UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended April 30, 2014

Commission File Number 001-34643

WPCS INTERNATIONAL INCORPORATED
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)		**98-0204758** (I.R.S. Employer Identification No.)
600 Eagleview Boulevard, Suite 300 **Exton, Pennsylvania** (Address of principal executive office)	**19341** (Zip Code)	**(484) 359-7228** (Registrant's telephone number, Including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.0001 par value	The NASDAQ Capital Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined by Rule 405 of the Securities Act. Yes☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes☐ No☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes☐ No ☒

The aggregate market value of the voting common equity held by non-affiliates as of October 31, 2013, based on the closing sales price of the Common Stock as quoted on The NASDAQ Capital Market was $2,296,980. For purposes of this computation, all officers, directors, and 5 percent beneficial owners of the registrant are deemed to be affiliates. Such determination should not be deemed an admission that such directors, officers, or 5 percent beneficial owners are, in fact, affiliates of the registrant.

As of July 22, 2014, there were 13,913,164 shares of registrant's common stock outstanding.

TABLE OF CONTENTS

PART I

ITEM 1 - BUSINESS

This Annual Report on Form 10-K (including the section regarding Management's Discussion and Analysis of Financial Condition and Results of Operations) contains forward-looking statements regarding our business, financial condition, results of operations and prospects. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and similar expressions or variations of such words are intended to identify forward-looking statements, but are not deemed to represent an all-inclusive means of identifying forward-looking statements as denoted in this Annual Report on Form 10-K. Additionally, statements concerning future matters are forward-looking statements.

Although forward-looking statements in this Annual Report on Form 10-K reflect the good faith judgment of our Management, such statements can only be based on facts and factors currently known by us. Consequently, forward-looking statements are inherently subject to risks and uncertainties and actual results and outcomes may differ materially from the results and outcomes discussed in or anticipated by the forward-looking statements. Factors that could cause or contribute to such differences in results and outcomes include, without limitation, those specifically addressed under the heading "Risks Factors" below, as well as those discussed elsewhere in this Annual Report on Form 10-K. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K. We file reports with the Securities and Exchange Commission (SEC). We make available on our website under "Investor Relations/SEC Filings," free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports as soon as reasonably practicable after we electronically file such materials with or furnish them to the SEC. Our website address is www.wpcs.com. You can also read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. You can obtain additional information about the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including us.

We undertake no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this Annual Report on Form 10-K. Readers are urged to carefully review and consider the various disclosures made throughout the entirety of this Annual Report, which attempt to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and prospects.

This Annual Report on Form 10-K includes the accounts of WPCS International Incorporated (WPCS) and its wholly and majority-owned subsidiaries, as follows, collectively referred to as “we”, “us” or the "Company". United States-based subsidiaries include WPCS Incorporated, WPCS International – Suisun City, Inc. (Suisun City Operations), WPCS International – Lakewood, Inc. (Lakewood Operations), WPCS International – Hartford, Inc. (Hartford Operations), WPCS International – Trenton, Inc. (Trenton Operations), WPCS International – Seattle, Inc. (Seattle Operations), WPCS International – Portland, Inc. (Portland Operations) and BTX Trader, LLC (BTX). International operations include WPCS Asia Limited, 60% of Taian AGS Pipeline Construction Co. Ltd. (China Operations), and WPCS Australia Pty Ltd, WPCS International – Brendale, Pty Ltd., and The Pride Group (QLD) Pty Ltd. (Pride), (collectively the Australia Operations).

On July 25, 2012, the Company sold substantially all of the assets of two of its wholly-owned subsidiaries, the Hartford and Lakewood Operations. As a result of the execution of the definitive purchase agreement for the divestiture of Pride on September 19, 2013 and the execution of the definitive purchase agreement for the divestiture of the Seattle Operations on March 31, 2014, we have recorded the Australia and Seattle Operations financial results as discontinued operations. These consolidated financial statements reflect the results of these four operations as discontinued operations for all periods presented, including certain reclassifications to prior year financial statements to present discontinued operations.

Overview

We currently offer low voltage communication infrastructure in the public services, healthcare, energy and corporate enterprise markets with 240 employees in five (5) operations centers on three continents. In addition, we have launched a Bitcoin trading platform for the trading of digital currencies, through the acquisition of software technology in the emerging Bitcoin industry.

For the fiscal year ended April 30, 2014, we generated revenues from continuing operations of approximately $21 million, compared to $25 million for the fiscal year ended April 30, 2013. Our backlog at April 30, 2014 and 2013 was approximately $19.4 million and $22.3 million, respectively.

Recent Developments

Sale of Pride Operations

On September 19, 2013, we entered into a securities purchase agreement (the Agreement) to sell 100% of the shares of Pride to Turquino Equity LLC, a limited liability company (Turquino), whose managing member is Andrew Hidalgo (Hidalgo), our former President, Chief Executive Officer and member of the board of directors, for $1,400,000. Until the date of closing of the Agreement, which we currently anticipate to be July 31, 2014, we shall continue to pay Hidalgo his current base salary of $325,000 per year through our normal payroll process, pursuant to the Separation Agreement previously entered into with Hidalgo. As of April 30, 2014, the balance of the accrued severance expense due Hidalgo is approximately $1,219,000. At the closing date, we shall make the final severance payment, net of applicable taxes, and shall apply the net after tax severance payment as partial payment towards the purchase price to be received for Pride. The cash difference between the after tax severance payment and the purchase price shall be paid to the Company at the closing date.

The Agreement contains a number of conditions to closing, including but not limited to the following: (i) each of the Company and Turquino shall have performed and complied with all terms of the Agreement required to be performed or complied with by it at or prior to the Closing Date; (ii) no action or proceeding by or before any governmental authority shall have been instituted or threatened (and not subsequently dismissed, settled or otherwise terminated) which might restrain, prohibit or invalidate any of the transactions contemplated by the Agreement, other than an action or proceeding instituted or threatened by a party or any of its affiliates; (iii) the representations and warranties contained in made by each of the Company and Turquino to each other shall be true and correct in all material respects on the closing date as though made on and as of the closing date; (iv) the Company obtaining a fairness opinion that the Purchase Price is fair; and (v) the Company obtaining shareholder approval. On July 15, 2014, we obtained shareholder approval of the transaction. In order to close, we need to obtain the release of liens by our secured note holders of the stock of Pride.

Sale of the Seattle Operations

On March 31, 2014, we entered into an asset purchase agreement (the Asset Purchase Agreement) by and among the Company, and EC Company, as purchaser. Pursuant to the Asset Purchase Agreement, we agreed to sell substantially all of the assets of the Seattle Operations to EC Company for approximately $2.7 million in an all cash transaction. The final closing price is subject to adjustment based on the value of the assets on the closing date. The Asset Purchase Agreement was amended to provide that in the event that the acquisition is not consummated by July 31, 2014, through no fault of EC Company, the purchase price will be reduced by $100,000. The consummation of the sale is subject to the approval of the Company's stockholders, the NASDAQ Capital Market and the release of liens by our secured note holders of the assets of the Seattle Operations. We anticipate that the transaction will be closed in August 2014.

Acquisition of BTX Software

On December 17, 2013, we entered into various agreements, as more fully described below, which are expected to add a new line of business and reporting segment to our existing operations. We acquired software technology in the emerging Bitcoin industry of a cross-exchange trading technology platform that provides access to ninety percent of publicly available Bitcoin liquidity (the BTX Software). The BTX Software enables users to make informed decisions by providing aggregated and curated market data from all major trading venues. In connection with the acquisition of the BTX Software, we also established a wholly-owned subsidiary, BTX.

BTX was formed in the state of Delaware on December 4, 2013. In connection with the formation of BTX, certain investors who previously purchased Senior Secured Convertible Notes (Notes) contributed an aggregate of (i) $439,408 of Notes, along with all rights under the related securities purchase agreement, security and pledge agreement and registration rights agreement (other than the Exchange Cap Allocation and Authorized Share Allocation, as such terms are defined in the Notes) (such $439,408 of Contributed Notes) and (ii) $1,185,000 in cash, as their initial capital contributions to BTX. On December 17, 2013, BTX purchased the BTX Software and related intellectual property rights from Divya Thakur and Ilya Subkhankulov in consideration for (i) the assignment of the Contributed Notes and (ii) a secured promissory note in the amount of $500,000, which accrues interest at a rate of 3.32% (the BTX Note). BTX's obligations under the BTX Note are secured by the assets of BTX pursuant to a Security Agreement.

On December 17, 2013, we entered into a Securities Purchase Agreement (the BTX Purchase Agreement) with certain accredited investors (the Investors) pursuant to which we sold an aggregate of 2,438 shares of our Series E Convertible Preferred Stock and warrants (the BTX Warrants) to purchase up to an aggregate of 1,500,000 shares of Common Stock. As consideration for the purchase of the Securities, the Investors sold their collective interests in BTX to us, which interests constituted 100% of the outstanding membership interests of BTX, causing BTX to become a wholly owned subsidiary of WPCS.

Each share of Series E Preferred Stock has a stated value of $1,000 and is convertible into shares of Common Stock equal to the stated value (and all accrued but unpaid dividends) divided by the conversion price of $3.50 per share (subject to adjustment in the event of stock splits and dividends). The Series E Preferred Stock accrues dividends at a rate of 12% per annum, payable quarterly in arrears in cash or in kind, subject to certain conditions being met. The Series E Preferred Stock contains a seven year make-whole provision such that if the Series E Preferred Stock is converted prior to the seventh anniversary of the date of original issuance, the holder will be entitled to receive the remaining amount of dividends that would have accrued from the conversion until such seventh year anniversary. We are prohibited from effecting the conversion of the Series E Preferred Stock to the extent that, as a result of such conversion, the holder beneficially owns more than 9.99%, in the aggregate, of the issued and outstanding shares of our common stock calculated immediately after giving effect to the issuance of shares of common stock upon the conversion of the Series E Preferred Stock.

The BTX Warrants have an initial exercise price of $5.00 per share (subject to adjustment in the event of stock splits and dividends) and are exercisable on a "cashless" basis beginning six months after the date of issuance if there is not then an effective registration statement covering the resale of the shares of Common Stock underlying the BTX Warrants.

Pursuant to the BTX Purchase Agreement, we agreed to use our reasonable best efforts to obtain stockholders' approval at the next annual stockholder meeting or a special meeting of stockholders for (i) the increase of the number of shares of Common Stock authorized for issuance to 75,000,000 and (ii) the issuance of all the securities issuable pursuant to the BTX Purchase Agreement (Stockholder Approval). The Company agreed to seek to obtain Stockholder Approval by April 30, 2014. As we did not obtain Stockholder Approval by April 30, 2014, we are obligated to cause an additional annual stockholder meeting to be held annually at which Stockholder Approval will be sought (or if no Annual Meeting of stockholders of WPCS is held in any given year, to seek such approval at a special meeting of stockholders of WPCS in such given year) until such Stockholder Approval is obtained. In June 2014, we obtained the Stockholder Approval for the issuance of all the securities issuable pursuant to the BTX Purchase Agreement but not the increase in the authorized shares. We intend to seek Stockholder Approval for the increase in authorized shares at a future stockholder meeting.

Senior Secured Convertible Note and Warrant Amendments

On December 4, 2012, we entered into a securities purchase agreement (the Securities Purchase Agreement) with six accredited investors (the Buyers) pursuant to which, the Company sold an aggregate of (i) $4,000,000 principal amount of senior secured convertible notes (the Notes) and (ii) warrants (the Warrants) to purchase 2,274,796 shares of the Company's common stock (Common Stock), to the Buyers for aggregate gross proceeds of $4,000,000.

On October 25, 2013, we entered into an amendment, waiver and exchange agreement (the Amendment) with the Buyers of the Notes and Warrants. Pursuant to the Amendment, the Buyers exchanged 154,961 of their Warrants for 38,740 shares of common stock and warrants to purchase 154,961 shares of common stock (the Exchange Warrants). Effectively, for every four Warrants surrendered, the Buyers received a unit of four Exchange Warrants and one Share. It was determined that the Black-Scholes value of one warrant being exchanged was equal to $1.83, resulting in four Warrants being equal to $7.32 and the parties valued the unit at a price of $7.52. As a result, the Shares issued were effectively valued at $0.20, and by the operation of the terms of the Notes, the conversion price of the Notes automatically adjusted to $0.20. 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 Buyers permanently waived, effective as of October 24, 2013, various provisions of the remaining 2,119,835 Warrants, including the anti-dilution protection from the issuance of securities at a price lower than the 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, the exercise price of the Warrants will only adjust in the event of any future stock splits or dividends. The Exercise Price of the 2,119,835 Warrants and 154,961 Exchange Warrants remains at $2.1539 per share. After the Amendment, the Warrants and Exchange Warrants have the same terms, conditions and rights.

Further, the Buyers agreed to waive any defaults through February 28, 2014 relating to the failure to have enough authorized shares of common stock available for issuance upon conversion of the Notes and/or exercise of the Warrants.

Effective October 31, 2013, we entered into an amendment agreement (the Note Amendment) with the Buyers. The Note Amendment eliminated certain features of the Notes which would otherwise result in substantial accounting charges to the Company.

Pursuant to the Amendment, the Buyers permanently waived 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 Buyers waived certain events of default that had occurred under the Notes.

NASDAQ Deficiency and Compliance

On May 2, 2014, we received a letter from the Staff of the Listing Qualifications Department of NASDAQ (the Staff) indicating that unless we timely requested a hearing before the NASDAQ Hearings Panel (the Panel), our Common Stock would be subject to delisting from The NASDAQ Capital Market on May 13, 2014 due to our non-compliance with the requirement to hold an annual meeting of stockholders and to solicit proxy statements, as required by Listing Rules 5620(a) and 5620(b) (the Annual Meeting Requirement). We timely requested a hearing before the Panel, and on June 12, 2014, we conducted a hearing with the Panel to request the continued listing of its securities on The NASDAQ Capital Market pending the completion of our plan to regain and sustain compliance with the Annual Meeting Requirement. On July 1, 2014, we received a letter from the Panel informing us that the Panel granted our request for continued listing on The NASDAQ Capital Market, subject to holding a combined annual meeting for the 2013 and 2014 fiscal years by September 30, 2014.

On June 18, 2014, we received a separate letter from the Staff indicating that for the last 30 consecutive business days, the closing bid price of our common stock has been below $1.00 per share, the minimum closing bid price required by the continued listing requirements of NASDAQ, as set forth in Listing Rule 5550(a)(2) (the Rule).

In accordance with Listing Rule 5810(c)(3)(A), we have been granted 180 calendar days, or until December 14, 2014, to regain compliance with the Rule (the Compliance Period). To regain compliance, the closing bid price of the Company's common stock must be at least $1.00 per share for a minimum of 10 consecutive business days, but generally no more than 20 business days, during the Compliance Period.

If we do not regain compliance with the Rule by December 14, 2014, NASDAQ will provide written notification to the Company that our common stock may be delisted. However, we would be entitled to an additional 180-day period from December 14, 2014 to regain compliance. If, on December 14, 2014, we meet the continued listing requirement for market value of publicly held shares and all other initial listing standards for The NASDAQ Capital Market, with the exception of the bid price requirement, we would need to provide written notice to NASDAQ of our intention to cure the deficiency during the second compliance period by effecting a reverse stock split, if necessary.

There is no assurance as to the price at which our common stock will trade. We intend to actively monitor the bid price for its common stock during the Compliance Period, and if the common stock continues to trade below the minimum bid price required for continued listing, the Company's board of directors will consider its options to regain compliance with the continued listing requirements.

Events of Default under the Senior Secured Convertible Notes

Pursuant to the terms of the Notes, an event of default occurs when our common stock is suspended or threatened with suspension from trading on The NASDAQ Capital Market (or an equivalent market). As a result of the notices received by the Company from NASDAQ as described above, as well as our failure to obtain an increase in authorized shares by February 28, 2014 described above, separate events of default occurred under the Notes for each notice (the Events of Default").

As a result of each of the Events of Default, the Buyers have the right to require us to redeem the Notes equal to the Conversion Amount (as defined in the Notes), plus a make-whole amount equal to the amount of any interest that, but for any redemption of the Notes on such given date, would have accrued with respect to the Conversion Amount being redeemed under the Notes at the interest rate then in effect for the period from such given date through October 31, 2023, the amended maturity date of the Notes, discounted to the present value of such interest using a discount rate of 2.5% per annum. The value of the event of default redemption price is approximately $2,800,000. Currently, the principal amount of Notes outstanding is $898,334 and the default interest rate is 25% effective March 1, 2014.

We have provided notice to the Buyers of each of the Events of Default, but no Buyer has exercised its right of redemption. If we are required to repay the Notes, we do not have sufficient working capital to repay the outstanding borrowings. The Company and the Buyers have commenced discussions concerning a forbearance or waiver of the Events of Default, however, there can be no assurance that the Company and Buyers will come to any agreement (either oral or written) regarding repayment, forbearance, waiver and/or modification of the Notes.

Executive Management Changes

On March 31, 2014, we entered into a separation agreement (the Separation Agreement) with Joseph Heater (Heater), the Company's Chief Financial Officer, and on July 28, 2014, we entered into an amendment to the Separation Agreement (the Amendment to Separation Agreement). Pursuant to the Amendment to Separation Agreement, Heater will resign, effective at the close of business on August 31, 2014, or such other date mutually agreed upon between the Company and Heater (the Termination Date), as the Chief Financial Officer of the Company and from all officer and director positions with the Company's subsidiaries.

Pursuant to the Separation Agreement, as amended, we shall pay Heater the sum of $250,000 between the Termination Date and January 31, 2015, which will be payable in five (5) monthly installments of $41,666.67, payable on the first business day of each month from September 2014 through January 2015 and one (1) final payment of $41,666.65 to be made on January 31, 2015. In addition, Heater shall receive a bonus of $35,000, to be paid on July 31, 2014, and we will pay Heater for all accrued but unused vacation time through August 31, 2014. Heater will also receive medical and other insurance benefits through January 31, 2015 under the applicable plans maintained by the Company.

Zurich Forbearance Agreement

On July 12, 2012, we executed the Surety Financing and Confession of Judgment Agreement (the Financing Agreement) with Zurich American Insurance Company (Zurich), to assist in the completion of the project contract with the Camden County Improvement Authority for work at the Cooper Medical Center of Rowan University (the Owner or Cooper Project).

On April 17, 2013, we executed the Surety Forbearance and Confession of Judgment Agreement (the Forbearance Agreement) with Zurich, which supersedes the Financing Agreement. We are currently in default under the Forbearance Agreement due to our failure to: (1) pay the monthly Interim Liability Payment of $25,000 per month since December 1, 2013; and (2) pay the Loss Amount of $1,533,757 that was due December 31, 2013 under the Forbearance Agreement. We are currently in discussions with Zurich for the settlement of the Loss Amount due under the Forbearance Agreement. There can be no assurance that we will be successful in settling with Zurich the Loss Amount due.

We have submitted a Claim to the Owner of $2,421,425 for services performed to settle the Claim. If we are successful in the settlement of this Claim, we expect to use the proceeds from the Claim to repay Zurich the Loss Amount as it exists at the time, and any excess for working capital purposes. There can be no assurance that we will be successful in settling with the Owner for all or a portion of the submitted claim.

Segment Reporting

As part of our acquisition of the BTX Software and the addition of a related new line of business, we have reorganized our operating segments to correspond to our primary service lines: communications infrastructure contracting services and Bitcoin trading platform. Accordingly, we have reclassified the reporting of our segment results under these two reporting segments in this Form 10-K for the years ended April 30, 2014 and 2013.

Communications Infrastructure Contracting Services

<u>*Strategy*</u>

We currently offer our low voltage communications infrastructure contracting services to the public services, healthcare, energy and corporate enterprise markets. We provide an integrated approach to project coordination that creates cost-effective solutions. Corporations, government entities, healthcare organizations and educational institutions depend on the reliability and accuracy of voice, data and video communications. However, the potential for this new technology cannot be realized without the right infrastructure to support the convergence of technology. In this regard, we create integrated building systems, including the installation of advanced structured cabling systems. We specialize in wireless technology or combination of various technologies to develop a cost effective network for a customer's wireless communication requirements. This includes Wi-Fi networks, point-to-point systems, cellular networks, in-building systems and two-way communication systems. We support the integration of telecommunications, life safety, security and HVAC in an environmentally safe manner and design for future growth by building in additional capacity for expansion as new capabilities are added.

Finally, we currently have expertise in the construction and maintenance of pipelines in our China Operations for natural gas and petroleum transmission. This includes experience in transmission infrastructure, horizontal directional drilling and rock trenching. In addition, we offer trenching services for power lines, telecommunications and water lines. Our services are performed with minimal ground disruption and environmental impact.

During the past fiscal year, our strategy in the contracting services segment has also included divesting certain operations through the sale of the Pride Operations, the sale of the assets of the Seattle Operations, and the significant reduction of the unprofitable Trenton Operations. Furthermore, in May 2014 we entered into a non-binding letter of intent to sell the 60% majority ownership interest in our China Operations to AIC Investments Limited, a Hong Kong company (AIC), in an all-cash transaction valued at approximately $2.1 Million. The consummation of this transaction is subject to a number of conditions, including, but not limited to, completion of due diligence by AIC, the negotiation and execution of a definitive purchase agreement, third party governmental and regulatory consents, approval of by the board of directors from the Company and AIC, shareholder approval of the Company and approval from holders of senior secured debt of the Company.

During the past fiscal year, our strategy in the contracting services segment has also included divesting certain operations through the sale of the Pride Operations, the sale of the assets of the Seattle Operations, and the significant reduction of the unprofitable Trenton Operations. Furthermore, in May 2014 we entered into a non-binding letter of intent to sell the 60% majority ownership interest in our China Operations to AIC Investments Limited, a Hong Kong company (AIC), in an all-cash transaction valued at approximately $2.1 Million. The consummation of this transaction is subject to a number of conditions, including, but not limited to, completion of due diligence by AIC, the negotiation and execution of a definitive purchase agreement, third party governmental and regulatory consents, approval of by the board of directors from the Company and AIC, shareholder approval of the Company and approval from holders of senior secured debt of the Company.

Industry Background

We focus on markets such as public services, healthcare, energy and international which continue to show growth potential.

- *Public services.* We provide communications infrastructure for public services which include utilities, education, military and transportation infrastructure. We believe there is an active market for communications infrastructure in the public service sector due to the need to create cost efficiencies through the implementation of new communications technology.

- *Healthcare.* We provide communications infrastructure for hospitals and medical centers. In the healthcare market, the aging population is resulting in demands for upgraded and additional hospital infrastructure. New construction and renovations are occurring for hospitals domestically and internationally. In addition, there is a need to reduce the cost of delivering healthcare by implementing new communications technology. Our services include electrical power, structured cabling, security systems, life safety systems, environmental controls and communication systems.

- *Energy*. We provide communications infrastructure for petrochemical, natural gas and electric utility companies. The need to deliver basic energy more efficiently is driving the growth in energy construction. This creates opportunities to upgrade and deploy new communications technology.

- *International.* We provide communications infrastructure internationally for a variety of companies and government entities. China is spending on building its internal infrastructure. China has experienced positive GDP growth rates. The total international revenue was approximately 25.9% and 21.2% for the years ended April 30, 2014 and 2013, respectively.

Project Characteristics

Our contracts are primarily service-based projects providing installation and engineering services, which include providing labor, materials and equipment for a complete installation. The projects are generally staffed with a project manager who manages multiple projects and a field supervisor who is responsible for an individual project. Depending on the scope of the contract, project staff size could range from two to four engineers to as high as 25 to 30 engineers. A project may also include subcontracted services along with our direct labor. The project manager coordinates the daily activities of direct labor and subcontractors and works closely with our field supervisors. Project managers are responsible for job costing, change order tracking, billing, and customer relations. Executive management monitors the performance of all projects regularly through work-in-progress reporting or percentage-of-completion, and reviews this information with each project manager. Our projects are primarily executed on a contract basis. These contracts can be awarded through a competitive bidding process, an informal bidding process, or a simple quote request. Upon award of a contract, there can be delays of several months before work begins. The active work time on our projects can range in duration from a few days up to as long as two years.

Customers

We serve a variety of public services, healthcare, energy and corporate enterprise customers. For the fiscal year ended April 30, 2014, there was one customer in our Suisun City Operations, San Francisco General Hospital, which accounted for 16.6% of our revenue. For the fiscal year ended April 30, 2013, there was one customer in our Trenton Operations, the Camden County Improvement Authority or the Cooper Project, which accounted for 23.3% of our revenue.

Sales and Marketing

We have dedicated sales and marketing resources that develop opportunities within our existing customer base, and identify new customers through our strategic market focus and our relationships with technology providers. In addition, our project managers devote a portion of their time to sales and marketing. When an opportunity is identified, we assess the opportunity to determine our level of interest in participation. After qualifying an opportunity, our sales and marketing resources work with the internal project management teams to prepare a cost estimate and contract proposal for a particular project. We keep track of bids submitted and bids that are awarded. Once a bid is awarded to us, it is assigned to a project management team and included in our backlog.

Backlog

As of April 30, 2014, we had a backlog of unfilled orders of approximately $19.4 million compared to approximately $22.3 million at April 30, 2013. We define backlog as the value of work-in-hand to be provided for customers as of a specific date where the following conditions are met (with the exception of engineering change orders): (i) the price of the work to be done is fixed; (ii) the scope of the work to be done is fixed, both in definition and amount; and (iii) there is an executed written contract, purchase order, agreement or other documentary evidence which represents a firm commitment by the customer to pay us for the work to be performed. These backlog amounts are based on contract values and purchase orders and may not result in actual receipt of revenue in the originally anticipated period or at all. We have experienced variances in the realization of our backlog because of project delays or cancellations resulting from external market factors and economic factors beyond our control and we may experience such delays or cancellations in the future. Backlog does not include new firm commitments that may be awarded to us by our customers from time to time in future periods. These new project awards could be started and completed in this same future period. Accordingly, our backlog does not necessarily represent the total revenue that could be earned by us in future periods.

Competition

We face competition from numerous service organizations, ranging from small independent regional firms to larger firms servicing national markets. Historically, there have been relatively few significant barriers to entry into the markets in which we operate, and, as a result, any organization that has adequate financial resources and access to technical expertise may become a competitor. At the present time, we believe that there are no dominant competitors in the communications infrastructure market, but we would classify Quanta Services, Inc. (NYSE:PWR), Dycom Industries, Inc. (NYSE:DY) and MasTec, Inc. (NYSE:MTZ) as national competitors. In China, we believe there are no dominant competitors, and our competition is primarily from regional contractors in these geographic locations. The principal competitive advantage in these markets is establishing a reputation of delivering projects on time and within budget. Other factors of importance include accountability, engineering capability, certifications, project management expertise, industry experience and financial strength. We believe that the ability to provide comprehensive communications infrastructure design-build services including wireless communication, specialty construction and electrical power gives us a competitive advantage. We maintain a trained and certified staff of engineers that have developed proven methodologies for the design and deployment of communications infrastructure, and can provide these services on an international basis. In addition, we offer both a union and non-union workforce that allow us to bid on either labor requirement, creating yet another competitive advantage. However, our ability to compete effectively also depends on a number of additional factors that are beyond our control. These factors include competitive pricing for similar services and the ability and willingness of the competition to finance projects on favorable terms.

Bitcoin Trading Platform

Industry Strategy

In April 2014, we launched the BTX trading platform to focus on opportunities within the digital currency market, including, but not limited to: (i) trading systems; and (ii) exchanges.

BTX's current business strategy is to continue to implement advanced trading algorithms for digital currency traders. BTX expects to generate revenue from the trading systems by offering users advanced Bitcoin trading algorithms and strategies that are not currently available. The trading system is a cloud-hosted service that incorporates some high-end features traders may be familiar with from other asset classes, including access to reliable and curated market data, and utilizing sophisticated market data visualization tools such as advanced charting, trading blotters, tick charts and consolidated level 2 order books. BTX offers a product that provides trading integration against the largest Bitcoin exchanges, allowing users to see liquidity across all platforms, route orders to the best platforms, and identify possible arbitrage opportunities across platforms. Additionally, it allows users to place synthetic stop loss orders against those exchanges, to hedge against Bitcoin price volatility. To date, the trading platform is accessible online with approximately 5,000 users and over 1,500 unique visitors per month.

On July 28, 2014, BTX announced the launch of an exchange and its second product, Celery, which will allow consumers to initially purchase Bitcoin and Dogecoin digital currencies, where it expects to generate revenue from transaction fees. Celery is a hosted online wallet that deploys direct bank transfers to allow its customers the use of their digital currency in a timely manner. BTX has launched Celery in the United States, and is committed to ensuring full compliance with its digital currency wallet and exchange services.

Digital Currency Industry Trends

Bitcoin is a digital or virtual currency that uses peer-to-peer technology to facilitate instant payments. Bitcoin is a type of alternative currency known as a crypto currency, which uses cryptography for security, making it difficult to counterfeit. Bitcoin issuance and transactions are carried out collectively by the network, with no central authority, and allows users to make secure, verified transfers. We believe the market opportunities for Bitcoin are poised for significant growth in the future. Bitcoin is an accepted form of payment by a growing, but still limited number of businesses, while governments and regulators are beginning to create more regulation and structure to legitimize it as a currency. The opportunities as an asset class, a currency and a money transfer mechanism can make Bitcoin an important alternative in the financial currency space.

The total number of Bitcoins that will be issued is capped at 21 million to ensure they are not devalued by limitless supply. They are divisible to 8 decimal places. Bitcoins exist only in digital form and can be bought with traditional currency through the internet. Users store their Bitcoins in a digital wallet, while transactions are verified by a digital signature known as a public-encryption key. The first Bitcoin specification and proof-of-concept was published in 2009 by an individual or individuals under the pseudonym Satoshi Nakamoto. Bitcoins are created through a "mining" process that involves programmers solving complex math problems with the computers in this network; this process currently creates 25 Bitcoins every 10 minutes. The limit of 21 million is expected to be reached in the year 2140, after which the total number of Bitcoins will remain unchanged.

A basic premise underpinning the Bitcoin is that because it is decentralized and not issued by government, it is supposedly free from interference and manipulation, in stark contrast to the world's fiat currencies. However, these same features confer significant disadvantages on the Bitcoin. Since it is a virtual currency, it cannot be stored in physical form. Bitcoin businesses are subject to substantial risks and uncertainties associated with any new and emerging business and technology, including regulatory uncertainty. While the business of BTX is initially not believed to be subject to government regulation as it relies principally upon activity involving other Bitcoin businesses, we intend to expand BTX's activities in the Bitcoin industry in a manner that will likely subject certain aspects of the business to future governmental regulation.

Regulatory changes or actions may alter the nature of an investment in Bitcoins or restrict the use of Bitcoins in a manner that adversely affects BTX. Until recently, little or no regulatory attention has been directed toward Bitcoins by U.S. federal and state governments, foreign governments and self-regulatory agencies. As Bitcoins have grown in popularity and in market size, the U.S. Congress and certain U.S. agencies (e.g., FinCEN and the Federal Bureau of Investigation) have begun to examine the operations of Bitcoin networks, Bitcoin users and the Bitcoin market in general. The State of New York recently issued regulations regarding the treatment of Bitcoin, which we are currently reviewing to assess the impact on our business. Other state regulators, such as the California Department of Financial Institutions, have also initiated examinations of Bitcoin, and a U.S. federal magistrate judge in the U.S. District Court for the Eastern District of Texas has ruled that "Bitcoin is a currency or form of money." Meanwhile, the Internal Revenue Service has declared that virtual currency will be taxed and treated as property, and not currency, for federal tax purposes. There is a possibility of future regulatory change altering, perhaps to a material extent, the nature of BTX's business or our ability to continue to operate a Bitcoin business. Currently, neither the SEC nor the U.S. Commodity Futures Trading Commission has formally asserted regulatory authority over the Bitcoin trading and ownership. To the extent that Bitcoins are determined to be a security, commodity future or other regulated asset, or to the extent that a U.S. or foreign government or quasi-governmental agency exerts regulatory authority over our Bitcoin activities, or trading or ownership of Bitcoins, we may be adversely affected.

Sales and Marketing

Our principals devote a significant portion of their time to sales and marketing to grow the BTX trading platform user base. Through this effort, they are developing opportunities within our existing trader user base, and continue to identify new users through our strategic marketing strategies, product development and our relationships with other companies in the industry.

Competition

We have identified certain competitors in the digital currency trading space, such as RTBTC and CrypTrader. Both provide front end trading platforms for active digital currency traders that connect to existing exchanges. For the Bitcoin exchange business, we believe Coinbase, Circle Internet Financial and Expresscoin, are competitors that provide services in the U.S. to buy and sell digital currencies in exchange for U.S. dollars.

Employees

As of April 30, 2014, we employed 240 full time employees, of whom 171 are project engineers and technicians, 14 are project managers, 48 are in administration and sales and seven are executives. Approximately 63% of the project engineers are represented by the International Brotherhood of Electrical Workers. We also have non-union employees. We believe we have excellent relations with all of our employees. We have 108 union employees, of which 40 are included in our discontinued operations, who are covered by contracts that expire at various times as follows:

Operations	# of Employees	Union Contract Expiration Date
Seattle - Discontinued	16	May 31, 2015
	1	August 31, 2015
	1	June 30, 2015
	13	May 31, 2016
	9	July 31, 2015
Discontinued Operations	40	
Suisun City	68	November 30, 2014
Total Union Employees	**108**	

ITEM 1A - RISK FACTORS

RISKS RELATED TO OUR COMPANY

We are currently in default under our secured Notes. As a result, the investors have the right to take possession of our assets securing the repayment of such notes. If we are unable to repay the notes, we may be unable to satisfy our liquidity requirements and continue our operations as a going concern.

In December 2012, we sold the Notes in the face amount of $4 million to certain accredited investors in a private placement transaction. The Notes bear interest at rate of 15% per annum, or 25% while an event of default exists. The Notes are secured by a first priority lien on all our assets. As discussed further Under Item 1 of this Annual Report on Form 10-K, we are in default under the Notes. The value of the event of default redemption price is approximately $2,800,000. Currently, the principal amount of Notes outstanding is $898,334.

We currently do not have the ability to pay the default redemption price. As a result of our defaults, the Note holders have the right to take possession of the collateral, to operate our business using the collateral, have the right to assign, sell, lease or otherwise dispose of and deliver all or any part of the collateral, at public or private sale or otherwise to satisfy our obligations under the Notes or may force us into a foreclosure proceeding pursuant to which the assets could be sold in order to satisfy the amounts due.

Although the Note holders have not demanded payment of the redemption price, they have the right to do so. If the Note holders demand payment, it would have a material adverse effect on the Company.

The reports of our independent registered public accounting firms contain an emphasis paragraph that indicates there is substantial doubt concerning our ability to continue as a going concern as a result of our recurring losses from operations, working capital deficiencies, the Zurich Forbearance Agreement and other events of default.

Our audited consolidated financial statements for the fiscal years ended April 30, 2014 and 2013 were prepared on a going concern basis in accordance with United States Generally Accepted Accounting Principles (GAAP). The going concern basis of presentation assumes that we will continue in operation and be able to realize our assets and discharge our liabilities and commitments in the normal course of business. In order for us to continue operations beyond the next twelve months we must be able discharge our liabilities and commitments in the normal course of business; generate operating income; reduce operating expenses; produce cash from our operating activities, repay or modify the terms of the Zurich Forbearance Agreement, the settlement of the Claim with the Owner, and potentially raise additional funds to meet our working capital needs. We cannot guarantee that we will be able to generate operating income, reduce operating expenses, produce cash from our operating activities, repay or modify the Zurich Forbearance Agreement or obtain additional funds through either debt or equity financing transactions or the settlement of the Claim, or that such funds, if available, will be obtainable on satisfactory terms. If we are unable to reduce operating expenses, produce cash from our operating activities, repay or modify the Zurich Forbearance Agreement, or obtain additional funds through either debt or equity financing transactions or the settlement of the Claim, we may be unable to continue to fund our operations, provide our services or realize value from our assets and discharge our liabilities in the normal course of business. These uncertainties raise substantial doubt about our ability to continue as a going concern. If we become unable to continue as a going concern, we may have to liquidate our assets, and might realize significantly less than the values at which they are carried on our consolidated financial statements, and stockholders may lose all or part of their investment in our common stock. The accompanying financial statements do not contain any adjustments as a result of this uncertainty.

Our Notes impose restrictions on us which may prevent us from engaging in transactions that might benefit us, including responding to changing business and economic conditions or securing additional financing, if needed.

