

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of report (date of earliest event reported): October 25, 2013

WPCS INTERNATIONAL INCORPORATED

(Exact name of registrant as specified in its charter)

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

**001-34643
(Commission
File Number)**

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

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

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

Copy of correspondence to:

Marc J. Ross, Esq.
Thomas A. Rose, Esq.
James M. Turner, Esq.
Sichenzia Ross Friedman Ference LLP
61 Broadway
New York, New York 10006
Tel: (212) 930-9700 Fax: (212) 930-9725

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

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

Item 3.02. Unregistered Sales of Equity Securities.

On October 25, 2013, WPCS International Incorporated (the “Company”) entered into an amendment, waiver and exchange agreement (the “Amendment”) with holders (“Holders”) of outstanding secured convertible notes (“Notes”) and common stock purchase warrants (“Warrants”) that were sold pursuant to a securities purchase agreement dated December 4, 2012 (“SPA”). Pursuant to the Amendment, the Holders exchanged 154,961 of their Warrants for 38,740 shares of common stock (the “Shares”) and warrants to purchase 154,961 shares of common stock (“Exchange Warrants”). Effectively, for every four Warrants surrendered, the Holder received a unit of four Exchange Warrants and one Share. The closing of the Amendment transaction occurred on October 30, 2013.

The Exchange Warrants are exercisable for a period of five years from the date of issuance of the original Warrants at an initial exercise price of \$2.1539 per share. The exercise price will only adjust in the event of any future stock splits or dividends.

Pursuant to the Amendment, the Holders permanently waived, effective as of October 24, 2013, various provisions of the Warrants, including the anti-dilution protection from the issuance of securities at a price lower than the current exercise price, the adjustment to market price on the first anniversary of the date of issuance of the Warrants and the Black-Scholes valuation upon the occurrence of a Fundamental Transaction (as defined in the Warrants). As a result of these waivers, (i) the exercise price of the Warrants will only adjust in the event of any future stock splits or dividends and (ii) the Company will be able to classify the Warrants as equity on its balance sheet, rather than as a derivative liability, as had been done prior to the Amendment. The exercise price of the Warrants remains at \$2.1539 per share. After the Amendment, the Warrants and Exchange Warrants have the same terms, conditions and rights.

In addition, pursuant to the Amendment, the Holders permanently waived, effective as of the second business day after the Effective Time (as hereinafter defined), various provisions of the Notes, including the adjustment to the conversion price under a Fundamental Transaction (as defined in the Notes), the anti-dilution protection from the issuance of securities at a price lower than the current exercise price and the adjustment to market price on the first anniversary of the date of issuance of the Notes. As a result of these waivers, the conversion price of the Notes will only adjust in the event of any future stock splits or dividends.

Further, the Holders will waive, effective as of the date when the Holders receive the Shares and Exchange Warrants (the “Effective Time”), certain events of default that have occurred under the Notes, including as a result of the previously announced initiation of the NASDAQ delisting proceeding. Therefore, upon the Effective Time, the Company will be in compliance with the terms of the Notes.

It has been determined that the Black-Scholes value of the four Warrants being exchanged is equal to \$7.32 and the parties have valued the unit at a price of \$7.52. As a result, the Shares being issued are valued at \$0.20. By the operation of the terms of the Notes, the conversion price of the Notes will automatically adjust to \$0.20.

The foregoing information is a summary of the Amendment described above, is not complete, and is qualified in its entirety by reference to the full text of such Amendment, a copy of which is attached as an exhibit to this Current Report on Form 8-K. Readers should review such Amendment for a complete understanding of the terms and conditions associated with this transaction.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

- 10.01 Form of Amendment, Waiver and Exchange Agreement
- 10.02 Form of Exchange Warrant

SIGNATURE

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

Date: October 30, 2013

WPCS INTERNATIONAL INCORPORATED

By: /s/ JOSEPH HEATER
Joseph Heater
Chief Financial Officer

AMENDMENT, WAIVER AND EXCHANGE AGREEMENT

This Amendment, Waiver and Exchange Agreement (the “**Agreement**”), dated as of October 25, 2013, is by and between WPCS International Incorporated, a Delaware corporation with offices located at One East Uwchlan Avenue, Suite 301, Exton, Pennsylvania 19341 (the “**Company**”), and the holder identified on the signature page hereto (“**Holder**”).

RECITALS

A. Prior to the date hereof, the Company has issued to the Holder (i) a senior secured convertible note (the “**Note**”), which Note is convertible into shares of the Company’s common stock, \$0.0001 par value per share (the “**Common Stock**”) (as converted, collectively, the “**Conversion Shares**”), in accordance with the terms of the Note and (ii) a warrant (the “**Warrant**”) to purchase Common Stock (the “**Warrant Shares**”), in each case, pursuant to a Securities Purchase Agreement, dated as of December 4, 2012 (the “**Securities Purchase Agreement**”) to the Holder and certain other investors signatory thereto (the Holder and such other investors collectively, the “**Investors**”). Capitalized terms not defined herein shall have the meanings set forth in the Securities Purchase Agreement as amended hereby.

B. The Company and the Holder desire to enter into this Agreement, pursuant to which, among other things (i) the Company and the Holder shall exchange such portion of the Warrant exercisable into such number of shares of Common Stock as described below the Holder’s name on the signature page of the Holder (without regard to any limitation on exercise set forth therein) (such portion, the “**Exchanging Warrant**”, and such remaining portion, the “**Remaining Warrant**”) for (x) such number of shares of Common Stock as described below the Holder’s name on the signature page of the Holder (the “**Exchange Shares**”) and (y) a new warrant to purchase such number of shares of Common Stock issuable upon exercise of the Exchanging Warrant as of the date hereof (without regard to any limitation on exercise set forth therein), in the form attached hereto as Exhibit A (the “**Exchange Warrant**”, and such shares of Common Stock issuable upon exercise thereof, the “**Exchange Warrant Shares**”) and (ii) certain terms of the Note and the Remaining Warrant shall be waived.

C. Concurrently with the transactions contemplated hereby, Investors (other than the Holder) (the “**Other Holders**”), which, together with the Holder, beneficially own at least 51% of the aggregate principal amount of senior secured convertible notes and related warrants of the Company (the “**Required Holders**”), are executing agreements identical to this Agreement (other than proportional changes in the numbers reflecting the different aggregate principal amount of senior secured convertible notes and related warrants of the Company held by each Other Holder and corresponding proportional changes to the number of shares of Common Stock and new warrants to purchase Common Stock to be delivered to such Other Holder in exchange for such portion of the applicable subordinated convertible note being exchanged) (the “**Other Agreements**”, and together with this Agreement, the “**Agreements**”).

D. The Exchanging Warrant will be exchanged for the Exchange Shares and the Exchange Warrant in an exchange made in reliance upon the exemption from registration provided by Section 3(a)(9) of the Securities Act.

A G R E E M E N T

1. Waivers; Exchange. On the Closing Date (as defined below), the Holder shall, and the Company shall, pursuant to Section 3(a)(9) of the Securities Act, exchange (a) the Exchanging Warrant for the Exchange Shares and the Exchange Warrant (collectively, the “**Exchange**”). On or prior to the Closing (as defined below), the following transactions shall occur:

1.1 Delivery. On the Closing Date, (a) the Company shall (x) deliver the Exchange Shares and the Exchange Warrant to the Holder and (y) duly execute and deliver to the Holder the notice of Dilutive Issuance (as defined in the Note) in the form attached hereto as Exhibit B and (b) the Exchanging Warrant shall be extinguished. The Exchange Shares and the Exchange Warrant shall be issued in accordance with the instructions set forth on the signature page of the Holder.

1.2 Other Documents. The Company and the Holder shall execute and/or deliver such other documents and agreements as are customary and reasonably necessary to effectuate the Amendment and the Exchange.

1.3 No Additional Consideration. The parties acknowledge and agree that the Exchange Shares and the Exchange Warrant shall be issued to the Holder in exchange for the Exchanging Warrant without the payment of any additional consideration.

1.4 Closing. Upon confirmation that the Required Holders shall have executed the Amendment, Waiver and Exchange Agreements and satisfaction of the conditions of this Section 1, the closing of the Exchange (the “**Closing**”) shall occur on October 30, 2013 or such other date as is mutually acceptable to the Holder and the Company (the “**Closing Date**”).

1.5 Remaining Warrant Waiver.

(a) Effective as of the time immediately prior to the Closing Date and until the Warrant expires, the Holder hereby irrevocably waives Sections 2(b), 2(d), 2(e), 2(f), 2(h) and 4(c) of the Warrant, which thereafter shall be of no further force or effect.

(b) Effective as of the Effective Time and through February 28, 2013, the Holder hereby waives any default that may occur pursuant to Section 1(g) under the Warrant.

1.6 Note Waiver.

(a) Effective as of the second Trading Day after the Effective Time (as defined below), the Holder hereby irrevocably waives Sections 5(c), 7(a), 7(c), 7(d), 7(e) and 7(f) of the Note, which thereafter shall be of no further force or effect.

(b) Effective as of the Effective Time, the Holder hereby waives the default that has occurred pursuant to Section 4(a)(iii) under the Note solely as a result of the Company’s receipt from the Staff of the Listing Qualifications Department of The NASDAQ Stock Market LLC indicating that the Company’s common stock would be subject to delisting from The NASDAQ Capital Market on October 16, 2013. The parties acknowledge and agree that the foregoing waiver solely related to the Company’s receipt of such notice and not the occurrence of any such delisting from the NASDAQ Capital Market after the date hereof.

(c) Effective as of the Effective Time and through February 28, 2013, the Holder hereby waives any default that may occur pursuant to Section 4(a)(v) under the Note.

(d) Effective as of the Effective Time and at all times thereafter, the Holder hereby waives (i) the default that has occurred pursuant to Section 4(a)(xvi) under the Note as a result of the outstanding lien filed against WPCS International – Suisun City, Inc. as a result of the failure to pay payroll taxes and (ii) any future default that may occur pursuant to Section 4(a)(xvi) under the Note as a result of the failure of the Company and its Subsidiaries to pay payroll taxes; provided, that the Indebtedness with respect to any such default or defaults does not exceed, in the aggregate, \$250,000.

(e) Effective as of the Effective Time and at all times thereafter, the Holder hereby waives the right, upon the occurrence of an Event of Default, to require the Company to redeem the Note at the Event of Default Redemption Price pursuant to Section 4(b) upon the later of (i) such Event of Default being cured by the Company and (ii) 10 Trading Days after the Event of Default Notice is provided to the Holder pursuant to Section 4(b) of the Note. The parties acknowledge and agree that the foregoing waiver relates to each specific Event of Default that may occur and any future Event of Default will remain subject to the Holder's right to redeem the Note at the Event of Default Redemption Price, subject to the above waiver.

(f) Effective as of the Effective Time and through February 28, 2013, the Holder hereby waives any Authorized Share Failure (as defined in the Note) that may occur pursuant to Section 9(b) under the Note.

