

PCS EDVENTURES COM INC  
Form 10-Q  
February 14, 2011

**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 December 31, 2010**

**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

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(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 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 (§232.405 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 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):

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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 Exchanger Act 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:

January 31, 2011: 42,246,859 Shares of Common Stock

**PART I FINANCIAL INFORMATION**

**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 . . .

17

Controls and Procedures

19

PART II

- OTHER  
INFORMATION

20

SIGNATURES

22

EXHIBIT INDEX

22





PCS EDVENTURES!.COM, INC.

Consolidated Balance Sheets

**ASSETS**

December 31, 2010

March 31, 2010

(unaudited)

(audited)

**CURRENT ASSETS**

Cash

\$ 376,568

\$ 290,141

Accounts receivable, net of  
allowance for doubtful  
accounts of \$4,308 and  
\$4,271 respectively

244,423

255,846

Interest Receivable

376

524

Prepaid expenses

	49,492
	17,592
Finished goods inventory	
	155,091
	207,132
Other receivable	
	21,903
	30,227
Total Current Assets	
	847,853
	801,462

FIXED ASSETS, net of  
accumulated depreciation of  
\$196,668 and \$160,613  
respectively

114,772  
132,650

EDUCATIONAL  
SOFTWARE, net of  
accumulated amortization of  
\$253,611 and \$229,381,  
respectively

198,969  
214,756

GOODWILL

202,688

202,688

## OTHER ASSETS

Mold Cost

23,311

24,643

Deposits

7,821

7,371

Total Other Assets

31,132

32,014

**TOTAL ASSETS****\$ 1,395,414****\$ 1,383,570**

The accompanying notes are an integral part of these financial statements



PCS EDVENTURES!.COM, INC.

Consolidated Balance Sheets

**LIABILITIES &  
STOCKHOLDERS'  
EQUITY**

December 31, 2010

March 31, 2010

(unaudited)

(audited)

**CURRENT  
LIABILITIES**

Accounts payable and  
other current liabilities

\$ 323,016

\$  
265,908

Accrued compensation

-

6,000

Payroll liabilities  
payable

	21,335
	17,091
Accrued expenses	
	64,568
	38,191
Deferred revenue	
	77,977
	105,669
Total Current Liabilities	
	486,896
	432,859
Total Liabilities	
	486,896
	432,859

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

34,733,684

33,526,490

authorized shares,  
42,174,781 and  
39,700,831 shares issued  
and outstanding,  
respectively

Stock payable

139,512

88,745

Accumulated  
comprehensive income

9,824

14,425

Accumulated deficit

(33,974,502)

(32,678,949)

Total Stockholders'  
Equity

908,518

950,711

**TOTAL LIABILITIES  
AND  
STOCKHOLDERS'  
EQUITY**

**\$ 1,395,414**

**\$ 1,383,570**



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 Nine Months  
Ended

December 31,

December 31,

2010

2009

2010

2009

REVENUES

Lab revenue

\$ 460,144

\$ 542,171

\$ 1,361,888

\$ 1,757,083

License revenue

15,916

34,833

74,858

84,525

Total Revenues

476,060

577,004

1,436,746

1,841,608

COST OF SALES

175,137

214,949

559,278

822,910

GROSS PROFIT

300,923

362,055

877,468

1,018,698

**OPERATING  
EXPENSES**

Salaries and wages

97,193

	263,017
	835,403
	855,691
Depreciation and amortization expense	
	13,107
	25,601
	52,772
	80,977
Loss on stock compensation	
	2,541
	4,017
	10,388
	16,495
General and administrative expenses	
	518,042

632,065

1,466,058

1,572,728

Total Operating  
Expenses

630,883

924,700

2,364,621

2,525,891

OPERATING LOSS

(329,960)

(562,645)

(1,487,153)

(1,507,193)

**OTHER INCOME  
AND EXPENSES**

Interest income

402

778

24



2,303

6,411

Interest expense

-

-

-

-

Other income

202,893

1,032

202,893

45,377

Other expense

12,391

-

13,596

25

-  
Total Other Income  
and Expenses

190,904

1,810

191,600

51,788

NET LOSS

(139,056)

(560,835)

(1,295,553)

(1,455,405)

Foreign currency  
translation

5,802

8,396

(4,601)

37,550

NET  
COMPREHENSIVE  
LOSS

(133,254)

(\$552,439)

(\$1,300,154)

(\$1,417,855)

Deemed dividend

-

(291,586)

-

(291,586)

NET LOSS  
ATTRIBUTABLE  
TO COMMON

(\$133,254)

(\$260,853)

(\$1,300,154)

(\$1,126,269)

Loss per Share Basic  
and Diluted

0.00

(0.01)

(0.03)

(0.04)

Weighted Average  
Number of Shares  
Outstanding Basic  
and Diluted

41,303,774

38,164,876

40,782,295

37,596,521

The accompanying notes are an integral part of these financial statements

PCS EDVENTURES!.COM, INC.

