

PCS EDVENTURES COM INC  
Form 10-Q  
November 16, 2009

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM 10-Q**

**QUARTERLY REPORT UNDER SECTION 13 OR 15 ( d ) OF THE SECURITIES EXCHANGE ACT  
OF 1934**

**For the quarterly period ended September 30, 2009**

**TRANSITION REPORT UNDER SECTION 13 OR 15 ( d ) OF THE EXCHANGE ACT**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File No. 000-49990**

**PCS EDVENTURES!.COM, INC.**

**(Exact name of Registrant as specified in its charter)**

Idaho

82-0475383

(State or Other Jurisdiction of

(I.R.S. Employer Identification No.)

incorporation or organization)

345 Bobwhite Court, Suite 200

Boise, Idaho 83706

(Address of Principal Executive Offices)

(208) 343-3110

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year,

if changed since last report)

Indicate by check mark whether the Registrant has (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (the Exchange Act ) 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 is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  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

**APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY  
PROCEEDINGS DURING THE PRECEDING FIVE YEARS**

Indicate by check mark whether the Registrant has filed all documents and reports required to be filed by Sections 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Not applicable.

**APPLICABLE ONLY TO CORPORATE ISSUERS**

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date:

November 10, 2009

38,959,054 Shares of Common Stock.

**PART I**

**Item 1. Financial Statements**

The Financial Statements of the Registrant required to be filed with this 10-Q Quarterly Report were prepared by management and commence below, together with related notes. In the opinion of management, the Financial Statements fairly present the financial condition of the Registrant.



INDEX

PART I

-  
FINANCIAL  
INFORMATION

Page

Consolidated Balance  
Sheets (unaudited)

4

Consolidated  
Statements of  
Operations  
(unaudited)

6

Consolidated  
Statement of  
Stockholders Equity  
(unaudited)

7

Consolidated  
Statements of Cash  
flows (unaudited)

8

Notes to Consolidated  
Financial Statements  
(unaudited)

10

Management's  
Discussion and  
Analysis of Financial  
Conditions and  
Results of Operations

18

Controls and  
Procedures

20

**PART II**

- **OTHER  
INFORMATION**

20

**SIGNATURES**

23



EXHIBIT INDEX

25



PCS EDVENTURES!.COM, INC.

Consolidated Balance Sheets

**ASSETS**

September 30, 2009

March 31, 2009

(unaudited)

(audited)

**CURRENT  
ASSETS**

Cash

\$  
104,194

\$ 548,443

Accounts  
receivable, net of  
allowance for  
doubtful accounts  
of \$1,573

498,172

339,430

Interest receivable

1,707

2,650

Prepaid expenses

7,960

17,824

Deferred costs

25,432

792

Finished goods  
inventory

236,020

268,143

Other receivable

91

-

Total Current  
Assets

873,576

1,177,282

FIXED ASSETS,  
net of accumulated  
depreciation of  
\$127,930 and  
\$110,424,  
respectively

145,988

113,662

EDUCATIONAL  
SOFTWARE net  
of accumulated  
amortization of  
\$202,764 and  
\$162,531,  
respectively

209,873

161,610

INTELLECTUAL  
PROPERTY, net of  
accumulated  
amortization of  
\$503,885 and  
\$466,385,  
respectively

-

37,500

GOODWILL

202,688

202,688

OTHER ASSETS

Mold cost

25,867

28,134

Deposits

7,371

7,371

Employee advance

7,000

-

Total Other Assets

40,238

35,505

**TOTAL ASSETS**

**\$ 1,472,363**

**\$ 1,728,247**

The accompanying notes are an integral part of these financial statements

PCS EDVENTURES!.COM, INC.

Consolidated Balance Sheets

**LIABILITIES &  
STOCKHOLDERS'  
EQUITY**

September 30, 2009

March 31, 2009

(unaudited)

(audited)

**CURRENT  
LIABILITIES**

Accounts payable and  
other current  
liabilities

\$ 267,194

\$ 213,581

Accrued  
compensation

5,738

	6,960
Payroll liabilities payable	
	11,983
	12,377
Accrued expenses	
	151,512
	146,847
Deferred revenue	
	334,239
	97,603
Notes payable	
	-
	6,142
Total Current Liabilities	
	770,666
	483,510
Total Liabilities	
	770,666
	483,510

STOCKHOLDERS'  
EQUITY



Preferred stock, no  
par value, 20,000,000

-

-

authorized shares,  
no shares issued and  
outstanding

Common stock, no  
par value, 60,000,000

32,087,461

31,658,921

authorized shares,  
38,400,120 and  
37,660,200 shares  
issued and  
outstanding,  
respectively

Stock payable

27,743

90,409

Accumulated  
comprehensive loss

(3,041)

(32,195)

Accumulated deficit

(31,410,466)

(30,472,398)

Total Stockholders'  
Equity

701,697

1,244,737

**TOTAL  
LIABILITIES AND  
STOCKHOLDERS'  
EQUITY**

**\$ 1,472,363**

**\$ 1,728,247**

The accompanying notes are an integral part of these financial statements

PCS EDVENTURES!.COM, INC.

Consolidated Statements of Operations

(unaudited)

For the Three  
Months Ended

For the Six Months  
Ended

September 30,

September 30,

2009

2008

2009

2008

REVENUES

Lab revenue

\$ 774,887

\$ 1,005,868

\$ 1,214,911

\$ 1,893,613

License revenue

24,834

51,179

49,692

104,214

Total Revenues

799,721

1,057,047

1,264,603

1,997,827

COST OF SALES,  
exclusive of  
depreciation shown  
below

377,053

377,557

607,961

932,214

GROSS PROFIT

422,668

679,490

656,642

1,065,613

OPERATING  
EXPENSES

Salaries and wages	292,097
	256,937
	592,674
	543,303
Bad debt expense	-
	24,928
	-
	24,928
Depreciation and amortization expense	27,967
	37,648
	55,377

	75,400
Loss on stock compensation	
	9,737
	-
	12,477
	-
General and administrative expenses	
	554,003
	488,559
	940,662
	889,412
Total Operating Expenses	
	883,804
	808,072



1,601,190

1,533,043

**OPERATING LOSS**

(461,136)

(128,582)

(944,548)

(467,430)

OTHER INCOME  
AND EXPENSES

Interest income

877

5,430

5,633

10,308

Other income

15,391

-

44,345

	315
Other expense	-
	5,008
	-
	-
Total Other Income and Expenses	16,268
	10,438
	49,978
	10,623

NET LOSS

(444,868)

(118,144)

(894,570)

(456,807)

Foreign currency  
translation

13,536

(17,568)

29,154

(16,199)

NET  
COMPREHENSIVE  
LOSS

**\$ (431,332)**

**\$ (135,712)**

**\$ (865,416)**

**\$ (473,006)**

Basic Loss per Share  
(\$0.01)

(\$0.00)

(\$0.03)

(\$0.01)

Weighted Average  
Number of Shares  
Outstanding

37,708,335

37,404,875

37,723,953

37,565,780

The accompanying notes are an integral part of these financial statements

PCS EDVENTURES!.COM, INC.

