

PCS EDVENTURES COM INC  
Form 10-Q  
February 05, 2009

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

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

**For the quarterly period ended December 31, 2008**

**[ ] 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

(State or Other Jurisdiction of

82-0475383

(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 and 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:

January 28, 2009

37,636,033 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.



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## PCS EDVENTURES!.COM, INC.

## Consolidated Balance Sheets

	ASSETS	
	December 31, 2008	March 31,
	(unaudited)	2008
<b>CURRENT ASSETS</b>		
Cash	\$986,818	\$1,082,622
Accounts receivable, net of allowance for doubtful accounts of \$10,240 and \$6,617, respectively	164,719	707,030
Interest receivable	7,206	-
Prepaid expenses	24,604	15,534
Deferred costs	597	52,502
Finished goods inventory	344,006	257,210
Other receivable	-	13,829
Total Current Assets	1,527,950	2,128,727
<b>FIXED ASSETS, net of accumulated depreciation of \$111,124 and \$103,561, respectively</b>		
	110,244	33,517
<b>EDUCATIONAL SOFTWARE net, of accumulated amortization of \$161,561 and \$180,459, respectively</b>	116,603	67,163
<b>INTELLECTUAL PROPERTY, net of accumulated amortization of \$447,635 and \$391,386, respectively</b>	56,250	112,500
<b>GOODWILL</b>	485,238	485,238
<b>OTHER ASSETS</b>		
Mold cost	32,696	-
Deposits	7,371	7,371
Total Other Assets	40,067	7,371
<b>TOTAL ASSETS</b>	<b>\$2,336,352</b>	<b>\$2,834,516</b>

## LIABILITIES &amp; STOCKHOLDERS EQUITY

## CURRENT LIABILITIES

Accounts payable and other current liabilities	\$87,217	\$198,705
Accrued compensation	5,641	78,820
Payroll liabilities payable	10,078	10,269
Accrued expenses	97,357	48,485
Deferred revenue	157,216	288,703



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Notes payable	10,205	26,438
Total Current Liabilities	367,714	651,420
Total Liabilities	367,714	651,420

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 authorized shares, 37,631,697 and 36,976,446 shares issued and outstanding, respectively	31,535,509	30,698,000
Stock Payable	4,145	-
Accumulated comprehensive loss	(31,785)	(259)
Accumulated deficit	(29,539,231)	(28,514,645)
Total Stockholders Equity	1,968,638	2,183,096
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$2,336,352	\$2,834,516

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,	
	2008	2007	2008	2007
<b>REVENUES</b>				
Lab revenue	\$266,754	\$1,359,455	\$2,160,367	\$2,602,817
License revenue	51,166	65,081	155,380	128,511
Total Revenues	317,920	1,424,536	2,315,747	2,731,328
<b>COST OF SALES</b>				
	155,123	627,185	1,087,337	1,241,575
<b>GROSS PROFIT</b>				
	162,797	797,351	1,228,410	1,489,753
<b>OPERATING EXPENSES</b>				
Salaries and wages	361,086	230,070	904,389	670,586
Bad debt expense	(21,261)	5,029	3,667	15,943
Depreciation and amortization expense	23,388	43,881	98,788	131,119
General and administrative expenses	375,856	359,852	1,265,268	1,089,567
Total Operating Expenses	739,069	638,832	2,272,112	1,907,215
<b>OPERATING INCOME (LOSS)</b>				
	(576,272)	158,519	(1,043,702)	(417,462)
<b>OTHER INCOME AND EXPENSES</b>				
Interest income	8,494	8,411	18,802	14,833
Interest expense	-	(201)	-	(4,016)
Other income	-	-	314	-
Other expense	-	(471)	-	(8,229)
Gain on extinguishment of debt	-	2,500	-	11,917
Total Other Income and Expenses	8,494	10,239	19,117	14,505
<b>NET INCOME (LOSS)</b>				
	(567,778)	168,758	(1,024,586)	(402,957)
Foreign currency translation	(47,725)	(5,490)	(31,526)	(8,993)
<b>NET COMPREHENSIVE INCOME (LOSS)</b>				
	<b>(\$615,503)</b>	<b>\$163,268</b>	<b>(\$1,056,112)</b>	<b>(\$411,950)</b>
	(\$0.02)	\$0.01	(\$0.03)	(\$0.01)

