

**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): July 30, 2014

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.)**

**600 Eagleview Boulevard, Suite 300, Exton, PA 19341
(Address of principal executive offices and zip code)**

Registrant's telephone number, including area code: (484) 359-7228

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 2.01 **Completion of Acquisition or Disposition of Assets.**

On July 30, 2014, WPCS International Incorporated (the “Company”) entered into a waiver agreement (the “Waiver”) with holders (“Holders”) of a majority of the outstanding senior secured convertible notes (“Notes”) and warrants that were sold pursuant to a securities purchase agreement dated December 4, 2012. The Notes are secured by a first priority lien on the assets of the Company and subsidiaries pursuant to a security and pledge agreement (the “Security Agreement”) dated December 4, 2012 by the Company and subsidiaries in favor of Worldwide Stock Transfer LLC (the “Collateral Agent”), in its capacity as collateral agent for the Holders. As a result of the Waiver, the Collateral Agent released the stock of The Pride Group (QLD) Pty Ltd. (“Pride”), a wholly-owned subsidiary of the Company, from Collateral pursuant to the Security Agreement.

On July 31, 2014 (the “Closing Date”), the Company completed the sale of Pride to Turquino Equity LLC, a limited liability company (“Turquino”), whose managing member is Andrew Hidalgo (“Hidalgo”), former Chairman and Chief Executive Officer of the Company. The closing of the sale was pursuant to the Securities Purchase Agreement, dated September 19, 2013, by and between WPCS Australia Pty Ltd (“WPCS Australia”), a wholly-owned subsidiary of the Company, and Turquino (the “Agreement”).

Pursuant to the Agreement, WPCS Australia agreed to sell 100% of the shares of Pride to Turquino for \$1,400,000 (“Purchase Price”), which Purchase Price was subject to adjustment based on the net tangible asset value (“NTAV”) of Pride on the Closing Date. In the event that the NTAV was less than AUD\$1.4 million on the Closing Date, WPCS Australia was required to pay Turquino an amount equal to the shortfall between the NTAV as of the Closing Date and AUD\$1.4 million. At the closing, the Purchase Price was to be settled by applying the net after tax severance balance due Hidalgo under his separation agreement, dated July 24, 2013 by and between Hidalgo and the Company (the “Severance Agreement”), as payment towards the Purchase Price. As of July 31, 2014, the total severance amount due to Hidalgo pursuant to the Severance Agreement was \$1,137,500.

Pursuant to a letter agreement, dated July 31, 2014, by and between WPCS Australia and Turquino (the “Letter Agreement”), the parties agreed that the NTAV of Pride on the Closing Date was AUD \$1,029,110 (USD \$970,010). By the Letter Agreement, Hidalgo agreed to reduce the total severance owed to him under the Severance Agreement by \$167,490, which reduced the total severance due Hidalgo to \$970,010, the NTAV of Pride on the Closing Date. As a result, the Company was not required to make any further payment to Hidalgo pursuant to the Severance Agreement.

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

Item 7.01 Regulation FD Disclosure.

On August 1, 2014, the Company issued a press release announcing the closing of the sale of Pride to Turquino. A copy of the press release is filed as Exhibit 99.01 hereto.

The information contained in Item 7.01 of this Current Report on Form 8-K, including Exhibit 99.01, is furnished pursuant to, and shall not be deemed to be "filed" for the purposes of, Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section. The information contained in Item 7.01 of this Current Report shall not be incorporated by reference into any registration statement or any other document filed pursuant to the Securities Act of 1933, as amended, except as otherwise expressly stated in such filing. By filing this Current Report on Form 8-K and furnishing the information contained in this Item 7.01, including Exhibit 99.01, the Company makes no admission as to the materiality of any such information that it is furnishing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

- 10.01 Securities Purchase Agreement, dated as of September 19, 2013, by and between WPCS Australia and Turquino, filed as an exhibit to the Current Report filed by the Company on September 25, 2013 and incorporated herein by reference.
- 10.02 Form of Waiver Agreement, dated July 30, 2014, by and between the Company and Holders.
- 10.03 Letter Agreement, dated July 31, 2014, by and between WPCS Australia and Turquino.
- 99.01 Press release, dated August 1, 2014, issued by the Company.