Consolidated Statement of Stockholders' Equity

(unaudited)

Other  
Total  
  
Common Stock  
  
Stock  
Accumulated  
Comprehensive  
Stockholders'  
  
(shares)  
(amount)  
Payable  
Deficit  
Income

Equity

Balance at March 31, 2009	
	37,660,200
	\$ 31,658,921
	\$ 90,409
	\$ (30,472,398)
	\$ (32,195)
	\$ 1,244,737



Change in  
Accounting Policy

-  
-  
-  
(43,498)  
-  
(43,498)

Stock for Services

127,300  
100,692  
(9,192)  
-  
-  
91,500

Stock for  
Settlement

75,000

63,750

(63,750)

-

-

-

Stock for Exercise  
of Options

491,498

10,177

7,544

-

-

17,721

Stock for  
Employee Bonus

46,122

40,473

2,732

-

-

43,205

Option Expense

-
213,448
-
-
-
213,448

Foreign Currency Translation

-
-
-
-
29,154
29,154

	-
Net Loss	-
	-
	-
	(894,570)
	-
	(894,570)

	-
Balance at September 30, 2009	
	38,400,120
	\$ 32,087,461
	\$ 27,743
	\$ (31,410,466)
	\$ (3,041)
	\$ 701,697

The accompanying notes are an integral part of these financial statements

PCS EDVENTURES!.COM, INC.

Consolidated Statements of Cash Flows

(unaudited)

For the Six  
Months Ended

September 30,

2009

2008

CASH FLOWS  
FROM  
OPERATING  
ACTIVITIES

Net Loss

\$ (894,570)

\$  
(456,807)

Adjustments to  
reconcile net loss  
to net cash  
provided (used)  
by operating  
activities:

Depreciation

55,377

75,400

Amortization of  
fair value of  
stock options

213,448

264,683

Stock and  
options issued  
for trade services

142,249

24,193

Change in



accounting  
policy

(43,498)

-

Changes in  
operating assets  
and liabilities:

(Increase)  
decrease in  
accounts  
receivable

(158,833)

515,828

(Increase)  
decrease in  
prepaid expenses

9,864

-

(Increase)  
decrease in  
interest  
receivable

944

-

(Increase)  
decrease in other  
receivables

-

13,829

(Increase)  
decrease in  
inventories

34,390

(61,823)

Increase in  
deferred costs

(24,640)

(42,809)

(Decrease)  
increase in  
accounts payable  
and accrued  
liabilities

56,661

(103,821)

Increase  
(decrease) in  
unearned revenue

236,636

(111,465)

(Increase)  
decrease in other  
assets

(7,000)

(12,408)

Net Cash  
Provided (Used)  
by Operating  
Activities

\$ (378,972)

\$ 104,800

CASH FLOWS  
FROM  
INVESTING  
ACTIVITIES

Cash outflow  
from software  
purchase

-

(85,000)

Cash outflow  
from fixed asset  
purchase

(98,466)

-

Net Cash Used  
by Investing  
Activities

(98,466)

(85,000)

CASH FLOWS  
FROM  
FINANCING  
ACTIVITIES

Payments on  
notes payable

(6,142)

(8,507)

Proceeds from  
common stock,

exercise of  
options, and  
warrant  
conversion

10,177

397,300

Net Cash  
Provided by  
Financing  
Activities

4,035

388,793

Foreign currency  
translation

29,154

16,199

Net Increase  
(Decrease) in  
Cash

(444,249)

424,792

Cash at  
Beginning of  
Year

548,443

1,082,622

Cash at End of  
Year

\$ 104,194

\$ 1,507,414

The accompanying notes are an integral part of these financial statements

PCS EDVENTURES!.COM, INC.

Consolidated Statements of Cash Flows (continued)

(unaudited)

For the Six Months  
Ended

September 30,

NON-CASH  
TRANSACTIONS:

2009

2008

Stock for payable

\$ 90,409

\$ -



CASH PAID FOR:

Interest

\$ -

\$ -

Income taxes

\$ -

\$ -

The accompanying notes are an integral part of these financial statements

PCS EDVENTURES!.COM, INC

Notes to the Consolidated Financial Statements

September 30, 2009

(unaudited)

**NOTE 1 - ORGANIZATION AND DESCRIPTION OF BUSINESS**

On August 3, 1994, PCS Edventures!.com, Inc., was incorporated under the laws of Idaho to engage in web-based and site-licensable educational products.

In October 1994, an agreement was authorized allowing the Company to exchange, on a one-for-one basis, common stock for stock of PCS Schools, Inc. As a result of this agreement, PCS Schools, Inc. became a wholly owned subsidiary of the Company. In the late 1990 s, the Company divested the stand-alone learning labs to focus more on a hands-on module coupled with web-based technology for use in the classroom.

On March 27, 2000, the Company changed its name from PCS Education Systems, Inc. to PCS Edventures!.com, Inc.

On November 30, 2005, the Company entered into an agreement with 511092 N.B. LTD. dba LabMentors to exchange PCS stock for stock of 511092 N.B. LTD. as disclosed in the 8-K as filed with the Securities and Exchange Commission ( SEC ) on December 9, 2005, and amended on February 15, 2006. As a result of the Share Exchange Agreement, 511092 N.B. LTD. became a wholly owned subsidiary of the Company. In December 2005, the name of this subsidiary was formally changed to PCS LabMentors, LTD. It remained a Canadian corporation.

**NOTE 2 - UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

The September 30, 2009 consolidated financial statements presented herein are unaudited, and in the opinion of management, include all adjustments (consisting of only normal recurring accruals) necessary for a fair presentation of financial position, results of operations and cash flows. Such financial statements do not include all of the information and footnote disclosures normally included in financial statements prepared in accordance with accounting principals generally accepted in the United States of America. This Quarterly Report on Form 10-Q should be read in conjunction with the Annual Report on Form 10-K of the Company for the year ended March 31, 2009. The September 30, 2009, consolidated balance sheet is derived from the audited balance sheet included therein.

The operating results for the six-month period ended September 30, 2009, are not necessarily indicative of the results that may be expected for the year ending March 31, 2010.

