

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

FORM 8-K

CURRENT REPORT

Pursuant To Section 13 Or 15(D) of The Securities Exchange Act of 1934

Date of report (date of earliest event reported): May 3, 2006

WPCS INTERNATIONAL INCORPORATED

(Exact name of registrant as specified in its charter)

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

**0-26277
(Commission
File Number)**

**98-0204758
(IRS Employer
Identification No.)**

**One East Uwchlan Avenue, Suite 301, Exton, PA 19341
(Address of principal executive offices)**

Registrant's telephone number, including area code: (610) 903-0400

Copy of correspondence to:

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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 (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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ITEM 1.01 Entry into a Material Definitive Agreement

On May 3, 2006, WPCS International Incorporated (the "Company"), entered into a binding letter of intent to acquire New England Communications Systems, Inc. of Middletown, Connecticut ("NECS"). The purchase price is \$3,200,000 in cash, subject to adjustment, and the assumption of approximately \$1,400,000 of debt. In connection with the acquisition, it is contemplated that certain current officers of NECS will enter into employment agreements with NECS upon completion of the acquisition. The closing of the acquisition is subject to the completion of satisfactory due diligence by WPCS and other customary conditions.

NECS is a provider of specialty communication systems and has deployed wireless networks for many corporate, government and educational clients including the Massachusetts State Police, University of Connecticut and Foxwoods Resort Casino.

ITEM 9.01 Financial Statements and Exhibits.

(c) Exhibits.

10.1 Letter Agreement between the Company and New England Communications Systems, Inc., dated as of May 3, 2006

99.1 Press Release, dated May 3, 2006, issued by WPCS International Incorporated.

SIGNATURE

Pursuant to the requirement of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WPCS INTERNATIONAL INCORPORATED

Date: May 9, 2006

By: /s/ ANDREW HIDALGO

Andrew Hidalgo
President

WPCS INTERNATIONAL INCORPORATED

May 3, 2006

New England Communications Systems, Inc.
15 Industrial Park Place
Middletown, CT 06457
Attn: Mr. Myron Polulak, CEO

Re: Acquisition by WPCS International Incorporated

Gentlemen:

This binding letter of intent (the "LOI") sets forth the agreement and understanding as to the terms of the acquisition of New England Communications Systems, Inc., a Connecticut corporation, together with any subsidiary corporations ("NECS"), by WPCS International Incorporated, a Delaware corporation ("WPCS"), or a wholly-owned subsidiary thereof:

1. Acquisition. WPCS will acquire 100% of the issued and outstanding capital stock of NECS. In consideration for such sale, WPCS will deliver \$3,200,000 cash payable at the closing of the transaction (the "Closing Date"), of which \$3,150,000 shall be paid to the shareholders of NECS and \$50,000 shall be paid for settlement of vehicle leases. In addition, for each \$2.00 of NECS earnings before interest and taxes for the calendar year ending December 31, 2006, the NECS shareholders shall be paid an aggregate additional amount of \$1.00, up to a maximum payment of \$468,000 (the "Earn-out Payment"). At the option of WPCS, any amounts due to be paid for the Earn-out Payment may be paid in cash or shares of WPCS common stock (valued at the last sale price of the common stock on the date the payment is due). The Earn-out Payment shall be paid within ten days after receipt, review and acceptance of NECS 2006 financial statements by WPCS' auditor.

2. Additional Conditions. The following additional parameters will be contained in the acquisition agreement:

- WPCS will seek to favorably convert existing NECS debt facilities to WPCS obligations with favorable re-payment parameters, acceptable in the sole discretion of WPCS.
- WPCS will indemnify the NECS shareholders for all business related personal guarantees made on behalf of NECS.
- Satisfactory confirmation of backlog and forecasts.
- Satisfactory confirmation of customer relationships, such that the acquisition by WPCS will not have a negative impact on such agreements.
- As of the Closing Date, NECS must maintain a working capital position (current assets minus current liabilities, excluding the current and long term portion of debt) of at least \$972,000. Any excess shall be paid to the NECS shareholders and any shortfall will reduce the cash amount payable on Closing.