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Earnings (Loss) per Share, Basic and  
Fully Diluted

Weighted Average Number of Shares Outstanding	37,619,538	28,126,754	37,477,884	31,847,835
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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 31,	
	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Loss	(\$1,024,586)	(\$402,957)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	98,788	108,037
Common stock issued for services	46,489	5,666
Amortization of fair value of stock options issued and vesting	397,865	366,656
Amortization of costs related to repricing of warrants	-	20,342
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	535,103	(1,246,714)
(Increase) decrease in prepaid expenses	(9,070)	-
(Increase) decrease in other receivables	13,829	-
(Increase) decrease in inventories	(150,900)	6,063
(Increase) decrease in deferred costs	51,905	(54,621)
(Increase) decrease in accounts payable and accrued liabilities	(135,986)	15,381
Increase (decrease) in unearned revenue	(131,486)	68,046
(Increase) decrease in other assets	-	115,188
Net Cash Used by Operating Activities	(308,049)	(998,913)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash Outflow from Fixed Asset Purchase	(19,600)	-
Cash Outflow from Software Asset Purchase	(85,000)	-
Cash Outflow from Other Asset Purchase	(32,696)	-
Net Cash Provided (Used) by Investing Activities	(137,296)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on notes payable	(16,233)	(86,472)
Proceeds from notes payable	-	(139,697)
Proceeds from exercise of warrants and stock options	397,300	1,353,515
Net Cash Provided by Financing Activities	381,067	1,127,346
Foreign currency translation	(31,526)	25,900
Net Increase (Decrease) in Cash	(95,804)	154,333

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Cash at Beginning of Period	1,082,622	47,764
Cash at End of Period	\$ 986,818	\$ 202,097

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,	
	2008	2007
CASH PAID FOR:		
Interest	\$ -	\$ 4,016
Income taxes	\$ -	\$ -

The accompanying notes are an integral part of these financial statements





## PCS EDVENTURES!.COM, INC.

## Consolidated Statement of Stockholders Equity

(Unaudited)

	Common Stock (shares/amount)	Stock Payable	Accumulated Deficit	Other Comprehensive Income	Total Stockholders Equity	
Balance at April 1, 2008	36,976,446	\$ 30,698,000	\$ -	\$ (28,514,645)	\$ (259)	\$ 2,183,096
Stock for Exercise of Warrants	570,000	378,800	-	-	-	378,800
Stock for Exercise of Options	35,000	18,500	-	-	-	18,500
Stock for Services	50,251	42,344	4,145	-	-	46,489
Option Expense	-	397,865	-	-	-	397,865
Foreign Currency Translation	-	-	-	-	(31,526)	(31,526)
Net Loss for the nine months ended December 31, 2008	-	-	-	(1,024,586)	-	(1,024,586)
Balance at December 31, 2008	37,631,697	\$ 31,535,509	\$ 4,145	\$ (29,539,231)	\$ (31,785)	\$ 1,968,638

The accompanying notes are an integral part of these financial statements



PCS EDVENTURES!.COM, INC

Notes to the Consolidated Financial Statements

December 31, 2008

(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 December 31, 2008, 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-KSB for PCS Edventures!.com ( PCS or the Company ) for the year ended March 31, 2008. The March 31, 2008, consolidated balance sheet is derived from the audited balance sheet

included therein.

The operating results for the nine-month period ended December 31, 2008, are not necessarily indicative of the results that may be expected for the year ending March 31, 2009.