**NOTE 3 - GOING CONCERN**

The Company's consolidated financial statements are prepared using Generally Accepted Accounting Principles applicable to a going concern that contemplates the realization of assets and liquidation of liabilities in the normal course of business. The established source of revenues is not sufficient to cover its operating costs. Although the Company has positive working capital, it has accumulated significant losses. The combination of these items raises substantial doubt about its ability to continue as a going concern. Management's plans with respect to alleviating this adverse position are as follows:

During the fiscal quarter ended September 30, 2009, the Company continued to strengthen its strategic alliances with K NEX, Science Demo, fischertechnik, MR Block, Integrating Technology, Minds-i, Follette, and Eduwise for further product development and enhancement. The Company has developed and continues to refine defined plans to align product development and marketing efforts to further penetrate the educational market. The marketing campaign is focused on distinct segments within the education market to more clearly communicate the products' competitive positioning in both the Domestic and International markets. Additionally, the Company is actively developing branding, product identity, and messaging that is specifically aligned to target market segments.

PCS EDVENTURES!.COM, INC

Notes to the Consolidated Financial Statements

September 30, 2009

(unaudited)

**NOTE 3 - GOING CONCERN (continued)**

The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plans described in the preceding paragraph and eventually attain profitable operations. The accompanying consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

**NOTE 4 - FIXED ASSETS**

Assets and depreciation for the periods are as follows:

	September 30,	March 31,
	2009	2009
Computer/office equipment	\$ 12,800	\$ 19,606
Server equipment		

	139,090
	114,105
Software	
	122,028
	90,375
Accumulated depreciation	
	(127,930)
	(110,424)
Total Fixed Assets	
	\$ 145,988
	\$ 113,662

**NOTE 5 - EDUCATIONAL SOFTWARE**

The Company's inventory consists of internally developed educational computer programs and exercises to be accessed on the Internet. The costs associated with research and initial feasibility of the programs and exercises are expensed as incurred. Once economic feasibility has been determined, the costs to develop the programs and exercises are capitalized until they are ready for sale and access and are reported at the lower of unamortized cost or net realizable value. Capitalized program and exercise inventory are amortized on a straight-line basis over the estimated useful life of the program or exercise, generally 36 to 48 months.

**NOTE 6 - INTELLECTUAL PROPERTY**

The Company's intellectual property consists of capitalized costs associated with the development of the Internet software and delivery platform developed by the Company to enable access to the various educational programs and exercises developed by the Company. The initial costs associated with researching the delivery platform and methods were expensed until economic feasibility and acceptance were determined. Thereafter, costs incurred to develop the Internet delivery platform and related environments were capitalized until ready for use and able to deliver and access the Company's educational programs and exercises. Costs incurred thereafter to maintain the delivery and access

platform are expensed as incurred. These capitalized costs are being amortized on a straight-line basis over the estimated useful life of the delivery and access platform, which has been determined to be 36 to 60 months.

**NOTE 7 - GOODWILL**

The goodwill balance of \$202,688 at September 30, 2009, is related to the Company's acquisition of PCS LabMentors in December 2005. With the acquisition of PCS LabMentors, the Company gained LabMentors' significant interest in the technical college market and increased the products available to educational outlets. The Company also obtained the information technology and programming expertise of LabMentors' workforce, additional cost optimization, and greater market flexibility in optimizing market information and access to collegiate level sales.

PCS EDVENTURES!.COM, INC

Notes to the Consolidated Financial Statements

September 30, 2009

(unaudited)

**NOTE 7 - GOODWILL (continued)**

Goodwill and intangible assets with indefinite lives are not amortized to expense and must be reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that impairment might have occurred. The first step used to identify potential impairment is the comparison of the fair value of the item with its carrying amount, including goodwill and intangible assets with indefinite lives. We operate as one company, and, therefore, compare our book value to market value, which management must determine upon review based on similar transactions. If our fair value exceeds our book value, our goodwill is considered not impaired. If the book value exceeds the fair value, the goodwill is considered impaired and management must measure the amount of impairment loss, if any. For the measurement step, if the carrying amount of the goodwill exceeds the estimated fair value of the goodwill, an impairment loss would be recognized in an amount equal to that excess. The fair value estimate requires that future cash flows relating to the acquisition, in this case, be forecasted. These forecasts require management to make assumptions on the future sale of current and future products and services, future market conditions, technological advances, future growth rates, and discount rates utilized. Any loss recognized cannot exceed the carrying amount of the goodwill. After an impairment loss is recognized, the adjusted carrying amount of goodwill is its new accounting basis.

We undertook an impairment review at the end of the prior fiscal year ended March 31, 2009. After reviewing the prior operating losses and future growth potential of the subsidiary, the Company determined that an impairment of \$282,550 was necessary.

**NOTE 8 - ACCRUED EXPENSES**

Accrued expenses for the periods are as follows:

September 30,

March 31,

2009

2009

Credit card debt

\$ 29,222

\$ 33,722

Professional fees:  
legal

-

22,203

Director fees

122,207

92,207

Sales tax payable

83

-

GST payable

-

(1,285)

Total Accrued  
Expenses

\$ 151,512

\$ 146,847

**NOTE 9 - COMMITMENTS AND CONTINGENCIES**

**a. Operating Lease Obligation**



The Company leases its main office under a non-cancelable lease agreement accounted for as an operating lease. The lease expires in May 2012.

Fiscal Year	
Yearly Obligation	
2010	
\$	116,546
2011	
	119,892
2012	
	123,238
2013	
	20,633
Total	
\$	380,309

Rent expense for the corporate offices was \$29,800 and \$28,439 for the quarters ended September 30, 2009 and 2008, respectively, under this lease arrangement.

PCS EDVENTURES!.COM, INC

Notes to the Consolidated Financial Statements

September 30, 2009

(unaudited)

The Company leases additional warehouse space in Boise, Idaho. This warehouse space consists of approximately 2,880 square feet. Rent obligations are approximately \$1,510/month through February 28, 2010. Rent expense was \$5,136 and \$4,926 for the quarters ended September 30, 2009 and 2008, respectively.

The Company leases space for the LabMentors subsidiary located in Fredericton, New Brunswick, Canada. This space consists of approximately 1,200 square feet and is on a month to month lease. The agreement requires a three-month notification of intent to vacate. Rent obligations are \$600/month. It is the intent of LabMentors to change office space effective April 1, 2010. Rent expense was \$3,439 and \$5,260 for the six months ended September 30, 2009 and 2008, respectively.

**b. Litigation**

(i) PCS Edventures!.com Inc., v. Jackie DeLuna and Infusing Technology K12, LLC (United States District Court for the district of Idaho, Case NO. CV-08-00379-BLW). The Company initiated this trademark infringement suit against defendants. Defendants asserted counterclaims for trademark and copyright infringement, misappropriation of trade secrets, and breach of contract claims based on alleged underpayment of royalties under two license agreements with the Company and sought an accounting. The parties settled their dispute pursuant to an agreement that does not involve payment of money by either party. The Court dismissed the case with prejudice on November 9, 2009. See Note 14, Subsequent Events.

