

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K/A

CURRENT REPORT

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

Date of report (date of earliest event reported): April 10, 2007

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

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EXPLANATORY NOTE

On April 16, 2007, WPCS International Incorporated (the "Company") filed a Current Report on Form 8-K (the "8-K") with respect to the loan agreement (the "Loan Agreement") the Company and its subsidiaries entered into with Bank of America, N.A. ("BOA"). The Loan Agreement and the 8-K erred in describing the optional interest rate as LIBOR plus one hundred seventy-five percentage points. The optional interest rate is actually LIBOR plus one hundred seventy-five *basis* points. By this Amendment No. 1 to the 8-K, the Company is amending and restating the 8-K in its entirety thereof to reflect the corrected optional interest rate.

ITEM 1.01 Entry Into a Material Definitive Agreement; and

ITEM 2.03 Creation of a Direct Financial Obligation.

On April 10, 2007, WPCS International Incorporated (the "Company"), and each of its subsidiaries entered into a loan agreement with Bank of America, N.A. ("BOA"). The loan agreement (the "Loan Agreement"), provides for a revolving line of credit in an amount not to exceed \$12,000,000, together with a letter of credit facility not to exceed \$2,000,000. The Company and its subsidiaries also entered into security agreements with BOA, pursuant to which each entity granted a security interest to BOA in all of their assets.

Pursuant to the terms of the Loan Agreement, the Company is permitted to borrow up to \$12,000,000 under the revolving credit line. The Loan Agreement contains customary covenants, including but not limited to (i) funded debt to tangible net worth, and (ii) minimum interest coverage ratio. The loan commitment shall expire on April 10, 2010. The Company may prepay the loan at any time.

Loans under the Loan Agreement bear interest at a rate equal to BOA's prime rate, minus one percentage point. The Company has the option to elect to use the optional interest rate of LIBOR plus one hundred seventy-five basis points.

The Company used the initial funds provided by the loan, in the gross amount of \$4,454,217.24 to repay the existing credit agreement with Bank Leumi USA, which credit agreement was terminated in connection with the Loan Agreement.

ITEM 9.01 Financial Statements and Exhibits.

(a) Financial statements of businesses acquired.

Not Applicable.

(b) Pro forma financial information.

Not Applicable.

(c) Exhibits.

10.1 [Loan Agreement, dated April 10, 2007, by and among WPCS International Incorporated, Bank of America, N.A. Clayborn Contracting Group, Inc., Heinz Corporation, New England Communications Systems, Inc., Quality Communications & Alarm Company, Inc., Southeastern Communication Service, Inc., and Walker Comm, Inc.](#)

10.2 [Security Agreement, dated April 10, 2007, by and among WPCS International Incorporated, Bank of America, N.A. Clayborn Contracting Group, Inc., Heinz Corporation, New England Communications Systems, Inc., Quality Communications & Alarm Company, Inc., Southeastern Communication Service, Inc., and Walker Comm, Inc.](#)

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: April 17, 2007

By: /s/ ANDREW HIDALGO

Andrew Hidalgo
President

LOAN AGREEMENT

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LOAN AGREEMENT

This Agreement dated as of April 10, 2007, is among Bank of America, N.A. (the "Bank") and WPCS International Incorporated, a Delaware corporation ("WPCS"), Clayborn Contracting Group, Inc., a California corporation ("Clayborn), Heinz Corporation, a Missouri corporation ("Heinz"), New England Communications Systems, Inc., a Connecticut corporation ("New England"), Quality Communications & Alarm Company, Inc., a New Jersey corporation ("Quality"), Southeastern Communication Service, Inc., a Florida corporation ("Southeastern"), Walker Comm, Inc., a California corporation ("Walker") (WPCS, Clayborn, Heinz, New England, Quality, Southeastern and Walker are sometimes referred to collectively as the "Borrowers" and individually as a "Borrower").

1. FACILITY: LINE OF CREDIT AMOUNT AND TERMS

1.1 Line of Credit Amount

- (a) During the availability period described below, the Bank will provide a line of credit to the Borrowers. The amount of the line of credit (the "Facility Commitment") is Twelve Million Dollars (\$12,000,000).
- (b) This is a revolving line of credit. During the availability period, the Borrowers may repay principal amounts and reborrow them.
- (c) The Borrowers agree not to permit the principal balance outstanding to exceed the Facility Commitment. If the Borrowers exceed this limit, the Borrowers will immediately pay the excess to the Bank upon the Bank's demand.

1.2 Availability Period

The line of credit is available between the date of this Agreement and April 10, 2010, or such earlier date as the availability may terminate as provided in this Agreement (the "Facility Expiration Date").

1.3 Repayment Terms

- (a) The Borrowers will pay interest on May 1, 2007, and then on the same day of each month thereafter until payment in full of any principal outstanding under this facility.
- (b) The Borrowers will repay in full any principal, interest or other charges outstanding under this facility no later than the Facility Expiration Date. Any interest period for an optional interest rate (as described below) shall expire no later than the Facility Expiration Date.

1.4 Interest Rate

- (a) The interest rate is a rate per year equal to the Bank's Prime Rate minus one percentage point(s).
- (b) The Prime Rate is the rate of interest publicly announced from time to time by the Bank as its Prime Rate. The Prime Rate is set by the Bank based on various factors, including the Bank's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans. The Bank may price loans to its customers at, above, or below the Prime Rate. Any change in the Prime Rate shall take effect at the opening of business on the day specified in the public announcement of a change in the Bank's Prime Rate.

1.5 Optional Interest Rates

Instead of the interest rate based on the rate stated in the paragraph entitled "Interest Rate" above, the Borrowers may elect the optional interest rate listed below for this Facility during interest periods agreed to by the Bank and the Borrowers. The optional interest rate shall be subject to the terms and conditions described later in this Agreement. Any principal amount bearing interest at an optional rate under this Agreement is referred to as a "Portion." The following optional interest rate is available:

(a) The LIBOR Rate plus one hundred seventy-five basis point(s).

1.6 Letters of Credit

(a) During the availability period, at the request of the Borrowers, the Bank will issue:

(i) Standby letters of credit with a maximum maturity of 365 days but not to extend more than 180 days beyond the Facility Expiration Date.

(ii) The amount of the letters of credit outstanding at any one time (including the drawn and unreimbursed amounts of the letters of credit) may not exceed Two Million Dollars (\$2,000,000).

(b) In calculating the principal amount outstanding under the Facility Commitment, the calculation shall include the amount of any letters of credit outstanding, including amounts drawn on any letters of credit and not yet reimbursed.

(c) The Borrowers agree:

(i) Any sum drawn under a letter of credit may, at the option of the Bank, be added to the principal amount outstanding under this Agreement. The amount will bear interest and be due as described elsewhere in this Agreement.

(ii) If there is a default under this Agreement, to immediately prepay and make the Bank whole for any outstanding letters of credit.

(iii) The issuance of any letter of credit and any amendment to a letter of credit is subject to the Bank's written approval and must be in form and content satisfactory to the Bank and in favor of a beneficiary acceptable to the Bank.

(iv) To sign the Bank's form Application and Agreement for Standby Letter of Credit.

(v) To pay any issuance and/or other fees that the Bank notifies the Borrowers will be charged for issuing and processing letters of credit for the Borrowers.

(vi) To allow the Bank to automatically charge its checking account for applicable fees, discounts, and other charges.

(vii) To pay the Bank a non-refundable fee equal to 1.25% per annum of the outstanding undrawn amount of each standby letter of credit, payable quarterly in advance, calculated on the basis of the face amount outstanding on the day the fee is calculated. If there is a default under this Agreement, at the Bank's option, the amount of the fee shall be increased to 6% per annum, effective starting on the day the Bank provides notice of the increase to the Borrowers.

2. OPTIONAL INTEREST RATES

2.1 Optional Rates

Each optional interest rate is a rate per year. Interest will be paid on May 1, 2007, and then on the same day of each month thereafter until payment in full of any principal outstanding under this Agreement. No Portion will be converted to a different interest rate during the applicable interest period. Upon the occurrence of an event of default under this Agreement, the Bank may terminate the availability of optional interest rates for interest periods commencing after the default occurs. At the end of any interest period, the interest rate will revert to the rate stated in the paragraph(s) entitled "Interest Rate" above, unless the Borrowers have designated another optional interest rate for the Portion.

2.2 LIBOR Rate

The election of LIBOR Rates shall be subject to the following terms and requirements:

- (a) The interest period during which the LIBOR Rate will be in effect will be one or two weeks, or one, two, three, four or six months. The first day of the interest period must be a day other than a Saturday or a Sunday on which banks are open for business in New York and London and dealing in offshore dollars (a "LIBOR Banking Day"). The last day of the interest period and the actual number of days during the interest period will be determined by the Bank using the practices of the London inter-bank market.
- (b) Each LIBOR Rate Portion will be for an amount not less than One Hundred Thousand Dollars (\$100,000).
- (c) The "LIBOR Rate" means the interest rate determined by the following formula. (All amounts in the calculation will be determined by the Bank as of the first day of the interest period.)

$$\text{LIBOR Rate} = \frac{\text{London Inter-Bank Offered Rate}}{(1.00 - \text{Reserve Percentage})}$$

Where,

- (i) "London Inter-Bank Offered Rate" means, for any applicable interest period, the rate per annum equal to the British Bankers Association LIBOR Rate ("BBA LIBOR"), as published by Reuters (or other commercially available source providing quotations of BBA LIBOR as selected by the Bank from time to time) at approximately 11:00 a.m. London time two (2) London Banking Days before the commencement of the interest period, for U.S. Dollar deposits (for delivery on the first day of such interest period) with a term equivalent to such interest period. If such rate is not available at such time for any reason, then the rate for that interest period will be determined by such alternate method as reasonably selected by the Bank. A "London Banking Day" is a day on which banks in London are open for business and dealing in offshore dollars.
 - (ii) "Reserve Percentage" means the total of the maximum reserve percentages for determining the reserves to be maintained by member banks of the Federal Reserve System for Eurocurrency Liabilities, as defined in Federal Reserve Board Regulation D, rounded upward to the nearest 1/100 of one percent. The percentage will be expressed as a decimal, and will include, but not be limited to, marginal, emergency, supplemental, special, and other reserve percentages.
- (d) The Borrowers shall irrevocably request a LIBOR Rate Portion no later than 12:00 noon Philadelphia time on the LIBOR Banking Day preceding the day on which the London Inter-Bank Offered Rate will be set, as specified above. For example, if there are no intervening holidays or weekend days in any of the relevant locations, the request must be made at least three days before the LIBOR Rate takes effect.
 - (e) The Bank will have no obligation to accept an election for a LIBOR Rate Portion if any of the following described events has occurred and is continuing:
 - (i) Dollar deposits in the principal amount, and for periods equal to the interest period, of a LIBOR Rate Portion are not available in the London inter-bank market; or
 - (ii) the LIBOR Rate does not accurately reflect the cost of a LIBOR Rate Portion.
 - (f) Each prepayment of a LIBOR Rate Portion, whether voluntary, by reason of acceleration or otherwise, will be accompanied by the amount of accrued interest on the amount prepaid and a prepayment fee as described below. A "prepayment" is a payment of an amount on a date earlier than the scheduled payment date for such amount as required by this Agreement.
 - (g) The prepayment fee shall be in an amount sufficient to compensate the Bank for any loss, cost or expense incurred by it as a result of the prepayment, including any loss of anticipated profits and any loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain such Portion or from fees payable to terminate the deposits from which such funds were obtained. The Borrowers shall also pay any customary administrative fees charged by the Bank in connection with the foregoing. For purposes of this paragraph, the Bank shall be deemed to have funded each Portion by a matching deposit or other borrowing in the applicable interbank market, whether or not such Portion was in fact so funded.