(g) Effective as of the Effective Time, the Holder hereby waives Section 4(a)(xvi) of the Note solely with respect to a breach of Section 13(n) of the Note resulting from the inclusion of any payroll liabilities owed to Andrew Hidalgo pursuant to the Separation Agreement, dated as of July 24, 2013, by and between the Company and Andrew Hidalgo in the definition of "Payroll Liabilities" in Section 30(ww) of the Note.

1.7 Valuation. The parties hereto acknowledge and agree that, solely for purpose of determining the New Issuance Price (as defined in the Note) pursuant to Section 7(a) of the Note with respect to the Dilutive Issuance (as defined in the Note) contemplated hereby, (x) the Exchange Shares and the Exchange Warrants hereunder consist of units of one Exchange Share and Exchange Warrants to purchase four (4) shares of Common Stock and (y) the value of the portion of the Exchanging Warrant exchanged for each such unit shall be deemed to be equal to \$7.52.

1.8 Reservation of Shares. The Company hereby represents and warrants that as of the date hereof, the Company has reserved an aggregate of 12,866,937 shares of Common Stock for issuance in connection with any conversion and/or exercise, as applicable, of the Notes and/or Warrants of the Holder and the Other Holders (collectively, the "**Initial Reservation Amount**", and the number of shares of Common Stock set forth as reserved for the Holder's conversion and/or exercise, as applicable of the Note, the Remaining Warrant and the Exchange Warrant, as set forth below the Holder's signature hereto, the "**Share Reserve Allocation**"). Notwithstanding anything set forth in the Securities Purchase Agreement, the Note, the Remaining Warrant or the Exchange Warrant to the contrary, the Holder hereby acknowledges and agrees that, until such time as the Company shall have increased its number of authorized shares (whether pursuant to stockholder approval, merger, or otherwise) (the "**Authorization Increase**"), (x) the Company shall not be required to reserve more than the Initial Reservation Amount for the conversion and/or exercise, as applicable, of the Notes and/or Warrants of the Holder and the Other Holders and (y) the Holder shall not be entitled to convert and/or exercise, as applicable, the Note, the Remaining Warrant and/or the Exchange Warrant (including, without limitation, any cash exercise or conversion pursuant to Section 9(b) of the Note or 1(g) of the Remaining Warrant or the Exchange Warrant) after the Holder shall have converted and/or exercised the Note, the Remaining Warrant and/or the Exchange Warrant into such number of shares of Common Stock equal to the Holder's Share Reserve Allocation.

2. AMENDMENTS TO TRANSACTION DOCUMENTS.

2.1 Amendments to Transaction Documents: Waivers

(a) Effective as of the Closing Date, each of the Transaction Documents are hereby amended as follows:

(i) The defined term “Warrant Shares” is hereby amended to include “each of the “Exchange Shares” (as defined in the Amendment, Waiver and Exchange Agreements)”.

(ii) The defined term “Warrants” is hereby amended to include “each “Exchange Warrant” and “Remaining Warrant”) (as defined in the Amendment, Waiver and Exchange Agreements)”.

(iii) The defined term “Transaction Documents” is hereby amended to include the Amendment, Waiver and Exchange Agreements.

(iv) The defined term “Amendment, Waiver and Exchange Agreements” shall mean “those certain Amendment, Waiver and Exchange Agreements, dated as of October 25, 2013, each by and between the Company and each Buyer”.

3. REPRESENTATIONS AND WARRANTIES.

3.1 Holder Bring Down. The Holder hereby makes the representations and warranties as to itself only as set forth in Section 2 of the Securities Purchase Agreement (as amended hereby) as if such representations and warranties were made as of the date hereof and set forth in their entirety in this Agreement, *mutatis mutandis*.

3.2 Company Bring Down. Except as set forth on Schedule 3.2 hereto and subject to such disclosures set forth in the Company’s filings with the Securities and Exchange Commission prior to the date hereof and in the 8-K Filing (as defined below), the Company hereby makes the representations and warranties to the Holder as set forth in Section 3 of the Securities Purchase Agreement (as amended hereby) as if such representations and warranties were made as of the date hereof and set forth in their entirety in this Amendment, *mutatis mutandis*.

4. Covenants.

4.1 Disclosure of Transactions and Other Material Information. On or before 9:30 a.m., New York time, on the first (1st) Business Day following the Closing Date, the Company shall file a Current Report on Form 8-K describing all the material terms of the transactions contemplated by the Agreements in the form required by the 1934 Act and attaching all the material agreements (including, without limitation, this Agreement and the form of the Exchanged Warrants) (including all attachments, the “**8-K Filing**”). On or prior to December 15, 2013 (such applicable date, the “**Disclosure Date**”), the Company shall have disclosed all material, non-public information (if any) delivered to any of the Buyers by the Company or any of its Subsidiaries, or any of their respective officers, directors, employees or agents in connection with the transactions contemplated by the Agreements.

4.2 Fees. The Company shall reimburse Greenberg Traurig, LLP (counsel to the lead Investor), on demand, for all reasonable, documented costs and expenses incurred by it in connection with preparing and delivering this Agreement (including, without limitation, all reasonable, documented legal fees and disbursements in connection therewith, and due diligence in connection with the transactions contemplated thereby) (the “**Lead Investor Counsel Expenses**”).

4.3 Holding Period. For the purposes of Rule 144, the Company acknowledges that the holding period of the Exchanging Warrant may be tacked onto the holding period of each of the Exchange Shares and the Exchange Warrant, and the Company agrees not to take a position contrary to this Section 4.3. The Company agrees to take all actions, including, without limitation, obtaining customary legal opinions necessary to comply with the foregoing.

4.4 Lock-Up.

(a) During the period commencing on the date hereof and ending on the earlier of (x) the Disclosure Date and (y) December 15, 2013 (the “**Restricted Period**”), the Holder shall not (i) sell, offer to sell, contract or agree to sell, hypothecate, pledge, grant any option to purchase, make any short sale or otherwise dispose of or agree to dispose of, directly or indirectly, any securities of the Company, or establish or increase a put equivalent position or liquidate or decrease a call equivalent position within the meaning of Section 16 of the 1934 Act with respect to any securities of the Company owned directly by the Holder (including holding as a custodian) or with respect to which the undersigned has beneficial ownership within the rules and regulations of the SEC (including, without limitation, the Note, the Exchange Shares, the Remaining Warrant, the Exchange Warrant and/or any shares of Common Stock issuable upon conversion or exercise thereof, as applicable) or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any securities of the Company, owned directly by the undersigned (including holding as a custodian) or with respect to which the undersigned has beneficial ownership within the rules and regulations of the Securities and Exchange Commission (including, without limitation, the Note, the Exchange Shares, the Remaining Warrant, the Exchange Warrant and/or any shares of Common Stock issuable upon conversion or exercise thereof, as applicable), whether any such transaction is to be settled by delivery of such securities, in cash or otherwise, (collectively, the “**Holder Securities**”).

(b) The foregoing restriction is expressly agreed to preclude the Holder or any affiliate of the Holder from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of the Holder's Securities even if the Holder's Securities would be disposed of by someone other than the Holder. Such prohibited hedging or other transactions would include, without limitation, any short sale or any purchase, sale or grant of any right (including, without limitation, any put or call option) with respect to any of the Holder's Securities or with respect to any security that includes, relates to, or derives any significant part of its value from the Holder's Securities.

(c) Notwithstanding the foregoing, the Holder may transfer the Holder's Securities to any person that agrees to be bound in writing by the restrictions set forth in this Section 4.4. The Holder also agrees and consents to the entry of stop transfer instructions with the Company's transfer agent and registrar against the transfer of the Holder's Securities except in compliance with the foregoing restrictions.

5. MISCELLANEOUS.

5.1 Effective Time. The waiver in Section 1.6 of this Agreement shall be effective upon the later of (x) the time the Company shall have paid Lead Investor Counsel Expenses to Greenberg Traurig LLP by wire transfer of U.S. dollars and immediately available funds in accordance with the written instructions of Greenberg Traurig LLP delivered to the Company and (y) the date each of the Required Holders shall have received such shares of Common Stock and warrants to Purchase Common Stock in exchange for the Notes subject to exchange as contemplated by each of their respective Amendment, Waiver and Exchange Agreements (the "**Effective Time**").

5.2 Miscellaneous Provisions. Section 9 of the Securities Purchase Agreement (as amended hereby) is hereby incorporated by reference herein, *mutatis mutandis*.

5.3 Most Favored Nation. The Company hereby represents and warrants as of the date hereof and covenants and agrees from and after the date hereof that none of the terms offered to any Person with respect to any consent, release, amendment, settlement or waiver relating to the terms, conditions and transactions contemplated hereby (each a "**Settlement Document**"), is or will be more favorable to such Person than those of the Holder and this Agreement. If, and whenever on or after the date hereof, the Company enters into a Settlement Document, then (i) the Company shall provide notice thereof to the Holder immediately following the occurrence thereof and (ii) the terms and conditions of this Agreement, the other Exchange Documents and the Securities (other than any limitations on conversion or exercise set forth therein) shall be, without any further action by the Holder or the Company, automatically amended and modified in an economically and legally equivalent manner such that the Holder shall receive the benefit of the more favorable terms and/or conditions (as the case may be) set forth in such Settlement Document, provided that upon written notice to the Company at any time the Holder may elect not to accept the benefit of any such amended or modified term or condition, in which event the term or condition contained in this Agreement or the Securities (as the case may be) shall apply to the Holder as it was in effect immediately prior to such amendment or modification as if such amendment or modification never occurred with respect to the Holder. The provisions of this Section 5.3 shall apply similarly and equally to each Settlement Document.

[The remainder of the page is intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

COMPANY:

WPCS INTERNATIONAL INCORPORATED

By: _____
Name: Joseph Heater
Title: Chief Financial Officer

[Amendment, Waiver and Exchange Agreement]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

HOLDER:

By:

Aggregate Number of Warrant Shares of Exchanging Warrant and Exchange Warrant:

Aggregate Number of Exchange Shares:

Share Reserve Allocation:

Address for delivery of the Exchange Warrant and Exchange Shares:

[Amendment, Waiver and Exchange Agreement]

SCHEDULE 3.2

The following are exceptions to the representations and warranties made by the Company in the Securities Purchase Agreement, as if such representations and warranties were made as of the date of this Agreement.

Section 3(b): The term “Stockholder Approval” should be replaced with the term “Subsequent Stockholder Approval.” For purposes of this Agreement, “Subsequent Stockholder Approval” means the approval of the Company’s stockholders, at either (x) the next annual meeting of stockholders of the Company or (y) a special meeting of stockholders of the Company, which shall be promptly called and held not later than February 28, 2013 of resolutions providing for the increase of the authorized shares of Common Stock of the Company to a sufficient level in order to meet the Company’s obligations pursuant to the Transaction Documents.

Section 3(c): For purposes of this representation, the term “Warrants” shall not include the Exchange Warrants. In addition, the term “Stockholder Approval” should be replaced with the term “Subsequent Stockholder Approval.”

Section 3(f): As of the date of this Agreement, the Company is deemed Insolvent (as defined in the Securities Purchase Agreement).