Consolidated Statements of Stockholders' Equity

(unaudited)

# of

Other

Total

Common

Capital

Stock

Accumulated

Comprehensive

Stockholders'

	Shares O/S
	Stock
	Payable
	Deficit
	Income
	Equity
	Balance at 3/31/2010
	39,700,831
	\$ 33,526,490
	\$ 88,745
	\$(32,678,949)
	\$ 14,425
	\$ 950,711





Stock for Services
357,906
179,292
(25,733)
-
-
153,559

Stock for RSU's

-

-

67,500

-

-

67,500

Stock for Exercise  
of Options - Cash

50,332

27,000

-  
-  
-

27,000

Stock for Exercise  
of Options-Cashless

149,819

-  
-  
-

-

-

Stock for Employee  
Bonus

210,479

120,108

9,000

-

-

129,108

Option Expense

-

280,794

-

-

-

280,794

Shares issued for cash	1,705,414
	600,000
	-
	-
	-
	600,000

Foreign Currency  
Translation

-

-

-

-

(4,601)

(4,601)



Net Loss through  
12/31/2010

-

-

-

(1,295,553)

-

(1,295,553)

Balance at  
12/31/2010

42,174,781

\$ 34,733,684

\$ 139,512

\$(33,974,502)

\$ 9,824

\$ 908,518

The accompanying notes are an integral part of these financial statements

PCS EDVENTURES!.COM, INC.  
Consolidated Statements of Cash Flows  
(unaudited)

For the Nine  
Months Ended

December

2010

2009

CASH FLOWS  
FROM  
OPERATING  
ACTIVITIES

Net Loss

\$ (1,295,553)

\$ (1,455,405)

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

Depreciation

52,772

80,977

Stock issued for  
employee bonus

196,608

69,350

Common stock  
issued for  
services

143,171

165,212

Amortization of  
fair value of  
stock options

280,794

319,335

Loss on issuance  
of stock for  
compensation

10,388

-  
Change in  
accounting  
policy

-  
(43,497)

Changes in  
operating assets  
and liabilities:

(Increase)  
decrease in  
accounts  
receivable

11,423

69,082

(Increase)  
decrease in  
prepaid expenses

(31,900)

5,812

(Increase)  
decrease in  
interest  
receivables

(13,953)

2,166

(Increase)  
decrease in  
inventories

52,041

(5,739)

Decrease in  
deferred costs

-

(154)

(Increase)  
decrease in other  
assets

23,307

-

(Decrease)  
increase in  
accounts payable  
and accrued  
liabilities

80,033

202,212

Increase  
(decrease) in  
unearned  
revenue

(27,692)

41,835

Net Cash Used  
by Operating  
Activities

(518,561)

(548,814)

CASH FLOWS  
FROM  
INVESTING  
ACTIVITIES

Cash paid for  
purchase of fixed  
assets

(15,156)

(46,796)

Cash paid for  
purchase of  
educational  
software

(2,255)

(70,755)

Net Cash Used  
by Investing  
Activities

(17,411)

(117,551)

CASH FLOWS  
FROM  
FINANCING  
ACTIVITIES

Proceeds from  
common stock



600,000

322,977

Proceeds from  
exercise of  
options

27,000

-

Principal  
payments on  
debt

-

(6,142)

Net Cash  
Provided by  
Financing  
Activities

627,000

316,835

Foreign currency  
translation

(4,601)

	37,550
Net Decrease in Cash	
	86,427
	(311,980)
Cash at Beginning of Year	
	290,141
	548,443
Cash at End of Year	
\$	376,568
\$	236,463

The accompanying notes are an integral part of these financial statements

PCS EDVENTURES!.COM, INC.

Consolidated Statements of Cash Flows (continued)

(unaudited)

For the Nine  
Months Ended

December 31,

NON-CASH  
TRANSACTIONS:

2010

2009

Common stock  
issued for services

\$ 35,427

\$ 90,409

For the Nine  
Months Ended

September 30,

2010

2009

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

December 31, 2010

(unaudited)

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

The consolidated financial statements presented are those of PCS Edventures!.com, Inc., an Idaho corporation, and its wholly owned subsidiary, PCS LabMentors, Ltd., a Canadian company (collectively, the Company ).

On August 3, 1994, PCS Education Systems, Inc. was incorporated under the laws of Idaho to develop and operate standalone learning labs.

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

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

On November 30, 2005, PCS entered into an agreement with 511092 N.B. LTD., a Canadian corporation (LabMentors) to exchange PCS stock for stock of 511092 N.B. LTD. as disclosed in the 8-K as filed with the 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 PCS. In December 2005, the name of this subsidiary was formally changed to PCS LabMentors, Ltd. It remains a Canadian corporation.

**NOTE 2 - UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

The December 31, 2010 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 principles 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 for PCS Edventures!.com for the year ended March 31, 2010. The December 31, 2010, consolidated balance sheet is derived from the audited balance sheet included therein.

The operating results for the three-month and nine-month period ended December 31, 2010, are not necessarily indicative of the results that may be expected for the year ending March 31, 2011.

### **NOTE 3 - GOING CONCERN**

The Company's consolidated financial statements are prepared using accounting principles generally accepted in the United States of America applicable to a going concern that contemplates the realization of assets and liquidation of liabilities in the normal course of business. The established sources of revenues are not sufficient to cover the Company's operating costs. Although the Company has positive working capital, it has accumulated significant losses and payables. 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 December 31, 2010, the Company continued to develop and enhance the Strategic Business Units (SBUs) that were established during the fourth quarter of fiscal year 2010. The SBU strategy has allowed for increased penetration of our professional development, robotics and engineering programs throughout the state of Idaho in addition to other Technical Education programs within the United States. The Afterschool SBU established a national level pilot program with the YMCA as well as gained momentum with our newest product, the Discovery STEM lab. The domestic market strategy is to continue building upon and adding to our strengths through product development along with the continuance and addition of partnership alliances that will allow for the advancement of market share and to increasingly work with current and future customers in fulfilling needs within the domestic market segment.