3. FEES AND EXPENSES

3.1 Fees

- (a) Unused Commitment Fee. The Borrowers agree to pay a fee on any difference between the Facility Commitment and the amount of credit it actually uses, determined by the average of the daily amount of credit outstanding during the specified period. The fee will be calculated at 0.25% per year. The calculation of credit outstanding shall include the undrawn amount of letters of credit.
Of this fee, 0.0625% is due on April 30, 2007, and on each subsequent July 31, October 31, January 31 and April 30 until the expiration of the availability period.
- (b) Waiver Fee. If the Bank, at its discretion, agrees to waive or amend any terms of this Agreement, the Borrowers will, at the Bank's option, pay the Bank a fee for each waiver or amendment in an amount advised by the Bank at the time the Borrowers request the waiver or amendment. Nothing in this paragraph shall imply that the Bank is obligated to agree to any waiver or amendment requested by the Borrowers. The Bank may impose additional requirements as a condition to any waiver or amendment.
- (c) Late Fee. To the extent permitted by law, the Borrowers agree to pay a late fee in an amount not to exceed two percent (2%) of any payment that is more than fifteen (15) days late. The imposition and payment of a late fee shall not constitute a waiver of the Bank's rights with respect to the default.

3.2 Expenses

The Borrowers agree to immediately repay the Bank for expenses that include, but are not limited to, filing, recording and search fees, appraisal fees, title report fees, and documentation fees.

3.3 Reimbursement Costs

- (a) The Borrowers agree to reimburse the Bank for any expenses it incurs in the preparation of this Agreement and any agreement or instrument required by this Agreement. Expenses include, but are not limited to, reasonable attorneys' fees, including any allocated costs of the Bank's in-house counsel to the extent permitted by applicable law.
- (b) The Borrowers agree to reimburse the Bank for the cost of periodic field examinations of any Borrower's books, records and collateral, and appraisals of the collateral, at such intervals as the Bank may reasonably require. The actions described in this paragraph may be performed by employees of the Bank or by independent appraisers. The Bank reserves the right to conduct field examinations, the cost of which will be borne by the Borrowers. Unless the Borrowers are in default, field examinations will be conducted no more frequently than once per fiscal year.

4. COLLATERAL

4.1 Personal Property

The personal property listed below now owned or owned in the future by any Borrower will secure the Borrowers' obligations to the Bank under this Agreement. The collateral is further defined in security agreement(s) executed by the owners of the collateral. In addition, all personal property collateral owned by the Borrowers securing this Agreement shall also secure all other present and future obligations of any Borrower to the Bank (excluding any consumer credit covered by the federal Truth in Lending law, unless the Borrowers have otherwise agreed in writing or received written notice thereof). All personal property collateral securing any other present or future obligations of any Borrower to the Bank shall also secure this Agreement.

- (a) Equipment;
- (b) Inventory;
- (c) Receivables;
- (d) General Intangibles.

5. DISBURSEMENTS, PAYMENTS AND COSTS

5.1 Disbursements and Payments

- (a) Each payment by the Borrowers will be made in U.S. Dollars and immediately available funds by direct debit to a deposit account as specified below or, for payments not required to be made by direct debit, by mail to the address shown on the Borrowers' statement or at one of the Bank's banking centers in the United States.
- (b) Each disbursement by the Bank and each payment by the Borrowers will be evidenced by records kept by the Bank. In addition, the Bank may, at its discretion, require the Borrowers to sign one or more promissory notes.

5.2 Requests for Credit; Equal Access by all Borrowers

Any Borrower (or a person or persons authorized by any one of the Borrowers), acting alone, can borrow up to the full amount of credit provided under this Agreement. Each Borrower will be liable for all extensions of credit made under this Agreement to any other Borrower.

5.3 Telephone and Telefax Authorization

- (a) The Bank may honor telephone or telefax instructions for advances or repayments or for the designation of optional interest rates and telefax requests for the issuance of letters of credit given, or purported to be given, by any one of the individuals authorized to sign loan agreements on behalf of the Borrowers, or any other individual designated by any one of such authorized signers.
- (b) Advances will be deposited in and repayments will be withdrawn from account number _____ owned by _____, or such other of any Borrower's accounts with the Bank as designated in writing by the Borrowers.
- (c) The Borrowers will indemnify and hold the Bank harmless from all liability, loss, and costs in connection with any act resulting from telephone or telefax instructions the Bank reasonably believes are made by any individual authorized by the Borrowers to give such instructions. This paragraph will survive this Agreement's termination, and will benefit the Bank and its officers, employees, and agents.

5.4 Direct Debit (Pre-Billing)

- (a) The Borrowers agree that the Bank will debit deposit account number _____ owned by _____, or such other of the Borrowers' accounts with the Bank as designated in writing by the Borrowers (the "Designated Account") on the date each payment of principal and interest and any fees from the Borrowers becomes due (the "Due Date").
- (b) Prior to each Due Date, the Bank will mail to the Borrowers a statement of the amounts that will be due on that Due Date (the "Billed Amount"). The bill will be mailed a specified number of calendar days prior to the Due Date, which number of days will be mutually agreed from time to time by the Bank and the Borrowers. The calculations in the bill will be made on the assumption that no new extensions of credit or payments will be made between the date of the billing statement and the Due Date, and that there will be no changes in the applicable interest rate.
- (c) The Bank will debit the Designated Account for the Billed Amount, regardless of the actual amount due on that date (the "Accrued Amount"). If the Billed Amount debited to the Designated Account differs from the Accrued Amount, the discrepancy will be treated as follows:
 - (i) If the Billed Amount is less than the Accrued Amount, the Billed Amount for the following Due Date will be increased by the amount of the discrepancy. The Borrowers will not be in default by reason of any such discrepancy.
 - (ii) If the Billed Amount is more than the Accrued Amount, the Billed Amount for the following Due Date will be decreased by the amount of the discrepancy. Regardless of any such discrepancy, interest will continue to accrue based on the actual amount of principal outstanding without compounding. The Bank will not pay the Borrowers interest on any overpayment.
- (d) The Borrowers will maintain sufficient funds in the Designated Account to cover each debit. If there are insufficient funds in the Designated Account on the date the Bank enters any debit authorized by this Agreement, the Bank may reverse the debit.

5.5 Banking Days

Unless otherwise provided in this Agreement, a banking day is a day other than a Saturday, Sunday or other day on which commercial banks are authorized to close, or are in fact closed, in the state where the Bank's lending office is located, and, if such day relates to amounts bearing interest at an offshore rate (if any), means any such day on which dealings in dollar deposits are conducted among banks in the offshore dollar interbank market. All payments and disbursements which would be due on a day which is not a banking day will be due on the next banking day. All payments received on a day which is not a banking day will be applied to the credit on the next banking day.

5.6 Interest Calculation

Except as otherwise stated in this Agreement, all interest and fees, if any, will be computed on the basis of a 360-day year and the actual number of days elapsed. This results in more interest or a higher fee than if a 365-day year is used. Installments of principal which are not paid when due under this Agreement shall continue to bear interest until paid.

5.7 Default Rate

Upon the occurrence of any default or after maturity or after judgment has been rendered on any obligation under this Agreement, all amounts outstanding under this Agreement, including any interest, fees, or costs which are not paid when due, will at the option of the Bank bear interest at a rate which is 6.0 percentage point(s) higher than the rate of interest otherwise provided under this Agreement. This may result in compounding of interest. This will not constitute a waiver of any default.

6. CONDITIONS

Before the Bank is required to extend any credit to the Borrowers under this Agreement, it must receive any documents and other items it may reasonably require, in form and content acceptable to the Bank, including any items specifically listed below.

6.1 Authorizations

Evidence that the execution, delivery and performance by the Borrowers of this Agreement and any instrument or agreement required under this Agreement have been duly authorized.

6.2 Governing Documents

A copy of each Borrower's organizational documents.

6.3 Security Agreements

Signed original security agreements covering the personal property collateral which the Bank requires.

6.4 Perfection and Evidence of Priority

Evidence that the security interests and liens in favor of the Bank are valid, enforceable, properly perfected in a manner acceptable to the Bank and prior to all others' rights and interests, except those the Bank consents to in writing. All title documents for motor vehicles which are part of the collateral must show the Bank's interest.

6.5 Payment of Fees

Payment of all fees and other amounts due and owing to the Bank, including without limitation payment of all accrued and unpaid expenses incurred by the Bank as required by the paragraph entitled "Reimbursement Costs."

6.6 Repayment of Other Credit Agreement

Evidence that the existing revolving line of credit in the amount of \$5,000,000 with Bank Leumi USA has been or will be repaid and cancelled on or before the first disbursement under this Agreement.

6.7 Good Standing

Certificates of good standing for each Borrower from its state of formation and from any other state in which any Borrower is required to qualify to conduct its business.

6.8 Legal Opinion

A written opinion from the Borrowers' legal counsel, covering such matters as the Bank may require. The legal counsel and the terms of the opinion must be acceptable to the Bank.

6.9 Landlord Agreement

For any personal property collateral located on real property which is subject to a mortgage or deed of trust or which is not owned by a Borrower (or the grantor of the security interest), an agreement from the owner of the real property and the holder of any such mortgage or deed of trust.

6.10 Insurance

Evidence of insurance coverage, as required in the "Covenants" section of this Agreement.