- Prior to the Closing Date, NECS will not enter into any material obligations or new compensatory arrangements without the consent of WPCS. Material obligations do not include expenses incurred in the normal course of operations.
- The acquisition agreement and related documents (collectively, the “Definitive Agreements”) will contain representations, warranties, covenants, including non-competition and confidentiality covenants, conditions to close and indemnities usual to a transaction of this nature, including representations and warranties made by the NECS shareholders.
- Gary Tallmon will retire effective July 1, 2006 and that the company will pay for his medical benefits for seven years at a cost not to exceed \$12.3k per year. For this payment of medical services, Gary will agree to assist NECS at least 150 hours per year on an as needed consulting basis focused on project related activities as requested by NECS.
- The execution of a two-year employment agreement for Myron Polulak and Carolyn Windesheim on mutually agreeable terms, including a base salary of \$135,000 per year for Mr. Polulak and \$120,000 per year for Ms. Windesheim.
- The NECS board of directors shall consist of two WPCS appointees and one NECS executive member.
- The delivery of financial statements required by WPCS for SEC filing purposes.
- If requested by WPCS, NECS shareholders need to make an IRS Section 338 (h) (10) election and if so, WPCS will reimburse NECS shareholders for any increased tax obligations at the time such tax obligations are due.
- Any vehicles paid by NECS for non-employees company vehicle needs to be assumed by the respective individual as their contractual obligation after the closing date.

2. Costs. Each party agrees to pay, without right of reimbursement from the other party and regardless of whether or not the transaction is consummated, the costs incurred by it in connection with this transaction, including legal fees and other costs incidental to the negotiation of the terms of the transaction and the preparation of related documentation.

3. Timeline. The confidentiality/standstill agreement is attached hereto. All parties will use their best efforts to complete the transactions outlined above as soon as practicable. It is expected that an acquisition agreement will be executed and the transaction will close in no event later than July 31, 2006. Neither party shall be obligated to consummate the transactions prior to the execution of Definitive Agreements, unless the parties agree thereto in writing.

4. Conduct of Business. Each party hereto hereby agrees to conduct its business in accordance with the ordinary, usual and normal course of business heretofore conducted by it. Thus, there may be no material adverse changes in the business of either company from the date hereof through the closing of this transaction.

WPCS Signs Letter of Intent to Acquire NECS

EXTON, PA — (PR Newswire-First Call) - May 9, 2006 - NASDAQ: WPCS - News) WPCS International Incorporated (WPCS), a leader in design-build engineering services for specialty communication systems and wireless infrastructure, has announced that it has signed a letter of intent to acquire New England Communications Systems, Inc. (NECS) www.necommsys.com of Middletown, CT for \$3.2 million in cash and the assumption of approximately \$1.4 million in debt. NECS is a provider of specialty communication systems and has deployed wireless networks for many corporate, government and educational clients including the Massachusetts State Police, University of Connecticut and Foxwoods Resort Casino.

NECS has a history of profitable operations, with steadily increasing revenues over the past five years. For the year ended December 31, 2005, NECS generated \$9.9 million in revenue and \$540,000 of EBIT or earnings before interest and taxes, excluding certain non-recurring owner expenses (a non-GAAP measure). The gross margin for 2005 was approximately 29%. The current annual forecast for NECS, ending December 31, 2006 is to achieve \$11.4 million in revenue and \$936,000 in EBIT.

Myron Polulak, CEO of New England Communications Systems, Inc., commented, "The merging of operations with WPCS is very beneficial for our customers and our employees. For our customers, it allows us to continue to offer the highest quality of service with additional engineering and financial strength. For our employees, it offers the opportunity to be part of a larger organization and a recognized leader in specialty communication systems, which should enhance career development. We look forward to closing this transaction and contributing to the future growth of WPCS."

Andrew Hidalgo, CEO of WPCS International Incorporated, commented, "This is a very strategic acquisition from many perspectives. First, it establishes WPCS with offices in New England, which has been a very important geographic region for our company. Secondly, WPCS will gain the benefit of an experienced and talented management team with very capable engineers and lastly, we add a financially successful company that is recognized in New England as a leader in specialty communication systems. We are truly excited about merging our operations and capitalizing on the future opportunities."

About WPCS International Incorporated:

WPCS provides design-build engineering services for specialty communication systems and wireless infrastructure including site design, network integration, structured cabling, electrical work and project management. The company has an extensive customer base that includes corporations, government entities and educational institutions. For more information, please visit the website at www.wpcs.com.

Statements about the company's expectations, including revenue and earnings and all other statements in this press release, other than historical facts, are "forward looking" statements and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward looking statements involve risks and uncertainties and are subject to change at any time. The company's actual results could differ materially from expected results. In reflecting subsequent events or circumstances, the company undertakes no obligation to update forward-looking statements.

Contact:

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