(ii) Status of SEC investigation: As previously reported, the SEC staff has been conducting a non-public investigation to determine whether the Company or members of its management or staff violated certain provisions of the Securities Act of 1933 and the Securities and Exchange Act of 1934, respecting disclosures made by the Company in its 8-K Current Report dated March 27, 2007 related to its March 28, 2007 Press Release that announced a License Agreement with Global Techniques dba PCS Middle East ( PCS ME ). The investigation has focused on SEC rules promulgated under the Exchange Act respecting book and record-keeping procedures, transactions, internal controls and certain matters related to the Company's relationships with its prior auditors, all apparently related to the PCS ME disclosures and agreements and the accounting treatment of these matters, and sales of shares of common stock by members of management following the issuance of the press release.

The amount due under the License Agreement was not paid when due, as disclosed in the Company's 8-K/A Current Report dated March 27, 2007 and filed with the SEC on May 17, 2007. Members of management sold an aggregate of 161,500 shares of the Company's common stock between April 2, 2007 and May 9, 2007, for total proceeds of \$330,460. The License Agreement revenue was never booked in the Company's public financial statements, as the payments were not received by the time the audit of the Company's March 31, 2007 fiscal year end financial statements was completed.

The Company had a prior five year relationship with PCS ME at the time of the announcement of the License Agreement, including implementation of several pilot programs in Saudi Arabia schools in 2005 and 2006 and receipt of a December 27, 2006 letter from the Saudi Ministry of Education to the Ministry of Education Contacting Department supporting PCS proposals advanced by PCS ME. The Company has continued the licensing of its educational products in the Middle East with PCS ME, having sold additional PCS products to PCS ME for approximately \$160,000 since 2007. The Company extended a \$250,000 loan jointly to PCS ME and its principal owner, Mohamed Yasser Refai, on or about October 1, 2007, as disclosed in the Company's 8-K Current Report of that date. The loan was due on the earlier of the payment of the License Agreement or January 31, 2008, and was secured by an Assignment of Equity amounting to a 25% interest in PCS ME. Because the \$250,000 loan to PCS ME was not paid when due, it was written off as of December 31, 2007; and the Company had and currently has no interest in PCS ME. The Company and PCS ME continue to work on completing the entire License Agreement disclosed on March 27, 2007 and the over-all project in the Kingdom of Saudi Arabia that is tied to that agreement.

PCS EDVENTURES!.COM, INC

Notes to the Consolidated Financial Statements

September 30, 2009

(unaudited)

Depositions of certain directors and executive officers were taken by the SEC staff in late June 2009, and focused on what the SEC believes to be apparent discrepancies in the factors upon which the Company relied upon in forming its reasonable basis for announcing the License Agreement (including that payment under the License PCS Agreement was contingent upon PCS ME obtaining payment from the Kingdom of Saudi Arabia that would become the end-user of the Company's products, which the Company believed was imminent), along with auditor and internal control concerns about whether the License Agreement was collectible or bookable and the sales of certain shares of the Company's common stock by three members of management during this period as outlined below.

In October 2009, the SEC staff issued Wells Notices to the Company and certain of its management that the staff intends to recommend that the Commission commence enforcement proceedings. See Note 14 - Subsequent Events. Although the Company will attempt to reach an agreement with the SEC to resolve this matter without litigation, there is a reasonable likelihood that the SEC will recommend some form of legal action against the Company and/or certain members of its management. No assurance can be given that the SEC will not determine that the Company and members of management have violated applicable securities laws, rules and regulations in connection with the foregoing, and that enforcement proceedings will not be instituted against the Company or members of its management in the future that could have an adverse effect on its business and financial condition or otherwise.

**NOTE 10 - STOCKHOLDERS' EQUITY**

During the six-month period ended September 30, 2009, the Company issued 42,921 shares of common stock for the exercise of employee stock options, and received cash proceeds of \$10,177.

During the six-month period ended September 30, 2009, the Company issued 448,577 shares of common stock for the exercise of employee stock options issued in cashless transactions.

During the six-month period ended September 30, 2009, the Company issued 46,122 shares of common stock as additional compensation to employees valued at \$40,473, based on the closing price of the Company's common stock on the date of grant.

During the six-month period ended September 30, 2009, the Company issued 127,300 shares of common stock for services, valued at \$100,692, based on the closing price of the Company's common stock on the date of grant. Of this, \$26,659 was for the release of the stock payable liability at March 31, 2009.

During the six-month period ended September 30, 2009, the Company issued 75,000 shares of common stock for a legal settlement, valued at \$63,750, based on the closing price of the Company's common stock on the date of grant. This was for the release of the stock payable liability at March 31, 2009.

During the six-month period ended September 30, 2009, the Company expensed amounts related to stock options granted in prior periods, valued at \$213,448.

**NOTE 11 - BASIC AND DILUTED NET LOSS PER COMMON SHARE**

Basic and diluted net loss per common share for the three-month periods ended September 30, 2009 and 2008, are based on 37,708,335 and 37,404,875, respectively, of weighted average common shares outstanding. No adjustment has been made for any common stock equivalents outstanding because their effects would be antidilutive.

Basic and diluted net loss per common share for the six-month periods ended September 30, 2009 and 2008, are based on 37,723,953 and 37,565,780, respectively, of weighted average common shares outstanding. No adjustment has been made for any common stock equivalents outstanding because their effects would be antidilutive.

PCS EDVENTURES!.COM, INC

Notes to the Consolidated Financial Statements

September 30, 2009

(unaudited)

**NOTE 12 DEPRECIATION AND AMORTIZATION EXPENSE**

During the three-month period ended September 30, 2009, the Company had depreciation expense of \$27,410. This amount was related to depreciation of fixed assets, educational software, and intellectual property for the quarter.

During the-six-month period ended September 30, 2009, the Company had depreciation expense of \$55,377. This amount was related to depreciation of fixed assets, educational software, and intellectual property for the period.

**NOTE 13 CHANGE IN ACCOUNTING POLICY**

Effective April 1, 2009, the Company changed its revenue recognition policy to recognize product revenue when the weighted average cost of goods reached 100% shipped. This change created an immaterial increased loss of \$(43,498) which was treated retrospectively. We believe this change to be more conservative and will not create a material effect on our financial statements. In addition, it will allow for revenue to be uniformly applied Company wide and allow for greater transparency to users of the financial statements, in that it is less complicated and a more commonly used manner of recognition.

**NOTE 14 - SUBSEQUENT EVENTS**

PCS Edventures!.com, Inc., v. Jackie Deluna and Infusing Technology K12, LLC (United States District Court for the District of Idaho, Case No. CV-08-00379-BLW). The Company initiated this trademark infringement suit against defendants. Defendants asserted counterclaims for trademark and copyright infringement, misappropriation of trade secrets, and breach of contract claims based on alleged underpayment of royalties under two license agreements with the Company and sought an accounting. The parties settle their dispute pursuant to an agreement that does not involve payment of money by either party. The Court dismissed the case with prejudice on November 9, 2009.