PCS EDVENTURES!.COM, INC

Notes to the Consolidated Financial Statements

December 31, 2010

(unaudited)

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

The Company also continues to focus efforts on the Middle East and is actively working towards expansion into

Central and South America. The Company has developed a relationship with the Al Khaymah Establishment, an organization with a diverse network of affiliates and associations across the Middle East-North African Region (MENA) as well as Africa and Central Asia. With the Al Khaymah Establishment as facilitator, the Company plans to continue its relationship building efforts. A recent trip to the Middle East has produced what we feel are three or four possible business relationships in the area on which we hope to capitalize in order to grow in market share in the International Market.

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 paragraphs, to raise capital as needed, to continue to monitor and reduce overhead costs, and to 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:

December 31,

March 31,

2010



2010

Computer/office  
equipment

\$ 6,912

\$ 15,252

Server equipment

177,173

150,656

Software

127,355

127,355

Accumulated  
depreciation

(196,668)

(160,613)

Total Fixed Assets

\$ 114,772

\$ 132,650

**NOTE 5 - EDUCATIONAL SOFTWARE**

Educational software was purchased by the Company as a part of its acquisition of 511092 N.B. LTD. and consists of internally developed education computer programs and exercises to be accessed on the Internet. In accordance with financial accounting standards pertaining to internally developed software, 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 the software is ready for sale and customer access, at which point the development costs are reported at the lower of unamortized cost or net realizable value. Capitalized program and exercise inventory items are amortized on a straight-line basis over the estimated useful life of the program or exercise, generally 24 to 48 months.

**NOTE 6 - GOODWILL**

The entire goodwill balance of \$202,688 at December 31, 2010 and March 31, 2010, which is not deductible for tax purposes due to the purchase being completed through the exchange of stock, is related to the Company's acquisition of PCS LabMentors in November 2005. Included within this amount of goodwill are capital costs associated with the acquisition. The capitalized costs were incurred for accounting, consulting and legal fees associated with the transaction. With the acquisition of PCS LabMentors, the Company gained LabMentors' significant interest in the technical college market and increased the Company's products available for sale to educational outlets. The Company also obtained the information technology and programming expertise of LabMentors' workforce, gained additional cost optimization and gained greater market flexibility in optimizing market information and access to collegiate level sales.

Generally accepted accounting standards require that a two-step impairment test be performed annually or whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. The first step of the test for impairment compares the book value of the Company to its estimated fair value. We undertook a Goodwill impairment review during fiscal year 2010. After reviewing current operating losses and future growth potential of the subsidiary, the Company determined that impairment was not necessary.

PCS EDVENTURES!.COM, INC

Notes to the Consolidated Financial Statements

December 31, 2010

(unaudited)

**NOTE 7 - ACCRUED EXPENSES**

Accrued expenses for the periods are as follows:

	December	March 31,
	2010	2010
Credit card debt		
\$	35,326	
\$		24,435
Professional fees: accounting		
\$	-	
\$		5,000
Professional fees: legal		
\$		8,410

\$	10,640
	Sales tax payable
\$	9,059
\$	13
	Consulting fees
\$	7,859
\$	-
	GST Payable
\$	-
\$	(1,897)
	BOE printer payout
\$	3,914
\$	-
	Total Accrued Expenses
\$	64,568
\$	38,191

**NOTE 8 - COMMITMENTS AND CONTINGENCIES**

a. Operating Lease Obligation

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

Fiscal Year  
Yearly Obligation

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

Rent expense for the corporate offices was \$30,303 and \$29,799 for the quarters ended December 31, 2010, and 2009, respectively, under this lease arrangement.

The Company leases additional warehouse space in Boise, Idaho. This warehouse space consists of approximately 2,880 square feet. The lease expires in June 2012. Rent expense for the warehouse was \$4,200 and \$5,404 for the quarters ended December 31, 2010, and 2009, respectively.

The Company relinquished its leased space for the LabMentors subsidiary located in Fredericton, New Brunswick, Canada. Effective April 1, 2010, the employees of LabMentors worked from their respective homes. There was no rent expense for the quarter ended September 30, 2010, as compared to \$1,734 in the quarter ended September 30, 2009. LabMentors entered into a five year office lease effective October, 2010. The rent is to be paid in Canadian dollars. Monthly rent for the first year will be \$1,713 CAD/month. Rent expense for LabMentors was \$3,693 (CAD) and \$5,238 (CAD) for the quarters ended December 31, 2010, and 2009, respectively.

PCS EDVENTURES!.COM, INC

Notes to the Consolidated Financial Statements

December 31, 2010

(unaudited)

b. Litigation

(i) SEC Proceedings: The Company announced that on August 27, 2010, it obtained a copy of a complaint filed by the U.S. Securities and Exchange Commission (SEC) commencing a civil lawsuit against PCS, its Chief Executive Officer Anthony A. Maher, and its former Chief Financial Officer Shannon Stith ( Parties ). The complaint (Case 1:10-cv-00433-CWD) was filed in the United States District Court For The District Of Idaho. The lawsuit involves disclosures made by the Company concerning its March 26, 2007 License Agreement with Global Techniques dba PCS Middle East ( PCS ME ). The complaint alleges: 1) the Parties violated Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5], and, in doing so, the Parties are alleged to have committed fraud in connection with the purchase and sale of securities; 2) the Parties violated of Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20, 13a-1, and 13a-11 thereunder [17 C.F.R. 240.12b-20, 240.13a-1, and 240.13a-11] by making alleged false filings with the SEC and aiding and abetting false filings with the SEC; and 3) Mr. Maher and Ms. Stith violated Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rule 13a-14 thereunder [17 C.F.R. § 240.13a-14] in making false certifications of an annual report. The complaint seeks a permanent injunction, civil money penalties pursuant to Section 21(d)(3) of the Exchange Act, and a bar against Mr. Maher and Mrs. Stith from serving as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act, as amended, or that is required to file reports pursuant to Section 15(d) of the Exchange Act. On November 9, 2010, the Company filed a Motion to Dismiss (and/or for Summary Judgment), and a Motion to Strike the SEC s Amended Complaint which were denied by the Court on January 28, 2011.