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.

WPCS INTERNATIONAL INCORPORATED

Date: August 1, 2014

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

WAIVER AGREEMENT

This Waiver Agreement (the "**Waiver**"), dated as of July 30, 2014 is by and between WPCS International Incorporated, a Delaware corporation with offices located at 600 Eagleview Boulevard, Suite 300, Exton, Pennsylvania 19341 (the "**Company**"), and the holder identified on the signature page hereto ("**Holder**").

RECITALS

A. On December 5, 2012, the Company issued (i) senior secured convertible notes (as amended and waived prior to the date hereof, the "**Notes**") and (ii) warrants to purchase common stock of the Company, in each case, pursuant to a Securities Purchase Agreement, dated as of December 4, 2012 (as amended and waived prior to the date hereof, 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. Worldwide Stock Transfer LLC (the "**Collateral Agent**") acts as collateral agent on behalf of the Investors pursuant to a Collateral Agency Agreement, dated December 5, 2012, by and among the Company, the Collateral Agent and the secured party signatories thereto (as amended and waived prior to the date hereof, the "**Collateral Agency Agreement**").

C. Pursuant to Sections 2(b) and 3 of the Collateral Agency Agreement, the Collateral Agent will release Collateral in accordance with the written instructions of the Required Holders, as such terms are defined in the Collateral Agency Agreement.

E. Pursuant to the Notes, the Company was obligated to use its best efforts to effect the sale of its wholly owned subsidiary, WPCS Australia Pty Ltd. ("**WPCS Australia**").

F. On September 19, 2013, WPCS Australia entered into a securities purchase agreement (the "**Pride Agreement**") with Turquino Equity LLC for the purchase of 100% of the shares of The Pride Group (QLD) Pty Ltd., a wholly-owned subsidiary of WPCS Australia (the "**Pride Group**"), for a purchase price of \$1.4 million (subject to adjustment as provided therein) (the "**Purchase Price**"), which purchase price would be settled, in part, by applying the severance amount due to Andrew Hidalgo pursuant to his separation agreement with the Company (the "**Severance**").

G. The closing of the Pride Agreement is subject to various closing conditions, including the release of the stock of the Pride Group from the Collateral.

H. The Company and the Holder desire to enter into this Agreement, pursuant to which the stock of the Pride Group will be released from Collateral in accordance with to the Collateral Agency Agreement.

AGREEMENT

1. Upon the execution of this Waiver by the parties and the Company obtaining consent from the Required Holders (as defined in the Securities Purchase Agreement), the Collateral Agent is hereby authorized and instructed to execute and file any documents necessary or reasonably requested by the Company to evidence the release of the Pride Group from the definition of Collateral, including but not limited to filing a UCC-3 financing statement amendment.

2. MISCELLANEOUS.

2.1 Effective Time. The provisions in Section 1 of this Waiver shall be effective as of the date each of the Required Holders shall have executed each of their respective consents referred to in Section 1 (the "**Effective Time**").

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

2.3 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 Transaction 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. For the avoidance of doubt, to the extent the Company enters into more than one Settlement Document, the provisions of this Section 2.3 shall apply to each such Settlement Document.

2.4 Disclosure of Transactions and Other Material Information. On or before 9:30 a.m., New York time, on the second (2nd) Business Day following the Effective Time, the Company shall file a Current Report on Form 8-K describing all the material terms of the transactions contemplated by this Waiver in the form required by the 1934 Act and attaching this Waiver as an exhibit (including all attachments, the "**8-K Filing**"). From and after the issuance of the 8-K Filing, the Company shall have disclosed all material, non-public information (if any) delivered to the Holder 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 this Waiver Agreement.