(ii)

SEC issuance of Wells notices: As reported in the Company's Form 8-K Current Report filed October 19, 2009 and the press release filed as an exhibit to that report: On October 16, 2009, the Company received a Wells Notice from the Salt Lake regional office staff ( Staff ) of SEC, informing PCS of the Staff's intention to recommend to the Commission that the SEC bring a civil injunctive action against PCS alleging that it violated Sections 10(b), 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Securities Exchange Act of 1934 and Rules 10b-5, 12b-20, 13a-1 and 13a-11 thereunder.

The Wells Notice was issued in connection with a previously disclosed investigation into possible violations of federal securities laws stemming from disclosures made by PCS in its 8-K Current Report dated March 27, 2007 and in a related Press Release that announced a License Agreement with Global Techniques dba PCS Middle East ( PCS ME ), subsequent sales of PCS stock by certain PCS officers and directors, book and record-keeping procedures and internal controls relating to revenue recognition from the License Agreement, and later disclosures concerning the License Agreement. PCS has been informed that, as a result of the investigation, Wells Notices were also issued to the Chairman of the Board/Chief Executive Officer; the Executive Vice President/Chief Technology Officer; a Director; and a former officer.

Information about the investigation was previously disclosed in Part I Item 3 of PCS' 10-K Annual Report for the fiscal year ended March 31, 2009, in Part II Item 1 of its 10-Q Quarterly Report for the quarter ended June 30, 2009, and in footnotes to PCS' consolidated financial statements contained in those reports. PCS has cooperated fully in providing information and documentation to the Staff during the SEC's investigation.

In connection with the contemplated recommendation, the Staff may seek remedies including, among other things, a permanent injunction against future violations of federal securities laws, civil monetary penalties and, in the case of the individual Wells Notice recipients, disgorgement of PCS stock sale proceeds and a bar against continued service as officers or directors of PCS.

PCS EDVENTURES!.COM, INC

Notes to the Consolidated Financial Statements

September 30, 2009

(unaudited)

Under a process established by the SEC, PCS and each of the other recipients of the Wells Notices have the opportunity to submit any reasons of law, policy or fact why they believe that a civil injunctive action should not be brought (a Wells Submission ) before the Staff makes its recommendation to the Commission regarding what action, if any, should be brought. PCS intends to make a Wells Submission and will endeavor to reach a resolution with the Staff before any action is filed, but cannot guarantee that it will be able to do so. There can be no assurance that the SEC will not decide to bring an action against PCS and/or the officers and directors who have also received Wells Notices.

Under its bylaws, PCS is obligated, subject to certain exceptions and conditions, to indemnify and advance expenses to current and former officers and directors in connection with the SEC investigation and any subsequent SEC enforcement actions. The costs incurred by PCS in addressing the SEC investigation and possible enforcement proceedings, including the anticipated costs of indemnification of PCS officers and directors, will likely have a material adverse effect on PCS business, financial position, results of operations and cash flows (including its liquidity and its plan of operation as outlined in management s discussion and analysis in PCS most recent 10-K and 10-Q reports). The investigation and possible enforcement proceedings could result in adverse publicity and divert the efforts and attention of PCS executive management team from ordinary business operations.

PCS directors and officers insurance carrier has denied coverage of any claims relating to the SEC investigation, including defense costs, based on its contention that PCS did not give it timely notice of the SEC s formal non-public order commencing the investigation or the related issuance of subpoenas by the SEC. PCS disagrees with the carrier s coverage position and is continuing its efforts to require the insurer to satisfy its contractual obligations. There can be no assurance that the insurer will reimburse the legal expenses associated with the SEC investigation or any subsequent enforcement action that may be commenced in the future.

(iii)

Free Trading Stock As a cost-cutting measure and to avoid layoffs of employees, the Company reduced the salaries of the Company s officers and its other employees (collectively, Employees ) by 20% and 10%, respectively, beginning in May 2009 and continuing to date.

To motivate such officers and Employees to continue to work for the Company and to continue to work efficiently and productively, the Company offered to issue to each such Employee, for each payroll period, PCS common stock with a current fair market value corresponding to the amount of the Employee s salary reduction, and to allow each such Employee to elect to receive either free trading PCS common stock at then current market value or restricted PCS common stock at a 20% discount to then current market value. The Company s management erroneously believed that



the Company could issue free trading stock pursuant to the Company's Form S-8 registration statement as filed with the SEC on May 21, 2004 and amended by Form S-8A filed January 4, 2008 (the 2004 Form S-8 Registration Statement).

In early October, management became aware that this belief was incorrect. Management immediately imposed a blackout on Employee sales of the unlegended shares and conducted an investigation to determine whether any of those shares had been sold by Employees. The investigation revealed that two Employees sold a total of 4380 shares of PCS common stock issued by the Company under the mistaken belief that such shares were free trading shares.

In conjunction with its investigation, management reported to the board that the Company had issued unlegended certificates representing a total of 222,815 shares of Company common stock to employees and independent contractors in other instances during the period from August 2006 through April 2009 in the belief that such shares could be issued as free trading shares under the 2004 Form S-8 Registration Statement. Of those shares, 33,673 shares (issued in 2007) were held by the recipients for less than six months, 75,000 shares (issued in 2009) were held by a non-affiliate for more than six months, and the remaining shares were held more than one year or continue to be held by the recipients as of September 30, 2009. The 33,673 shares issued in 2007 were transferred more than one year prior to the date of this Quarterly Report; and the Company is advised by counsel that rescission claims by the transferees based on the sale of unregistered securities are barred by applicable federal and state statutes of limitation. Civil penalties could be assessed by the SEC in connection with such resales if they

PCS EDVENTURES!.COM, INC

Notes to the Consolidated Financial Statements

September 30, 2009

(unaudited)

did not comply with Rule 144 under the Securities Act of 1933 or were not otherwise exempt pursuant to Section 4(1) of the Securities Act of 1933.

At the annual meeting of the Company's shareholders on August 27, 2009, the shareholders approved the PCS Edventures!.com, Inc. 2009 Equity Incentive Plan ( 2009 Plan ) which authorizes the board of directors to grant stock awards purely as a bonus and not subject to any restrictions or conditions. The Company intends to file a Form S-8 Registration Statement registering the shares of PCS common stock issued or issuable pursuant to the 2009 Equity Incentive Plan.

The unsold shares of PCS common stock issued to Employees as free trading shares to offset salary reductions will be cancelled; and the Company will replace those shares with free trading shares of PCS common stock issued under the 2009 Plan and registered under the new S-8 Registration Statement in those amounts and to those Employees who elected to receive free trading shares to offset their salary reduction.