The terms of our indebtedness contain customary events of default and covenants that prohibit us from taking certain actions without satisfying certain financial tests or obtaining the consent of the lenders. The prohibited actions include, among other things:

- buying back shares in excess of specified amounts;
- making investments and acquisitions in excess of specified amounts;
- incurring additional indebtedness in excess of specified amounts;
- paying cash dividends;
- creating certain liens against our assets;
- prepaying subordinated indebtedness;
- engaging in certain mergers or combinations; and
- engaging in transactions that would result in a “change of control”.

Future changes in financial accounting standards may adversely affect our reported results of operations.

A change in accounting standards could have a significant effect on our reported results and may even affect our reporting of transactions completed before the change is effective. New pronouncements and varying interpretations of pronouncements have occurred and may occur in the future. Changes to existing rules or the questioning of current practices may adversely affect our reported financial results or the way we conduct our business.

Compliance with changing regulation of corporate governance and public disclosure may result in additional expenses.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002 (SOX), newly enacted SEC regulations and NASDAQ Stock Market rules, have created additional burdens for companies such as ours. We are committed to maintaining high standards of corporate governance and public disclosure. As a result, we intend to invest appropriate resources to comply with evolving standards. This may result in increased general and administrative costs, including potential increased audit fees for SOX compliance, and a diversion of management time and attention from revenue-generating activities to compliance activities.

Acquisitions involve risks that could result in a reduction of our operating results, cash flows and liquidity.

We have made, and in the future may continue to make strategic acquisitions. However, we may not be able to identify suitable acquisition opportunities, or may be unable to obtain the consent of our lender and therefore, may not be able to complete such acquisition. We may pay for acquisitions with our common stock or with convertible securities, which may dilute your investment in our common stock, or we may decide to pursue acquisitions that investors may not agree with. In connection with most of our acquisitions, we have also agreed to substantial earn-out arrangements. To the extent we defer the payment of the purchase price for any acquisition through a cash earn-out arrangement, it will reduce our cash flows in subsequent periods. In addition, acquisitions may expose us to operational challenges and risks, including:

- the ability to profitably manage acquired businesses or successfully integrate the acquired business’ operations and financial reporting and accounting control systems into our business;
- increased indebtedness and contingent purchase price obligations associated with an acquisition;
- the ability to fund cash flow shortages that may occur if anticipated revenue is not realized or is delayed, whether by general economic or market conditions, or unforeseen internal difficulties;

- the availability of funding sufficient to meet increased capital needs;
- diversion of management's attention; and
- the ability to retain or hire qualified personnel required for expanded operations.

Completing acquisitions may require significant management time and financial resources because we may need to assimilate widely dispersed operations with distinct corporate cultures. In addition, acquired companies may have liabilities that we failed, or were unable, to discover in the course of performing due diligence investigations. We cannot assure you that the indemnification granted to us by sellers of acquired companies will be sufficient in amount, scope or duration to fully offset the possible liabilities associated with businesses or properties we assume upon consummation of an acquisition. We may learn additional information about our acquired businesses that materially adversely affect us, such as unknown or contingent liabilities and liabilities related to compliance with applicable laws. Any such liabilities, individually or in the aggregate, could have a material adverse effect on our business.

Failure to successfully manage the operational challenges and risks associated with, or resulting from, acquisitions could adversely affect our results of operations, cash flows and liquidity. Borrowings or issuances of convertible securities associated with these acquisitions may also result in higher levels of indebtedness which could impact our ability to service our debt within the scheduled repayment terms.

RISKS RELATED TO OUR COMMUNICATIONS INFRASTRUCTURE CONTRACTING SERVICES BUSINESS

If we fail to accurately estimate costs associated with our fixed-price contracts using percentage-of-completion, our actual results may vary from our assumptions, which may reduce our profitability or impair our financial performance.

A substantial portion of our revenue is derived from fixed price contracts. Under these contracts, we set the price of our services on an aggregate basis and assume the risk that the costs associated with our performance may be greater than we anticipated. We recognize revenue and profit on these contracts as the work on these projects progresses on a percentage-of-completion basis. Under the percentage-of-completion method, contracts in process are valued at cost plus accrued profits less earned revenues and progress payments on uncompleted contracts.

The percentage-of-completion method therefore relies on estimates of total expected contract costs. These costs may be affected by a variety of factors, such as lower than anticipated productivity, conditions at work sites differing materially from what was anticipated at the time we bid on the contract and higher costs of materials and labor. Contract revenue and total cost estimates are reviewed and revised monthly as the work progresses, such that adjustments to profit resulting from revisions are made cumulative to the date of the revision. Adjustments are reflected in contract revenue for the fiscal period affected by these revised estimates. If estimates of costs to complete long-term contracts indicate a loss, we immediately recognize the full amount of the estimated loss. Such adjustments and accrued losses could result in reduced profitability and liquidity.

Failure to properly manage projects may result in unanticipated costs or claims.

Our project engagements may involve large scale, highly complex projects. The quality of our performance on such projects depends in large part upon our ability to manage the relationship with our customers, and to effectively manage the project and deploy appropriate resources, including third-party contractors and our own personnel, in a timely manner. Any defects or errors or failure to meet customers' expectations could result in claims for substantial damages against us. Our contracts generally limit our liability for damages that arise from negligent acts, errors, mistakes or omissions in rendering services to our customers. However, we cannot be sure that these contractual provisions will protect us from liability for damages in the event we are sued. In addition, in certain instances, we guarantee customers that we will complete a project by a scheduled date or that the network will achieve certain performance standards. If the project or network experiences a performance problem, we may not be able to recover the additional costs we would incur, which could exceed revenues realized from a project.

We may be unable to obtain sufficient bonding capacity to undertake certain projects.

Some of our contracts require performance and payment bonds. If we are not able to renew or obtain a sufficient level of bonding capacity in the future, we may be precluded from being able to bid for certain contracts or successfully contract with certain customers. In addition, even if we are able to successfully renew or obtain performance or payment bonds, we may be required to post letters of credit in connection with the bonds, which could negatively affect our cash flow.

Furthermore, under standard terms in the surety market, sureties issue or continue bonds on a project-by-project basis and can decline to issue bonds at any time or require the posting of additional collateral as a condition to issuing or renewing any bonds. If we were to experience an interruption or reduction in the availability of bonding capacity as a result of these or any other reasons, we may be unable to compete for or work on certain projects that would require bonding.

Our ability to obtain performance and payment bonds from traditional surety markets within the insurance industry has been adversely impacted by the Financing Agreement and Forbearance Agreement with Zurich. We are currently in default under the Forbearance Agreement due to our failure to: (1) pay the monthly Interim Liability Payment of $25,000 per month since December 1, 2013; and (2) pay the Loss Amount of $1,533,757 that was due December 31, 2013 under the Forbearance Agreement. Zurich advanced the Company funds under the Financing Agreement to assist in the completion of the Cooper Project. We were unable to repay Zurich under the Financing Agreement, and Zurich paid certain of the Company's vendors pursuant to Zurich's obligations under its payment bond on the Cooper Project. If we are unable to obtain performance and payment bonds from tradition surety markets, we may be required to obtain such bonds from the private surety companies. Certain of these private sureties are not accepted in the states we operate, which could preclude us from bidding for certain contracts.

The ongoing economic downturn and instability in the financial markets may adversely impact our customers' future spending as well as payment for our services and, as a result, our operations and growth.

The U.S. economy is still recovering from the recent recession, and growth in economic activity has slowed substantially. In addition, the Australia Operations has experienced a slowing in revenue growth due to uncertainties in government spending as a result of changes in political party and related economic activity. It is uncertain when these conditions will significantly improve. Stagnant or declining economic conditions have adversely impacted the demand for our services and resulted in the delay, reduction or cancellation of certain projects and may continue to adversely affect us in the future. Additionally, our customers may finance their projects through the incurrence of debt or the issuance of equity. The availability of credit remains constrained, and many of our customers' equity values have not fully recovered from the negative impact of the recession. A reduction in cash flow or the lack of availability of debt or equity financing may continue to result in a reduction in our customers' spending for our services and may also impact the ability of our customers to pay amounts owed to us, which could have a material adverse effect on our operations and our ability to grow at historical levels.

An economic downturn in any of the industries we serve may lead to less demand for our services.

Because the vast majority of our revenue is derived from a few industries, a downturn in any of those industries would adversely affect our results of operations. Specifically, an economic downturn in any industry we serve could result in the delay, reduction or cancellation of projects by our customers as well as cause our customers to outsource less work, resulting in decreased demand for our services and potentially impacting our operations and our ability to grow at historical levels. A number of other factors, including financing conditions and potential bankruptcies in the industries we serve or a prolonged economic downturn or recession, could adversely affect our customers and their ability or willingness to fund capital expenditures in the future or pay for past services. For example, our wireless communication segment has been negatively impacted since mid-2008 by the slowdown in spending for public services projects at the state and local government level, resulting in reductions, delays or postponements of these projects, and we expect this slowdown will likely continue, at least in the near-term. Consolidation, competition, capital constraints or negative economic conditions in the public services, healthcare and energy industries may also result in reduced spending by, or the loss of, one or more of our customers.

Economic pressure on states could harm our business.

The recent economic climate has resulted in a sharp decline in state revenues, and states have projected large state budget shortfalls in the years ahead. These shortfalls require state legislatures and agencies to examine the means to increase state revenues. States may increase sales and use tax rates, create new tax laws covering previously untaxed activities, or increase existing license fees or create new fees all of which may directly or indirectly harm our business. Similarly, administrative agencies may apply more rigorous enforcement efforts or take inflexible positions respecting the laws they administer, especially if the laws permit the imposition of monetary penalties and fines which either the state or the administrative agency may use to balance their budgets. To the extent that states pass additional revenue measures, or significantly increase their enforcement efforts, these activities could directly or indirectly harm our business.

We have a significant amount of accounts receivable and costs and estimated earnings in excess of billings assets.

We extend credit to our customers as a result of performing work under contract prior to billing our customers for that work. At April 30, 2014, we had net accounts receivable of approximately $8.6 million and costs and estimated earnings in excess of billings of approximately $430,000. We periodically assess the credit risk of our customers and continuously monitor the timeliness of payments. Slowdowns in the industries we serve may impair the financial condition of one or more of our customers and hinder their ability to pay us on a timely basis or at all. Further, bankruptcies or financial difficulties within the markets we serve could hinder the ability of our customers to pay us on a timely basis or at all, reducing our cash flows and adversely impacting our liquidity and profitability. Additionally, we could incur losses in excess of current bad debt allowances.

The industry in which we operate has relatively low barriers to entry and increased competition could result in margin erosion, which would make profitability even more difficult to sustain.

Other than the technical skills required in our business, the barriers to entry in our business are relatively low. We do not have any intellectual property rights to protect our business methods and business start-up costs do not pose a significant barrier to entry. The success of our business is dependent on our employees, customer relations and the successful performance of our services. If we face increased competition as a result of new entrants in our markets, we could experience reduced operating margins and loss of market share and brand recognition.

Our business depends upon our ability to keep pace with the latest technological changes, and our failure to do so could make us less competitive in our industry.

The market for our services is characterized by rapid change and technological improvements. Failure to respond in a timely and cost-effective way to these technological developments may result in serious harm to our business and operating results. We have derived, and we expect to continue to derive, a substantial portion of our revenues from design-build services that are based upon today's leading technologies and that are capable of adapting to future technologies. As a result, our success will depend, in part, on our ability to develop and market service offerings that respond in a timely manner to the technological advances of our customers, evolving industry standards and changing preferences.

Our failure to attract and retain engineering personnel or maintain appropriate staffing levels could adversely affect our business.

Our success depends upon our attracting and retaining skilled engineering personnel. Competition for such skilled personnel in our industry is high and at times can be extremely intense, especially for engineers and project managers, and we cannot be certain that we will be able to hire sufficiently qualified personnel in adequate numbers to meet the demand for our services. We also believe that our success depends to a significant extent on the ability of our key personnel to operate effectively, both individually and as a group. Additionally, we cannot be certain that we will be able to hire the requisite number of experienced and skilled personnel when necessary in order to service a major contract, particularly if the market for related personnel is competitive. Conversely, if we maintain or increase our staffing levels in anticipation of one or more projects and the projects are delayed, reduced or terminated, we may underutilize the additional personnel, which could reduce our operating margins, reduce our earnings and possibly harm our results of operations. If we are unable to obtain major contracts or effectively complete such contracts due to staffing deficiencies, our revenues may decline and we may experience continued losses.

Amounts included in our backlog may not result in actual revenue or translate into profits.

As of April 30, 2014, we had a backlog of unfilled orders of approximately $19.4 million. This backlog amount is based on contract values and purchase orders and may not result in actual receipt of revenue in the originally anticipated period or at all. In addition, contracts included in our backlog may not be profitable. We have experienced variances in the realization of our backlog because of project delays or cancellations resulting from external market factors and economic factors beyond our control and we may experience delays or cancellations in the future. If our backlog fails to materialize, we could experience a further reduction in revenue, profitability and liquidity.

Employee strikes and other labor-related disruptions may adversely affect our operations.

Our business is labor intensive, with certain projects requiring large numbers of engineers. As of April 30, 2014, approximately 45% (17% included in our Discontinued Operations) of our workforce was unionized, including 54% (23% included in our Discontinued Operations) of our project engineers. Strikes or labor disputes with our unionized employees may adversely affect our ability to conduct our business. If we are unable to reach agreement with any of our unionized work groups on future negotiations regarding the terms of their collective bargaining agreements, or if additional segments of our workforce become unionized, we may be subject to work interruptions or stoppages. Any of these events could be disruptive to our operations and could result in negative publicity, loss of contracts and a decrease in revenues.

Our business is labor intensive and we may be unable to attract and retain qualified employees.

Our ability to maintain our productivity and profitability is limited by our ability to employ, train and retain the skilled personnel necessary to operate our business. We cannot be certain that we will be able to maintain the skilled labor force necessary to operate efficiently and support our growth strategy. Our ability to do so depends on a number of factors such as general rates of employment, competitive demands for employees having the skills we need and the level of compensation required to hire and retain qualified employees. In addition, we cannot be certain that our labor expenses will not increase as a result of shortages in the supply of these skilled personnel. As a result, our ability to attain productivity and profitability may be affected if we are unable to hire qualified employees and manage labor costs to retain employees.

We may incur additional healthcare costs arising from federal healthcare reform legislation.

In March 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 were signed into law. This legislation expands health care coverage to many uninsured individuals and expands coverage to those already insured. The changes required by this legislation could cause us to incur additional healthcare and other costs, although we do not expect any material short-term impact on our financial results as a result of the legislation. We are currently assessing the extent of any long-term impact from the legislation.

Our quarterly results fluctuate and may cause our stock price to decline.

Our quarterly operating results have fluctuated in the past and will likely fluctuate in the future. As a result, we believe that period to period comparisons of our results of operations are not a good indication of our future performance. A number of factors, many of which are beyond our control, are likely to cause these fluctuations. Some of these factors include:

- the timing and size of design-build projects and technology upgrades by our customers;
- fluctuations in demand for outsourced contracting services;
- the ability of certain customers to sustain capital resources to pay their trade account balances and required changes to our allowance for doubtful accounts based on periodic assessments of the collectability of our accounts receivable balances;
- reductions in the prices of services offered by our competitors;
- our success in bidding on and winning new business; and
- our sales, marketing and administrative cost structure.

Because our operating results may vary significantly from quarter to quarter, our operating results may not meet the expectations of securities analysts and investors, and our common stock could decline significantly which may expose us to risks of securities litigation, impair our ability to attract and retain qualified individuals using equity incentives and make it more difficult to complete acquisitions using equity as consideration.

Risks associated with operating in international markets could restrict our ability to expand globally and harm our business and prospects, and we could be adversely affected by our failure to comply with the laws applicable to our foreign activities, including the U.S. Foreign Corrupt Practices Act and other similar worldwide anti-bribery laws.

Approximately 25.9% of our continuing revenue was derived from international markets during fiscal 2014. Our international operation is presently conducted in China. Economic conditions, including those resulting from wars, civil unrest, acts of terrorism and other conflicts or volatility in the global markets, may adversely affect our customers, their demand for our services and their ability to pay for our services. In addition, there are numerous risks inherent in conducting our business internationally, including, but not limited to, potential instability in international markets, changes in regulatory requirements applicable to international operations, foreign currency fluctuations, exchange controls and other limits on our ability to repatriate earnings, political, economic and social conditions in foreign countries and complex U.S. and foreign laws and treaties, including tax laws and the U.S. Foreign Corrupt Practices Act (the “FCPA”). These risks could restrict our ability to provide services to international customers or to operate our international business profitably, and our overall business and results of operations could be negatively affected by our foreign activities.

The FCPA and similar anti-bribery laws in other jurisdictions prohibit U.S.-based companies and their intermediaries from making improper payments for the purpose of obtaining or retaining business. We pursue opportunities in certain parts of the world that experience government corruption to some degree, and, in certain circumstances, compliance with anti-bribery laws may conflict with local customs and practices. Our policies mandate compliance with these anti-bribery laws. Further, we require our subcontractors, agents and others who work for us or on our behalf to comply with the FCPA and other anti-bribery laws. Although we have policies and procedures designed to ensure that we, our employees and our agents comply with the FCPA and other anti-bribery laws, there is no assurance that such policies or procedures will protect us against liability under the FCPA or other laws for actions taken by our agents, employees and intermediaries. If we are found to be liable for FCPA violations (either due to our own acts or our inadvertence, or due to the acts or inadvertence of others), we could suffer from severe criminal or civil penalties or other sanctions, which could have a material adverse effect on our reputation, business, results of operations or cash flows. In addition, detecting, investigating, and resolving actual or alleged FCPA violations is expensive and can consume significant time and attention of our senior management.

Our international operations expose us to foreign currency risk.

A majority of our transactions are in U.S. dollars; however, a few foreign subsidiaries conduct businesses in various foreign currencies. Therefore, we are subject to currency exposures and volatility because of currency fluctuations, inflation changes and economic conditions in these countries. We currently have no foreign currency hedges. We attempt to minimize our exposure to foreign currency fluctuations by matching our revenues and expenses in the same currency for our contracts.

We are subject to the risks associated with doing business in the People's Republic of China (PRC).

We conduct certain business in China through our China Operations, which is organized under the laws of the PRC. Our China operations are directly related to and dependent on the social, economic and political conditions in this country, all of which we have no control over, and are influenced by many factors, including:

- changes in the region's economic, social and political conditions or government policies;
- changes in trade laws, tariffs and other trade restrictions or licenses;
- changes in foreign exchange regulation in China may limit our ability to freely convert currency to make dividends or other payments in U.S. dollars;
- fluctuations in the value of the RMB (Chinese Yuan) could adversely affect the value of our investment in China;
- adverse changes in tax laws and regulations;
- difficulties in managing or overseeing our China operations, including the need to implement appropriate systems, policies, benefits and compliance programs; and
- different liability standards and less developed legal systems that may be less predictable than those in the United States.

The occurrence or consequences of any of these conditions may restrict our ability to operate and/or decrease the profitability our operations in China.

RISKS RELATED TO OUR BITCOIN BUSINESS

The further development and acceptance of the Bitcoin Network and Digital Currencies, which represent a new and rapidly changing industry, are subject to a variety of factors that are difficult to evaluate. The slowing or stopping of the development of the Bitcoin Network or the acceptance of the Bitcoin may adversely affect an investment in the Company.

Digital Currencies such as Bitcoins may be used, among other things, to buy and sell goods and services are a new and rapidly evolving industry of which the Bitcoin Network is a prominent, but not unique, part. The growth of the Digital Currency industry in general and the Bitcoin Network in particular, is subject to a high degree of uncertainty. Because the respective values of the Bitcoin trading systems and the exchange are closely related to and dependent upon the underlying value of the Bitcoin, any risk to the proper adoption, implementation, or functioning of Bitcoin also poses a risk to the Company's platform. The factors affecting the further development of the Digital Currency industry, as well as the Bitcoin Network, include:

- Continued worldwide growth in the adoption and use of Bitcoin;
- Global Bitcoin supply;
- Global Bitcoin demand, which is influenced by the growth of retail merchants' and commercial businesses' acceptance of Bitcoins as payment for goods and services, the security of online Bitcoin Exchanges and digital wallets that hold Bitcoins, the perception that the use and holding of Bitcoins is safe and secure, and the lack of regulatory restrictions on their use;
- Government and quasi-government regulation of Bitcoin and its use, or restrictions on or regulation of access to and operation of the Bitcoin Network and derivative industries and technologies;
- General global economic conditions, including interest rates, inflation, currency exchange rates, governmental monetary policies and trade restrictions;
  The maintenance and development of the open-source software protocol of the Bitcoin Network;
- Changes in consumer demographics and public taste preferences;
- The availability and popularity of other forms or methods of buying and selling goods and services, including new means of using Fiat Currencies;
- Investors' expectations with respect to the rate of inflation;
- Interest rates;
- Currency exchange rates, including the rates at which Bitcoins may be exchanged for Fiat Currencies;
- Fiat Currency withdrawal and deposit policies of Bitcoin Exchanges and liquidity on such Bitcoin Exchanges;
- Investment and trading activities of large investors, including private and registered funds, that may directly or indirectly invest in Bitcoins;
- Global or regional political, economic or financial events and situations; and
- Expectations among Bitcoin economy participants that the value of Bitcoins will soon change.

Bitcoin exchanges on which Bitcoins trade are relatively new and largely unregulated and may therefore be more exposed to fraud and failure than established, regulated exchanges for other products. To the extent that the Bitcoin exchanges are involved in fraud or experience security failures or other operational issues, such Bitcoin exchanges' failures may result in a reduction in confidence in the marketplace and can adversely affect an investment in the Company.

Over the past three years, many Bitcoin Exchanges have been closed due to fraud, failure or security breaches. In many of these instances, the customers of such Bitcoin Exchanges were not compensated or made whole for the partial or complete losses of their account balances in such Bitcoin Exchanges. Initially, our trading platform is less likely to have the infrastructure and capitalization that make larger Bitcoin Exchanges more stable, but as our operations grow, we are more likely to be appealing targets for hackers and "malware" (*i.e.*, software used or programmed by attackers to disrupt computer operation, gather sensitive information or gain access to private computer systems).

A lack of stability in the Bitcoin Exchange Market and the closure or temporary shutdown of Bitcoin Exchanges due to fraud, business failure, or hackers or malware may reduce confidence in the Bitcoin Network and us. These potential consequences of a Bitcoin Exchange's failure could adversely affect the reputation of Bitcoin Exchanges and users confidence in the Bitcoin Network, including our company.

Currently, there is relatively small use of Bitcoins in the retail and commercial marketplace in comparison to relatively large use by speculators, and the lack of an established marketplace for Bitcoins could adversely affect an investment in the Company.

As relatively new products and technologies, Bitcoins and the Bitcoin Network have not been widely adopted as a means of payment for goods and services by many retail and commercial outlets. Conversely, a significant portion of Bitcoin demand is generated by speculators and investors seeking to profit from the short or long-term holding of Bitcoins. The relative lack of acceptance of Bitcoins in the retail and commercial marketplace limits the ability of end-users to pay for goods and services with Bitcoins. A lack of expansion of Bitcoin into retail and commercial markets, or a contraction of such use, may result in a reduction in the use of Bitcoins or could lease to them becoming obsolete, either of which could adversely impact an investment in the Company.

The Core Developers or other programmers could propose amendments to the Bitcoin Network's protocols and software that, if accepted and authorized by the Bitcoin Network's community, could adversely affect an investment in the Company.

The Bitcoin Network is based on a math-based protocol that governs the peer-to-peer interactions between computers connected to the Bitcoin Network. The code that sets forth the protocol is informally managed by a development team known as the Core Developers that was initially appointed informally by the Bitcoin Network's purported creator, Satoshi Nakamoto. The Core Developers can propose amendments to the Bitcoin Network's source code through one or more software upgrades that alter the protocols and software that govern the Bitcoin Network and the properties of bitcoins, including the irreversibility of transactions and limitations on the mining of new bitcoins. Proposals for upgrades and discussions relating thereto take place on online forums including GitHub.com and Bitcointalk.org. To the extent that a significant majority of the users and miners on the Bitcoin Network install such software upgrade(s), the Bitcoin Network would be subject to new protocols and software that may adversely affect an investment in the Company. If less than a significant majority of the users and miners on the Bitcoin Network install such software upgrade(s), the Bitcoin Network could "fork" and two separate Bitcoin Networks could result, one running the pre-upgrade software and the other running the upgraded software. Such a fork could adversely affect an investment in the Company.

The open-source structure of the Bitcoin Network protocol means that the Core Developers and other contributors to the protocol are generally not directly compensated for their contributions in maintaining and developing the protocol. A failure to properly monitor and upgrade the protocol could damage the Bitcoin Network.

The Bitcoin Network operates based on an open-source protocol maintained by the Core Developers and other contributors, largely on the GitHub resource section dedicated to Bitcoin development. As the Bitcoin Network protocol is not sold and its use does not generate revenues for its development team, the Core Developers are generally not compensated for maintaining and updating the Bitcoin Network protocol. The Bitcoin Foundation pays, through donations and member dues, a stipend to Chief Scientist Gavin Andresen and Lead Developer Wladimir J. van der Laan. Mike Hearn, a former member of the Core Developers, has criticized the lack of financial incentive for developers to maintain or develop the Bitcoin Network and indicated that the Core Developers may lack the resources to adequately address emerging issues with the Bitcoin Network protocol. According to its 2013 tax return filing on Form 990, the Bitcoin Foundation reported approximately $4.7 million in assets as of December 31, 2013. To the extent that material issues arise with the Bitcoin Network protocol, and the Core Developers and open-source contributor community are unable to address the issues adequately or in a timely manner, the Bitcoin Network may be adversely affected.

If a malicious actor or botnet obtains control in excess of 50 percent of the processing power active on the Bitcoin Network, such actor or botnet could manipulate the source code of the Bitcoin Network or the Blockchain in a manner that adversely affects an investment in the Company.

If a malicious actor or botnet (a volunteer or hacked collection of computers controlled by networked software coordinating the actions of the computers) obtains a majority of the processing power dedicated to mining on the Bitcoin Network, it may be able to alter the Blockchain on which the Bitcoin Network and all Bitcoin transactions rely by constructing alternate blocks if it is able to solve for such blocks faster than the remainder of the miners on the Bitcoin Network can add valid blocks. In such alternate blocks, the malicious actor or botnet could control, exclude or modify the ordering of transactions, though it could not generate new bitcoins or transactions using such control. Using alternate blocks, the malicious actor could "double-spend" its own bitcoins (i.e., spend the same bitcoins in more than one transaction) and prevent the confirmation of other users' transactions for so long as it maintains control. To the extent that such malicious actor or botnet does not yield its majority control of the processing power on the Bitcoin Network or the Bitcoin community does not reject the fraudulent blocks as malicious, reversing any changes made to the Blockchain may not be possible. Such changes could adversely affect an investment in the Company.

In late May and early June 2014, a mining pool known as GHash.io approached and, during a 24- to 48-hour period in early June may have exceeded, the threshold of 50 percent of the processing power on the Bitcoin Network. To the extent that GHash.io did exceed 50 percent of the processing power on the network, reports indicate that such threshold was surpassed for only a short period, and there are no reports of any malicious activity or control of the Blockchain performed by GHash.io. Furthermore, the processing power in the mining pool appears to have been redirected to other pools on a voluntary basis by participants in the GHash.io pool, as had been done in prior instances when a mining pool exceeded 40 percent of the processing power on the Bitcoin Network. The approach to and possible crossing of the 50 percent threshold indicate a greater risk that a single mining pool could exert authority over the validation of Bitcoin transactions. To the extent that the Bitcoin ecosystem, including the Core Developers and the administrators of mining pools, do not act to ensure greater decentralization of Bitcoin mining processing power, the feasibility of a malicious actor obtaining in excess of 50 percent of the processing power on the Bitcoin Network (e.g., through control of a large mining pool or through hacking such a mining pool) will increase, which may adversely impact an investment in the Company.

As the number of Bitcoins awarded for solving a block in the Blockchain decreases, the incentive for miners to continue to contribute processing power to the Bitcoin Network will transition from a set reward to transaction fees. The requirement from miners of higher transaction fees in exchange for recording transactions in the Blockchain may decrease demand for Bitcoins and prevent the expansion of the Bitcoin Network to retail merchants and commercial businesses, resulting in a reduction in the value of Bitcoins.

If transaction fees paid for the recording of transactions in the Blockchain become too high, the marketplace may be reluctant to accept Bitcoins as a means of payment and existing users may be motivated to switch from Bitcoins to another Digital Currency or back to fiat currency. Decreased use and demand for Bitcoins may adversely affect their value.

If the award of Bitcoins for solving blocks and transaction fees for recording transactions are not sufficiently high to incentivize miners, miners may cease expending processing power to solve blocks and confirmations of transactions on the Blockchain could be slowed. A reduction in the processing power expended by miners on the Bitcoin Network could increase the likelihood of a malicious actor or botnet obtaining control in excess of 50 percent of the processing power active on the Bitcoin Network or the Blockchain, permitting such actor or botnet to manipulate the source code of the Bitcoin Network in a manner that adversely affects an investment in the Company.

If transaction fees are not sufficiently high, miners may not have an adequate incentive to continue Mining and may cease their Mining operations. Miners ceasing operations would reduce the collective processing power on the Bitcoin Network, which would adversely affect the confirmation process for transactions and make the Bitcoin Network more vulnerable to a malicious actor or botnet obtaining control in excess of 50 percent of the processing power on the Bitcoin Network. Any reduction in confidence in the confirmation process or processing power of the Bitcoin Network may adversely impact an investment in the Company.

The acceptance of Bitcoin Network software patches or upgrades by a significant, but not overwhelming, percentage of the users and miners in the Bitcoin Network could result in a "fork" in the Blockchain, resulting in the operation of two separate networks until such time as the forked Blockchains are merged if they are in fact changed. The temporary or permanent existence of forked Blockchains could adversely impact an investment in the Company.

Bitcoin is an open source project and, although there is an influential group of leaders in the Bitcoin Network community including the Core Developers, there is no official developer or group of developers that formally controls the Bitcoin Network. Any individual can download the Bitcoin Network software and make any desired modifications, which are proposed to users and miners on the Bitcoin Network through software downloads and upgrades, typically posted to the Bitcoin development forum on GitHub.com. A substantial majority of miners and Bitcoin users must consent to those software modifications by downloading the altered software or upgrade that implements the changes; otherwise, the changes do not become a part of the Bitcoin Network. Since the Bitcoin Network's inception, changes to the Bitcoin Network have been accepted by the vast majority of users and miners, ensuring that the Bitcoin Network remains a coherent economic system. However, a developer or group of developers could potentially propose a modification to the Bitcoin Network that is not accepted by a vast majority of miners and users, but that is nonetheless accepted by a substantial population of participants in the Bitcoin Network. In such a case, and if the modification is material and/or not backwards compatible with the prior version of Bitcoin Network software, a fork in the Blockchain could develop and two separate Bitcoin Networks could result, one running the pre-modification software program and the other running the modified version. Such a fork in the Blockchain typically would be addressed by community-led efforts to merge the forked Blockchains, and several prior forks have been so merged. This kind of split in the Bitcoin Network could materially and adversely affect the value of Bitcoins, in the worst case scenario, harm the sustainability of the Bitcoin economy, in which case an investment in the Company may be negatively impacted.

Intellectual property rights claims may adversely affect the operation of the Bitcoin Network.

Third parties may assert intellectual property claims relating to the operation of BTX and its source code relating to the holding and transfer of such assets. Regardless of the merit of any intellectual property or other legal action, any threatened action that reduces confidence in the Bitcoin Network's long-term viability or the ability of end-users to hold and transfer Bitcoins may adversely affect an investment in the Company. Additionally, a meritorious intellectual property claim could prevent the Company from accessing the Bitcoin Network.

Political or economic crises may motivate large-scale sales of Bitcoins, which could result in a reduction in Bitcoin desirability and adversely affect an investment in the Company.

As an alternative to Fiat Currencies that are backed by central governments, Digital Currencies such as Bitcoins, which are relatively new, are subject to supply and demand forces based upon the desirability of an alternative, decentralized means of buying and selling goods and services, and it is unclear how such desirability will be impacted by geopolitical events. Nevertheless, political or economic crises may result in large-scale reduction in use or desirability of Bitcoins either globally or locally. Large-scale reduction in use or desirability of Bitcoins could adversely affect an investment in the Company.

The United States tax rules applicable to an investment in Bitcoin businesses are uncertain and the tax consequences to an investor of an investment in the Company could differ from the investor's expectations.

The relevant tax rules are complex, and no statutory, judicial, or administrative authority directly addresses the characterization of an investment in Bitcoins. The tax consequences to an investor of an investment in the Company could differ from the investor's expectations.

Regulatory changes or actions may alter the nature of an investment in the Company or restrict the use of Bitcoins or the operation of the Bitcoin Network in a manner that adversely affects an investment in the Company.

Until recently, little or no regulatory attention has been directed toward Bitcoins and the Bitcoin Network by US federal and state governments, foreign governments and self-regulatory agencies. As Bitcoins have grown in popularity and in market size, certain US agencies (*e.g.*, FinCEN) have begun to examine the operations of the Bitcoin Network, Bitcoin users and the Bitcoin Exchange Market. There is a possibility of future regulatory change altering, perhaps to a material extent, the nature of an investment in the Company and/or the Company's ability to operate its Bitcoin business.

Currently, neither the SEC nor the Commodities Futures Trading Commission has formally asserted regulatory authority over the Bitcoin Network or Bitcoin trading and ownership. To the extent that Bitcoins are determined to be a security, commodity future or other regulated asset, or to the extent that a US or foreign government or quasi-governmental agency exerts regulatory authority over the Bitcoin Network or Bitcoin trading and ownership, trading or ownership in Bitcoins, our ability to deliver a Bitcoin trading platform may be adversely affected.

To the extent that future regulatory actions or policies limit the ability to sell or exchange Bitcoins or utilize them for payments, the demand for Bitcoins will be reduced. Furthermore, regulatory actions may limit the ability of end-users to convert Bitcoins into Fiat Currency (*e.g.*, US Dollars) or use Bitcoins to pay for goods and services. Such regulatory actions or policies would result in a reduction of Bitcoin use and by extension, the Company's Bitcoin business.

Bitcoin currently faces an uncertain regulatory landscape in not only the United States but also in many foreign jurisdictions such as the European Union. Various foreign jurisdictions may, in the near future, adopt laws, regulations or directives that affect the Bitcoin Network and its users, particularly Bitcoin Exchanges and service providers that fall within such jurisdictions' regulatory scope. Such laws, regulations or directives may conflict with those of the United States and may negatively impact the acceptance of Bitcoins by users, merchants and service providers outside of the United States and may therefore impede the growth of the Bitcoin economy.

The effect of any future regulatory change regarding Bitcoins is impossible to predict, but such change could be substantial and adverse to the Company.

It may be illegal now, or in the future, to acquire, own, hold, sell or use Bitcoins in one or more countries.

Although currently Bitcoins are not regulated or are lightly regulated in most countries, including the United States, one or more countries may take regulatory actions in the future that severely restricts the right to acquire, own, hold, sell or use Bitcoins or to exchange Bitcoins for Fiat Currency. Such restrictions may adversely affect an investment in the Company.

We may keep some of its assets in Bitcoins.

Management from time to time may increase or decrease this amount, as well as considering diversifying our holdings in new and evolving alternative currencies like Bitcoin. As the value of Bitcoins fluctuates we may either benefit or suffer financial losses or gains in these holdings.

Our business depends on our trading platform and network infrastructure.

As a trading platform, we are completely dependent on our infrastructure. Any system interruption that results in the unavailability of our trading platform or reduced performance of our transaction systems could reduce our ability to conduct our business. We may experience system interruptions due to software failure from time to time. We may also experience temporary capacity constraints due to sharply increased traffic during periods of time when there is significant fluctuation in Bitcoin prices. Capacity constraints can cause system disruptions, slower response times, degradation in levels of customer service and other problems. We may also experience difficulties with our infrastructure upgrades. Any future difficulties with our systems or difficulties upgrading, expanding or integrating aspects of our systems may cause system disruptions, slower response times, and degradation in levels of customer service, additional expense, impaired quality and speed of transaction fulfillment or other problems.

If the location where all of our computer and communications hardware is located is compromised, our business, prospects, financial condition and results of operations could be harmed. If we suffer an interruption or degradation of services at the location for any reason, our business could be harmed. Our success, and in particular, our ability to successfully process transactions and provide high-quality customer service, largely depends on the efficient and uninterrupted operation of our computer and communications systems. These limitations could have an adverse effect on our revenues. Our disaster recovery plan may be inadequate, and we do not carry business interruption insurance sufficient to compensate us for the losses that could occur. Despite our implementation of network security measures, our servers are vulnerable to computer viruses, physical or electronic break-ins and similar disruptions, the occurrence of any of which could lead to interruptions, delays, loss of critical data or the inability to accept and fulfill transactions. The occurrence of any of the foregoing risks could harm our business.