Section 3(p): In October 2013, the Company discovered that one of the Australian accountants submitted fraudulent invoices in August and September 2013 to Pride and funds were transferred to her account totaling approximately \$26,000. The accountant has been criminally charged and the Company is currently seeking restitution. As a result of this incident, the Company has undertaken a further investigation, which is still in progress. At this time, the Company believes that this accountant submitted additional fraudulent vendor invoices, which were paid, between May 2012 and May 2013 in the aggregate amount of approximately \$250,000. If these, or other fraudulent activities are proven, the Company expects the accountant will be criminally charged with additional counts of fraud. If that occurs, the Company will seek further restitution.

As a result of these fraudulent payments, the Company has determined that there exists a material weakness in its financial accounting controls and procedures.

Section 3(v): Pursuant to employment agreements with Myron Polulak, Curtis LaChance and Robert Roller, such individuals were entitled to receive annual bonuses of \$38,226, \$101,987 and \$47,644, respectively. Such bonuses were required to be paid within 30 days after July 29, 2013. Pursuant to their employment agreements, failure to pay such bonus within 30 days of receipt from the employee of such default in payment, would allow such employee to terminate their employment agreement for “Good Reason”, which would entitle the employee to receive a lump-sum severance payment equal to the amount owed to such employee from the date of termination through the remaining term of the employment agreement.

The Company received notices from Curtis LaChance, Myron Polulak and Robert Roller on September 9, 2013, September 30, 2013 and October 24, 2013, respectively. The Company entered into a waiver agreement with Curtis LaChance on October 8, 2013, and is current in the payment terms of such waiver agreement. The Company is currently negotiating with Myron Polulak to enter into a similar waiver agreement. The Company intends to negotiate with Robert Roller to enter into a similar waiver agreement.

Section 3(bb): See disclosure for Section 3(p).

[FORM OF EXCHANGE WARRANT]

NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE EXERCISABLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL TO THE HOLDER (IF REQUESTED BY THE COMPANY), IN A FORM REASONABLY ACCEPTABLE TO THE COMPANY, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD OR ELIGIBLE TO BE SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES.

WPCS International Incorporated

Warrant To Purchase Common Stock

Warrant No.:

Date of Issuance: October 30, 2013 (the "Exchange Date")

WPCS International Incorporated, a Delaware corporation (the "Company"), hereby certifies that, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, [EXCHANGE PARTICIPANT], the registered holder hereof or its permitted assigns (the "Holder"), is entitled, subject to the terms set forth below, to purchase from the Company, at the Exercise Price (as defined below) then in effect, upon exercise of this Warrant to Purchase Common Stock (including any Warrants to Purchase Common Stock issued in exchange, transfer or replacement hereof, the "Warrant"), at any time or times on or after the Exchange Date, but not after 11:59 p.m., New York time, on the Expiration Date (as defined below), _____ (subject to adjustment as provided herein) fully paid and non-assessable shares of Common Stock (as defined below) (the "Warrant Shares"). Except as otherwise defined herein, capitalized terms in this Warrant shall have the meanings set forth in Section 16. This Warrant is one of an issue of Warrants (collectively, the "Exchange Warrants") issued pursuant to an Amendment, Waiver and Exchange Agreement, dated October 25, 2013 (the "Exchange Date"), each by and between the holder of a Warrant to Purchase Common Stock as of the Exchange Date (each, an "Exchange Participant") and the Company (the "Exchange Agreements") in exchange for part of a Warrant to Purchase Common Stock originally issued on December 5, 2013 (the "Original Issuance Date") pursuant to Section 1 of that certain Securities Purchase Agreement, dated as of December 4, 2012, by and among the Company and the investors referred to therein (as amended from time to time, the "Securities Purchase Agreement").

1. EXERCISE OF WARRANT.

(a) **Mechanics of Exercise.** Subject to the terms and conditions hereof (including, without limitation, the limitations set forth in Section 1(f)), this Warrant may be exercised by the Holder on any day on or after the Exchange Date, in whole or in part, by delivery (whether via facsimile or otherwise) of a written notice, in the form attached hereto as **Exhibit A** (the "**Exercise Notice**"), of the Holder's election to exercise this Warrant. Within one (1) Trading Day following an exercise of this Warrant as aforesaid, the Holder shall deliver payment to the Company of an amount equal to the Exercise Price in effect on the date of such exercise multiplied by the number of Warrant Shares as to which this Warrant was so exercised (the "**Aggregate Exercise Price**") in cash or via wire transfer of immediately available funds if the Holder did not notify the Company in such Exercise Notice that such exercise was made pursuant to a Cashless Exercise (as defined in Section 1(d)). The Holder shall not be required to deliver the original of this Warrant in order to effect an exercise hereunder. Execution and delivery of an Exercise Notice with respect to less than all of the Warrant Shares shall have the same effect as cancellation of the original of this Warrant and issuance of a new Warrant evidencing the right to purchase the remaining number of Warrant Shares. Execution and delivery of an Exercise Notice for all of the then-remaining Warrant Shares shall have the same effect as cancellation of the original of this Warrant after delivery of the Warrant Shares in accordance with the terms hereof. On or before the first (1st) Trading Day following the date on which the Company has received an Exercise Notice, the Company shall transmit by facsimile an acknowledgment of confirmation of receipt of such Exercise Notice, in the form attached hereto as **Exhibit B**, to the Holder and the Company's transfer agent (the "**Transfer Agent**"). On or before the third (3rd) Trading Day following the date on which the Company has received such Exercise Notice, the Company shall (X) provided that the Transfer Agent is participating in The Depository Trust Company ("**DTC**") Fast Automated Securities Transfer Program, upon the request of the Holder, credit such aggregate number of shares of Common Stock to which the Holder is entitled pursuant to such exercise to the Holder's or its designee's balance account with DTC through its Deposit/Withdrawal at Custodian system, or (Y) if the Transfer Agent is not participating in the DTC Fast Automated Securities Transfer Program, issue and deliver to the Holder or, at the Holder's instruction pursuant to the Exercise Notice, the Holder's agent or designee, in each case, sent by reputable overnight courier to the address as specified in the applicable Exercise Notice, a certificate, registered in the Company's share register in the name of the Holder or its designee (as indicated in the applicable Exercise Notice), for the number of shares of Common Stock to which the Holder is entitled pursuant to such exercise. Upon delivery of an Exercise Notice, the Holder shall be deemed for all corporate purposes to have become the holder of record of the Warrant Shares with respect to which this Warrant has been exercised, irrespective of the date such Warrant Shares are credited to the Holder's DTC account or the date of delivery of the certificates evidencing such Warrant Shares (as the case may be). If this Warrant is submitted in connection with any exercise pursuant to this Section 1(a) and the number of Warrant Shares represented by this Warrant submitted for exercise is greater than the number of Warrant Shares being acquired upon an exercise, then, at the request of the Holder, the Company shall as soon as practicable and in no event later than three (3) Business Days after any exercise and at its own expense, issue and deliver to the Holder (or its designee) a new Warrant (in accordance with Section 7(d)) representing the right to purchase the number of Warrant Shares purchasable immediately prior to such exercise under this Warrant, less the number of Warrant Shares with respect to which this Warrant is exercised. No fractional shares of Common Stock are to be issued upon the exercise of this Warrant, but rather the number of shares of Common Stock to be issued shall be rounded up to the nearest whole number. The Company shall pay any and all taxes and fees which may be payable with respect to the issuance and delivery of Warrant Shares upon exercise of this Warrant. Notwithstanding the foregoing, except in the case where an exercise of this Warrant is validly made pursuant to a Cashless Exercise (as defined in Section 1(d)), the Company's failure to deliver Warrant Shares to the Holder on or prior to the second (2nd) Trading Day after the Company's receipt of the Aggregate Exercise Price shall not be deemed to be a breach of this Warrant.

(b) Exercise Price. For purposes of this Warrant, “**Exercise Price**” means \$2.1539, subject to adjustment as provided herein.

(c) Company’s Failure to Timely Deliver Securities. If the Company shall fail, for any reason or for no reason, to issue to the Holder within the later of (i) three (3) Trading Days after receipt of the applicable Exercise Notice and (ii) two (2) Trading Days after the Company’s receipt of the Aggregate Exercise Price (or valid notice of a Cashless Exercise) (such later date, the “**Share Delivery Deadline**”), a certificate for the number of shares of Common Stock to which the Holder is entitled and register such shares of Common Stock on the Company’s share register or to credit the Holder’s balance account with DTC for such number of shares of Common Stock to which the Holder is entitled upon the Holder’s exercise of this Warrant (as the case may be) (a “**Delivery Failure**”), then, in addition to all other remedies available to the Holder, the Company shall pay in cash to the Holder on each day after such Share Delivery Deadline that the issuance of such shares of Common Stock is not timely effected an amount equal to 2% of the product of (A) the aggregate number of shares of Common Stock not issued to the Holder on a timely basis and to which the Holder is entitled and (B) the Closing Sale Price of the Common Stock on the Trading Day immediately preceding the last possible date on which the Company could have issued such shares of Common Stock to the Holder without violating Section 1(a). In addition to the foregoing, if on or prior to the Share Delivery Deadline, the Company shall fail to issue and deliver a certificate to the Holder and register such shares of Common Stock on the Company’s share register or credit the Holder’s balance account with DTC for the number of shares of Common Stock to which the Holder is entitled upon the Holder’s exercise hereunder (as the case may be), and if on or after such Share Delivery Deadline the Holder purchases (in an open market transaction or otherwise) shares of Common Stock to deliver in satisfaction of a sale by the Holder of all or any portion of the number of shares of Common Stock, or a sale of a number of shares of Common Stock equal to all or any portion of the number of shares of Common Stock, issuable upon such exercise that the Holder so anticipated receiving from the Company, then, in addition to all other remedies available to the Holder, the Company shall, within three (3) Business Days after the Holder’s request and in the Holder’s discretion, either (i) pay cash to the Holder in an amount equal to the Holder’s total purchase price (including brokerage commissions and other out-of-pocket expenses, if any) for the shares of Common Stock so purchased (including, without limitation, by any other Person in respect, or on behalf, of the Holder) (the “**Buy-In Price**”), at which point the Company’s obligation to so issue and deliver such certificate or credit the Holder’s balance account with DTC for the number of shares of Common Stock to which the Holder is entitled upon the Holder’s exercise hereunder (as the case may be) (and to issue such shares of Common Stock) shall terminate, or (ii) promptly honor its obligation to so issue and deliver to the Holder a certificate or certificates representing such shares of Common Stock or credit the Holder’s balance account with DTC for the number of shares of Common Stock to which the Holder is entitled upon the Holder’s exercise hereunder (as the case may be) and pay cash to the Holder in an amount equal to the excess (if any) of the Buy-In Price over the product of (A) such number of shares of Common Stock multiplied by (B) the lowest Closing Sale Price of the Common Stock on any Trading Day during the period commencing on the date of the applicable Exercise Notice and ending on the date of such issuance and payment under this clause (ii).

