta (and if deceased, their personal representatives) must make, execute and deliver all applications, papers, assignments, conveyances, instruments or other documents and shall perform or cause to be performed such other lawful acts as HSI may reasonably deem necessary or desirable to implement any of the provisions of this Agreement, and shall give testimony and co-operate with HSI, its Affiliates or their respective representatives in any controversy or legal proceedings involving HSI, its Affiliates or their respective representatives with respect to any Confidential Information.

6. WARRANTY

9

- 6.1 Circosta warrants and undertakes to HSI and it is a condition of this agreement that Circosta has the capacity to act as agent for and bind the Relevant Employees.
- 6.2 Circosta must indemnify and keep indemnified HSI against any loss incurred or liable to be incurred by reason of any claim, of whatever nature, arising out of or in relation to the warranty contained in this clause 6 being incorrect in any way.

7. GENERAL TERMS

- 7.1 Circosta acknowledges that any breach of any obligation contained in this Agreement is not adequately compensable by monetary damages, and Circosta agrees that any such breach shall cause HSI irreparable harm for which HSI shall be entitled to a temporary restraining order and preliminary injunction without prior notice to Circosta. Any and all attorneys' fees, costs and expenses incurred by HSI in enforcing the terms of this Agreement shall be reimbursed to HSI by Circosta.
- 7.2 In the event that any body of competent jurisdiction shall determine that any of the restrictive covenants in this Agreement are inequitably broad, it is the intention and agreement of the parties that the decision-maker shall equitably adjust the obligations of Circosta under this Agreement to include the maximum reasonable restriction allowed by law rather than entirely eliminate any such obligations. In the event that the decision-maker shall equitably adjust or eliminate any of the restrictive covenants in this

Agreement, all other aspects of this Agreement shall remain in full force and effect.

- 7.3 In the event that any provision of this Agreement is determined by any body of competent jurisdiction to be unenforceable, illegal or contrary to public policy, that body shall modify such provision to conform to public policy, or to interpret it in such a way as to render it enforceable and legal, in accordance with the intent of the parties as expressed in this Agreement. In the event that a body of competent jurisdiction decides that any provision of this Agreement is unenforceable, illegal or contrary to public policy and cannot be reformed, only such provision shall be affected and all other provisions of this Agreement shall remain in full force and effect.
- 7.4 This Agreement shall be binding upon Circosta and inure to the benefit of HSI and its successors and assigns.
- 7.5 This instrument contains the entire agreement of HSI and Circosta and respect to its subject matter and supersedes all prior understandings and agreements of HSI and Circosta with respect to its subject matter.

10

- 7.6 This Agreement shall be governed by and construed in accordance with the laws of New South Wales applicable to contracts made and to be performed therein. Each party irrevocably and unconditionally submits to the exclusive jurisdiction of the courts of New South Wales and courts of appeal from there. The parties acknowledge that due to current international sales of HSI the scope of the provisions of this Agreement are intended to be worldwide.
- 7.7 The rights and remedies enumerated herein, are in addition to any rights or remedies HSI may have under any other agreement, and shall not be construed as a release, waiver or modification of any of the terms, conditions, representations, warranties, covenants, rights or remedies set forth in any other agreement, including without limitation, any rights or remedies HSI has under the employment agreement dated , 1999, as amended, between HSI, Ness and Circosta.

EXECUTED as an agreement.

Signed by NAZARENO CIRCOSTA in the)
presence of:)

Signature of witness

)
)
)
)
)
)

Signature of NAZARENO CIRCOSTA

)
)
)

[illegible]

)
)
)
)

)
)
)
)

SHARE BUY-BACK AGREEMENT

NESS SECURITY PRODUCTS PTY LIMITED
ACN 069 984 372

CIRCOSTA PTY LIMITED
ACN 071 135 709

Kevin Munro & Associates
Solicitors
Level 6, Kelco House
364 Kent Street
SYDNEY NSW 2000

Telephone: 9290 3838
Facsimile: 9290 3737

INDEX

CLAUSE NUMBER	CONTENTS
1.	Definitions and Interpretation
2.	Buy-Back
3.	Condition Precedent
4.	Transfer and Registration

THIS AGREEMENT is made on 2 June 1999

PARTIES:

1. NESS SECURITY PRODUCTS PTY LIMITED ACN 069 984 372 of Unit 4, 167 Prospect Highway, Seven Hills, New South Wales (the "Company").
2. CIRCOSTA PTY LIMITED ACN 071 135 709 of Unit 4, 167 Prospect Highway, Seven Hills, New South Wales, (the "Shareholder")

RECITALS:

- A. The Company has agreed to buy-back 260,000 Ordinary shares in the capital of the Company held by the Shareholder for \$12.54 per share for total consideration of \$3,260,400 according to the terms in this Agreement and the Shareholder has agreed to sell those shares for the same terms.

IT IS AGREED:

1. DEFINITIONS AND INTERPRETATION

In this Agreement unless the context otherwise requires:

reference to a person includes any other entity recognised by law and vice versa;

words importing the singular number include the plural number and vice versa:

words importing one gender include every gender;

any reference to any of the parties by their defined terms include that party's executors, administrators or permitted assigns or, being a company, its successors or permitted assigns;

every Agreement or undertaking expressed or implied by which more than one person agrees or undertakes any obligation or derives any benefit binds or enures for the benefit of those persons jointly and each severally;

clause headings are for reference purposes only;

2. BUY-BACK

The shareholder for \$12.54 per share for the total consideration of \$3,260,400 from the Company hereby agrees to sell 260,000 Ordinary Class shares in the capital of the Company held by the Shareholder to the

Company.

3. CONDITION PRECEDENT

This Agreement is conditional upon the Company putting all arrangements into place that will make the Agreement valid under Division 2 of Part 2J.1 of the Corporations Law.

4. TRANSFER AND REGISTRATION

The Company will register the transfer of shares made pursuant to this Agreement and pay the consideration on completion, which will occur as soon as possible after the condition in clause 3 is satisfied.

EXECUTED as an Agreement.

SIGNED on behalf of NESS SECURITY)
PRODUCTS PTY LIMITED by its)
Authorised Officer in the presence of:)
)
)

Signature of Witness) Signature of Authorised Officer
)
)

Name of Witness -- please print

SIGNED on behalf of CIRCOSTA PTY)
LIMITED by its Authorised Officer in the)
presence of:)
)
)

Signature of Witness) Signature of Authorised Officer
)
)

Name of Witness -- please print