Our trading platform requires continuous updates on current Bitcoin prices from other Bitcoin Exchanges. If these updates are inaccurate or do not occur, there could be a negative influence on our business.

Our trading platform is designed to provide real-time information for Bitcoin prices from other Exchanges. If we are unable to obtain, or are not provided updated pricing information from these other Exchanges, customers will be unable to use our trading platform and may seek the information from other providers. A loss in confidence in our ability to provide real-time information could have a material negative impact on our operations.

We are subject to cyber security risks and may incur increasing costs in an effort to minimize those risks and to respond to cyber incidents.

Our business is entirely dependent on the secure operation of our trading platform and systems as well as the operation of the Internet generally. Our business involves the storage and transmission of users' proprietary information, and security breaches could expose us to a risk of loss or misuse of this information, litigation, and potential liability. A number of large Internet companies have suffered security breaches, some of which have involved intentional attacks. From time to time we and many other Internet businesses also may be subject to a denial of service attacks wherein attackers attempt to block customers' access to our trading platform. If we are unable to avert a denial of service attack for any significant period, we could sustain substantial revenue loss from lost transactions and customer dissatisfaction. We may not have the resources or technical sophistication to anticipate or prevent rapidly evolving types of cyber-attacks. Cyber-attacks may target us, our customers, banks, payment processors, ecommerce in general or the communication infrastructure on which we depend. If an actual or perceived attack or breach of our security occurs, customer perception of the effectiveness of our security measures could be harmed and we could lose customers. Actual or anticipated attacks and risks may cause us to incur increasing costs, including costs to deploy additional personnel and protection technologies, train employees, and engage third party experts and consultants. A person who is able to circumvent our security measures might be able to misappropriate our or our users' proprietary information, cause interruption in our operations, damage our computers or those of our users, or otherwise damage our reputation and business. Any compromise of our security could result in a violation of applicable privacy and other laws, significant legal and financial exposure, damage to our reputation, and a loss of confidence in our security measures, which could harm our business.

We may not be able to compete successfully against existing or future competitors.

Bitcoin Exchanges are rapidly evolving and intensely competitive. Barriers to entry are minimal, and current and new competitors can launch new websites at a relatively low cost. We currently compete with numerous competitors, including Coinbase, Circle Internet Financial, Expresscoin, RTBTC and CyrpTrader.

We expect the Bitcoin trading exchange market to become even more competitive as more competitors join the market and continue to develop and improve services that compete with our services. In addition, more traditional securities trading exchanges may decide to utilize their existing infrastructure. Almost all of our competitors, who have longer operating histories, larger customer bases, greater brand recognition and significantly greater financial, marketing and other resources than we do, could harm our business. Further, as a strategic response to changes in the competitive environment, we may from time to time make competitive pricing, service, marketing or other decisions that could harm our business.

If we do not respond to rapid technological changes, our services could become obsolete and we could lose customers.

The Bitcoin industry is rapidly evolving. To remain competitive, we must continue to enhance and improve the functionality and features of our trading platform. If we fail to do so, we may lose customers. If competitors introduce new services using new technologies or if new industry standards and practices emerge, our trading platform may become obsolete. Our failure to respond to technological change or to adequately maintain, upgrade and develop our trading platform and the systems used to process customers' orders could harm our business.

We have an evolving business model.

As virtual currencies evolve so will our business model. We may continue to try to offer additional types of services, and we cannot offer any assurance that any of them will be successful. From time to time we may also modify aspects of our business model relating to the services we offer. We cannot offer any assurance that these or any other modifications will be successful or will not result in harm to the business. We may not be able to manage growth effectively, which could damage our reputation, limit our growth and negatively affect our operating results.

Since there has been limited precedence set for financial accounting of virtual currencies, it is unclear how we will be required to account for virtual currency transactions in the future.

Since there has been limited precedence set for the financial accounting of virtual currencies, it is unclear how we will be required to account for virtual currency transactions or assets. Furthermore, a change in regulatory or financial accounting standards could result in the necessity to restate our financial statements. Such a restatement could negatively impact our business, prospects, financial condition and results of operation.

If the services that we offer on our trading platform are not unique or do not reflect our customers' preferences, our platform traffic would decrease.

Our success depends in part on our ability to offer services that are unique and reflect consumers' preferences. For example, currently, we believe that our trading platform is the only one that provides integration from several of the largest Bitcoin exchanges, allowing users to see liquidity across all platforms, route orders to the best platforms, and identify possible arbitrage opportunities across platforms. In addition, we believe our platform uniquely allows users to place synthetic stop loss orders against those exchanges, to hedge against Bitcoin price volatility. If competitors incorporate our services into their trading platforms, our competitive advantage would be diminished. In addition, users' preferences for various services are subject to frequent, significant and sometimes unpredictable changes and any failure to offer services in line with customers' preferences could allow our competitors to gain market share. This could have an adverse effect on our business.

The loss of key personnel or any inability to attract and retain additional personnel could affect our ability to successfully grow our business.

Our performance is substantially dependent on the continued services and on the performance of Divya Thakur, BTX's Chief Technology Officer and Ilya Subkhankulov, BTX's Chief Operating Officer. Our performance also depends on our ability to hire someone to serve as President of BTX and retain and motivate our officers and key employees. The loss of the services of Messrs. Thakur or Subkhankulov or other key employees for any reason could harm our business. Our future success also depends on our ability to identify, attract, hire, train, retain and motivate other highly-skilled technical, managerial, marketing and customer service personnel. Competition for such personnel is intense. Our failure to retain and attract the necessary personnel could harm our business.

We may be unable to protect our proprietary technology or keep up with that of our competitors.

Our success depends to a significant degree upon the protection of our software and other proprietary intellectual property rights. We may be unable to deter misappropriation of our proprietary information, detect unauthorized use or take appropriate steps to enforce our intellectual property rights. In addition, our competitors may now have or may in the future develop technologies that are as good as or better than our technology without violating our proprietary rights. Our failure to protect our software and other proprietary intellectual property rights or to utilize technologies that are as good as our competitors' could put us at a disadvantage to our competitors.

We may be accused of infringing intellectual property rights of third parties.

Other parties may claim that we infringe their intellectual property rights. In the future we may be subject to legal claims of alleged infringement of the intellectual property rights of third parties. The ready availability of damages, royalties and the potential for injunctive relief has increased the defense litigation costs of patent infringement claims, especially those asserted by third parties whose sole or primary business is to assert such claims. Such claims, even if not meritorious, may result in significant expenditure of financial and managerial resources, and the payment of damages or settlement amounts. Additionally, we may become subject to injunctions prohibiting us from using software or business processes we currently use or may need to use in the future, or requiring us to obtain licenses from third parties when such licenses may not be available on financially feasible terms or terms acceptable to us or at all. In addition, we may not be able to obtain on favorable terms, or at all, licenses or other rights with respect to intellectual property we do not own in providing ecommerce services to other businesses and individuals under commercial agreements.

We may be unable to secure adequate capital to fund the BTX business.

BTX has not generated any revenues to date. Until such time that BTX is able to generate sufficient revenue to finance its operations, BTX may require more capital than it or the Company currently has available to fund such operations. While no additional capital is required at this time, there is no assurance that if such additional capital is required, that the Company or BTX will be able to obtain such capital on terms reasonably acceptable, if at all. If BTX is unable to generate sufficient revenue for its operations and the Company was unable to secure additional capital if required, the inability to do so could have a material adverse effect on BTX's operations and cause it to reduce or cease operations.

RISKS RELATED TO OUR COMMON STOCK

If our common stock is delisted from The NASDAQ Stock Market, the Company would be subject to the risks relating to penny stocks

If our common stock were to be delisted from trading on The NASDAQ Stock Market and the trading price of the common stock were below $5.00 per share on the date the common stock were delisted, trading in our common stock would also be subject to the requirements of certain rules promulgated under the Securities Exchange Act of 1934, as amended. These rules require additional disclosure by broker-dealers in connection with any trades involving a stock defined as a "penny stock" and impose various sales practice requirements on broker-dealers who sell penny stocks to persons other than established customers and accredited investors, generally institutions. These additional requirements may discourage broker-dealers from effecting transactions in securities that are classified as penny stocks, which could severely limit the market price and liquidity of such securities and the ability of purchasers to sell such securities in the secondary market. A penny stock is defined generally as any non-exchange listed equity security that has a market price of less than $5.00 per share, subject to certain exceptions.

Our stock price may be volatile, which may result in lawsuits against us and our officers and directors.

The stock market in general and the stock prices of technology and telecommunications companies in particular, have experienced volatility that has often been unrelated to or disproportionate to the operating performance of those companies. The market price of our common stock has fluctuated in the past and is likely to fluctuate in the future. Between May 1, 2013 and April 30, 2014, our common stock has traded as low as $0.29 and as high as $5.27 per share, based upon information provided by the NASDAQ Capital Market. Factors, which could have a significant impact on the market price of our common stock include, but are not limited to, the following:

- quarterly variations in operating results;
- announcements of new services by us or our competitors;
- the gain or loss of significant customers;
- changes in analysts' earnings estimates;
- rumors or dissemination of false information;
- pricing pressures;
- short selling of our common stock;
- impact of litigation;
- general conditions in the market;
- changing the exchange or quotation system on which we list our common stock for trading;
- announcements regarding acquisitions by or of our company;
- political and/or military events associated with current worldwide conflicts; and
- events affecting other companies that investors deem comparable to us.

Companies that have experienced volatility in the market price of their stock have frequently been the object of securities class action litigation. Class action and derivative lawsuits could result in substantial costs to us and a diversion of our management's attention and resources, which could materially harm our financial condition and results of operations.

We can issue shares of preferred stock without shareholder approval, which could adversely affect the rights of common shareholders.

Our certificate of incorporation permits us to establish the rights, privileges, preferences and restrictions, including voting rights, of future series of our preferred stock and to issue such stock without approval from our stockholders. The rights of holders of our common stock may suffer as a result of the rights granted to holders of preferred stock that we may issue in the future. In addition, we could issue preferred stock to prevent a change in control of our company, depriving common shareholders of an opportunity to sell their stock at a price in excess of the prevailing market price.

Certain provisions of our corporate governing documents could make an acquisition of our company more difficult.

The following provisions of our certificate of incorporation and bylaws, as currently in effect, as well as Delaware law, could discourage potential proposals to acquire us, delay or prevent a change in control of us or limit the price that investors may be willing to pay in the future for shares of our common stock:

- our certificate of incorporation permits our Board of Directors to issue "blank check" preferred stock and to adopt amendments to our bylaws;
- our bylaws contain restrictions regarding the right of stockholders to nominate directors and to submit proposals to be considered at stockholder meetings;
- our certificate of incorporation and bylaws restrict the right of stockholders to call a special meeting of stockholders and to act by written consent; and
- we are subject to provisions of Delaware law which prohibit us from engaging in any of a broad range of business transactions with an "interested stockholder" for a period of three years following the date such stockholder became classified as an interested stockholder.

ITEM 1B - UNRESOLVED STAFF COMMENTS

None.

ITEM 2 - PROPERTIES

Our principal executive office is located in Exton, Pennsylvania. We operate our business under office leases in the following locations:

Location	Operations	Lease Expiration Date	Annual Rent
Exton, Pennsylvania	WPCS	Month to Month	$ 14,963
New York City, New York	BTX	Month to Month	$ 47,400
Redmond, Washington	Seattle	December 31, 2017	$ 68,999
Suisun City, California	Suisun City	February 28, 2017	$ 63,500
Reno, Nevada	Suisun City	December 31, 2014	$ 4,920
Sacramento, California	Suisun City	December 31, 2014	$ 35,712
Woombye, Queensland, Australia (1)	Australia	April 30, 2016	$ 68,132
Nundah, Queensland, Australia	Australia	March 30, 2015	$ 31,859
Toowoomba QLD, Australia	Australia	Month to Month	$ 20,020
Rockhampton, QLD, Australia	Australia	January 31, 2015	$ 9,106

(1) We lease our Woombye, Queensland, Australia location from Pride Property Trust, of which the former shareholders of Pride are the trustees.

We believe that our existing facilities are suitable and adequate to meet our current business requirements. We intend to renew leases expiring within the next twelve months at their current locations or at similar facilities in the same geographic locations.

ITEM 3 - LEGAL PROCEEDINGS

Other than as described below, we are currently not a party to any material legal proceedings or claims.

On July 14, 2014, Eric Greenberg, a stockholder of the Company (the Plaintiff), filed suit in the United States District Court Southern District of New York, against defendants Hudson Bay Master Fund Ltd., Iroquois Master Fund Ltd., American Capital Management LLC, GRQ Consultants, Inc. 401K, Barry Honig, Richard Molinsky (the Defendants), and the Company. While the suit named the Company as a nominal defendant, it contains no claims against nor seeks relief from the Company. The suit alleges violations of Section 16(b) of the Securities Exchange Act of 1934, 15 U.S.C. § 78p (b) (Section 16(b)), and deems the Defendants were statutory insiders of the Company,

The complaint seeks that the Defendants disgorge profits earned for any "short-swing profits" obtained by them in violation of Section 16(b), as a result of the sales and purchases of the Company’s common stock during the three months ended January 31, 2014, within periods of less than six months while the Defendants were beneficial owners of more than 10% of the Company’s common stock.

Previously, on January 29, 2014, a demand for prosecution was made on the Company based on the allegations above (the Demand), and on March 20, 2014, counsel for the Company responded to the Demand and indicated that the Company declined to pursue Section 16(b) claims against the Defendants. As more than sixty (60) days have passed from the date of the Demand and the Company has failed to recover the alleged profits or instituted a lawsuit to recover those profits, the Plaintiff filed the above suit. The Plaintiff seeks an unspecified amount of the profits earned by the Defendants on the transactions, to be determined at trial, plus interest and other expenses.

ITEM 4 - MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5 - MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Price Range of Common Stock

Our common stock is currently traded on The NASDAQ Capital Market under the symbol "WPCS." Prior to August 9, 2012, our common stock was traded on The NASDAQ Global Market under the symbol "WPCS." For the periods indicated, the following table sets forth the high and low sale prices of our common stock as reported by The NASDAQ Stock Market.

Period	High	Low
Fiscal Year Ended April 30, 2014:		
First Quarter	$ 5.14	$ 0.29
Second Quarter	5.27	1.71
Third Quarter	4.95	1.32
Fourth Quarter	1.92	0.91
Fiscal Year Ended April 30, 2013:		
First Quarter	$ 8.05	$ 4.90
Second Quarter	6.19	2.59
Third Quarter	5.03	2.10
Fourth Quarter	3.29	2.07

On July 22, 2014, the closing sale price of our common stock, as reported by The NASDAQ Capital Market, was $0.69 per share. On July 22, 2014, there were 56 holders of record of our common stock, which does not include shares held in street name.

Dividend Policy

We have never paid any cash dividends on our common stock and do not anticipate paying any cash dividends on our common stock in the foreseeable future. We intend to retain future earnings to fund ongoing operations and future capital requirements of our business. Any future determination to pay cash dividends will be at the discretion of the Board and will be dependent upon our financial condition, results of operations, capital requirements and such other factors as the Board deems relevant.

ITEM 6 - SELECTED FINANCIAL DATA

Not required under Regulation S-K for "smaller reporting companies."

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis of Financial Condition and Results of Operations includes a number of forward-looking statements that reflect Management's current views with respect to future events and financial performance. You can identify these statements by forward-looking words such as "may" "will," "expect," "anticipate," "believe," "estimate" and "continue," or similar words. Those statements include statements regarding the intent, belief or current expectations of us and members of its management team as well as the assumptions on which such statements are based. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risk and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements.

Readers are urged to carefully review and consider the various disclosures made by us in this report and in our other reports filed with the Securities and Exchange Commission. Important factors currently known to Management could cause actual results to differ materially from those in forward-looking statements. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes in the future operating results over time. We believe that its assumptions are based upon reasonable data derived from and known about our business and operations and the business and operations of the Company. No assurances are made that actual results of operations or the results of our future activities will not differ materially from its assumptions. Factors that could cause differences include, but are not limited to, expected market demand for the Company's services, fluctuations in pricing for materials, and competition.

Overview

We offer low voltage communication infrastructure in the public services, healthcare, energy and corporate enterprise markets with 240 employees in five (5) operations centers on three continents. In addition, we have launched a Bitcoin trading platform for the trading of digital currencies, through the acquisition of software technology in the emerging Bitcoin industry.

For communications infrastructure, we provide an integrated approach to project coordination that creates cost-effective solutions. Corporations, government entities, healthcare organizations and educational institutions depend on the reliability and accuracy of voice, data and video communications. However, the potential for this new technology cannot be realized without the right infrastructure to support the convergence of technology. In this regard, we create integrated building systems, including the installation of advanced structured cabling systems. We specialize in wireless technology or combination of various technologies to develop a cost effective network for a customer's wireless communication requirements. This includes Wi-Fi networks, point-to-point systems, cellular networks, in-building systems and two-way communication systems. We support the integration of telecommunications, life safety, security and HVAC in an environmentally safe manner and design for future growth by building in additional capacity for expansion as new capabilities are added.

<u>*Industry Strategy*</u>

In April 2014, we launched the BTX trading platform to focus on opportunities within the digital currency market, including, but not limited to: (i) trading systems; and (ii) exchanges.

BTX's current business strategy is to continue to implement advanced trading algorithms for digital currency traders. BTX expects to generate revenue from the trading systems by offering users advanced Bitcoin trading algorithms and strategies that are not currently available. The trading system is a cloud-hosted service that incorporates some high-end features traders may be familiar with from other asset classes, including access to reliable and curated market data, and utilizing sophisticated market data visualization tools such as advanced charting, trading blotters, tick charts and consolidated level 2 order books. BTX offers a product that provides trading integration against the largest Bitcoin exchanges, allowing users to see liquidity across all platforms, route orders to the best platforms, and identify possible arbitrage opportunities across platforms. Additionally, it allows users to place synthetic stop loss orders against those exchanges, to hedge against Bitcoin price volatility. To date, the trading platform is accessible online with approximately 5,000 users and over 1,500 unique visitors per month.

On July 28, 2014, BTX announced the launch of an exchange and its second product, Celery, which will allow consumers to initially purchase Bitcoin and Dogecoin digital currencies, where it expects to generate revenue from transaction fees. Celery is a hosted online wallet that deploys direct bank transfers to allow its customers the use of their digital currency in a timely manner. BTX has launched Celery in the United States, and is committed to ensuring full compliance with its digital currency wallet and exchange services.

For the fiscal year ended April 30, 2014, we generated revenues from continuing operations of approximately $21.3 million, compared to $24.8 million for the fiscal year ended April 30, 2013. Our backlog at April 30, 2014 and 2013 was approximately $19.4 million and $22.3 million, respectively.

Recent Developments

Sale of Pride Operations

On September 19, 2013, we entered into a securities purchase agreement (the Agreement) to sell 100% of the shares of Pride to Turquino Equity LLC, a limited liability company (Turquino), whose managing member is Andrew Hidalgo (Hidalgo), our former President, Chief Executive Officer and member of the board of directors, for $1,400,000. Until the date of closing of the Agreement, which we currently anticipate to be July 31, 2014, we shall continue to pay Hidalgo his current base salary of $325,000 per year through our normal payroll process, pursuant to the Separation Agreement previously entered into with Hidalgo. As of June 30, 2014, the balance of the accrued severance expense due Hidalgo is approximately $1,219,000. At the closing date, we shall make the final Severance Payment; net of applicable taxes, and shall apply the net after tax Severance Payment as partial payment towards the purchase price for Pride. The cash difference between the after tax Severance Payment and the purchase price shall be paid to the Company at the closing date.

The Agreement contains a number of conditions to closing, including but not limited to the following: (i) each of the Company and Turquino shall have performed and complied with all terms of the Agreement required to be performed or complied with by it at or prior to the Closing Date; (ii) no action or proceeding by or before any governmental authority shall have been instituted or threatened (and not subsequently dismissed, settled or otherwise terminated) which might restrain, prohibit or invalidate any of the transactions contemplated by the Agreement, other than an action or proceeding instituted or threatened by a party or any of its affiliates; (iii) the representations and warranties contained in made by each of the Company and Turquino to each other shall be true and correct in all material respects on the closing date as though made on and as of the closing date; (iv) the Company obtaining a fairness opinion that the Purchase Price is fair; and (v) the Company obtaining shareholder approval. On July 15, 2014, we obtained shareholder approval of the transaction. In order to close, we need to obtain the release of liens by our secured note holders of the stock of Pride.

Sale of the Seattle Operations

On March 31, 2014, we entered into an asset purchase agreement (the Asset Purchase Agreement) by and among the Company, and EC Company, as purchaser. Pursuant to the Asset Purchase Agreement, we agreed to sell substantially all of the assets of the Seattle Operations to EC Company for approximately $2.7 million in an all cash transaction. The final closing price is subject to adjustment based on the value of the assets on the closing date.

On May 30, 2014, the Asset Purchase Agreement was amended to provide that in the event that the acquisition is not consummated by July 31, 2014, through no fault of EC Company, the purchase price will be reduced by $100,000. The consummation of the sale is subject to the approval of the Company's stockholders, the NASDAQ Capital Market and the release of liens by our secured note holders of the assets of the Seattle Operations. We anticipate that the transaction will be closed in August 2014.

Acquisition of BTX Software

On December 17, 2013, we entered into various agreements, as more fully described below, which are expected to add a new line of business and reporting segment to our existing operations. We acquired software technology in the emerging Bitcoin industry of a cross-exchange trading technology platform that provides access to ninety percent of publicly available Bitcoin liquidity, or the BTX Software. The BTX Software enables users to make informed decisions by providing aggregated and curated market data from all major trading venues. In connection with the acquisition of the BTX Software, we also established a wholly-owned subsidiary, BTX.

BTX was formed in the state of Delaware on December 4, 2013. In connection with the formation of BTX, certain investors who previously purchased Notes contributed an aggregate of (i) $439,408 of Notes, along with all rights under the related securities purchase agreement, security and pledge agreement and registration rights agreement (other than the Exchange Cap Allocation and Authorized Share Allocation, as such terms are defined in the Notes) (such $439,408 of Contributed Notes) and (ii) $1,185,000 in cash, as their initial capital contributions to BTX. On December 17, 2013, BTX purchased the BTX Software and related intellectual property rights from Divya Thakur and Ilya Subkhankulov in consideration for (i) the assignment of the Contributed Notes and (ii) the BTX Note. BTX's obligations under the BTX Note are secured by the assets of BTX pursuant to a Security Agreement.

On December 17, 2013, we entered into a securities purchase agreement (the BTX Purchase Agreement) with certain accredited investors (the Investors) pursuant to which we sold an aggregate of 2,438 shares of our Series E Convertible Preferred Stock and warrants (the BTX Warrants) to purchase up to an aggregate of 1,500,000 shares of Common Stock. As consideration for the purchase of the Securities, the Investors sold their collective interests in BTX to us, which interests constituted 100% of the outstanding membership interests of BTX, causing BTX to become a wholly owned subsidiary of WPCS.

Each share of Series E Preferred Stock has a stated value of $1,000 and is convertible into shares of Common Stock equal to the stated value (and all accrued but unpaid dividends) divided by the conversion price of $3.50 per share (subject to adjustment in the event of stock splits and dividends). The Series E Preferred Stock accrues dividends at a rate of 12% per annum, payable quarterly in arrears in cash or in kind, subject to certain conditions being met. The Series E Preferred Stock contains a seven year make-whole provision such that if the Series E Preferred Stock is converted prior to the seventh anniversary of the date of original issuance, the holder will be entitled to receive the remaining amount of dividends that would have accrued from the conversion until such seventh year anniversary. We are prohibited from effecting the conversion of the Series E Preferred Stock to the extent that, as a result of such conversion, the holder beneficially owns more than 9.99%, in the aggregate, of the issued and outstanding shares of our common stock calculated immediately after giving effect to the issuance of shares of common stock upon the conversion of the Series E Preferred Stock.

The BTX Warrants have an initial exercise price of $5.00 per share (subject to adjustment in the event of stock splits and dividends) and are exercisable on a "cashless" basis beginning six months after the date of issuance if there is not then an effective registration statement covering the resale of the shares of Common Stock underlying the BTX Warrants.

Pursuant to the BTX Purchase Agreement, we agreed to use our reasonable best efforts to obtain stockholders' approval at the next annual stockholder meeting or a special meeting of stockholders for (i) the increase of the number of shares of Common Stock authorized for issuance to 75,000,000 and (ii) the issuance of all the securities issuable pursuant to the BTX Purchase Agreement (Stockholder Approval). The Company agreed to seek Stockholder Approval by April 30, 2014. As we did not obtain Stockholder Approval by April 30, 2014, we are obligated to cause an additional annual stockholder meeting to be held annually at which Stockholder Approval will be sought (or if no Annual Meeting of stockholders of WPCS is held in any given year, to seek such approval at a special meeting of stockholders of WPCS in such given year) until such Stockholder Approval is obtained. In June 2014, we obtained the Stockholder Approval for the issuance of all the securities issuable pursuant to the BTX Purchase Agreement but not the increase in the authorized shares. We intend to seek Stockholder Approval for the increase in authorized shares at a future stockholder meeting.

Senior Secured Convertible Note and Warrant Amendments

On December 4, 2012, we entered into a securities purchase agreement (the Securities Purchase Agreement) with six accredited investors (the Buyers) pursuant to which, the Company sold an aggregate of (i) $4,000,000 principal amount of senior secured convertible notes (the Notes) and (ii) warrants (the Warrants) to purchase 2,274,796 shares of the Company's common stock (Common Stock), to the Buyers for aggregate gross proceeds of $4,000,000.

On October 25, 2013, we entered into an amendment, waiver and exchange agreement (the Amendment) with the Buyers of the Notes and Warrants. Pursuant to the Amendment, the Buyers exchanged 154,961 of their Warrants for 38,740 shares of common stock and warrants to purchase 154,961 shares of common stock, or the Exchange Warrants. Effectively, for every four Warrants surrendered, the Buyers received a unit of four Exchange Warrants and one Share. It was determined that the Black-Scholes value of one warrant being exchanged was equal to $1.83, resulting in four Warrants being equal to $7.32 and the parties valued the unit at a price of $7.52. As a result, the Shares issued were calculated at $0.20, and by the operation of the terms of the Notes, the conversion price of the Notes automatically adjusted to $0.20. 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 Buyers permanently waived, effective as of October 24, 2013, various provisions of the remaining 2,119,835 Warrants, including the anti-dilution protection from the issuance of securities at a price lower than the 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, the exercise price of the Warrants will only adjust in the event of any future stock splits or dividends. The Exercise Price of the 2,119,835 Warrants and 154,961 Exchange Warrants remains at $2.1539 per share. After the Amendment, the Warrants and Exchange Warrants have the same terms, conditions and rights. Further, the Buyers agreed to waive any defaults through February 28, 2014 relating to the failure to have enough authorized shares of common stock available for issuance upon conversion of the Notes and/or exercise of the Warrants.

Effective October 31, 2013, we entered into an amendment agreement (the Note Amendment) with the Buyers. The Note Amendment eliminated certain features of the Notes which would otherwise result in substantial accounting charges to the Company.

Pursuant to the Amendment, the Buyers permanently waived 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 Buyers waived certain events of default that had occurred under the Notes.

Prior to the Note Amendment, if an event of default existed under the Notes, the Buyers would have been entitled to redeem $3,400,000 in aggregate principal and interest of the Notes for a redemption price equal to the greater of 125% of (x) the deemed value of the shares of common stock underlying the Note (the Intrinsic Value) and (y) the outstanding principal and unpaid interest under the Notes (the Base Value). The Note Amendment reduces and fixes the event of default redemption price by eliminating the Intrinsic Value calculation and modifying the Base Value calculation and interest rate to more accurately make-whole the holders of the Notes from the loss of interest from an early redemption of the Notes and the decreased value of the Notes without such Intrinsic Value rights. As revised, the event of default redemption amount equals the sum of the Conversion Amount (as defined in the Notes) to be redeemed, plus a make-whole amount equal to the amount of any interest that, but for any redemption of the Notes on such given date, would have accrued with respect to the Conversion Amount being redeemed under the Notes at the interest rate then in effect for the period from such given date through October 31, 2023, the amended maturity date of the Notes, discounted to the present value of such interest using a discount rate of 2.5% per annum. As a result, the fixed value of the event of default redemption price was approximately $10,900,000 at the time of the Note Amendment. As a result of Note conversions during the fiscal year, the value of the event of default redemption price was approximately $2,800,000 as of April 30, 2014. In addition, the interest rate of the Notes was amended to 15% per annum, subject to increase to 25% per annum if an event of default occurs and is continuing.

As a result of the significant modifications of the Notes, we determined that the Notes were extinguished and new Notes were issued. In connection with this modification, we compared the present value of the beneficial conversion features of the Notes to the new Notes. We determined that the present value of the new Notes exceeded the present value of the old Notes by more than 10%, which resulted in the application of extinguishment accounting. The modification of the Note resulted in the debt instruments being exchanged with substantially different terms and extinguishment accounting was applied resulting in a loss on extinguishment of debt for the unamortized discount related to the Notes of $1,299,304. In addition, we recorded a new debt discount based on the fixed conversion rate and exercise price of $0.20 per share of $3,400,000 related to the remaining proceeds of the new Notes.

As a result of the Amendment and Note Amendment effective as of October 31, 2013, the exercise price of the Notes were fixed at $0.20 per share, and will only adjust in the event of any future stock splits or dividends, and the redemption price of the Notes in the event of default was fixed at approximately $10,900,000 at the time of the Note Amendment. As a result of the Note conversions during the fiscal year, the value of the event of default redemption price was approximately $2,800,000 as of April 30, 2014. In addition, the exercise price of the Warrants was fixed at $2.1539 per share, and will only adjust in the event of any future stock splits or dividends. As a result, we determined that the Notes and Warrants no longer contained the provisions that required bifurcation of the embedded derivatives and the classification was changed from liability to an equity instrument. This resulted in extinguishment of the derivative liabilities. Accordingly, we reclassified the total former derivative liability related to the Notes and Warrants of $7,094,000 to additional paid-in capital at October 31, 2013, allowing us to regain compliance with the minimum stockholder equity NASDAQ listing requirement.

Events of Default under the Senior Secured Convertible Notes

Pursuant to the terms of the Notes, an event of default occurs when our common stock is suspended or threatened with suspension from trading on The NASDAQ Capital Market (or an equivalent market). As a result of the notices received by the Company from NASDAQ as described above, as well as our failure to obtain an increase in authorized common stock by February 28, 2014 described above, separate events of default occurred under the Notes (the Events of Default).

As a result of each of the Events of Default, the Buyers have the right to require us to redeem the Notes equal to the Conversion Amount (as defined in the Notes) to be redeemed, plus a make-whole amount equal to the amount of any interest that, but for any redemption of the Notes on such given date, would have accrued with respect to the Conversion Amount being redeemed under the Notes at the interest rate then in effect for the period from such given date through October 31, 2023, the amended maturity date of the Notes, discounted to the present value of such interest using a discount rate of 2.5% per annum. The value of the event of default redemption price is approximately $2,800,000. Currently, the principal amount of Notes outstanding is $898,334.

We have provided notice to the Buyers of each of the Events of Default, but no Buyer has exercised its right of redemption. If we are required to repay the Notes, we do not have sufficient working capital to repay the outstanding borrowings. The Company and the Buyers have commenced discussions concerning a forbearance or waiver of the Events of Default, however, there can be no assurance that the Company and Buyers will come to any agreement (either oral or written) regarding repayment, forbearance, waiver and/or modification of the Notes.

Executive Management Changes

On March 31, 2014, we entered into the Separation Agreement with Heater, the Company's Chief Financial Officer, and on July 28, 2014, we entered into the Amendment to Separation Agreement). Pursuant to the Amendment to Separation Agreement, Heater will resign, effective at the close of business on the Termination Date, as the Chief Financial Officer of the Company and from all officer and director positions with the Company's subsidiaries.

Pursuant to the Separation Agreement, as amended, we shall pay Heater the sum of $250,000 between the Termination Date and January 31, 2015, which will be payable in five (5) monthly installments of $41,666.67, payable on the first business day of each month from September 2014 through January 2015 and one (1) final payment of $41,666.65 to be made on January 31, 2015. In addition, Heater shall receive a bonus of $35,000, to be paid on July 31, 2014, and we will pay Heater for all accrued but unused vacation time through August 31, 2014. Heater will also receive medical and other insurance benefits through January 31, 2015 under the applicable plans maintained by the Company.

Zurich Forbearance Agreement

On July 12, 2012, we executed the Financing Agreement with Zurich, to assist in the completion of the project contract with the Owner of Cooper Project. On April 17, 2013, we executed the Forbearance Agreement with Zurich, which supersedes the Financing Agreement. We are currently in default under the Forbearance Agreement due to our failure to: (1) pay the monthly Interim Liability Payment of $25,000 per month since December 1, 2013; and (2) pay the Loss Amount of $1,533,757 that was due December 31, 2013 under the Forbearance Agreement. We are currently in discussions with Zurich for the settlement of the Loss Amount due under the Forbearance Agreement. There can be no assurance that we will be successful in settling with Zurich the Loss Amount due.

We have submitted a Claim to the Owner of $2,421,425 to settle the Claim. If we are successful in the settlement of this Claim, we expect to use the proceeds from the Claim to repay Zurich the Loss Amount as it exists at the time. There can be no assurance that we will be successful in settling with the Owner for all or a portion of the submitted claim.

Segment Reporting

As part of our acquisition of the BTX Software and the addition of a related new line of business, we have reorganized our operating segments to correspond to our primary service lines: communications infrastructure contracting services and Bitcoin trading platform. Accordingly, we have reclassified the reporting of our segment results under these two reporting segments in this Form 10-K for the years ended April 30, 2014 and 2013.

Current Operating Trends and Financial Highlights

Management currently considers the following events, trends and uncertainties to be important in understanding our results of operations and financial condition during the current fiscal year:

In regards to our financial results for the year ended April 30, 2014, we generated revenue of approximately $21.3 million, compared to revenue of $24.8 million for the same period in the prior year. This decrease in revenue was due primarily to an $8.8 million decrease in revenue in our Trenton Operations due to the significantly reduction in this operation in fiscal 2014. Excluding the decrease for Trenton Operations, the effective increase in revenue from the remaining Suisun City and China Operations was approximately 34.4%.

We generated a net loss to common shareholders for the year ended April 30, 2014 of approximately $11,168,000, or $1.99 per common share, which includes one-time charges of approximately $1,776,000 related to severance expense recorded per the Separation Agreements with Hidalgo and Heater, approximately $4,279,000 related to the non-cash interest expense for the amortization of Notes discount and expenses related to the issuance of the Exchange Warrants and Shares, $1,299,000 related to the loss on extinguishment of the old Notes, and $834,000 related to the change in fair value of the derivative liabilities associated with the Notes and Warrants, prior to the Amendment and Note Amendment which enabled us to reclassify the former derivative liabilities to stockholders' equity The non-cash charges have no impact on our operating income or cash flows. The net loss includes a loss from discontinued operations for the Australia, Lakewood, Hartford and Seattle Operations of approximately $71,000, or $0.01 per common share. In addition, the net loss includes operating losses from the initial start-up of the Bitcoin trading segment of approximately $443,000 and the operating losses from the Trenton Operation of approximately $438,000.

The net loss to common shareholders for the year ended April 30, 2014 compares to a net loss of approximately $6,911,000, or $6.95 per common share for the year ended April 30, 2013, which includes a loss from discontinued operations for the Australia, Lakewood, Hartford, and Seattle Operations of approximately $1,531,000, or $1.54 per common share. In our continuing operations, for the year ended April 30, 2013, we incurred a net loss of approximately $5,284,000, or $5.41 per common share. The net loss also includes non-recurring operating income of approximately $1,329,000 from the Trenton Operation primarily as a result of non-recurring change order revenue related to the Cooper Project, for costs accrued in prior periods.

The markets we serve in public services, healthcare, and energy continue to afford opportunities to grow our business. Two of our most important economic indicators for measuring our future revenue producing capability and demand for our services continue to be our backlog and bid list. For comparative purposes our backlog and bid list for prior periods only includes our continuing operations. Our backlog of unfilled orders was approximately $19.4 million at April 30, 2014, compared to backlog of $22.0 million at January 31, 2014, and $22.3 million at April 30, 2013.

Our bid list, which represents project bids under proposal for new and existing customers, was approximately $14.4 million at April 30, 2014, compared to approximately $18.1 million at January 31, 2014 and $21.1 million at April 30, 2013. Our goal is to convert more of these bids into contract awards and to increase our backlog in the quarters ahead.