(d) Cashless Exercise. Notwithstanding anything contained herein to the contrary (other than Section 1(f) below), if at any time of exercise hereof after the six month anniversary of the Original Issuance Date a Registration Statement (as defined in the Registration Rights Agreement) is not effective (or the prospectus contained therein is not available for use on a continuous basis) for the resale by the Holder of all of the Registrable Securities (as defined in the Registration Rights Agreement) at market prices from time to time, then the Holder may, in its sole discretion, exercise this Warrant in whole or in part and, in lieu of making the cash payment otherwise contemplated to be made to the Company upon such exercise in payment of the Aggregate Exercise Price, elect instead to receive upon such exercise the "Net Number" of shares of Common Stock determined according to the following formula (a "**Cashless Exercise**"):

$$\text{Net Number} = \frac{(A \times B) - (A \times C)}{D}$$

For purposes of the foregoing formula:

A= the total number of shares with respect to which this Warrant is then being exercised.

B=the quotient of (x) the sum of the VWAP of the Common Stock of each of the five (5) Trading Days ending at the close of business on the Principal Market immediately prior to the time of exercise as set forth in the applicable Exercise Notice, divided by (y) five (5).

C= the Exercise Price then in effect for the applicable Warrant Shares at the time of such exercise.

D= as applicable: (i) the Closing Sale Price of the Common Stock on the Trading Day immediately preceding the date of the applicable Exercise Notice if such Exercise Notice is (1) both executed and delivered pursuant to Section 1(a) hereof on a day that is not a Trading Day or (2) both executed and delivered pursuant to Section 1(a) hereof on a Trading Day prior to the opening of "regular trading hours" (as defined in Rule 600(b)(64) of Regulation NMS promulgated under the federal securities laws) on such Trading Day, (ii) the Bid Price of the Common Stock as of the time of the Holder's execution of the applicable Exercise Notice if such Exercise Notice is executed during "regular trading hours" on a Trading Day and is delivered within two (2) hours thereafter pursuant to Section 1(a) hereof, or (iii) the Closing Sale Price of the Common Stock on the date of the applicable Exercise Notice if the date of such Exercise Notice is a Trading Day and such Exercise Notice is both executed and delivered pursuant to Section 1(a) hereof after the close of "regular trading hours" on such Trading Day.

(e) Disputes. In the case of a dispute as to the determination of the Exercise Price or the arithmetic calculation of the number of Warrant Shares to be issued pursuant to the terms hereof, the Company shall promptly issue to the Holder the number of Warrant Shares that are not disputed and resolve such dispute in accordance with Section 13.

(f) Limitations on Exercises.

(i) Beneficial Ownership. Notwithstanding anything to the contrary contained in this Warrant, this Warrant shall not be exercisable by the Holder hereof to the extent (but only to the extent) that after giving effect to such exercise the Holder (together with any of its affiliates) would beneficially own in excess of 9.99% (the "**Maximum Percentage**") of the Common Stock. To the extent the above limitation applies, the determination of whether this Warrant shall be exercisable (vis-à-vis other convertible, exercisable or exchangeable securities owned by the Holder or any of its affiliates) and of which such securities shall be convertible, exercisable or exchangeable (as the case may be, as among all such securities owned by the Holder) shall, subject to such Maximum Percentage limitation, be determined on the basis of the first submission to the Company for conversion, exercise or exchange (as the case may be). No prior inability to exercise this Warrant pursuant to this paragraph shall have any effect on the applicability of the provisions of this paragraph with respect to any subsequent determination of exercisability. For the purposes of this paragraph, beneficial ownership and all determinations and calculations (including, without limitation, with respect to calculations of percentage ownership) shall be determined in accordance with Section 13(d) of the 1934 Act (as defined in the Securities Purchase Agreement) and the rules and regulations promulgated thereunder. The provisions of this paragraph shall be implemented in a manner otherwise than in strict conformity with the terms of this paragraph to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Maximum Percentage beneficial ownership limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such Maximum Percentage limitation. The limitations contained in this paragraph shall apply to a successor Holder of this Warrant. The holders of Common Stock shall be third party beneficiaries of this paragraph and the Company may not waive this paragraph without the consent of holders of a majority of its Common Stock. For any reason at any time, upon the written or oral request of the Holder, the Company shall within one (1) Business Day confirm orally and in writing to the Holder the number of shares of Common Stock then outstanding, including by virtue of any prior conversion or exercise of convertible or exercisable securities into Common Stock, including, without limitation, pursuant to this Warrant or securities issued pursuant to the Securities Purchase Agreement or the Exchange Agreements.

(ii) **Principal Market Regulation.** The Company shall not issue any shares of Common Stock upon exercise of this Warrant if the issuance of such shares of Common Stock would exceed the aggregate number of shares of Common Stock which the Company may issue upon conversion or exercise (as the case may be) of the Exchange Warrants without breaching the Company's obligations under the rules or regulations of the Principal Market (the number of shares which may be issued without violating such rules and regulations, the "**Exchange Cap**"), except that such limitation shall not apply in the event that the Company (A) obtains the approval of its stockholders as required by the applicable rules of the Principal Market for issuances of shares of Common Stock in excess of such amount or (B) obtains a written opinion from outside counsel to the Company that such approval is not required, which opinion shall be reasonably satisfactory to the Holder. Until such approval or such written opinion is obtained, no Exchange Participant shall be issued in the aggregate, upon exercise of any Exchange Warrants, shares of Common Stock in an amount greater than the product of (i) the Exchange Cap multiplied by (ii) the quotient of (1) the number of shares of Common Stock issuable upon exercise of this Warrant on the Exchange Date (without regards to any limitations on exercise set forth herein) divided by (2) the aggregate number of shares of Common Stock issuable upon exercise of the Exchange Warrants (including this Warrant) on the Exchange Date (without regards to any limitations on exercise set forth herein and therein) (with respect to each Exchange Participant, the "**Exchange Cap Allocation**"). In the event that any Exchange Participant shall sell or otherwise transfer any of such Exchange Participant's Exchange Warrants, the transferee shall be allocated a pro rata portion of such Exchange Participant's Exchange Cap Allocation with respect to such portion of such Exchange Warrants so transferred, and the restrictions of the prior sentence shall apply to such transferee with respect to the portion of the Exchange Cap Allocation so allocated to such transferee. Upon exercise and conversion in full of a holder's Exchange Warrants, the difference (if any) between such holder's Exchange Cap Allocation and the number of shares of Common Stock actually issued to such holder upon such holder's exercise in full of such Exchange Warrants shall be allocated to the respective Exchange Cap Allocations of the remaining holders of Exchange Warrants on a pro rata basis in proportion to the shares of Common Stock underlying the Exchange Warrants then held by each such holder.

(g) **Insufficient Authorized Shares.** The Company shall, upon obtaining the Subsequent Stockholder Approval keep reserved for issuance under this Warrant a number of shares of Common Stock at least equal to 150%, of the maximum number of shares of Common Stock as shall be necessary to satisfy the Company's obligation to issue shares of Common Stock hereunder (without regard to any limitation otherwise contained herein with respect to the number of shares of Common Stock that may be acquirable upon exercise of this Warrant). If, notwithstanding the foregoing, and not in limitation thereof, at any time after the Exchange Date, while any of the Exchange Warrants remain outstanding the Company does not have a sufficient number of authorized and unreserved shares of Common Stock to satisfy its obligation to reserve for issuance upon exercise of the Exchange Warrants at least a number of shares of Common Stock (the "**Required Reserve Amount**") equal to the number of shares of Common Stock as shall from time to time be necessary to effect the exercise of all of the Exchange Warrants then outstanding (an "**Authorized Share Failure**"), then the Company shall immediately take all action necessary to increase the Company's authorized shares of Common Stock to an amount sufficient to allow the Company to reserve the Required Reserve Amount for all the Exchange Warrants then outstanding; provided, however, that no Authorized Share Failure shall occur if (x) the Exchange Cap limitation is in effect and (y) the aggregate number of shares of Common Stock which the Company has reserved for issuance upon exercise of the Exchange Warrants is equal to or greater than the aggregate number of shares of Common Stock that may be issued upon exercise of the Exchange Warrants subject to the Exchange Cap. Without limiting the generality of the foregoing sentence as soon as practicable after the date of the occurrence of an Authorized Share Failure, but in no event later than sixty (60) days after the occurrence of such Authorized Share Failure, the Company shall hold a meeting of its stockholders for the approval of an increase in the number of authorized shares of Common Stock, provided, however, that no Authorized Share Failure shall be deemed to have occurred prior to the Subsequent Stockholder Approval. In connection with such meeting, the Company shall provide each stockholder with a proxy statement and shall use its reasonable best efforts to solicit its stockholders' approval of such increase in authorized shares of Common Stock and to cause its board of directors to recommend to the stockholders that they approve such proposal. In the event that the Company is prohibited from issuing shares of Common Stock upon an exercise of this Warrant due to the failure by the Company to have sufficient shares of Common Stock available out of the authorized but unissued shares of Common Stock (such unavailable number of shares of Common Stock, the "**Authorization Failure Shares**"), in lieu of delivering such Authorization Failure Shares to the Holder, the Company shall pay cash in exchange for the cancellation of such portion of this Warrant exercisable into such Authorized Failure Shares at a price equal to the sum of (i) the product of (x) such number of Authorization Failure Shares and (y) the Closing Sale Price on the Trading Day immediately preceding the date the Holder delivers the applicable Exercise Notice with respect to such Authorization Failure Shares to the Company and (ii) to the extent the Holder purchases (in an open market transaction or otherwise) shares of Common Stock to deliver in satisfaction of a sale by the Holder of Authorization Failure Shares, any brokerage commissions and other out-of-pocket expenses, if any, of the Holder incurred in connection therewith.

2. ADJUSTMENT OF EXERCISE PRICE AND NUMBER OF WARRANT SHARES. THE EXERCISE PRICE AND NUMBER OF WARRANT SHARES ISSUABLE UPON EXERCISE OF THIS WARRANT ARE SUBJECT TO ADJUSTMENT FROM TIME TO TIME AS SET FORTH IN THIS SECTION 2.

(a) Stock Dividends and Splits. Without limiting any provision of Section 2(b) or Section 4, if the Company, at any time on or after the date of the Securities Purchase Agreement, (i) pays a stock dividend on one or more classes of its then outstanding shares of Common Stock or otherwise makes a distribution on any class of capital stock that is payable in shares of Common Stock, (ii) subdivides (by any stock split, stock dividend, recapitalization or otherwise) one or more classes of its then outstanding shares of Common Stock into a larger number of shares or (iii) combines (by combination, reverse stock split or otherwise) one or more classes of its then outstanding shares of Common Stock into a smaller number of shares, then in each such case the Exercise Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event. Any adjustment made pursuant to clause (i) of this paragraph shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution, and any adjustment pursuant to clause (ii) or (iii) of this paragraph shall become effective immediately after the effective date of such subdivision or combination. If any event requiring an adjustment under this paragraph occurs during the period that an Exercise Price is calculated hereunder, then the calculation of such Exercise Price shall be adjusted appropriately to reflect such event.

