

**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): June 22, 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:

Marc J. Ross, Esq.
Sichenzia Ross Friedman Ference LLP
1065 Avenue of the Americas
New York, New York 10018
Tel: (212) 930-9700 Fax: (212) 930-9725

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 June 22, 2006, WPCS International Incorporated (the "Company"), entered into a binding letter of intent to acquire Southeastern Communications Systems, Inc. of Sarasota, Florida ("SECS"). The purchase price is \$1,800,000 in cash and \$1,400,000 in shares of common stock of the Company. In connection with the acquisition, it is contemplated that certain current officers of SECS will enter into employment agreements with SECS 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.

SECS is a provider of specialty communication systems and has deployed wireless networks for many corporate, government and educational clients including the the National Oceanic and Atmospheric Administration (NOAA), Verizon, BellSouth, Comcast, Time Warner, University of Florida and Puerto Rico Telephone.

ITEM 9.01 Financial Statements and Exhibits.

(c) Exhibits.

10.1 [Letter Agreement between the Company and Southeastern Communications Systems, Inc., dated as of June 22, 2006](#)

99.1 [Press Release, dated June 26, 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

Dated: June 26, 2006

By: /s/ ANDREW HIDALGO

Andrew Hidalgo
President

WPCS INTERNATIONAL INCORPORATED

June 22, 2006

Southeastern Communication Service, Inc.
2017 Cattleman Road
Sarasota, FL 34232
Attn: Mr. Dan Lester, President

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 Southeastern Communication Service, Inc., a Florida corporation, together with any subsidiary corporations ("SECS"), 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 SECS from its current shareholders. In consideration for such sale, WPCS will deliver at the closing of the transaction (the "Closing Date"), (i) \$1,800,000 in cash, and (ii) \$1,400,000 in shares of WPCS common stock (valued at the last sale price of the common stock on the date prior to the Closing Date).
 2. Additional Conditions. The following additional parameters will be contained in the acquisition agreement:
 - WPCS will seek to favorably convert existing SECS debt facilities to WPCS obligations with favorable re-payment parameters, acceptable in the sole discretion of WPCS.
 - WPCS will indemnify the SECS shareholders for all business related personal guarantees made on behalf of SECS.
 - 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.
 - Establishment of fair market lease rate and agreement for the current property occupied.
 - As of the Closing Date, SECS must maintain a working capital position (current assets minus current liabilities and long term debt) of at least \$893,000. Any excess shall be paid to the SECS shareholders and any shortfall will reduce the cash amount payable on Closing.
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- Prior to the Closing Date, SECS 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 SECS shareholders.
- The SECS board of directors shall consist of three WPCS appointees and one SECS executive member.
- The delivery of financial statements required by WPCS for SEC filing purposes.
- If requested by WPCS, SECS shareholders need to make an IRS Section 338 (h) (10) election and if so, WPCS will reimburse SECS shareholders for any increased tax obligations at the time such tax obligations are due.
- The following employment agreements would be offered with the following general compensation parameters.

Employee:	Title To Be:	Term:	Base Salary:	Annual Bonus:
Dan Lester	Consultant	Ending 12/31/06	\$77,000	N/A
Chris Lester	President	3 years	\$85,000	Up to 20% of Salary
Karl Eickemeyer	VP Operations	2 years	\$72,000	Up to 20% of Salary
Mike Lester	VP Administration	2 years	\$64,500	Up to 20% of Salary
Tony Ankersmit	VP Technical Operations	2 years	\$63,500	Up to 20% of Salary
Jeff Stackhouse	Project Manager	2 years	\$56,000	Up to 20% of Salary
Marcella Gibbs	Controller	2 years	\$46,800	Up to 20% of Salary

The employment agreements can be renewable and will include provisions for future salary adjustments. The annual bonuses will be discretionary based on SECS’ performance in achieving the agreed upon financial goals for the WPCS FY2007 fiscal year.

- The 401k Plan as implemented would continue to be in place for participating employees but the discretionary profit sharing will have to be adjusted in consideration to SECS profitability and annual bonuses paid.
- SECS can continue with its existing health/life insurance premium policy.
- As an additional benefit to SECS employees, WPCS will offer the opportunity to participate in the stock option plan. SECS management will decide which employees can participate.
- SECS will satisfy the outstanding balance due to Southeastern Communication Systems of Sarasota, Inc. prior to 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.