We believe our low voltage communication infrastructure contracting services for public services, healthcare, energy and corporate enterprise markets will create additional opportunities domestically. We believe that the ability to provide comprehensive communications infrastructure contracting services gives us a competitive advantage. In regards to strategic development, our focus is on organic growth opportunities and we feel optimistic about the markets we serve as evidenced by our new contract awards and customers continuing to seek bids from us, due to our experience in these markets.

While we continue to consider and develop organic growth opportunities, we are also seeking opportunities to improve our balance sheet. We have sought a number of opportunities for improvement, including the execution of an aggressive plan over the past year to stabilize the operations and cash flows of the business and have reduced operating costs. The restructuring of the Notes and Warrants has enabled us to eliminate the former derivative liabilities and rebuild our stockholders' equity to regain compliance with the NASDAQ minimum stockholder equity requirements.

We are in the process of divesting certain operations through the sale of the Pride Operations, the sale of the assets of the Seattle Operations and the significant reduction of the unprofitable Trenton Operations. Furthermore, in May 2014, we entered into a non-binding letter of intent to sell our 60% majority ownership interest in the China Operations to AIC Investments Limited, a Hong Kong company (AIC), in an all-cash transaction valued at approximately $2.1 Million. The consummation of this transaction is subject to a number of conditions, including, but not limited to, completion of due diligence by AIC, the negotiation and execution of a definitive purchase agreement, third party governmental and regulatory consents, approval of by the board of directors from the Company and AIC, shareholder approval of the Company and approval from holders of senior secured debt of the Company.

Industry Strategy

In April 2014, we launched the BTX trading platform to focus on opportunities within the digital currency market, including, but not limited to: (i) trading systems; and (ii) exchanges.

BTX's current business strategy is to continue to implement advanced trading algorithms for digital currency traders. BTX expects to generate revenue from the trading systems by offering users advanced Bitcoin trading algorithms and strategies that are not currently available. The trading system is a cloud-hosted service that incorporates some high-end features traders may be familiar with from other asset classes, including access to reliable and curated market data, and utilizing sophisticated market data visualization tools such as advanced charting, trading blotters, tick charts and consolidated level 2 order books. BTX offers a product that provides trading integration against the largest Bitcoin exchanges, allowing users to see liquidity across all platforms, route orders to the best platforms, and identify possible arbitrage opportunities across platforms. Additionally, it allows users to place synthetic stop loss orders against those exchanges, to hedge against Bitcoin price volatility. To date, the trading platform is accessible online with approximately 5,000 users and over 1,500 unique visitors per month.

On July 28, 2014, BTX announced the launch of an exchange and its second product, Celery, which will allow consumers to initially purchase Bitcoin and Dogecoin digital currencies, where it expects to generate revenue from transaction fees. Celery is a hosted online wallet that deploys direct bank transfers to allow its customers the use of their digital currency in a timely manner. BTX has launched Celery in the United States, and is committed to ensuring full compliance with its digital currency wallet and exchange services.

As a result, we believe that all of these actions provide us with an opportunity to deliver improved shareholder value in the future.

Results of Operations for the Fiscal Year Ended April 30, 2014 Compared to Fiscal Year Ended April 30, 2013

Consolidated results for the years ended April 30, 2014 and 2013 were as follows.

	Years Ended April 30, 2014		Years Ended April 30, 2013	
REVENUE	$ 21,264,288	100.0%	$ 24,774,876	100.0%
COSTS AND EXPENSES:				
Cost of revenue	16,744,720	78.7%	17,556,832	70.9%
Selling, general and administrative expenses	5,988,117	28.2%	6,574,237	26.5%
Severance expense	1,775,732	8.4%	-	-
Depreciation and amortization	752,109	3.5%	916,449	3.7%
Total costs and expenses	$ 25,260,678	118.8%	$ 25,047,518	101.1%
OPERATING LOSS	(3,996,390)	(18.8)%	(272,642)	(1.1)%
OTHER EXPENSE (INCOME):				
Interest expense	5,042,189	23.7%	2,091,771	8.4%
Loss on extinguishment of Notes	1,299,304	6.1%	-	-
Change in fair value of derivative liabilities	833,750	4.0%	2,703,248	10.9%
Interest income	(11,595)	(0.1)%	-	-
Loss from continuing operations before income tax (benefit) provision	(11,160,038)	(52.5)%	(5,067,661)	(20.4)%
Income tax (benefit) provision	(182,942)	(0.9)%	216,314	0.9%
LOSS FROM CONTINUING OPERATIONS	(10,977,096)	(51.6)%	(5,283,975)	(21.3)%
Discontinued operations				
Income (loss) from discontinued operations, net of tax	33,890	0.2%	(3,287,932)	(13.3)%
(Loss) gain from disposal	(104,446)	(0.5)%	1,756,586	7.1%
Loss from discontinued operations, net of tax	(70,556)	(0.3)%	(1,531,346)	(6.2)%
CONSOLIDATED NET LOSS	(11,047,652)	(51.9)%	(6,815,321)	(27.5)%
Net income attributable to noncontrolling interest	11,287	0.1%	95,406	0.4%
NET LOSS ATTRIBUTABLE TO WPCS	(11,058,939)	(52.0)%	(6,910,727)	(27.9)%
Dividend declared on preferred stock	(109,027)	(0.5)%	-	-
NET LOSS ATTRIBUTABLE TO WPCS COMMON SHAREHOLDERS	$ (11,167,966)	(52.5)%	$ (6,910,727)	(27.9)%

Revenue

Revenue for the year ended April 30, 2014 was approximately $21,264,000, as compared to approximately $24,775,000 for the year ended April 30, 2013. The decrease in revenue was due primarily to a reduction in revenue of the contracting services segment, as a result of the significant reduction of the Trenton Operation during fiscal 2014, partially offset by an increase in contracting services project revenue in our Suisun City Operations. The prior period also included approximately $1,641,000 of change order revenue related to the Cooper Project. There was no revenue for the Bitcoin trading platform segment. For the year ended April 30, 2014, there was one customer who comprised 16.6% of the consolidated total revenue. For the year ended April 30, 2013, there was one customer who comprised 23.3% of the consolidated total revenue.

Cost of Revenue

Cost of revenue consists of direct costs on contracts: materials, direct labor, third party subcontractor services, union benefits and other overhead costs. Our cost of revenue was approximately $16,745,000, or 78.7%, of revenue for the year ended April 30, 2014, compared to $17,557,000, or 70.9%, for the prior year. The decrease in total cost of revenue was due to the decrease in revenue as compared to the prior year. The increase as a percentage of revenue is primarily due to the revenue blend of project work completed during the year. The prior period also included approximately $1,641,000 of change order revenue related to the Cooper Project, the costs of which were incurred in fiscal 2012.

Severance Expense

On July 24, 2013, we entered into the Separation Agreement with Hidalgo, our former President, Chief Executive Officer and a member of the board of directors.

On March 31, 2014, we entered into the Separation Agreement with Heater, the Company’s Chief Financial Officer. Pursuant to the Separation Agreement, Heater will resign, effective on July 31, 2014, as the Chief Financial Officer of the Company and from all officer and director positions with the Company’s subsidiaries.

The Company recorded severance expense of $1,775,732 related to these Separation Agreements.

Selling, General and Administrative Expenses

For the year ended April 30, 2014, total selling, general and administrative expenses were approximately $5,988,000, or 28.2%, of total revenue compared to $6,574,000, or 26.5%, of revenue for the prior year. Included in selling, general and administrative expenses for the year ended April 30, 2014 were salaries, commissions, payroll taxes and other employee benefits incurred in the normal course of business of $2,746,000, which was a $652,000 decrease compared to the prior year, due primarily to lower salaries from cost reduction strategies, offset by BTX signing bonuses. Professional fees were $1,145,000, which include on-going accounting, legal and investor relations fees. The increase in professional fees was due primarily to legal costs incurred in connection with the acquisition of the BTX Software, and consulting fees related to Sebastian Giordano, our Interim Chief Executive Officer. Insurance costs were $607,000 and rent for office facilities was $363,000. Automobile and other travel expenses were $409,000. Other selling, general and administrative expenses totaled $718,000. For the year ended April 30, 2014, total selling, general and administrative expenses for the contracting services and Bitcoin segments were approximately $3,060,000 and $437,000, respectively, with the balance of approximately $2,491,000 pertaining to corporate expenses.

For the year ended April 30, 2013, total selling, general and administrative expenses were approximately $6,574,000, or 26.5%, of total revenue. Included in selling, general and administrative expenses for the year ended April 30, 2013 was $3,397,000 for salaries, commissions, payroll taxes and other employee benefits. Professional fees were $1,074,000, which include accounting, legal and investor relation fees. Insurance costs were $642,000 and rent for office facilities was $271,000. Automobile and other travel expenses were $681,000. Other selling, general and administrative expenses totaled $509,000. For the year ended April 30, 2013, total selling, general and administrative expenses for the contracting services segment was approximately $3,635,000 with the balance of approximately $2,939,000 pertaining to corporate expenses. The Bitcoin segment did not exist for the year ended April 30, 2013.

Depreciation and Amortization

For the years ended April 30, 2014 and 2013, depreciation and amortization was approximately $752,000 and $916,000, respectively. The decrease in depreciation is due to the retirement of certain assets.

Interest Expense

For the years ended April 30, 2014 and 2013, interest expense was approximately $5,042,000 and $2,092,000, respectively. The increase in interest expense is due primarily to noncash interest expense for the amortization of the debt discount for the Notes of approximately $4,137, 000 for the year ended April 30, 2014, as compared to $1,355,000 of noncash interest expense for the same period in the prior year.

Loss on Extinguishment of Notes

For the years ended April 30, 2014, the loss on extinguishment of Notes was approximately $1,299,000, as a result of the modification of the Notes, which resulted in the debt instruments being exchanged with substantially different terms and extinguishment accounting was applied.

Change in Fair Value of Derivative Liabilities

Prior to the Note and Warrant Amendments, we determined the fair value of the embedded conversion features of the Notes and the Warrants and recorded each of them as a discount to the Notes and each as a derivative liability. Accordingly, changes in the fair value of the derivatives are recognized and classified as an unrealized noncash gain or loss on the derivative financial instruments. For the year ended April 30, 2014, the increase in the fair value of the embedded conversion features of the Notes and Warrants was approximately $834,000 due to increases in the market price of our common stock during the period from May 1, 2013 through October 31, 2013.

Income Taxes

The actual income tax rate from continuing operations for the year ended April 30, 2014 was 1.64% compared to -4.27% for same period in the prior year. The difference was primarily due to no tax benefit being claimed for federal and state losses during the year ended April 30, 2014. We recorded income tax provision of approximately $104,000 for our China Operations for the year ended April 30, 2014.

As of April 30, 2014, we had federal net operating losses of approximately $28 million.

Income (Loss) From Discontinued Operations

As a result of the execution of the Agreement for the divestiture of Pride on September 19, 2013, we have recorded the Australia Operations financial results as discontinued operations. As a result of the execution of the Asset Purchase Agreement for the divestiture of Seattle on March 31, 2014, we have recorded the Seattle Operations financial results as discontinued operations. As a result of the sale of the assets of the Hartford and Lakewood Operations on July 25, 2012, we recorded the financial results of these operations as discontinued operations. For the year ended April 30, 2014, we recorded a loss from discontinued operations of approximately $71,000, including a loss from disposal of $104,000 related to the Hartford and Lakewood Operations. For the year ended April 30, 2013, we recorded a loss from discontinued operations of approximately $1,531,000. Included in the income from discontinued operations is a gain from disposal of approximately $1,757,000, net of expenses directly related with the sale of the assets of the Hartford and Lakewood Operations, respectively.

Net Loss Attributable to WPCS Common Shareholders

The net loss attributable to WPCS common shareholders was approximately $11,168,000 for the year ended April 30, 2014. The net loss was net of federal and state income tax benefit of approximately $183,000 and dividend declared on the Series E Preferred Stock of approximately $109,000.

The net loss attributable to WPCS common shareholders was approximately $6,911,000 for the year ended April 30, 2013. The net loss was net of Federal and state income tax provision of approximately $261,000.

Liquidity and Capital Resources

At April 30, 2014, we had working capital of approximately $1,199,000, which consisted of current assets of approximately $16,609,000 and current liabilities of $15,410,000. This compares to a working capital deficiency of approximately $484,000 at April 30, 2013. The current liabilities as presented in the consolidated balance sheet at April 30, 2014 include approximately $1,520,000 of severance liability related to the Hidalgo and Heater Separation Agreements and the $1,533,757 Loss Amount due under the Zurich Forbearance Agreement.

Our cash and cash equivalents balance at April 30, 2014 was $2,177,070. Our working capital needs are influenced by our level of operations, and generally increase with higher levels of revenue. Our sources of cash in the last several years have come from credit facility borrowings and sales of debt and equity securities. Our future operating results may be affected by a number of factors including our success in bidding on future contracts, ability to generate revenue and profits from the launch of the BTX trading platform, and our continued ability to manage our controllable operating costs effectively. Our capital requirements depend on numerous factors, including the market for our services, additional software development costs for the launch of BTX, and the resources we devote to developing, marketing, selling and supporting our business, and the timing and extent of establishing additional markets and other factors.

Operating activities used approximately $1,445,000 in cash for the year ended April 30, 2014. The sources of cash from operating activities total approximately $14,712,000, comprised of approximately $7,620,000 of net noncash charges, a $1,869,000 decrease in restricted cash, a $1,520,000 increase in accrued severance expense for the Hidalgo and Heater Separation Agreements, a $1,963,000 increase in accounts payable and accrued expenses, a $1,199,000 decrease in net assets held for sale, $416,000 decrease in deferred contract costs and a $104,000 increase in billings in excess of costs and estimated earnings on uncompleted contracts, and a $21,000 decrease in other assets. The uses of cash from operating activities total approximately $16,157,000, comprised of a net loss of approximately $11,048,000, a $4,666,000 increase in accounts receivable, $114,000 increase in deferred revenue, a $120,000 increase in prepaid expenses and other current assets, a $102,000 decrease in estimated earnings in excess of billings on uncompleted contracts, and a $107,000 increase in income taxes payable.

Our investing activities provided cash of approximately $1,069,000, comprised of approximately $1,185,000 from the issuance of the series E Preferred Stock and BTX Warrants in connection with the acquisition of the BTX Software, offset by $79,000 for acquiring property and equipment and approximately $37,000, of dividends paid on Series E Preferred Stock during the year ended April 30, 2014.

Our financing activities provided cash of approximately $1,194,000 for the year ended April 30, 2014. Financing activities provided cash of approximately $1,627,000 including $816,000 from short-term loan borrowings, $790,000 of borrowings from Taian Gas Group (TGG), our joint venture partner, and $21,000 borrowings on loans payables, offset by approximately $210,000 of repayments under other payables due Zurich, $138,000 of debt issuance costs paid, $77,000 of repayments under loans payable, and $10,000 redemption of the Notes.

Senior Secured Convertible Notes

On December 4, 2012, we entered into the Purchase Agreement with the Buyers pursuant to which, we sold an aggregate of (i) $4,000,000 principal amount of Notes and (ii) the Warrants to purchase 2,274,796 shares of our Common Stock, to the Buyers for aggregate Financing gross proceeds of $4,000,000. In connection with the Financing, (i) we entered into a Registration Rights Agreement, (ii) we and our subsidiaries entered into the Security Agreement, and (iii) our subsidiaries entered into the Guaranty in favor of the collateral agent for the Buyers. The Closing Date of the Financing was December 5, 2012.

Pursuant to the terms of the Notes, we deposited the initial funds received from the Financing, minus the Initial Lending Amount of $2,178,516 into the Lockbox Account controlled by the Collateral Agent, as collateral agent on behalf of the Buyers. We used the Initial Lending Amount to repay the existing loan of $2,000,000, plus $78,516 of interest accrued and fees and expenses to Sovereign N.A., which credit agreement was terminated in connection with the Notes, and $100,000 for Buyer legal fees in connection with the Notes. In addition, all our payments of accounts receivable (and our domestic subsidiaries) shall be deposited into the Lockbox Account. We are permitted to receive from the Lockbox Account, on a daily basis, such amount of cash equal to: (A) (i) cash balance in the Lockbox Account plus (ii) 95% of available qualified accounts receivable minus (iii) $250,000 minus (B) amount of principal, accrued interest, fees, costs and expenses owed pursuant to the Notes. The Notes contain certain customary representations and warranties, affirmative and negative covenants, and events of default. The principal covenant is that we shall maintain a current ratio of not less than 0.6 to 1.0 as of the last calendar day of each month. As of April 30, 2014, we are in compliance with the covenants.

Prior to the Note Amendment, $593, 923 of Notes was converted into 275, 242 shares of our Common Stock.

During the year ended April 30, 2014, $2,501,666 of Notes was converted into 12,508,340 shares of the Company's Common stock, resulting in the accelerated write-off of unamortized debt discount of $2,501,666. In addition, $19,231 of accrued interest on New Notes was converted into 96,155 shares of the Company's Common Stock. The outstanding principal balance of the New Notes was $898,334 as of April 30, 2014.The Notes were amended on October 25, 2013 and October 31, 2013. See "Recent Developments - Note and Warrant Amendments" under this Item 7 for a full description of the terms of such amendments.

In connection with the BTX Purchase Agreement, we agreed to waive any rights to compel the redemption of the New Notes. The Buyers agreed to restrict their ability to convert the Notes and/or exercise the Warrants and receive shares of our Common Stock such that the number of shares of Common Stock held by the Buyer in the aggregate and its affiliates after such conversion or exercise does not exceed 9.99% of the then issued and outstanding shares of our Common Stock.

Pursuant to the Registration Rights Agreement, we agreed to file a registration statement with the SEC, within 30 days following receipt of a request from a Buyer (or 45 days with respect to an underwritten offering), covering such shares of common stock issuable upon conversion of the Notes or exercise of the Warrants, as requested by the Buyers, and have such registration statement declared effective by the SEC within 90 days thereafter. We also agreed to notify the Buyers if we at any time propose to register any of our securities under the Securities Act of 1933, as amended, and of such Buyers' right to participate in such registration. No request has been received from a Buyer to register such shares.

If we fail to comply with the registration statement filing, effective date or maintenance date filing requirements, we are required to pay the Buyers a registration delay payment in cash equal to 2% of the Buyer's original principal amount stated on such Investors' Note as of the Closing Date on the date of each failure, and on every thirty (30) day anniversary of the of the respective failures (Registration Delay Payment). Notwithstanding the foregoing, in no event shall the aggregate amount of Registration Delay Payments exceed 10% of such Investor's original principal amount stated on the Note on the Closing Date. We account for such Registration Delay Payments as contingent liabilities and recognize such damages when it becomes probable that they will be incurred and amounts are reasonably estimable. No liability has been recorded for any Registration Delay Payments.

Pursuant to the Guaranty, our subsidiaries guaranteed to the collateral agent, for the benefit of the Buyers, the punctual payment, as and when due and payable, of all amounts owed by us in respect of the Purchase Agreement, the Notes and the other transaction documents executed in connection with the Purchase Agreement.

Pursuant to the Security Agreement, we and our subsidiaries granted, in favor of the collateral agent for the Buyers, a continuing security interest in all our personal property and assets, as collateral security for our and the subsidiaries under the Purchase Agreement, the Notes, the Guaranty and the other transaction documents.

Hartford and Lakewood Operations Asset Sales

On July 25, 2012, the Company and the Hartford and Lakewood Operations entered into an asset purchase agreement, pursuant to which the Hartford and Lakewood Operations sold substantially all of their assets to two newly-created subsidiaries of Kavveri Telecom Products Limited (Kavveri) for a purchase price of $5.5 million in cash, subject to adjustment, and the assumption of their various liabilities. At closing, we received $4.9 million in cash, with the remaining purchase price to be settled upon (1) completing the assignment of certain contracts post-closing, which was concluded, and (2) satisfying certain adjustments to the purchase price based on a final net asset valuation to be completed after closing as well as repurchase obligations of certain delinquent accounts receivables. We used the proceeds from this sale to repay the full amount outstanding under the Credit Agreement of $4,022,320 as of July 25, 2012. The difference of $877,680 was deposited in its operating cash account.

To date, we have not reached agreement with Kavveri with regard to resolving the net asset valuation. We are currently in discussions with Kavveri for the settlement of the final adjustments to the purchase price, and have reserved $450,000 for possible future settlement, which includes $104,000 recorded for the year ended April 30, 2014. There can be no assurance that we will be successful in settling with Kavveri amounts claimed by them.

Short-Term Commitments with the China Operations

Effective August 1, 2013, the China Operations entered into a secured loan with the Bank of China (the Short-Term Bank Loan). The Short-Term Bank Loan provides for a loan in the amount of $3,279,300. The proceeds from the Short-Term Bank Loan were used to repay the outstanding Short-Term Bank Loan as of April 30, 2013 of $2,404,545. The Short-Term Bank Loan has an interest rate of 7.38%, and interest is due on a quarterly basis.

Other Payable with Zurich

On July 12, 2012, we executed the Financing Agreement with Zurich, to assist in the completion of the project contract with the Owner of Cooper Project. Under the terms of the Financing Agreement, Zurich advanced us $793,927 to assist in the completion of the Cooper Project, a $16.2 million project completed by our Trenton Operations. We were to repay Zurich the financial advances by September 2012; however, we were in default under the terms of the Financing Agreement as we did not repay Zurich the $793,927, and Zurich paid certain of the our vendors pursuant to Zurich's obligations under its payment bond on the Cooper Project. In addition, we are contingently liable to Zurich and its affiliate F&D under the Indemnity Agreement. Zurich and F&D, as surety, issued certain performance and payment bonds on behalf of owners or customers regarding our work on various projects under the Indemnity Agreement. We agreed to indemnify the surety for any payments made by Zurich on contracts of suretyship, guaranty or indemnity.

On April 17, 2013, we executed the Forbearance Agreement with Zurich, which supersedes the Financing Agreement. Under the Forbearance Agreement, among other things, the parties have agreed to the following payments which will be credited against the Loss Amount owed to Zurich by us: (1) the Interim Liability Payments; (2) the Customer Payments; and (3) the Claim, up to the Loss Amount as it exists at the time. As of April 30, 2014, the net Other Payable for the Loss Amount owed Zurich under the Forbearance Agreement was $1,533,757.

Each or any of the following shall constitute an event of default under the Forbearance Agreement: (a) failure by us to make any of the Interim Liability Payments; (b) failure by us to remit any Customer Payments received; (c) the failure by us or the Owner to remit the proceeds of the Claim to Zurich; and (d) any Loss Amount that still exists as of December 31, 2013. We are currently in default under the Forbearance Agreement due to the failure to: (1) pay the monthly Interim Liability Payment of $25,000 per month since December 1, 2013; and (2) pay the Loss Amount of $1,533,757 due December 31, 2013 under the Forbearance Agreement. We are currently in discussions with Zurich for the settlement of the Loss Amount due under the Forbearance Agreement. There can be no assurance that we will be successful in settling with Zurich the Loss Amount due.

We have submitted a Claim to the Owner of $2,421,425 for significant delays, disruptions and construction changes that were beyond its control and required us to perform additional work related to the Cooper Project, which was completed in the fiscal year ended April 30, 2013. On April 15, 2013, we filed a Mediation request with the American Arbitration Association with regard to the Claim. The Mediation has been postponed. We are presently awaiting a time to file a complaint against the Owner in federal court in New Jersey. If we are successful in the settlement of this Claim, we expect to use the proceeds from the Claim to repay Zurich the Loss Amount as it exists at the time, and any excess for working capital purposes. There can be no assurance that we will be successful in settling with the Owner for all or a portion of the submitted claim.

Going Concern

Our continuation as a going concern beyond the next twelve months and our ability to discharge our liabilities and commitments in the normal course of business is ultimately dependent upon the execution of its future plans, which include the following: (1) our ability to generate future operating income, reduce operating expenses and produce cash from our operating activities, which will be affected by general economic, competitive, and other factors, many of which are beyond our control; (2) the repayment of, either or the modification of the terms under the Zurich Forbearance Agreement; (3) the forbearance or waiver of the Events of Default under the Notes; (4) the settlement of the claim with the Owner; and (5) obtaining additional funds through financing or sale of assets. These factors raise substantial doubt about the Company's ability to continue as a going concern. There can be no assurance that our plans to ensure continuation as a going concern will be successful.

Backlog

As of April 30, 2014, we had a backlog of unfilled orders of approximately $19.4 million compared to approximately $22.3 million at April 30, 2013. We define backlog as the value of work-in-hand to be provided for customers as of a specific date where the following conditions are met (with the exception of engineering change orders): (i) the price of the work to be done is fixed; (ii) the scope of the work to be done is fixed, both in definition and amount; and (iii) there is a written contract, purchase order, agreement or other documentary evidence which represents a firm commitment by the customer to pay us for the work to be performed. These backlog amounts are based on contract values and purchase orders and may not result in actual receipt of revenue in the originally anticipated period or at all. We have experienced variances in the realization of our backlog because of project delays or cancellations resulting from external market factors and economic factors beyond our control and we may experience such delays or cancellations in the future. Backlog does not include new firm commitments that may be awarded to us by our customers from time to time in future periods. These new project awards could be started and completed in this same future period. Accordingly, our backlog does not necessarily represent the total revenue that could be earned by us in future periods.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements other than operating lease commitments.

Critical Accounting Policies

Financial Reporting Release No. 60, published by the SEC, recommends that all companies include a discussion of critical accounting policies used in the preparation of their financial statements. While all these significant accounting policies impact our financial condition and results of operations, we view certain of these policies as critical. Policies determined to be critical are those policies that have the most significant impact on our consolidated financial statements and require management to use a greater degree of judgment and estimates. Actual results may differ from those estimates.

We believe that given current facts and circumstances, it is unlikely that applying any other reasonable judgments or estimate methodologies would cause a material effect on our condensed consolidated results of operations, financial position or liquidity for the periods presented in this report.

The accounting policies identified as critical are as follows:

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the reporting period. The most significant estimates relate to the calculation of percentage-of-completion on uncompleted contracts, allowance for doubtful accounts, valuation of inventory, realization of deferred tax assets, capitalization of software costs, amortization method and lives of customer lists, acquisition-related contingency consideration and estimates of the fair value of reporting units and discounted cash flows used in determining whether goodwill has been impaired. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable are due within contractual payment terms and are stated at amounts due from customers net of an allowance for doubtful accounts. Credit is extended based on evaluation of a customer's financial condition. Accounts outstanding longer than the contractual payment terms are considered past due. We determine our allowance by considering a number of factors, including the length of time trade accounts receivable are past due, our previous loss history, the customer's current ability to pay its obligation to the us, and the condition of the general economy and the industry as a whole. We write off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

Capitalized Software Costs

Costs incurred in the research, design and development of software for sale to others as a separate product or embedded in a product and sold as part of the product as a whole are charged to expense until technological feasibility is established. Thereafter, software development costs, consisting primarily of payroll and related costs, purchased materials and services and software to be used within our products, which significantly enhance the marketability or significantly extend the life of our products are capitalized, and amortized to cost of revenue on a straight-line basis over three years, beginning when the products are offered for sale or when the enhancements are integrated into the product.

Derivative Instruments

Derivative liabilities were related to embedded conversion features of the Notes and the common stock Warrants issued in connection with the Securities Purchase Agreement. For derivative instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in fair value recognized in earnings each reporting period. We used the binomial lattice model to value the derivative instruments at inception and subsequent valuation dates and the value is re-assessed at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not the net-cash settlement of the derivative instrument could be required within twelve months of the balance sheet date.

Fair Value of Financial Instruments

Our material financial instruments at April 30, 2014 and for which disclosure of estimated fair value is required by certain accounting standards consisted of cash and cash equivalents, accounts receivable, account payable, Notes, common stock Warrants and loans payable. The fair values of cash and cash equivalents, accounts receivable, and account payable are equal to their carrying value because of their liquidity and short-term maturity. We believe that the fair values of the loans payable do not differ materially from their aggregate carrying values in that substantially all the obligations bear variable interest rates that are based on market rates or interest rates that are periodically adjustable to rates that are based on market rates.

Impairment of Long-lived Assets

We assess the impairment of long-lived assets whenever events or changes in circumstances indicate that their carrying value may not be recoverable from the estimated future cash flows expected to result from their use and eventual disposition. Our long-lived assets subject to this evaluation include property and equipment and amortizable intangible assets.

Income Taxes

We determine deferred tax liabilities and assets at the end of each period based on the future tax consequences that can be attributed to net operating loss carryovers and differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, using the tax rate expected to be in effect when the taxes are actually paid or recovered. The recognition of deferred tax assets is reduced by a valuation allowance if it is more likely than not that the tax benefits will not be realized. The ultimate realization of deferred tax assets depends upon the generation of future taxable income during the periods in which those temporary differences become deductible.

At April 30, 2014, our net deferred tax assets are fully offset by a valuation allowance. We will continue to evaluate the realization of our deferred tax assets and liabilities on a periodic basis, and will adjust such amounts in light of changing facts and circumstances.

We consider past performance, expected future taxable income and prudent and feasible tax planning strategies in assessing the amount of the valuation allowance. Our forecast of expected future taxable income is based over such future periods that we believe can be reasonably estimated. Changes in market conditions that differ materially from our current expectations and changes in future tax laws in the U.S. may cause us to change our judgments of future taxable income. These changes, if any, may require us to adjust our existing tax valuation allowance higher or lower than the amount we have recorded.

Revenue Recognition

We generate our revenue by offering communications infrastructure contracting services. Our contracting services report revenue pursuant to customer contracts that span varying periods of time. We report revenue from contracts when persuasive evidence of an arrangement exists, fees are fixed or determinable, and collection is reasonably assured.

We record revenue and profit from long-term contracts on a percentage-of-completion basis, measured by the percentage of contract costs incurred to date to the estimated total costs for each contract. Contracts in process are valued at cost plus accrued profits less earned revenues and progress payments on uncompleted contracts. Contract costs include direct materials, direct labor, third party subcontractor services and those indirect costs related to contract performance. Contracts are generally considered substantially complete when engineering is completed and/or site construction is completed.

We have numerous contracts that are in various stages of completion. Such contracts require estimates to determine the appropriate cost and revenue recognition. Cost estimates are reviewed monthly on a contract-by-contract basis, and are revised periodically throughout the life of the contract such that adjustments to profit resulting from revisions are made cumulative to the date of the revision. Significant management judgments and estimates, including the estimated cost to complete projects, which determines the project's percent complete, must be made and used in connection with the revenue recognized in the accounting period. Current estimates may be revised as additional information becomes available. If estimates of costs to complete long-term contracts indicate a loss, provision is made currently for the total loss anticipated.

The length of our contracts varies. Assets and liabilities related to long-term contracts are included in current assets and current liabilities as they will be liquidated in the normal course of contract completion, although this may require more than one year.

We record revenue and profit from short-term contracts for our China Operations under the completed contract method, whereas income is recognized only when a contract is completed or substantially completed. Accordingly, during the period of performance, billings and costs are accumulated on the balance sheet, but no revenue or income is recorded before completion or substantial completion of the work. Our decision is based on the short-term nature of the work performed.

We also recognize certain revenue from short-term contracts when equipment is delivered or the services have been provided to the customer. For maintenance contracts, revenue is recognized ratably over the service period.

Recently Issued Accounting Pronouncements

Share-Based Payments with Performance Targets

In June 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-12, *Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period* (ASU 2014-12). ASU 2014-12 requires that a performance target that affects vesting and could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in ASC 718, *Compensation — Stock Compensation*, as it relates to such awards. ASU 2014-12 is effective for us in our first quarter of fiscal 2017 with early adoption permitted using either of two methods: (i) prospective to all awards granted or modified after the effective date; or (ii) retrospective to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter, with the cumulative effect of applying ASU 2014-12 as an adjustment to the opening retained earnings balance as of the beginning of the earliest annual period presented in the financial statements. We are currently evaluating the impact of our pending adoption on ASU 2014-12 on our consolidated financial statements.

Revenue Recognition

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers: Topic* 606 (ASU 2014-09), to supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing U.S. GAAP including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. ASU 2014-09 is effective for us in our first quarter of fiscal 2018 using either of two methods: (i) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09; or (ii) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined per ASU 2014-09. We are currently evaluating the impact of our pending adoption of ASU 2014-09 on our consolidated financial statements.

Reporting Discontinued Operations

In April 2014, the FASB issued Accounting Standards Update No. 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* (ASU 2014-08), to change the criteria for determining which disposals can be presented as discontinued operations and enhanced the related disclosure requirements. ASU 2014-08 is effective for us on a prospective basis in our first quarter of fiscal 2016 with early adoption permitted for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued. We are currently evaluating the impact of our pending adoption of ASU 2014-08 on our consolidated financial statements.

ITEM 7A - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required under Regulation S-K for “smaller reporting companies.”

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Audit Committee of the
Board of Directors and Shareholders
WPCS International Incorporated

We have audited the accompanying consolidated balance sheet of WPCS International Incorporated and Subsidiaries (the “Company”) as of April 30, 2014, and the related consolidated statements of operations, comprehensive loss, equity (deficit) and cash flows for the year then ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WPCS International Incorporated and Subsidiaries, as of April 30, 2014, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 1, the Company has incurred significant losses and needs to raise additional funds to meet its obligations and sustain its operations. These conditions raise substantial doubt about the Company’s ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

We also have audited the adjustments to the fiscal 2013 financial statements to retrospectively apply discontinued operations associated with the Australia and Seattle operations, as more fully described in Note 17. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2013 financial statements of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the fiscal 2013 financial statements taken as a whole.

/s/ Marcum LLP

New York, NY
July 30, 2014

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
WPCS International Incorporated

We have audited, before the effects of the adjustment to retrospectively apply the accounting for discontinued operations related to the Australian and Seattle operations described in Note 17, the accompanying consolidated balance sheet of WPCS International Incorporated and Subsidiaries as of April 30, 2013, and the related consolidated statements of operations, comprehensive loss, equity (deficit) and cash flows for the year then ended (the 2013 financial statements before the effects of the discontinued operations adjustments related to the Australian and Seattle operations discussed in Note 17 are not presented herein). These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements before the effects of the adjustment to retrospectively apply the accounting for discontinued operations related to the Australian and Seattle operations described in Note 17, referred to above present fairly, in all material respects, the financial position of WPCS International Incorporated and Subsidiaries as of April 30, 2013, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

We were not engaged to audit, review, or apply any procedures to the adjustments to retrospectively apply the accounting for discontinued operations related to the Australian and Seattle operations described in Note 17 and, accordingly, we do not express an opinion or any other form of assurance about whether such adjustments are appropriate and have been properly applied. Those adjustments were audited by Marcum LLP.

The accompanying 2013 consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has incurred net losses and negative cash flows from operating activities, had a working capital deficiency as of and for the year ended April 30, 2013 and has an accumulated deficit as of April 30, 2013. These matters raise substantial doubt about the Company’s ability to continue as a going concern. Management’s plans with respect to these matters are also discussed in Note 1. The accompanying 2013 consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ CohnReznick LLP

Roseland, New Jersey
July 29, 2013

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

		April 30, 2014		April 30, 2013 (Note 1)
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$	2,177,070	$	1,410,223
Restricted cash		-		1,869,178
Accounts receivable, net of allowance for doubtful accounts of $1,033,786 and $957,918, respectively		8,614,396		4,139,768
Costs and estimated earnings in excess of billings on uncompleted contracts		431,348		329,141
Deferred contract costs		1,166,734		1,597,894
Prepaid expenses and other current assets		217,235		96,903
Current assets held for sale		4,001,812		5,152,809
Total current assets		16,608,595		14,595,916
PROPERTY AND EQUIPMENT, net		1,780,520		2,526,638
CAPITALIZED SOFTWARE COSTS		3,207,305		-
OTHER ASSETS		52,376		214,259
OTHER ASSETS HELD FOR SALE		372,930		808,153
Total assets	$	22,021,726	$	18,144,966

The accompanying notes are an integral part of these consolidated financial statements.