2.5 Independent Nature of the Holder's Obligations and Rights. The obligations of the Holder under the Transaction Documents and this Waiver Agreement are several and not joint with the obligations of the Investors (other than the Holder) (the “**Other Holders**”) under the Transaction Documents and any Settlement Document, and the Holder shall not be responsible in any way for the performance of the obligations of any Other Holder under any Transaction Document or Settlement Document. Nothing contained herein or in any other Transaction Document or Settlement Document or this Waiver Agreement, and no action taken by the Holder or any Other Holder pursuant thereto, shall be deemed to constitute the Holder and any Other Holder as, and the Company acknowledges that the Holder does not so constitute with any Other Holder, a partnership, an association, a joint venture or any other kind of entity, or create a presumption that the Holder and any Other Holder are in any way acting in concert or as a group with respect to such obligations or the transactions contemplated by the Transaction Documents, any Settlement Document or this Waiver Agreement. Each of the Company and the Holder confirms that it has independently participated in the negotiation of the transactions contemplated hereby with the advice of its own counsel and advisors. The Holder shall be entitled to independently protect and enforce its rights, including, without limitation, the rights arising out of this Waiver Agreement or out of any other Transaction Document, and it shall not be necessary for any Other Holder to be joined as an additional party in any proceeding for such purpose.

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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

[Waiver Agreement – Australia Divestiture]

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

HOLDER:

By: _____
Name:
Title:

[Waiver Agreement – Australia Divestiture]



July 31, 2014

WPCS Australia Pty Ltd.
 c/o WPCS International Incorporated
 600 Eaglewood Blvd., Suite 300
 Exton, Pennsylvania, 19341
 Attention: Joseph Heater

Ladies and Gentlemen:

Reference is hereby made to: (a) the Securities Purchase Agreement dated as of September 19, 2013 (the "Purchase Agreement") by and between WPCS Australia Pty Ltd, an Australian corporation ("Seller") and Turquino Equity LLC, a Delaware limited liability company ("Purchaser").

In connection with the consummation of the transactions contemplated by the Purchase Agreement, this letter agreement memorializes the understanding of the Seller and the Purchaser with respect to the matters described herein.

1. All capitalized terms used but not otherwise defined in this letter agreement shall have the meaning ascribed to those terms in the Purchase Agreement. Each Party acknowledges that it has previously executed and delivered the Purchase Agreement.
2. Closing Date. The Closing shall take place at the offices of Sichenzia Ross Friedman Ference LLP, 61 Broadway, 3rd Floor, New York, NY 10006, at 10:00 a.m. on July 31, 2014. The Closing Date shall be July 31, 2014.
3. NTAV Calculation: Adjusted Purchase Price. In accordance with Section 1.01(b) of the Purchase Agreement, the Purchaser has prepared and hereby delivers to the Seller the following calculation of the Company's NTAV as of the Closing Date: AUD \$1,029,110, which equals USD \$970,010 (using an AUD \$0.942573 to USD \$1.00 conversion rate) (the "Adjusted Purchase Price"). The Seller has reviewed and agrees with the NTAV calculation as prepared and delivered by the Purchaser. The Parties agree that the NTAV calculation is final, binding and conclusive and agree to settle the final Purchase Price, as adjusted by the NTAV, at the Adjusted Purchase Price as of the Closing Date.
4. Severance Agreement. This letter agreement clarifies certain provisions of the Severance Agreement dated as of July 24, 2013 (the "Severance Agreement") entered into by and between Andrew Hidalgo ("Hidalgo") and WPCS International Incorporated, a Delaware corporation and the owner of all of the issued and outstanding capital stock of the Company (the "Parent"). The Severance Agreement contemplates that Hidalgo would purchase from the Seller the Shares and a separate New Jersey company wholly owned by the Parent (the "New Jersey Subsidiary"). Since execution of the Severance Agreement, the Parties have agreed that (1) the New Jersey Subsidiary would no longer be sold to Hidalgo, and (2) with that the Purchaser (and not Hidalgo), would purchase the Shares of the Australian subsidiary from the Seller. The Parties agree that upon Closing, Parent and Hidalgo have fulfilled all their obligations under the Severance Agreement.
5. Severance Amount. Based on the Closing Date of July 31, 2014, the total severance due to Hidalgo on August 1, 2014, is equal to USD \$1,137,500 (the "Gross Severance"). In consideration of not delaying the Closing past July 31, 2014 and to settle the Adjusted Purchase Price as of the Closing Date, Hidalgo has agreed to provide a concession on his Gross Severance to Parent in the amount of USD \$167,490 (the "Concession") so that the adjusted gross severance due to Hidalgo is equal to USD \$970,010 (the "Adjusted Gross Severance Amount"), which Adjusted Gross Severance equals the Adjusted Purchase Price.