#### 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 Company has a strong cash position as well as other material assets. This position was enhanced through the conversion of debt. The established source of revenues is not sufficient to cover its operating cost. 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 December 31, 2008, the Company continued discussion with several target companies for possible merger and acquisition activities. The Company continued to strengthen its strategic alliances with K NEX, Science Demo, fischertechnik, MR Block, Integrating Technology, Minds-i, Follette, Whole School, Trudy Corporation and Eduwise for further product development and enhancement. The Company has also introduced the PCS Digital Media Labs, which saw strong sales of approximately \$327,600 in fiscal year ended March 31, 2008. With the addition of a Marketing Director, the Company has developed clearly defined plans to align product development and marketing efforts to further penetrate the educational market. The marketing campaigns will be focused at 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.

## 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 paragraphs 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:

	December 31, 2008	March 31, 2008
Computer/office equipment	\$19,756	\$21,116
Server equipment	116,612	115,962
Software	85,000	-
Accumulated depreciation	(111,124)	(103,561)
Total Fixed Assets	\$110,244	\$33,517

## NOTE 5 - EDUCATIONAL SOFTWARE

The Company's inventory consists of internally developed educational computer programs and exercises to be accessed on the Internet. In accordance with Statement of Financial Accounting Standards (FAS) No. 86, Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed, 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. In accordance with FAS 86 as discussed previously regarding inventory, 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 \$485,238 at December 31, 2008, is related to the Company's acquisition of PCS LabMentors in December 2005. Included within this amount of goodwill is \$135,658 of costs associated with the acquisition. The capitalized costs are 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 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.

The provisions of Statement of Financial Accounting Standards (FAS) No. 142, Goodwill and Other

Intangible Assets, 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 an impairment review at the end of the fiscal year ended March 31, 2008. After reviewing current operating losses and future growth potential of the subsidiary, the Company determined that no impairment was created. The basis for this determination included the growth of existing clients since the end of the fiscal year, conversations with potential customers for the upcoming year, the proven record since a bank account was established for the company to sustain operations for the foreseeable future, as well as the added economies of scale the subsidiary has added to the Company as a whole, including several technical performance enhancements supplied by LabMentors to supplement the core capabilities of PCS, such as creation of added internet service bandwidth and associated signal routing capabilities not known to the technical people at PCS; locating and managing a demonstration server on their system for a wide variety of PCS products; and assisting technical people from PCS and E2S in the creation and management of a server to host the PCS STEPS® product. In conclusion, the Company felt and still feels that LabMentors brought a cutting edge product to PCS, as well as vertical integration and technology not previously known by PCS.

NOTE 8 - ACCRUED EXPENSES

Accrued expenses for the periods are as follows:

	December 31 2008	March 31, 2008
Credit card debt	\$6,019	\$43,758
Workers compensation	-	500
CG-VAK	-	4,227
Director fees	77,207	-
Legal fees	8,000	-
Consulting fees	6,000	-
Telephone expenses	121	-
Sales tax payable	10	-
Total Accrued Expenses	\$97,357	\$48,485

NOTE 9 - COMMITMENTS AND CONTINGENCIES

The Company is currently in a lawsuit that is pending in the United States District Court of Idaho, Case No. CV08-00089. This lawsuit has been brought about by a former employee who is asserting breach of contract and breach of implied covenant of good faith and fair dealings with respect to an agreement entered into on or about April 1, 2004. The plaintiff is seeking specific performance on the issuance of an additional 146,858 shares of common stock or damages in excess of \$75,000. The Company has retained the services of Hawley Troxell Ennis & Hawley, LLP Attorneys at Law. As of this filing, the Company believes we have a meritorious defense and will prevail in all



litigations surrounding this matter.