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED)

	April 30, 2014	April 30, 2013 (Note 1)
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Current portion of loans payable	$ 31,680	$ 23,790
Senior secured convertible notes, net of debt discount of $853,413 and $2,888,889, respectively	44,921	1,111,111
Derivative liability - senior secured convertible notes	-	3,088,756
Accounts payable and accrued expenses	4,956,232	3,036,981
Accrued severance	1,520,205	-
Billings in excess of costs and estimated earnings on uncompleted contracts	1,448,563	1,344,159
Deferred revenue	-	113,503
Due related party	778,573	-
Other payable to Zurich	1,533,757	1,743,986
Short-term bank loan	3,195,000	2,432,205
Income taxes payable	30,855	139,557
Dividend payable	72,034	-
Current liabilities held for sale	1,797,615	2,046,000
Total current liabilities	15,409,435	15,080,048
Loans payable, net of current portion	56,537	66,874
Secured promissory note, related parties	500,000	-
Loans payable, net of current portion, held for sale	88,404	66,964
Derivative liability - warrants	-	3,858,508
Total liabilities	16,054,376	19,072,394
COMMITMENTS AND CONTINGENCIES		
EQUITY:		
WPCS EQUITY (DEFICIT):		
Preferred stock - 5,000,000 shares authorized, 2,438 shares of Series E Convertible Preferred Stock issued with $1,000 stated value, and liquidation preference of $5,707,000	2,438,000	-
Common stock - $0.0001 par value, 14,285,714 shares authorized, 13,913,164 and 993,538 shares issued and outstanding, respectively	1,391	99
Additional paid-in capital	66,672,106	50,844,183
Accumulated deficit	(65,222,355)	(54,054,389)
Accumulated other comprehensive income on foreign currency translation	1,232,003	1,433,541
Total WPCS equity (deficit)	5,121,145	(1,776,566)
Noncontrolling interest	846,205	849,138
Total equity (deficit)	5,967,350	(927,428)
Total liabilities and equity	$ 22,021,726	$ 18,144,966

The accompanying notes are an integral part of these consolidated financial statements.

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended April 30, 2014 (Note 1)	Years Ended April 30, 2013 (Note 1)
REVENUE	$ 21,264,288	$ 24,774,876
COSTS AND EXPENSES:		
Cost of revenue	16,744,720	17,556,832
Selling, general and administrative expenses	5,988,117	6,574,237
Severance expense	1,775,732	-
Depreciation and amortization	752,109	916,449
	25,260,678	25,047,518
OPERATING LOSS	(3,996,390)	(272,642)
OTHER EXPENSE (INCOME):		
Interest expense	5,042,189	2,091,771
Loss on extinguishment of Notes	1,299,304	-
Change in fair value of derivative liabilities	833,750	2,703,248
Interest income	(11,595)	-
Loss from continuing operations before income tax (benefit) provision	(11,160,038)	(5,067,661)
Income tax (benefit) provision	(182,942)	216,314
LOSS FROM CONTINUING OPERATIONS	(10,977,096)	(5,283,975)
Discontinued operations:		
Income (loss) from discontinued operations, net of tax benefit of $330,764 and $564,321, respectively	33,890	(3,287,932)
(Loss) gain from disposal	(104,446)	1,756,586
Loss from discontinued operations, net of tax	(70,556)	(1,531,346)
CONSOLIDATED NET LOSS	(11,047,652)	(6,815,321)
Net income attributable to noncontrolling interest	11,287	95,406
NET LOSS ATTRIBUTABLE TO WPCS	(11,058,939)	(6,910,727)
Dividend declared on preferred stock	(109,027)	-
NET LOSS ATTRIBUTABLE TO WPCS COMMON SHAREHOLDERS	$ (11,167,966)	$ (6,910,727)
Basic and diluted net loss attributable to WPCS common shareholders:		
Loss from continuing operations	$ (1.98)	$ (5.41)
Income (loss) from discontinued operations	$ 0.01	$ (3.31)
(Loss) gain from disposal	$ (0.02)	$ 1.77
Basic and diluted net loss from discontinued operations	$ (0.01)	$ (1.54)
Basic and diluted net loss per common share attributable to WPCS	$ (1.99)	$ (6.95)
Basic and diluted weighted average number of common shares outstanding	5,597,821	994,187

The accompanying notes are an integral part of these consolidated financial statements.

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Years Ended April 30, 2014	2013
Consolidated net loss	$ (11,047,652)	$ (6,815,321)
Other comprehensive (loss) income - foreign currency translation adjustments	(215,759)	4,497
Comprehensive loss	(11,263,411)	(6,810,824)
Comprehensive (loss) income attributable to noncontrolling interest	(2,933)	99,430
Comprehensive loss attributable to WPCS	$ (11,260,478)	$ (6,910,254)

The accompanying notes are an integral part of these consolidated financial statements.

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY (DEFICIT)

	Preferred Stock		Common Stock		Additional Paid-In	Accumulated	Accumulated Other Compre-hensive Income,	WPCS	Non-Controlling	Total
	Shares	Amount	Shares	Amount	Capital	Deficit	net of taxes	Equity (deficit)	Interest	Equity (deficit)
BALANCE, May 1, 2012	-	$ -	993,538	$ 99	$ 50,478,139	$ (47,143,662)	$ 1,433,066	$ 4,767,642	$ 1,117,322	$ 5,884,964
Stock-based compensation	-	-	-	-	111,683	-	-	111,683	-	111,683
Section 16(b) settlement	-	-	-	-	254,361	-	-	254,361	-	254,361
Dividend distributions	-	-	-	-	-	-	-	-	(367,612)	(367,612)
Other comprehensive income	-	-	-	-	-	-	475	475	4,022	4,497
Net income attributable to noncontrolling interest	-	-	-	-	-	-	-	-	95,406	95,406
Net loss attributable to WPCS	-	-	-	-	-	(6,910,727)	-	(6,910,727)	-	(6,910,727)
BALANCE, April 30, 2013	-	$ -	993,538	$ 99	$ 50,844,183	$ (54,054,389)	$ 1,433,541	$ (1,776,566)	$ 849,138	$ (927,428)

The accompanying notes are an integral part of these consolidated financial statements.

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY (DEFICIT) (CONTINUED)

	Preferred Stock		Common Stock		Additional Paid-In	Accumulated	Accumulated Other Comprehen-	WPCS	Non-Controlling	Total
	Shares	Amount	Shares	Amount	Capital	Deficit	sive(Loss)Income	Equity(Deficit)	Interest	Equity(Deficit)
BALANCE, May 1, 2013 (1)	-	$ -	994,187	$ 99	$ 50,844,183	$ (54,054,389)	$ 1,433,541	$ (1,776,566)	$ 849,138	$ (927,428)
Stock-based compensation	-	-	-	-	24,535	-	-	24,535	-	24,535
Issuance of common stock from warrant amendment, waiver and exchange agreement	-	-	38,740	4	88,711	-	-	88,715	-	88,715
Reclassification of derivative liability upon conversion of Notes	-	-	-	-	686,856	-	-	686,856	-	686,856
Reclassification of derivative liability from Notes and Warrant amendment	-	-	-	-	7,166,991	-	-	7,166,991	-	7,166,991
Unamortized debt discount from Notes amendment	-	-	-	-	3,400,000	-	-	3,400,000	-	3,400,000
Conversion of Notes	-	-	12,880,237	1,288	3,113,528	-	-	3,114,816	-	3,114,816
Issuance of BTX warrants for acquisition of BTX Software	-	-	-	-	1,150,155	-	-	1,150,155	-	1,150,155
Issuance of Series E preferred stock - acquisition of BTX Software	2,438	2,438,000	-	-	197,147	-	-	2,635,147		2,635,147
Dividend declared on Series E preferred stock	-	-	-	-	-	(109,027)	-	(109,027)	-	(109,027)
Other comprehensive loss	-	-	-	-	-	-	(201,538)	(201,538)	(14,220)	(215,758)
Net income attributable to noncontrolling interest	-	-	-	-	-	-	-	-	11,287	11,287
Net loss attributable to WPCS	-	-	-	-	-	(11,058,939)	-	(11,058,939)	-	(11,058,939)
BALANCE, April 30, 2014	2,438	$ 2,438,000	13,913,164	$ 1,391	$ 66,672,106	$ (65,222,355)	$ 1,232,003	$ 5,121,145	$ 846,205	$ 5,967,350

(1) Includes 649 additional shares issued due to rounding from reverse stock split.

The accompanying notes are an integral part of these consolidated financial statements.

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended April 30, 2014	Years Ended April 30, 2013
OPERATING ACTIVITIES :		
Consolidated net loss	$ (11,047,652)	$ (6,815,321)
Adjustments to reconcile consolidated net loss to net cash used in operating activities:		
Depreciation and amortization	752,109	1,433,921
Gain from disposition of operations	-	(1,756,586)
Amortization of debt discount	4,301,146	1,355,127
Loss on extinguishment of Notes	1,299,304	-
Change in the fair value of derivative liabilities	833,750	2,703,248
Stock-based compensation	24,535	111,683
Provision for doubtful accounts	121,715	(85,883)
Amortization of debt issuance costs	278,864	439,885
Goodwill and intangible assets impairment	-	1,936,059
Loss (gain) on sale of fixed assets, net	8,638	(23,027)
Deferred income taxes	-	550,967
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:		
Restricted cash	1,869,178	(1,869,178)
Accounts receivable	(4,666,335)	2,527,534
Costs and estimated earnings in excess of billings on uncompleted contracts	(102,207)	12,229
Deferred contract costs	416,391	218,222
Inventory	-	(14,748)
Prepaid expenses and other current assets	(120,316)	(44,934)
Income taxes payable	(107,243)	(55,187)
Prepaid taxes	-	86,332
Other assets	20,888	(127,271)
Other assets held for sale	1,198,986	-
Accounts payable and accrued expenses	1,963,323	(1,870,379)
Accrued severance	1,520,205	-
Billings in excess of costs and estimated earnings on uncompleted contracts	104,404	(1,913,374)
Deferred revenue	(114,254)	19,116
NET CASH USED IN OPERATING ACTIVITIES	(1,444,571)	(3,181,565)

The accompanying notes are an integral part of these consolidated financial statements.

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Years Ended April 30, 2014	Years Ended April 30, 2013
INVESTING ACTIVITIES:		
Acquisition of property and equipment, net	$ (78,544)	$ (324,125)
Proceeds from sale of operations, net of transaction costs	-	4,547,049
Dividend paid on preferred stock	(36,993)	-
Cash received from acquisition of BTX software	1,185,000	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,069,463	4,222,924
FINANCING ACTIVITIES:		
Net proceeds from Section 16(b) settlement	-	222,413
Debt issuance costs	(137,869)	(230,794)
Repayments under lines of credit	-	(4,964,140)
(Repayment) borrowings of senior secured convertible notes	(9,507)	4,000,000
Repayments under loans payable, net	(76,637)	(70,304)
Borrowings (repayments) from related party, net	790,255	(2,538,870)
Repayments of loans payable obligations	21,440	(15,465)
Borrowings under short-term bank loan, net	816,100	2,389,050
Repayments under other payable	(210,229)	(25,000)
Borrowings under other payable	-	793,927
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	1,193,553	(439,183)
Effect of exchange rate changes on cash	(51,598)	(3,236)
NET INCREASE IN CASH AND CASH EQUIVALENTS	766,847	598,940
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	1,410,223	811,283
CASH AND CASH EQUIVALENTS, END OF THE YEAR	$ 2,177,070	$ 1,410,223

The accompanying notes are an integral part of these consolidated financial statements.

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Years Ended	
	April 30, 2014	April 30, 2013
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 504,664	$ 330,932
Income taxes	$ 63,495	$ 261,150
SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Issuance of notes for property and equipment	$ 74,190	$ 210,781
Settlement of account receivable for property and equipment	-	$ 449,660
Settlement of account receivable from noncontrolling interest	$ -	$ 200,766
Issuance of common stock for the conversion of Notes and accrued interest	$ 3,114,816	-
Acquisition of BTX Software from issuance of Series E Preferred Stock	$ 2,635,147	-
Acquisition of BTX Software from assumption of BTX Note	$ 500,000	-
Reclassification of fair value of derivative liability on Notes and Warrants to additional paid-in capital upon the Amendment and Note Amendment	$ 7,166,991	-
Reclassification of fair value of derivative liability on Notes to additional paid-in capital upon conversion of Notes	$ 686,856	-

The accompanying notes are an integral part of these consolidated financial statements.

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION AND LIQUIDITY

Basis of Presentation

The consolidated financial statements include the accounts of WPCS International Incorporated (WPCS) and its wholly and majority-owned subsidiaries, as follows, collectively referred to as “we”, “us” or the "Company". United States-based subsidiaries include WPCS Incorporated, WPCS International – Suisun City, Inc. (Suisun City Operations), WPCS International – Lakewood, Inc. (Lakewood Operations), WPCS International – Hartford, Inc. (Hartford Operations), WPCS International – Trenton, Inc. (Trenton Operations), WPCS International – Seattle, Inc. (Seattle Operations), WPCS International – Portland, Inc. (Portland Operations) and BTX Trader, LLC (BTX). International operations include WPCS Asia Limited, 60% of Taian AGS Pipeline Construction Co. Ltd. (China Operations), WPCS Australia Pty Ltd., WPCS International – Brendale, Pty Ltd., and The Pride Group (QLD) Pty Ltd. (Pride), (collectively, Australia Operations).

The Company offers low voltage communication infrastructure contracting services to public services, healthcare, energy and corporate enterprise markets and has launched a Bitcoin trading platform through its wholly-owned subsidiary for the trading of digital currencies.

On July 25, 2012, the Company sold substantially all of the assets of two of its wholly-owned subsidiaries, the Hartford and Lakewood Operations. As a result of the execution of the definitive purchase agreement for the divestiture of Pride on September 19, 2013 and the execution of the definitive purchase agreement for the divestiture of the Seattle Operations on March 31, 2014, the Company has recorded the Australia and Seattle Operations financial results as discontinued operations. These consolidated financial statements reflect the results of these four operations as discontinued operations for all periods presented, including certain reclassifications to prior year financial statements to present discontinued operations.

Liquidity and Going Concern

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. For the fiscal year ended April 30, 2014, the Company has incurred losses from continuing operations and a consolidated net loss of approximately $11,048,000. In addition, the Company has outstanding balances due to its former surety under a forbearance agreement of approximately $1,534,000. These factors raise substantial doubt about the Company’s ability to continue as a going concern. The financial statements do not include any adjustments to the carrying amount and classification of recorded assets and liabilities should the Company be unable to continue operations. Management’s plans are to continue to raise additional funds through the sales of debt or equity securities or sales of assets. There is no assurance that additional financing will be available when needed or that management will be able to obtain financing on terms acceptable to the Company and whether the Company will become profitable and generate positive operating cash flow. If the Company is unable to raise sufficient additional funds, it will have to develop and implement a plan to further extend payables and reduce overhead until sufficient additional capital is raised to support further operations. There can be no assurance that such a plan will be successful.

Zurich Forbearance Agreement

As more fully described in Note 18, “Commitments and Contingencies,” on July 12, 2012, the Company executed the Surety Financing and Confession of Judgment Agreement (the Financing Agreement) with Zurich American Insurance Company (Zurich), to assist in the completion of the project contract with the Camden County Improvement Authority for work at the Cooper Medical Center of Rowan University (the Owner or Cooper Project).

On April 17, 2013, the Company executed the Surety Forbearance and Confession of Judgment Agreement (the Forbearance Agreement) with Zurich, which supersedes the Financing Agreement. The Company is currently in default under the Forbearance Agreement due to its failure to: (1) pay the monthly Interim Liability Payment of $25,000 per month since December 1, 2013; and (2) pay the Loss Amount of $1,533,757 that was due December 31, 2013 under the Forbearance Agreement. The Company is currently in discussions with Zurich for the settlement of the Loss Amount due under the Forbearance Agreement. There can be no assurance that the Company will be successful in settling with Zurich the Loss Amount due.

Cooper Medical Center Claim

The Company has submitted a claim and request for equitable adjustment to the Owner in the amount of $2,421,425 (the Claim) for significant delays, disruptions and construction changes that were beyond its control related to the Cooper Project, which was completed in the fiscal year ended April 30, 2013. If the Company is successful in the settlement of this Claim, the Company expects to use the proceeds from the claim to repay Zurich the remaining amounts due under the Forbearance Agreement. There can be no assurance that the Company will be successful in settling with the Owner for all or a portion of the submitted claim.

Senior Secured Convertible Notes and Events of Default

As further described in Note 7, “Senior Secured Convertible Notes”, on December 4, 2012, the Company issued an aggregate of $4,000,000 principal amount of senior secured convertible notes (the Notes) to certain accredited investors (the Buyers) for aggregate gross proceeds of $ 4,000,000 pursuant to a securities purchase agreement (the Securities Purchase Agreement) on December 4, 2012. Pursuant to the terms of the Notes, an event of default occurs when the Company’s common stock is suspended or threatened with suspension from trading on The NASDAQ Capital Market (or an equivalent market). As a result of the separate notices received by the Company from NASDAQ as described below, as well as the Company’s failure to obtain an increase in authorized common stock by February 28, 2014, separate events of default occurred under the Notes for each notice (the Events of Default).

On May 2, 2014, the Company received a letter from the Staff of the Listing Qualifications Department of NASDAQ (the Staff) indicating that unless the Company timely requested a hearing before the NASDAQ Hearing Panel (the Panel), the Company’s Common Stock would be subject to delisting from The NASDAQ Capital Market on May 13, 2014 due to the Company’s non-compliance with the requirement to hold an annual meeting of stockholders and to solicit proxy statements, as required by Listing Rules 5620(a) and 5620(b) (the “Annual Meeting Requirement”). The Company timely requested a hearing before the Panel, and on June 12, 2014, the Company conducted a hearing with the Panel to request the continued listing of its securities on The NASDAQ Capital Market pending the completion of its plan to regain and sustain compliance with the Annual Meeting Requirement. On July 1, 2014, the Panel granted the Company’s request for continued listing on the NASDAQ Capital Market, subject to holding a combined annual meeting for the 2013 and 2014 fiscal years by September 30, 2014.

On June 18, 2014, the Company received a separate letter from the Staff indicating that for the last 30 consecutive business days, the closing bid price of the Company’s common stock has been below $1.00 per share, the minimum closing bid price required by the continued listing requirements of NASDAQ, as set forth in Listing Rule 5550(a)(2) (the Rule). In accordance with Listing Rule 5810(c)(3)(A), we have been granted 180 calendar days, or until December 14, 2014, to regain compliance with the Rule (the Compliance Period). To regain compliance, the closing bid price of the Company’s common stock must be at least $1.00 per share for a minimum of 10 consecutive business days, but generally no more than 20 business days, during the Compliance Period.

If the Company does not regain compliance with the Rule by December 14, 2014, NASDAQ will provide written notification to the Company that our common stock may be delisted. However, we would be entitled to an additional 180-day period from December 14, 2014 to regain compliance, if, on December 14, 2014, we meet the continued listing requirement for market value of publicly held shares and all other initial listing standards for The NASDAQ Capital Market, with the exception of the bid price requirement, and we would need to provide written notice to NASDAQ of our intention to cure the deficiency during the second compliance period by effecting a reverse stock split, if necessary.

As a result of each of the Events of Default, the Buyers have the right to require the Company to redeem the Notes equal to the Conversion Amount (as defined in the Notes) plus a make-whole amount equal to the amount of any interest that, but for any redemption of the Notes on such given date, would have accrued with respect to the Conversion Amount being redeemed under the Notes at the interest rate then in effect for the period from such given date through October 31, 2023, the amended maturity date of the Notes, discounted to the present value of such interest using a discount rate of 2.5% per annum. The value of the event of default redemption price is approximately $2,800,000. Currently, the principal amount of Notes outstanding is $898,334, and the interest rate on the Notes was increased to 25% per annum effective March 1, 2014.

The Company has provided notice to the Buyers of each of the Events of Default, but no Buyer has exercised its right of redemption. If the Company is required to repay the Notes, the Company does not have sufficient working capital to repay the outstanding borrowings. The Company and the Buyers have commenced discussions concerning a forbearance or waiver of the Event of Default, however, there can be no assurance that the Company and Buyers will come to any agreement (either oral or written) regarding repayment, forbearance, waiver and/or modification of the Notes.

The Company's continuation as a going concern beyond the next twelve months and its ability to discharge its liabilities and commitments in the normal course of business is ultimately dependent upon the execution of its future plans, which includes the following: (1) its ability to generate future operating income, reduce operating expenses and produce cash from its operating activities, which will be affected by general economic, competitive, and other factors, many of which are beyond the Company's control; (2) the repayment of, or the modification of the terms under the Zurich Forbearance Agreement; (3) the forbearance or waiver of the Events of Default under the Notes, (4) the settlement of the claim with the Owner; and (5) obtaining additional funds, either through financing or sale of assets. There can be no assurance that the Company's plans to ensure continuation as a going concern will be successful.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows:

Principles of Consolidation

All significant intercompany transactions and balances have been eliminated in these consolidated financial statements.

Reclassifications

Certain reclassifications have been made in prior years' consolidated financial statements to conform to the current year's presentation. These reclassifications reflect the results of the Australia and Seattle Operations as discontinued operations for all periods presented.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the reporting period. The most significant estimates relate to the calculation of percentage-of-completion on uncompleted contracts, allowance for doubtful accounts, realization of deferred tax assets, capitalization of software costs, and valuation of equity instruments. Actual results could differ from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents include all cash and highly-liquid investments with a maturity at time of purchase of three months or less.

Restricted Cash

In connection with the terms of the Notes, all payments of domestic accounts receivable of the Company are deposited into an account (the Lockbox Account) controlled by Worldwide Stock Transfer, LLC (the Collateral Agent). The Company is permitted to receive from the Lockbox Account on a daily basis, such cash equal to (A) (i) the cash balance in the Lockbox Account plus (ii) 95% of the available qualified accounts receivable, less (iii) $250,000, minus (B) the amount of principal, accrued interest and costs and expenses owed pursuant to the Notes. At any given time, the Company considers the cash held in the Lockbox Account that it is not yet permitted to draw down based on the calculation above, to be restricted cash. Restricted cash is classified as a current asset, consistent with the classification of the Notes as a current liability. As of April 30, 2014 and 2013 restricted cash was approximately $0 and $1,869,000, respectively.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company reduces credit risk by placing its temporary cash and cash equivalents with major financial institutions domestically and internationally. At times, such amounts may exceed federally insured limits. Cash and cash equivalents included in foreign financial institutions was approximately $233,000. The Company reduces credit risk related to accounts receivable by routinely assessing the financial strength of its customers and maintaining an appropriate allowance for doubtful accounts based on its history of write-offs, current economic conditions and an evaluation of the credit risk related to specific customers. The Company does not require collateral in most cases, but may file claims against the construction project if a default in payment occurs.

Accounts Receivable

Accounts receivable are due within contractual payment terms and are stated at amounts due from customers net of an allowance for doubtful accounts. Credit is extended based on evaluation of a customer's financial condition. Accounts outstanding longer than the contractual payment terms are considered past due. The Company determines its allowance by considering a number of factors, including the length of time trade accounts receivable are past due, the Company's previous loss history, the customer's current ability to pay its obligation to the Company, and the condition of the general economy and the industry as a whole. The Company writes off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. Included in the accounts receivable is retainage receivable of $634,935 and $378,586 at April 30, 2014 and 2013, respectively, such amounts are anticipated to be collected within the next fiscal year.

Approximately $3,999,000 of account receivables are associated with our China Operations, of which approximately $260,000 is aged longer than one (1) year, and it is expected that the remaining balances will be collected between six(6) to twelve(12) months.

Foreign Currency Translation

Assets and liabilities related to the Company’s China operations are calculated using the Renminbi and are translated at end-of-period exchange rates, while the related revenues and expenses are translated at average exchange rates prevailing during the period. Included in the Company’s discontinued operations are assets and liabilities related to its Australia Operations, which are calculated using the Australian dollar and are translated at end-of-period exchange rates, while the related revenues and expenses are translated at average exchange rates prevailing during the period. Translation adjustments are recorded as a separate component of consolidated stockholders’ equity. Any foreign currency transactions are immaterial.

Comprehensive Loss

The Company reports comprehensive loss and its components in its consolidated financial statements. Comprehensive loss consists of net loss and foreign currency translation adjustments, affecting stockholders’ equity that, under U.S, GAAP, are excluded from net loss.

Research and development costs

Research and development costs consist of direct and indirect costs associated with the development of the Company’s bitcoin technologies. These costs are expensed as incurred. Research and development costs for the years ended April 30, 2014 and 2013 were approximately $269,000 and $0, respectively.

Capitalized Software Costs

Costs incurred in the research, design and development of software for sale to others as a separate product or embedded in a product and sold as part of the product as a whole are charged to expense until technological feasibility is established. Thereafter, software development costs, consisting primarily of payroll and related costs, purchased materials and services and software to be used within its products, which significantly enhance the marketability or significantly extend the life of its products are capitalized, and amortized to cost of revenue on a straight-line basis over three years, beginning when the products are offered for sale or when the enhancements are integrated into the product.

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization are provided for using straight-line methods, in amounts sufficient to charge the cost of depreciable assets to operations over their estimated service lives. Repairs and maintenance costs are charged to operations as incurred. Leasehold improvements are amortized over the lesser of the term of the related lease or the estimated useful lives of the assets (two to three years).

Impairment of Long-lived assets

The Company reviews its long-lives assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing a review for impairment, the Company compares the carrying value of the assets with their estimated future undiscounted cash flows from the use of the asset and eventual disposition. If the estimated undiscounted future cash flows are less than carrying value, an impairment loss is charged to operations based on the difference between the carrying amount and the fair value of the asset.

Derivative Instruments

The Company's derivative liabilities are related to embedded conversion features of the Notes and the common stock Warrants issued in connection with the Purchase Agreement. For derivative instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in fair value recognized in earnings each reporting period. The Company uses the binomial lattice model to value the derivative instruments at inception and subsequent valuation dates and the value is re-assessed at the end of each reporting period, in accordance with Accounting Standards Codification (ASC) 815. Derivative instrument liabilities are classified in the consolidated balance sheets as current or non-current based on whether or not the net-cash settlement of the derivative instrument could be required within twelve months of the balance sheet date.

Fair Value of Financial Instruments

The Company's material financial instruments at April 30, 2014 and 2013 for which disclosure of fair value is required by certain accounting standards consisted of cash and cash equivalents, accounts receivable, account payable, loans payable, senior secured convertible notes and short-term bank loan. The fair values of cash and cash equivalents, accounts receivable, and account payable are equal to their carrying value because of their liquidity and short-term maturity. Management believes that the fair values of loans payable, senior secured convertible notes and short-term bank loan do not differ materially from their aggregate carrying values in that substantially all the obligations bear variable interest rates that are based on market rates or interest rates that are periodically adjustable to rates that are based on market rates.

As defined by the ASC, fair value measurements and disclosures establish a hierarchy that prioritizes fair value measurements based on the type of inputs used for the various valuation techniques (market approach, income approach and cost approach). The levels of hierarchy are described below:

· Level 1: Observable inputs such as quoted market prices in active markets for identical assets or liabilities.

· Level 2: Inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly; these include quoted prices for similar assets or liabilities in active markets, such as interest rates and yield curves that are observable at commonly-quoted intervals.

· Level 3: Unobservable inputs that reflect the reporting entity's own assumptions, as there is little, if any, related market activity. The Company's chief financial officer determines its valuation policies and procedures associated with Level 3 inputs.

Revenue Recognition

The Company generates its revenue by offering low voltage communications infrastructure contracting services. The Company's contracting services report revenue pursuant to customer contracts that span varying periods of time. The Company reports revenue from contracts when persuasive evidence of an arrangement exists, fees are fixed or determinable, and collection is reasonably assured.

The Company records revenue and profit from long-term contracts on a percentage-of-completion basis, measured by the percentage of contract costs incurred to date to the estimated total costs for each contract. Contracts in process are valued at cost plus accrued profits less earned revenues and progress payments on uncompleted contracts. Contract costs include direct materials, direct labor, third party subcontractor services and those indirect costs related to contract performance. Contracts are generally considered substantially complete when engineering is completed and/or site construction is completed.

The Company has numerous contracts that are in various stages of completion. Such contracts require estimates to determine the appropriate cost and revenue recognition. Cost estimates are reviewed monthly on a contract-by-contract basis, and are revised periodically throughout the life of the contract such that adjustments to profit resulting from revisions are made cumulative to the date of the revision. Significant management judgments and estimates, including the estimated cost to complete projects, which determines the project's percent complete, must be made and used in connection with the revenue recognized in the accounting period. Current estimates may be revised as additional information becomes available. If estimates of costs to complete long-term contracts indicate a loss, provision is made currently for the total loss anticipated.

The length of the Company's contracts varies but is typically between three months and two years. Assets and liabilities related to long-term contracts are included in current assets and current liabilities in the accompanying consolidated balance sheets as they will be liquidated in the normal course of contract completion, although this may require more than one year.

The Company records revenue and profit from short-term contracts for the China Operations under the completed contract method, whereas income is recognized only when a contract is completed or substantially completed. Accordingly, during the period of performance, billings and deferred contract costs are accumulated on the consolidated balance sheets as deferred contract costs, but no revenue or income is recorded before completion or substantial completion of the work. The Company's decision is based on the short-term nature of the work performed. Deferred contract costs include equipment lease deposits to the third party vendors of approximately $748,000 and $771,000 as of April 30, 2014 and 2013, respectively.

The Company also recognizes certain revenue from short-term contracts when the services have been provided to the customer. For maintenance contracts, revenue is recognized ratably over the service period.

Other Concentrations

The Company has 108 union employees (40 associated with discontinued operations). At April 30, 2014, 45% (17% associated with discontinued operations) of the Company's labor force is subject to collective bargaining agreements. Although the Company's past experience has been favorable with respect to resolving conflicting demands with these unions, it is always possible that a protracted conflict may occur which could impact the renewal of the collective bargaining agreements. The following is a summary of the union employees who are covered by contracts that expire at various times as follows:

Operations	# of Employees	Union Contract Expiration Date
Seattle - Discontinued	16	May 31, 2015
	1	August 31, 2015
	1	June 30, 2015
	13	May 31, 2016
	9	July 31, 2015
Discontinued Operations	40	
Suisun City	68	November 30, 2014
Total Union Employees	**108**	

For the fiscal year ended April 30, 2014, there was one customer in the Suisun City Operations, San Francisco General Hospital, which accounted for 16.6% of the Company's revenue. For the fiscal year ended April 30, 2013, there was one customer in the Trenton Operations, the Camden County Improvement Authority or the Cooper Project, which accounted for 23.3% of the Company's revenue.

Income Taxes

The Company accounts for income taxes pursuant to the asset and liability method which requires deferred income tax assets and liabilities to be computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

On a periodic basis, the Company evaluates its ability to realize its deferred tax assets net of its deferred tax liabilities and adjusts such amounts in light of changing facts and circumstances, including but not limited to the level of past and future taxable income, and the current and future expected utilization of tax benefit carryforwards. The Company considers all available evidence, both positive and negative, to determine whether, based on the weight of that evidence, a valuation allowance is required to reduce the net deferred tax assets to the amount that is more likely than not to be realized in future periods. The Company considers past performance, expected future taxable income and prudent and feasible tax planning strategies in assessing the amount of the valuation allowance. The Company's forecast of expected future taxable income is based over such future periods that it believes can be reasonably estimated. Based on its analysis as of April 30, 2014 and 2013, the Company continues to provide a full valuation allowance of approximately $7.7 million on its domestic and foreign deferred tax assets. The Company will continue to evaluate the realization of its deferred tax assets and liabilities on a periodic basis, and will adjust such amounts in light of changing facts and circumstances.

The Company performed a review for uncertainty in income tax positions in accordance with authoritative guidance. This review did not result in the recognition of any material unrecognized tax benefits as of April 30, 2014 and 2013. Management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in selling, general and administrative expenses. For the years ended April 30, 2014 and 2013, the Company recognized no interest or penalties. The statute of limitations for the Company's federal, state and foreign income tax returns for fiscal years 2011 to fiscal 2014 are still open.

Recently Issued Accounting Pronouncements

Share-Based Payments with Performance Targets

In June 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-12, *Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period* (ASU 2014-12). ASU 2014-12 requires that a performance target that affects vesting and could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in ASC 718, *Compensation — Stock Compensation*, as it relates to such awards. ASU 2014-12 is effective for us in our first quarter of fiscal 2017 with early adoption permitted using either of two methods: (i) prospective to all awards granted or modified after the effective date; or (ii) retrospective to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter, with the cumulative effect of applying ASU 2014-12 as an adjustment to the opening retained earnings balance as of the beginning of the earliest annual period presented in the financial statements. We are currently evaluating the impact of our pending adoption on ASU 2014-12 on our consolidated financial statements.

Revenue Recognition

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers: Topic* 606 (ASU 2014-09), to supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing U.S. GAAP including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. ASU 2014-09 is effective for us in our first quarter of fiscal 2018 using either of two methods: (i) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09; or (ii) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined per ASU 2014-09. We are currently evaluating the impact of our pending adoption of ASU 2014-09 on our consolidated financial statements.

Reporting Discontinued Operations

In April 2014, the FASB issued Accounting Standards Update No. 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*(ASU 2014-08), to change the criteria for determining which disposals can be presented as discontinued operations and enhanced the related disclosure requirements. ASU 2014-08 is effective for us on a prospective basis in our first quarter of fiscal 2016 with early adoption permitted for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued. We are currently evaluating the impact of our pending adoption of ASU 2014-08 on our consolidated financial statements.

NOTE 3 – BASIC AND DILUTED NET LOSS PER COMMON SHARE

Basic and diluted net loss per common share from continuing operations is computed as net loss from continuing operations less noncontrolling interest and dividends on preferred stock, divided by the weighted average number of common shares outstanding for the period. Diluted net loss per common share reflects the potential dilution that could occur from common stock issuable through exercise of stock options, warrants and Note conversions.

The table below presents the computations of loss per share from continuing operations applicable to common stockholders, after consideration of noncontrolling interest and dividends declared on preferred stock, as follows:

	Years Ended April 30, 2014	Years Ended April 30, 2013
Numerator:		
Net loss from continuing operations attributable to WPCS common shareholders	(11,097,410)	$ (5,379,381)
Denominator:		
Basic and diluted weighted average shares outstanding	5,597,821	994,187
Basic and diluted net loss from continuing operations per common share attributable to WPCS common shareholders	$ (1.98)	$ (5.41)

The following were excluded from the computation of diluted shares outstanding due to the losses from continuing operations for the years ended April 30, 2014 and 2013, as they would have had an anti-dilutive impact on the Company's net loss. Below is a tabulation of the potentially dilutive securities that were "in the money" for the years ended April 30, 2014 and 2013, respectively.

	Years Ended April 30, 2014	Years Ended April 30, 2013
Common stock equivalents:		
Stock options	97	116,279
Conversion of senior secured convertible notes	4,491,692	1,857,097
Stock warrants	383,027	2,274,796
Totals	4,874,816	4,248,172

NOTE 4 – CAPITALIZED SOFTWARE COSTS

Description of the Transaction

On December 17, 2013, the Company entered into various agreements, as more fully described below, which are expected to add a new line of business and reporting segment to the Company's existing operations. The Company acquired software technology in the emerging Bitcoin industry of a cross-exchange trading technology platform that provides access to ninety percent of publicly available Bitcoin liquidity (the BTX Software).

BTX was formed in the state of Delaware on December 4, 2013. In connection with the formation of BTX, certain investors who previously purchased Notes contributed an aggregate of (i) $439,408 of Notes, along with all rights under the related securities purchase agreement, security and pledge agreement and registration rights agreement (other than the Exchange Cap Allocation and Authorized Share Allocation, as such terms are defined in the Notes) (such $439,408 of Contributed Notes) and (ii) $1,185,000 in cash, as their initial capital contributions to BTX. On December 17, 2013, BTX purchased the BTX Software and related intellectual property rights from Divya Thakur and Ilya Subkhankulov in consideration for (i) the assignment of the Contributed Notes and (ii) assumption of a secured promissory note in the principal amount of $500,000, which accrues interest at a rate of 3.32% (the BTX Note). BTX's obligations under the BTX Note are secured by the assets of BTX pursuant to a Security Agreement.

On December 17, 2013, the Company entered into a Securities Purchase Agreement (the BTX Purchase Agreement) with certain accredited investors (the Investors) pursuant to which the Company sold an aggregate of 2,438 shares of its newly designated Series E Convertible Preferred Stock, $1,000 stated value (the Series E Preferred Stock) and warrants (the BTX Warrants and, collectively with the shares of Series E Preferred Stock, the Securities) to purchase up to an aggregate of 1,500,000 shares of the Company's common stock (the Financing). As consideration for the purchase of the Securities, the Investors sold their collective interests in BTX to the Company, which such interests constituted 100% of the outstanding membership interests of BTX, causing BTX to become a wholly owned subsidiary of the Company. The Securities are more fully described in Note 15, "Shareholders Equity."

Accounting Treatment of BTX

The Company recorded the transaction for the acquisition of the BTX Software as capitalized software costs. The Company determined that the capitalized acquisition cost of the BTX Software was $3,100,302, based on the fair value of the consideration transferred. The cost of the asset purchase was based on the fair value of the Series E Preferred Stock, fair value of the BTX Warrants, and assumption of the BTX Note, offset by the cash received of $1,185,000 in the transaction.