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 suit. The costs incurred by PCS in addressing the SEC suit may 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).

(ii) Insurance Lawsuit: PCS previously announced that its directors and officers insurance carrier had denied coverage of any claims relating to the SEC investigation, and, as a result, the Company initiated suit against the insurer (PCS Edventures!.com Inc. v. Navigators Insurance Company in the District Court of the Fourth Judicial District of the State of Idaho, in and for the county of Ada, Case No. CV-OC 1012105) for among other things, breach of contract and bad faith. On December 21, 2010, the Company reached a settlement of that lawsuit, as reported on Form 8-K, filed with the SEC on December 28, 2010, and while the terms are confidential, the Company was reimbursed for a significant portion of its past legal fees, and a substantial part of the legal costs going forward will be paid by the

insurer, even though the overall coverage was reduced under the negotiated settlement.

(iii) Class Action Lawsuit: The Company, along with its current CEO and former CFO have been named in a class action lawsuit--Niederklein v. PCS Edventures!.com, Inc., et al., U.S. District Court for the District of Idaho, Case 1:10-cv-00479-CWD). The class action was brought on behalf of shareholders who purchased shares of the Company's common stock during the period between March 28, 2007 and August 15, 2007. On January 14, 2011, the court heard argument on a motion relating to the appointment of a lead plaintiff. No response to the class action by the Company or any of the other defendants is due until after resolution of the lead plaintiff issue and the filing of an amended complaint. 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 this suit. The costs incurred by PCS in addressing this suit may 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).

c. Contingencies

The Company is currently working with the state of California regarding a review of sales and use taxes on sales to California customers during certain prior periods. The estimated amount due to the California State Board of Equalization with respect to those periods currently under review is approximately \$9,000. The Company will pay this amount and attempt to recoup it from the pertinent customers. At this point, the Company cannot determine what other prior periods might be reviewed or the amount of sales and use taxes that might be due to the California State Board of Equalization as a result of any such further review.

PCS EDVENTURES!.COM, INC

Notes to the Consolidated Financial Statements

December 31, 2010

(unaudited)

**NOTE 9 - STOCKHOLDERS EQUITY**

During the nine-month period ended December 31, 2010, the Company issued 50,332 shares of common stock upon exercise of employee stock options, and received cash proceeds of \$27,000.

During the nine-month period ended December 31, 2010, the Company issued 149,819 shares of common stock upon exercise of employee stock options issued in cashless transactions.

During the nine-month period ended December 31, 2010, the Company issued 210,479 shares of common stock as additional compensation to employees valued at \$120,108, based on the closing price of the Company's common stock on the date of grant. Of the 210,479 shares issued, 9,312 were issued in payment of amounts accrued as of March 31, 2010 with a value of \$7,806. During the period, \$32,700 has been accrued in stock payable, and shares valued at \$23,700 have been issued from stock payable for a net increase in the amount of \$9,000, representing 42,431 shares that will be issued to employees in the future.

During the nine-month period ended December 31, 2010, the Company issued 357,906 shares of common stock for services, valued at \$179,292, based on the closing price of the Company's common stock on the date of grant. Of the \$179,292, \$27,620 represents amounts for services that were provided and accrued in stock payable as of March 31, 2010. During the period, \$295,142 has been accrued in stock payable, and shares valued at \$320,875 have been issued from stock payable for a net reduction in stock payable for services the amount of \$25,733. Of the 357,906 shares issued during the nine-month period, 40,512 shares were issued for amounts payable at March 31, 2010. As of December 31, 2010, a shares payable in the amount of \$10,512 has been accrued, representing 72,078 shares that will be issued in a future period.

During the nine-month period ended December 31, 2010, the Company issued 1,705,414 shares of common stock for \$600,000 in cash. For every three shares of the first 750,000 shares of common stock purchased, the purchaser received one warrant that entitles the holder to purchase one share of common stock at a price of \$0.60 per share and expires two years from the date issued. For every 2.55 shares of the next 955,414 shares of common stock purchased, the purchaser received one warrant that entitles the holder to purchase one share of common stock at a price of \$0.20



per share and expires two years from the date issued. A total of 625,000 warrants were issued, with a relative fair market value of \$115,109. The warrants were valued using the Black-Scholes Valuation Model using the stock price on the date of grant, discount rates ranging from 0.46% to 0.81%, and volatility ranging from 102% to 116%.

During the nine-month period ended December 31, 2010, the Company expensed amounts related to stock options granted in the current and prior periods totaling \$280,794.

During the nine-month period ended December 31, 2010, the Company recognized \$67,500 of restricted stock units payable to non-management directors for services rendered at a rate of one share of common stock for each restricted stock unit. Each restricted stock unit is valued at \$0.85, based on the closing price of the Company's common stock at the date of grant. In addition, the non-management directors were issued new RSU agreements on September 23, 2010. These agreements call for payment of current year director fees via issuance of restricted stock units over a vesting period of not less than twelve months, and require continued service for twelve months and reelection at the next annual shareholder meeting.