On September 10, 2008, the Company filed a lawsuit (the Action ) in Idaho Federal District Court (Case 1:08-cv-00379-BLW) against Jackie Deluna and Infusing Technology K12, LLC ( Defendants ), alleging trademark infringement of certain of the Company s logos; cyberpiracy under the federal Anticybersquatting Consumer Protection Act; copyright infringement with respect to certain of the Company s proprietary curriculum materials; breach of contract with respect to certain agreements between the Company and the Defendants; and trade secrets misappropriation. The Company has asked for a constructive trust, an accounting, injunctive relief, money damages and attorneys fees. On November 10, 2008, the Defendants answered and filed a counterclaim against the Company alleging trademark infringement; trade secrets misappropriation; copyright infringement; breach of contract; and breach of the implied covenant of good faith and fair dealing, and asked for a constructive trust, an accounting, money damages, injunctive relief and attorneys fees. On December 1, 2008, the Company answered the counterclaim and denied all of the Defendants allegations. The Action is proceeding, and the Company intends to vigorously defend the counterclaims and pursue its complaint against the Defendants. It is not possible at this time to estimate the likelihood of either a favorable or unfavorable outcome of the Action.

NOTE 10 - STOCKHOLDERS EQUITY

During the nine-month period ended December 31, 2008, the Company issued 570,000 shares of common stock for the exercise of warrants, and received cash proceeds of \$378,800.

During the nine-month period ended December 31, 2008, the Company issued 35,000 shares of common stock for the exercise of employee stock options, and received cash proceeds of \$18,500.

During the nine-month period ended December 31, 2008, the Company issued 50,251 shares of common stock for services, valued at \$42,344.

During the nine-month period ended December 31, 2008, the Company granted 195,000 stock options to employees, valued at \$176,090. \$22,011 has been expensed to date in accordance with Statement of Financial Accounting Standards (FAS) 123(R), Share Based Payment.

During the nine-month period ended December 31, 2008, the Company granted 100,000 warrants for consulting services, valued at \$129,699. \$97,274 has been expensed to date in accordance with FAS 123(R).

During the nine-month ended December 31, 2008, the Company expensed amounts related to stock options granted in prior periods in accordance with FAS 123(R), valued at \$278,580.

The Company accounts for stock-based employee compensation in accordance with FAS 123(R). FAS 123(R) requires employee stock-based compensation to be measured based on the fair value as of the grant-date of the awards and the cost to be recognized over the period during which an employee is required to provide services in exchange for the award. Historically, the company used the intrinsic method of valuation as specified in Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations,

and, accordingly, no compensation cost had been recognized for stock options in prior years. FAS 123(R) eliminates the alternative use of APB 25. As a result of adopting the fair value method for stock compensation, all future awards and current awards vesting in future periods will be expensed over the stock options vesting period as defined in its contract award. The Company adopted this provision during the fiscal year ended March 31, 2007.

NOTE 11-BASIC AND DILUTED NET LOSS PER COMMON SHARE

Basic and diluted net loss per common share for the nine-month periods ended December 31, 2008 and 2007, are based on 37,477,884 and 31,847,835, respectively, of weighted average common shares outstanding. The same figures for the three-month periods then ended are based on 37,619,538 and 28,126,754, respectively, of weighted average common shares outstanding. No adjustment has been made for any common stock equivalents outstanding because their effects would be antidilutive.

#### NOTE 12 - SUBSEQUENT EVENTS

On January 9, 2009, the Company issued 4,274 shares of common stock for the satisfaction of the stock payable liability at December 31, 2008, valued at \$4,145.

On January 22, 2009, the Company issued 62 shares of common stock for services, valued at \$84.

On February 2, 2009, the Company entered into a Letter of Intent for substantially all of the assets of Trudy Corporation, a publicly held Delaware Corporation (OTCBB: TRDY). The share exchange acquisition will be contingent upon the satisfaction of a number of various conditions including, but not limited to, the completion of a due diligence audit and compliance with all state and federal securities laws.

**Item 2. Management's Discussions 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 report, which are forward-looking, involve a high degree of risk and uncertainty. Certain statements in this 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 statement, 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, weather conditions and other uncertainties, including those detailed in the Company's Securities and Exchange Commission 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 unaudited consolidated interim financial statements and related notes thereto included in this quarterly report and in 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-KSB for the year ended March 31, 2008.