7. REPRESENTATIONS AND WARRANTIES

When the Borrowers sign this Agreement, and until the Bank is repaid in full, each Borrower makes the following representations and warranties. Each request for an extension of credit constitutes a renewal of these representations and warranties as of the date of the request:

7.1 Formation

Each Borrower is duly formed and existing under the laws of the state or other jurisdiction where organized.

7.2 Authorization

This Agreement, and any instrument or agreement required hereunder, are within each Borrower's powers, have been duly authorized, and do not conflict with any of its organizational papers.

7.3 Enforceable Agreement

This Agreement is a legal, valid and binding agreement of each Borrower, enforceable against each Borrower in accordance with its terms, and any instrument or agreement required hereunder, when executed and delivered, will be similarly legal, valid, binding and enforceable.

7.4 Good Standing

In each state in which any Borrower does business, it is properly licensed, in good standing, and, where required, in compliance with fictitious name statutes.

7.5 No Conflicts

This Agreement does not conflict with any law, agreement, or obligation by which any Borrower is bound.

7.6 Financial Information

All financial and other information that has been or will be supplied to the Bank is sufficiently complete to give the Bank accurate knowledge of each Borrower's (and any guarantor's) financial condition, including all material contingent liabilities. Since the date of the most recent financial statement provided to the Bank, there has been no material adverse change in the business condition (financial or otherwise), operations, properties or prospects of any Borrower (or any guarantor).

7.7 Lawsuits

There is no lawsuit, tax claim or other dispute pending or threatened against any Borrower which, if lost, would impair any Borrower's financial condition or ability to repay the loan, except as have been disclosed in writing to the Bank.

7.8 Collateral

All collateral required in this Agreement is owned by the grantor of the security interest free of any title defects or any liens or interests of others, except those which have been approved by the Bank in writing.

7.9 Permits, Franchises

Each Borrower possesses all permits, memberships, franchises, contracts and licenses required and all trademark rights, trade name rights, patent rights, copyrights, and fictitious name rights necessary to enable it to conduct the business in which it is now engaged.

7.10 Other Obligations

No Borrower is in default on any obligation for borrowed money, any purchase money obligation or any other material lease, commitment, contract, instrument or obligation, except as have been disclosed in writing to the Bank.

7.11 Tax Matters

No Borrower has any knowledge of any pending assessments or adjustments of its income tax for any year and all taxes due have been paid, except as have been disclosed in writing to the Bank.

7.12 No Event of Default

There is no event which is, or with notice or lapse of time or both would be, a default under this Agreement.

7.13 Insurance

Each Borrower has obtained, and maintained in effect, the insurance coverage required in the "Covenants" section of this Agreement.

7.14 ERISA Plans

- (a) Each Plan (other than a multiemployer plan) is in compliance in all material respects with the applicable provisions of ERISA, the Code and other federal or state law. Each Plan has received a favorable determination letter from the IRS and to the best knowledge of each Borrower, nothing has occurred which would cause the loss of such qualification. Each Borrower has fulfilled its obligations, if any, under the minimum funding standards of ERISA and the Code with respect to each Plan, and has not incurred any liability with respect to any Plan under Title IV of ERISA.
- (b) There are no claims, lawsuits or actions (including by any governmental authority), and there has been no prohibited transaction or violation of the fiduciary responsibility rules, with respect to any Plan which has resulted or could reasonably be expected to result in a material adverse effect.
- (c) With respect to any Plan subject to Title IV of ERISA:
 - (i) No reportable event has occurred under Section 4043(c) of ERISA for which the PBGC requires 30-day notice.
 - (ii) No action by any Borrower or any ERISA Affiliate to terminate or withdraw from any Plan has been taken and no notice of intent to terminate a Plan has been filed under Section 4041 of ERISA.
 - (iii) No termination proceeding has been commenced with respect to a Plan under Section 4042 of ERISA, and no event has occurred or condition exists which might constitute grounds for the commencement of such a proceeding.
- (d) The following terms have the meanings indicated for purposes of this Agreement:
 - (i) "Code" means the Internal Revenue Code of 1986, as amended from time to time.
 - (ii) "ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.
 - (iii) "ERISA Affiliate" means any trade or business (whether or not incorporated) under common control with any Borrower within the meaning of Section 414(b) or (c) of the Code.
 - (iv) "PBGC" means the Pension Benefit Guaranty Corporation.
 - (v) "Plan" means a pension, profit-sharing, or stock bonus plan intended to qualify under Section 401(a) of the Code, maintained or contributed to by any Borrower or any ERISA Affiliate, including any multiemployer plan within the meaning of Section 4001(a)(3) of ERISA.

7.15 Location of Borrowers

The place of business of each Borrower (or, if the Borrower has more than one place of business, its chief executive office) is located at the address listed on the signature page of this Agreement.

8. COVENANTS

Each Borrower agrees, so long as credit is available under this Agreement and until the Bank is repaid in full:

8.1 Use of Proceeds

- (a) To use the proceeds of Facility only for general corporation purposes including working capital and permitted acquisitions.

- (b) The proceeds of the credit extended under this Loan Agreement may not be used directly or indirectly to purchase or carry any “margin stock” as that term is defined in Regulation U of the Board of Governors of the Federal Reserve System, or extend credit to or invest in other parties for the purpose of purchasing or carrying any such “margin stock,” or to reduce or retire any indebtedness incurred for such purpose.

8.2 Financial Information

To provide the following financial information and statements in form and content acceptable to the Bank, and such additional information as requested by the Bank from time to time. The Bank reserves the right, upon written notice to the Borrowers, to require the Borrowers to deliver financial information and statements to the Bank more frequently than otherwise provided below, and to use such additional information and statements to measure any applicable financial covenants in this Agreement.

- (a) Within 120 days of the fiscal year end, the annual financial statements of the Borrowers. These financial statements must be audited (with an opinion satisfactory to the Bank) by a Certified Public Accountant acceptable to the Bank, which includes J.H. Cohn LLP. The statements shall be prepared on a consolidated basis.
- (b) Within 50 days of the period’s end (not including the last period in each fiscal year), quarterly financial statements of the Borrowers, certified and dated by an authorized financial officer.
- (c) Promptly, upon sending or receipt, copies of any management letters and correspondence relating to management letters, sent or received by the Borrowers to or from the Borrowers’ auditor. If no management letter is prepared, the Bank may, in its discretion, request a letter from such auditor stating that no deficiencies were noted that would otherwise be addressed in a management letter.
- (d) Copies of the Form 10-K Annual Report, Form 10-Q Quarterly Report and Form 8-K Current Report within two business days of the date of filing with the Securities and Exchange Commission.
- (e) Financial projections covering a time period acceptable to the Bank and specifying the assumptions used in creating the projections. The projections shall be provided to the Bank no less often than 60 days after the end of each fiscal year.
- (f) Within 120 days of the end of each fiscal year and within 50 days of the end of each quarter, a compliance certificate of the Borrowers, signed by an authorized financial officer and setting forth (i) the information and computations (in sufficient detail) to establish that the Borrowers are in compliance with all financial covenants at the end of the period covered by the financial statements then being furnished and (ii) whether there existed as of the date of such financial statements and whether there exists as of the date of the certificate, any default under this Agreement and, if any such default exists, specifying the nature thereof and the action the Borrowers are taking and proposes to take with respect thereto.
- (g) Promptly upon the Bank’s request, such other books, records, statements, lists of property and accounts, budgets, accounts receivable agings, backlog reports, work-in-process, forecasts or reports as to the Borrowers and as to each guarantor of the Borrowers’ obligations to the Bank as the Bank may request.

8.3 Intentionally Left Blank

8.4 Funded Debt to Tangible Net Worth Ratio

To maintain on a consolidated basis a Funded Debt to Tangible Net Worth Ratio of not more than 1.0:1.0.

“Funded Debt” means all outstanding liabilities for borrowed money and other interest-bearing liabilities, including current and long term debt and capitalized leases, less the non-current portion of Subordinated Liabilities.

“Subordinated Liabilities” means liabilities subordinated to the Borrowers’ obligations to the Bank in a manner acceptable to the Bank in its sole discretion.

“Tangible Net Worth” means the value of total assets (including leaseholds and leasehold improvements and reserves against assets but excluding goodwill, patents, trademarks, trade names, organization expense, unamortized debt discount and expense, capitalized or deferred research and development costs, deferred marketing expenses, and other like intangibles, and monies due from affiliates, officers, directors, employees, shareholders, members or managers) less total liabilities, including but not limited to accrued and deferred income taxes, but excluding the non-current portion of Subordinated Liabilities.

8.5 Interest Coverage Ratio

To maintain on a consolidated basis an Interest Coverage Ratio of at least 3.0:1.0, on a rolling four quarter basis.

“Interest Coverage Ratio” means the ratio of EBIT to interest expense.

“EBIT” means net income, less income or plus loss from discontinued operations and extraordinary items, plus income taxes, plus interest expense. This ratio will be calculated at the end of each reporting period for which the Bank requires financial statements, using the results of the twelve-month period ending with that reporting period.

8.6 Bank as Principal Depository

To maintain the Bank as its principal depository bank, including for the maintenance of business, cash management, operating and collection/lockbox services and other administrative deposit accounts.

8.7 Other Debts

Not to have outstanding or incur any direct or contingent liabilities or lease obligations (other than those to the Bank), or become liable for the liabilities of others, without the Bank’s written consent. This does not prohibit:

- (a) Acquiring goods, supplies, or merchandise on normal trade credit.
- (b) Endorsing negotiable instruments received in the usual course of business.
- (c) Obtaining surety bonds in the usual course of business.
- (d) Liabilities, lines of credit and leases in existence on the date of this Agreement disclosed in writing to the Bank.
- (e) Additional purchase money and lease obligations for business purposes which do not exceed a total principal amount of One Million Dollars (\$1,000,000) in the aggregate for the Borrowers outstanding at any one time.

8.8 Other Liens

Not to create, assume, or allow any security interest or lien (including judicial liens) on property any Borrower now or later owns, except:

- (a) Liens and security interests in favor of the Bank.
- (b) Liens for taxes not yet due.
- (c) Liens outstanding on the date of this Agreement disclosed in writing to the Bank.
- (d) Additional purchase money security interests in assets acquired after the date of this Agreement, if the total principal amount of debts secured by such liens does not exceed Five Hundred Thousand Dollars (\$500,000) in the aggregate for the Borrowers at any one time.