**NOTE 10 - BASIC AND DILUTED NET LOSS PER COMMON SHARE**

Basic and diluted net loss per common share for the three-month periods ended December 31, 2010, and 2009, are based on 41,303,774 and 38,164,876, 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 nine-month periods ended December 31, 2010, and 2009, are

based on 40,782,295 and 37,596,521, 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

December 31, 2010

(unaudited)

**NOTE 11 DEPRECIATION AND AMORTIZATION EXPENSE**

During the three and nine-month periods ended December 31, 2010, the Company had depreciation expense of \$13,107 and \$52,772, respectively. This amount was related to depreciation of fixed assets, educational software, and intellectual property for the quarter.

**NOTE 12 - DILUTIVE INSTRUMENTS**

**Stock Options and Warrants**

The Company is required to recognize expense of options or similar equity instruments issued to employees using the fair-value-based method of accounting for stock-based payments in compliance with the financial accounting standard pertaining to share-based payments. This standard covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans. Application of this standard requires significant judgment regarding the assumptions used in the selected option pricing model, including stock price volatility and employee exercise behavior. Most of these inputs are either highly dependent on the current economic environment at the date of grant or forward-looking over the expected term of the award.

Dilutive Instruments

Total Issued

Not

Issued

Cancelled

Executed

and Outstanding

Exercisable

Vested

Balance as of  
March 31, 2010

20,759,370

7,871,085

8,955,196

3,933,089

3,578,589

354,500

Warrants

625,000

-

-

625,000

625,000

Common Stock

1,537,284

-

736,228

	801,056
	(552,874)
	1,353,930
	Balance as of December 31, 2010
	22,921,654
	7,871,085
	9,691,424
	5,359,145
	3,650,715
	1,708,430

Between May 17 and May 21 of 2010, the Company sold 750,000 shares in a non-public offering. The private offering was fully subscribed by current shareholders and accredited investors who purchased the 750,000 shares of the Company's common stock at a price of \$0.60 per share. The price at which the offering was completed represented a 10% discount from the closing price of the Company's common stock on the OTC Bulletin Board on the commencement date of the offering. Investors also received common stock purchase warrants equivalent to 33% of the number of common shares purchased in the offering. Each stock purchase warrant expires in 24 months and allows the warrant holder to purchase shares of the Company's common stock at a price of \$0.60 per share.

The warrants' computed volatility ranges from a low of 114.88% to a high of 116.44%. A risk free interest rate, ranging from a low of .76% to a high of .83% was used to value the warrants.

PCS EDVENTURES!.COM, INC

Notes to the Consolidated Financial Statements

December 31, 2010

(unaudited)

On June 17, 2010, the Company granted 300,000 incentive stock options to an officer. These options were issued as incentive compensation to the officer. The options were valued using the Black-Scholes valuation model. The options have an expected volatility rate of 113.82% calculated using the Company stock price for a two-year period beginning June 17, 2010. A risk free interest rate of .48% was used to value the options. The total value of these options was \$92,897. The options vest over a three-year period and are exercisable at \$.60 per share, which represents the fair market value at the date of grant in accordance with the 2009 Equity Incentive Plan. During the nine-months ended December 31, 2010, \$15,483 of the total value was expensed.

On June 24, 2010, the Company granted 800,000 incentive options to a select group of employees. These options were issued as incentive compensation to the employees. The options were valued using the Black-Scholes valuation model. The options have an expected volatility rate of 114.06% calculated using the Company stock price for a two-year period beginning June 24, 2010. A risk free interest rate of .53% was used to value the options. The total value of these options was \$258,170. The options vest over a three-year period and are exercisable at \$.55 per share which represents the fair market value at the date of grant in accordance with the 2009 Equity Incentive Plan. During the nine-months ended December 31, 2010, \$43,028 of the total value was expensed.

On July 7, 2010, the Company granted 70,000 incentive stock options to an employee. These options were issued as additional incentive compensation to the employee. The options were valued using the Black-Scholes valuation model. The shares have an expected volatility rate of 113.61% calculated using the company stock price for a two-year period beginning July 7, 2010. A risk free interest rate of .31% was used to value the options. The total value of these options was \$14,768. The options vest at the end of one year, contain a number of performance conditions and are exercisable at \$.65 per share which represents the fair market value at the date of grant in accordance with the 2009 Equity Incentive Plan. During the nine-months ended December 31, 2010, \$7,384 in value of the options was expensed.

On August 23, 2010, the Company granted 50,000 options to a consultant. These options were issued to the consultant due to exemplary performance. The shares have an expected volatility rate of 109.81% calculated using the Company stock price for a two-year period beginning August 23, 2010. A risk free interest rate of .37% was used to value the options. The options were valued using the Black-Scholes valuation model. The total value of these options was \$11,988. The options vest over a three-year period, contain a number of performance conditions and are exercisable at \$.71 per share which represents the fair market value at the date of grant in accordance with the 2009 Equity Incentive Plan. During the nine-months ended December 31, 2010, \$1,665 in value of the options was expensed.

On August 24, 2010, the Company granted 133,930 incentive options to an officer. These options were issued as additional incentive compensation to the officer. The options were valued using the Black-Scholes valuation model. The shares have an expected volatility rate of 109.70% calculated using the Company stock price for a two-year period beginning August 25, 2010. A risk free interest rate of .39% was used to value the options. The options vest over a three-year period and are exercisable at \$.70 per share which represents the fair market value at the date of grant in accordance with the 2009 Equity Incentive Plan. During the nine-months ended December 31, 2010, \$4,972 of the total value was expensed.