The board of directors has reaffirmed and directed that all commitments and recommendations to issue Company's common stock must be pre-approved by the board. The board also directed the Company (i) to use reasonable best efforts to identify the purchasers of the 4380 shares of PCS stock that were designated free trading shares and that were previously sold by Employees during 2009 and (ii) if such purchasers can be identified without undue cost or diversion of Company's employees from their regular duties, to offer to repurchase those shares from each such purchaser for the amount paid by such purchaser if the purchaser still owns the stock or, if the purchaser no longer owns the stock, the difference between the amount paid by the purchaser and the amount received upon resale.

The board of directors has authorized the continuation of management's plan to avoid layoffs of knowledgeable and dedicated Employees by offering to offset salary reductions by issuing Company stock pursuant to the 2009 Plan in order to retain such employees and reward them for continued efforts on behalf of the Company.

(iv) Stock Issuance

On October 28, 2009, the Company issued 460,000 shares of common stock for the conversion of A Warrants valued at \$312,800.

During the month of October 2009, the Company issued 27,076 shares of common stock for the exercise of employee stock options, valued at \$9,866.

On October 1, 2009, the Company issued 54,886 shares of common stock for the exercise of employee stock options issued in cashless transactions.

On October 8, 2009, the Company issued 6,972 shares of common stock as additional compensation to employees valued at \$7,190, based on the closing price of the Company's common stock on the date of grant.

On November 10, 2009, the Company issued 10,000 shares of common stock for services, valued at \$11,800, based on the closing price of the Company's common stock on the date of grant.

(v) Amendment to B Warrants

Effective as of October 8, 2009, the Company entered into a Warrant Amendment Agreement (the Agreement) with Burlingame Equity Investors, LP, a Delaware limited partnership (Burlingame). Burlingame is the holder of the Company's Common Stock Purchase Warrant B (the B Warrant), giving it the right to purchase up to 2,300,000 shares of the Company's common stock.

PCS EDVENTURES!.COM, INC

Notes to the Consolidated Financial Statements

September 30, 2009

(unaudited)

Under the terms of the Agreement, the parties agreed to amend the B Warrant as follows:

(a) the expiration date of the B Warrant was extended from December 31, 2009, to December 31, 2010, subject to the right to further extend the expiration date to December 31, 2011, upon mutual written consent of the parties;

(b) the exercise price of the B Warrant was reduced from \$0.97 per share to \$0.68 per share; and

(c) the average quarterly closing price that triggers the Company's right to call the warrants was reduced from \$1.26 per share of common stock to \$1.00 per share.

There are no additional subsequent events to report through November 16, 2009, the date the financial statements were issued.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

**Cautionary Statements for Purposes of Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995:**

Except for historical facts, all matters discussed in this Quarterly Report, that are forward-looking, involve a high degree of risk and uncertainty. Certain statements in this Quarterly Report set forth management's intentions, plans, beliefs, expectations, or predictions of the future based on current facts and analyses. When we use the words "believe," "expect," "anticipate," "estimate," "intend," or similar expressions, we intend to identify forward-looking statements. You should not place undue reliance on these forward-looking statements. Actual results may differ materially from those indicated in such statements, due to a variety of factors, risks and uncertainties. Potential risks and uncertainties include, but are not limited to, competitive pressures from other companies within the Educational Industries,

economic conditions in the Company's primary markets, exchange rate fluctuation, reduced product demand, increased competition, inability to produce required capacity, unavailability of financing, government action, including, but not limited to those related to the SEC's Wells Notices weather conditions and other uncertainties, including those detailed in the Company's SEC filings. The Company assumes no duty to update forward-looking statements to reflect events or circumstances after the date of such statements.

The following discussion should be read in conjunction with our audited consolidated financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) contained in our Form 10-K for the year ended March 31, 2009.

### **Plan of Operation**

PCS intends to continue to conduct on-going research into the ever-changing needs of the education market in our domestic and international business in order to identify and exploit viable business opportunities. The Company will accelerate its development of varying product lines to further complement and grow the current product lines as well as enhance marketing efforts to more effectively penetrate the world market. PCS LabMentors will continue to expand into the collegiate market in addition to undertaking new projects with existing customers for an increased revenue base. At the same time, due to conditions in the general economy, we are instituting essential cost saving programs, and efficiency improvement programs which will stay in place until revenues return to pre-recession levels.

### **Results of Operations**

The quarter ended September 30, 2009, resulted in a net loss of (\$444,868) as compared to the net loss during the quarter ended September 30, 2008, of (\$118,144). The Company has increased its losses from the prior fiscal year, same three-month period by (\$326,724), or approximately two hundred seventy-six percent (276%). The Basic Loss per Share for the quarter ended September 30, 2009, is (\$0.01), which is a (\$0.01) decrease in value

per share from the three-month period ended September 30, 2008, of (\$0.00) per share.

The six-month period ended September 30, 2009, resulted in a net loss of (\$894,570) as compared to the net loss during the six-month period ended September 30, 2008, of (\$456,807). The Company has increased its losses from the prior fiscal year, same six-month period by (\$437,763), or approximately ninety six percent (96%). The Basic Loss per Share for the six-month period ended September 30, 2009 is (\$0.03), which is a (\$0.02) decrease in value per share from the six-month period ended September 30, 2008, of (\$0.01) per share.

The non-GAAP financial measure of Earnings Before Interest, Taxes, and Depreciation (EBITDA) for the three-month period ended September 30, 2009, was a loss of approximately (\$417,799), as compared to the EBITDA for the three-month period ended September 30, 2008, of approximately (\$85,925).

The non-GAAP financial measure of Earnings Before Interest, Taxes, Depreciation, Option/Warrant Expense, Stock Compensation, and Loss on Inventory mark to market for the three-month period ended September 30, 2009, was a loss of approximately (\$306,878) as compared to the Earnings Before Interest, Taxes, Depreciation, Option/Warrant Expense, Stock Compensation, and Loss on Inventory mark to market for the three-month period ended September 30, 2008, a gain of approximately \$81,563.

Three-month period ended September 30, 2009, compared to three-month period ended September 30, 2008.

Revenues for the three-month period ended September 30, 2009, decreased to \$799,721 or by approximately (\$257,326), or twenty-four percent (24%) as compared to revenues of \$1,057,047 for the three-month period ended September 30, 2008. This decrease is attributable to the fear surrounding the general economy, a change in federal and state funding schedules, as well as a decrease in the expenditure of grant monies by some

school districts. Although we have the sense this set of circumstances is beginning to improve for us.

Operating expenses for the three-month period ended September 30, 2009, increased by approximately \$75,732 or nine percent (9%) to \$883,804 as compared to operating expenses of \$808,072 for the three-month period ended September 30, 2008.

Six-month period ended September 30, 2009, compared to six-month period ended September 30, 2008.