8.9 Maintenance of Assets

- (a) Not to sell, assign, lease, transfer or otherwise dispose of any part of any Borrower's business or any Borrower's assets except for inventory in the ordinary course of the Borrower's business and in an aggregate amount for all of the Borrowers not exceeding Five Hundred Thousand Dollars (\$500,000) in any fiscal year.
- (b) Not to sell, assign, lease, transfer or otherwise dispose of any assets for less than fair market value, or enter into any agreement to do so.
- (c) Not to enter into any sale and leaseback agreement covering any of its fixed assets.
- (d) To maintain and preserve all rights, privileges, and franchises any Borrower now has.
- (e) To make any repairs, renewals, or replacements to keep each Borrower's properties in good working condition.

8.10 Investments

Except as permitted by Section 8.14, not to have any existing, or make any new, investments in any individual or entity, or make any capital contributions or other transfers of assets to any individual or entity, except for:

- (a) Existing investments disclosed to the Bank in writing.
- (b) Investments in each Borrower's current subsidiaries.
- (c) Investments in any of the following:
 - (i) certificates of deposit;
 - (ii) U.S. treasury bills and other obligations of the federal government;
 - (iii) readily marketable securities (including commercial paper, but excluding restricted stock and stock subject to the provisions of Rule 144 of the Securities and Exchange Commission).

8.11 Loans

Not to make any loans, advances or other extensions of credit to any individual or entity, except for:

- (a) Existing extensions of credit disclosed to the Bank in writing.
- (b) Extensions of credit to the Borrowers' current subsidiaries or newly acquired subsidiaries which become parties to this Agreement.
- (c) Extensions of credit in the nature of accounts receivable or notes receivable arising from the sale or lease of goods or services in the ordinary course of business to non-affiliated entities.

8.12 Change of Management

Not to permit during any period of six (6) consecutive calendar months, individuals who were directors of any Borrower on the first day of such period to cease to constitute a majority of the board of directors of the Borrower.

8.13 Change of Ownership

Not to cause, permit, or suffer any change in capital ownership such that there is a change of more than fifty-one percent (51%) in the direct or indirect capital ownership of any Borrower, except as permitted by Section 8.14(a).

8.14 Additional Negative Covenants

Not to, without the Bank's written consent:

- (a) Enter into any consolidation, merger, or other combination, or become a partner in a partnership, a member of a joint venture, or a member of a limited liability company, except that any Borrower may merge into WPCS.
- (b) Have any subsidiary, unless such subsidiary has joined in this Agreement as an additional Borrower pursuant to Section 8.15.
- (c) Acquire or purchase a business or its assets, unless (i) such acquisition is entered into by a Borrower and for a controlling interest of the capital stock or a substantial part of the assets or business of any person or entity, (ii) the business to be acquired is in the same line of business as that of the Borrowers; (iii) the Borrower entering into such acquisition delivers to the Bank all documentation to grant the Bank a security interest in the acquired assets; (iv) if a subsidiary is created to effect such acquisition, such subsidiary joins in this Agreement as an additional Borrower pursuant to Section 8.15 and delivers to the Bank all the documentation required by Section 8.15; (v) the Borrowers deliver to the Bank the acquisition agreement satisfactory to the Bank within five (5) Business Days prior to any acquisition; (vi) the Borrowers deliver to the Bank in connection with any such acquisition, a certificate demonstrating the Borrowers' compliance with the financial covenants under this Agreement on an historical and projected basis on updated financial projections; (vii) no default or event of default shall exist under this Agreement or would occur as a result of such acquisition; and (viii) the Borrowers shall deliver to the Bank appropriate UCC-1 financing statements, organizational documents and opinions, all in form, content and scope reasonably satisfactory to the Bank. Notwithstanding the above, if the total consideration for any single acquisition exceeds \$10,000,000 the Borrowers shall obtain the prior written approval of the Bank and demonstrate to the Bank that the Borrowers will have at least \$2,000,000 of availability under the Facility after giving effect to the acquisition.
- (d) Engage in any business activities substantially different from any Borrower's present business.
- (e) Liquidate or dissolve any Borrower's business, except as permitted by Section 8.14(a).
- (f) Voluntarily suspend its business for more than ten (10) days in any three hundred sixty-five (365) day period.

8.15 Additional Borrowers

Upon any entity becoming a direct or indirect subsidiary of any Borrower, the Borrowers will provide the Bank with written notice thereof setting forth information in reasonable detail describing all of the assets of such entity and shall (a) if required by the Bank, cause such entity to execute a joinder agreement to the Agreement, (b) cause such entity to pledge all of its assets to the Bank pursuant to a security agreement in substantially the form of the Security Agreement and otherwise in a form acceptable to the Bank, (c) cause such entity to execute a promissory notes in favor of the Bank, if required, and (d) deliver such other documentation as the Bank may reasonably request in connection with the foregoing, including, without limitation, appropriate UCC-1 financing statements, certified resolutions and other organizational and authorizing documents of such entity and favorable opinions of counsel to such entity (which shall cover, among other things, the legality, validity, binding effect and enforceability of the documentation referred to above), all in form, content and scope reasonably satisfactory to the Bank.

8.16 Notices to Bank

To promptly notify the Bank in writing of:

- (a) Any lawsuit(s) over Five Hundred Thousand Dollars (\$500,000) in the aggregate against the Borrowers.
- (b) Any substantial dispute between any governmental authority and any Borrower.
- (c) Any event of default under this Agreement, or any event which, with notice or lapse of time or both, would constitute an event of default.
- (d) Any material adverse change in any Borrower's business condition (financial or otherwise), operations, properties or prospects, or ability to repay the credit.
- (e) Any change in any Borrower's name, legal structure, place of business, or chief executive office if any Borrower has more than one place of business.
- (f) Any actual contingent liabilities of any Borrower, and any such contingent liabilities which are reasonably foreseeable, where such liabilities are in excess of Five Hundred Thousand Dollars (\$500,000) in the aggregate for all of the Borrowers.

8.17 Insurance

- (a) General Business Insurance. To maintain insurance satisfactory to the Bank as to amount, nature and carrier covering property damage (including loss of use and occupancy) to any Borrower's properties, business interruption insurance, public liability insurance including coverage for contractual liability, product liability and workers' compensation, and any other insurance which is usual for any Borrower's business. Each policy shall provide for at least thirty (30) days prior notice to the Bank of any cancellation thereof.
- (b) Insurance Covering Collateral. To maintain all risk property damage insurance policies covering the tangible property comprising the collateral. Each insurance policy must be for the full replacement cost of the collateral and include a replacement cost endorsement in an amount acceptable to the Bank. The insurance must be issued by an insurance company acceptable to the Bank and must include a lender's loss payable endorsement in favor of the Bank in a form acceptable to the Bank.
- (c) Evidence of Insurance. Upon the request of the Bank, to deliver to the Bank a copy of each insurance policy, or, if permitted by the Bank, a certificate of insurance listing all insurance in force.

8.18 Compliance with Laws

To comply with the laws (including any fictitious or trade name statute), regulations, and orders of any government body with authority over any Borrower's business. The Bank shall have no obligation to make any advance to the Borrowers except in compliance with all applicable laws and regulations and each Borrower shall fully cooperate with the Bank in complying with all such applicable laws and regulations.

8.19 ERISA Plans

Promptly during each year, to pay and cause any subsidiaries to pay contributions adequate to meet at least the minimum funding standards under ERISA with respect to each and every Plan; file each annual report required to be filed pursuant to ERISA in connection with each Plan for each year; and notify the Bank within ten (10) days of the occurrence of any Reportable Event that might constitute grounds for termination of any capital Plan by the Pension Benefit Guaranty Corporation or for the appointment by the appropriate United States District Court of a trustee to administer any Plan. "ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time. Capitalized terms in this paragraph shall have the meanings defined within ERISA.

8.20 ERISA Plans - Notices

With respect to a Plan subject to Title IV of ERISA, to give prompt written notice to the Bank of:

- (a) The occurrence of any reportable event under Section 4043(c) of ERISA for which the PBGC requires 30-day notice.
- (b) Any action by any Borrower or any ERISA Affiliate to terminate or withdraw from a Plan or the filing of any notice of intent to terminate under Section 4041 of ERISA.
- (c) The commencement of any proceeding with respect to a Plan under Section 4042 of ERISA.

8.21 Books and Records

To maintain adequate books and records.

8.22 Audits

To allow the Bank and its agents to inspect any Borrower's properties and examine, audit, and make copies of books and records at any reasonable time. If any Borrower's properties, books or records are in the possession of a third party, each Borrower authorizes that third party to permit the Bank or its agents to have access to perform inspections or audits and to respond to the Bank's requests for information concerning such properties, books and records.

8.23 Perfection of Liens

To help the Bank perfect and protect its security interests and liens, and reimburse it for related costs it incurs to protect its security interests and liens.

8.24 Cooperation

To take any action reasonably requested by the Bank to carry out the intent of this Agreement.

9. HAZARDOUS SUBSTANCES

9.1 Indemnity Regarding Hazardous Substances

The Borrowers will indemnify and hold harmless the Bank from any loss or liability the Bank incurs in connection with or as a result of this Agreement, which directly or indirectly arises out of the use, generation, manufacture, production, storage, release, threatened release, discharge, disposal or presence of a hazardous substance. This indemnity will apply whether the hazardous substance is on, under or about any Borrower's property or operations or property leased to any Borrower. The indemnity includes but is not limited to attorneys' fees (including the reasonable estimate of the allocated cost of in-house counsel and staff). The indemnity extends to the Bank, its parent, subsidiaries and all of their directors, officers, employees, agents, successors, attorneys and assigns.

9.2 Compliance Regarding Hazardous Substances

Each Borrower represents and warrants that the Borrower has complied with all current and future laws, regulations and ordinances or other requirements of any governmental authority relating to or imposing liability or standards of conduct concerning protection of health or the environment or hazardous substances.

9.3 Notices Regarding Hazardous Substances

Until full repayment of the loan, each Borrower will promptly notify the Bank in writing of any threatened or pending investigation of the Borrower or its operations by any governmental agency under any current or future law, regulation or ordinance pertaining to any hazardous substance.