On September 27, 2010, the Company granted 183,355 incentive options to an officer. These options were issued as additional incentive compensation to the officer. The options were valued using the Black-Scholes valuation model. The shares have an expected volatility rate of 241.48% calculated using the Company stock price for a two-year period beginning September 27, 2010. A risk free interest rate of 1.31% was used to value the options. The total value of these options was \$54,616. The options vested at issuance and are exercisable at \$.45 per share which represents the fair market value at the date of grant in accordance with the 2009 Equity Incentive Plan. During the nine-months ended December 31, 2010, the entire value of the options was expensed.

PCS EDVENTURES!.COM, INC

Notes to the Consolidated Financial Statements

December 31, 2010

(unaudited)

Between November 13 and November 16, 2010, the Company sold 955,414 shares in a non-public offering. The private offering was fully subscribed by current shareholders and accredited investors who purchased the 955,414 shares of the Company's common stock at a price of \$0.16 per share. The price at which the offering was completed represented a 10% discount from the closing price of the Company's common stock on the OTC Bulletin Board on the commencement date of the offering. Investors also received common stock purchase warrants equivalent to 50% of the first 750,000 common shares purchased in the offering. Each stock purchase warrant expires in 24 months and allows the warrant holder to purchase shares of the Company's common stock at a price of \$0.20 per share.

The warrants' computed volatility ranges from a low of 102.37% to a high of 102.41%. A risk free interest rate ranging from a low of .46% to a high of .51% was used to value the warrants.

During the nine-months ended December 31, 2010, the Company had 736,228 common stock options exercised by employees, for per share exercise prices ranging from \$0.50 to \$0.54. Of this amount, 149,819 were issued in a cashless exercise.

**NOTE 13- OTHER INCOME**

On December 21, 2010, the Company settled a lawsuit against its insurer (see Note 8(b)(ii)), and the Company has been reimbursed for a significant portion of its legal fees incurred to date. Of this amount, the monies representing legal fees in fiscal years prior to FY2011 were applied to other income while monies received in relation to FY2011 legal costs were applied against current year legal expense.

**NOTE 14 - SUBSEQUENT EVENTS**

On or about January 21, 2011, the Company received notification from Getty Images of a copyright infringement claim and a requested settlement agreement with PCS LabMentors, a wholly owned subsidiary. The settlement agreement calls for a onetime payment in the amount of \$7,910 (US) and the removal of certain images from the LabMentors web-site. The amount of \$7,910 (US) has been accrued as of December 31, 2010, in the Accrued expense account.



On January 19, 2011, William F. Albert was promoted to Vice President of Sales and Marketing for the U.S. market. Mr. Albert had previously served as Vice President of the Company's After School Business Unit. His duties as Vice President of Sales and Marketing involve the development, execution and oversight of sales and marketing initiatives for all three PCS domestic strategic business units.

On January 11, 2011, the Company issued 46,641 shares of common stock for consulting services rendered valued at \$7,206, based on the closing price of the Company's common stock on the date of grant.

On January 11, 2011, the Company issued 25,437 shares of common stock to employees in lieu of cash compensation, valued at \$2,934, based on the closing price of the Company's common stock on the date of grant.

On January 28, 2011, the Court denied the Company's Motion to Dismiss (and/or for Summary Judgment), and its Motion to Strike the SEC's Amended Complaint, which were filed on November 9, 2010. See Note 8b(i) to the Consolidated Financial Statements and Part II, Item 1(i).

## **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) the SEC's lawsuit, and the class action lawsuit, 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, 2010.

### **Plan of Operation**

The Company continues to evaluate and re-evaluate various means of operations. In an effort to continue the development and support of its strategic business units (SBUs), initiated in the fourth quarter of fiscal year 2010, the Company reorganized its development department during the second quarter of fiscal year 2011 to formally implement the Agile management processes and to align team functions. In addition, the accounting department has reorganized in order to improve efficiency and effectiveness.

The Technical Education SBU expanded its reach throughout the state of Idaho through direct sales efforts and saw deployments of PCS robotics and engineering programs expand to a total of six school districts. PCS has been selected as one of four approved vendors to provide comprehensive professional technical education solutions for Idaho schools. Outside the state of Idaho, PCS Tech Ed programs were established and expanded in Iowa, Oklahoma, and Kentucky. Tech Ed also established its first university implementation of its Minds-i solution into Philadelphia University for use in an advanced mechatronics course, and also held its first International Robotics Invitational, hosting visiting teams from King Saud University and Al Riyadh Schools in Saudi Arabia, as well as a number of local Idaho teams.

The Afterschool SBU established a national level pilot program in the YMCA, sold into multiple new Kentucky 21<sup>st</sup> Century Community Learning Center sites, completed and launched the first module of the Discover STEM lab, a new program that was specifically designed by PCS to address critical science, technology, engineering, and math (STEM) needs in the afterschool marketplace. As of December 31, 2010, the program has sold multiple units confirming its strong appeal to the market. Additional modules to further expand the program are under development. The SBU has continued to develop a strong relationship with the US military, delivering and managing hands-on summer programs to students at seven bases within the USAF PACAF and cultivating a relationship with various US Army programs to support youth service initiatives around the world.