(b) [Intentionally Omitted]

(c) Number of Warrant Shares. Simultaneously with any adjustment to the Exercise Price pursuant to paragraphs (a), (d), (e), (f) or (g) of this Section 2, the number of Warrant Shares that may be purchased upon exercise of this Warrant shall be increased or decreased proportionately, so that after such adjustment the aggregate Exercise Price payable hereunder for the adjusted number of Warrant Shares shall be the same as the aggregate Exercise Price in effect immediately prior to such adjustment (without regard to any limitations on exercise contained herein).

(d) [Intentionally Omitted]

(e) [Intentionally Omitted]

(f) [Intentionally Omitted]

(g) Calculations. All calculations under this Section 2 shall be made by rounding to the nearest cent or the nearest 1/100th of a share, as applicable. The number of shares of Common Stock outstanding at any given time shall not include shares owned or held by or for the account of the Company, and the disposition of any such shares shall be considered an issue or sale of Common Stock.

(h) [Intentionally Omitted]

3. RIGHTS UPON DISTRIBUTION OF ASSETS. IN ADDITION TO ANY ADJUSTMENTS PURSUANT TO SECTION 2 ABOVE, IF THE COMPANY SHALL DECLARE OR MAKE ANY DIVIDEND OR OTHER DISTRIBUTION OF ITS ASSETS (OR RIGHTS TO ACQUIRE ITS ASSETS) TO HOLDERS OF SHARES OF COMMON STOCK, BY WAY OF RETURN OF CAPITAL OR OTHERWISE (INCLUDING, WITHOUT LIMITATION, ANY DISTRIBUTION OF CASH, STOCK OR OTHER SECURITIES, PROPERTY OR OPTIONS BY WAY OF A DIVIDEND, SPIN OFF, RECLASSIFICATION, CORPORATE REARRANGEMENT, SCHEME OF ARRANGEMENT OR OTHER SIMILAR TRANSACTION) (A “**DISTRIBUTION**”), AT ANY TIME AFTER THE ISSUANCE OF THIS WARRANT, THEN, IN EACH SUCH CASE, THE HOLDER SHALL BE ENTITLED TO PARTICIPATE IN SUCH DISTRIBUTION TO THE SAME EXTENT THAT THE HOLDER WOULD HAVE PARTICIPATED THEREIN IF THE HOLDER HAD HELD THE NUMBER OF SHARES OF COMMON STOCK ACQUIRABLE UPON COMPLETE EXERCISE OF THIS WARRANT (WITHOUT REGARD TO ANY LIMITATIONS ON EXERCISE HEREOF, INCLUDING WITHOUT LIMITATION, THE MAXIMUM PERCENTAGE) IMMEDIATELY BEFORE THE DATE ON WHICH A RECORD IS TAKEN FOR SUCH DISTRIBUTION, OR, IF NO SUCH RECORD IS TAKEN, THE DATE AS OF WHICH THE RECORD HOLDERS OF SHARES OF COMMON STOCK ARE TO BE DETERMINED FOR THE PARTICIPATION IN SUCH DISTRIBUTION (PROVIDED, HOWEVER, TO THE EXTENT THAT THE HOLDER’S RIGHT TO PARTICIPATE IN ANY SUCH DISTRIBUTIONS WOULD RESULT IN THE HOLDER EXCEEDING THE MAXIMUM PERCENTAGE, THEN THE HOLDER SHALL NOT BE ENTITLED TO PARTICIPATE IN SUCH DISTRIBUTION TO SUCH EXTENT (OR THE BENEFICIAL OWNERSHIP OF ANY SUCH SHARES OF COMMON STOCK AS A RESULT OF SUCH DISTRIBUTION TO SUCH EXTENT) AND SUCH DISTRIBUTION TO SUCH EXTENT SHALL BE HELD IN ABEYANCE FOR THE BENEFIT OF THE HOLDER UNTIL SUCH TIME, IF EVER, AS ITS RIGHT THERETO WOULD NOT RESULT IN THE HOLDER EXCEEDING THE MAXIMUM PERCENTAGE).

4. PURCHASE RIGHTS; FUNDAMENTAL TRANSACTIONS.

(a) Purchase Rights. In addition to any adjustments pursuant to Section 2 above, if at any time the Company grants, issues or sells any Options, Convertible Securities or rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of shares of Common Stock (the “**Purchase Rights**”), then the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of shares of Common Stock acquirable upon complete exercise of this Warrant (without regard to any limitations on exercise hereof, including without limitation, the Maximum Percentage) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights (provided, however, to the extent that the Holder’s right to participate in any such Purchase Right would result in the Holder exceeding the Maximum Percentage, then the Holder shall not be entitled to participate in such Purchase Right to such extent (or beneficial ownership of such shares of Common Stock as a result of such Purchase Right to such extent) and such Purchase Right to such extent shall be held in abeyance for the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Maximum Percentage).

(b) Fundamental Transactions. The Company shall not enter into or be party to a Fundamental Transaction unless (i) the Successor Entity assumes in writing all of the obligations of the Company under this Warrant and the other Transaction Documents (as defined in the Securities Purchase Agreement) in accordance with the provisions of this Section 4(b) pursuant to written agreements in form and substance satisfactory to the Holder and approved by the Holder prior to such Fundamental Transaction, including agreements to deliver to the Holder in exchange for this Warrant a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Warrant, including, without limitation, which is exercisable for a corresponding number of shares of capital stock equivalent to the shares of Common Stock acquirable and receivable upon exercise of this Warrant (without regard to any limitations on the exercise of this Warrant) prior to such Fundamental Transaction, and with an exercise price which applies the exercise price hereunder to such shares of capital stock (but taking into account the relative value of the shares of Common Stock pursuant to such Fundamental Transaction and the value of such shares of capital stock, such adjustments to the number of shares of capital stock and such exercise price being for the purpose of protecting the economic value of this Warrant immediately prior to the consummation of such Fundamental Transaction) and (ii) the Successor Entity (including its Parent Entity) is a publicly traded corporation whose common stock is quoted on or listed for trading on an Eligible Market. Upon the consummation of each Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of the applicable Fundamental Transaction, the provisions of this Warrant and the other Transaction Documents referring to the “Company” shall refer instead to the Successor Entity), and may exercise every right and power of the Company and shall assume all of the obligations of the Company under this Warrant and the other Transaction Documents with the same effect as if such Successor Entity had been named as the Company herein. Upon consummation of each Fundamental Transaction, the Successor Entity shall deliver to the Holder confirmation that there shall be issued upon exercise of this Warrant at any time after the consummation of the applicable Fundamental Transaction, in lieu of the shares of Common Stock (or other securities, cash, assets or other property (except such items still issuable under Sections 3 and 4(a) above, which shall continue to be receivable thereafter)) issuable upon the exercise of this Warrant prior to the applicable Fundamental Transaction, such shares of publicly traded common stock (or its equivalent) of the Successor Entity (including its Parent Entity) which the Holder would have been entitled to receive upon the happening of the applicable Fundamental Transaction had this Warrant been exercised immediately prior to the applicable Fundamental Transaction (without regard to any limitations on the exercise of this Warrant), as adjusted in accordance with the provisions of this Warrant. Notwithstanding the foregoing, and without limiting Section 1(f) hereof, the Holder may elect, at its sole option, by delivery of written notice to the Company to waive this Section 4(b) to permit the Fundamental Transaction without the assumption of this Warrant. In addition to and not in substitution for any other rights hereunder, prior to the consummation of each Fundamental Transaction pursuant to which holders of shares of Common Stock are entitled to receive securities or other assets with respect to or in exchange for shares of Common Stock (a “**Corporate Event**”), the Company shall make appropriate provision to insure that the Holder will thereafter have the right to receive upon an exercise of this Warrant at any time after the consummation of the applicable Fundamental Transaction but prior to the Expiration Date, in lieu of the shares of the Common Stock (or other securities, cash, assets or other property (except such items still issuable under Sections 3 and 4(a) above, which shall continue to be receivable thereafter)) issuable upon the exercise of the Warrant prior to such Fundamental Transaction, such shares of stock, securities, cash, assets or any other property whatsoever (including warrants or other purchase or subscription rights) which the Holder would have been entitled to receive upon the happening of the applicable Fundamental Transaction had this Warrant been exercised immediately prior to the applicable Fundamental Transaction (without regard to any limitations on the exercise of this Warrant). Provision made pursuant to the preceding sentence shall be in a form and substance reasonably satisfactory to the Holder.

(c) [Intentionally Omitted]

(d) Application. The provisions of this Section 4 shall apply similarly and equally to successive Fundamental Transactions and Corporate Events and shall be applied as if this Warrant (and any such subsequent warrants) were fully exercisable and without regard to any limitations on the exercise of this Warrant (provided that the Holder shall continue to be entitled to the benefit of the Maximum Percentage, applied however with respect to shares of capital stock registered under the 1934 Act and thereafter receivable upon exercise of this Warrant (or any such other warrant)).

5. NONCIRCUMVENTION. THE COMPANY HEREBY COVENANTS AND AGREES THAT THE COMPANY WILL NOT, BY AMENDMENT OF ITS CERTIFICATE OF INCORPORATION (AS DEFINED IN THE SECURITIES PURCHASE AGREEMENT), BYLAWS (AS DEFINED IN THE SECURITIES PURCHASE AGREEMENT) OR THROUGH ANY REORGANIZATION, TRANSFER OF ASSETS, CONSOLIDATION, MERGER, SCHEME OF ARRANGEMENT, DISSOLUTION, ISSUE OR SALE OF SECURITIES, OR ANY OTHER VOLUNTARY ACTION, AVOID OR SEEK TO AVOID THE OBSERVANCE OR PERFORMANCE OF ANY OF THE TERMS OF THIS WARRANT, AND WILL AT ALL TIMES IN GOOD FAITH CARRY OUT ALL THE PROVISIONS OF THIS WARRANT AND TAKE ALL ACTION AS MAY BE REQUIRED TO PROTECT THE RIGHTS OF THE HOLDER. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, THE COMPANY (I) SHALL NOT INCREASE THE PAR VALUE OF ANY SHARES OF COMMON STOCK RECEIVABLE UPON THE EXERCISE OF THIS WARRANT ABOVE THE EXERCISE PRICE THEN IN EFFECT, (II) SHALL TAKE ALL SUCH ACTIONS AS MAY BE NECESSARY OR APPROPRIATE IN ORDER THAT THE COMPANY MAY VALIDLY AND LEGALLY ISSUE FULLY PAID AND NON-ASSESSABLE SHARES OF COMMON STOCK UPON THE EXERCISE OF THIS WARRANT, AND (III) SHALL, SO LONG AS ANY OF THE EXCHANGE WARRANTS ARE OUTSTANDING, TAKE ALL ACTION NECESSARY TO RESERVE AND KEEP AVAILABLE OUT OF ITS AUTHORIZED AND UNISSUED SHARES OF COMMON STOCK, SOLELY FOR THE PURPOSE OF EFFECTING THE EXERCISE OF THE EXCHANGE WARRANTS, THE MAXIMUM NUMBER OF SHARES OF COMMON STOCK AS SHALL FROM TIME TO TIME BE NECESSARY TO EFFECT THE EXERCISE OF THE EXCHANGE WARRANTS THEN OUTSTANDING (WITHOUT REGARD TO ANY LIMITATIONS ON EXERCISE).