Turquino Equity LLC ■ 10 East Kentucky Avenue ■ Long Beach Township ■ New Jersey ■ 08008

6. Settlement at Closing. Since the Adjusted Gross Severance Amount is equal to the Adjusted Purchase Price at the Closing, the Parties agree that no exchange of funds or delivery of cross receipts will take place at the Closing. Purchaser will deposit USD \$200,000 (“Tax Obligation”) into an escrow account pursuant to an escrow agreement by and among Purchaser, Seller and Sichenzia Ross Friedman Ference LLP (the “Escrow Agreement”), which amount will be transferred at Closing to Parent to be paid as a personal tax obligation of Hidalgo owed on his Adjusted Gross Severance Amount. The Parent shall timely remit the Tax Obligation to the appropriate governmental authority to fulfill Hidalgo’s personal tax obligation on Hidalgo’s Adjusted Gross Severance Amount. Notwithstanding anything else to the foregoing, neither the Seller, the Parent nor any of their officers, directors and/or representatives have provided any tax advice to Hidalgo or made any representations or warranties that the Tax Obligation constitutes the appropriate or complete payment of any tax liability owed by Hidalgo as a result of the Gross Severance Amount. The Purchaser and Seller have relied upon the advice and counsel of their own advisors.

7. Tax Matters. The Parties agree that for purposes of Section 2.12 of the Purchase Agreement, the NTAV as of the Closing Date includes an adjustment for \$25,000 of Taxes estimated to be owed by the Company, which occurred prior to the date of execution of the Purchase Agreement (the “Tax Adjustment”), and Seller shall not be required to indemnify Purchaser for any Tax payments in an amount equal to or less than the Tax Adjustment.

8. Releases. Seller has obtained the required written consents and or releases of the collateralized Shares from holders of the Company’s convertible notes, issued December 5, 2012. Seller will deliver evidence of the release of the security interest at or prior to the Closing.

9. Closing Deliveries

9.1 At the Closing, Purchaser shall deliver to Seller:

- Purchaser;
- (a) An Assignment and Assumption Agreement for the Leases set forth on Section 1.03(b)(iii) of the Company Disclosure Letter duly executed by Purchaser;
 - (b) Executed copy of this letter agreement;
 - (c) A duly executed copy of Purchaser’s Bring-Down Certificate; and
 - (d) A duly executed copy of the Escrow Agreement.

9.2 At the Closing, Seller shall deliver to Purchaser:

- (a) Certificates representing the Shares, duly endorsed in blank or accompanied by stock powers duly endorsed in blank in proper form for transfer;
- (b) Evidence that the security interest equal to a 66% pledge of the capital stock of the Company that had been taken by holders of the Company’s secured convertible notes, issued December 5, 2012, has been duly terminated and the capital stock that had been pledged as collateral has been duly released;
- (c) An Assignment and Assumption Agreement for the Leases set forth on Section 1.03(b)(iii) of the Company Disclosure Letter duly executed by Seller;

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- (d) Counter-signed copy of this letter agreement acknowledging and agreeing to the terms hereto;
- (e) A duly executed copy of Seller's Bring-Down Certificate;
- (f) A duly executed copy of Seller's Director's Certificate;
- (g) A duly executed copy of the Escrow Agreement; and
- (h) A duly executed copy of Joseph Heater's resignation letter.