9.4 Site Visits, Observations and Testing

The Bank and its agents and representatives will have the right at any reasonable time, after giving reasonable notice to the Borrowers, to enter and visit any locations where the collateral securing this Agreement (the "Collateral") is located for the purposes of observing the Collateral, taking and removing environmental samples, and conducting tests. The Borrowers shall reimburse the Bank on demand for the costs of any such environmental investigation and testing. The Bank will make reasonable efforts during any site visit, observation or testing conducted pursuant this paragraph to avoid interfering with any Borrower's use of the Collateral. The Bank is under no duty to observe the Collateral or to conduct tests, and any such acts by the Bank will be solely for the purposes of protecting the Bank's security and preserving the Bank's rights under this Agreement. No site visit, observation or testing or any report or findings made as a result thereof ("Environmental Report") (i) will result in a waiver of any default of the Borrowers; (ii) impose any liability on the Bank; or (iii) be a representation or warranty of any kind regarding the Collateral (including its condition or value or compliance with any laws) or the Environmental Report (including its accuracy or completeness). In the event the Bank has a duty or obligation under applicable laws, regulations or other requirements to disclose an Environmental Report to the Borrowers or any other party, the Borrowers authorize the Bank to make such a disclosure. The Bank may also disclose an Environmental Report to any regulatory authority, and to any other parties as necessary or appropriate in the Bank's judgment. The Borrowers further understand and agree that any Environmental Report or other information regarding a site visit, observation or testing that is disclosed to the Borrowers by the Bank or its agents and representatives is to be evaluated (including any reporting or other disclosure obligations of the Borrowers) by the Borrowers without advice or assistance from the Bank.

9.5 Definition of Hazardous Substances

"Hazardous substances" means any substance, material or waste that is or becomes designated or regulated as "toxic," "hazardous," "pollutant," or "contaminant" or a similar designation or regulation under any current or future federal, state or local law (whether under common law, statute, regulation or otherwise) or judicial or administrative interpretation of such, including without limitation petroleum or natural gas.

9.6 Continuing Obligation

The Borrowers' obligations to the Bank under this Article, except the obligation to give notices to the Bank, shall survive termination of this Agreement and repayment of the Borrowers' obligations to the Bank under this Agreement.

10. DEFAULT AND REMEDIES

If any of the following events of default occurs, the Bank may do one or more of the following: declare the Borrowers in default, stop making any additional credit available to the Borrowers, and require the Borrowers to repay their entire debt immediately and without prior notice. If an event which, with notice or the passage of time, will constitute an event of default has occurred and is continuing, the Bank has no obligation to make advances or extend additional credit under this Agreement. In addition, if any event of default occurs, the Bank shall have all rights, powers and remedies available under any instruments and agreements required by or executed in connection with this Agreement, as well as all rights and remedies available at law or in equity. If an event of default occurs under the paragraph entitled "Bankruptcy," below, with respect to the Borrowers, then the entire debt outstanding under this Agreement will automatically be due immediately.

10.1 Failure to Pay

The Borrowers fail to make a payment under this Agreement when due.

10.2 Other Bank Agreements

Any default occurs under any other agreement any Borrower (or any Obligor) or any of any Borrower's related entities or affiliates has with the Bank or any affiliate of the Bank. For purposes of this Agreement, "Obligor" shall mean any guarantor, any party pledging collateral to the Bank.

10.3 Cross-default

Any default occurs under any agreement in connection with any credit any Borrower (or any Obligor) or any Borrower's related entities or affiliates has obtained from anyone else or which any Borrower (or any Obligor) or any Borrower's related entities or affiliates has guaranteed.

10.4 False Information

Any Borrower or any Obligor has given the Bank false or misleading information or representations.

10.5 Bankruptcy

Any Borrower, any Obligor, or any general partner of any Borrower or of any Obligor files a bankruptcy petition, a bankruptcy petition is filed against any of the foregoing parties, or any Borrower, any Obligor, or any general partner of the Borrower or of any Obligor makes a general assignment for the benefit of creditors.

10.6 Receivers

A receiver or similar official is appointed for a substantial portion of any Borrower's or any Obligor's business, or the business is terminated, or, if any Obligor is anything other than a natural person, such Obligor is liquidated or dissolved.

10.7 Lien Priority

The Bank fails to have an enforceable first lien (except for any prior liens to which the Bank has consented in writing) on or security interest in any property given as security for this Agreement (or any guaranty).

10.8 Lawsuits

Any lawsuit or lawsuits are filed on behalf of one or more trade creditors against any Borrower or any Obligor in an aggregate amount for all of the Borrowers of Two Hundred Fifty Thousand Dollars (\$250,000) or more in excess of any insurance coverage.

10.9 Judgments

Any judgments or arbitration awards are entered against any Borrower or any Obligor, or any Borrower or any Obligor enters into any settlement agreements with respect to any litigation or arbitration, in an aggregate amount for all of the Borrowers of Two Hundred Fifty Thousand Dollars (\$250,000) or more in excess of any insurance coverage.

10.10 Death

If the Borrower or any Obligor is a partnership, any general partner dies or becomes legally incompetent.

10.11 Material Adverse Change

A material adverse change occurs, or is reasonably likely to occur, in any Borrower's (or any Obligor's) business condition (financial or otherwise), operations, properties or prospects, or ability to repay the credit; or the Bank determines that it is insecure for any other reason.

10.12 Government Action

Any government authority takes action that the Bank believes materially adversely affects any Borrower's or any Obligor's financial condition or ability to repay.

10.13 Default under Related Documents

Any default occurs under any guaranty, subordination agreement, security agreement, deed of trust, mortgage, or other document required by or delivered in connection with this Agreement or any such document is no longer in effect, or any guarantor purports to revoke or disavow the guaranty.

10.14 ERISA Plans.

Any one or more of the following events occurs with respect to a Plan of any Borrower subject to Title IV of ERISA, provided such event or events could reasonably be expected, in the judgment of the Bank, to subject any Borrower to any tax, penalty or liability (or any combination of the foregoing) which, in the aggregate, could have a material adverse effect on the financial condition of any Borrower:

- (a) A reportable event shall occur under Section 4043(c) of ERISA with respect to a Plan.
- (b) Any Plan termination (or commencement of proceedings to terminate a Plan) or the full or partial withdrawal from a Plan by any Borrower or any ERISA Affiliate.

10.15 Other Breach Under Agreement.

A default occurs under any other term or condition of this Agreement not specifically referred to in this Article. This includes any failure or anticipated failure by any Borrower (or any other party named in the Covenants section) to comply with any financial covenants set forth in this Agreement, whether such failure is evidenced by financial statements delivered to the Bank or is otherwise known to any Borrower or the Bank.

11. ENFORCING THIS AGREEMENT; MISCELLANEOUS

11.1 GAAP

Except as otherwise stated in this Agreement, all financial information provided to the Bank and all financial covenants will be made under generally accepted accounting principles, consistently applied.

11.2 Governing Law

This Agreement is governed by the laws of the State of New York.

11.3 Successors and Assigns

This Agreement is binding on each Borrower's and the Bank's successors and assignees. Each Borrower agrees that it may not assign this Agreement without the Bank's prior consent. The Bank may sell participations in or assign this loan, and may exchange information about any Borrower (including, without limitation, any information regarding any hazardous substances) with actual or potential participants or assignees. If a participation is sold or the loan is assigned, the purchaser will have the right of set-off against each Borrower.

11.4 Waiver of Jury Trial

THE PARTIES TO THIS AGREEMENT WAIVE TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO WHICH THEY MAY BE PARTIES, ARISING OUT OF, IN CONNECTION WITH OR IN ANY WAY PERTAINING TO, THIS AGREEMENT. IT IS AGREED AND UNDERSTOOD THAT THIS WAIVER CONSTITUTES A WAIVER OF TRIAL BY JURY OF ALL CLAIMS AGAINST ALL PARTIES TO SUCH ACTION OR PROCEEDINGS, INCLUDING CLAIMS AGAINST PARTIES WHO ARE NOT PARTIES TO THIS AGREEMENT. THIS WAIVER IS KNOWINGLY, WILLINGLY AND VOLUNTARILY MADE.

11.5 Severability; Waivers

If any part of this Agreement is not enforceable, the rest of the Agreement may be enforced. The Bank retains all rights, even if it makes a loan after default. If the Bank waives a default, it may enforce a later default. Any consent or waiver under this Agreement must be in writing.

11.6 Attorneys' Fees

Each Borrower shall reimburse the Bank for any reasonable costs and attorneys' fees incurred by the Bank in connection with the enforcement or preservation of any rights or remedies under this Agreement and any other documents executed in connection with this Agreement, and in connection with any amendment, waiver, "workout" or restructuring under this Agreement. In the event of a lawsuit or arbitration proceeding, the prevailing party is entitled to recover costs and reasonable attorneys' fees incurred in connection with the lawsuit or arbitration proceeding, as determined by the court or arbitrator. In the event that any case is commenced by or against any Borrower under the Bankruptcy Code (Title 11, United States Code) or any similar or successor statute, the Bank is entitled to recover costs and reasonable attorneys' fees incurred by the Bank related to the preservation, protection, or enforcement of any rights of the Bank in such a case. As used in this paragraph, "attorneys' fees" includes the allocated costs of the Bank's in-house counsel.

11.7 Joint and Several Liability

- (a) Each Borrower agrees that it is jointly and severally liable to the Bank for the payment of all obligations arising under this Agreement, and that such liability is independent of the obligations of the other Borrower(s). Each obligation, promise, covenant, representation and warranty in this Agreement shall be deemed to have been made by, and be binding upon, each Borrower, unless this Agreement expressly provides otherwise. The Bank may bring an action against any Borrower, whether an action is brought against the other Borrower(s).
- (b) Each Borrower agrees that any release which may be given by the Bank to the other Borrower(s) or any guarantor will not release such Borrower from its obligations under this Agreement.
- (c) Each Borrower waives any right to assert against the Bank any defense, setoff, counterclaim, or claims which such Borrower may have against the other Borrower(s) or any other party liable to the Bank for the obligations of the Borrowers under this Agreement.
- (d) Each Borrower waives any defense by reason of any other Borrowers' or any other person's defense, disability, or release from liability. The Bank can exercise its rights against each Borrower even if any other Borrower or any other person no longer is liable because of a statute of limitations or for other reasons.
- (e) Each Borrower agrees that it is solely responsible for keeping itself informed as to the financial condition of the other Borrower(s) and of all circumstances which bear upon the risk of nonpayment. Each Borrower waives any right it may have to require the Bank to disclose to such Borrower any information which the Bank may now or hereafter acquire concerning the financial condition of the other Borrower(s).
- (f) Each Borrower waives all rights to notices of default or nonperformance by any other Borrower under this Agreement. Each Borrower further waives all rights to notices of the existence or the creation of new indebtedness by any other Borrower and all rights to any other notices to any party liable on any of the credit extended under this Agreement.
- (g) The Borrowers represent and warrant to the Bank that each will derive benefit, directly and indirectly, from the collective administration and availability of credit under this Agreement. The Borrowers agree that the Bank will not be required to inquire as to the disposition by any Borrower of funds disbursed in accordance with the terms of this Agreement.
- (h) Until all obligations of the Borrowers to the Bank under this Agreement have been paid in full and any commitments of the Bank or facilities provided by the Bank under this Agreement have been terminated, each Borrower (a) waives any right of subrogation, reimbursement, indemnification and contribution (contractual, statutory or otherwise), including without limitation, any claim or right of subrogation under the Bankruptcy Code (Title 11, United States Code) or any successor statute, which such Borrower may now or hereafter have against any other Borrower with respect to the indebtedness incurred under this Agreement; (b) waives any right to enforce any remedy which the Bank now has or may hereafter have against any other Borrower, and waives any benefit of, and any right to participate in, any security now or hereafter held by the Bank.
- (i) Each Borrower waives any right to require the Bank to proceed against any other Borrower or any other person; proceed against or exhaust any security; or pursue any other remedy. Further, each Borrower consents to the taking of, or failure to take, any action which might in any manner or to any extent vary the risks of the Borrowers under this Agreement or which, but for this provision, might operate as a discharge of the Borrowers.