Capitalized software costs are determined as follows as of April 30, 2014:

Fair value of Series E Preferred Stock	$	2,635,147
Fair value of BTX Warrants		1,150,155
BTX Note		500,000
Less: Cash received		(1,185,000)
Total acquired value of BTX Software		3,100,302
Additional capitalized software costs		107,003
Total	$	3,207,305

The Company determined the fair value of the Series E Preferred Stock and related make-whole based on the Conversion Amount (as defined in Series E Preferred Stock Certificate of Designation) using the closing common share market price as of December 18, 2013 of $1.64. The transaction was announced after the market close on December 17, 2013. The first time market participants could have bought or sold the Company's common stock with the knowledge of the transaction was on December 18, 2013. Therefore, the closing price on December 18, 2013 was considered to be the fair value. The resulting fair value of the Series E Preferred Stock is $2,635,147.

The Company estimated the fair value of the BTX Warrants using the Black-Scholes Merton option pricing model (Black-Scholes) with the following assumptions: conversion price of $5.00 per share; risk free interest rate of 1.52%; expected life of 5 years; expected dividend of zero; and volatility factor of 85.09%; and a common stock price of $1.64 as of December 18, 2013, as discussed above. The expected volatility is based on the historical price volatility of the Company's common stock. The risk-free interest rate represents the U.S. Treasury constant maturities rate for the expected life of the BTX Warrants. The dividend yield represents anticipated cash dividends to be paid over the expected life of the Warrants to the common shareholders. The resulting fair value of the BTX Warrants is $1,150,155.

NOTE 5 - COSTS AND ESTIMATED EARNINGS ON UNCOMPLETED CONTRACTS

The asset, "Costs and estimated earnings in excess of billings on uncompleted contracts", represents revenue recognized in excess of amounts billed. The liability, "Billings in excess of costs and estimated earnings on uncompleted contracts", represents billings in excess of revenue recognized. Costs and estimated earnings on uncompleted contracts consist of the following at April 30:

	April 30, 2014	April 30, 2013
Costs incurred on uncompleted contracts	$ 14,457,907	$ 61,281,224
Provision for loss on uncompleted contracts	-	(11,148)
Estimated contract earnings (losses)	3,291,077	(1,850,297)
	17,748,984	59,419,779
Less: Billings to date	18,766,199	60,434,797
Total	$ (1,017,215)	$ (1,015,018)
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 431,348	$ 329,141
Billings in excess of cost and estimated earnings on uncompleted contracts	1,448,563	1,344,159
Total	$ (1,017,215)	$ (1,015,018)

Revisions in the estimated gross profits on contracts and contract amounts are made in the period in which circumstances requiring the revisions become known. During the fiscal year ended April 30, 2013, the effect of such revisions in estimated contract profits resulted in an increase to gross profit of approximately $2,179,000, from that which would have been reported had the revised estimates been used as the basis of recognition for contract profits in the prior year. This increase in gross profit is primarily the result of change orders received of approximately $1,641,000 from the Cooper Project, for costs that were incurred in the prior fiscal year. Although management believes it has established adequate procedures for estimating costs to complete on open contracts, it is at least reasonably possible that additional significant costs could occur on contracts prior to completion.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at April 30:

	Estimated useful life (years)	2014	2013
Furniture and fixtures	5-7	$ 94,260	$ 138,037
Computers and software	2-3	299,055	546,832
Office equipment	5-7	16,814	16,872
Vehicles	5-7	1,281,456	1,558,460
Machinery and equipment	5	5,401,436	5,898,291
Building	39	447,603	454,321
Leasehold improvements	2-3	291,688	308,933
		7,832,312	8,921,746
Less accumulated depreciation		6,051,792	6,395,108
		$ 1,780,520	$ 2,526,638

Depreciation and amortization expense for property and equipment for the years ended April 30, 2014 and 2013 was approximately $752,000 and $916,000, respectively.

NOTE 7 – SENIOR SECURED CONVERTIBLE NOTES

Initial Proceeds from Issuance

On December 4, 2012, the Company entered into a Securities Purchase Agreement with the Buyers pursuant to which, the Company sold an aggregate of (i) $4,000,000 principal amount of Notes and (ii) warrants (the Warrants) to purchase 2,274,796 shares of the Company's common stock, to the Buyers for aggregate gross proceeds of $4,000,000 (the Financing). In connection with the Financing, (i) the Company entered into a registration rights agreement with the Buyers (the Registration Rights Agreement), (ii) the Company and its subsidiaries entered into a security and pledge agreement in favor of the collateral agent for the Buyers (the Security Agreement), and (iii) subsidiaries of the Company entered into a guaranty in favor of the collateral agent for the Buyers (the Guaranty). The Closing Date of the Financing was December 5, 2012.

Pursuant to the terms of the Notes, the Company deposited the initial funds received from the Financing, minus the Initial Lending Amount of $2,178,516 into the Lockbox Account controlled by the Collateral Agent, as collateral agent on behalf of the Buyers. The Company used the Initial Lending Amount to repay the existing loan of $2,000,000, plus $78,516 of interest accrued and fees and expenses to Sovereign Bank, N.A. (Sovereign), which credit agreement was terminated in connection with the Notes, and $100,000 for Buyer legal fees in connection with the Notes. The Notes contain certain customary representations and warranties, affirmative and negative covenants, and events of default. The principal financial covenant is that the Company shall maintain a current ratio of not less than 0.6 to 1.0 as of the last calendar day of each month. As of April 30, 2014, the Company is in compliance with the financial covenants.

Amendment, Waiver and Exchange Agreement

On October 25, 2013, the Company entered into the Amendment with the Buyers that amended the conversion features of the Warrants and Notes. Pursuant to the Amendment, the Buyers 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 Buyer received a unit of four Exchange Warrants and one Share. It was determined that the Black-Scholes value of one warrant being exchanged was equal to $1.83, resulting in four Warrants being equal to $7.32 and the parties valued the unit at a price of $7.52. As a result, the Shares issued were calculated at $0.20, and by the operation of the terms of the Notes, the conversion price of the Notes automatically adjusted to $0.20. 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 Buyers permanently waived, effective as of October 24, 2013, various provisions of the remaining 2,119,835 Warrants, including the anti-dilution protection from the issuance of securities at a price lower than the 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, the exercise price of the Warrants will only adjust in the event of any future stock splits or dividends. The Exercise Price of the Warrants remains at $2.1539 per share. The Amendment resulted in 2,119,835 Warrants and 154,961 Exchange Warrants having the same terms, conditions and rights.

Further, the Buyers agreed to waive any defaults through February 28, 2014 relating to the failure of the Company to have enough authorized shares of common stock available for issuance upon conversion of the Notes and/or exercise of the Warrants.

Amendment to Notes

Effective October 31, 2013, the Company entered into an amendment agreement (the Note Amendment) with the Buyers. The Note Amendment eliminated certain features of the Notes which would otherwise result in substantial accounting charges to the Company. Pursuant to the Note Amendment, the Buyers permanently waived 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 Buyers waived certain events of default that had occurred under the Notes as more fully described as follows. Pursuant to the terms of the Notes, an event of default occurs when the Company's common stock is suspended or threatened with suspension from trading on The NASDAQ Capital Market (or an equivalent market). On October 7, 2013, the Company received a notice from the Staff of the Listing Qualifications Department of The NASDAQ Stock Market LLC (NASDAQ) indicating that the Company's common stock would be subject to delisting from The NASDAQ Capital Market on October 16, 2013 due to the Company's non-compliance with the applicable $2.5 million stockholders' equity requirement, as set forth in Listing Rule 5550(b) (1). As a result of the notice from NASDAQ, an event of default occurred under the Notes, which was waived by the Buyers pursuant to the Note Amendment.

Prior to the Note Amendment, if an event of default existed under the Notes, the Buyers would have been entitled to redeem $3,400,000 in aggregate principal and interest of the Notes for a redemption price equal to the greater of 125% of (x) the deemed value of the shares of common stock underlying the Note (the Intrinsic Value) and (y) the outstanding principal and unpaid interest under the Notes (the Base Value). The Note Amendment reduces and fixes the event of default redemption price by eliminating the Intrinsic Value calculation and modifying the Base Value calculation and interest rate to more accurately make-whole the holders of the Notes from the loss of interest from an early redemption of the Notes and the decreased value of the Notes without such Intrinsic Value rights. As revised, the event of default redemption amount equals the sum of the Conversion Amount (as defined in the Notes) to be redeemed, plus a make-whole amount equal to the amount of any interest that, but for any redemption of the Notes on such given date, would have accrued with respect to the Conversion Amount being redeemed under the Notes at the interest rate then in effect for the period from such given date through October 31, 2023, the amended maturity date of the Notes, discounted to the present value of such interest using a discount rate of 2.5% per annum. As a result, the fixed value of the event of default redemption price was approximately $10,900,000 at the time of the Note Amendment. As a result of Note conversions during the current fiscal year, the value of the event of default redemption price was approximately $2,800,000 as of April 30, 2014. No Buyer has exercised its right of redemption as a result of the events of default discussed above. In addition, the interest rate of the Notes was amended to 15% per annum, subject to increase to 25% per annum if an event of default occurs and is continuing.

As a result of the significant modifications of the Notes, the Company determined that the Notes were extinguished and new Notes were issued. In connection with this modification, the Company compared the present value of the beneficial conversion features of the Notes to the new Notes. The Company determined that the present value of the new Notes exceeded the present value of the old Notes by more than 10%, which resulted in the application of extinguishment accounting. The modification of the Note resulted in the debt instruments being exchanged with substantially different terms and extinguishment accounting was applied resulting in a loss on extinguishment of debt for the unamortized discount related to the Notes of $1,299,304. In addition, the Company recorded a new beneficial conversion feature and associated debt discount of $3,400,000 related to the proceeds of the new Notes based on the fixed conversion rate of $0.20 and the fair market value of the common stock at the amendment date.

Prior to the Note Amendment, $593,923 of Notes was converted into 275,742 shares of the Company's Common Stock. In addition, $6,077 of Notes was redeemed for cash at the request of a Buyer.

During the year ended April 30, 2014, $2,501,666 of Notes was converted into 12,508,340 shares of the Company's Common Stock, resulting in the accelerated write-off of unamortized debt discount of $2,501,666 and included in interest expense. In addition, $19,231 of accrued interest on Notes was converted into 96,155 shares of the Company's Common Stock.

In connection with the Amendment, the Company reserved an aggregate of 12, 866,937 shares of Common Stock for issuance in connection with the conversion of the Notes, Warrants, and/or Exchange Warrants of the Buyers (the Share Reserve Allocation). As of April 30, 2014, the Buyers have converted Notes up to the Share Reserve Allocation. Until such time as the Company has increased its number of authorized shares, pursuant to stockholder approval, merger or otherwise, the Company shall not be required to reserve more than the Share Reserve Allocation, and the Buyers shall not be entitled to convert and/or exercise, as applicable, the Note, the Warrants, and/or the Exchange Warrants, since they have already converted Notes up to the Share Reserve Allocation.

Following the Note Amendment, senior secured convertible notes consist of the following April 30, 2014:

	Notes	Debt Discount	Total
Beginning balance- Senior secured convertible notes, interest at 4% per annum to maturity June 5, 2014	$ 4,000,000	$ (2,888,889)	$ 1,111,111
Conversion of Notes before Note Amendment	(593,923)	-	(593,923)
Amortization of debt discount, Notes	-	1,589,585	1,589,585
Redemption of Notes	(6,077)	-	(6,077)
Extinguishment of Notes	(3,400,000)	-	(3,400,000)
Loss on extinguishment of debt , Notes	-	1,299,304	1,299,304
Senior secured convertible notes, interest at 15% per annum to maturity October 31, 2023	3,400,000	-	3,400,000
Debt discount - value attributable to beneficial conversion features, Notes	-	(3,400,000)	(3,400,000)
Conversion of Notes, and accelerated write off of unamortized debt discount after Note Amendment	(2,501,666)	2,501,666	-
Amortization of debt discount, Notes	-	44,921	44,921
April 30, 2014	$ 898,334	$ (853,413)	$ 44,921

Events of Default under the Notes

Pursuant to the terms of the Notes, an event of default occurs when our common stock is suspended or threatened with suspension from trading on The NASDAQ Capital Market (or an equivalent market). As a result of the separate notices received by the Company from NASDAQ as described above, as well as the Company's failure to obtain an increase in authorized common stock by February 28, 2014, Events of Default occurred under the Notes.

As a result of each of the Events of Default, the Buyers have the right to require the Company to redeem the Notes equal to the Conversion Amount (as defined in the Notes) to be redeemed, plus a make-whole amount equal to the amount of any interest that, but for any redemption of the Notes on such given date, would have accrued with respect to the Conversion Amount being redeemed under the Notes at the interest rate then in effect for the period from such given date through October 31, 2023, the amended maturity date of the Notes, discounted to the present value of such interest using a discount rate of 2.5% per annum. The value of the event of default redemption price is approximately $2,800,000. Currently, the principal amount of Notes outstanding is $898,334 and the interest rate on the Notes was increased to 25% per annum effective March 1, 2014.

The Company has provided notice to the Buyers of each of the Events of Default, but no Buyer has exercised its right of redemption. If the Company is required to repay the Notes, it does not have sufficient working capital to repay the outstanding borrowings. The Company and the Buyers have commenced discussions concerning a forbearance or waiver of the Events of Default, however, there can be no assurance that the Company and Buyers will come to any agreement (either oral or written) regarding repayment, forbearance, waiver and/or modification of the Notes.

Registration Rights of the Shares Issuable Upon Conversion of the Notes

The Company agreed to file a registration statement with the SEC, within 30 days following receipt of a request from a Buyer (or 45 days with respect to an underwritten offering), covering such shares of common stock issuable upon conversion of the Notes or exercise of the Warrants, as requested by the Buyers, and have such registration statement declared effective by the SEC within 90 days thereafter. The Company also agreed to notify the Buyers if the Company at any time proposes to register any of its securities under the Securities Act of 1933, as amended, and of such Buyers' right to participate in such registration. In connection with the conversion described above, no request has been received from a Buyer to register such shares.

If the Company fails to comply with the registration statement filing, effective date or maintenance date filing requirements, it is required to pay the Buyers a registration delay payment in cash equal to 2% of the Buyer's original principal amount stated on such Investors' Note as of the Closing Date on the date of each failure, and on every thirty (30) day anniversary of the respective failures (Registration Delay Payment). Notwithstanding the foregoing, in no event shall the aggregate amount of Registration Delay Payments exceed 10% of such Investor's original principal amount stated on the New Notes on the Closing Date. The Company accounts for such Registration Delay Payments as contingent liabilities. Accordingly, the Company recognizes such damages when it becomes probable that they will be incurred and amounts are reasonably estimable. No Buyers have submitted a request for a registration statement as of the date of this filing.

Buyers Security Interests and Guarantees

Pursuant to the Guaranty, subsidiaries of the Company guaranteed to the collateral agent, for the benefit of the Buyers, the punctual payment, as and when due and payable, of all amounts owed by the Company in respect of the Purchase Agreement, the Notes and the other transaction documents executed in connection with the Purchase Agreement.

Pursuant to the Security Agreement, the Company and its subsidiaries granted, in favor of the collateral agent for the Buyers, a continuing security interest in all personal property and assets of the Company and its subsidiaries, as collateral security for the obligations of the Company and its subsidiaries under the Purchase Agreement, the Notes, the Guaranty and the other transaction documents.

In connection with the BTX Purchase Agreement, the Company agreed to waive any rights to compel the redemption of the Notes. The Buyers agreed to restrict their ability to convert the Notes and/or exercise the Warrants and Exchange Warrants and receive shares of the Company's Common Stock such that the number of shares of Common Stock held by the Buyer in the aggregate and its affiliates after such conversion or exercise does not exceed 9.99% of the then issued and outstanding shares of the Company's Common Stock.

NOTE 8 – OTHER DEBT

Short-Term Bank Loan

Effective August 1, 2013, the China Operations entered into a loan with the Bank of China (the Short-Term Bank Loan). The Short-Term Bank Loan provides for a loan in the amount of $3,195,000. The proceeds from the Short-Term Bank Loan were used to repay the outstanding Short-Term Bank Loan as of April 30, 2013, of $2,432,205. The Short-Term Bank Loan has an interest rate of 7.38%, and interest is due on a quarterly basis. The Short-Term Bank Loan matures on August 1, 2014, and is secured by the assets of TGG.

Due Related Party

As of April 30, 2014, the China Operations had outstanding payables due a related party, TGG, totaling $778,573 due on demand, representing interest accrued on former working capital loans from TGG to the China Operations.

Loans Payable and Secured Promissory Note

The Company's long-term debt also consists of notes issued by the Company or assumed in acquisitions related to the purchase of property and equipment in the ordinary course of business. At April 30, 2014 and 2013, secured promissory note and assets under loans payable obligations totaled $588,217 and $90,663, with interest rates ranging from 3.22% to 8.99%, and 0% to 8.99% respectively. Of the Company's total loan payable and secured promissory note as of April 30, 2014, $88,217 relate to long-term debt assumed in acquisitions for the purchase of property and equipment in the ordinary course of business, and $500,000 relates to the BTX Note.

The aggregate maturities of long-term debt, including short-term term loan, loans payable and secured promissory note are as follows:

Year ending April 30,

		Loans Payable and Secured Promissory Note
2015	$	31,680
2016		29,377
2017		21,238
2018		5,922
Thereafter		500,000
Less short-term debt		(31,680)
Total long-term debt	$	556,537

NOTE 9 – DERIVATIVE LIABILITIES

Senior secured convertible notes- embedded conversion features

At inception, the Notes met the definition of a hybrid instrument, as defined in ASC 815. The hybrid instrument was comprised of (i) a debt instrument, as the host contract and (ii) an option to convert the debentures into common stock of the Company, as an embedded derivative and recorded as a discount to the Notes. The embedded derivatives derive their value based on the underlying fair value of the Company's common stock. The embedded derivatives are not clearly and closely related to the underlying host debt instrument since the economic characteristics and risk associated with these derivatives are based on the common stock fair value and the Company recognized derivative liabilities since inception.

As a result of the aforementioned Note Amendment, the Notes no longer contained the provisions that required bifurcation and the classification was changed from liability to an equity instrument. This results in the extinguishment of the derivative liability. The final fair value of the embedded derivatives on the date of the Note Amendment was $4,000,437, which was reclassified to additional paid-in capital. Prior to the Note Amendment, the changes in the fair value of the embedded derivative were recognized in earnings and classified as a gain or loss on the embedded derivative financial instrument in the accompanying condensed consolidated statements of operations. For the years ended April 30, 2014 and 2013, the Company recognized a loss of $1,598,537 and $472,896, respectively.

The Company estimated the final fair value of the embedded derivatives using a binomial lattice model with the following assumptions: conversion price of $0.20 per share; risk free interest rate of 0.08%; contractual life of 1.5 years; expected dividend of zero; a volatility factor of 116%; and a volume weighted average common stock price of $2.07 per share as of October 31, 2013. The expected lives of the instruments are equal to the underlying term of the senior secured convertible notes. The expected volatility is based on the historical price volatility of the Company's common stock over the contractual life. The risk-free interest rate represents the U.S. Treasury constant maturities rate for the expected life of the related conversion option. The dividend yield represents anticipated cash dividends to be paid over the expected life of the conversion option.

Common stock warrants

At inception, the Company determined that the fair value of the Warrants issued in connection with the issuance of the Notes under the Purchase Agreement was a derivative liability and recorded them as a discount to the Notes since inception.

As a result of the aforementioned Amendment, the exercise price of the Warrants and Exchange Warrants was fixed at $2.1539 per share, and will only adjust in the event of any future stock splits or dividends. The Warrants no longer contained the provisions that required bifurcation and the classification was changed from liability to an equity instrument, which resulted in the extinguishment of this derivative. The final fair value of the derivative liability on the date of the Amendment was $3,093,722, which was reclassified to additional paid-in capital. Prior to the Amendment, the changes in the fair value of the embedded derivative were recognized in earnings and classified as a gain or loss on the embedded derivative financial instrument in the accompanying condensed consolidated statements of operations. For the years ended April 30, 2014 and 2013, the Company recognized a gain of $764,787 and a loss of $2,230,352, respectively.

The Company estimated the final fair value of the Warrant derivative using a binomial lattice model with the following assumptions: conversion price of $2.1539 per share; risk free interest rate of 1.31%; expected life of 5 years; expected dividend of zero; a volatility factor of 81%; and a volume weighted average common stock price of $2.07 per share as of October 31, 2013. The expected lives of the instruments are equal to the contractual term of the Warrants. The expected volatility is based on the historical price volatility of the Company's common stock. The risk-free interest rate represents the U.S. Treasury constant maturities rate for the expected life of the related warrants. The dividend yield represents anticipated cash dividends to be paid over the expected life of the conversion option.

In connection with the aforementioned Amendment, the Company recorded $72,832 of non-cash interest expense and additional paid-in capital for the fair value of the 154,961 Exchange Warrants issued. The Company estimated the fair value of the Exchange Warrants using the Black-Scholes pricing model with the following assumptions: conversion price of $2.1539; risk free interest rate of 1.070%; expected life of 5 years; expected dividend of zero; a volatility factor of 138.2%; and a common stock price of $2.17 as of October 23, 2013. In addition, the Company recorded the fair value of the 38,740 Shares issued with the Exchange Warrants at a fair value of $88,715 based on the closing market price on October 25, 2013 of $2.29 per share.

NOTE 10 - FAIR VALUE MEASUREMENTS

The following table summarizes the financial liabilities measured at fair value on a recurring basis as of April 30, 2014, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

Balance Sheet Location	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	April 30, 2014 Total	Level 3 April 30, 2013 Total	Total Increase (Reduction) in Fair Value Recorded at April 30, 2014
Liabilities:						
Derivative liability - secured convertible notes	$ -	$ -	$ -	$ -	3,088,756	$ 1,598,536
Derivative liability - warrants	$ -	$ -	$ -	$ -	3,858,508	$ (764,786)

The table below sets forth a summary of changes in the fair value of the Company's Level 3 derivative liabilities related to the senior secured convertible notes and warrants prior to reclassification to an equity instrument as a result of the Amendment and Note Amendment.

	Note Conversion Feature	Warrants	Total
Balance at beginning of year	$ 3,088,756	$ 3,858,508	$ 6,947,264
Reduction in derivative instruments from Note conversion	(686,856)	-	(686,856)
Change in fair value of derivative liabilities	1,598,537	(764,787)	833,750
	4,000,437	3,093,721	7,094,158
Reclassification of derivative liabilities to additional paid-in capital	(4,000,437)	(3,093,721)	(7,094,158)
Balance at end of period	$ -	$ -	$ -

NOTE 11 – NONCONTROLLING INTEREST

The Company presents the 40% non-controlling interests associated with the China Operations as a component of equity, with changes in the Company’s ownership interest while it retains its controlling interest will be accounted for as an equity transaction, and upon a loss of control, retained ownership interest will be re-measured at fair value, with any gain or loss recognized in earnings. Income and losses attributable to the non-controlling interests associated with the China Operations are presented separately in the Company’s financial statements.

Noncontrolling interest for the years ended April 30, 2014 and 2013 consists of the following:

	Years Ended April 30, 2014	2013
Balance, beginning of year	$ 849,138	$ 1,117,322
Distributions to noncontrolling interest	-	(367,612)
Net income attributable to noncontrolling interest	11,287	95,406
Other comprehensive (loss) income attributable to noncontrolling interest	(14,220)	4,022
Balance, end of year	$ 846,205	$ 849,138

NOTE 12 - RELATED PARTY TRANSACTIONS

The China Operations earned revenue for contracting services provided to TGG (noncontrolling interest in China Operations) and subsidiaries of $274,348 and $1,345,524 for the years ended April 30, 2014 and 2013, respectively. The China Operations accounts receivable due from TGG and subsidiaries was $0 and $117,751 as of April 30, 2014 and 2013, respectively. During the fiscal year ended April 30, 2013, accounts receivable of $647,518 was settled by the receipt of real estate from TGG which fair value approximates the recorded amount of accounts receivable. Since the transaction was between related parties, the net book value of the real estate of $449,660 was determined as the transfer value of the real estate. The difference between the fair value and transfer value, or $200,766, was booked as a loss to noncontrolling interest as of April 30, 2013.

NOTE 13 - RETIREMENT PLANS

The Company and its subsidiaries participate in employee savings plans under Section 401(k) of the Internal Revenue Code pursuant to which eligible employees may elect to defer a portion of their annual salary by contributing to the plan. There were no Company matching contributions made for the years ended April 30, 2014 and 2013.

The Company also contributes to various multiemployer pension plans pursuant to collective bargaining agreements. The information available to the Company about the multiemployer plans in which it participates, whether via request to the plan or publicly available, is generally dated due to the nature of the reporting cycle of multiemployer plans and legal requirements under the Employee Retirement Income Security Act ("ERISA") as amended by the Multiemployer Pension Plan Amendments Act ("MPPAA"). Based upon these plans' most recently available annual reports, the Company's contribution to these plans were less than 5% of each such plan's total contributions. The "FIP/RP Status Pending or Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. Information on significant multiemployer pension plans in which the Company participates is included in the table below.

Pension Plan Legal name	Federal Identification Number	Pension Certified Zone Status 2014	Pension Certified Zone Status 2013	FIP/RP Status Pending or Implemented	Expiration of Collective Bargaining Arrangement	Company's Contributions 2014	Company's Contributions 2013
International Brotherhood of Electrical Workers District No. 9 Pension Plan	93-6074829	NA	NA	No	11/30/2014	$ 377,490	$ 223,139
Local 351 IBEW Pension Plan	22-3417366	Yellow	Yellow	Yes	Eff. until terminated	946	376,056
Board of Trustees of the IBEW Local 102 Pension Plan	22-1615726	Green	Green	Yes	Eff. until terminated	760	33,112
Board of Trustees of the IBEW Local 269 Pension Fund	23-7301491	Green	Yellow	Yes	Eff. until terminated	22,775	65,343
IBEW Local 164 Pension Fund	22-6031199	Yellow	Yellow	Yes	Eff. until terminated	-	17,149
Other plans						9,319	12,356
Totals						$ 411,290	$ 727,155

Governmental regulations impose certain requirements relative to the multi-employer plans. In the event of plan termination or employer withdrawal, an employer may be liable for a portion of the plan's unfunded vested benefits. The Company has not received information from the plan's administrators to determine its share of unfunded vested benefits. The Company does not anticipate withdrawal from the plans, nor is the Company aware of any expected plan terminations.

NOTE 14 - INCOME TAXES

Loss from continuing operations before provision for income taxes show below is based on the geographic locations to which such loss is attributed for the years ended April 30:

	2014	2013
Loss income before income taxes:		
Domestic	$ (11,133,473)	$ (4,895,562)
Foreign	(26,565)	(172,099)
Totals	$ (11,160,038)	$ (5,067,661)

The provision for income taxes from continuing operations for the years ended April 30, 2014 and 2013 is summarized as follows:

	2014	2013
Current		
Federal	$ -	$ -
State	2,127	13,859
Foreign	145,696	547,374
Totals	147,823	561,233
Deferred		
Federal	(330,765)	(344,919)
State	-	-
Foreign	-	-
Totals	(330,765)	(344,919)
Total provision for income taxes (benefits)	$ (182,942)	$ 216,314

The actual provision for income taxes from continuing operations reflected in the consolidated statements of operations for the years ended April 30, 2014 and 2013 differs from the provision computed at the federal statutory tax rates. The principal differences between the statutory income tax and the actual provision for income taxes are summarized as follows:

	2014	2013
Expected tax (benefit) provision at statutory rate (34%)	$ (3,798,248)	$ (1,723,004)
Rate differential between US statutory rate (34%) and foreign tax rates	178,019	605,886
Foreign Tax Deduction	(10,470)	
State and local taxes, net of federal tax benefit	(392,424)	(230,928)
Valuation allowance	1,564,311	156,887
Non deductible financing costs	2,274,805	1,379,848
Non deductible change in fair value of acquisition-related contingent consideration		-
Other permanent differences	1,065	27,625
Totals	$ (182,942)	$ 216,314

Deferred tax assets and liabilities are provided for the effects of temporary difference between tax basis of an asset or liability and its reported amount in the consolidated balance sheets. These temporary differences result in taxable or deductible amounts in future years.

The components of the Company's deferred tax assets and liabilities are as follows:

	2014	2013
Deferred tax assets:		
Allowance for doubtful accounts	$ 55,140	$ 70,902
Inventory markdown reserve	-	3,597
Reserve for loss on work-in-progress	-	4,453
Net operating loss carryforward	-	-
Bonus and other accruals	725,037	24,570
Non-qualified stock options	76,850	67,050
Foreign tax credit	265,600	132,800
Valuation allowance	(1,122,627)	(303,372)
Deferred tax assets-current	-	-
Intangible assets	3,068	8,893
Goodwill	35,639	39,210
Property and equipment	-	423,105
Net operating loss carryforward	11,717,526	10,580,984
Valuation allowance	(11,700,982)	(10,955,925)
Deferred tax assets-long term	55,251	96,267
Deferred tax liabilities:		
Property and equipment	(55,251)	(90,748)
Intangible assets	-	(5,519)
Goodwill	-	-
Cumulative translation adjustments	-	-
Deferred tax liabilities-long term	(55,251)	(96,267)
Net deferred tax assets (liabilities)	$ -	$ -

At April 30, 2014, the Company has net operating loss carryforwards for Federal tax purposes approximating $27,872,000 expiring through 2034. The Company also has net operating loss carryforwards for state tax purposes approximating $30,230,000 expiring in varying amounts through 2034. However, the future use of some or all of such carried forward domestic losses may be limited by Sec. 382 of Internal Revenue Code in the event of an ownership change, which may have been incurred as a result of the Company's financing activities and other transactions among the Company's shareholders, such as the Hartford and Lakewood asset sales described in Note 17.

The Company considers past performance, expected future taxable income and prudent and feasible tax planning strategies in assessing the amount of the valuation allowance. The Company's forecast of expected future taxable income is based over such future periods that it believes can be reasonably estimated. Based on its analysis as of April 30, 2014, the Company increased its valuation allowance by approximately $1.6 million on its domestic and foreign deferred tax assets. Due to the uncertainty of recognizing a tax benefit on loss carryforwards, the Company has provided a valuation allowance of approximately $12,824,000 at April 30, 2014.

The tax change in the valuation allowance is listed below:

	2014	2013
Balance at beginning of the year	$ 11,259,297	$ 7,657,266
Charged (reversed) to costs and expenses	1,564,311	3,602,031
Balance at end of the year	$ 12,823,608	$ 11,259,297

In 2013, the valuation allowance was increased to offset the foreign net deferred tax assets as the Company determined it was not more likely that these assets would be realized. In 2013, the valuation allowance was increased to offset the foreign net deferred tax assets as the Company determined it was not more likely than not that these assets would be realized. At April 30, 2014, the Company's net deferred tax assets are fully offset by a valuation allowance. The Company continues to analyze the reliability of its deferred tax assets on a regular basis.

Accounting for uncertainty in income taxes requires uncertain tax positions to be classified as non-current income tax liabilities unless they are expected to be paid within one year. The Company has concluded that there are no uncertain tax positions requiring recognition in its consolidated financial statements as of April 30, 2014 and 2013. The Company recognizes interest accrued related to unrecognized tax benefits in interest expense. For the years ended April 30, 2014 and 2013 there was no interest expense relating to unrecognized tax benefits.

Deferred taxes have not been provided on the excess book basis in the shares of the Company's foreign subsidiary because this basis difference is not expected to reverse in the foreseeable future. The basis difference could reverse through a sale of the subsidiaries, the receipt of dividends from the subsidiary, as well as various other events. It is not practical to calculate the residual income taxes that would result if this basis difference reversed due to the complexities of the income tax law and the hypothetical nature of these calculations.

The Company had no undistributed earnings of its foreign subsidiary for the years ended April 30, 2014 and 2013.

The Company and its domestic subsidiaries file a U.S. federal consolidated income tax return. The U.S. federal statute of limitations remains open for the years April 30, 2011 and thereafter. State income tax returns are generally subject to examination for a period of 3 to 5 years after filing the respective return. The Company is not currently under examination by any taxing authority.

NOTE 15 – SHAREHOLDERS' EQUITY

Issuance of Series E Convertible Preferred Stock and BTX Warrants

On December 17, 2013, the Company entered into the BTX Purchase Agreement with the Investors pursuant to which the Company sold an aggregate of 2,438 shares the Series E Convertible Preferred Stock, $1,000 stated value and the BTX Warrants, to purchase up to an aggregate of 1,500,000 shares of Common Stock. As consideration for the purchase of the Securities, the Investors sold their collective interests in BTX to the Company.

Each share of Series E Preferred Stock has a stated value of $1,000 and is convertible into shares of the Company's common stock equal to the stated value (and all accrued but unpaid dividends) divided by the conversion price of $3.50 per share (subject to adjustment in the event of stock splits and dividends). The Series E Preferred Stock accrues dividends at a rate of 12% per annum, payable quarterly in arrears in cash or in kind, subject to certain conditions being met. The Series E Preferred Stock contains a seven year "make-whole" provision such that if the Series E Preferred Stock is converted prior to the seventh anniversary of the date of original issuance, the holder will be entitled to receive the remaining amount of dividends that would have accrued from the conversion until such seven year anniversary. The Company is prohibited from effecting the conversion of the Series E Preferred Stock to the extent that, as a result of such conversion, the holder beneficially owns more than 9.99%, in the aggregate, of the issued and outstanding shares of the Company's common stock calculated immediately after giving effect to the issuance of shares of common stock upon the conversion of the Series E Preferred Stock.

In the event of a liquidation event (as defined in the Series E Preferred Stock Certificate of Designation), each of the Investors shall be entitled to receive in cash any of the asset liquidation funds of the Company before any amount shall be paid to the holders of the Company's common stock (the Liquidation Funds). The amount of the Liquidation Funds shall be the greater of (a) 125% of the Conversion Amount, (as defined in the Series E Preferred Stock Certificate of Designation), or (b) the amount per share such Investor would receive if the Investor converted the Series E Preferred Stock into the Company's common stock immediately prior to the date of such payment. As of April 30, 2014, the Liquidation Funds were approximately $5,707,000 based on the Conversion Amount described above.

The BTX Warrants have an initial exercise price of $5.00 per share (subject to adjustment in the event of stock splits and dividends) and are exercisable on a "cashless" basis beginning six months after the date of issuance if there is not then an effective registration statement covering the resale of the shares of Common Stock underlying the BTX Warrants.

Pursuant to the Purchase Agreement, the Company agreed to use its reasonable best efforts to obtain stockholders' approval at the next annual stockholder meeting or a special meeting of stockholders for (i) the increase of the number of shares of the Company's common stock authorized for issuance to 75,000,000 and (ii) the issuance of all of the securities issuable pursuant to the Purchase Agreement (Stockholder Approval). The Company agreed to seek to obtain Stockholder Approval by April 30, 2014. As the Company did not obtain Stockholder Approval by April 30, 2014, it is obligated to cause an additional annual stockholder meeting to be held annually at which Stockholder Approval will be sought (or if no Annual Meeting of stockholders of WPCS is held in any given year, to seek such approval at a special meeting of stockholders of WPCS in such given year) until such Stockholder Approval is obtained. In June 2014, the Company obtained Stockholder Approval for the issuance of the securities issuable pursuant to the Purchase Agreement but not the increase in authorized shares. The Company intends to seek Stockholder Approval for the increase in authorized shares at a future stockholder meeting.

Neither the shares of Series E Preferred Stock nor the BTX Warrants shall be convertible or exercisable, respectively, until Stockholder Approval is obtained.

In connection with the Financing, (i) the Company entered into a registration rights agreement with the Investors (the BTX Registration Rights Agreement) and (ii) the Company entered into a voting agreement with its officers and directors to vote in favor of the Stockholder Approval (as hereinafter defined). Pursuant to the BTX Registration Rights Agreement, the Company will agree to file a registration statement with the SEC, within 30 days following receipt of a request from a Buyer or Investor (or 45 days with respect to an underwritten offering), covering such shares of common stock issuable upon conversion of the Notes or exercise of the Warrants or BTX Warrants, as requested by the Buyers or Investors, and have such registration statement declared effective by the SEC within 90 days thereafter. The Company also agreed to notify the Buyers or Investors if the Company at any time proposes to register any of its securities under the Securities Act of 1933, as amended, and of such Buyers' or Investors' right to participate in such registration.