Plan of Operation

PCS intends to continue to operate in the same manner as prior years, conducting on-going research into the needs of the education market in order to identify viable business opportunities. The Company continues to develop product lines and investigate acquisition candidates in order to meet the need of the education market. PCS LabMentors will continue to expand into the collegiate market, as well as undertake new projects with existing customers for an increased revenue base. The fiscal year 2008 ended with a strong cash in hand position of \$1,082,622. PCS as a whole intends to continue to fund operations based on lab sales to existing and new customers to provide cash for operations throughout the coming fiscal year. There are not expected to be any significant changes in the number of employees.

Results of Operations

The quarter ended December 31, 2008, resulted in a net loss of (\$567,778) as compared to the net income during the quarter ended December 31, 2007, of \$168,758. The Company has increased its losses from the prior fiscal year, same three-month period by \$736,536, or approximately four hundred thirty-six percent (436%). The Basic Loss per Share for the quarter ended December 31, 2008, is (\$0.02), which is a (\$0.03) decrease in value per share from the three-month period ended December 31, 2007, of \$0.01 per share.

The nine-month period ended December 31, 2008, resulted in a net loss of (\$1,024,585) as compared to the net loss during the nine-month period ended December 31, 2007, of (\$402,957). The Company has increased its losses from the prior fiscal year, same nine-month period by \$621,628, or approximately one hundred fifty-four percent (154%). The Basic Loss per Share for the nine-month period ended December 31, 2008, is (\$0.03), which is a (\$0.02) decrease in value per share from the nine-month period ended December 31, 2007, of (\$0.01) per share.

The non-GAAP financial measure of Earnings Before Interest, Taxes, and Depreciation (EBITDA) for the nine-month period ended December 31, 2008, was a loss of approximately (\$944,599), as compared to the EBITDA income for the nine-month period ended December 31, 2007, of approximately \$76,428.

The non-GAAP financial measure of Earnings Before Interest, Taxes, Depreciation, FAS123(R) Option/Warrant Expense, and Stock Compensation for the nine-month period ended December 31, 2008, was a loss of (\$513,034) as compared to the Earnings Before Interest, Taxes, Depreciation, FAS123(R) Option/Warrant

Expense, and Stock Compensation income for the nine-month period ended December 31, 2007, of approximately \$470,876.

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Three-month period ended December 31, 2008, compared to three-month period ended December 31, 2007

Revenues for the three-month period ended December 31, 2008, decreased to \$317,920 or by approximately \$1,106,616, or seventy-eight percent (78%) as compared to revenues of \$1,424,536 for the three-month period ended December 31, 2007. 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.

Operating expenses for the three-month period ended December 31, 2008, increased by approximately \$100,237 or fifteen percent (15%) to \$739,069 as compared to operating expenses of \$638,832 for the three-month period ended December 31, 2007. This increase was due to the addition of a Director of Marketing and four staff members over the comparative three-month period.

Nine-month period ended December 31, 2008, compared to nine-month period ended December 31, 2007

Revenues for the nine-month period ended December 31, 2008, decreased to \$2,315,747, or by approximately \$415,581, or fifteen percent (15%) as compared to revenues of \$2,731,328 for the nine-month period ended December 31, 2007. 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.

Operating expenses for the nine-month period ended December 31, 2008, increased by approximately \$364,897, or nineteen percent (19%) to \$2,272,112 as compared to operating expenses of \$1,907,215 for the nine-month period ended December 31, 2007. This increase was due to the addition of a Director of Marketing and four staff members over the comparative nine-month period.

### Liquidity

As of December 31, 2008, we had \$986,818 in cash, with total current assets of \$1,527,950 and total current liabilities of \$367,714. We have an accumulated deficit of (\$29,539,231) and stockholders' equity of \$1,968,638.

The Company has a current ratio of 4.15. The ratio indicates that we have effectively managed debt and have available resources to help 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 \$1,160,236 at December 31, 2008. 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.**

Our management, with the participation of our chief executive officer, 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





**Item 4T. Controls and Procedures (cont )**

under all potential future conditions.