11.8 Individual Liability

If the Borrower is a partnership, the Bank may proceed against the business and non-business property of each general partner of the Borrower in enforcing this and other agreements relating to this loan.

11.9 One Agreement

This Agreement and any related security or other agreements required by this Agreement, collectively:

- (a) represent the sum of the understandings and agreements between the Bank and the Borrowers concerning this credit;
- (b) replace any prior oral or written agreements between the Bank and the Borrowers concerning this credit; and
- (c) are intended by the Bank and the Borrowers as the final, complete and exclusive statement of the terms agreed to by them.

In the event of any conflict between this Agreement and any other agreements required by this Agreement, this Agreement will prevail. Any reference in any related document to a "promissory note" or a "note" executed by the Borrowers and dated as of the date of this Agreement shall be deemed to refer to this Agreement, as now in effect or as hereafter amended, renewed, or restated.

11.10 Indemnification

The Borrowers will indemnify and hold the Bank harmless from any loss, liability, damages, judgments, and costs of any kind relating to or arising directly or indirectly out of (a) this Agreement or any document required hereunder, (b) any credit extended or committed by the Bank to the Borrowers hereunder, and (c) any litigation or proceeding related to or arising out of this Agreement, any such document, or any such credit. This indemnity includes but is not limited to attorneys' fees (including the allocated cost of in-house counsel). This indemnity extends to the Bank, its parent, subsidiaries and all of their directors, officers, employees, agents, successors, attorneys, and assigns. This indemnity will survive repayment of the Borrowers' obligations to the Bank. All sums due to the Bank hereunder shall be obligations of the Borrowers, due and payable immediately without demand.

11.11 Notices

Unless otherwise provided in this Agreement or in another agreement between the Bank and the Borrowers, all notices required under this Agreement shall be personally delivered or sent by first class mail, postage prepaid, or by overnight courier, to the addresses on the signature page of this Agreement, or sent by facsimile to the fax numbers listed on the signature page, or to such other addresses as the Bank and the Borrowers may specify from time to time in writing. Notices and other communications shall be effective (i) if mailed, upon the earlier of receipt or five (5) days after deposit in the U.S. mail, first class, postage prepaid, (ii) if telecopied, when transmitted, or (iii) if hand-delivered, by courier or otherwise (including telegram, lettergram or mailgram), when delivered.

11.12 Headings

Article and paragraph headings are for reference only and shall not affect the interpretation or meaning of any provisions of this Agreement.

11.13 Waiver of Immunity

To the extent that any Borrower has acquired or hereafter may acquire any immunity (sovereign or otherwise) from any legal action, suit, arbitration or other proceeding, from jurisdiction of any court or arbitration panel or from set-off or any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise) with respect to itself or any of its property, the Borrower hereby irrevocably and unconditionally waives and agrees not to plead or claim such immunity in respect of its obligations under this Agreement or any document or agreement required hereunder.

11.14 Venue; Service of Process

If there is a lawsuit, each Borrower hereby irrevocably submits to the jurisdiction of any State or U. S. Federal Court in the state specified in the governing law section of this Agreement. Each Borrower hereby irrevocably (a) consents to the service of process out of any courts to which it has submitted to the jurisdiction of in this Agreement by the mailing by prepaid mail or other delivery of a copy or notice thereof to the address of the Borrower for the time being applying under the Notices section of this Agreement and confirms that failure by any Borrower to receive such copy or notice shall not prejudice due service; (b) waives: (i) any objection it may have to the laying of venue of any such legal proceedings in any of the said courts; and (ii) any claim that it may have that any such legal proceedings have been brought in an inconvenient forum; and (c) agrees that nothing in this Agreement shall affect the right to service of process in any other manner permitted by law or preclude the right to bring legal proceedings in any other court or courts of competent jurisdiction as Bank may elect and that legal proceedings in any one or more jurisdictions shall not preclude legal proceedings in any other jurisdiction. Each Borrower agrees that a final judgment in any such legal proceeding shall be conclusive and binding upon each Borrower.

11.15 Counterparts

This Agreement may be executed in as many counterparts as necessary or convenient, and by the different parties on separate counterparts each of which, when so executed, shall be deemed an original but all such counterparts shall constitute but one and the same agreement.

11.16 Commitment Expiration

The Bank's commitment to extend credit under this Agreement will expire on April 30, 2007, unless this Agreement and any documents required by this Agreement have been signed and returned to the Bank on or before that date.

11.17 Limitation of Interest and Other Charges

If, at any time, the rate of interest, together with all amounts which constitute interest and which are reserved, charged or taken by the Bank as compensation for fees, services or expenses incidental to the making, negotiating or collection of the loan evidenced hereby, shall be deemed by any competent court of law, governmental agency or tribunal to exceed the maximum rate of interest permitted to be charged by the Bank to the Borrowers under applicable law, then, during such time as such rate of interest would be deemed excessive, that portion of each sum paid attributable to that portion of such interest rate that exceeds the maximum rate of interest so permitted shall be deemed a voluntary prepayment of principal. As used herein, the term "applicable law" shall mean the law in effect as of the date hereof; provided, however, that in the event there is a change in the law which results in a higher permissible rate of interest, then this Agreement shall be governed by such new law as of its effective date.

11.18 USA Patriot Act Notice

Federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account or obtains a loan. The Bank will ask for each Borrower's legal name, address, tax ID number or social security number and other identifying information. The Bank may also ask for additional information or documentation or take other actions reasonably necessary to verify the identity of each Borrower, guarantors or other related persons.

11.19 Right to Setoff

In addition to and not in limitation of all rights of offset that the Bank may have under applicable law, the Bank shall, if any event of default has occurred and is continuing and whether or not the Bank has made any demand or the obligations of any Borrower are matured, have the right to appropriate and apply to the payment of the obligations of such Borrower all deposits (general or special, time or demand, provisional or final) then or thereafter held by and other indebtedness or property then or thereafter owing by the Bank.

The Borrowers executed this Agreement as of the date stated at the top of the first page, intending to be legally bound.

BANK OF AMERICA, N.A.

/s/ CHARLES W. GREENBERG

By: _____

Name: Charles W. Greenberg

Title: Senior Vice President

Address where notices to the Bank are to be sent:

CT2-515-02-12

70 Batterson Park Road

Farmington, CT 06032

Farmington - Attn: Notice Desk

Facsimile: (860) 409-5486

WPCS INTERNATIONAL INCORPORATED, a Delaware corporation

/s/ JOSEPH A HEATER

By: _____

Name: Joseph A. Heater

Title: Chief Financial Officer

Address where notices to the Borrower are to be sent:

One East Uwchlan Avenue

Suite 301

Exton, Pennsylvania 19341

Facsimile: (610) 903-0401

CLAYBORN CONTRACTING GROUP, INC., a California corporation

/s/ JOSEPH A HEATER

By: _____

Name: Joseph A. Heater

Title: Chief Financial Officer

Address where notices to the Borrower are to be sent: Same as above

HEINZ CORPORATION, a Missouri corporation

/s/ JOSEPH A HEATER

By: _____

Name: Joseph A. Heater

Title: Chief Financial Officer

Address where notices to the Borrower are to be sent: Same as above

NEW ENGLAND COMMUNICATIONS SYSTEMS, INC., a Connecticut corporation

/s/ JOSEPH A HEATER

By: Name: Joseph A. Heater
Title: Chief Financial Officer

Address where notices to the Borrower are to be sent: Same as above

QUALITY COMMUNICATIONS & ALARM COMPANY, INC., a New Jersey corporation

/s/ JOSEPH A HEATER

By: Name: Joseph A. Heater
Title: Chief Financial Officer

Address where notices to the Borrower are to be sent: Same as above

SOUTHEASTERN COMMUNICATION SERVICE, INC., a Florida corporation

/s/ JOSEPH A HEATER

By: Name: Joseph A. Heater
Title: Chief Financial Officer

Address where notices to the Borrower are to be sent: Same as above

WALKER COMM, INC., a California corporation

By: /s/ JOSEPH A HEATER

Name: Joseph A. Heater
Title: Chief Financial Officer

Address where notices to the Borrower are to be sent: Same as above

SECURITY AGREEMENT

(Multiple Use)

1. THE SECURITY. The undersigned, WPCS International Incorporated, a Delaware corporation (“WPCS”), Clayborn Contracting Group, Inc., a California corporation (“Clayborn”), Heinz Corporation, a Missouri corporation (“Heinz”), New England Communications Systems, Inc., a Connecticut corporation (“New England”), Quality Communications & Alarm Company, Inc., a New Jersey corporation (“Quality”), Southeastern Communication Service, Inc., a Florida corporation (“Southeastern”) and Walker Comm, Inc., a California corporation (“Walker”) (WPCS, Clayborn, Heinz, New England, Quality, Southeastern and Walker, collectively, the “Pledgor”) hereby assigns and grants to Bank of America, N.A. (the “Bank”) a security interest in the following described property now owned or hereafter acquired by the Pledgor (“Collateral”):

(a) All accounts, contract rights, chattel paper, instruments, deposit accounts, letter of credit rights, payment intangibles and general intangibles, including all amounts due to the Pledgor from a factor; rights to payment of money from the Bank under any Swap Contract (as defined in Paragraph 2 below); and all returned or repossessed goods which, on sale or lease, resulted in an account or chattel paper.