Stock-Based Compensation Plans

2014 Equity Incentive Plan

In January 2014, the Company adopted the 2014 Equity Incentive Plan, subject to shareholder approval, under which officers, directors, key employees or consultants may be granted options. Under the 2014 Equity Incentive Plan, 3,500,000 shares of common stock were reserved for issuance upon the exercise of stock options, stock awards or restricted stock Options under the 2014 Equity Incentive Plan are exercisable upon stockholder approval of the 2014 Equity Incentive Plan and an increase in authorized common stock. Under the terms of the 2014 Equity Incentive Plan, stock options are granted at exercise prices equal to the fair market value of the common stock at the date of grant, and become exercisable and expire in accordance with the terms of the stock option agreement between the optionee and the Company at the date of grant. These options generally vest based on between immediately to three years of continuous service and have five-year contractual terms. At April 30, 2014, options to purchase 1,080,000 shares were outstanding at an exercise price of $1.20. At April 30, 2014, there were 2,420,000 options available for grant under the 2014 Equity Incentive Plan. The options granted under the 2014 Equity Incentive Plan were not exercisable at April 30, 2014 because shareholder approval had not been obtained. On July 15, 2014, the Company obtained stockholder approval of the 2014 Equity Incentive Plan, but not an increase in authorized shares of common stock.

2007 Incentive Stock Plan

In September 2006, the Company adopted the 2007 Incentive Stock Plan, under which officers, directors, key employees or consultants may be granted options. Under the 2007 Incentive Stock Plan, 57,142 shares of common stock were reserved for issuance upon the exercise of stock options, stock awards or restricted stock. These shares were registered under Form S-8. Under the terms of the 2007 Incentive Stock Plan, stock options are granted at exercise prices equal to the fair market value of the common stock at the date of grant, and become exercisable and expire in accordance with the terms of the stock option agreement between the optionee and the Company at the date of grant. These options generally vest based on between one to three years of continuous service and have five-year contractual terms. At April 30, 2014, options to purchase 41,429 shares were outstanding at exercise prices ranging from $2.73 to $21.98. At April 30, 2014, there were 13,929 options available for grant under the 2007 Incentive Stock Plan.

2006 Incentive Stock Plan

In September 2005, the Company adopted the 2006 Incentive Stock Plan, under which officers, directors, key employees or consultants may be granted options. Under the 2006 Incentive Stock Plan, 57,142 shares of common stock were reserved for issuance upon the exercise of stock options, stock awards or restricted stock. These shares were registered under Form S-8. Under the terms of the 2006 Incentive Stock Plan, stock options are granted at exercise prices equal to the fair market value of the common stock at the date of grant, and become exercisable and expire in accordance with the terms of the stock option agreement between the optionee and the Company at the date of grant. These options generally vest based on between one to three years of continuous service and have five-year contractual terms. At April 30, 2014, options to purchase 25,142 shares were outstanding at exercise prices ranging from $2.52 to $4.20. At April 30, 2014, there were 21,775 options available for grant under the 2006 Incentive Stock Plan.

2002 Plan

In March 2003, the Company established a stock option plan pursuant to which options to acquire a maximum of 59,523 shares of the Company's common stock were reserved for grant (the "2002 Plan"). These shares were registered under Form S-8. Under the terms of the 2002 Plan, the options are exercisable at prices equal to the fair market value of the stock at the date of the grant and become exercisable in accordance with terms established at the time of the grant. These options generally vest based on between one to three years of continuous service and have five-year contractual terms. At April 30, 2014, options to purchase 12,636 shares were outstanding at exercise prices ranging from $4.20 to $24.71. At April 30, 2014, there were no further shares available for grant under the 2002 Plan as the ten-year term of the 2002 Plan had been reached.

The following is a summary of information with respect to stock options granted under the 2002 Plan, 2006 Incentive Stock Plan, and 2007 Incentive Stock Plan at April 30, 2014 and 2013:

	Options Outstanding at April 30, 2014			Options Exercisable at April 30, 2014	
Exercise prices	Shares under option	Weighted-average remaining life in years	Weighted-average Exercise Price	Shares under option	Weighted-average Exercise Price
2.52 - 5.88	74,000	3.44	4.06	74,000	4.06
16.59 - 39.90	5,207	0.56	21.91	5,207	21.91
Total	79,207	3.25	5.23	79,207	5.23

	Options Outstanding at April 30, 2013			Options Exercisable at April 30, 2013	
Exercise prices	Shares under option	Weighted-average remaining life in years	Weighted-average Exercise Price	Shares under option	Weighted-average Exercise Price
2.52 - 5.88	97,143	4.43	4.09	88,571	4.13
16.59 - 39.90	19,136	1.07	19.94	18,945	19.93
Total	116,279	3.88	6.70	107,516	6.92

The following table summarizes stock option activity for the year ended April 30, 2014, during which there were no options exercised under the Company's stock option plans:

	2002 Plan			
	Number of Shares	Weighted-average Exercise Price	Weighted-average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, May 1, 2013	15,779	$ 7.56		
Granted	-	0.00		
Exercised	-	0.00		
Forfeited/Expired	(3,143)	11.60		
Outstanding, April 30, 2014	12,636	$ 6.58	3.0	$ 0
Vested and expected to vest, April 30, 2014	12,636	$ 6.58	3.0	$ 0

	2006 Plan					
	Number of Shares		Weighted-average Exercise Price	Weighted-average Remaining Contractual Term		Aggregate Intrinsic Value
Outstanding, May 1, 2013	46,571	$	4.19			
Granted	340		3.55			
Exercised	-		0.00			
Forfeited/Expired	(21,769)		4.25			
Outstanding, April 30, 2014	25,142	$	4.19	3.4	$	0
Vested and expected to vest, April 30, 2014	25,142	$	4.19	3.4	$	0

	2007 Plan					
	Number of Shares		Weighted-average Exercise Price	Weighted-average Remaining Contractual Term		Aggregate Intrinsic Value
Outstanding, May 1, 2013	53,929	$	8.60			
Granted	1,420		3.55			
Exercised	-		0.00			
Forfeited/Expired	(13,920)		19.15			
Outstanding, April 30, 2014	41,429	$	5.45	3.2	$	0
Vested and expected to vest, April 30, 2014	41,429	$	5.45	3.2	$	0

The Company recorded stock-based compensation of $24,535 and $111,683 for the years ended April 30, 2014 and 2013, respectively.

The Company elected to adopt the shortcut method for determining the initial pool of excess tax benefits available to absorb tax deficiencies related to stock-based compensation. The shortcut method includes simplified procedures for establishing the beginning balance of the pool of excess tax benefits (the APIC Tax Pool) and for determining the subsequent effect on the APIC Tax Pool and the Company's consolidated statements of cash flows of the tax effects of share-based compensation awards. Excess tax benefits related to share-based compensation are reflected as financing cash inflows.

The Company estimates the fair value of stock options granted using the Black-Scholes-Merton option-pricing model. The Company determines the forfeiture rate based on the historical forfeitures of stock options previously granted to employees and directors. The forfeiture rate was 15% for the years ended April 30, 2014 and 2013. Compensation cost is then recognized on a straight-line basis over the vesting or service period and is net of estimated forfeitures. There were 1,760 stock options issued during the year ended April 30, 2014. The following assumptions were used to compute the fair value of stock options granted during the year ended April 30, 2014:

	Year Ended April 30, 2014	Year Ended April 30, 2013
Average risk-free interest rate	0.87%	0.38%
Average expected volatility	68.6%	53.3%
Average expected dividend yield	0.00%	0.00%
Average expected term (in years)	3	2.75

The risk-free rate is based on the rate of U.S Treasury zero-coupon issues with a remaining term equal to the expected term of the option grants. Expected volatility is based on the historical volatility of the Company's common stock using the weekly closing price of the Company's common stock. The expected dividend yield is zero based on the fact that the Company has never paid cash dividends and has no present intention to pay cash dividends. The expected term represents the period that the Company's stock-based awards are expected to be outstanding and was calculated using the simplified method.

Common Stock Warrants

The following is a summary of the common stock warrant activity for the year ended April 30, 2014:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Life in years
Outstanding, May 1, 2012	-	-	-
Warrants issued in connection with Notes	2,274,796	$ 2.1539	5.00
Outstanding, April 30, 2013	2,274,796	2.1539	4.50
Warrants exchanged in connection with the Amendment	(154,961)	2.1539	-
Exchange Warrants issued in connection with the Amendment	154,961	2.1539	3.60
BTX Warrants issued in connection with the BTX Purchase Agreement	1,500,000	5.0000	4.00
Outstanding as of April 30, 2014	3,774,796	$ 3.2849	4.01

Reverse Stock Split

Effective May 28, 2013, the Company amended its Certificate of Incorporation, as amended, pursuant to which the Company affected a one-for-seven reverse split of the Company's issued and outstanding shares of common stock (the Reverse Stock Split) and reduced the number of authorized shares of common stock by the same ratio, from 100 million to 14,285,715. The total issued and outstanding common stock was decreased from 6,954,766 shares to 993,538 shares. With the issuance of 649 additional common shares due to rounding from the Reverse Stock Split, the total issued and outstanding shares was increased to 994,187 common shares. All share-related and per share information have been adjusted to give effect to the Reserve Stock Split from the beginning of the earliest period presented.

Section 16(b) Settlement

On August 7, 2006, Maureen Huppe, a stockholder of the Company, filed suit in the United States District Court Southern District of New York, against defendants Special Situations Fund III QP, L.P. and Special Situations Private Equity Fund, L.P. (collectively SSF), former stockholders of the Company, alleging violations of Section 16(b) of the Securities Exchange Act of 1934, 15 U.S.C. § 78p (b) (Section 16(b)). SSF made sales of 20,445 shares of the Company's common stock from December 15, 2005 to January 30, 2006, at prices ranging from $64.26 to $88.34 per share. On April 12, 2006, SSF purchased 95,209 shares of the Company's common stock at $49.00 per share.

The complaint sought disgorgement from SSF for any "short-swing profits" obtained by them in violation of Section 16(b), as a result of the foregoing sales and purchases of the Company's common stock within periods of less than nine months while SSF was a beneficial owner of more than 10% of the Company's common stock. The complaint sought disgorgement to the Company of all profits earned by SSF on the transactions, attorneys' fees and other expenses. While the suit named the Company as a nominal defendant, it contained no claims against nor sought relief from the Company.

On June 13, 2012, the parties executed a court approved settlement which resolved this Section 16(b) action. Pursuant to this settlement, SSF agreed to pay the Company $529,280 in disgorgement of short-swing profits, less the fees and expenses agreed upon by the plaintiffs of $272,539 in connection with the settlement, resulting in the remainder, or $254,361, paid to the Company. The Company recorded the net proceeds as additional paid-in capital.

NOTE 16 - SEGMENT REPORTING

The Company's reportable segments are determined and reviewed by management based upon the nature of the services, the external customers and customer industries and the sales and distribution methods used to market the products. Management evaluates performance based upon income (loss) before income taxes. Corporate includes corporate salaries and external professional fees, such as accounting, legal and investor relations costs which are not allocated to the other segments. Corporate assets primarily include cash and cash equivalents and prepaid expenses.

As part of the acquisition of the BTX Software and the expected addition of a related new line of business, we have reorganized the operating segments to correspond to the primary service lines: communications infrastructure contracting services and Bitcoin trading platform. Accordingly, the Company has reclassified the reporting of its segment results under these two reporting segments in this Form 10-K for the years ended April 30, 2014 and 2013.

The segment information presented below contains the operating results for the continuing operations only. The Lakewood, Hartford Australia and Seattle Operations are reported as discontinued operations, and were previously reported in the contracting services segment. Segment results for the years ended April 30, 2014 and 2013 are as follows:

	As of and for the Year Ended April 30, 2014			
	Corporate	Contracting Services	Bitcoin	Total
Revenue	$ -	$ 21,264,288	$ -	$ 21,264,288
Depreciation and amortization	$ 7,887	$ 744,222	$ -	$ 752,109
(Loss) income before income taxes from continuing operations	$ (11,200,577)	$ 483,163	$ (442,624)	$ (11,160,038)
Total assets	$ 7,288,787	$ 10,716,934	$ 4,016,005	$ 22,021,726
Additions of property and equipment	$ -	$ 104,067	$ 3,191,006	$ 3,295,073

	As of and for the Year Ended April 30, 2013			
	Corporate	Contracting Services	Bitcoin	Total
Revenue	$ -	$ 24,774,876	$ -	$ 24,774,876
Depreciation and amortization	$ 30,963	$ 885,486	$ -	$ 916,449
Income (loss) before income taxes	$ (7,585,651)	$ 2,517,990	$ -	$ (5,067,661)
Total assets	$ 8,640,158	$ 9,504,808	$ -	$ 18,144,966
Additions of property and equipment	$ -	$ 833,609	$ -	$ 833,609

As of and for the years ended April 30, 2014 and 2013, the contracting services segment includes approximately $5,513,000 (25.9%) and $5,258,000 (21.2%), respectively in revenue and approximately $4,225,000 and $4,017,000, respectively, of total assets held in China related to the Company's 60% interest in the China Operations.

NOTE 17 - DISCONTINUED OPERATIONS

Hartford and Lakewood Operations Asset Sales

On July 25, 2012, the Company and the Hartford and Lakewood Operations entered into an asset purchase agreement, pursuant to which the Hartford and Lakewood Operations sold substantially all of their assets to two newly-created subsidiaries of Kavveri Telecom Products Limited (Kavveri) for a purchase price of $5.5 million in cash, subject to adjustment, and the assumption of their various liabilities. At closing, the Company received $4.9 million in cash, with the remaining purchase price to be settled upon (1) completing the assignment of certain contracts post-closing, which was concluded, and (2) satisfying certain adjustments to the purchase price based on a final net asset valuation to be completed after closing as well as repurchase obligations of certain delinquent accounts receivables. The Company used the proceeds from this sale to repay the full amount outstanding under the Credit Agreement of $4,022,320 as of July 25, 2012. The difference of $877,680 was deposited in our operating cash account.

To date, the Company has not reached agreement with Kavveri with regard to a resolution for settling the net asset valuation. The Company is currently in discussions with Kavveri for the settlement of the final adjustments to the purchase price, and has reserved a total of $450,000 for possible future settlement, which includes approximately $104,000 recorded for the year ended April 30, 2014. There can be no assurance that the Company will be successful in settling with Kavveri the amounts claimed by them.

Australia Operations

On September 19, 2013, the Company entered into a Securities Purchase Agreement (the Agreement) with Turquino Equity LLC, a limited liability company (Turquino), whose managing member is Andrew Hidalgo, former Chairman and Chief Executive Officer of the Company. Pursuant to the Agreement, the Company agreed to sell 100% of the shares of Pride for $1,400,000 (Purchase Price). At the Closing Date, the Company will settle the Purchase Price with Turquino by applying the net after tax severance balance due Mr. Hidalgo under his separation agreement as further described in Note 19 "Executive Management Changes", as partial payment towards the Purchase Price, and Turquino will pay cash for the difference between the Purchase Price and the net severance balance due. The Agreement contains a number of conditions to closing, including but not limited to the following: (i) each of the Company and Turquino shall have performed and complied with all terms of the Agreement required to be performed or complied with by it at or prior to the Closing Date; (ii) no action or proceeding by or before any governmental authority shall have been instituted or threatened (and not subsequently dismissed, settled or otherwise terminated) which might restrain, prohibit or invalidate any of the transactions contemplated by the Agreement, other than an action or proceeding instituted or threatened by a party or any of its affiliates; (iii) the representations and warranties contained in made by each of the Company and Turquino to each other shall be true and correct in all material respects on the closing date as though made on and as of the closing date; (iv) the Company obtaining a fairness opinion that the Purchase Price is fair; and (v) the Company has obtained shareholder approval. On July 15, 2014, the Company obtained stockholder approval of the transaction. In order to close, the Company needs to obtain the release of liens by its secured note holders of the stock of Pride. The Company anticipates that the transaction will be closed on or about July 31, 2014.

Seattle Operations

On March 31, 2014, the Company entered into an asset purchase agreement (the Asset Purchase Agreement) by and among the Company, and EC Company, as purchaser. Pursuant to the Asset Purchase Agreement, the Company agreed to sell substantially all of the assets of the Seattle Operations to EC Company for approximately $2.7 million in an all cash transaction. The final closing price is subject to adjustment based on the value of the assets on the closing date.

The Asset Purchase Agreement was amended to provide that in the event that the acquisition is not consummated by July 31, 2014, through no fault of EC Company, the purchase price will be reduced by $100,000. The consummation of the sale is subject to the approval of the Company's stockholders, the NASDAQ Capital Market and the release of liens by our secured note holders of the assets of the Seattle Operations.

The Company has reported the financial activity of these four operations as discontinued operations for all periods presented. The disposal of two operations was concluded in fiscal year 2013, and the Company has reflected the gain from the disposal of the Hartford and Lakewood Operations in year ended April 30, 2013. A summary of the operating results for the discontinued operations is as follows:

	Years Ended April 30, 2014	Years Ended April 30, 2013
REVENUE	$ 16,698,767	$ 22,455,300
COSTS AND EXPENSES:		
Cost of revenue	11,889,953	16,480,328
Selling, general and administrative expenses	3,987,799	6,279,297
Depreciation and amortization	450,476	517,470
Goodwill impairment	-	1,936,059
	16,328,228	25,213,154
OPERATING INCOME (LOSS) FROM DISCONTINUED OPERATIONS	370,539	(2,757,854)
Interest expense (income)	5,885	(16,243)
Income (loss) from discontinued operations before income tax provision	364,654	(2,741,611)
Income tax provision	330,764	546,321
Income (loss) from discontinued operations, net of tax	33,890	(3,287,932)
(loss) gain from disposal	(104,446)	1,756,586
TOTAL LOSS FROM DISCONTINUED OPERATIONS	$ (70,556)	$ (1,531,346)

There were no assets or liabilities included in the consolidated balance sheets for the Hartford and Lakewood Operations at April 30, 2014 or 2013.

The following table summarizes the assets and liabilities held for sale:

	April 30, 2014	April 30, 2013
ASSETS		
CURRENT ASSETS:		
Accounts receivable, net of allowance	$ 3,351,881	$ 4,223,321
Costs and estimated earnings in excess of billings on uncompleted contracts	616,858	819,714
Prepaid expenses and other current assets	33,073	109,774
Total current assets held for sale	4,001,812	5,152,809
PROPERTY AND EQUIPMENT, net	342,884	526,817
OTHER INTANGIBLE ASSETS, net	-	250,632
OTHER ASSETS	30,046	30,704
Total other assets held for sale	372,930	808,153
Total assets held for sale	$ 4,374,742	$ 5,960,962
LIABILITIES		
Current portion of loans payable	$ 26,921	$ 20,152
Accounts payable and accrued expenses	1,425,586	1,727,506
Billings in excess of costs and estimated earnings on uncompleted contracts	345,108	298,342
Total current liabilities held for sale	1,797,615	2,046,000
Loans payable, net of current portion	88,404	66,964
Total liabilities	$ 1,886,019	$ 2,112,964

NOTE 18 - COMMITMENTS AND CONTINGENCIES

Other payable to Zurich

On July 12, 2012, the Company executed the Financing Agreement with Zurich. Under the terms of the Financing Agreement, Zurich advanced the Company $793,927 for the payment of labor and labor-related benefits to assist in completing the project contract with the Owner of Cooper Project. The Cooper Project was a $16.2 million project completed by the Company's Trenton Operations. Zurich and its affiliate Fidelity and Deposit Company of Maryland (F&D), as surety, issued certain performance and payment bonds on behalf of the Owner in regard to the Company's work on this project. The Company was to repay Zurich the financial advances by September 2012; however the Company was in default under the Financing Agreement as it had not repaid Zurich the $793,927 and Zurich paid certain of the Company's vendors pursuant to Zurich's obligations under its payment bond on the Cooper Project.

In addition, the Company is contingently liable to Zurich and its affiliate F&D under a General Agreement of Indemnity (the Indemnity Agreement). Zurich and F&D, as surety, have issued certain performance and payment bonds on behalf of owners or customers regarding the Company's work on various projects under the Indemnity Agreement. The Company agrees to indemnify the surety for any payments made by Zurich on contracts of suretyship, guaranty or indemnity.

On April 17, 2013, the Company executed the Forbearance Agreement with Zurich, which supersedes the Financing Agreement. Under the Forbearance Agreement, among other things, the parties have agreed to the following payments which will be credited against the Loss Amount owed to Zurich by the Company: (1) the Company shall make monthly payments to Zurich of $25,000 due upon the fifth of each month, up to and including December 5, 2013 (the Interim Liability Payments); (2) Zurich is to receive any and all amounts due under the contracts for which Zurich has issued one or more bonds (the Customer Payments); and (3) the Claim, up to the Loss Amount as it exists at the time. As of April 30, 2014, the net Other Payable for the Loss Amount owed Zurich under the Forbearance Agreement was $1,533,757.

Each or any of the following shall constitute an event of default under the Forbearance Agreement: (a) failure by the Company to make any of the Interim Liability Payments; (b) failure by the Company to remit any Customer Payments received; (c) the failure by the Company or the Owner to remit the proceeds of the Claim to Zurich; and (d) any Loss Amount that still exists as of December 31, 2013. If an event of default occurs, Zurich is authorized to confess judgment against the Company; however the entry of any judgment by confession shall not constitute a waiver or release of any of Zurich's rights under the Indemnity Agreement. The Company is currently in default under the Forbearance Agreement due to the failure to: (1) pay the monthly Interim Liability Payment of $25,000 per month since December 1, 2013; and (2) pay the Loss Amount of $1,533,757 due December 31, 2013 under the Forbearance Agreement. The Company is currently in discussions with Zurich for the settlement of the Loss Amount due under the Forbearance Agreement. There can be no assurance that the Company will be successful in settling with Zurich the Loss Amount due.

The Company submitted the Claim to the Owner of $2,421,425 for significant delays, disruptions, and construction changes that were beyond its control and required us to perform additional work related to the Cooper Project, which was completed in the fiscal year ended April 30, 2013. On April 15, 2013, the Company filed a Mediation request with the American Arbitration Association with regard to the Claim. The Mediation has been postponed. The Company is presently awaiting a time to file a complaint against the Owner in federal court in New Jersey. If the Company is successful in the settlement of this Claim, it expects to use the proceeds from the Claim to repay Zurich the Loss Amount as it exists at the time and any excess for working capital purposes. There can be no assurance that the Company will be successful in settling with the Owner for all or a portion of the submitted claim.

Hartford and Lakewood Operations Asset Sales

On July 25, 2012, the Company and the Hartford and Lakewood Operations entered into an asset purchase agreement, for a purchase price of $5.5 million in cash, subject to adjustment, and the assumption of their various liabilities. At closing, the Company received $4.9 million in cash, with the remaining purchase price to be settled upon (1) completing the assignment of certain contracts post-closing, which was concluded, and (2) satisfying certain adjustments to the purchase price based on a final net asset valuation to be completed after closing as well as repurchase obligations of certain delinquent accounts receivables. To date, the Company has not reached agreement with Kavveri with regard to a resolution for settling the net asset valuation. The Company is currently in discussions with Kavveri for the settlement of the final adjustments to the purchase price, and has reserved a total of $450,000 for possible future settlement, which includes approximately $104,000 recorded for the year ended April 30, 2014. There can be no assurance that the Company will be successful in settling with Kavveri the amounts claimed by them.

Employment Agreements

The Company has entered into employment contracts ranging from one to two years with certain of its employees. The aggregate base salary commitments under these contracts at April 30, 2014 are summarized as follows:

Year Ending April 30,

2015	$	463,333
2016		20,000
Total aggregate base salary commitments	$	483,333

Litigation

On July 14, 2014, Eric Greenberg, a stockholder of the Company (the Plaintiff), filed suit in the United States District Court Southern District of New York, against defendants Hudson Bay Master Fund Ltd., Iroquois Master Fund Ltd., American Capital Management LLC, GRQ Consultants, Inc. 401K, Barry Honig, Richard Molinsky (the Defendants), and the Company. While the suit named the Company as a nominal defendant, it contains no claims against nor seeks relief from the Company. The suit alleges violations of Section 16(b) of the Securities Exchange Act of 1934, 15 U.S.C. § 78p (b) (Section 16(b)), and deems the Defendants were statutory insiders of the Company,

The complaint seeks that the Defendants disgorge profits earned for any "short-swing profits" obtained by them in violation of Section 16(b), as a result of the sales and purchases of the Company’s common stock during the three months ended January 31, 2014, within periods of less than six months while the Defendants were beneficial owners of more than 10% of the Company’s common stock.

Previously, on January 29, 2014, a demand for prosecution was made on the Company based on the allegations above (the Demand), and on March 20, 2014, counsel for the Company responded to the Demand and indicated that the Company declined to pursue Section 16(b) claims against the Defendants. As more than sixty (60) days have passed from the date of the Demand and the Company has failed to recover the alleged profits or instituted a lawsuit to recover those profits, the Plaintiff filed the above suit. The Plaintiff seeks an unspecified amount of the profits earned by the Defendants on the transactions, to be determined at trial, plus interest and other expenses.

Lease Commitments

The Company leases its office facilities pursuant to noncancelable operating leases expiring through December 2017. The Company also has noncancelable vehicle leases. The minimum rental commitments under these noncancelable leases at April 30, 2014 are summarized as follows:

Year ending April 30,			
	2015	$	119,607
	2016		76,200
	2017		57,150
Total minimum lease payments		$	252,957

Rent expense for all operating leases was approximately $363,000 and $271,000 in 2014 and 2013, respectively.

NOTE 19 - EXECUTIVE MANAGEMENT CHANGES

Andrew Hidalgo Separation

On July 24, 2013, the Company entered into a separation agreement (the Separation Agreement) with Andrew Hidalgo (Hidalgo), the Company’s former President, Chief Executive Officer and a member of the board of directors. Pursuant to the Separation Agreement, Hidalgo resigned effective at the close of business on July 30, 2013 (the Termination Date), as the President, Chief Executive Officer and a member of the board of directors of the Company and from all officer and director positions with all of the Company’s subsidiaries. As a result of the Separation Agreement, the Company recorded a one-time charge for severance expense of $1,474,277 for the year ended April 30, 2014. As of April 30, 2014, the balance of accrued severance expense due Hidalgo is $1,218,750.

On September 19, 2013, the Company and Turquino, whose managing member is Hidalgo, entered into the Agreement to sell 100% of the shares of Pride to Turquino for $1,400,000 as more fully described in Note 7, “Discontinued Operations”. Until the date of closing of the Agreement the Company shall continue to pay Hidalgo his current base salary of $325,000 per year through the Company’s normal payroll process. At the closing date, the Company shall make the final severance payment, net of applicable taxes, and shall apply the net after tax severance payment as partial payment towards the purchase price for Pride. The cash difference between the after tax severance payment and the purchase price shall be paid to the Company at the closing date.

Joseph Heater Separation

On March 31, 2014, the Company entered into a separation agreement (the Heater Separation Agreement) with Joseph Heater (Heater), the Company's Chief Financial Officer, and on July 28, 2014, the Company entered into an amendment to the Heater Separation Agreement (the Amendment to Heater Separation Agreement). Pursuant to the Amendment to Heater Separation Agreement, Heater will resign, effective at the close of business on August 31, 2014, or such other date mutually agreed upon between the Company and Heater (the Termination Date), as the Chief Financial Officer of the Company and from all officer and director positions with the Company's subsidiaries.

Pursuant to the Heater Separation Agreement, as amended, the Company shall pay Heater the sum of $250,000 between the Termination Date and January 31, 2015, which will be payable in five (5) monthly installments of $41,666.67, payable on the first business day of each month from September 2014 through January 2015 and one (1) final payment of $41,666.65 to be made on January 31, 2015. In addition, Heater shall receive a bonus of $35,000, to be paid on July 31, 2014, and the Company will pay Heater for all accrued but unused vacation time through August 31, 2014. Heater will also receive medical and other insurance benefits through January 31, 2015 under the applicable plans maintained by the Company.

Sebastian Giordano Appointment

Effective August 1, 2013, Sebastian Giordano (Giordano), a member of the Company's board of directors, was appointed as the Company's Interim Chief Executive Officer.

Effective August 1, 2013, the Company entered into a letter agreement with Giordano (the Giordano Agreement) to serve as Interim Chief Executive Officer on a part-time basis until a permanent chief executive officer is appointed. The Giordano Agreement can be terminated by either party upon 30 days prior notice. Pursuant to the Giordano Agreement, Giordano shall receive a monthly consulting fee of $10,833. In addition, upon the Company approving a new stock incentive plan, Giordano shall receive a grant of 30,000 shares of the Company's common stock and Giordano shall be entitled to receive a discretionary bonus upon successful achievement of a merger or acquisition of the Company by another entity. The Company will also reimburse Giordano for all reasonable expenses in connection with his services to the Company.

NOTE 20 – SUBSEQUENT EVENT

On May 2014, the Company entered into a non-binding letter of intent to sell its 60% majority ownership interest in the China Operations to AIC Investments Limited, a Hong Kong company (AIC), in an all-cash transaction valued at approximately $2.1 Million. The consummation of this transaction is subject to a number of conditions, including, but not limited to, completion of due diligence by AIC, the negotiation and execution of a definitive purchase agreement, third party governmental and regulatory consents, approval of by the board of directors from the Company and AIC, shareholder approval of the Company and approval from holders of senior secured debt of the Company.

Subsequent events have been evaluated through the date that the consolidated financial statements were issued. All appropriate subsequent event disclosures, if any, have been made in the notes to the consolidated financial statements.

ITEM 9 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

On December 20, 2013, we received notice of the resignation of CohnReznick LLP ("CohnReznick"), as our independent registered public accounting firm.

The reports of CohnReznick on the Company's financial statements for each of the past two fiscal years contained no adverse opinion or a disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles, except as that the reports of CohnReznick for the fiscal years ended April 30, 2013 and 2012 indicated conditions which raised substantial doubt about the Company's ability to continue as a going concern.

During our two most recent fiscal years and througl all subsequent interim periods preceding CohnReznick's resignation, we had no disagreements with CohnReznick on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of CohnReznick, would have caused it to make reference to the subject matter of such disagreements in its report on our financial statements for such periods.

During our two most recent fiscal years and through the date of resignation of CohnReznick, there were no reportable events as defined under Item 304(a)(1)(v) of Regulation S-K adopted by the SEC.

Effective January 29, 2014, we appointed Marcum LLP ("Marcum") as our new independent registered public accounting firm. The decision to engage Marcum was recommended and approved by our audit committee. During the two most recent fiscal years and through the date of engagement, we did not consult with Marcum regarding either (1) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our financial statements, or (2) any matter that was either the subject of a disagreement (as defined in Regulation S-K Item 304(a)(1)(v)), during the two most recent fiscal years.

ITEM 9A - CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures.

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Exchange Act, as of the end of the period covered by this Annual Report on Form 10-K. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on management's evaluation, our chief executive officer and chief financial officer concluded that, as of April 30, 2014, our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

(b) Changes in internal control over financial reporting.

There were no changes in our internal control over financial reporting that occurred during the quarter ended April 30, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

(c) Management's report on internal control over financial reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) of the Exchange Act. Our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework). Based on this evaluation, management concluded that our internal control over financial reporting was effective as of April 30, 2014.

This annual report does not include an attestation report by Marcum LLP, our independent registered public accounting firm, regarding internal control over financial reporting. As a smaller reporting company, our management's report was not subject to attestation by our independent registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

ITEM 9B - OTHER INFORMATION

None.

PART III

ITEM 10 - DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The names of our directors and executive officers and their ages, titles, and biographies are set forth below:

NAME	AGE	OFFICES HELD
Sebastian Giordano	57	Interim Chief Executive Officer
Joseph Heater	50	Chief Financial Officer
Charles Benton	63	Director
Kevin Coyle	62	Director
Norm Dumbroff	53	Director
Neil Hebenton	58	Director
Edward Gildea	62	Director

Directors are elected annually and hold office until the next annual meeting of the stockholders of the Company and until their successors are elected. Officers are elected annually and serve at the discretion of the Board of Directors.

Sebastian Giordano, Interim Chief Executive Officer

Mr. Giordano has been Interim Chief Executive Officer since August 2013 and became a director of WPCS in February 2013. Since 2002, Mr. Giordano has been Chief Executive Officer of Ascentaur, LLC, a business consulting firm providing comprehensive strategic, financial and business development services to start-up, turnaround and emerging growth companies. From 1998 to 2002, Mr. Giordano was Chief Executive Officer of Drive One, Inc., a safety training and education business. From 1992 to 1998, Mr. Giordano was Chief Financial Officer of Sterling Vision, Inc., a retail optical chain. Mr. Giordano received B.B.A. and M.B.A. degrees from Iona College. Mr. Giordano's executive business experience was instrumental in his selection as a member of our Board of Directors.

Joseph Heater, Chief Financial Officer

Mr. Heater has been Chief Financial Officer since July 2003. From November 2001 to June 2003, Mr. Heater was the Controller for Locus Pharmaceuticals, Inc., a development stage pharmaceutical company. Prior to that, from April 1999 to September 2001, Mr. Heater was Director of Finance and Corporate Controller for esavio Corporation, an information technology consulting company. Prior to that, from March 1995 to November 1998, Mr. Heater was Director of Financial Planning and Assistant Corporate Controller for Airgas, Inc. Mr. Heater holds a B.S. from the University of Nebraska and an M.B.A. from Villanova University.

Charles Benton, Director

Mr. Benton has been a director of WPCS since July 2012. Since February 2008, Mr. Benton has served as the Director of Distribution Services – Supply Chain for Charming Shoppes, Inc., a leading national specialty retailer of women's apparel operating more than 1,800 retail stores throughout the United States. Prior to that, from March 2006 to January 2008, he served as Director of Finance – Supply Chain for Charming Shoppes, and from May 1999 to February 2006, as Manager of Finance – Supply Chain for Charming Shoppes. Previously, Mr. Benton spent approximately 20 years for Consolidated Rail Corporation. He holds a B.S. degree in accounting from St. Joseph's University in Philadelphia, Pennsylvania. Mr. Benton's financial experience was instrumental in his selection as a member of our board of directors.

Kevin Coyle, Director

Mr. Coyle has been a director of WPCS since August 2012. Since May 2014, Mr. Coyle has been Senior Vice President for Business Development of Elauwit Networks, LLC., a telecommunications company serving the multifamily industry. Between 2009 and 2014 he was Principal of KPC Consulting, his personal consulting company. In 2011, Mr. Coyle served as a Senior Vice President for Business Development at Comcast Communications, Inc. in Philadelphia, Pennsylvania. Between 2005 and September 2009, Mr. Coyle served as the Chief Executive Officer of Ygnition Networks, Inc., a Seattle, Washington-based communications service provider. Previously, Mr. Coyle served as Chief Executive Officer of Digital Media Holdings in Denver, Colorado (2002 – 2003), Chief Financial Officer of OneSecure, Inc. in Denver, Colorado and San Jose, California (2000 – 2002) and Group Vice President and Chief Financial Officer of Jones Intercable, Inc. in Denver, Colorado (1990 – 1999). He holds a B.S. degree in finance from Villanova University in Villanova, Pennsylvania and an M.B.A. from Drexel University in Philadelphia, Pennsylvania. Mr. Coyle's experience with communications services, his financial experience and his senior executive experience were instrumental in his selection as a member of our Board of Directors.

Norm Dumbroff, Director

Mr. Dumbroff became a Director of WPCS in November 2002. Since April 1990, he has been the Chief Executive Officer of Wav Incorporated, a distributor of wireless products in North America. Prior to Wav Incorporated, Mr. Dumbroff was an engineer for Hughes Aircraft. He holds a B.S. degree in Computer Science from Albright College. Mr. Dumbroff's experience with wireless communications, his engineering background and his senior executive experience was instrumental in his selection as a member of our board of directors.

Edward Gildea, Director

Mr. Gildea became a director of WPCS in February 2013. Since February 2014, Mr. Gildea has been a partner in the law firm Fisher Broyles LLP. From 2006 to 2013, Mr. Gildea was President, Chief Executive Officer and Chairman of the Board of Directors of Converted Organics Inc., a publicly held green technology company that manufactures and sells an organic fertilizer, made from recycled food waste. Mr. Gildea is a director for the following publicly held companies: Finjan Holdings, Inc. (intellectual property), Worlds, Inc. (intellectual property), and Atrinsic, Inc. (internet marketing). Mr. Gildea received a B.A. from The College of the Holy Cross and a J.D. from Suffolk University Law School. Mr. Gildea's executive business experience was instrumental in his selection as a member of our Board of Directors.