10. Further Assurances. Each Party agrees promptly to execute and deliver, or cause to be executed and delivered, any instruments, documents or agreements as may be necessary or desirable to consummate the transactions contemplated under this letter agreement.

11. Conflicts. Wherever the "Agreement" or "Purchase Agreement" is referred to in the Purchase Agreement or in any other agreements, documents, instruments or certificates contemplated thereby, such reference shall be to the Purchase Agreement and this letter agreement. The terms and conditions of the Purchase Agreement shall continue in full force and effect, except that in the event of a conflict between the terms and conditions of the Purchase Agreement and this letter agreement, the terms and conditions of this letter agreement shall control.

12. Governing Law. This letter agreement will be governed by and construed in accordance with the internal laws of the State of Delaware without giving effect to any choice or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of Laws of any jurisdiction other than those of the State of Delaware.

13. Counterparts. This letter agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement. In the event that any signature is delivered by facsimile transmission or by an e-mail which contains a portable document format (.pdf) file of an executed signature page, such signature page shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such signature page were an original thereof.

TURQUINO EQUITY LLC

By: /s/ ANDY HIDALGO

Name: Andy Hidalgo

Title: Managing Member

Agreed and Accepted:

WPCS AUSTRALIA PTY LTD

By: /s/ JOSEPH HEATER

Name: Joseph Heater

Title: Director

Turquino Equity LLC ■ 10 East Kentucky Avenue ■ Long Beach Township ■ New Jersey ■ 08008



WPCS Closes on Sale of Australia Operations

Sale settles \$1.1 million severance obligation as the Company's restructuring plans continue

EXTON, PA - (Marketwired – August 1, 2014) - WPCS International Incorporated (NASDAQ: WPCS), which specializes in contracting services for communications infrastructure and the development of a digital currency trading platform, today announced that on July 31, 2014, the Company completed the sale of The Pride Group (QLD) Pty Ltd., (the "Australia Operations"), to Turquino Equity LLC ("Turquino"), whose managing member is Andrew Hidalgo ("Hidalgo"), the former Chairman and CEO of WPCS. With the sale, the Company eliminates its outstanding \$1.1 million severance obligation to Hidalgo.

Sebastian Giordano, Interim CEO of WPCS, commented, "The sale of our unprofitable Australia Operations falls in line with our restructuring strategy and is another key step in our turnaround, separating ourselves from a non-core business that was underperforming and declining in value. We have now successfully disposed two unprofitable operations in Australia and Trenton, while settling the remaining \$1.1 million severance obligation to Hidalgo through this sale.

The Company agreed to sell the Australia Operations to Turquino for a purchase price of \$1.4 million. At closing, the purchase price was subject to adjustment based on the net tangible asset value ("NTAV") of the Australia Operations, and the purchase price was to be settled by applying the net after tax severance balance due Hidalgo as payment towards the purchase price. At the closing, the parties agreed that the closing NTAV of the Australia Operations was \$970,000. Hidalgo agreed to reduce the total severance owed to him under his separation agreement by about \$167,000 to \$970,000, the NTAV of the Australia Operations on the closing date. As a result, the Company was not required to make any further payments to Hidalgo pursuant to his separation agreement.

Mr. Giordano continued, "We are now focused on closing on the sale of the assets of our Seattle Operations, which will bring working capital into the Company. This transaction is subject to shareholder approval and is expected to close in August 2014."

About WPCS International Incorporated

WPCS operates in two business segments including: (1) providing communications infrastructure contracting services to the public services, healthcare, energy and corporate enterprise markets worldwide; and (2) developing a digital currency trading platform. For more information, please visit www.wpcs.com, www.btxtrader.com and www.gocelery.com.

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

INVESTOR CONTACT:

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Valter Pinto
PH: (914) 669-0222 or (212) 398-3486
valter@capmarketsgroup.com