Until consummation or termination of the Definitive Agreements, SECS and the SECS shareholders shall not directly or indirectly: (i) offer for sale, sell, assign, pledge, distribute or enter into any contract for the sale of or otherwise dispose of the shares of SECS without the expressed written consent of WPCS; (ii) issue or cause to be issued additional shares or options or warrants to purchase shares of SECS to any persons or parties; (iii) offer for sale, sell, assign, pledge, distribute or enter into any contract for the sale of or otherwise dispose of all or substantially all of a material portion of the assets of SECS; or (iv) assume or incur a significant amount of liabilities or take any other actions outside the ordinary course of its business.

5. Access. From the date of this agreement until such time as this agreement is terminated or the Definitive Agreements are executed, WPCS shall have access to all information in the possession or control of SECS relating to SECS's business, assets and financial condition. SECS and its representatives shall also assist WPCS in conducting its due diligence review.

6. Binding Effect. This agreement is binding on the parties provided, however, that in the event that WPCS, acting in its sole discretion, is not fully satisfied with the results of its due diligence review or other information provided by or related to SECS, WPCS, acting in its sole discretion, may terminate the proposed agreement at any time prior to the execution of the Definitive Agreements, which shall be controlling thereafter, and SECS and the SECS shareholders agree to hold WPCS harmless for any attorney's fees, accountant's fee, expenses or other damages which may be incurred by WPCS from the failure to consummate the contemplated Definitive Agreements.

7. Counterparts. This Letter of Intent may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

8. Entire Agreement. This Letter of Intent constitutes the entire agreement of the parties covering everything agreed upon or understood in this transaction. There are no oral promises, conditions, representations, understandings, interpretations or terms of any kind other than as set forth herein.

If the foregoing accurately reflects our discussions, please execute and return to the undersigned one copy of this letter.

WPCS INTERNATIONAL INCORPORATED

By: /s/ JOSEPH HEATER

Joseph Heater,
Chief Financial Officer

AGREED AND ACCEPTED
This 22nd day of June, 2006

SOUTHEASTERN COMMUNICATION SERVICE, INC.

By: /s/ DAN LESTER

Dan Lester,
President

SOUTHEASTERN COMMUNICATION SERVICE, INC.

By: /s/ DAN LESTER

Dan Lester,
President

WPCS to Acquire Southeastern Communication

EXTON, PA — (PR Newswire-First Call) - June 26, 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 Southeastern Communication Service, Inc. (SECS) www.secs-wireless.com of Sarasota, Florida for \$1.8 million in cash and \$1.4 million in WPCS stock. SECS is an engineering firm that has deployed and maintained wireless systems for many corporate, government and educational clients, including the National Oceanic and Atmospheric Administration (NOAA), Verizon, BellSouth, Comcast, Time Warner, University of Florida and Puerto Rico Telephone.

SECS has maintained a history of profitable operations while establishing itself as a leader in the design, deployment and maintenance of wireless networks throughout the Southeastern U.S. For FY2005 ending December 31, 2005, SECS generated \$6.4 million in revenue and \$730,000 in adjusted EBIT or earnings before interest and taxes, excluding certain non-recurring owner expenses (a non-GAAP measure). The current annual forecast for SECS, ending December 31, 2006 is to achieve \$7.5 million in revenue and \$850,000 in EBIT.

Dan Lester, CEO of Southeastern Communication Service, Inc., commented, "Our company is continuing to expand in this fast growth wireless sector. We believe for us to keep pace with the demands of this market, we need the financial and engineering support of a national organization. In our opinion, WPCS has established itself as a national leader in the design and deployment of wireless networks for a variety of applications. By teaming up with WPCS, our current and future customers will continue to receive the highest quality of service and support available."

Andrew Hidalgo, CEO of WPCS International Incorporated, commented, "WPCS continues to focus on its goal of organic growth and strategic acquisitions that will strengthen our geographic scope and engineering capacity. With the pending acquisition of SECS, we gain a company with a reputation for offering outstanding wireless engineering services to a highly visible customer base. Without question, this acquisition will increase our capabilities and allow us to continue to build upon our reputation as a premier wireless engineering company. In addition, this acquisition will give us the opportunity to achieve a higher EPS target for FY2007."

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:

Heather Tocket / Corporate Communications Manager
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