Neil Hebenton, Director

Mr. Hebenton became a director of WPCS in October 2002. Since February 2003, he has been Senior Director, Business Development, for PAREXEL Informatics, Inc. (a subsidiary of PAREXEL International Corp.), a company offering clinical trial technology solutions and services to pharmaceutical and biotechnology companies. From January 1998 to January 2003, he was Head of US Sales and Operations for the U.K. based FW Pharma Systems, a multi-million dollar application software company serving the pharmaceutical and biotechnology sectors. Prior to that, Mr. Hebenton has held a variety of operational, sales and marketing positions in Europe with Bull Information Systems (BULL-Paris, Frankfurt, Zurich) and Philips Information Systems. He received his B.S. in Mathematics from the University of Edinburgh, Scotland. Mr. Hebenton's experience in international business development was instrumental in his selection as a member of our board of directors.

Family Relationships

None.

Meetings and Committees of the Board of Directors

During the fiscal year ended April 30, 2014, our board of directors held nineteen (19) meetings and approved certain actions by unanimous written consent. We expect our directors to attend all board and committee meetings and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities.

Audit Committee

Our Audit Committee consists of Kevin Coyle, Charles Benton, Norm Dumbroff, Edward Gildea, and Neil Hebenton, with Mr. Coyle elected as Chairman of the Committee. Our Board of Directors has determined that all of the members are "independent" as that term is defined under applicable SEC rules and under the current listing standards of The NASDAQ Stock Market. Mr. Benton is our audit committee financial expert.

Our Audit Committee's responsibilities include: (i) reviewing the independence, qualifications, services, fees, and performance of the independent auditors, (ii) appointing, replacing and discharging the independent auditor, (iii) pre-approving the professional services provided by the independent auditor, (iv) reviewing the scope of the annual audit and reports and recommendations submitted by the independent auditor, and (v) reviewing our financial reporting and accounting policies, including any significant changes, with management and the independent auditor. Our Audit Committee also prepares the Audit Committee report that is required pursuant to the rules of the SEC.

Executive Committee

Our Executive Committee consists of Charles Benton, Norm Dumbroff, Edward Gildea, and Neil Hebenton, with Mr. Benton elected as Chairman of the Committee. Our Board of Directors has determined that all of the members are "independent" under the current listing standards of The NASDAQ Stock Market. Our Board of Directors has adopted a written charter setting forth the authority and responsibilities of the Executive Committee.

Our Executive Committee has responsibility for assisting the Board of Directors in, among other things, evaluating and making recommendations regarding the compensation of our executive officers and directors, assuring that the executive officers are compensated effectively in a manner consistent with our stated compensation strategy, producing an annual report on executive compensation in accordance with the rules and regulations promulgated by the SEC, periodically evaluating the terms and administration of our incentive plans and benefit programs and monitoring of compliance with the legal prohibition on loans to our directors and executive officers.

Nominating Committee

Our Nominating Committee consists of Norm Dumbroff, Edward Gildea, and Neil Hebenton, with Mr. Hebenton elected as Chairman of the Committee. The Board of Directors has determined that all of the members are "independent" under the current listing standards of The NASDAQ Stock Market.

Our Nominating Committee has responsibility for assisting the Board in, among other things, effecting the organization, membership and function of the Board and its committees. The Nominating Committee shall identify and evaluate the qualifications of all candidates for nomination for election as directors.

Involvement in Certain Legal Proceedings

Our Directors and Executive Officers have not been involved in any of the following events during the past ten years:

1. any bankruptcy petition filed by or against such person or any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

2. any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);

3. being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him from or otherwise limiting his involvement in any type of business, securities or banking activities or to be associated with any person practicing in banking or securities activities;

4. being found by a court of competent jurisdiction in a civil action, the Securities and Exchange Commission or the Commodity Futures Trading Commission to have violated a Federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated;

5. being subject of, or a party to, any Federal or state judicial or administrative order, judgment decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of any Federal or state securities or commodities law or regulation, any law or regulation respecting financial institutions or insurance companies, or any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or

6. being subject of or party to any sanction or order, not subsequently reversed, suspended, or vacated, of any self-regulatory organization, any registered entity or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors, executive officers and holders of more than 10% of our common stock to file with the SEC reports regarding their ownership and changes in ownership of our securities We believe that, during fiscal 2014 except for Form 4s relating to stock option grants made on April 24, 2014 to Sebastian Giordano, Joseph Heater, Neal Hebenton, Norm Dumbroff, Ed Gildea, Kevin Coyle and Charlie Benton, our directors, executive officers and 10% stockholders complied with all Section 16(a) filing requirements.

Code of Ethics

WPCS adopted a Code of Ethics for its officers, directors and employees. A copy of the Code of Ethics is incorporated by reference as an exhibit.

ITEM 11 - EXECUTIVE COMPENSATION

Under the rules of the SEC, this Compensation Discussion and Analysis Report is not deemed to be incorporated by reference by any general statement incorporating this Annual Report by reference into any filings with the SEC.

The Executive Committee has reviewed and discussed the following Compensation Discussion and Analysis with management. Based on this review and these discussions, the Executive Committee recommended to the Board of Directors that the following Compensation Discussion and Analysis be included in this Annual Report on Form 10-K.

Submitted by the Executive Committee
Charles Benton, Chairman
Norm Dumbroff
Edward Gildea
Neil Hebenton

COMPENSATION DISCUSSION AND ANALYSIS (CD&A)

The following discussion and analysis of compensation arrangements of our named executive officers for the fiscal year ended April 30, 2014 should be read together with the compensation tables and related disclosures set forth below.

Compensation Philosophy and Objectives

We believe our success depends on the continued contributions of our named executive officers. Our named executive officers are primarily responsible for our growth and operations strategy, and the management of the day-to-day operations of our subsidiaries. Therefore, it is important to our success that we retain the services of these individuals to ensure our future success and prevent them from competing with us should their employment with us terminate.

Our overall compensation philosophy is to provide an executive compensation package that enables us to attract, retain and motivate executive officers to achieve our short-term and long-term business goals. We strive to apply a uniform philosophy regarding compensation of all employees, including members of senior management. This philosophy is based upon the premise that our achievements result from the combined and coordinated efforts of all employees working toward common goals and objectives in a competitive, evolving market place. The goals of our compensation program are to align remuneration with business objectives and performance and to enable us to retain and competitively reward executive officers and employees who contribute to our long-term success. In making executive compensation and other employment compensation decisions, the Executive Committee considers achievement of certain criteria, some of which relate to our performance and others of which relate to the performance of the individual employee. Awards to executive officers are based on our achievement and individual performance criteria.

The Executive Committee will evaluate our compensation policies on an ongoing basis to determine whether they enable us to attract, retain and motivate key personnel. To meet these objectives, the Executive Committee may from time to time increase salaries, award additional stock options or provide other short and long-term incentive compensation to executive officers and other employees.

Compensation Program & Forms of Compensation

We provide our executive officers with a compensation package consisting of base salary and participation in benefit plans generally available to other employees. In setting total compensation, the Executive Committee considers individual and Company performance, as well as market information regarding compensation paid by other companies in our industry.

In order to achieve the above goals, our total compensation packages include base salary, annual bonus, as well as long-term compensation in the form of stock options.

Base Salary. Salaries for our executive officers are initially set based on negotiation with individual executive officers at the time of recruitment and with reference to salaries for comparable positions in the industry for individuals of similar education and background to the executive officers being recruited. We also consider the individual's experience, and expected contributions to our company. Base salary is continuously evaluated by competitive pay and individual job performance. Base salaries for executives are reviewed annually or more frequently should there be significant changes in responsibilities. In each case, we take into account the results achieved by the executive, his or her future potential, scope of responsibilities and experience, and competitive salary practices.

Bonuses. A component of each executive officer's potential annual compensation may take the form of a performance-based bonus. Contractually, our Executive Vice Presidents are entitled to receive an annual bonus range of 2-3% of the annual profit before interest and taxes of the designated subsidiaries assigned to him. Our CEO and CFO are entitled to an annual bonus, to be determined at the discretion of the Executive Committee, based on our financial performance and the achievement of the officer's individual performance objectives.

Long-Term Incentives. Longer-term incentives are provided through stock options, which reward executives and other employees through the growth in value of our stock. The Executive Committee believes that employee equity ownership provides a major incentive for employees to build stockholder value and serves to align the interests of employees with those of our stockholders. Grants of stock options to executive officers are based upon each officer's relative position, responsibilities and contributions, with primary weight given to the executive officers' relative rank and responsibilities. Initial stock option grants designed to recruit an executive officer may be based on negotiations with the officer and with reference to historical option grants to existing officers. Stock options are generally granted at an exercise price equal to the market price of our common stock on the date of grant and will provide value to the executive officers only when the price of our common stock increases over the exercise price. Although the expenses of stock options affect our financial statements negatively, we continue to believe that this is a strong element of compensation that focuses the employees on financial and operational performance to create value for the long-term.

With regard to our option grant practice, the Executive Committee has the responsibility of approving all stock option grants to employees. Stock option grants for plan participants are generally determined within ranges established for each job level. These ranges are established based on our desired pay positioning relative to the competitive market. Specific recruitment needs are taken into account for establishing the levels of initial option grants. Annual option grants take into consideration a number of factors, including performance of the individual, job level, prior grants and competitive external levels. The goals of option grant guidelines are to ensure future grants remain competitive from a grant value perspective and to ensure option usage consistent with option pool forecasts. Based on the definition of fair market value in our stock option plan, options are granted at 100% of the closing sales price of our stock on the last market trading date prior to the grant date. We do not time the granting of our options with any favorable or unfavorable news released by us. Proximity of any awards to an earnings announcement or other market events is coincidental.

Executive Equity Ownership

We encourage our executives to hold an equity interest in our company. However, we do not have specific share retention and ownership guidelines for our executives.

Performance-Based Compensation and Financial Restatement

We have not considered or implemented a policy regarding retroactive adjustments to any cash or equity-based incentive compensation paid to our executives and other employees where such payments were predicated upon the achievement of certain financial results that were subsequently the subject of a financial restatement.

Tax and Accounting Considerations

Compliance with Internal Revenue Code Section 162(m). Section 162(m) of the Internal Revenue Code of 1986, as amended, restricts deductibility of executive compensation paid to our Chief Executive Officer and each of the four other most highly compensated executive officers holding office at the end of any year to the extent such compensation exceeds $1,000,000 for any of such officers in any year and does not qualify for an exception under Section 162(m) or related regulations. The Executive Committee's policy is to qualify its executive compensation for deductibility under applicable tax laws to the extent practicable. Income related to stock options granted under our incentive stock plans generally qualify for an exemption from these restrictions imposed by Section 162(m). In the future, the Executive Committee will continue to evaluate the advisability of qualifying its executive compensation for full deductibility.

Accounting for Stock-Based Compensation. We record compensation expense for the fair value of stock-based compensation.

Employment Contracts and Termination of Employment and Change-In-Control Arrangements

Contract with Joseph Heater

On February 1, 2010, we entered into a five-year employment contract with Joseph Heater, our Chief Financial Officer with a base salary of $250,000 per annum. Upon each one year anniversary of the agreement, the agreement will automatically renew for another five years from the anniversary date. In addition, Mr. Heater is entitled to participate in any and all benefit plans, from time to time, in effect for our employees, along with vacation, sick and holiday pay in accordance with our policies established and in effect from time to time.

On March 31, 2014, we entered into the Separation Agreement with Mr. Heater, which was amended on July 28, 2014. Pursuant to the Separation Agreement, as amended, Mr. Heater will resign, effective on August 31, 2014, or such other date mutually agreed upon between the Company and Mr. Heater (the Termination Date) as the Chief Financial Officer of the Company and from all officer and director positions with all of our subsidiaries.

Pursuant to the Separation Agreement, as amended, we shall pay Heater the sum of $250,000 between the Termination Date and January 31, 2015, which will be payable in five (5) monthly installments of $41,666.67, payable on the first business day of each month from September 2014 through January 2015 and one (1) final payment of $41,666.65 to be made on January 31, 2015. In addition, Heater shall receive a bonus of $35,000, to be paid on July 31, 2014, and we will pay Heater for all accrued but unused vacation time through August 31, 2014. Heater will also receive medical and other insurance benefits through January 31, 2015 under the applicable plans maintained by the Company.

Contract with Sebastian Giordano

Effective August 1, 2013, we entered into the Giordano Agreement with Sebastian Giordano to serve as Interim Chief Executive Officer on a part-time basis until a permanent chief executive officer is appointed. The Giordano Agreement can be terminated by either party upon 30 days prior notice. Pursuant to the Giordano Agreement, Mr. Giordano shall receive a monthly consulting fee of $10,833. In addition, upon shares of common stock being reserved for issuance under our 2014 Equity Incentive Plan, Mr. Giordano shall receive a grant of 30,000 shares of our common stock. In addition, Mr. Giordano shall be entitled to receive a discretionary bonus upon successful achievement of a merger or acquisition of the Company by another entity. We will also reimburse Mr. Giordano for all reasonable expenses in connection with his services to us.

Summary Compensation Table

The following table provides certain summary information concerning compensation awarded to, earned by or paid to our Chief Executive Officer, the two highest paid executive officers and up to two other highest paid individuals whose total annual salary and bonus exceeded $100,000 for fiscal years 2014 and 2013.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Option Awards ($)	All Other Compensation ($)	Total ($)
Andrew Hidalgo	2014	325,000	-	-	-	325,000
Former Chairman, Chief Executive	2013	325,000	-	18,592	-	343,592
Officer and Director (1)						
Sebastian Giordano	2014	86,664	-	-	-	86,664
Interim Chief Executive Officer (2)						
Joseph Heater	2014	250,000	-	-	2,286	252,286
Chief Financial Officer (3)	2013	250,000	-	17,593	-	267,593
Curtis LaChance	2014	161,144	101,987	25,103	-	288,234
President of Seattle Operations (4)						
Myron Polulak						
Executive Vice President (5)	2013	200,000	10,000	13,619	-	223,619

(1) Mr. Hidalgo has served as Chairman, Chief Executive Officer and Director since May 24, 2002, until his resignation on July 30, 2013.
(2) Mr. Giordano has served as Interim Chief Executive Officer since August 1, 2013.
(3) Mr. Heater has served as Chief Financial Officer since July 15, 2003, until his resignation August 31, 2014.
(4) Mr. LaChance has served as President of the Seattle Operations since August 1, 2010.
(5) Mr. Polulak resigned December 31, 2013.

GRANTS OF PLAN-BASED AWARDS

The following table sets forth the stock options granted to the named executive officers during fiscal 2014.

Name	**Grant Date**	**All Other Option Awards: Number of Securities Underlying Options (#)**	**Exercise or Base Price of Option Awards ($/Sh)**	**Grant Date Fair Value of Stock and Option Awards ($) (1)**
Sebastian Giordano	4/24/14	250,000	$ 1.20	
Joseph Heater	4/24/14	50,000	$ 1.20	
Curtis LaChance	4/24/14	30,000	$ 1.20	

(1) As of April 30, 2014, no compensation expense was recorded for these stock option grants as shareholder approval was not obtained to conclude that a measurement date for an award had occurred.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

The following table sets forth information for the named executive officers regarding the number of shares subject to both exercisable and unexercisable stock options, as well as the exercise prices and expiration dates thereof, as of April 30, 2014.

Name	Number of Securities underlying Unexercised Options (#) Exercisable	Number of Securities underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($/Sh)	Option Expiration Date
Sebastian Giordano	2,857	-	$ 4.20	9/18/2017
Joseph Heater	13,173	-	$ 4.20	9/18/2017
Curtis LaChance	3,571	-	$ 4.20	9/18/2017

Director Compensation

The following table sets forth summary information concerning the total compensation earned by our non-employee directors in 2014 for services to our company.

Name	Fees Earned or Paid in Cash
Charles Benton	$ 16,000
Kevin Coyle	12,000
Norm Dumbroff	12,000
Neil Hebenton	12,000
Ed Gildea	7,000
Sebastian Giordano	7,000
Total:	$ 66,000

ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information regarding beneficial ownership of our common stock as of July 22, 2014:

- by each person who is known by us to beneficially own more than 5% of our common stock;
- by each of our officers and directors; and
- by all of our officers and directors as a group.

Name And Address Of Beneficial Owner (1)	Number of Shares Owned (2)	Percentage of Class (3)
Sebastian Giordano	2,857(4)	*
Joseph Heater	13,173(4)	*
Norm Dumbroff	17,691(4)	*
Neil Hebenton	7,571(4)	*
Kevin Coyle	8,571(4)	*
Charles Benton	8,571(4)	*
Edward Gildea	2,857(4)	*
All Officers and Directors as a Group (7 persons)	61,291(4)	*
Hudson Bay Master Fund Ltd. (5)	1,544,189(6)	9.99%
Iroquois Master Fund Ltd. (7)	1,542,602(8)	9.99%
Barry Honig	1,447,553(9)	9.42%
Divya Thakur	1,464,767(10)	9.53%
Ilya Subkhankulov	732,273(10)	5.00%

* Less than 1%.

(1) The address for each of our officers and directors is 600 Eagleview Boulevard, Suite 300, Exton, PA 19341.

(2) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of common stock subject to options or warrants currently exercisable or convertible, or exercisable or convertible within 60 days of July 22, 2014 are deemed outstanding for computing the percentage of the person holding such option or warrant but are not deemed outstanding for computing the percentage of any other person.

(3) Percentage based on 13,913,164 shares of common stock outstanding.

(4) Includes the following number of shares of common stock which may be acquired by certain officers and directors through the exercise of stock options which were exercisable as of July 22, 2014 or become exercisable within 60 days of that date: Sebastian Giordano, 2,857 shares; Joseph Heater, 13,173 shares; Norm Dumbroff, 7,571 shares; Neil Hebenton, 7,571 shares; Kevin Coyle, 8,571 shares; Charles Benton, 8,571 shares; Edward Gildea, 2,857 shares; and all officers and directors as a group, 55,143 shares.

(5) Hudson Bay Capital Management LP, the investment manager of Hudson Bay Master Fund Ltd., has voting and investment power over these securities. Sander Gerber is the managing member of Hudson Bay Capital GP LLC, which is the general partner of Hudson Bay Capital Management LP. Sander Gerber disclaims beneficial ownership over these securities.

(6) Represents shares of common stock issuable upon conversion and/or exercise of outstanding secured convertible notes, series E convertible preferred stock and common stock purchase warrants and represents the maximum beneficial ownership percentage pursuant to exercise limitations contained within secured convertible notes, series E convertible preferred stock and common stock purchase warrants owned by this beneficial owner.

(7) Iroquois Capital Management LLC (“Iroquois Capital”) is the investment manager of Iroquois Master Fund Ltd. (“IMF”). Consequently, Iroquois Capital has voting control and investment discretion over securities held by IMF. As managing members of Iroquois Capital, Joshua Silverman and Richard Abbe make voting and investment decisions on behalf of Iroquois Capital in their capacity as investment managers to IMF. As a result of the foregoing, Mr. Silverman and Mr. Abbe may be deemed to have beneficial ownership (as determined under Section 13(d) of the Securities Exchange of 1934, as amended) of these securities held by IMF. Notwithstanding the foregoing, Mr. Silverman and Mr. Abbe disclaim such beneficial ownership.

(8) Includes 1,528,299 shares of common stock issuable upon conversion and/or exercise of outstanding secured convertible notes, series E convertible preferred stock and common stock purchase warrants and represents the maximum beneficial ownership percentage pursuant to exercise limitations contained within secured convertible notes, series E convertible preferred stock and common stock purchase warrants owned by this beneficial owner.

(9) Includes 174,435 shares of common stock issuable upon exercise of outstanding common stock purchase warrants and 80,857 shares of common stock issuable upon conversion of series E convertible preferred stock owned directly by Mr. Honig, Also includes 6,824 shares of common stock, 424,326 shares of common stock issuable upon exercise of outstanding common stock purchase warrants, 38,571 shares of common stock issuable upon conversion of series E convertible preferred stock and 729,364 shares of common stock issuable upon conversion of secured convertible notes owned by GRQ Consultants Inc. 401K ("GRQ"). Mr. Honig has voting and dispositive power over the shares owned by GRQ.

(10) Represents shares of common stock issuable upon conversion of outstanding secured convertible notes.

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth information about the shares of our common stock that may be issued upon the exercise of options granted to employees under the 2002 Stock Option Plan, which were approved by the Board of Directors, 2006 and 2007 Incentive Stock Plans approved by the Board of Directors and shareholders and the 2014 Equity Incentive Plan approved by the Board of Directors and Shareholders.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans excluding securities reflected in column (a) (1)
Equity compensation plan approved by board of directors (1)	12,636	$ 6.58	-
Equity compensation plan approved by security holders (2)	25,142	$ 4.19	21,775
Equity compensation plan approved by security holders (3)	41,429	$ 5.45	13,929
Equity compensation plan approved by security holders (4)	1,080,000	-	2,420,000
Total	1,159,207	$ 5.23	2,455,704

(1) We established a nonqualified stock option plan pursuant to which options to acquire a maximum of 59,523 shares of our common stock were reserved for grant (the "2002 Plan"). As of April 30, 2014, included above in the 2002 Plan are 12,636 shares issuable upon exercise of options granted to employees and directors. The 2002 Plan has reached its 10 year term, and therefore, no additional options may be granted thereunder.

(2) We established the 2006 Incentive Stock Plan, under which 57,142 shares of common stock were reserved for issuance upon the exercise of stock options, stock awards or restricted stock. As of April 30, 2014, 25,142 shares were issuable upon exercise of options granted to employees and directors.

(3) We established the 2007 Incentive Stock Plan, under which 57,142 shares of common stock were reserved for issuance upon the exercise of stock options, stock awards or restricted stock. As of April 30, 2014, 41,429 shares were issuable upon exercise of options granted to employees and directors.

(4) We established the 2014 Equity Incentive Plan, under which 3,500,000 shares of common stock were to be reserved for issuance upon the exercise of stock options, stock awards or restricted stock upon stockholder approval of the 2014 Equity Incentive Plan and an increase in authorized common stock. As of April 30, 2014, options to purchase 1,080,000 shares were granted to employees and directors, however, the exercise of such options was subject to stockholder approval of the 2014 Equity Incentive Plan and an increase in authorized common stock. On July 15, 2014, the stockholders approved the 2014 Equity Incentive Plan, however, the stockholders rejected an increase in authorized common stock. As a result, no shares of common stock are currently reserved for issuance under the 2014 Equity Incentive Plan. Upon an increase in authorized common stock, shares of common stock will be reserved for issuance under the 2014 Equity Incentive Plan and any options granted thereunder can then be exercised.

ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

At the time of the following transactions, there were no affiliations between us and the other parties. As a result of these transactions, the other parties became affiliates. The obligations resulting from these transactions were ongoing after the close, resulting in payoffs to the other parties who became affiliates.

The China Operations earned revenue for contracting services provided to TGG (noncontrolling interest in China operations) and subsidiaries of $274,348 and $1,345,524 for the years ended April 30, 2014 and 2013, respectively. In connection with the revenue earned from TGG of $647,518 for the year ended April 30, 2013, the accounts receivable was settled by the receipt of real estate from TGG which fair value approximates the recorded amount of accounts receivable. Since the transaction was between related parties, the net book value of the real estate of $449,660 was determined as the transfer value of the real estate. The difference between the fair value and transfer value, or $200,766, was booked to noncontrolling interest at April 30, 2013.

The China Operations accounts receivable due from TGG and subsidiaries is $0 and $117,751 as of the years ended April 30, 2014 and 2013, respectively.

As of April 30, 2014, the China Operations had outstanding payables due TGG, totaling $778,573 due on demand, representing interest accrued on former working capital loans from TGG to the China Operations.

On December 17, 2013, BTX purchased the BTX Software and related intellectual property rights from Divya Thakur and Ilya Subkhankulov in consideration for (i) the assignment of the Contributed Notes and (ii) assumption of a secured promissory note in the principal amount of $500,000, which accrues interest at a rate of 3.32% (the BTX Note). BTX’s obligations under the BTX Note are secured by the assets of BTX pursuant to a Security Agreement.

ITEM 14 - PRINCIPAL ACCOUNTING FEES AND SERVICES

Audit Fees. The aggregate fees billed by our independent auditors, for professional services rendered for the audit of our annual financial statements for the years ended April 30, 2014 and 2013, and for the reviews of the financial statements included in our Quarterly Reports on Form 10-Q during the fiscal years were $357,713 and $503,077, respectively.

Audit Related Fees. We incurred fees to our independent auditors of $52,614 and $4,901, respectively, for audit related fees during the fiscal years ended April 30, 2014 and 2013. These fees were related to the specific review of certain Company’s transactions during these fiscal years, respectively.

Tax and Other Fees. We did not incur fees to our independent auditors for tax compliance services during the fiscal years ended April 30, 2014 and 2013.

Consistent with SEC policies and guidelines regarding audit independence, the Audit Committee is responsible for the pre-approval of all audit and permissible non-audit services provided by our principal accountants on a case-by-case basis. Our Audit Committee has established a policy regarding approval of all audit and permissible non-audit services provided by our principal accountants. Our Audit Committee pre-approves these services by category and service. Our Audit Committee has pre-approved all of the services provided by our principal accountants.

PART IV

ITEM 15 - EXHIBITS, FINANCIAL STATEMENT SCHEDULES

Exhibits:

3.01	Certificate of Incorporation, as amended, incorporated by reference to Exhibit 3.1 of WPCS International Incorporated's registration statement on Form SB-2, filed April 7, 2006.
3.02	Amended and Restated Bylaws, incorporated by reference to Exhibit 3.02 of WPCS International Incorporated's Current Report on Form 8-K, filed February 26, 2010.
3.03	Certificate of Amendment to the Certificate of Incorporation, as filed with the Delaware Secretary of State on March 4, 2013, incorporated by reference to Exhibit 3.01 of WPCS International Incorporated's Current Report on Form 8-K, filed March 4, 2013.
3.04	Certificate of Amendment to the Certificate of Incorporation, as filed with the Delaware Secretary of State on May 16, 2013 and effective May 28, 2013, incorporated by reference to Exhibit 3.01 of WPCS International Incorporated's Current Report on Form 8-K, filed May 28, 2013.
3.05	Certificate of Designations, Preferences and Rights of the Series E Convertible Preferred Stock of WPCS International Incorporated, filed with the Secretary of State of the State of Delaware on December 17, 2013, incorporated by reference to Exhibit 3.01 of WPCS International Incorporated's Current Report on Form 8-K, filed December 17, 2013.
10.01	2002 Employee Stock Option Plan, incorporated by reference to Exhibit 4.4 of WPCS International Incorporated's Annual Report on Form 10-KSB, filed August 14, 2003.
10.02	2006 Incentive Stock Plan, incorporated by reference to Exhibit 4.2 of WPCS International Incorporated's registration statement on Form S-8, filed September 21, 2005.
10.03	2007 Incentive Stock Plan, incorporated by reference to Exhibit A of WPCS International Incorporated's definitive proxy statement on Schedule 14A, filed August 18, 2006.
10.04	Employment Agreement, effective as of February 1, 2010, by and between WPCS International Incorporated and Joseph Heater, incorporated by reference to Exhibit 10.02 of WPCS International Incorporated's Current Report on Form 8-K, filed February 16, 2010.
10.05	Second Amendment to Loan and Security Agreement, dated August 31, 2012, by and among WPCS International Incorporated, WPCS International – Suisun City, Inc., WPCS International – Seattle, Inc., WPCS International – Portland, Inc., WPCS International – Hartford, Inc., WPCS International – Lakewood, Inc., WPCS International – Trenton, Inc. and Sovereign Bank, N.A., incorporated by reference to Exhibit 10.01 of WPCS International Incorporated's Current Report on Form 8-K filed September 5, 2012.
10.06	Securities Purchase Agreement, dated as of December 4, 2012, by and among WPCS International Incorporated, Hudson Bay Master Fund Ltd., Iroquois Master Fund Ltd., American Capital Management LLC, Bay Capital A.G., GRQ Consultants, Inc. 401K and Richard Molinsky, incorporated by reference to Exhibit 10.01 of WPCS International Incorporated's Current Report on Form 8-K filed December 5, 2012.
10.07	Form of Note, incorporated by reference to Exhibit 10.02 of WPCS International Incorporated's Current Report on Form 8-K filed December 5, 2012.
10.08	Form of Warrant, incorporated by reference to Exhibit 10.03 of WPCS International Incorporated's Current Report on Form 8-K filed December 5, 2012.
10.09	Form of Security and Pledge Agreement, incorporated by reference to Exhibit 10.04 of WPCS International Incorporated's Current Report on Form 8-K filed December 5, 2012.

10.10	Form of Registration Rights Agreement, incorporated by reference to Exhibit 10.05 of WPCS International Incorporated's Current Report on Form 8-K filed December 5, 2012.
10.11	Form of Guaranty, incorporated by reference to Exhibit 10.06 of WPCS International Incorporated's Current Report on Form 8-K filed December 5, 2012.
10.12	Form of Collateral Agency Agreement, incorporated by reference to Exhibit 10.07 of WPCS International Incorporated's Current Report on Form 8-K filed December 5, 2012.
10.13	Separation Agreement, dated July 24, 2013, by and between WPCS International Incorporated and Andrew Hidalgo, incorporated by reference to Exhibit 10.01 of WPCS International Incorporated's Current Report on Form 8-K filed July 24, 2013.
10.14	Form of Letter Agreement, by and between WPCS International Incorporated and Sebastian Giordano, incorporated by reference to Exhibit 10.02 of WPCS International Incorporated's Current Report on Form 8-K filed July 24, 2013.
10.15	Form of Indemnification Agreement, by and between WPCS International Incorporated and Sebastian Giordano, incorporated by reference to Exhibit 10.03 of WPCS International Incorporated's Current Report on Form 8-K filed July 24, 2013.
10.16	Securities Purchase Agreement, dated as of September 19, 2013, by and between WPCS Australia Pty Ltd and Turquino Equity LLC, incorporated by reference to Exhibit 10.01 of WPCS International Incorporated's Current Report on Form 8-K filed September 25, 2013.
10.17	Form of Amendment, Waiver and Exchange Agreement, incorporated by reference to Exhibit 10.01 of WPCS International Incorporated's Current Report on Form 8-K filed October 30, 2013.
10.18	Form of Exchange Warrant, incorporated by reference to Exhibit 10.02 of WPCS International Incorporated's Current Report on Form 8-K filed October 30, 2013.
10.19	Form of Amendment Agreement, incorporated by reference to Exhibit 10.01 of WPCS International Incorporated's Current Report on Form 8-K filed November 5, 2013.
10.20	Amended and Restated Limited Liability Company Agreement of BTX Trader LLC, incorporated by reference to Exhibit 10.01 of WPCS International Incorporated's Current Report on Form 8-K filed December 17, 2013.
10.21	Securities Purchase Agreement between BTX Trader LLC and Divya Thakur and Ilya Subkhankulov dated December 17, 2013, incorporated by reference to Exhibit 10.02 of WPCS International Incorporated's Current Report on Form 8-K filed December 17, 2013.
10.22	Form of Secured Note, incorporated by reference to Exhibit 10.03 of WPCS International Incorporated's Current Report on Form 8-K filed December 17, 2013.
10.23	Security Agreement between BTX Trader LLC and Divya Thakur and Ilya Subkhankulov, incorporated by reference to Exhibit 10.04 of WPCS International Incorporated's Current Report on Form 8-K filed December 17, 2013.
10.24	Securities Purchase Agreement dated December 17, 2013, incorporated by reference to Exhibit 10.05 of WPCS International Incorporated's Current Report on Form 8-K filed December 17, 2013.
10.25	Form of Warrant, incorporated by reference to Exhibit 10.06 of WPCS International Incorporated's Current Report on Form 8-K filed December 17, 2013.
10.26	Registration Rights Agreement, incorporated by reference to Exhibit 10.07 of WPCS International Incorporated's Current Report on Form 8-K filed December 17, 2013.
10.27	Employment Agreement between BTX Trader LLC and Divya Thakur dated December 17, 2013, incorporated by reference to Exhibit 10.08 of WPCS International Incorporated's Current Report on Form 8-K filed December 17, 2013.

10.28	Employment Agreement between BTX Trader LLC and Ilya Subkhankulov dated December 17, 2013, incorporated by reference to Exhibit 10.09 of WPCS International Incorporated’s Current Report on Form 8-K filed December 17, 2013.
10.29	Form of Lockup Agreement, incorporated by reference to Exhibit 10.10 of WPCS International Incorporated’s Current Report on Form 8-K filed December 17, 2013.
10.30	Form of Voting Agreement, incorporated by reference to Exhibit 10.11 of WPCS International Incorporated’s Current Report on Form 8-K filed December 17, 2013.
10.31	Indemnification Agreement between the Company and Divya Thakur dated December 17, 2013, incorporated by reference to Exhibit 10.12 of WPCS International Incorporated’s Current Report on Form 8-K filed December 17, 2013.
10.32	Indemnification Agreement between the Company and Ilya Subkhankulov dated December 17, 2013, incorporated by reference to Exhibit 10.13 of WPCS International Incorporated’s Current Report on Form 8-K filed December 17, 2013.
10.33	Severance Agreement, dated March 31, 2014 by and between WPCS International Incorporated and Joseph Heater, incorporated by reference to Exhibit 10.01 of WPCS International Incorporated’s Current Report on Form 8-K filed March 31, 2014.
10.34	Asset Purchase Agreement by and among WPCS International Incorporated, WPCS-Seattle and EC Company dated March 31, 2014, incorporated by reference to Exhibit 10.01 of WPCS International Incorporated’s Current Report on Form 8-K filed April 3, 2014.
10.35	Amendment to the Asset Purchase Agreement by and among WPCS-International Incorporated, WPCS-Seattle and EC Company dated May 30, 2014., incorporated by reference to Exhibit 10.1 of WPCS International Incorporated’s Current Report on Form 8-K filed June 3, 2014.
10.36	Amendment Agreement, dated July 28, 2014 by and between WPCS International Incorporated and Joseph Heater, incorporated by reference to Exhibit 10.01 of WPCS International Incorporated’s Current Report on Form 8-K filed July 29, 2014.
14.01	Code of Ethics and Business Conduct, incorporated by reference to Exhibit 14 of WPCS International Incorporated’s annual report on Form 10-KSB, filed August 14, 2003.
21.01	Subsidiaries of the registrant, incorporated by reference to Exhibit 21.01 of WPCS International Incorporated’s annual report on Form 10-K, filed July 29, 2013.
31.01	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.02	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.01	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101 INS	XBRL Instance Document
101 SCH	XBRL Taxonomy Extension Schema Document
101 CAL	XBRL Taxonomy Calculation Linkbase Document
101 LAB	XBRL Taxonomy Labels Linkbase Document
101 PRE	XBRL Taxonomy Presentation Linkbase Document
101 DEF	XBRL Taxonomy Extension Definition Linkbase Document

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WPCS INTERNATIONAL INCORPORATED

Date: July 30, 2014	By: /s/ SEBASTIAN GIORDANO Sebastian Giordano Interim Chief Executive Officer (Principal Executive Officer)
Date: July 30, 2014	By: /s/ JOSEPH HEATER Joseph Heater Chief Financial Officer (Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Position	Date
/s/ CHARLES BENTON Charles Benton	Director	July 30, 2014
/s/ KEVIN COYLE Kevin Coyle	Director	July 30, 2014
/s/ NORM DUMBROFF Norm Dumbroff	Director	July 30, 2014
/s/ EDWARD GILDEA Edward Gildea	Director	July 30, 2014
/s/ SEBASTIAN GIORDANO Sebastian Giordano	Director	July 30, 2014
/s/ NEIL HEBENTON Neil Hebenton	Director	July 30, 2014

EXHIBIT 31.01

CERTIFICATION

I, Sebastian Giordano, certify that:

1. I have reviewed this Annual Report on Form 10-K of WPCS International Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonable likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: July 30, 2014

/s/ SEBASTIAN GIORDANO
Sebastian Giordano
Interim Chief Executive Officer

EXHIBIT 31.02

CERTIFICATION

I, Joseph Heater, certify that:

1. I have reviewed this Annual Report on Form 10-K of WPCS International Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonable likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: July 30, 2014

/s/ JOSEPH HEATER
Joseph Heater
Chief Financial Officer

Exhibit 32.01

**CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Sebastian Giordano, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of WPCS International Incorporated on Form 10-K for the fiscal year ended April 30, 2014 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in this Annual Report on Form 10-K fairly presents in all material respects the financial condition and results of operations of WPCS International Incorporated.

	By:	/s/ SEBASTIAN GIORDANO
Date: July 30, 2014	Name:	Sebastian Giordano
	Title:	*Interim Chief Executive Officer*

I, Joseph Heater, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of WPCS International Incorporated on Form 10-K for the fiscal year ended April 30, 2014 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in this Annual Report on Form 10-K fairly presents in all material respects the financial condition and results of operations of WPCS International Incorporated.

	By:	/s/ JOSEPH HEATER
Date: July 30, 2014	Name:	Joseph Heater
	Title:	*Chief Financial Officer*