6. WARRANT HOLDER NOT DEEMED A STOCKHOLDER. EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED HEREIN, THE HOLDER, SOLELY IN ITS CAPACITY AS A HOLDER OF THIS WARRANT, SHALL NOT BE ENTITLED TO VOTE OR RECEIVE DIVIDENDS OR BE DEEMED THE HOLDER OF SHARE CAPITAL OF THE COMPANY FOR ANY PURPOSE, NOR SHALL ANYTHING CONTAINED IN THIS WARRANT BE CONSTRUED TO CONFER UPON THE HOLDER, SOLELY IN ITS CAPACITY AS THE HOLDER OF THIS WARRANT, ANY OF THE RIGHTS OF A STOCKHOLDER OF THE COMPANY OR ANY RIGHT TO VOTE, GIVE OR WITHHOLD CONSENT TO ANY CORPORATE ACTION (WHETHER ANY REORGANIZATION, ISSUE OF STOCK, RECLASSIFICATION OF STOCK, CONSOLIDATION, MERGER, CONVEYANCE OR OTHERWISE), RECEIVE NOTICE OF MEETINGS, RECEIVE DIVIDENDS OR SUBSCRIPTION RIGHTS, OR OTHERWISE, PRIOR TO THE ISSUANCE TO THE HOLDER OF THE WARRANT SHARES WHICH IT IS THEN ENTITLED TO RECEIVE UPON THE DUE EXERCISE OF THIS WARRANT. IN ADDITION, NOTHING CONTAINED IN THIS WARRANT SHALL BE CONSTRUED AS IMPOSING ANY LIABILITIES ON THE HOLDER TO PURCHASE ANY SECURITIES (UPON EXERCISE OF THIS WARRANT OR OTHERWISE) OR AS A STOCKHOLDER OF THE COMPANY, WHETHER SUCH LIABILITIES ARE ASSERTED BY THE COMPANY OR BY CREDITORS OF THE COMPANY. NOTWITHSTANDING THIS SECTION 6, THE COMPANY SHALL PROVIDE THE HOLDER WITH COPIES OF THE SAME NOTICES AND OTHER INFORMATION GIVEN TO THE STOCKHOLDERS OF THE COMPANY GENERALLY, CONTEMPORANEOUSLY WITH THE GIVING THEREOF TO THE STOCKHOLDERS.

7. REISSUANCE OF WARRANTS.

(a) Transfer of Warrant. If this Warrant is to be transferred, the Holder shall surrender this Warrant to the Company, whereupon the Company will forthwith issue and deliver upon the order of the Holder a new Warrant (in accordance with Section 7(d)), registered as the Holder may request, representing the right to purchase the number of Warrant Shares being transferred by the Holder and, if less than the total number of Warrant Shares then underlying this Warrant is being transferred, a new Warrant (in accordance with Section 7(d)) to the Holder representing the right to purchase the number of Warrant Shares not being transferred.

(b) Lost, Stolen or Mutilated Warrant. Upon receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant (as to which a written certification and the indemnification contemplated below shall suffice as such evidence), and, in the case of loss, theft or destruction, of any indemnification undertaking by the Holder to the Company in customary and reasonable form and, in the case of mutilation, upon surrender and cancellation of this Warrant, the Company shall execute and deliver to the Holder a new Warrant (in accordance with Section 7(d)) representing the right to purchase the Warrant Shares then underlying this Warrant.

(c) Exchangeable for Multiple Warrants. This Warrant is exchangeable, upon the surrender hereof by the Holder at the principal office of the Company, for a new Warrant or Warrants (in accordance with Section 7(d)) representing in the aggregate the right to purchase the number of Warrant Shares then underlying this Warrant, and each such new Warrant will represent the right to purchase such portion of such Warrant Shares as is designated by the Holder at the time of such surrender; provided, however, no warrants for fractional shares of Common Stock shall be given.

(d) Issuance of New Warrants. Whenever the Company is required to issue a new Warrant pursuant to the terms of this Warrant, such new Warrant (i) shall be of like tenor with this Warrant, (ii) shall represent, as indicated on the face of such new Warrant, the right to purchase the Warrant Shares then underlying this Warrant (or in the case of a new Warrant being issued pursuant to Section 7(a) or Section 7(c), the Warrant Shares designated by the Holder which, when added to the number of shares of Common Stock underlying the other new Warrants issued in connection with such issuance, does not exceed the number of Warrant Shares then underlying this Warrant), (iii) shall have an issuance date, as indicated on the face of such new Warrant which is the same as the Exchange Date, (iv) shall have an exchange date, as indicated on the face of such new Warrant which is the same as the Exchange Date and (v) shall have the same rights and conditions as this Warrant.

8. NOTICES. WHENEVER NOTICE IS REQUIRED TO BE GIVEN UNDER THIS WARRANT, UNLESS OTHERWISE PROVIDED HEREIN, SUCH NOTICE SHALL BE GIVEN IN ACCORDANCE WITH SECTION 9(F) OF THE SECURITIES PURCHASE AGREEMENT. THE COMPANY SHALL PROVIDE THE HOLDER WITH PROMPT WRITTEN NOTICE OF ALL ACTIONS TAKEN PURSUANT TO THIS WARRANT, INCLUDING IN REASONABLE DETAIL A DESCRIPTION OF SUCH ACTION AND THE REASON THEREFOR. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, THE COMPANY WILL GIVE WRITTEN NOTICE TO THE HOLDER (I) IMMEDIATELY UPON EACH ADJUSTMENT OF THE EXERCISE PRICE AND THE NUMBER OF WARRANT SHARES, SETTING FORTH IN REASONABLE DETAIL, AND CERTIFYING, THE CALCULATION OF SUCH ADJUSTMENT(S) AND (II) AT LEAST FIFTEEN (15) DAYS PRIOR TO THE DATE ON WHICH THE COMPANY CLOSES ITS BOOKS OR TAKES A RECORD (A) WITH RESPECT TO ANY DIVIDEND OR DISTRIBUTION UPON THE SHARES OF COMMON STOCK, (B) WITH RESPECT TO ANY GRANTS, ISSUANCES OR SALES OF ANY OPTIONS, CONVERTIBLE SECURITIES OR RIGHTS TO PURCHASE STOCK, WARRANTS, SECURITIES OR OTHER PROPERTY TO HOLDERS OF SHARES OF COMMON STOCK OR (C) FOR DETERMINING RIGHTS TO VOTE WITH RESPECT TO ANY FUNDAMENTAL TRANSACTION, DISSOLUTION OR LIQUIDATION, PROVIDED IN EACH CASE THAT SUCH INFORMATION SHALL BE MADE KNOWN TO THE PUBLIC PRIOR TO OR IN CONJUNCTION WITH SUCH NOTICE BEING PROVIDED TO THE HOLDER AND (III) AT LEAST TEN (10) TRADING DAYS PRIOR TO THE CONSUMMATION OF ANY FUNDAMENTAL TRANSACTION. TO THE EXTENT THAT ANY NOTICE PROVIDED HEREUNDER CONSTITUTES, OR CONTAINS, MATERIAL, NON-PUBLIC INFORMATION REGARDING THE COMPANY OR ANY OF ITS SUBSIDIARIES, THE COMPANY SHALL SIMULTANEOUSLY FILE SUCH NOTICE WITH THE SEC (AS DEFINED IN THE SECURITIES PURCHASE AGREEMENT) PURSUANT TO A CURRENT REPORT ON FORM 8-K. IT IS EXPRESSLY UNDERSTOOD AND AGREED THAT THE TIME OF EXECUTION SPECIFIED BY THE HOLDER IN EACH EXERCISE NOTICE SHALL BE DEFINITIVE AND MAY NOT BE DISPUTED OR CHALLENGED BY THE COMPANY.

9. AMENDMENT AND WAIVER. EXCEPT AS OTHERWISE PROVIDED HEREIN, THE PROVISIONS OF THIS WARRANT (OTHER THAN SECTION 1(F)) MAY BE AMENDED AND THE COMPANY MAY TAKE ANY ACTION HEREIN PROHIBITED, OR OMIT TO PERFORM ANY ACT HEREIN REQUIRED TO BE PERFORMED BY IT, ONLY IF THE COMPANY HAS OBTAINED THE WRITTEN CONSENT OF THE HOLDER. THE HOLDER SHALL BE ENTITLED, AT ITS OPTION, TO THE BENEFIT OF ANY AMENDMENT OF (I) ANY OTHER SIMILAR WARRANT ISSUED UNDER THE SECURITIES PURCHASE AGREEMENT OR ANY OF THE EXCHANGE AGREEMENTS OR (II) ANY OTHER SIMILAR WARRANT. NO CONSIDERATION SHALL BE OFFERED OR PAID TO THE HOLDER TO AMEND OR CONSENT TO A WAIVER OR MODIFICATION OF ANY PROVISION OF THIS WARRANT UNLESS THE SAME CONSIDERATION IS ALSO OFFERED TO ALL OF THE HOLDERS OF THE OTHER EXCHANGE WARRANTS. NO WAIVER SHALL BE EFFECTIVE UNLESS IT IS IN WRITING AND SIGNED BY AN AUTHORIZED REPRESENTATIVE OF THE WAIVING PARTY.

10. SEVERABILITY. IF ANY PROVISION OF THIS WARRANT IS PROHIBITED BY LAW OR OTHERWISE DETERMINED TO BE INVALID OR UNENFORCEABLE BY A COURT OF COMPETENT JURISDICTION, THE PROVISION THAT WOULD OTHERWISE BE PROHIBITED, INVALID OR UNENFORCEABLE SHALL BE DEEMED AMENDED TO APPLY TO THE BROADEST EXTENT THAT IT WOULD BE VALID AND ENFORCEABLE, AND THE INVALIDITY OR UNENFORCEABILITY OF SUCH PROVISION SHALL NOT AFFECT THE VALIDITY OF THE REMAINING PROVISIONS OF THIS WARRANT SO LONG AS THIS WARRANT AS SO MODIFIED CONTINUES TO EXPRESS, WITHOUT MATERIAL CHANGE, THE ORIGINAL INTENTIONS OF THE PARTIES AS TO THE SUBJECT MATTER HEREOF AND THE PROHIBITED NATURE, INVALIDITY OR UNENFORCEABILITY OF THE PROVISION(S) IN QUESTION DOES NOT SUBSTANTIALLY IMPAIR THE RESPECTIVE EXPECTATIONS OR RECIPROCAL OBLIGATIONS OF THE PARTIES OR THE PRACTICAL REALIZATION OF THE BENEFITS THAT WOULD OTHERWISE BE CONFERRED UPON THE PARTIES. THE PARTIES WILL ENDEAVOR IN GOOD FAITH NEGOTIATIONS TO REPLACE THE PROHIBITED, INVALID OR UNENFORCEABLE PROVISION(S) WITH A VALID PROVISION(S), THE EFFECT OF WHICH COMES AS CLOSE AS POSSIBLE TO THAT OF THE PROHIBITED, INVALID OR UNENFORCEABLE PROVISION(S).