(b) All inventory, including all materials, work in process and finished goods.

(c) All machinery, furniture, fixtures and other equipment of every type now owned or hereafter acquired by the Pledgor, (including, but not limited to, the equipment described in the attached Equipment Description, if any).

(d) All of the Pledgor’s deposit accounts with the Bank. The Collateral shall include any renewals or rollovers of the deposit accounts, any successor accounts, and any general intangibles and choses in action arising therefrom or related thereto.

(e) All instruments, notes, chattel paper, documents, certificates of deposit, securities and investment property of every type. The Collateral shall include all liens, security agreements, leases and other contracts securing or otherwise relating to the foregoing.

(f) All general intangibles, including, but not limited to, (i) all patents, and all unpatented or unpatentable inventions; (ii) all trademarks, service marks, and trade names; (iii) all copyrights and literary rights; (iv) all computer software programs; (v) all mask works of semiconductor chip products; (vi) all trade secrets, proprietary information, customer lists, manufacturing, engineering and production plans, drawings, specifications, processes and systems. The Collateral shall include all good will connected with or symbolized by any of such general intangibles; all contract rights, documents, applications, licenses, materials and other matters related to such general intangibles; all tangible property embodying or incorporating any such general intangibles; and all chattel paper and instruments relating to such general intangibles.

- (g) All negotiable and nonnegotiable documents of title covering any Collateral.
- (h) All accessions, attachments and other additions to the Collateral, and all tools, parts and equipment used in connection with the Collateral.
- (i) All substitutes or replacements for any Collateral, all cash or non-cash proceeds, product, rents and profits of any Collateral, all income, benefits and property receivable on account of the Collateral, all rights under warranties and insurance contracts, letters of credit, guaranties or other supporting obligations covering the Collateral, and any causes of action relating to the Collateral.
- (j) All books and records pertaining to any Collateral, including but not limited to any computer-readable memory and any computer hardware or software necessary to process such memory (“Books and Records”).

2. **THE INDEBTEDNESS.** The Collateral secures and will secure all Indebtedness of the Pledgor to the Bank. Each party obligated under any Indebtedness is referred to in this Agreement as a “Debtor.” “Indebtedness” means all debts, obligations or liabilities now or hereafter existing, absolute or contingent of the Debtor or any one or more of them to the Bank, whether voluntary or involuntary, whether due or not due, or whether incurred directly or indirectly or acquired by the Bank by assignment or otherwise. Indebtedness shall include, without limitation, all obligations of the Debtor arising under any Swap Contract. “Swap Contract” means any interest rate, credit, commodity or equity swap, cap, floor, collar, forward foreign exchange transaction, currency swap, cross currency rate swap, currency option, securities puts, calls, collars, options or forwards or any combination of, or option with respect to, these or similar transactions now or hereafter entered into between the Debtor and the Bank.

3. **PLEDGOR’S COVENANTS.** The Pledgor represents, covenants and warrants that unless compliance is waived by the Bank in writing:

- (a) The Pledgor will properly preserve the Collateral; defend the Collateral against any adverse claims and demands; and keep accurate Books and Records.
- (b) The Pledgor resides (if the Pledgor is an individual), or the Pledgor’s chief executive office (if the Pledgor is not an individual) is located, in the state specified on the signature page hereof. In addition, the Pledgor (if not an individual or other unregistered entity), is incorporated in or organized under the laws of the state specified on such signature page. The Pledgor shall give the Bank at least thirty (30) days notice before changing its residence or its chief executive office or state of incorporation or organization. The Pledgor will notify the Bank in writing prior to any change in the location of any Collateral, including the Books and Records.
- (c) The Pledgor will notify the Bank in writing prior to any change in the Pledgor’s name, identity or business structure.
- (d) Unless otherwise agreed, the Pledgor has not granted and will not grant any security interest in any of the Collateral except to the Bank, and will keep the Collateral free of all liens, claims, security interests and encumbrances of any kind or nature except the security interest of the Bank.

(e) The Pledgor will promptly notify the Bank in writing of any event which affects the value of the Collateral, the ability of the Pledgor or the Bank to dispose of the Collateral, or the rights and remedies of the Bank in relation thereto, including, but not limited to, the levy of any legal process against any Collateral and the adoption of any marketing order, arrangement or procedure affecting the Collateral, whether governmental or otherwise.

(f) The Pledgor shall pay all costs necessary to preserve, defend, enforce and collect the Collateral, including but not limited to taxes, assessments, insurance premiums, repairs, rent, storage costs and expenses of sales, and any costs to perfect the Bank's security interest (collectively, the "Collateral Costs"). Without waiving the Pledgor's default for failure to make any such payment, the Bank at its option may pay any such Collateral Costs, and discharge encumbrances on the Collateral, and such Collateral Costs payments shall be a part of the Indebtedness and bear interest at the rate set out in the Indebtedness. The Pledgor agrees to reimburse the Bank on demand for any Collateral Costs so incurred.

(g) Until the Bank exercises its rights to make collection, the Pledgor will diligently collect all Collateral.

(h) If any Collateral is or becomes the subject of any registration certificate, certificate of deposit or negotiable document of title, including any warehouse receipt or bill of lading, the Pledgor shall immediately deliver such document to the Bank, together with any necessary endorsements.

(i) The Pledgor will not sell, lease, agree to sell or lease, or otherwise dispose of any Collateral except with the prior written consent of the Bank; provided, however, that the Pledgor may sell inventory in the ordinary course of business.

(j) The Pledgor will maintain and keep in force insurance covering the Collateral against fire and extended coverages, to the extent that any Collateral is of a type which can be so insured. Such insurance shall require losses to be paid on a replacement cost basis, be issued by insurance companies acceptable to the Bank and include a loss payable endorsement in favor of the Bank in a form acceptable to the Bank. Upon the request of the Bank, the Pledgor will deliver to the bank a copy of each insurance policy, or, if permitted by the Bank, a certificate of insurance listing all insurance in force.

(k) The Pledgor will not attach any Collateral to any real property or fixture in a manner which might cause such Collateral to become a part thereof unless the Pledgor first obtains the written consent of any owner, holder of any lien on the real property or fixture, or other person having an interest in such property to the removal by the Bank of the Collateral from such real property or fixture. Such written consent shall be in form and substance acceptable to the Bank and shall provide that the Bank has no liability to such owner, holder of any lien, or any other person.

(l) Exhibit "A" to this Agreement is a complete list of all patents, trademark and service mark registrations, copyright registrations, mask work registrations, and all applications therefor, in which the Pledgor has any right, title, or interest, throughout the world. To the extent required by the Bank in its discretion, the Pledgor will promptly notify the Bank of any acquisition (by adoption and use, purchase, license or otherwise) of any patent, trademark or service mark registration, copyright registration, mask work registration, and applications therefor, and unregistered trademarks and service marks and copyrights, throughout the world, which are granted or filed or acquired after the date hereof or which are not listed on the Exhibit. The Pledgor authorizes the Bank, without notice to the Pledgor, to modify this Agreement by amending the Exhibit to include any such Collateral.

(m) The Pledgor will, at its expense, diligently prosecute all patent, trademark or service mark or copyright applications pending on or after the date hereof, will maintain in effect all issued patents and will renew all trademark and service mark registrations, including payment of any and all maintenance and renewal fees relating thereto, except for such patents, service marks and trademarks that are being sold, donated or abandoned by the Pledgor pursuant to the terms of its intellectual property management program. The Pledgor also will promptly make application on any patentable but unpatented inventions, registerable but unregistered trademarks and service marks, and copyrightable but uncopyrighted works. The Pledgor will at its expense protect and defend all rights in the Collateral against any material claims and demands of all persons other than the Bank and will, at its expense, enforce all rights in the Collateral against any and all infringers of the Collateral where such infringement would materially impair the value or use of the Collateral to the Pledgor or the Bank. The Pledgor will not license or transfer any of the Collateral, except for such licenses as are customary in the ordinary course of the Pledgor's business, or except with the Bank's prior written consent.

4. ADDITIONAL OPTIONAL REQUIREMENTS. The Pledgor agrees that the Bank may at its option at any time, whether or not the Pledgor is in default:

(a) Require the Pledgor to deliver to the Bank (i) copies of or extracts from the Books and Records, and (ii) information on any contracts or other matters affecting the Collateral.

(b) Examine the Collateral, including the Books and Records, and make copies of or extracts from the Books and Records, and for such purposes enter at any reasonable time upon the property where any Collateral or any Books and Records are located.

(c) Require the Pledgor to deliver to the Bank any instruments, chattel paper or letters of credit which are part of the Collateral, and to assign to the Bank the proceeds of any such letters of credit.

(d) Notify any account debtors, any buyers of the Collateral, or any other persons of the Bank's interest in the Collateral.

5. DEFAULTS. Any one or more of the following shall be a default hereunder:

(a) Any Indebtedness is not paid when due, or any default occurs under any agreement relating to the Indebtedness, after giving effect to any applicable grace or cure periods.

- (b) The Pledgor breaches any term, provision, warranty or representation under this Agreement, or under any other obligation of the Pledgor to the Bank, and such breach remains uncured after any applicable cure period.
 - (c) The Bank fails to have an enforceable first lien (except for any prior liens to which the Bank has consented in writing) on or security interest in the Collateral.
 - (d) Any custodian, receiver or trustee is appointed to take possession, custody or control of all or a substantial portion of the property of the Pledgor or of any guarantor or other party obligated under any Indebtedness.
 - (e) The Pledgor or any guarantor or other party obligated under any Indebtedness becomes insolvent, or is generally not paying or admits in writing its inability to pay its debts as they become due, fails in business, makes a general assignment for the benefit of creditors, dies, or commences any case, proceeding or other action under any bankruptcy or other law for the relief of, or relating to, debtors.
 - (f) Any case, proceeding or other action is commenced against the Pledgor or any guarantor or other party obligated under any Indebtedness under any bankruptcy or other law for the relief of, or relating to, debtors.
 - (g) Any involuntary lien of any kind or character attaches to any Collateral, except for liens for taxes not yet due.
 - (h) The Pledgor has given the Bank any false or misleading information or representations.
6. BANK'S REMEDIES AFTER DEFAULT. In the event of any default, the Bank may do any one or more of the following:
- (a) Declare any Indebtedness immediately due and payable, without notice or demand.
 - (b) Enforce the security interest given hereunder pursuant to the Uniform Commercial Code and any other applicable law.
 - (c) Enforce the security interest of the Bank in any deposit account of the Pledgor maintained with the Bank by applying such account to the Indebtedness.
 - (d) Require the Pledgor to obtain the Bank's prior written consent to any sale, lease, agreement to sell or lease, or other disposition of any Collateral consisting of inventory.
 - (e) Require the Pledgor to segregate all collections and proceeds of the Collateral so that they are capable of identification and deliver daily such collections and proceeds to the Bank in kind.