Based on that evaluation, Tony Maher, the chief executive officer and acting CFO, concluded that, as of December 31, 2008, 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, as appropriate, to allow timely decisions regarding required disclosure.

**Changes in internal control over financial reporting**

Our management, with the participation of the chief executive officer, 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.**

The Company is currently in a lawsuit that is pending in the United States District Court of Idaho, Case No. CV08-00089. This lawsuit has been brought about by a former employee who is asserting breach of contract and breach of implied covenant of good faith and fair dealings with respect to an agreement entered into on or about April 1, 2004. The plaintiff is seeking specific performance on the issuance of an additional 146,858 shares of common stock or damages in excess of \$75,000. The Company has retained the services of Hawley Troxell Ennis & Hawley, LLP Attorneys at Law. As of this filing, The Company believes we have a meritorious defense and will prevail in all

litigations surrounding this matter.

On September 10, 2008, the Company filed a lawsuit (the Action ) in Idaho Federal District Court (Case 1:08-cv-00379-BLW) against Jackie DeLuna and Infusing Technology K12, LLC, ( Defendants ) alleging trademark infringement of certain of the Company s logos; cyberpiracy under the federal Anticybersquatting Consumer Protection Act; copyright infringement with respect to certain of the Company s proprietary curriculum materials; breach of contract with respect to certain agreements between the Company and the Defendants; and trade secrets misappropriation. The Company has asked for a constructive trust, an accounting, injunctive relief, money damages and attorneys fees. On November 10, 2008, the Defendants answered and filed a counterclaim against the Company alleging trademark infringement; trade secrets misappropriation; copyright infringement; breach of contract; and breach of the implied covenant of good faith and fair dealing, and asked for a constructive trust, an accounting, money damages, injunctive relief and attorneys fees. On December 1, 2008, the Company answered the counterclaim and denied all of the Defendants allegations. The Action is proceeding, and the Company intends to vigorously defend the counterclaims and pursue its complaint against the Defendants. It is not possible at this time to estimate the likelihood of either a favorable or unfavorable outcome of the Action.

#### **Item 1A. Risk Factors.**

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



**Item 2. Recent Sale of Unregistered Securities.**Sales of Unregistered Securities During the Last Quarter.

Description	Common		Preferred	
	Shares	Amount	Shares	Amount
Investor (1)	10,000	6,000	-	-
Employee (2)	30,210	27,295	-	-
Employee (3)	20,000	15,000	-	-

(1) These shares were issued for the exercise of Warrants.

(2) These shares issued in exchange for services.

(3) These shares were issued as a bonus to a corporate officer.

We issued all of these securities to persons who were accredited investors as those terms are defined in Rule 501 of Regulation D of the Securities and Exchange Commission; and each such person had prior access to all material information about us. 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 Securities and Exchange Commission. 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.**

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On August 19, 2008, 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 37,062,568 shares outstanding at the record date, 19,525,617 proxies had been received by the Company.

At the Annual Meeting, one proposal was brought forth for vote by the shareholders. This 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 19,300,000 votes in favor. The Board of Directors was re-elected as follows:

Board of Directors	For	Against	Abstain
Anthony A. Maher	19,396,500	129,117	0
Donald J. Farley	19,337,976	137,541	100
Cecil D. Andrus	19,457,140	68,377	100
Dehryl A. Dennis	19,498,140	27,377	100
Michael K. McMurray	19,449,253	68,617	100

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

None; not applicable.



Item 6. Exhibits.

Exhibit No.

Identification of Exhibit

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

32 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

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 05, 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: February 05, 2009                      By: /s/ Donald J. Farley  
Donald J. Farley  
Secretary and Director

Dated: February 05, 2009                      By: /s/ Cecil D Andrus  
Cecil D. Andrus  
Director

Dated: February 05, 2009                      By: /s/ Dehryl A Dennis  
Dehryl A. Dennis  
Director

Dated: February 05, 2009                      By: /s/ Michael K. McMurray  
Michael K. McMurray  
Director