The International SBU has focused its efforts on two primary areas, expanding Middle East capacity and laying groundwork for expansion into Central and South America. To expand Middle East capacity, PCS retained Al Khamayh Establishment on September 8, 2010. With offices in Saudi Arabia, Egypt, and the United States, Al Khaymah Establishment USA maintains a diverse network of affiliates and associates across the Middle East-North African region (MENA), with a reach into Africa and Central Asia. Al Khaymah provides discrete services for clients and affiliated firms based on diverse experience, practical analysis, atmospheric, and personalized interaction. PCS began the development of a business plan and funding solution for increasing resources and support for IntelTech, the Company's distributor in Mexico, and a similar plan for expanding operations into South America.

### **Results of Operations**

The quarter ended December 31, 2010 resulted in a net loss of (\$139,056) as compared to the net loss during the quarter ended December 31, 2009 of (\$560,835). The Company's losses decreased from the prior fiscal year, same three-month period by \$421,779, or approximately seventy-five percent (75%). The decrease can be attributed in part to a more concentrative and focused effort in sales due to the implementation of the SBU's. In addition, the Company reached a settlement in the insurance lawsuit, disclosed in Note 8. While the settlement terms are confidential, the Company has been reimbursed for a significant portion of its past legal fees. The Basic Loss per Share for the quarter ended December 31, 2010, is \$0.00, which is a \$0.01 decrease in loss per share from the three-month period ended December 31, 2009, of (\$0.01) per share.

The nine-month period ended December 31, 2010, resulted in a net loss of (\$1,295,553) as compared to the net loss during the nine-month period ended December 31, 2009 of (\$1,455,405). The Company's net loss decreased from the prior fiscal year, same nine-month period by \$159,852, or approximately ten percent (10%), primarily for the same reasons cited

above relating to the three month year-over-year change. The Basic Loss per Share for the nine-month period ended December 31, 2010, is (\$0.03), which is a \$0.01 decrease in the net loss as compared to the nine-month period ended December 31, 2009 net loss per share of (\$0.04).

Three-month period ended December 31, 2010, compared to three-month period ended December 31, 2009.

Revenues for the three-month period ended December 31, 2010, decreased approximately \$100,944, or seventeen percent (17%), to \$476,060 as compared to revenues of \$577,004 for the three-month period ended December 31, 2009. This decrease is attributable to the hesitation surrounding the general economy, a change in federal and state education funding schedules, as well as a decrease in the expenditure of grant monies by some school districts.

Operating expenses for the three-month period ended December 31, 2010, decreased by approximately \$293,817 or thirty-one percent (31%) to \$630,883 as compared to operating expenses of \$924,700 for the three-month period ended December 31, 2009. This decrease is attributable to continued increased efficiencies and cost cutting measures as well as the settlement in the insurance lawsuit, disclosed in Note 8. While the settlement terms are confidential, the Company has been reimbursed for a significant portion of its past legal fees.

Nine-month period ended December 31, 2010, compared to nine-month period ended December 31, 2009.

Revenues for the nine-month period ended December 31, 2010, decreased by approximately 404,862, or twenty-one percent (21%) to \$1,436,746 as compared to revenues of \$1,841,608 for the nine-month period ended December 31, 2009. This decrease is attributable to the hesitation surrounding the general economy, a change in federal and state education funding schedules, as well as a decrease in the expenditure of grant monies by some school districts.

Operating expenses for the nine-month period ended December 31, 2010, decreased by approximately \$161,270 or six percent (6%) to \$2,364,621 as compared to operating expenses of \$2,525,891 for the nine-month period ended December 31, 2009. This decrease is attributable to continued increased efficiencies and cost cutting measures as well as the settlement in the insurance lawsuit, disclosed in Note 8. While the settlement terms are confidential, the Company has been reimbursed for a significant portion of its past legal fees.

**Liquidity**

As of December 31, 2010, we had \$376,568 in cash, with total current assets of \$847,853 and total current liabilities of \$488,896. We have an accumulated deficit of (\$33,974,502) and stockholders equity of \$908,518.

The Company has a current ratio of 1.73. The ratio indicates that we have worked hard managing debt, and have utilized available resources well in an effort to stimulate Company growth through internal and external means. We have utilized the current ratio rather than the 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 \$358,957 at December 31, 2010. 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 Exchange Act and is not required to provide the information required under this item.

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

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

Our management, with the participation of the chief executive officer/acting CFO, 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.



**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) under the Exchange Act. Our management assessed the effectiveness of our internal control over financial reporting as of March 31, 2010. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ( COSO ) in Internal Control-Integrated Framework.

Management has concluded that the Company maintained effective internal control over financial reporting as of December 31, 2010, based on the criteria established in Internal Control-Integrated Framework issued by the COSO.

**PART II - OTHER INFORMATION**

**Item 1 .Legal Proceedings**

(i) SEC Proceedings: The Company announced that on August 27, 2010, it obtained a copy of a complaint filed by the U.S. Securities and Exchange Commission (SEC) commencing a civil lawsuit against PCS, its Chief Executive Officer Anthony A. Maher, and its former Chief Financial Officer Shannon Stith ( Parties ). The complaint (Case 1:10-cv-00433-CWD) was filed in the United States District Court For The District Of Idaho. The lawsuit involves disclosures made by the Company concerning its March 26, 2007 License Agreement with Global Techniques dba PCS Middle East ( PCS ME ). The complaint alleges: 1) the Parties violated Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5], and, in doing so, the Parties are alleged to have committed fraud in connection with the purchase and sale of securities; 2) the Parties violated of Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20, 13a-1, and 13a-11 thereunder [17 C.F.R. 240.12b-20, 240.13a-1, and 240.13a-11] by making alleged false filings with the SEC and aiding and abetting false filings with the SEC; and 3) Mr. Maher and Ms. Stith violated Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rule 13a-14 thereunder [17 C.F.R. § 240.13a-14] in making false certifications of an annual report. The complaint seeks a permanent injunction, civil money penalties pursuant to Section 21(d)(3) of the Exchange Act, and a bar against Mr. Maher and Mrs. Stith from serving as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act, as amended, or that is required to file reports pursuant to Section 15(d) of the Exchange Act. On November 9, 2010, the Company filed a Motion to Dismiss (and/or for Summary Judgment), and a Motion to Strike the SEC's Amended Complaint which were denied by the Court on January 28, 2011.