Revenues for the six-month period ended September 30, 2009, decreased to \$1,264,603 or by approximately (\$733,224), or thirty-seven percent (37%) as compared to revenues of \$1,997,827 for the six-month period ended

September 30, 2008. This decrease is attributable to the hesitation surrounding the general economy, a change in federal and state funding schedules, as well as a decrease in the expenditure of grant monies by some school districts. We do not believe these circumstances are recurring as evidenced by a strengthening economy and an increase of revenue from FY2010 Q1 to FY2010 Q2 of approximately \$334,837.

Operating expenses for the six-month period ended September 30, 2009, increased by approximately \$68,147 or four percent (4%) to \$1,601,190 as compared to operating expenses of \$1,533,043 for the six-month period ended September 30, 2008. This increase is due to increased legal expenses as related to the SEC investigation, as previously mentioned, but was offset by cost cutting and other operational efficiency measures that became effective May 1, 2009. In addition, salaries and wages increased by \$49,372 or nine percent (9%) due to staff increase within LabMentors. This increase is offset by the Atlantic Canada Opportunities Agency, Atlantic Investment Partnership. Under this program eighty-three percent (83%) of the additional employees salary is reimbursed. The reimbursement is non-interest bearing and non-refundable. The income from this program is reported under Other Income.

### **Liquidity**

As of September 30, 2009, we had \$104,194 in cash, with total current assets of \$873,576 and total current liabilities of \$770,666. We have an accumulated deficit of (\$31,410,466) and stockholders' equity of \$701,697.

The Company has a current ratio of 1.13. The ratio, while lower than in the past, indicates that we have worked hard managing debt, and have utilized available resources well in an effort to continue Company growth through internal and external means. We have utilized the current ratio over a quick ratio due to the fact that most items in inventory are easily saleable should the need to liquidate arise.

The Company has working capital of \$102,910 at September 30, 2009. The working capital indicates that our ability to pay current debt obligations through our current assets is favorable.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

The Company is a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934, as amended (the Exchange Act ) and is not required to provide the information required under this item.

### **Item 4T. Controls and Procedures**

#### **Changes in Internal Control Over Financial Reporting.**

Our management, with the participation of our chief executive officer and our Audit Committee, evaluated the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act as of the end of the period covered by this Quarterly Report on Form 10-Q. In designing and evaluating the disclosure controls and procedures, our management recognized 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. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals

Based on that evaluation, Anthony A. Maher, the chief executive officer and acting CFO, concluded that, as of September 30, 2009, our disclosure controls and procedures were, subject to the limitations noted above, 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 Securities and Exchange Commission rules, regulations and forms, and that such information is accumulated and communicated to our management, including our chief executive officer, and our Audit Committee as appropriate, to allow timely decisions regarding required disclosure.

#### **Management s Report on Internal Control Over Financial Reporting .**



Our management, with the participation of the chief executive officer and the Audit Committee, has concluded there were no significant changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II - OTHER INFORMATION**

### **Item 1. Legal Proceedings.**

(i) PCS Edventures!.com Inc., v. Jackie DeLuna and Infusing Technology K12, LLC (United States District Court for the District of Idaho, Case NO. CV-08-00379-BLW). The Company initiated this trademark infringement suit against defendants. Defendants asserted counterclaims for trademark and copyright infringement, misappropriation of trade secrets, and breach of contract claims based on alleged underpayment of royalties under two license agreements with the Company and sought an accounting. The parties settled their dispute pursuant to an agreement that does not involve payment of money by either party. The Court dismissed the case with prejudice on November 9, 2009. See Note 14: Subsequent Events.

(ii) Status of SEC investigation; issuance of Wells Notices: As previously reported, the SEC staff has been conducting a non-public investigation to determine whether the Company or members of its management or staff violated certain provisions of the Securities Act of 1933 and the Securities and Exchange Act of 1934, respecting disclosures made by the Company in its 8-K Current Report dated March 27, 2007 related to its March 28, 2007 Press Release that announced a License Agreement with Global Techniques dba PCS Middle East ( PCS ME ). The investigation has focused on SEC rules promulgated under the Exchange Act respecting book and record-keeping procedures, transactions, internal controls and certain matters related to the Company's relationships with its prior auditors, all apparently related to the PCS ME disclosures and agreements and the accounting treatment of these matters, and sales of shares of common stock by members of management following the issuance of the press release.

The amount due under the License Agreement was not paid when due, as disclosed in the Company's 8-K/A Current Report dated March 27, 2007 and filed with the SEC on May 17, 2007. Members of management sold an aggregate of 161,500 shares of the Company's common stock between April 2, 2007 and May 9, 2007, for total proceeds of \$330,460. The License Agreement revenue was never booked in the Company's public financial statements, as the payments was not received by the time the audit of the Company's March 31, 2007 fiscal year end financial statements was completed.

The Company had a prior five year relationship with PCS ME at the time of the announcement of the License Agreement, including implementation of several pilot programs in Saudi Arabia schools in 2005 and 2006 and receipt of a December 27, 2006 letter from the Saudi Ministry of Education to the Ministry of Education Contacting Department supporting PCS proposals advanced by PCS ME. The Company has continued the licensing of its educational products in the Middle East with PCS ME, having sold additional PCS products to PCS ME for approximately \$160,000 since 2007. The Company extended a \$250,000 loan jointly to PCS ME and its principal owner, Mohamed Yasser Refai, on or about October 1, 2007, as disclosed in the Company's 8-K Current Report of that date. The loan was due on the earlier of the payment of the License Agreement or January 31, 2008, and was secured by an Assignment of Equity amounting to a 25% interest in PCS ME. Because the \$250,000 loan to PCS ME was not paid when due, it was written off as of December 31, 2007; and the Company had and currently has no interest in PCS ME. The Company and PCS ME continue to work on completing the entire License Agreement disclosed on March 27, 2007 and the over-all project in the Kingdom of Saudi Arabia that is tied to that agreement.

Depositions of certain directors and executive officers were taken by the SEC staff in late June 2009, and focused on what the SEC believes to be apparent discrepancies in the factors upon which the Company relied upon in forming its reasonable basis for announcing the License Agreement (including that payment under the License Agreement was contingent upon PCS ME obtaining payment from the Kingdom of Saudi Arabia that would become the end-user of the Company's products, which the Company believed was imminent), along with auditor and internal control concerns about whether the License Agreement was collectible or bookable and the sales of certain shares of the Company's common stock by three members of management during this period as outlined below.

As reported in the Company's Form 8-K Current Report filed October 19, 2009 and the press release filed as an exhibit to that report: On October 16, 2009, the Company received a Wells Notice from the Salt Lake regional office staff ( Staff ) of the SEC, informing PCS of the Staff's intention to recommend to the Commission that the SEC bring a civil injunctive action against PCS alleging that it violated Sections 10(b), 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Securities Exchange Act of 1934 and Rules 10b-5, 12b-20, 13a-1 and 13a-11 thereunder.

The Wells Notice was issued in connection with a previously disclosed investigation into possible violations of federal securities laws stemming from disclosures made by PCS in its 8-K Current Report dated March 27, 2007 and in a related Press Release that announced a License Agreement with Global Techniques dba PCS Middle East ( PCS ME ), subsequent sales of PCS stock by certain PCS officers and directors, book and record-keeping procedures and internal controls relating to revenue recognition from the License Agreement, and later disclosures concerning the License

Agreement. PCS has been informed that, as a result of the investigation, Wells Notices were also issued to the Chairman of the Board/Chief Executive Officer; the Executive Vice President/Chief Technology Officer; a Director; and a former officer.

Information about the investigation was previously disclosed in Part I Item 3 of PCS' 10-K Annual Report for the fiscal year ended March 31, 2009, in Part II Item 1 of its 10-Q Quarterly Report for the quarter ended June 30, 2009, and in footnotes to PCS' consolidated financial statements contained in those reports. PCS has cooperated fully in providing information and documentation to the Staff during the SEC's investigation.

In connection with the contemplated recommendation, the Staff may seek remedies including, among other things, a permanent injunction against future violations of federal securities laws, civil monetary penalties and, in the case of the individual Wells Notice recipients, disgorgement of PCS stock sale proceeds and a bar against continued service as officers or directors of PCS.

Under a process established by the SEC, PCS and each of the other recipients of the Wells Notices have the opportunity to submit any reasons of law, policy or fact why they believe that a civil injunctive action should not be brought (a Wells Submission) before the Staff makes its recommendation to the Commission regarding what action, if any, should be brought. PCS intends to make a Wells Submission and will endeavor to reach a resolution

with the Staff before any action is filed, but cannot guarantee that it will be able to do so. There can be no assurance that the SEC will not decide to bring an action against PCS and/or the officers and directors who have also received Wells Notices.

Under its bylaws, PCS is obligated, subject to certain exceptions and conditions, to indemnify and advance expenses to current and former officers and directors in connection with the SEC investigation and any subsequent SEC enforcement actions. The costs incurred by PCS in addressing the SEC investigation and possible enforcement proceedings, including the anticipated costs of indemnification of PCS officers and directors, will likely have a material adverse effect on PCS business, financial position, results of operations and cash flows (including its liquidity and its plan of operation as outlined in management's discussion and analysis in PCS most recent 10-K and 10-Q reports). The investigation and possible enforcement proceedings could result in adverse publicity and divert the efforts and attention of PCS executive management team from ordinary business operations.

PCS directors and officers insurance carrier has denied coverage of any claims relating to the SEC investigation, including defense costs, based on its contention that PCS did not give it timely notice of the SEC's formal non-public order commencing the investigation or the related issuance of subpoenas by the SEC. PCS disagrees with the carrier's coverage position and is continuing its efforts to require the insurer to satisfy its contractual obligations. There can be no assurance that the insurer will reimburse the legal expenses associated with the SEC investigation or any subsequent enforcement action that may be commenced in the future.

**Item 2. Recent Sale of Unregistered Securities.**

Sales of Unregistered Securities During the Last Quarter.

Common  
Preferred  
Description  
Shares  
Amount  
Shares  
Amount  
Consultants

(1)

81,466

\$

63,277

-

-

Employee

(2)

45,834

\$

37,415

-

-

Employee

(3)

491,498

\$

10,177

-

-

Liability

Release (4)

102,726

\$

90,409

-

-

(1)

These shares were issued in exchange for services.

(2)

These shares were issued in exchange for services.

(3)

These shares were issued due to the exercise of stock options, of which 448,577 shares of common stock were issued in a cashless transaction.

(4)

These shares were issued to release the stock payable liability at March 31, 2009.

We issued all of these securities to persons who were either accredited investors or sophisticated investors as those terms are respectively defined in Rules 501 and 506 of Regulation D of the SEC, or to persons to whom the issuance of these securities was otherwise exempt from the registration requirements of the Securities Act of 1933, as amended (the Securities Act); and each such person had prior access to all material information about us prior to the issuance of these securities. We believe that the offer and sale of these securities were exempt from the registration requirements of the Securities Act, pursuant to Sections 4(2) and 4(6) thereof and Rule 506 of Regulation D of the SEC. Registration of sales to accredited investors are preempted from state regulation, though states may require the filing of notices, a fee and other administrative documentation like consents to service of process and the like.

### **Item 3. Defaults Upon Senior Securities.**

None; not applicable.

### **Item 4. Submission of Matters to a Vote of Security Holders.**

On August 27, 2009, the Company held its Annual Meeting of Shareholders at its principal location in Boise, Idaho. A quorum was represented at the meeting in person and via proxy. Of the 37,543,562 shares outstanding at the record date July 15, 2009, 31,399,609 proxies had been received by the Company.

At the Annual Meeting, two proposals were brought forth for vote by the shareholders. The first item of



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business was to re-elect the Board of Directors until the next annual meeting. Of the total number of proxies received, each member of the Board of Directors standing for election had received in excess of 26,900,000 votes in favor. The Board of Directors was re-elected as follows:

Board of  
Directors

For

Against

Abstain

Anthony  
A. Maher

29,830,066

999,012

1,430,461

Donald J.  
Farley

26,960,628

3,868,450

1,430,461

Cecil D.  
Andrus

30,792,828

36,250



1,430,461

Dehryl A.  
Dennis

30,741,728

86,250

1,431,561

Michael K.  
McMurray

30,777,728

50,250

1,431,561

The second item of business was the adoption by the shareholders of the PCS2009 Equity Incentive Plan. The plan was approved as follows:

Approval

Non-approval

Withhold  
Authority

PCS 2009  
Equity  
Incentive Plan

29,830,066

999,012

1,430,461

**Item 5. Other Information.**

None; not applicable.

**Item 6. Exhibits.**

Identification of Exhibit

31

32

Rule 13a-14(a) or 15d-14(a) Certification of the Registrant's principal executive officer.  
Filed herewith.

Rule 13a-14(b) or 15d-14(b) Certification of the Registrant's principal executive officer  
pursuant to 18 U.S.C Section 1350 as adopted pursuant to Rule 906 of the Sarbanes-Oxley  
Act of 2002. Filed herewith.

SIGNATURES

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

PCS EDVENTURES!.COM, INC.

Dated:

November 16, 2009

By:

/s/ Anthony A. Maher

Anthony A. Maher

CEO, President, Chairman of the Board of  
Directors, and acting CFO

(principal executive officer)

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Dated:

November 16, 2009

By:

/s/ Donald J. Farley

Donald J. Farley

Secretary and Director

Dated:

November 16, 2009

By:

/s/ Cecil D Andrus

Cecil D. Andrus

Director

Dated:

November 16, 2009

By:

/s/ Dehryl A Dennis

Dehryl A. Dennis

Director

Dated:

November 16, 2009

By:

/s/ Michael K. McMurray

Michael K. McMurray

Director

24

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