11. GOVERNING LAW. THIS WARRANT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, AND ALL QUESTIONS CONCERNING THE CONSTRUCTION, VALIDITY, INTERPRETATION AND PERFORMANCE OF THIS WARRANT SHALL BE GOVERNED BY, THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW OR CONFLICT OF LAW PROVISION OR RULE (WHETHER OF THE STATE OF NEW YORK OR ANY OTHER JURISDICTIONS) THAT WOULD CAUSE THE APPLICATION OF THE LAWS OF ANY JURISDICTIONS OTHER THAN THE STATE OF NEW YORK. THE COMPANY HEREBY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS SITTING IN THE CITY OF NEW YORK, BOROUGH OF MANHATTAN, FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION HERewith OR WITH ANY TRANSACTION CONTEMPLATED HEREBY OR DISCUSSED HEREIN, AND HEREBY IRREVOCABLY WAIVES, AND AGREES NOT TO ASSERT IN ANY SUIT, ACTION OR PROCEEDING, ANY CLAIM THAT IT IS NOT PERSONALLY SUBJECT TO THE JURISDICTION OF ANY SUCH COURT, THAT SUCH SUIT, ACTION OR PROCEEDING IS BROUGHT IN AN INCONVENIENT FORUM OR THAT THE VENUE OF SUCH SUIT, ACTION OR PROCEEDING IS IMPROPER. NOTHING CONTAINED HEREIN SHALL BE DEEMED TO LIMIT IN ANY WAY ANY RIGHT TO SERVE PROCESS IN ANY MANNER PERMITTED BY LAW. NOTHING CONTAINED HEREIN SHALL BE DEEMED OR OPERATE TO PRECLUDE THE HOLDER FROM BRINGING SUIT OR TAKING OTHER LEGAL ACTION AGAINST THE COMPANY IN ANY OTHER JURISDICTION TO COLLECT ON THE COMPANY'S OBLIGATIONS TO THE HOLDER OR TO ENFORCE A JUDGMENT OR OTHER COURT RULING IN FAVOR OF THE HOLDER. **THE COMPANY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE TO, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION WITH OR ARISING OUT OF THIS WARRANT OR ANY TRANSACTION CONTEMPLATED HEREBY.**

12. CONSTRUCTION; HEADINGS. THIS WARRANT SHALL BE DEEMED TO BE JOINTLY DRAFTED BY THE COMPANY AND THE HOLDER AND SHALL NOT BE CONSTRUED AGAINST ANY PERSON AS THE DRAFTER HEREOF. THE HEADINGS OF THIS WARRANT ARE FOR CONVENIENCE OF REFERENCE AND SHALL NOT FORM PART OF, OR AFFECT THE INTERPRETATION OF, THIS WARRANT. TERMS USED IN THIS WARRANT BUT DEFINED IN THE OTHER TRANSACTION DOCUMENTS SHALL HAVE THE MEANINGS ASCRIBED TO SUCH TERMS ON THE CLOSING DATE (AS DEFINED IN THE SECURITIES PURCHASE AGREEMENT) IN SUCH OTHER TRANSACTION DOCUMENTS UNLESS OTHERWISE CONSENTED TO IN WRITING BY THE HOLDER.

13. DISPUTE RESOLUTION. IN THE CASE OF A DISPUTE AS TO THE DETERMINATION OF THE EXERCISE PRICE, THE CLOSING SALE PRICE, THE BID PRICE OR FAIR MARKET VALUE OR THE ARITHMETIC CALCULATION OF THE NUMBER OF WARRANT SHARES (AS THE CASE MAY BE), THE COMPANY OR THE HOLDER (AS THE CASE MAY BE) SHALL SUBMIT THE DISPUTED DETERMINATIONS OR ARITHMETIC CALCULATIONS (AS THE CASE MAY BE) VIA FACSIMILE (I) WITHIN TWO (2) BUSINESS DAYS AFTER RECEIPT OF THE APPLICABLE NOTICE GIVING RISE TO SUCH DISPUTE TO THE COMPANY OR THE HOLDER (AS THE CASE MAY BE) OR (II) IF NO NOTICE GAVE RISE TO SUCH DISPUTE, AT ANY TIME AFTER THE HOLDER LEARNED OF THE CIRCUMSTANCES GIVING RISE TO SUCH DISPUTE (INCLUDING, WITHOUT LIMITATION, AS TO WHETHER ANY ISSUANCE OR SALE OR DEEMED ISSUANCE OR SALE WAS AN ISSUANCE OR SALE OR DEEMED ISSUANCE OR SALE OF EXCLUDED SECURITIES). IF THE HOLDER AND THE COMPANY ARE UNABLE TO AGREE UPON SUCH DETERMINATION OR CALCULATION (AS THE CASE MAY BE) OF THE EXERCISE PRICE, THE CLOSING SALE PRICE, THE BID PRICE OR FAIR MARKET VALUE OR THE NUMBER OF WARRANT SHARES (AS THE CASE MAY BE) WITHIN THREE (3) BUSINESS DAYS OF SUCH DISPUTED DETERMINATION OR ARITHMETIC CALCULATION BEING SUBMITTED TO THE COMPANY OR THE HOLDER (AS THE CASE MAY BE), THEN THE COMPANY SHALL, WITHIN TWO (2) BUSINESS DAYS SUBMIT VIA FACSIMILE (A) THE DISPUTED DETERMINATION OF THE EXERCISE PRICE, THE CLOSING SALE PRICE, THE BID PRICE OR FAIR MARKET VALUE (AS THE CASE MAY BE) TO AN INDEPENDENT, REPUTABLE INVESTMENT BANK SELECTED BY THE COMPANY AND APPROVED BY THE HOLDER OR (B) THE DISPUTED ARITHMETIC CALCULATION OF THE NUMBER OF WARRANT SHARES TO THE COMPANY'S INDEPENDENT, OUTSIDE ACCOUNTANT. THE COMPANY SHALL CAUSE AT ITS EXPENSE THE INVESTMENT BANK OR THE ACCOUNTANT (AS THE CASE MAY BE) TO PERFORM THE DETERMINATIONS OR CALCULATIONS (AS THE CASE MAY BE) AND NOTIFY THE COMPANY AND THE HOLDER OF THE RESULTS NO LATER THAN TEN (10) BUSINESS DAYS FROM THE TIME IT RECEIVES SUCH DISPUTED DETERMINATIONS OR CALCULATIONS (AS THE CASE MAY BE). SUCH INVESTMENT BANK'S OR ACCOUNTANT'S DETERMINATION OR CALCULATION (AS THE CASE MAY BE) SHALL BE BINDING UPON ALL PARTIES ABSENT DEMONSTRABLE ERROR.

14. REMEDIES, CHARACTERIZATION, OTHER OBLIGATIONS, BREACHES AND INJUNCTIVE RELIEF. THE REMEDIES PROVIDED IN THIS WARRANT SHALL BE CUMULATIVE AND IN ADDITION TO ALL OTHER REMEDIES AVAILABLE UNDER THIS WARRANT AND THE OTHER TRANSACTION DOCUMENTS, AT LAW OR IN EQUITY (INCLUDING A DECREE OF SPECIFIC PERFORMANCE AND/OR OTHER INJUNCTIVE RELIEF), AND NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE HOLDER TO PURSUE ACTUAL AND CONSEQUENTIAL DAMAGES FOR ANY FAILURE BY THE COMPANY TO COMPLY WITH THE TERMS OF THIS WARRANT. THE COMPANY COVENANTS TO THE HOLDER THAT THERE SHALL BE NO CHARACTERIZATION CONCERNING THIS INSTRUMENT OTHER THAN AS EXPRESSLY PROVIDED HEREIN. AMOUNTS SET FORTH OR PROVIDED FOR HEREIN WITH RESPECT TO PAYMENTS, EXERCISES AND THE LIKE (AND THE COMPUTATION THEREOF) SHALL BE THE AMOUNTS TO BE RECEIVED BY THE HOLDER AND SHALL NOT, EXCEPT AS EXPRESSLY PROVIDED HEREIN, BE SUBJECT TO ANY OTHER OBLIGATION OF THE COMPANY (OR THE PERFORMANCE THEREOF). THE COMPANY ACKNOWLEDGES THAT A BREACH BY IT OF ITS OBLIGATIONS HEREUNDER WILL CAUSE IRREPARABLE HARM TO THE HOLDER AND THAT THE REMEDY AT LAW FOR ANY SUCH BREACH MAY BE INADEQUATE. THE COMPANY THEREFORE AGREES THAT, IN THE EVENT OF ANY SUCH BREACH OR THREATENED BREACH, THE HOLDER OF THIS WARRANT SHALL BE ENTITLED, IN ADDITION TO ALL OTHER AVAILABLE REMEDIES, TO AN INJUNCTION RESTRAINING ANY BREACH, WITHOUT THE NECESSITY OF SHOWING ECONOMIC LOSS AND WITHOUT ANY BOND OR OTHER SECURITY BEING REQUIRED. THE COMPANY SHALL PROVIDE ALL INFORMATION AND DOCUMENTATION TO THE HOLDER THAT IS REQUESTED BY THE HOLDER TO ENABLE THE HOLDER TO CONFIRM THE COMPANY'S COMPLIANCE WITH THE TERMS AND CONDITIONS OF THIS WARRANT (INCLUDING, WITHOUT LIMITATION, COMPLIANCE WITH SECTION 2 HEREOF). THE ISSUANCE OF SHARES AND CERTIFICATES FOR SHARES AS CONTEMPLATED HEREBY UPON THE EXERCISE OF THIS WARRANT SHALL BE MADE WITHOUT CHARGE TO THE HOLDER OR SUCH SHARES FOR ANY ISSUANCE TAX OR OTHER COSTS IN RESPECT THEREOF, PROVIDED THAT THE COMPANY SHALL NOT BE REQUIRED TO PAY ANY TAX WHICH MAY BE PAYABLE IN RESPECT OF ANY TRANSFER INVOLVED IN THE ISSUANCE AND DELIVERY OF ANY CERTIFICATE IN A NAME OTHER THAN THE HOLDER OR ITS AGENT ON ITS BEHALF.

15. TRANSFER. THIS WARRANT MAY BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED WITHOUT THE CONSENT OF THE COMPANY.