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 suit. The costs incurred by PCS in addressing the SEC suit may have a material adverse effect on PCS's 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).

(ii) Insurance Lawsuit: PCS previously announced that its directors and officers insurance carrier had denied coverage of any claims relating to the SEC investigation, and, as a result, the Company initiated suit against the insurer (PCS Edventures!.com Inc. v. Navigators Insurance Company in the District Court of the Fourth Judicial District of the State of Idaho, in and for the county of Ada, Case No. CV-OC 1012105) for among other things, breach of contract and bad faith. On December 21, 2010, the Company reached a settlement of that lawsuit, as reported on Form 8-K, filed with the SEC on December 28, 2010, and, while the terms are confidential, the Company was reimbursed for a significant portion of its past legal fees, and a substantial part of the legal costs going forward will be paid by the insurer, even though the overall coverage was reduced under the negotiated settlement.

(iii) Class Action Lawsuit: The Company, along with its current CEO and former CFO have been named in a class action lawsuit--Niederklein v. PCS Edventures!.com, Inc., et al., U.S. District Court for the District of Idaho, Case 1:10-cv-00479-CWD). The class action was brought on behalf of shareholders who purchased shares of the Company's common stock during the period between March 28, 2007 and August 15, 2007. On January 14, 2011, the court heard argument on a motion relating to the appointment of a lead plaintiff. No response to the class action by the Company or any of the other defendants is due until after resolution of the lead plaintiff issue and the filing of an amended complaint. 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 this suit. The costs incurred by PCS in addressing this suit may have a material adverse effect on PCS's 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's most recent 10-K and 10-Q reports).



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

The following table provides information about all unregistered and restricted securities that PCS has sold during the three month period ended December 31, 2010, which were not registered under the Securities Act of 1933, as amended (the Securities Act ):

Sale of  
Unregistered  
Securities  
During the  
Last Quarter

Common  
Stock

Preferred  
Stock

Description

Shares

Amount

Shares

Amount

Consultant

(1)

75,396

\$ 20,602

-

-

Employee

(2)

54,940

\$ 17,137

-

-

Shareholder

(3)

955,414

\$ 150,000

-

-

(1)

These shares were issued in exchange for services.

(2)

These shares were issued in exchange for services.

(3)

These shares were issued for cash.

We issued all of these securities to persons who were accredited investors or sophisticated investors as that term is defined in Regulation D of the SEC, or persons who came within the definition of an employee; and each such person had prior access to all material information about us by reason of such designation or by reason of the relationship of the person to the Company. We believe that the offer and sale of these securities were exempt from the registration requirements of the Securities Act of 1933, as amended, pursuant to Sections 4(2) and 4(6) thereof, and Rule 506 of Regulation D of the Securities and Exchange Commission; and under Rule 701 of the Securities and Exchange Commission with respect to persons who came within the definition of an employee. Registration of sales to accredited investors and to limited numbers of sophisticated investors is preempted from state regulation by Section 18 of the Securities Act, though states may require the filing of notices, a fee and other administrative documentation; Rule 701 offers and sales of securities are believed to be exempt from registration under Section 30-14-202(21) of the Idaho Uniform Securities Act; and conversions of outstanding securities (options or warrants) are believed to be exempt from registration under Section 30-14-202(15) thereof.

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

None; not applicable.

### **Item 4. (Removed and Reserved)**

### **Item 5. Other Information.**

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

On August 25, 2010, the Company held its Annual Meeting of Shareholders at its principal location in Boise, Idaho. A quorum was represented at the meeting in person or by proxy. Of the 39,956,717 shares outstanding at the record

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date July 15, 2010, proxies to vote 36,173,991 shares were received by the Company.

At the Annual Meeting, two proposals were submitted to vote by the shareholders. The first item of 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

16,375,901

36,000

1,426,245

Donald J.  
Farley

16,460,901

1,377,245

Dehryl A.  
Dennis

16,553,457

23,300

1,367,245

Michael K.  
McMurray

16,411,601

59,300

1,367,245

The second item of business was the ratification of M&K, CPAS, PLLC as the Company's Independent Auditors. The matter passed with the results listed below:

**For**

**Against**

**Abstain**

**Broker Non-Vote**

35,969,251

113,224

1,660

-

**Item 6.Exhibits.**

Identification of Exhibit

31

32

99.1

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.

8K s filed in period, as they are referenced in the Notes to the Consolidated Financial Statements

SIGNATURES

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:

February 14, 2011

By:

/s/ Anthony A. Maher

Anthony A. Maher

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

Dated:

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February 14, 2011

By:

/s/ Robert O. Grover

Robert O. Grover

President, Chief Operating Officer, and Chief  
Technology 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:

February 14, 2011



By:

/s/ Donald J. Farley

Donald J. Farley

Secretary and Director

Dated:

February 14, 2011

By:

/s/ Dehyrl A Dennis

Dehryl A. Dennis

Director

Dated:

February 14, 2011

By:

/s/ Michael K. McMurray

Michael K. McMurray

Director

22

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