- (f) Require the Pledgor to direct all account debtors to forward all payments and proceeds of the Collateral to a post office box under the Bank's exclusive control.
- (g) Require the Pledgor to assemble the Collateral, including the Books and Records, and make them available to the Bank at a place designated by the Bank.
- (h) Enter upon the property where any Collateral, including any Books and Records, are located and take possession of such Collateral and such Books and Records, and use such property (including any buildings and facilities) and any of the Pledgor's equipment, if the Bank deems such use necessary or advisable in order to take possession of, hold, preserve, process, assemble, prepare for sale or lease, market for sale or lease, sell or lease, or otherwise dispose of, any Collateral.
- (i) Demand and collect any payments on and proceeds of the Collateral. In connection therewith the Pledgor irrevocably authorizes the Bank to endorse or sign the Pledgor's name on all checks, drafts, collections, receipts and other documents, and to take possession of and open the mail addressed to the Pledgor and remove therefrom any payments and proceeds of the Collateral.
- (j) Grant extensions and compromise or settle claims with respect to the Collateral for less than face value, all without prior notice to the Pledgor.
- (k) Use or transfer any of the Pledgor's rights and interests in any Intellectual Property now owned or hereafter acquired by the Pledgor, if the Bank deems such use or transfer necessary or advisable in order to take possession of, hold, preserve, process, assemble, prepare for sale or lease, market for sale or lease, sell or lease, or otherwise dispose of, any Collateral. The Pledgor agrees that any such use or transfer shall be without any additional consideration to the Pledgor. As used in this paragraph, "Intellectual Property" includes, but is not limited to, all trade secrets, computer software, service marks, trademarks, trade names, trade styles, copyrights, patents, applications for any of the foregoing, customer lists, working drawings, instructional manuals, and rights in processes for technical manufacturing, packaging and labeling, in which the Pledgor has any right or interest, whether by ownership, license, contract or otherwise.
- (l) Have a receiver appointed by any court of competent jurisdiction to take possession of the Collateral. The Pledgor hereby consents to the appointment of such a receiver and agrees not to oppose any such appointment.
- (m) Take such measures as the Bank may deem necessary or advisable to take possession of, hold, preserve, process, assemble, insure, prepare for sale or lease, market for sale or lease, sell or lease, or otherwise dispose of, any Collateral, and the Pledgor hereby irrevocably constitutes and appoints the Bank as the Pledgor's attorney-in-fact to perform all acts and execute all documents in connection therewith.
- (n) Without notice or demand to the Pledgor, set off and apply against any and all of the Indebtedness any and all deposits (general or special, time or demand, provisional or final) and any other indebtedness, at any time held or owing by the Bank or any of the Bank's agents or affiliates to or for the credit of the account of the Pledgor or any guarantor or endorser of the Pledgor's Indebtedness.

- (o) Exercise any other remedies available to the Bank at law or in equity.

7. **WAIVER OF JURY TRIAL.** THE PARTIES TO THIS AGREEMENT WAIVE TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO WHICH THEY MAY BE PARTIES, ARISING OUT OF, IN CONNECTION WITH OR IN ANY WAY PERTAINING TO, THIS AGREEMENT. IT IS AGREED AND UNDERSTOOD THAT THIS WAIVER CONSTITUTES A WAIVER OF TRIAL BY JURY OF ALL CLAIMS AGAINST ALL PARTIES TO SUCH ACTION OR PROCEEDINGS, INCLUDING CLAIMS AGAINST PARTIES WHO ARE NOT PARTIES TO THIS AGREEMENT. THIS WAIVER IS KNOWINGLY, WILLINGLY AND VOLUNTARILY MADE.

8. MISCELLANEOUS.

(a) Any waiver, express or implied, of any provision hereunder and any delay or failure by the Bank to enforce any provision shall not preclude the Bank from enforcing any such provision thereafter.

(b) The Pledgor shall, at the request of the Bank, execute such other agreements, documents, instruments, or financing statements in connection with this Agreement as the Bank may reasonably deem necessary.

(c) All notes, security agreements, subordination agreements and other documents executed by the Pledgor or furnished to the Bank in connection with this Agreement must be in form and substance satisfactory to the Bank.

(d) This Agreement shall be governed by and construed according to the laws of the State of New York, to the jurisdiction of which the parties hereto submit.

(e) All rights and remedies herein provided are cumulative and not exclusive of any rights or remedies otherwise provided by law. Any single or partial exercise of any right or remedy shall not preclude the further exercise thereof or the exercise of any other right or remedy.

(f) All terms not defined herein are used as set forth in the Uniform Commercial Code.

(g) In the event of any action by the Bank to enforce this Agreement or to protect the security interest of the Bank in the Collateral, or to take possession of, hold, preserve, process, assemble, insure, prepare for sale or lease, market for sale or lease, sell or lease, or otherwise dispose of, any Collateral, the Pledgor agrees to pay immediately the costs and expenses thereof, together with reasonable attorney's fees and allocated costs for in-house legal services to the extent permitted by law.

(h) In the event the Bank seeks to take possession of any or all of the Collateral by judicial process, the Pledgor hereby irrevocably waives any bonds and any surety or security relating thereto that may be required by applicable law as an incident to such possession, and waives any demand for possession prior to the commencement of any such suit or action.

(i) This Agreement shall constitute a continuing agreement, applying to all future as well as existing transactions, whether or not of the character contemplated at the date of this Agreement, and if all transactions between the Bank and the Pledgor shall be closed at any time, shall be equally applicable to any new transactions thereafter.

(j) The Bank's rights hereunder shall inure to the benefit of its successors and assigns. In the event of any assignment or transfer by the Bank of any of the Indebtedness or the Collateral, the Bank thereafter shall be fully discharged from any responsibility with respect to the Collateral so assigned or transferred, but the Bank shall retain all rights and powers hereby given with respect to any of the Indebtedness or the Collateral not so assigned or transferred. All representations, warranties and agreements of the Pledgor if more than one are joint and several and all shall be binding upon the personal representatives, heirs, successors and assigns of the Pledgor.

9. FINAL AGREEMENT. BY SIGNING THIS DOCUMENT EACH PARTY REPRESENTS AND AGREES THAT: (A) THIS DOCUMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES WITH RESPECT TO THE SUBJECT MATTER HEREOF, (B) THIS DOCUMENT SUPERSEDES ANY COMMITMENT LETTER, TERM SHEET, OR OTHER WRITTEN OUTLINE OF TERMS AND CONDITIONS RELATING TO THE SUBJECT MATTER HEREOF, UNLESS SUCH COMMITMENT LETTER, TERM SHEET, OR OTHER WRITTEN OUTLINE OF TERMS AND CONDITIONS EXPRESSLY PROVIDES TO THE CONTRARY, (C) THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES, AND (D) THIS DOCUMENT MAY NOT BE CONTRADICTED BY EVIDENCE OF ANY PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OR UNDERSTANDINGS OF THE PARTIES.

The parties executed this Agreement as of April 10, 2007, intending to be legally bound.

BANK OF AMERICA, N.A.

By: /s/ CHARLES W. GREENBERG

Charles W. Greenberg
Title: Senior Vice President

Address for Notices:
CT2-515-02-12
70 Batterson Park Road
Farmington, CT 06032
Farmington - Attn: Notice Desk
Facsimile: (860) 409-5486

Attested to:

/s/ CHARLES W. GREENBERG

WPCS INTERNATIONAL INCORPORATED, a Delaware corporation

By: /s/ JOSEPH A. HEATER

[(Seal)]

Title: Chief Financial Officer

Attested to:

/s/ CHARLES W. GREENBERG

CLAYBORN CONTRACTING GROUP, INC., a California corporation

By: /s/ JOSEPH A. HEATER

[(Seal)]

Title: Chief Financial Officer

Attested to:

/s/ CHARLES W. GREENBERG

HEINZ CORPORATION, a Missouri corporation

By: /s/ JOSEPH A. HEATER

[(Seal)]

Title: Chief Financial Officer

Attested to:

/s/ CHARLES W. GREENBERG

NEW ENGLAND COMMUNICATIONS SYSTEMS, INC., a Connecticut corporation

By: /s/ JOSEPH A. HEATER

[(Seal)]

Title: Chief Financial Officer

Attested to:

/s/ CHARLES W. GREENBERG

QUALITY COMMUNICATIONS & ALARM COMPANY, INC., a New Jersey corporation

By: /s/ JOSEPH A. HEATER

[(Seal)]

Title: Chief Financial Officer

Attested to:

/s/ CHARLES W. GREENBERG

SOUTHEASTERN COMMUNICATION SERVICE, INC., a Florida corporation

By: /s/ JOSEPH A. HEATER

[(Seal)]

Title: Chief Financial Officer

Attested to:

/s/ CHARLES W. GREENBERG

WALKER COMM, INC., a California corporation

By: /s/ JOSEPH A. HEATER

[(Seal)]

Title: Chief Financial Officer

WPCS's state of incorporation or organization
(if Pledgor is a corporation, partnership, limited
liability company or other registered entity): Delaware
Mailing Address:

One East Uwchlan Avenue
Suite 301

Street Address
Exton, PA 19341

City State Zip

Clayborn's state of incorporation or organization
(if Pledgor is a corporation, partnership, limited
liability company or other registered entity): California

Mailing Address (if different from above):

Street Address

City State Zip

Heinz's state of incorporation or organization
(if Pledgor is a corporation, partnership, limited
liability company or other registered entity): Missouri

Mailing Address (if different from above):

Street Address

City State Zip

New England's state of incorporation or organization
(if Pledgor is a corporation, partnership, limited
liability company or other registered entity): Connecticut

Mailing Address (if different from above):

Street Address

City State Zip

Quality's state of incorporation or organization
(if Pledgor is a corporation, partnership, limited
liability company or other registered entity): New Jersey

Mailing Address (if different from above):

Street Address

City State Zip

Southeastern's state of incorporation or organization
(if Pledgor is a corporation, partnership, limited
liability company or other registered entity): Florida

Mailing Address (if different from above):

Street Address

City State Zip

Walker's state of incorporation or organization
(if Pledgor is a corporation, partnership, limited
liability company or other registered entity): California

Mailing Address (if different from above):

Street Address

City State Zip