16. CERTAIN DEFINITIONS. FOR PURPOSES OF THIS WARRANT, THE FOLLOWING TERMS SHALL HAVE THE FOLLOWING MEANINGS:

(a) [Intentionally Omitted]

(b) [Intentionally Omitted]

(c) **“Bid Price”** means, for any security as of the particular time of determination, the bid price for such security on the Principal Market as reported by Bloomberg as of such time of determination, or, if the Principal Market is not the principal securities exchange or trading market for such security, the bid price of such security on the principal securities exchange or trading market where such security is listed or traded as reported by Bloomberg as of such time of determination, or if the foregoing does not apply, the bid price of such security in the over-the-counter market on the electronic bulletin board for such security as reported by Bloomberg as of such time of determination, or, if no bid price is reported for such security by Bloomberg as of such time of determination, the average of the bid prices of any market makers for such security as reported in the “pink sheets” by OTC Markets Group Inc. (formerly Pink Sheets LLC) as of such time of determination. If the Bid Price cannot be calculated for a security as of the particular time of determination on any of the foregoing bases, the Bid Price of such security as of such time of determination shall be the fair market value as mutually determined by the Company and the Holder. If the Company and the Holder are unable to agree upon the fair market value of such security, then such dispute shall be resolved in accordance with the procedures in Section 13. All such determinations shall be appropriately adjusted for any stock dividend, stock split, stock combination or other similar transaction during such period.

(d) [Intentionally Omitted]

(e) [Intentionally Omitted]

(f) **“Bloomberg”** means Bloomberg, L.P.

(g) **“Business Day”** means any day other than Saturday, Sunday or other day on which commercial banks in The City of New York are authorized or required by law to remain closed.

(h) **“Closing Sale Price”** means, for any security as of any date, the last closing trade price for such security on the Principal Market, as reported by Bloomberg, or, if the Principal Market begins to operate on an extended hours basis and does not designate the closing trade price, then the last trade price of such security prior to 4:00:00 p.m., New York time, as reported by Bloomberg, or, if the Principal Market is not the principal securities exchange or trading market for such security, the last trade price of such security on the principal securities exchange or trading market where such security is listed or traded as reported by Bloomberg, or if the foregoing does not apply, the last trade price of such security in the over-the-counter market on the electronic bulletin board for such security as reported by Bloomberg, or, if no last trade price is reported for such security by Bloomberg, the average of the ask prices of any market makers for such security as reported in the “pink sheets” by OTC Markets Group Inc. (formerly Pink Sheets LLC). If the Closing Sale Price cannot be calculated for a security on a particular date on any of the foregoing bases, the Closing Sale Price of such security on such date shall be the fair market value as mutually determined by the Company and the Holder. If the Company and the Holder are unable to agree upon the fair market value of such security, then such dispute shall be resolved in accordance with the procedures in Section 13. All such determinations shall be appropriately adjusted for any stock dividend, stock split, stock combination or other similar transaction during such period.

(i) **“Common Stock”** means (i) the Company’s shares of common stock, \$0.0001 par value per share, and (ii) any capital stock into which such common stock shall have been changed or any share capital resulting from a reclassification of such common stock.

(j) **“Convertible Securities”** means any stock or other security (other than Options) that is at any time and under any circumstances, directly or indirectly, convertible into, exercisable or exchangeable for, or which otherwise entitles the holder thereof to acquire, any shares of Common Stock.

(k) **“Effective Date”** means such date the applicable Registration Statement filed pursuant to the Registration Rights Agreement shall be effective and the prospectus contained therein shall be available for the resale by the Holder of all of the Registrable Securities (which, solely for clarification purposes, includes at least 100% of all shares of Common Stock issuable upon conversion of the Notes and upon exercise of the Warrants (as defined in the Securities Purchase Agreement)(without regard for any limitations on conversion, issuance or exercise set forth therein) in accordance with the terms of the Registration Rights Agreement).

(l) **“Eligible Market”** means The New York Stock Exchange, the NYSE MKT, the Nasdaq Global Select Market, the Nasdaq Global Market or the Principal Market.

(m) [Intentionally Omitted]

(n) **“Expiration Date”** means the date that is the fifth (5th) anniversary of the Original Issuance Date or, if such date falls on a day other than a Business Day or on which trading does not take place on the Principal Market (a **“Holiday”**), the next date that is not a Holiday.

(o) **“Fundamental Transaction”** means that (i) the Company or any of its Subsidiaries shall, directly or indirectly, in one or more related transactions, (1) consolidate or merge with or into (whether or not the Company or any of its Subsidiaries is the surviving corporation) any other Person, or (2) sell, lease, license, assign, transfer, convey or otherwise dispose of all or substantially all of its respective properties or assets to any other Person, or (3) allow any other Person to make a purchase, tender or exchange offer that is accepted by the holders of more than 50% of the outstanding shares of Voting Stock of the Company (not including any shares of Voting Stock of the Company held by the Person or Persons making or party to, or associated or affiliated with the Persons making or party to, such purchase, tender or exchange offer), or (4) consummate a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with any other Person whereby such other Person acquires more than 50% of the outstanding shares of Voting Stock of the Company (not including any shares of Voting Stock of the Company held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination), or (5) reorganize, recapitalize or reclassify the Common Stock, or (ii) any “person” or “group” (as these terms are used for purposes of Sections 13(d) and 14(d) of the 1934 Act and the rules and regulations promulgated thereunder) is or shall become the “beneficial owner” (as defined in Rule 13d-3 under the 1934 Act), directly or indirectly, of 50% of the aggregate ordinary voting power represented by issued and outstanding Voting Stock of the Company.

(p) [Intentionally Omitted]

(q) “**Notes**” has the meaning ascribed to such term in the Securities Purchase Agreement, and shall include all notes issued in exchange therefor or replacement thereof.

(r) “**Options**” means any rights, warrants or options to subscribe for or purchase shares of Common Stock or Convertible Securities.

(s) “**Parent Entity**” of a Person means an entity that, directly or indirectly, controls the applicable Person and whose common stock or equivalent equity security is quoted or listed on an Eligible Market, or, if there is more than one such Person or Parent Entity, the Person or Parent Entity with the largest public market capitalization as of the date of consummation of the Fundamental Transaction.

(t) “**Person**” means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization, any other entity or a government or any department or agency thereof.

(u) “**Principal Market**” means the Nasdaq Capital Market.

(v) “**Registration Rights Agreement**” means that certain registration rights agreement, dated as of the Closing Date, by and among the Company and the initial holders of the Notes relating to, among other things, the registration of the resale of the Common Stock issuable upon conversion of the Notes or otherwise pursuant to the terms of the Notes and exercise of the Warrants, as may be amended from time to time.

(w) “**Subsequent Stockholder Approval**” means the approval of the Company’s stockholders, at either (x) the next annual meeting of stockholders of the Company or (y) a special meeting of stockholders of the Company, which shall be promptly called and held not later than February 28, 2013 of resolutions providing for the increase of the authorized shares of Common Stock of the Company to a sufficient level in order to meet the Company’s obligations pursuant to the Transaction Documents.

(x) “**Successor Entity**” means the Person (or, if so elected by the Holder, the Parent Entity) formed by, resulting from or surviving any Fundamental Transaction or the Person (or, if so elected by the Holder, the Parent Entity) with which such Fundamental Transaction shall have been entered into.

(y) “**Trading Day**” means any day on which the Common Stock is traded on the Principal Market, or, if the Principal Market is not the principal trading market for the Common Stock, then on the principal securities exchange or securities market on which the Common Stock is then traded, provided that “**Trading Day**” shall not include any day on which the Common Stock is scheduled to trade on such exchange or market for less than 4.5 hours or any day that the Common Stock is suspended from trading during the final hour of trading on such exchange or market (or if such exchange or market does not designate in advance the closing time of trading on such exchange or market, then during the hour ending at 4:00:00 p.m., New York time) unless such day is otherwise designated as a Trading Day in writing by the Holder.

(z) **“Voting Stock”** of a Person means capital stock of such Person of the class or classes pursuant to which the holders thereof have the general voting power to elect, or the general power to appoint, at least a majority of the board of directors, managers or trustees of such Person (irrespective of whether or not at the time capital stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

(aa) **“VWAP”** means, for any security as of any date, the dollar volume-weighted average price for such security on the Principal Market (or, if the Principal Market is not the principal trading market for such security, then on the principal securities exchange or securities market on which such security is then traded) during the period beginning at 9:30:01 a.m., New York time, and ending at 4:00:00 p.m., New York time, as reported by Bloomberg through its “Volume at Price” function or, if the foregoing does not apply, the dollar volume-weighted average price of such security in the over-the-counter market on the electronic bulletin board for such security during the period beginning at 9:30:01 a.m., New York time, and ending at 4:00:00 p.m., New York time, as reported by Bloomberg, or, if no dollar volume-weighted average price is reported for such security by Bloomberg for such hours, the average of the highest closing bid price and the lowest closing ask price of any of the market makers for such security as reported in the “pink sheets” by OTC Markets Group Inc. (formerly Pink Sheets LLC). If VWAP cannot be calculated for such security on such date on any of the foregoing bases, the VWAP of such security on such date shall be the fair market value as mutually determined by the Company and the Holder. If the Company and the Holder are unable to agree upon the fair market value of such security, then such dispute shall be resolved in accordance with the procedures in Section 13. All such determinations shall be appropriately adjusted for any stock dividend, stock split, stock combination or other similar transaction during such period.

[signature page follows]

IN WITNESS WHEREOF, the Company has caused this Warrant to Purchase Common Stock to be duly executed as of the Exchange Date set out above.

WPCS INTERNATIONAL INCORPORATED

By: _____

Name:

Title:

EXERCISE NOTICE

TO BE EXECUTED BY THE REGISTERED HOLDER TO EXERCISE THIS
WARRANT TO PURCHASE COMMON STOCK

WPCS INTERNATIONAL INCORPORATED

The undersigned holder hereby exercises the right to purchase _____ of the shares of Common Stock ("**Warrant Shares**") of WPCS International Incorporated, a Delaware corporation (the "**Company**"), evidenced by Warrant to Purchase Common Stock No. _____ (the "**Warrant**"). Capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Warrant.

1. Form of Exercise Price. The Holder intends that payment of the Exercise Price shall be made as:

_____ a "Cash Exercise" with respect to _____ Warrant Shares; and/or

_____ a "Cashless Exercise" with respect to _____ Warrant Shares.

In the event that the Holder has elected a Cashless Exercise with respect to some or all of the Warrant Shares to be issued pursuant hereto, the Holder hereby represents and warrants that (i) this Exercise Notice was executed by the Holder at _____ [a.m.][p.m.] on the date set forth below and (ii) if applicable, the Bid Price as of such time of execution of this Exercise Notice was \$_____.

2. Payment of Exercise Price. In the event that the Holder has elected a Cash Exercise with respect to some or all of the Warrant Shares to be issued pursuant hereto, the Holder shall pay the Aggregate Exercise Price in the sum of \$_____ to the Company in accordance with the terms of the Warrant.

3. Delivery of Warrant Shares. The Company shall deliver to Holder, or its designee or agent as specified below, _____ Warrant Shares in accordance with the terms of the Warrant. Delivery shall be made to Holder, or for its benefit, to the following address:

Date: _____, _____

Name of Registered Holder

By: _____
Name:
Title:

ACKNOWLEDGMENT

The Company hereby acknowledges this Exercise Notice and hereby directs _____ to issue the aboveindicated number of shares of Common Stock in accordance with the Transfer Agent Instructions dated _____, 20____, from the Company and acknowledged and agreed to by _____.

WPCS INTERNATIONAL INCORPORATED

By: _____
Name:
Title:
