

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

PCS EDVENTURES COM INC
Form PRER14A
August 25, 2006

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-12

PCS EDVENTURES!.COM, INC.

(Name of Registrant as Specified in its Charter)

N/A

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required

Fee computed on table below per Exchange Act Rules 14a-6(I)(4) and 0-11.

(1) Title of each class of securities to which transaction applies: N/A

(2) Aggregate number of securities to which transaction applies: N/A

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined: N/A

(4) Proposed maximum aggregate value of transaction: N/A

(5) Total fee paid: \$0.

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid: \$0.

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

- (2) Form, Schedule or Registration Statement No.: N/A
- (3) Filing Party: N/A
- (4) Date Filed: N/A

Contact Persons: Leonard W. Burningham, Esq.
Branden T. Burningham, Esq.
Suite 205, 455 East 500 South Street
Salt Lake City, Utah 84111
Tel: 801-363-7411; Fax: 801-355-7126

PCS EDVENTURES!.COM, INC.
345 Bobwhite Court, Suite 200
Boise, Idaho 83706
(208) 343-3110

Notice of Annual Meeting to Shareholders

To the Shareholders of PCS Edventures!.com, Inc.:

The 2006 annual meeting of shareholders of PCS Edventures!.com, Inc. will be held at the Company's offices located at 345 Bobwhite Court, Suite 200 Boise, Idaho 83706, on Tuesday, September 19, 2006, at 9:00 a.m. MDT. At this year's meeting, we plan to conduct the following business items:

- 1) To re-elect the current members of our Board of Directors;
- 2) To ratify the appointment of HJ & Associates, LLC as our independent registered public accounting firm for the fiscal year ending March 31, 2007;
- 3) To amend the Articles of Incorporation to increase the number of our authorized shares of common stock;
- 4) To amend the Articles of Incorporation to authorize 5,000,000 shares of Series A preferred stock;
- 5) To amend the Articles of Incorporation to increase the number of authorized shares of preferred stock and to authorize the Board to designate and issue additional classes or series of stock without further shareholder approval;
- 6) To transact such other business as may properly come before the annual meeting (and any adjournment thereof), all in accordance with the accompanying Proxy Statement.

Shareholders of record at the close of business on Monday, August 14, 2006, are entitled to notice of and vote at the annual meeting.

All shareholders are cordially invited to attend the Annual Meeting in person. However, whether or not you expect to attend the Annual Meeting in person, you are urged to complete, date and sign the accompanying proxy card and return it to our offices as soon as possible in the enclosed self-addressed, stamped envelope provided for your convenience. If you send your proxy card and then decide to attend the annual meeting to vote your shares in person, you may still do so. Your proxy is revocable in accordance with the procedures set forth in the Proxy Statement.

Should any shareholder wish to submit a proposal for consideration at the Annual Meeting, the deadline is Friday, September 15, 2006. Notice of a stockholder proposal submitted outside the processes of Rule 14a-8 of the Securities and Exchange Commission shall be considered untimely.

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

By the Order of the Board of Directors,

Donald J. Farley,
Secretary

1

PROXY STATEMENT

This Proxy Statement is furnished by our Board of Directors for the solicitation of proxies from the holders of our common stock in connection with the annual meeting of shareholders to be held at our offices located at 345 Bobwhite Court, Suite 200 Boise, Idaho 83706, on Tuesday, September 19, 2006, at 9:00 a.m. MDT, and at any adjournment thereof. It is expected that the Notice of Annual Meeting of Shareholders, our Annual Report on Form 10-KSB of the Securities and Exchange Commission for fiscal year ended March 31, 2006, this Proxy Statement, and the accompanying Proxy card will be mailed to shareholders starting on or about August 25, 2006.

Voting Procedures.

The presence in person or by proxy of a majority of the voting power at the Annual Meeting is required to constitute a quorum for the transaction of business at the Annual Meeting. Abstentions and broker non-votes will be considered represented at the Annual Meeting for the purpose of determining a quorum. The shares represented by each proxy will be voted in accordance with the instructions given therein. Where no instructions are indicated, the proxy will be voted in favor of all matters to be voted on as set forth in the proxy and, at the discretion of the persons named in the proxy, on any other business that may properly come before the Annual Meeting. Each stockholder will be entitled to one vote for each share of common stock held and will not be entitled to cumulate votes in the election of directors. Shares that are authorized but not yet issued will not be entitled to vote at the Annual Meeting.

Shareholders can ensure that their shares are voted at the annual meeting by signing, dating and returning the accompanying proxy card in the self-addressed, stamped envelope provided. The submission of a signed Proxy will not affect a shareholder's right to attend the annual meeting and vote in person. Shareholders who execute proxies retain the right to revoke them at any time before they are voted by filing with the Secretary of the Company a written revocation or a Proxy bearing a later date at the corporate address. The presence at the annual meeting of a shareholder who has signed a proxy does not, by itself, revoke that Proxy unless the shareholder attending the annual meeting files a written notice of revocation of the Proxy with the Secretary of the Company at any time prior to the voting of the Proxy at the meeting.

Proxies will be voted as specified by the shareholders. Where specific choices are not indicated, proxies will be voted FOR the election of each item so presented.

The Board of Directors knows of no other matters to be presented for shareholder action at the annual meeting. If any other matters properly come before the annual meeting, the persons named as proxies will vote on such matters in their discretion.

The expense of printing and mailing Proxy materials, including expenses involved in forwarding Proxy materials to beneficial owners of common stock held in the name of another person, will be paid by us. No solicitation, other than by mail, is currently planned.

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

Only shareholders of record at the close of business on Monday, August 14, 2006 (this date is referred to as the "record date"), are entitled to receive notice of and to vote the shares of common stock registered in their name at the annual meeting. As of the record date, we had 30,873,238 shares of our common stock outstanding. Each share of common stock entitles its holder to cast one vote on each matter to be voted upon at the annual meeting.

Under Idaho law, the Idaho Business Corporation Act requires the presence of a quorum to conduct business at the annual meeting. A quorum is defined as the presence, either in person or by proxy, of a majority of the outstanding shares of common stock entitled to vote at the annual meeting. The shares represented at the annual meeting by Proxies that are marked "withhold authority" will be counted as shares present for the purpose of determining whether a quorum is present. Broker non-votes (i.e., Proxies from brokers or nominees indicating that such persons have not received instructions from beneficial owners to vote shares as to a matter with respect to which the brokers or nominees do not have discretionary power to vote) will also be counted as shares present for purposes of determining a quorum.

Directors are elected by the affirmative vote of a plurality of the shares of common stock present, either in person or by proxy, at the annual meeting and entitled to vote. For this purpose, "plurality" means that the individuals receiving the largest number of votes are elected as directors, up to the maximum number of directors to be chosen at the election. In the election of directors, votes may be cast in favor or withheld. Votes that are withheld and broker non-votes will have no effect on the outcome of the election of directors.

The Company's Board of Directors has unanimously adopted resolutions approving and recommending to the Company's shareholders, for their approval, Second Amended and Restated Articles of Incorporation that include certain amendments of the Company's current Articles of Incorporation. The Board has determined that each of these amendments should be included in a separate proposal for shareholder consideration, as described below in Proposals Nos. 3, 4, and 5. The proposed amendments, if approved by the shareholders, would:

- * increase the number of authorized shares of common stock of the Company from 40,000,000 shares to 60,000,000 shares of common stock as described in Proposal Nos. 3 and 5;
- * designate a series of preferred stock consisting of 5,000,000 shares with certain rights and preferences as described in Proposal No. 4; and
- * increase the number of authorized shares of preferred stock from 10,000,000 shares to 20,000,000 shares of preferred stock undesignated as to class or series; and to authorize and vest in the Board of Directors the authority, without shareholder approval, to classify or reclassify, from time to time, any unissued shares of the Company's authorized stock into one or more classes or into one or more series within one or more classes (the "Blank Check Authorization"), as described in Proposal No. 5.

The proposed amendments of the Company's Articles of Incorporation are set forth in the Second Amended and Restated Articles of Incorporation attached as Exhibit A. The current provisions and proposed amendments described below are qualified in their entirety by reference to the actual text as set forth in Exhibit A.

A majority of the outstanding shares of the Company entitled to vote, represented in person or by proxy, constitute a quorum at the Annual Meeting of shareholders. If a quorum is present at the Annual Meeting, each of Proposal Nos. 3, 4, and 5 will be approved if the votes cast in favor of such proposal exceed the votes cast against such proposal. Broker non-votes

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

will have no effect on the outcome of the shareholder vote on Proposal Nos. 2-6.

Effective Dates

The election of directors and appointment of HJ & Associates as our auditors, if approved by the shareholders, will be effective immediately following the annual meeting. Amendments of our articles of incorporation approved by the shareholders at the annual meeting will become effective upon filing Second Amended and Restated Articles of Incorporation with the Idaho Secretary of State following the Annual Meeting. If a quorum is present at the Annual Meeting, each of Proposal Nos. 3, 4, and 5 will be approved if the votes cast in favor of such proposal exceed the votes cast against such proposal. Broker non-votes will have no effect on the outcome of the shareholder vote on Proposal Nos. 2-5.

PROPOSAL NO. 1
ELECTION OF BOARD OF DIRECTORS

The nominees for election as Directors are the four members of our current Board of Directors: Anthony A. Maher, Donald J. Farley, Cecil D. Andrus and Michael K. McMurray. Each director is to serve until the next Annual Meeting of our stockholders or the director's prior death, resignation or termination and the appointment and qualification of a successor.

The names of our current directors and executive officers and the positions held by each are set forth below:

Name	Age	Position	Held Position Since
----	---	-----	-----
Anthony A. Maher	58	Chairman, President and CEO	1989
Donald J. Farley	58	Secretary	1994
Cecil D. Andrus	74	Director	1997
Michael K. McMurray	60	Director	1989-1994, 2003-present

Anthony A. Maher. Mr. Maher was recruited to PCS at our inception as Chairman of the Board, President and Chief Executive Officer and structured our purchase of PCS Schools, Inc. and PCS LabMentors, LTD. Since then, Mr. Maher has overseen the development of our curriculum from four core areas to over 60; the development of our distance developer database; and the creation of our web-based publishing expertise. From 1982 to 1989, he was founder and Chairman of the Board of National Manufacturing Company, Inc. and its subsidiary, National Medical Industries, Inc. From 1979 to 1982, Mr. Maher was Executive Vice President for Littletree Inns, a hotel company based in Boise, Idaho, with properties throughout the Northwest. Mr. Maher graduated from Boise State University in 1970 with a Bachelor of Arts degree in Political Science.

Donald J. Farley. Mr. Farley is the Secretary of the Company and acted as our Company's legal counsel from 1994 until 2005. Mr. Farley is a founding partner of the law firm of Hall, Farley, Oberrecht & Blanton, P.A. His legal practice emphasizes litigation and representation of closely held businesses. He has been in private practice since 1975, after serving a two-year judicial clerkship with former United States District Judge J. Blaine Anderson. Mr. Farley is admitted to practice before all state and federal courts in Idaho and has also been admitted to practice before the United States Supreme Court. He is a member of the American Bar Association, the International Association of Defense Counsel, Defense Research Institute, the Idaho State Bar Association and the Association of Trial lawyers of America. Mr. Farley

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

graduated from the University of Idaho in 1970 with a Bachelor of Arts degree in Economics and from the University of Idaho College of Law in 1973.

Cecil D. Andrus. Governor Andrus joined the PCS Board of Directors in November 1995. Following his retirement from public service in January 1995, Mr. Andrus founded and now directs the Andrus Center for Public Policy at Boise State University. Governor Andrus is the first person in the history of Idaho to be elected Governor four different times (1970, 1974, 1986, and 1990). When he retired from public office, he was the senior governor in the United States in length of service. Mr. Andrus resigned as governor in 1977 to become the Secretary of the Interior in the Carter Administration, the first Idahoan to serve in a Presidential Cabinet. Governor Andrus is a former Director of Albertsons and KeyCorp, and a current Director of The Coeur D'Alene Company and Rentrak Corp. He also serves "Of Counsel" to the Gallatin Group, a public affairs and corporate analysis company, and the Andrus Center for Public Policy at Boise State University.

3

Michael K. McMurray. Mr. McMurray returned to the Board of PCS after having served from 1989 through 1994. He retired from Boise Cascade after serving there for over 30 years, starting as a Treasury Analyst in 1970, Assistant to Realty Controller from 1971 to 1974, Manager, Cash & Banking from 1974 to 1976, Manager of Banking & Corporate Credit from 1976 to 1980, Assistant Treasurer from 1980 to 1989, and then Assistant Treasurer and Director, Retirement Funds from 1989 until he retired in 2000. Mr. McMurray has served with distinction on several Boards including Regence Blue Shield of Idaho, American Red Cross, Farmers & Merchants State Bank, Idaho Housing and Finance, Boise Family YMCA, Hillcrest Country Club and the Downtown Boise Association. He is a graduate of the University of Idaho with a degree in Finance and has completed the Program for Management Development at the Harvard Business School.

Committees.

Audit Committee: We chartered an audit committee in 2001 for the purpose of engaging HJ & Associates, LLC for the annual audit. The audit committee currently consists of Board members, Michael K. McMurray and Cecil D. Andrus. Mr. McMurray is considered an audit committee financial expert based on his previous work experience and the definition contained in Reg. 228.401 Instructions to paragraph (e) (1) of Item 401 of the Sarbanes/Oxley Act. The audit committee continued to implement the formal policy regarding the scope, responsibilities and length of service for the audit committee adopted fiscal year 2005. The audit committee did not hold any formal meetings during fiscal year 2006, but did discuss auditing issues via telephone conference.

Compensation Committee: We adopted a compensation committee during fiscal year 2004 for the purpose of regulating management's compensation, as well as any incentive plans proposed by the Company. The compensation committee currently consists of Board members, Cecil D. Andrus and Donald J. Farley. The compensation committee held one (1) meeting during fiscal year 2006.

Nominating or Governance Committee: PCS does not have standing nominating or governance committee or a charter with respect to the process for nominations to our Board of Directors. Currently, our directors submit nominations for election to fill vacancies on the Board to the entire Board for its consideration.

Our Bylaws do not contain any provision addressing the process by which a stockholder may nominate an individual to stand for election to the Board of Directors, and we do not have any formal policy concerning stockholder recommendations to the Board of Directors. To date, we have not received any

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

recommendations from non-affiliate stockholders requesting that the Board consider a candidate for election to the Board. However, the absence of such a policy does not mean that the Board of Directors would not consider any such recommendation, had one been received. The Board would consider any candidate proposed in good faith by a stockholder. To do so, a stockholder should send the candidate's name, credentials, contact information and his or her consent to be considered as a candidate to the Chairman of the Board, Anthony A. Maher. The proposing stockholder should also include his or her contact information and a statement of his or her share ownership in the Company (how many shares owned and for how long).

4

In evaluating potential directors, Mr. Maher and the Board consider the following factors:

- * the appropriate size of our Board of Directors;
- * our needs with respect to the particular talents and experience of our directors;
- * the knowledge, skills and experience of nominees, including experience in finance, administration, or public service, in light of prevailing business conditions and the knowledge, skills and experience already possessed by other members of the Board;
- * familiarity with the educational industry;
- * experience with accounting rules and practices; and
- * the desire to balance the benefit of continuity with the periodic injection of the fresh perspective provided by new Board members.

Our goal is to assemble a Board of Directors that brings together a variety of perspectives and skills derived from high quality business and professional experience. In doing so, Mr. Maher and the Board will also consider candidates with appropriate non-business backgrounds.

Other than the foregoing, there are no stated minimum criteria for director nominees, although Mr. Maher and the Board of Directors may also consider such other factors as they may believe are in the best interests of PCS and our shareholders.

Mr. Maher and the Board of Directors identify nominees by first evaluating the current members of the Board willing to continue in service. Current members of the Board with skills and experience that are relevant to our business and who are willing to continue in service are considered for re-election. If any member of the Board does not wish to continue in service or if we decide not to re-nominate a member for re-election, we then identify the desired skills and experience of a new nominee in light of the criteria above. Current members of the Board of Directors are polled for suggestions as to individuals meeting the criteria described above. The Board may also engage in research to identify qualified individuals. To date, we have not engaged third parties to identify or evaluate or assist in identifying potential nominees, although we reserve the right in the future to retain a third party search firm, if necessary.

Our Board of Directors does not have a formal process for security holders to send communications to the Board. However, our directors take great interests in the concerns of stockholders. In addition, our directors review and give careful consideration to any and all stockholder communications. Security holder communications may be sent to: Board of Directors, PCS Edventures!.com, Inc., 345 Bobwhite Court, Suite 200, Boise, Idaho 83706. Communications may also be sent to any individual director at

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

our address.

Significant Employees.

Joseph A. Khoury. Mr. Khoury is the founder of PCS LabMentors, LTD, formerly known as 511092 N.B. LTD. Prior to forming LabMentors, he was employed as a software engineer with MIMS Consultants, Inc. He brings to us extensive knowledge of computer software and network communication systems. He graduated from the University of New Brunswick in 1993 with a Bachelor of Science in Electrical Engineering.

5

Shannon M. Wilson. Ms. Wilson joined PCS as the Assistant Chief Financial Officer in August, 2005, after working as a Chief Accountant for Washington Group International in the financial reporting department, internal reporting. Prior to working for Washington Group International, she was employed as a Registered Paralegal and Office Manager for an intellectual property law firm. She brings to us extensive knowledge of legal obligations and proceedings, intellectual property protection needs and management, cash management skills, capital project evaluation, GAAP knowledge, and financial reporting expertise. She graduated in 2002 from Boise State University with a Bachelor of Business Administration in Finance and in 2003 from Boise State University with a Masters of Business Administration.

Family Relationships.

There are no family relationships between any of our directors or executive officers.

Involvement in certain legal proceedings.

During the past five years, none of our present or former directors, executive officers or persons nominated to become directors or executive officers:

(1) Filed a petition under the federal bankruptcy laws or any state insolvency law, nor had a receiver, fiscal agent or similar officer appointed by a court for the business or property of such person, or any partnership in which he was a general partner at or within two years before the time of such filing, or any corporation or business association of which he was an executive officer at or within two years before the time of such filing;

(2) Was convicted in a criminal proceeding or named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses);

(3) Was the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him from or otherwise limiting his involvement in any type of business, securities or banking activities;

(4) Was found by a court of competent jurisdiction in a civil action, by the Securities and Exchange Commission or the Commodity Futures Trading Commission to have violated any federal or state securities law, and the judgment in such civil action or finding by the Securities and Exchange Commission has not been subsequently reversed, suspended, or vacated.

Certain Relationships and Related Transactions.

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

Transactions with Management and Others.

During the last two fiscal years ended March 31, 2006, and 2005, we have granted certain stock options to members of our management.

During the year ended March 31, 2003, three members of our Board of Directors acted as guarantors on a promissory note that provided us \$60,600 in financing. This note was paid in full during 2004.

On September 14, 2004, we authorized and issued options to purchase 335,520 shares of common stock to Board Members as payment for accrued directors fees totaling \$45,000. These options vested immediately and have an exercise price ranging from \$0.10-\$0.23 per share. This payment covered all directors' fees incurred for the year ended March 31, 2004.

6

During 2004, we issued 305,441 shares of common stock to our President, Anthony A. Maher, in payment of \$32,608 in accrued interest. The stock was valued at the market price of the stock on the dates of conversion, or an average of \$0.11 per share.

During the quarter ended June 30, 2004, we issued options to purchase 150,000 shares of common stock to a newly appointed member of the Board of Directors for services rendered. The options are exercisable at \$0.15 per share and expire on June 30, 2014. The issuance of these options resulted in \$3,000 in non-cash director expenses included in general and administrative expense.

During July 2004, we issued 250,000 shares of common stock to our Chief Executive Officer, Anthony A. Maher, for the non-cash exercise of options, reducing related party debt by \$17,500.

During the month of September 2004, we issued options to purchase 14,423 shares of common stock to each of our four Board Members, for a total issuance of 57,692 at an exercise price of \$0.26 per share. The options were issued as compensation for Board services for the quarter ending June 30, 2004.

During November 2004, we issued 344,559 shares of common stock at \$0.06 per share to our Chief Executive Officer, Anthony A. Maher, for the non-cash reduction of related party debt of \$20,674.

During the month of January 2005, we issued options to purchase 78,948 shares of common stock to each of our four Board Members, for a total issuance of 315,792 at an exercise price of \$0.10 per share. The options were issued as compensation for Board services for the quarters ending September 30, 2004, and December 31, 2004.

During the year ended March 31, 2005, we repaid debt owed to our President, Anthony A. Maher, of \$48,828 through cash payments and issuances of common stock.

During the month of April 2005, we issued options to purchase 20,270 shares of common stock to each of our four Board Members, for a total issuance of 80,080 at an exercise price of \$0.185 per share. The options were issued as compensation for Board services for the quarter ending March 31, 2005.

During the month of June 2005, we issued options to purchase 5,769 shares of common stock to each of our Board Members, for a total issuance of 23,076 shares at an exercise price of \$0.65 per share. The options were issued as compensation for Board services for the quarter ending June 30, 2005.

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

During September 2005, our Chief Executive Officer, Anthony A. Maher, exercised 100,000 options to purchase common stock for the repayment of debt and accrued interest owed in the amount of \$16,000 for which he received 100,000 shares of common stock.

During the month of September 2005, we issued options to purchase 5,597 shares of common stock to each of our three Board Members, the CEO, Anthony A. Maher is excluded from all future issuances of Board compensation per his request and consent minutes of the Board, for a total issuance of 16,791 shares at an exercise price of \$0.67 per share. The options were issued as compensation for Board services for the quarter ending September 30, 2005.

7

During the month of December 2005, we issued options to purchase 6,048 shares of common stock to each of our three Board Members for a total issuance of 18,144 shares at an exercise price of \$0.62 per share. The options were issued as compensation for Board services for the quarter ending December 31, 2005.

During January 2006, our Chief Executive Officer, Anthony A. Maher, exercised 25,000 options to purchase common stock for the repayment of debt and accrued interest owed in the amount of \$4,000 for which he received 25,000 shares of common stock.

During the month of March 2006, we issued options to purchase 7,075 shares of our common stock to each of our three Board Members for a total issuance of 21,225 shares at an exercise price of \$0.53 per share. The options were issued as compensation for Board services for the quarter ending March 31, 2006.

Transactions with Promoters.

None, not applicable.

Code of Ethics.

We have adopted a Code of Ethics and it was attached as Exhibit 14 to our 2004 Annual Report on Form 10-KSB of the Securities and Exchange Commission and can be accessed in the Edgar archives of the Securities and Exchange Commission. If any shareholder does not have Internet access, a copy of the Code of Ethics will be provided on request to us at no cost.

Section 16(a) Beneficial Ownership Reporting Compliance.

Section 16(a) of the Securities Exchange Act of 1934 requires executive officers and directors and persons who own more than ten percent (10%) of our common stock to file initial reports of ownership (Form 3) and reports of changes in ownership (Form 4) with the Securities and Exchange Commission. Executive officers, directors, and greater than 10% owners are required by the Securities and Exchange Commission's regulations to furnish us with copies of all Section 16(a) forms that they file.

Based solely on review of the copies of such forms furnished to us, we believe that all Section 16(a) filing requirements applicable to our executive officers and directors were timely filed during fiscal year 2006.

Board of Directors Meetings.

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

During fiscal year 2006, our Board of Directors held four (4) meetings, with all directors attending all meetings. In addition, our Board of Directors adopted several resolutions by unanimous consent without a meeting, in accordance with Idaho law.

8

Compensation.

Executive Compensation Table

Long Term Compensation

(a)	Annual Compensation				Awards	Payouts		
	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
Name and Principal Position*	Year	Salary (\$)	Bonus (\$)	Other Annual Comp. (\$)	Restr. Stock Award (\$)	Sec. Underlying Options/ SARs(#)	LTIP Payouts (\$)	All Other Comp. (\$)
Anthony A. Maher	3/31/06	120,000	0	0	0	0	0	*
President	3/31/05	120,000	0	0	0	0	0	*
Director	3/31/04	120,000	0	0	0	0	0	*

* Aggregate amount of other compensation is less than \$50,000 or 10% of the total annual salary and bonus reported.

Mr. Maher is the only executive officers of ours whose compensation exceeded \$100,000 during the last two fiscal years. See the table below under the heading "Stock Option Plans and Other Incentive Compensation Plans" of this Item for stock options granted to Mr. Maher and other members of management during the last two fiscal years ended March 31, 2006 and 2005.

Compensation of Directors.

Each fiscal year, the Board of Directors sets the dollar amount for the compensation of outside directors for their services. Said compensation shall be in the form of freely tradable PCS common stock at its then bid price, or in the form of stock options to purchase PCS common stock at its then current bid price. For fiscal years 2006 and 2005, the Board of Directors set the amounts of \$15,000 for each of said fiscal years. It is the current practice of the Company to issue this compensation in the form of options that vest immediately upon execution of each agreement. The current CEO is excluded from receiving additional compensation as a Board member beginning the second fiscal quarter of 2006 by unanimous consent of the Board and at his own request.

Option/SAR Grants in Last Fiscal Year

(a)	(b)	(c)	(d)	(e)
Name	Number of Securities Underlying Options/ SARs Granted #	% of Total Options/SARs Granted to Employees in Fiscal Year	Exercise or Base Price (\$/Sh)	Expir. Date

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

Anthony Maher	20,270	3.7%	\$0.19	4/1/2016
Anthony Maher	5,769	1.0%	\$0.65	6/30/2015
Donald Farley	20,270	3.7%	\$0.19	4/1/2016
Donald Farley	5,769	1.0%	\$0.65	6/30/2015
Donald Farley	5,597	1.0%	\$0.67	9/30/2015
Donald Farley	6,048	1.1%	\$0.62	12/31/2015
Donald Farley	7,075	1.3%	\$0.53	3/31/2016
Cecil Andrus	20,270	3.7%	\$0.19	4/1/2016
Cecil Andrus	5,769	1.0%	\$0.65	6/30/2015
Cecil Andrus	5,597	1.0%	\$0.67	9/30/2015
Cecil Andrus	6,048	1.1%	\$0.62	12/31/2015
Cecil Andrus	7,075	1.3%	\$0.53	3/31/2016
Michael McMurray	20,270	3.7%	\$0.19	4/1/2016
Michael McMurray	5,769	1.0%	\$0.65	6/30/2015
Michael McMurray	5,597	1.0%	\$0.67	9/30/2015
Michael McMurray	6,048	1.1%	\$0.62	12/31/2015
Michael McMurray	7,075	1.3%	\$0.53	3/31/2016
Christina Vaughn	0	0	0	n/a
Robert Grover	0	0	0	n/a

Aggregated Option/SAR Exercises in Last Fiscal Year and FY-End Option/SAR Values

(a)	(b)	(c)	(d)	(e)
Name	Shares Acquired on Exercise (#)	Value Realized	Number of Securities Underlying Unexercised Options/SARs FY-End (#) Exercisable/Unexercisable	Value of Unexercised In-the-Money Options/SARs FY-End (\$) Exercisable
Anthony Maher	364,371	\$153,868	686,936	\$230,326
Donald Farley	214,205	\$132,857	899,222	\$312,443
Cecil Andrus	555,435	\$328,551	408,072	\$131,279
Robert Grover	75,000	\$34,500	350,000	\$ 98,000
Michael McMurray	0	\$0	270,716	\$101,835
Christina Vaughn	0	\$0	300,000	\$102,000

Employment Agreements.

We have no written employment agreements with our management with the exception of our subsidiary President, Joseph A. Khoury. The contract was effective December 1, 2005, and expires after six months. The contract automatically renews for twelve-month periods, but may be terminated with ninety (90) days written notice by either party. The contract provides for a salary of \$60,000 (Canadian dollars) per year, as well as issuance of Rule 144 stock if certain performance goals are met by the subsidiary as established by the Board.

Currently, we are paying our officers the following annual salaries: Anthony A. Maher - \$120,000; Robert O. Grover - \$100,000 (effective December 2005); and Christina M. Vaughn - \$40,000, who is employed on a part-time basis. We also makes available medical and dental insurance coverage for our officers and other U.S. employees.

Stock Option Plans and Other Incentive Compensation Plans.

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

PCS has adopted a Special Development Bonus Program ("Program") for our development staff for fiscal years 2005 and 2006. This Program allows the development staff, as defined therein, to receive a percentage bonus based on the total adjusted gross sales of the Company, with an increased percentage upon our becoming profitable.

However, there are no other formal option plans or other incentive compensation plans as of the date of this Proxy Statement. The following were grants of stock options made during the fiscal years ended March 31, 2006, and 2005, to our directors and executive officers and others. These options are described as follows:

We granted the following options as of March 31, 2006:

Description	Date of Grant	Issue Number	Issue Price	Amount Exercised	Amount Expired/Cancelled	Amount Outstanding
1) Board Members	12-10-01	1,000,000	\$ 0.30	0	(250,000)	750,000
2) Board Members	06-03-02	1,000,000	\$ 0.16	(125,000)	(250,000)	625,000
3) Employees	07-01-02	335,000	\$ 0.16	(260,000)	(75,000)	0
4) Employee	08-15-02	5,000	\$ 0.16	0	(5,000)	0
5) Board Members	10-21-02	499,998	\$ 0.09	(166,666)	166,666	166,666
6) Board Members	05-15-03	892,855	\$ 0.07	(464,285)	(214,285)	214,285
7) Employee	05-20-03	100,000	\$ 0.07	(50,000)	0	50,000
8) Employee	07-25-03	25,000	\$ 0.10	0	(25,000)	0
9) Employee	07-25-03	25,000	\$ 0.10	(15,000)	0	10,000
10) Employee	09-05-03	150,000	\$ 0.07	0	0	150,000
11) Employee	09-25-03	25,000	\$ 0.10	(15,000)	0	10,000
12) Board Member	04-28-04	150,000	\$ 0.15	0	0	150,000
13) Consultant	04-28-04	2,000,000	\$ 0.10	(750,000)	(1,250,000)	0
14) Consultant	04-28-04	4,000,000	\$ 0.10	0	(4,000,000)	0
15) Consultant	04-28-04	200,000	\$ 0.10	0	(200,000)	0
16) Consultant	04-28-04	200,000	\$ 0.20	0	(200,000)	0
17) Consultant	04-28-04	200,000	\$ 0.30	0	(200,000)	0
18) Consultant	04-28-04	200,000	\$ 0.35	0	(200,000)	0
19) Board Members	09-14-04	80,358	\$ 0.14	(53,572)	0	26,786
20) Board Members	09-14-04	93,750	\$ 0.12	(62,500)	0	31,250
21) Board Members	09-14-04	112,500	\$ 0.10	(75,000)	0	37,500
22) Board Members	09-14-04	48,912	\$ 0.23	(16,304)	0	32,608
23) Board Members	09-14-04	57,692	\$ 0.26	(14,423)	0	43,269
24) Employee	07-29-04	153,533	\$ 0.15	0	0	153,533
25) Employee	08-10-04	50,000	\$ 0.13	0	0	50,000
26) Employee	07-10-04	50,000	\$ 0.13	0	0	50,000
27) Employee	07-01-04	25,000	\$ 0.31	0	0	25,000
28) Consultant	07-29-04	5,000	\$ 0.15	(5,000)	0	0
29) Employee	11-15-04	100,000	\$ 0.10	0	0	100,000
30) Board Members	01-04-05	315,792	\$ 0.10	(157,896)	0	315,792
31) Consultant	01-06-05	4,500	\$ 0.10	(4,500)	0	0
32) Employee	06-01-04	75,000	\$ 0.31	0	0	75,000
33) Employee	06-14-04	250,000	\$ 0.31	0	0	250,000
34) Employee	06-01-04	50,000	\$ 0.31	0	0	50,000
35) Employee	06-01-04	75,000	\$ 0.31	(344)	0	74,656
36) Employee	06-16-04	150,000	\$ 0.31	0	0	150,000
37) Board Members	04-01-05	81,080	\$ 0.185	0	0	81,080
38) Employees	05-26-05	175,000	\$ 0.50	0	0	175,000
39) Employee	05-26-05	107,467	\$ 0.50	0	0	107,467
40) Employee	08-24-05	100,000	\$ 0.61	0	0	100,000
10						
41) Board Members	06-30-05	17,307	\$ 0.65	0	0	17,307
42) Board Members	09-30-05	16,791	\$ 0.67	0	0	16,791

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

43) Board Members	12-31-05	18,144	\$ 0.62	0	0	18,144
44) Board Members	03-31-06	21,225	\$ 0.53	0	0	21,225
45) Consultant	02-01-06	121,429	\$ 0.75	0	0	121,429
46) Consultant	03-01-06	21,429	\$ 0.63	0	0	21,429
47) Consultant	02-20-06	50,000	\$ 0.60	0	0	50,000
48) Investor	12-29-05	2,500,000	\$ 1.20	0	0	2,500,000
49) Investor	12-29-05	2,500,000	\$ 1.80	0	0	2,500,000

		18,434,762		(2,235,490)	(7,035,951)	9,321,217
		=====		=====	=====	=====
Amount Exercisable						7,977,321
						=====

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" ALL OF THE ABOVE-NAMED NOMINEES FOR DIRECTORS OF THE COMPANY.

PROPOSAL NO. 2
RETENTION OF HJ & ASSOCIATES, LLC AS INDEPENDENT AUDITORS

The Board of Directors has selected HJ & Associates, LLC as independent auditors for the fiscal year ending March 31, 2007. To the knowledge of PCS, at no time has HJ & Associates, LLC had any direct or indirect financial interest in or any connection with PCS other than as independent public accountants. The retention of HJ & Associates as our Independent Financial Auditors will be approved if votes cast in favor exceed votes cast in opposition to Proposal No. 2. It is anticipated that representatives of HJ & Associates, LLC will not be present at the Annual Meeting.

HJ & Associates, LLC, of Salt Lake City, Utah, audited our financial statements for the fiscal year ended March 31, 2006. These financial statements accompanied our Form 10-KSB Annual Report for the year ended March 31, 2006, which has been filed with the Securities and Exchange Commission and a copy of which accompanies this Proxy Statement.

The following is a summary of the fees billed to us by our principal accountants during the fiscal years ended March 31, 2006, and March 31, 2005:

Fee category	2006	2005
-----	----	----
Audit fees	\$ 60,300	\$32,500
Audit-related fees	\$ 0	\$ 0
Tax fees	\$ 0	\$ 0
All other fees	\$ 0	\$ 0
Total fees	\$ 60,300	\$32,500
	=====	=====

The amounts listed above consist of fees for professional services rendered by our principal accountants for the audit of our annual financial statements and the review of financial statements included in our Forms 10-QSB or services that are normally provided by our principal accountants in connection with statutory and regulatory filings or engagements. In addition, the audit fees include the audit undertaken of the financial statements of the recently acquired PCS LabMentors, LTD. subsidiary.

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

Audit fees. Consists of fees for professional services rendered by our principal accountants for the audit of our annual financial statements and the review of financial statements included in our Forms 10-QSB or services that are normally provided by our principal accountants in connection with statutory and regulatory filings or engagements.

11

Audit-related fees. Consists of fees for assurance and related services by our principal accountants that are reasonably related to the performance of the audit or review of our financial statements and are not reported under "Audit fees."

Tax fees. Consists of fees for professional services rendered by our principal accountants for tax compliance, tax advice and tax planning.

All other fees. Consists of fees for products and services provided by our principal accountants, other than the services reported under "Audit fees," "Audit-related fees" and "Tax fees" above. The fees disclosed in this category include due diligence, preparation of pro forma financial statements as a discussion piece for a Board member, and preparation of letters in connection with the filing of Current Reports on Form 8-K.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors.

Our Audit Committee Charter provides for the approval, in advance of their performance, of all professional services to be provided to us by our independent auditor, provided that the audit committee shall not approve any non-audit services proscribed by Section 10A(g) of the Securities Exchange Act of 1934, as amended, in the absence of an applicable exemption. The audit committee may delegate to a designated member or members of the audit committee the authority to approve such services so long as any such approvals are disclosed to the full audit committee at its next scheduled meeting.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE COMMON STOCKHOLDERS VOTE TO APPROVE HJ & ASSOCIATES AS THE COMPANY'S INDEPENDENT AUDITORS FOR THE COMING YEAR.

INTRODUCTION OF PROPOSAL NOS. 3-5 TO APPROVE AMENDMENTS TO ARTICLES OF INCORPORATION

Background Information. During the last fiscal year ended March 31, 2006, we have undertaken several steps to enhance our strategic position, as well as increase market awareness, namely the acquisition of 511092 N.B. LTD, the investment made from Barron Partners LP and the execution and delivery of several Consulting Agreements that are described below.

To complete these steps, we have made commitments to issue up to 18,101,082 additional shares of our common stock, which added to the 30,887,645 shares outstanding at August 14, 2006) is 8,988,727 shares in excess of the number of 40,000,000 currently authorized and unissued shares of our common stock.

The commitments to issue common stock are as follows:

	Commitments	Reserved (1)
Barron's (common stock)	5,834,306 (2)	5,834,306
Barron's (warrants)	5,000,000	5,000,000
Options	3,803,321	100,000
LabMentors Earnout	2,950,000	

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

Khoury (Employment agreement)	88,455	
JG Capital (warrants)	50,000	
E2S Letter of Intent	375,000	
	-----	-----
	18,101,082	10,934,306
	=====	=====

12

(1) The Reserved shares reflect a covenant to reserve shares issuable to Barron under the Note Purchase Agreement and the requirements of Option Agreements with Christina Vaughn and Suzanne Haislip, which provide that we should reserve the option shares. For additional information, see below.

(2) The number of shares of common stock listed under Barron's Commitments includes the maximum amount of stock that would be issuable on conversion of the Barron's security if the agreed EBITDA target is not satisfied by March 31, 2007. If the EBITDA target is met, the commitment will equal 1,666,667 shares issuable upon conversion of the Barron's Note or preferred stock. For additional information, see below.

Barron's Commitment.

The largest commitment of our shares is to the Barron Partners' Agreement. Pursuant to the Note Purchase Agreement dated December 29, 2005, by and between the Company and Barron Partners LP, a Delaware limited partnership (the "Note Purchase Agreement"), Barron Partners LP ("Barron") purchased from us a convertible promissory note in the principal amount of \$1,000,000 (the "Note"). The Note and the Note Purchase Agreement contemplate that the Note shall be converted into convertible preferred stock having certain rights, preferences, and limitations set forth in the Certificate of Designations attached as Exhibit A to the Note; and the Note Purchase Agreement therefore requires that we amend our Articles of Incorporation to authorize 5,000,000 shares of preferred stock having such rights, preferences and limitations. Further, until such preferred stock has been duly authorized by an amendment of our Articles of Incorporation, the Note (or the preferred stock, if issued prior to March 31, 2007) shall be convertible into 1,666,667 shares of our common stock at the Conversion Price of \$0.60 per share; provided that, if the our EBITDA (where "EBITDA" means earnings before interest, tax, depreciation and amortization as reported from continuing operations before any non-recurring items) is less than \$4,500,000 for the fiscal year ended March 31, 2007, then the Conversion Price shall be reduced proportionately, but not below \$0.1714 per share. Therefore, if the Conversion Price is reduced to \$0.1714, the maximum number of shares in which the Note (or the preferred stock, if issued prior to March 31, 2007) may be converted equals 5,834,306 shares of common stock of the Company.

13

Pursuant to the Note Purchase Agreement, Barron purchased (i) a Common Stock Purchase Warrant "A" (the "Class A Warrant") entitling Barron to purchase up to 2,500,000 shares of our common stock at a price of \$1.20 per share and (ii) a Common Stock Purchase Warrant "B" (the "Class B Warrant") to purchase up to 2,500,000 shares of our common stock at a price of \$1.80 per share. The Class A Warrant is exercisable through the later of December 29, 2009, or 18 months of the effectiveness of our registration statement registering the shares underlying the Class A Warrant. The Class A Warrant has a "cashless exercise" feature, and the exercise price may be adjusted downward, to as low as \$0.15 per share, based upon our failure to meet certain EBITDA targets during the period of exercisability. We may call the Class A Warrant if the closing market price of our common stock equals or exceeds \$1.80 per share for 30 consecutive trading days and there is an effective registration statement covering the shares of common stock underlying the Class A Warrant during such period. The period of exercisability of the Class B Warrant, and the other material terms thereof, are the same as for the Class

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

A Warrant, with the exception that the call feature is triggered if the closing market price of our common stock equals or exceeds \$2.70 per share for 30 consecutive trading days and there is an effective registration statement covering the shares of common stock underlying the Class B Warrant during such period.

Section 2.1(b) of the Note provides for a limitation on conversion of the Note by Barron into common stock. Pursuant to such limitation, Barron is not entitled to convert the Note into shares of common stock to the extent that Barron and its affiliates would beneficially own more than 4.9% of the then outstanding numbers of shares of common stock of PCS after such conversion. Sections 6(a) of each of the Class A Warrant and Class B Warrant, respectively, provides for a limitation on Barron's exercise of the Class A Warrant and Class B Warrant to purchase shares of common stock. Pursuant to such limitation, Barron is not entitled to exercise the Class A Warrant or Class B Warrant to purchase shares of common stock to the extent that Barron and its affiliates would beneficially own more than 4.9% of the then outstanding numbers of shares of common stock of PCS after such exercise.

The Note Purchase Agreement also requires amendment of our Articles of Incorporation to include a provision granting the Company's Board of Directors the authority to (i) classify any unissued shares of our authorized stock into one or more classes or into one or more series within a class; (ii) to reclassify any unissued shares of any class of our authorized stock into one or more classes or into one or more series within one or more classes; and (iii) to reclassify any unissued shares of any series of any class of our authorized stock into one or more classes or into one or more series within a class (the "Blank Check Authorization"). See the Second Amended and Restated Articles of Incorporation that follow.

As of August 14, 2006, the Note had not been converted and neither of the warrants had been exercised, in whole or in part. A registration statement was filed with the Securities and Exchange Commission that covers the shares that can be purchased by Barron under the Class A and B warrants and the Note. The registration statement was declared effective by the Securities and Exchange Commission on March 15, 2006.

Options.

In addition, we also have issued to our employees and outside consultants, pursuant to agreements therewith and the 2004 Employee Stock Option Plan, outstanding options to purchase approximately 3,800,000 shares of our common stock. Certain of the option agreements require us to reserve 100,000 shares of common stock for future issuance upon exercise of the outstanding options.

14

LabMentors, Ltd.

On November 30, 2005, we entered into a Stock Purchase Agreement with 511092 N.B. LTD. dba LabMentors, a Canadian Company, whereby we acquired all of the issued and outstanding shares of common stock of LabMentors and LabMentors became our wholly-owned subsidiary. Since the acquisition, the name of this subsidiary has been changed to PCS LabMentors, LTD.

LabMentors engages in web-based educational products. LabMentors currently sells products to Course Technology and DeVry in the United States. These programs offer a unique atmosphere highly conducive to individual styles of learning and a system that utilizes computer technology to increase areas of inquiry and application. In addition, the labs allow certifications for

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

several platforms and software applications at the collegiate level. The Company intends to continue to develop products for this market, as well as expand its reach into secondary education in the U.S. and internationally. LabMentors' products and technologies are targeted to the public and private school classrooms. The products and technologies are delivered to the classroom through software and Internet access. These technologies allow students to explore the basic foundations of computers from programming to database technologies to server integration.

As a result of the PCS LabMentors, LTD., fka 511092 N.B. LTD. acquisition ("LabMentors Acquisition"), we are obligated to pay out to the original shareholders of 511092 N.B. LTD. as outlined in Schedule 1.3 of the Stock Purchase Agreement dated December 5, 2005, restricted shares of our common stock if certain earnings objectives tiers are met as specified below. We have estimated that we will pay out approximately 2,950,000 shares of restricted common stock if these performance goals are met.

The Labmentors earnings objective tiers as provided in Section 2.4.2 of the Stock Purchase Agreement are set forth as follows:

Year One. If LabMentors' EBITDA on March 31, 2006 was \$100,000 as calculated in accordance GAAP, we would have issued additional shares of our common stock to the original shareholders of LabMentors, on a pro-rata basis, in a total amount equal to \$100,000 divided by the previous 10 day trailing average price per share of the our common stock determined as of the first business day after March 31, 2006. Labmentors' EBITDA as of March 31, 2006 was less than \$100,000.

Year Two. If on March 31, 2007:

(i) LabMentors' EBITDA is \$950,000 or higher, as calculated in accordance with GAAP, we shall issue additional shares of our common stock to the original shareholders of LabMentors, on a pro-rata basis, in an amount equal to fifty percent (50%) of LabMentors' EBITDA as of March 31, 2007 divided by the previous 10 day trailing average price per share of our common stock determined as of the first business day after March 31, 2007, or

(ii) LabMentors' EBITDA is less than \$950,000, but greater than \$250,000, as calculated in accordance with GAAP, we shall issue additional shares of our common stock to the original shareholders of LabMentors, on a pro-rata basis, in an amount equal to twenty-five percent (25%) of LabMentors' EBITDA as of March 31, 2007 divided by the previous 10 day trailing average price per share of our stock determined as of the first business day after March 31, 2007.

Year Three. If on March 31, 2008:

(i) LabMentors' EBITDA is \$2,000,000 or higher, as calculated as calculated in accordance with GAAP, we shall issue additional shares of Buyer Stock to the original shareholders of LabMentors, on a pro-rata basis, in an amount equal to fifty percent (50%) of LabMentors' EBITDA as of March 31, 2008 divided by the previous 10 day trailing average price per share of our common stock determined as of the first business day after March 31, 2008, or

(ii) LabMentors' EBITDA is less than \$2,000,000 but greater than \$500,000 as calculated in accordance with GAAP, we shall issue additional shares of our common stock to the original shareholders of LabMentors, on a pro-rata basis, in an amount equal to twenty-five percent (25%) of LabMentors' EBITDA as of March 31, 2008 divided by the previous 10 day trailing average price per share price of our common stock determined as of the first business day after March 31, 2008.

LabMentors' EBITDA as of March 31, 2006 was less than \$100,000, so no shares are issuable for year one. The estimated earnings objective payments

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

in common stock for (i) year two is 950,000 shares of common stock, and (ii) year three is 2,000,000` shares of common stock, totaling approximately 2,950,000 shares of restricted common stock.

Pursuant to the LabMentors Acquisition, we acquired all of the assets of LabMentors, namely current inventory of learning programs, intellectual property comprising the delivery platform, one pending Canadian trademark application, one Canadian copyright, accounts receivable, and cash, as well as the liabilities, namely trade payables and deposits payable comprising of one deposit payable due December 2005. All LabMentors stock that was outstanding at the time of closing was converted into the our common stock at \$0.60 per share. The LabMentors Acquisition was structured through a Share Exchange Agreement. The purchase price of the transaction was \$420,000 USD, which was converted to our common stock at \$0.60 per share and our common stock was issued as "restricted securities" under to Rule 144 in the amount of 700,000 shares. The 511092 N.B. LTD. DBA LabMentors unaudited financial statements for September 30, 2005, along with the unaudited proforma combined financial statements of us and LabMentors, can be viewed in our 8-K/A Current Report filed with the Securities and Exchange Commission on December 9, 2005 and February 15, 2006, which are incorporated herein by reference and attached as Exhibit B.

Joseph A. Khoury.

In connection with the 511092 N.B. LTD. acquisition, an employment agreement was reached with Joseph A. Khoury, President of PCS LabMentors, LTD, fka 511092 N.B. LTD. This employment agreement, among other things, provides that we will issue restricted common stock to Mr. Khoury in payment of 40% of his salary each quarter if the subsidiary reaches financial earnings goals as specified by our Board of Directors for such quarter. The quantity of shares is dependent on the price of our common stock; however, it is estimated that we will pay out approximately 90,000 shares of common stock over the first three years of the term of the employment agreement if the performance goals are met (assuming a conversion rate of \$0.86 US dollars per Canadian dollar and an average common stock price of \$0.70). The term of the employment agreement is six-months. Thereafter, the employment agreement automatically renews for twelve-month periods, but may be terminated, by either party, with ninety (90) days written notice prior to the expiration of the then current term. As of August 14, 2006, we have issued 11,321 shares of Rule 144 stock to Mr. Khoury for his performance during the first quarter of calendar 2005 (last quarter of fiscal year 2006).

J.G. Capital and Colebrook Capital.

In addition to the finder and broker fees paid with respect to the Barron transaction, as outlined in the Form 8-K Current Report filed on January 9, 2006, that is incorporated herein by reference, the consummation of the Barron transaction triggered our obligation to pay a consulting fee to (i) J.G. Capital, pursuant to a Consulting Agreement, for assistance in obtaining the Barron investment and (ii) Colebrook Capital. The fee payable to J.G. Capital was paid on January 3, 2006 and January 27, 2006, in cash in the amount of \$10,000 and \$30,000, respectfully, for a total cash payment of \$40,000, and through the issuance of warrants to purchase 50,000 shares of our common stock for \$0.60 per share that was issued on February 20, 2006. The fee payable to Colebrook Capital was paid on January 3, 2006, and January 27, 2006, in equal cash amounts of \$10,000, for a total payment of \$20,000.

16

E2S Letter of Intent

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

Effective as of July 7, 2006, we entered into a Letter of Intent with Education Enterprise Solutions, LLC ("E2S") regarding the acquisition of certain tangible and intangible assets of E2S ("E2S LOI"). The proposed closing date for the asset purchase is August 31, 2006. The E2S LOI provides that we will purchase certain school management software and related intellectual property from E2S payable in 375,000 shares of restricted common stock. In addition to the purchase price payable to E2S, the E2S LOI further provided for royalty fees to be paid to E2S and its shareholders as follows: (i) 5% of the gross collected revenue created from the assets purchased from E2S for a period of seven years, and (ii) 3% of the gross collected revenues created from the assets purchased from E2S for a period of an additional three years. As of the date of the Proxy Statement, a definitive asset purchase agreement has not yet been executed and delivered.

PROPOSAL NO. 3:
AMENDMENT OF THE CURRENT ARTICLES OF INCORPORATION
TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF
COMMON STOCK

We have recently funded our operations and growth in large part by using the Company's capital stock as currency. We have utilized the Company's capital stock to (i) pay employee compensation and bonuses in the form of stock options, (ii) fund corporate acquisitions, including the acquisition of PCS LabMentors, LTD ("LabMentors") and the E2S prospective asset acquisition and payment of earnouts with respect to such acquisitions, (iii) pay for financial advisory and management consulting services, and (iv) to raise working capital. We intend to continue to use our capital stock to further the growth of the Company by funding acquisitions, paying for consulting services, providing employment incentives and raising additional capital, provided that we have sufficient authorized, and unissued common stock to do so.

Article V of our current Articles of Incorporation (as previously amended) authorizes the issuance of 40,000,000 shares of common stock, of which 30,887,645 shares have been issued and are presently outstanding as of August 14, 2006.

17

We have made commitments to issue up to 18,101,082 additional shares of our common stock as detailed in the "Background Information" Introduction above. The actual number of shares that we may be obligated to issue may be substantially less than the amounts listed above, depending on future circumstances. For example, if our EBITDA for the fiscal year ending March 31, 2007, exceeds \$4,500,000, the shares issuable to Barron Partners LP upon conversion of their Note will be 1,666,667 rather than 5,834,306. If, however, we are required to issue the maximum number of shares of common stock pursuant to the commitments listed above, these commitments would require us to issue 8,988,727 shares of common stock in excess of the number of currently authorized and unissued shares, thereby putting us in default of those contractual obligations that we could not meet.

Additionally, the over-commitment of common stock limits our ability to use common stock in connection with future financing and other corporate needs. The lack of authorized common stock available for issuance could limit or delay our ability to pursue opportunities for future financings, acquisitions, and other transactions. As of July 7, 2006, entered into the E2S LOI to acquire certain assets of a school management software business from E2S; and we contemplate issuing 375,000 shares of common stock, which amounts to 1.21% of our current issued and outstanding common stock, in payment for those assets, as detailed. Similar transactions to expand our business in the future could be impaired by lack of sufficient authorized and unissued shares of common stock.

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

The Board of Directors recommends an increase in the number of authorized shares of common stock from 40,000,000 shares to 60,000,000 shares in order to (i) meet the Company's current common stock commitments, and (ii) provide flexibility for the Company's business and financial purposes in the future, including acquisitions, employee incentives, and other objectives.

We may issue the additional shares of common stock for various purposes, including (without limitation) expanding our business through acquisitions of other businesses, raising capital, issuing stock options to officers, directors or employees, issuing warrants to financial advisors and other consultants, establishing strategic relationships with other companies or individuals, and issuing stock dividends. Unless required to do so by applicable law, a regulatory authority or a third party, further stockholder approval for the issuance of the authorized common stock would not be sought.

Our Board of Directors believes the proposed increases in the number of authorized shares of common stock will make a sufficient number of shares available to us for the foreseeable future should we decide to use our shares of common stock for one or more of the purposes identified above or otherwise.

If Proposal No. 3 is not approved, we may have insufficient authorized shares of common stock available to comply with all of our commitments and covenants, listed above, under (i) the Share Exchange Agreement among PCS Edventures!.com, Inc., 511092 NB Ltd., and its Shareholders, including earnout shares issuable to LabMentors' shareholders and shares issuable to Mr. Khoury pursuant to his employment contract, (ii) the Note Purchase Agreement between PCS Edventures!.com, Inc. and Barron Partners LP, including the Convertible Note, Common Stock Purchase Warrant A, and Common Stock Purchase Warrant B issued to Barron Partners on December 29, 2005, (iii) shares to be issued to E2S; and (iv) outstanding options issued to consultants and employees. If we are unable to issue the common stock as set forth in the above described agreements, we may become subject to legal actions by the affected parties relating to misrepresentations and violation of covenants as provided in the above-described agreements. In addition to the costs of such potential legal action, we may be liable for the payment of money damages for breach of contract. Such money damages could equal or exceed the value of the common stock to be issued pursuant to these agreements. We may lack sufficient capital resources or liquidity to make such monetary payments in the future if we breach our commitments to issue common stock.

Pursuant to the Note Purchase Agreement, we agreed to indemnify, defend, and hold Barron Partners harmless against and in respect of any and all claims, demands, losses, costs, expenses, obligations, liabilities or damages that Barron Partners shall incur or suffer, which arise out of or result from any breach of the Note Purchase Agreement. If we are unable to issue common stock to Barron Partners as provided under the Note Purchase Agreement, Convertible Note, Common Stock Purchase Warrant A, and/or Common Stock Purchase Warrant B, we may incur significant monetary liability to Barron Partners due to losses, costs or damages incurred by Barron Partners.

Further, if Proposal No. 3 is not approved, we may be limited in our ability to use common stock in connection with future financings and other corporate needs. The lack of authorized common stock available for issuance could limit or delay our ability to pursue opportunities for future financings, acquisitions, and other transactions and reduce our ability to reach our business development and financial goals.

The additional shares of common stock that would become available for issuance if Proposal No. 3 is adopted could be used by us to oppose a hostile takeover attempt or delay or prevent changes in control or management, as the

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

Board of Directors could issue additional shares of stock of the Company, which could dilute the stock ownership of a person attempting to obtain control of the Company. Although the proposal to increase the authorized common stock has been prompted by business and financial considerations and not by the threat of any hostile takeover attempt (nor are we currently aware of any such attempts directed at the Company), holders of common stock should be aware that approval of this proposal could facilitate future efforts by us to deter or prevent changes in control, including transactions in which the shareholders might otherwise receive a premium for their shares over then current market prices.

In addition, an issuance of additional shares by us could have an effect on the potential realizable value of a stockholder's investment. In the absence of a proportionate increase in our earnings and book value, an increase in the aggregate number of outstanding shares of the Company caused by the issuance of the additional shares would dilute the earnings per share and book value per share of all outstanding shares of our capital stock. If such factors were reflected in the price per share of common stock, the potential realizable value of a stockholder's investment could be adversely affected.

The Board of Directors believes the increase in the authorized number of shares of common stock is necessary to provide the Company with the flexibility to act in the future with respect to financings, acquisitions, stock splits, and other corporate purposes, without the delay and expense of obtaining stockholder approval each time an opportunity requiring the issuance of shares may arise.

RECOMMENDATION OF THE BOARD. THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS VOTE "FOR" APPROVAL OF THE AMENDMENT OF THE ARTICLES OF INCORPORATION TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK FROM 40,000,000 TO 60,000,000 SHARES.

PROPOSAL NO. 4: AMENDMENT OF THE ARTICLES OF INCORPORATION TO AUTHORIZE SERIES A PREFERRED STOCK

Our Board of Directors has approved a proposal to amend our Articles of Incorporation by adding a new Article 5A in order to authorize and designate 5,000,000 shares of the Company's preferred stock as Series A Preferred Stock ("Series A") meeting the requirements of the Barron Note Purchase Agreement and Note. In those agreements, we covenanted to seek shareholder approval of a class of Series A Preferred Stock with the following designations, rights and preferences, as set forth in Article 5A of the Second Amended and Restated Articles of Incorporation (Exhibit A):

1. Dividends: No dividends will be payable with respect to the Series A Preferred Stock; and no dividends will be payable to holders of common stock while the Series A Preferred Stock is outstanding.
2. Voting: The Series A Preferred Stock shall have no voting rights.
3. Amendment: So long as any Series A Preferred Stock remains outstanding, the Company shall not, without the affirmative approval of the holders of Series A Preferred Stock, alter or change the rights and preferences of the Series A Preferred Stock, create a class of stock senior or on a parity with the Series A Preferred Stock, or amend the Articles of Incorporation to increase the authorized Series A Preferred Stock.
4. Liquidation: Upon any liquidation, dissolution or winding-up, the holders of Series A shall be entitled to receive, for each share of Series A Preferred Stock, an amount equal to \$0.60 before any distribution or payment is made to holder of any junior securities,

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

including the common stock.

5. Conversion: Each share of Series A Preferred Stock shall be initially convertible into one share of common stock at the option of the holders of the Series A Preferred Stock. The conversion of Series A Preferred Stock into common stock shall be adjusted for stock dividends, stock splits, dilutive equity issuance. The conversion rate will also be adjustable based on the Company's EBITDA at its March 31, 2007, fiscal year end, as set forth in Section 5A.7 of the Amended and Restated Articles of Incorporation.

Pursuant to the Barron Note Purchase Agreement, we received \$1,000,000 cash in exchange for our Convertible Note issued on December 29, 2005. The Note is convertible into shares of common stock; however, the Note provides that, upon amendment of our Articles of Incorporation to authorize and designate Series A Preferred Stock, the Note will thereupon be automatically converted into shares of Series A Preferred, which in turn will be convertible into common stock.

Pursuant to the Convertible Note, we granted conversion rights to Barron Partners to convert the \$1,000,000 principal amount of the Convertible Note into shares of PCS Edventures!.com, Inc.'s common stock or preferred stock. The Convertible Note provides that, effective as of the date of the amendment of the Articles of Incorporation, authorizing and designating Series A preferred stock with the rights, preferences, and limitations set forth in an exhibit to the Convertible Note, the Convertible Note will cease to be convertible into common stock and will automatically be converted into shares of such Series A preferred stock. If we are unable to issue the Series A preferred stock as set forth in the Convertible Note, we may become subject to legal actions by Barron Partners LP relating to misrepresentations and violation of covenants as provided in the Note Purchase Agreement and Convertible Note. Further, under the Note Purchase Agreement, we agreed to indemnify, defend, and hold Barron Partners harmless against and in respect of any and all claims, demands, losses, costs, expenses, obligations, liabilities or damages that Barron Partners shall incur or suffer, which arise out of or result from any breach of the Note Purchase Agreement. If we are unable to issue to Barron Partners the preferred stock, as provided under the Note Purchase Agreement and Convertible Series A Note, we may incur significant monetary liability to Barron Partners due to losses, costs or damages incurred by Barron Partners.

Additionally, under the Convertible Note, it is an event of default if we breach any material covenant or other term or condition of the Note Purchase Agreement or Convertible Note. Upon the occurrence of an event of default, Barron Partners may declare all remaining sums of principal of the Convertible Note immediately due and payable. If Proposal No. 4 is not approved, it may be considered an event of default under the Convertible Note, whereby the Convertible Note may be due and payable in full. In such event, we may lack sufficient capital resources or liquidity to satisfy the Convertible Note.

Shareholder approval of Proposal No. 4 will enable us to comply with our covenants and agreements with Barron Partners LP.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS VOTE "FOR" APPROVAL OF THE AMENDMENT OF THE ARTICLES OF INCORPORATION TO DESIGNATE 5,000,000 SHARES OF SERIES A PREFERRED STOCK.

PROPOSAL NO. 5:
AMENDMENT OF THE CURRENT ARTICLES OF INCORPORATION
TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF
PREFERRED STOCK AND TO AUTHORIZE THE BOARD TO DESIGNATE AND ISSUE ADDITIONAL
CLASSES OR SERIES OF STOCK WITHOUT FURTHER SHAREHOLDER APPROVAL

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

We have recently funded our operations and growth in large part by using the Company's capital stock as currency. We have utilized the Company's capital stock to raise working capital. We intend to continue to use our capital stock to further the growth of the Company by funding acquisitions, paying for consulting services, providing employment incentives, and raising additional capital, provided that we have sufficient authorized and unissued preferred stock to do so.

Article V of our current Articles of Incorporation (as previously amended) authorizes the issuance of 10,000,000 shares of preferred stock with certain specific rights, preferences, and limitations. We have previously issued 82,850 shares of this preferred stock to raise working capital, but have subsequently reacquired and cancelled all of those shares. We have no intention of reissuing those preferred shares because their designated rights, preferences, and limitations are not suited to our future needs.

If the shareholders approve the Blank Check Authorization discussed below, the Board will reclassify these reacquired preferred shares (as well as the previously unissued shares of such preferred stock) as authorized and unissued shares of preferred stock undesignated as to series and without any specific rights, preferences or limitations. These 10,000,000 shares would thereafter be available for issuance as preferred stock with such rights, preferences, and limitations as may thereafter be designated by the Board pursuant to the Blank Check Authorization. If the shareholders do not approve the Blank Check Authorization, the reacquired shares of preferred stock (as well as the previously unissued shares of such preferred stock) will retain their existing rights, preferences, and limitations; however, we have no intention of reissuing those preferred shares because their specific designated rights, preferences, and limitations are not suited to our future needs.

The Board of Directors has approved a proposal to further amend the Company's Articles of Incorporation in order to authorize and vest in our Board of Directors the authority to classify or reclassify, from time to time, any unissued shares of the Company's authorized stock into one or more classes or into one or more series within one or more classes ("Blank Check Authorization"). This provision is set forth in new Section 5.2 of the attached Second Amended and Restated Articles of Incorporation (Exhibit A).

The Blank Check Authorization would vest in our Board of Directors the authority to designate one or more classes or one or more series of capital stock by resolution. The provision authorizing the Board of Directors to designate terms and conditions of the capital stock in this manner is often referred to as "blank check" authority, as it gives the Board of Directors the flexibility, at any time or from time to time, without further shareholder approval (except as may be required by applicable laws, regulatory authorities or the rules of any stock exchange on which our securities are then listed), to create one or more classes or series of capital stock and to determine by resolution the designations, price, preferences, relative rights, and limitations of each such class or series, including voting rights, without any further vote or action by the shareholders. Because the Blank Check Authorization would entitle the Board of Directors to designate the rights, preferences, and limitations of authorized but unissued capital stock of the Company, the rights of the holders of issued and outstanding shares of our common stock are subject to, and may be adversely affected by, the rights of the holders of any capital stock which may be designated and issued in the future by the Board of Directors.

The proposed amendment also specifies the disposition of shares of common stock or preferred stock reacquired by us from time to time. These

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

amendments are set forth in Sections 5.3 through 5.5 of Article 5 of the attached Second Amended and Restated Articles of Incorporation (Exhibit A). In particular, Section 5.5 provides that the 10,000,000 previously authorized shares of preferred stock (including the 82,850 shares previously issued and subsequently reacquired by us) shall resume the status of authorized and unissued shares of preferred stock, undesignated as to Series and available for classification or reclassification by the Board of Directors and reissuance by the Company pursuant to the Blank Check Authorization granted by Section 5.2.

The authorization of blank check preferred stock will enable our Board of Directors to issue shares of preferred stock without further approval of the holders of common stock, the terms of which might, among other things, (i) restrict the payment of dividends on our common stock, (ii) dilute the voting power of holders of common stock, (iii) impair the liquidation rights of the holders of common stock, and/or (iv) delay or prevent a change of control or management that the holders of common stock might believe is in their best interests.

While the approval of the Blank Check Authorization, without any immediate Board designation of any new class or series of preferred stock, would not have any immediate effect on existing holders of common stock, the future issuance of blank check preferred stock, while providing desirable flexibility in connection with possible financings, acquisitions, and other corporate purposes, would have the effect of diluting our current holders of common stock and could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, control of PCS Edventures!.com, Inc.

Additionally, if Proposal No. 5 is approved, the Board of Directors could issue shares of preferred stock that could, depending on the terms of such series, make more difficult or discourage an attempt to obtain control of PCS Edventures!.com, Inc. by means of a merger, tender offer, proxy contest or other means. Such preferred stock could be used to create voting or other impediments or to discourage persons seeking to gain control of the Company.

The issuance of a new series of preferred stock could also be used to dilute the stock ownership of a person or entity seeking to obtain control of the Company should the Board consider the action of such entity or person not to be in the best interest of the stockholders and the Company. If the Board of Directors elects to issue additional shares of preferred stock, such issuance could have a dilutive effect on the earnings per share, book value per share, voting power, and holdings of current shareholders. The additional shares of preferred stock that would become available for issuance if Proposal No. 5 is adopted could also be used by us to oppose a hostile takeover attempt or delay or prevent changes in control or management, as the Board of Directors could issue additional shares of preferred stock of the Company, which could dilute the stock ownership of a person attempting to obtain control of the Company, or could grant preferences, such as preferences to the Company's assets in the event of liquidation or change of control, making the common stock less valuable. Although the proposal to increase the authorized preferred stock has been prompted by business and financial considerations, and not by the threat of any hostile takeover attempt (nor are we currently aware of any such attempts directed at the Company), shareholders should be aware that approval of this proposal could facilitate future efforts by the Company to deter or prevent changes in control, including transactions in which the shareholders might otherwise receive a premium for their shares over then current market prices.

Increasing the number of authorized shares of preferred stock issuable pursuant to the Blank Check Authorization and issuing preferred stock with

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

rights, preferences, and limitations designated by the Board pursuant to the Blank Check Authorization may affect the rights of the holders of our currently outstanding common stock by (among other possibilities) granting holders of preferred stock preferential rights such as dividend, redemption, and liquidation preferences, and by diluting the earnings per share and voting rights of current holders of common stock. With Blank Check Authorization, the Board may provide for the issuance of preferred stock with preferential dividend and liquidation preference, whereby the newly designated preferred stock could, for example, have rights to (i) large dividends prior and in preference to other capital stockholders and (ii) liquidation preferences equal to multiples of the preferred stockholder's initial investment. Such dividend and liquidations preferences granted by the Board pursuant to the Blank Check Authorization may preclude future investment returns of the current shareholders.

In addition, an issuance of additional preferred shares by us could have an effect on the potential realizable value of a common stockholder's investment. In the absence of a proportionate increase in our earnings and book value, an increase in the aggregate number of outstanding shares of the Company caused by the issuance of the additional shares of preferred stock would dilute the earnings per share and book value per share of all outstanding shares of our capital stock. If such factors were reflected in the price per share of common stock, the potential realizable value of a stockholder's investment could be adversely affected.

The Board of Directors recommends an increase in the number of authorized shares of preferred stock from 10,000,000 shares to 20,000,000 shares, undesignated as to rights, preferences or limitations, coupled with Blank Check Authorization for the Board to designate the rights, preferences, and limitations of any class or series of such preferred stock, in order to provide flexibility for our business and financial purposes in the future. If Proposal No. 5 is approved, the preferred stock would include 5,000,000 shares of Series A Preferred Shares referenced in Proposal 4 and 15,000,000 shares available for designation and issuance by the Board pursuant to the Blank Check Authorization (after reclassifying the previously unissued and previously issued and required shares of the already existing class of preferred stock).

We may issue the additional shares of preferred stock for various purposes, including (without limitation) expanding our business through acquisitions of other businesses, raising capital, and establishing strategic relationships with other companies or individuals. Unless required to do so by applicable law, a regulatory authority or a third party, further stockholder approval for the issuance of the authorized preferred stock would not be sought.

If this Proposal No. 5 is approved, the additional shares of preferred stock would have rights, preferences, and limitations to be designated by the Board of Directors pursuant to the Blank Check Authorization, provided that the Note Purchase Agreement with Barron prohibits us from issuing, prior to December 29, 2007, preferred stock which, with respect to dividend, redemption or liquidation rights, is senior to or on a parity with the Series A Preferred Stock to be issued to Barron as described in Proposal No. 4.

Pursuant to the Note Purchase Agreement between PCS Edventures!.com, Inc. and Barron Partners LP, we covenanted with Barron Partners LP to propose and submit to the holders of common stock of PCS Edventures!.com, Inc., for their approval, amendments to the Articles of Incorporation, substantially providing for Blank Check Authorization.

Under the Note Purchase Agreement, we agreed to indemnify, defend and hold Barron Partners harmless against and in respect of any and all claims,

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

demands, losses, costs, expenses, obligations, liabilities or damages that Barron Partners shall incur or suffer, which arise out of or result from any breach of the Note Purchase Agreement. If the shareholders do not approve Proposal No. 5 by granting Blank Check Authorization to the Board, as required by the Note Purchase Agreement, we may incur significant financial monetary liability to Barron Partners due to losses, costs or damages incurred by Barron Partners. Additionally, under the Convertible Note it is an event of default if we breach any material covenant or other term or condition of the Note Purchase Agreement or Convertible Note. Upon the occurrence of an event of default, Barron Partners may declare all remaining sums of principal of the Convertible Note immediately due and payable. If Proposal 5 is not approved, it may be considered an event of default under the Convertible Note, whereby the Convertible Note may be due and payable in full. In such event, we may lack the capital resources or liquidity to satisfy the Convertible Note.

The Board of Directors believes that the grant of Blank Check Authorization will provide us with greater flexibility in meeting future capital requirements by enabling the Board to customize classes and series of stock to meet the needs of particular transactions and then prevailing market conditions, or to facilitate any other proper corporate purposes, such as joint ventures or acquisitions or issuance in public or private offerings as a means of raising working capital. Our Board of Directors believes the proposed increase in the authorized preferred stock and the grant of Blank Check Authorization will make a sufficient number of shares available to us for the foreseeable future should we decide to use our shares of preferred stock for one or more of the purposes identified above or otherwise. The Board of Directors believes the proposed increase in the authorized shares of preferred stock with rights, preferences, and limitations to be designated by the Board pursuant to the Blank Check Authorization is necessary to provide the Company with the flexibility to act in the future with respect to financings, acquisitions, and other corporate purposes, without the delay and expense of obtaining stockholder approval each time an opportunity requiring the issuance of preferred shares may arise.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS VOTE "FOR" APPROVAL OF THE AMENDMENT OF THE ARTICLES OF INCORPORATION TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF PREFERRED STOCK FROM 10,000,000 TO 20,000,000 AND TO GRANT BLANK CHECK AUTHORIZATION TO THE BOARD.

22

DISSENTERS' RIGHTS

There are no dissenters' rights applicable to the election of our directors for the coming year or the retention of HJ & Associates, LLC as our independent auditors for the coming year or the proposals to amend our Articles of Incorporation as set forth in Proposal Nos. 3-5.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

No director, executive officer, nominee for election as a director, associate of any director, executive officer or nominee or any other person has any substantial interest, direct or indirect, by security holdings or otherwise, in matters presented by the Board for voting to the shareholders at the Company's annual meeting the election of directors for the coming year or the retention that is not shared by all stockholders, with the exception that only the persons who are elected directors at the Annual Meeting will serve in that capacity.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

Voting Securities.

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

The securities entitled to vote regarding the election of our directors for the coming year, retention of our auditors and the restatement and amendment to our Articles of Incorporation consist of shares of our common stock. Each share of our common stock is entitled to one vote. The number of outstanding shares of our common stock at the close of business on August 14, 2006, the Record Date for determining our stockholders who would have been entitled to notice of and to vote on these matters, was 30,887,645.

Security ownership of management.

The following tables set forth the share holdings of our directors and executive officers and those persons who own more than five percent of our common stock, based on 30,887,645 outstanding shares at August 14, 2006, unless indicated otherwise:

DIRECTORS AND EXECUTIVE OFFICERS

Name and Address of Beneficial Owner	Shares Owned	Percentage Owned
Anthony A. Maher 345 Bobwhite Court, Suite 200, Boise, Idaho 83706	2,741,045(1)	8.1%
Robert O. Grover 345 Bobwhite Court, Suite 200, Boise, Idaho 83706	588,790(2)	1.7%
Donald J. Farley 345 Bobwhite Court, Suite 200, Boise, Idaho 83706	1,730,121(3)	5.1%
Cecil D. Andrus 345 Bobwhite Court, Suite 200, Boise, Idaho 83706	1,109,254(4)	3.3%
23 Michael K. McMurray 345 Bobwhite Court, Suite 200 Boise, Idaho 83706	288,130(5)	0.9%
Christina M. Vaughn 345 Bobwhite Court, Suite 200, Boise, Idaho 83706	300,000(6)	0.9%
All officers and directors as a group (six persons)	6,757,340(7)	20.0%

(1) Based upon 33,628,690 shares of common stock issued and outstanding as of August 14, 2006, including 692,705 shares that may be issued upon the exercise of currently exercisable options held by Mr. Maher. The shares beneficially owned by Mr. Maher include: (i) 1,979,340 shares owned of record by Mr. Maher; (ii) 10,000 shares owned by Louise Maher; (iii) 9,500 shares which are beneficially owned by Sullivan Maher, LLC, for which Mr. Maher acts as a manager (iv) 35,000 shares owned by the Nick Maher Foundation, of which Mr. Maher is a trustee; (v) 4,500 shares owned by E. L. Sullivan which are voted by Mr. Maher pursuant to an irrevocable proxy; and 10,000 shares owned by the Maher Family Partnership LLP; and (vi) 692,705 shares which may be

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

issued upon the exercise of currently exercisable stock options.

(2) Based upon 31,476,435 shares of common stock issued and outstanding as of August 14, 2006, including 350,000 shares that may be issued upon the exercise of currently exercisable options held by Mr. Grover. The shares beneficially owned by Mr. Grover include 238,790 shares owned of record and 350,000 shares underlying currently exercisable options.

(3) Based upon 32,617,766 shares of common stock issued and outstanding as of August 14, 2006, including 916,636 shares that may be issued upon the exercise of currently exercisable options held by Mr. Farley. These shares include 813,485 shares owned of record by Mr. Farley and 916,636 shares, which may be issued upon the exercise of currently exercisable stock options.

(4) Based upon 31,996,899 shares of common stock issued and outstanding as of August 14,, 2006, including 425,486 shares that may be issued upon the exercise of currently exercisable options held by Mr. Andrus. These shares include (i) 683,768 shares owned of record by Mr. Andrus and (ii) 425,486 shares which may be issued upon the exercise of currently exercisable stock options.

(5) Based upon 31,175,775 shares of common stock issued and outstanding as of August 14, 2006, including 288,130 shares that may be issued upon the exercise of currently exercisable options held by Mr. McMurray. Mr. McMurray does not currently own any shares of our common stock.

(6) Based upon 31,187,645 shares of common stock issued and outstanding as of August 14, 2006, including 300,000 shares that may be issued upon the exercise of currently exercisable options held by Ms. Vaughn. Ms. Vaughn does not currently own any shares of our common stock.

(7) Based upon 33,860,602 shares of common stock issued and outstanding as of August 14, 2006, including all 2,972,957 shares that may be issued upon the exercise of currently exercisable options collectively held by all of our directors and executive officers.

24

Unless otherwise noted above, we believe that all persons named in the table have sole voting and investment power with respect to all shares of common stock beneficially owned by them. For purposes hereof, a person is deemed to be the beneficial owner of securities that can be acquired by such person within 60 days from the date hereof upon the exercise of warrants or options or the conversion of convertible securities. Each beneficial owner's percentage of ownership is determined by assuming that any warrants, options or convertible securities that are held by such person (but not those held by any other person) and which are exercisable within 60 days from the date hereof, have been exercised.

VOTE REQUIRED FOR APPROVAL AND EFFECTIVE DATE

Vote Required for Approval.

Idaho Law.

The Idaho Business Corporation Act (the "Idaho Act") requires the approval of stockholders who hold at least a majority of the voting power present at the meeting at which a quorum is present to effectuate all of the proposals. This solicitation is being made by the Company and we will bear the cost of preparing, printing and mailing each of these documents and of the solicitation of proxies. Solicitation will be made by mail. We will request brokers, custodians, nominees and other like parties to forward copies of

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

proxy materials to beneficial owners of our common stock and will reimburse such parties for their reasonable and customary charges or expenses in this regard.

Record Date and Outstanding Shares.

The Board of Directors has fixed August 14, 2006, as the Record Date for the determination of our holders of common stock entitled to notice of and to vote at the Annual Meeting and any adjournment thereof. At the close of business on that date, there were 30,887,645 shares of common stock outstanding and entitled to vote. Holders of common stock will be entitled to one vote per share held and will not be entitled to cumulative voting.

Proxies and Revocability of Proxies.

The enclosed proxy is being solicited by our Board of Directors for use at the Annual Meeting and any adjournments thereof and will not be voted at any other meeting. All proxies that are properly executed, received by us prior to or at the Annual Meeting, and not properly revoked will be voted at the Annual Meeting or any adjournment thereof in accordance with the instructions given therein. Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before it is voted. Proxies may be revoked by (i) filing with Anthony A. Maher, our President and CEO, at or before the taking of the vote at the Annual Meeting, a written notice of revocation bearing a later date than the date of the proxy; (ii) duly executing a subsequent proxy relating to the same shares and delivering it to Anthony Maher before the Annual Meeting; or (iii) attending the Annual Meeting and voting in person (although attendance at the Annual Meeting will not in and of itself constitute a revocation of a proxy). Any written notice revoking a proxy should be sent to 345 Bobwhite Court, Suite 200, Boise, Idaho 83706, Attention: Anthony Maher, or hand delivered to Anthony Maher, at or before the taking of the vote at the Annual Meeting.

25

Other Matters.

The Board of Directors is not aware of any business other than the aforementioned matters that will be presented for consideration at the Annual Meeting. If other matters properly come before the Annual Meeting, it is the intention of the person named in the enclosed proxy to vote thereon in accordance with his best judgment.

Effective Date of Actions.

The effective date of the actions covered hereby will be following our Annual Meeting.

IT IS IMPORTANT THAT PROXIES BE RETURNED PROMPTLY. STOCKHOLDERS WHO DO NOT EXPECT TO ATTEND THE ANNUAL MEETING IN PERSON ARE URGED TO EXECUTE AND RETURN THE ENCLOSED PROXY IN THE REPLY ENVELOPE PROVIDED.

By Order of the Board of Directors,

Anthony A. Maher,
Director, Chairman, and President

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

26

PROXY

FOR ANNUAL MEETING OF STOCKHOLDERS TO BE HELD September 19, 2006

This Proxy Is Solicited by the Board of Directors and Management of the Company.

The undersigned stockholder of PCS Edventures!.com, Inc. (the "Company"), hereby appoints Anthony A. Maher or _____ as proxy-holder for and on behalf of the undersigned to attend the Annual Meeting of Stockholders to be held September 19, 2006 at 9:00 a.m. and to vote said shareholder's shares as follows:

I direct that my proxy vote as follows:

1. On a proposal to elect Cecil D. Andrus, Anthony A. Maher, Donald J. Farley, and Michael McMurray to the Board of Directors until the next Annual Meeting.

Cecil D. Andrus	-----	For	-----	Withhold Authority
Anthony A. Maher	-----	For	-----	Withhold Authority
Donald J. Farley	-----	For	-----	Withhold Authority
Michael K. McMurray	-----	For	-----	Withhold Authority

2. On a resolution ratifying the re-selection of HJ & Associates as the Company's financial auditors.

_____ For _____ Against _____ Abstain

3. On proposal No. 3 to amend the current Articles of Incorporation to increase the number of authorized shares of common stock.

_____ For _____ Against _____ Abstain

4. On proposal No. 4 to amend the Articles of Incorporation to authorize 5,000,000 shares of Series A preferred stock

_____ For _____ Against _____ Abstain

5. On proposal No. 5 to amend the Articles of Incorporation to authorized a 10,000,000 share increase of undesignated preferred stock and to grant blank check authorization.

_____ For _____ Against _____ Abstain

I authorize my proxy to vote as his discretion may dictate on the transaction of such other business as may properly come before the Annual Meeting or any adjournments thereof.

In the event Anthony A. Maher is unable to attend this Annual Meeting, then Donald J. Farley shall be authorized to vote these shares in his place in the above-prescribed manner with all of the discretion otherwise to be held by Mr. Maher.

The undersigned hereby revokes any Proxy previously given, and incorporates by

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

reference the provisions of the instructions following this proxy.

Print Name of Shareholder Number of Shares

Signature of Shareholder Date

Address:

Street or P.O. Number City State Zip

27

Exhibit A

SECOND AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
PCS EDVENTURES!.COM, INC.

Pursuant to Section 30-1-1007 of the Idaho Business Corporation Act ("the Act"), the undersigned corporation, effective as of _____, 2006 (the "Effective Date"), adopts the following Amended and Restated Articles of Incorporation (the "Articles"), which restate and supersede in their entirety the corporation's Articles of Incorporation as originally filed and all prior amendments and restatements of the corporation's Articles of Incorporation.

Article 1

The name of the corporation is PCS Edventures!.COM, Inc. and its duration shall be perpetual.

Article 2

[Deleted]

Article 3

The corporation is organized to engage in any and all lawful activities for which corporations may be organized under the Idaho Business Corporation Act.

Article 4

[Deleted]

Article 5

5.1 Capital Stock. This corporation is authorized to issue two (2) classes of stock designated, respectively, "Preferred Stock" and "Common Stock." This corporation is authorized to issue a total of eighty million (80,000,000) shares (without par value) consisting of twenty million (20,000,000) shares of Preferred Stock, and sixty million (60,000,000) shares of Common Stock. Each outstanding share of Common Stock shall be entitled to one (1) vote on each matter submitted to a vote in a meeting of the shareholders. Votes may not be cumulative. Holders of Common Stock shall have no preemptive rights.

5.2 Terms of Classes or Series Determined by Board of Directors. The Board of Directors is expressly authorized to exercise, without shareholder approval, all powers permitted by Idaho Code Section 30-1-602, including the authority (i) to classify any unissued shares of the corporation's authorized

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

stock into one or more classes or into one or more series within a class; (ii) to reclassify any unissued shares of any class of the corporation's authorized stock into one or more classes or into one or more series within one or more classes; or (iii) to reclassify any unissued shares of any series of any class of the corporation's authorized stock into one or more classes or into one or more series within a class. If the Board acts pursuant to this authorization, it must determine (prior to issuance or reissuance of any such shares) the terms, including the preferences, rights and limitations, of the shares of any such class or series such as (without limitation) dividend rights and preferences, conversion rights, voting rights (including, without limitation, any special, conditional or limited voting rights or no right to vote), rights of redemption (including any sinking fund provisions) and liquidation preferences of such series or class. The Board of Directors is also expressly authorized to fix the number of shares constituting each such class or series of the corporation's authorized stock and to increase or decrease the number of shares of any class or series prior to the issuance or reissuance of shares of that class or series. Prior to issuing any shares of any class or series of stock classified or reclassified by the Board of Directors pursuant to this Section 5.2, the corporation shall deliver to the Idaho Secretary of State articles of amendment setting forth the terms of such class or series.

5.3 Reacquired Common Stock. Unless a resolution of the Board of Directors provides that reacquired shares of Common Stock shall constitute authorized and unissued shares, any shares of Common Stock reacquired by the corporation shall be treasury shares; and the corporation may hold, use, resell, cancel or dispose of such reacquired Common Stock free of any restrictions that would be imposed on the original issuance of Common Stock.

5.4 Reacquired Preferred Stock. Unless a resolution of the Board of Directors provides otherwise, any shares of Preferred Stock reacquired by the corporation (whether by redemption, repurchase, conversion to Common Stock or other means) shall, upon such reacquisition, resume the status as authorized and unissued shares of Preferred Stock, undesignated as to series and available for classification or reclassification by the Board of Directors and reissuance by the corporation as provided in Section 5.2.

5.5 Convertible Preferred Stock. Prior to the effective date of these Articles, all of the issued and outstanding Convertible Preferred Stock of the Company, as provided in the Articles of Amendment to the Articles of Incorporation of the Company dated September 5, 2003, were reacquired by the Company. All reacquired and all unissued and authorized shares of Convertible Preferred Stock of the Company shall resume the status of authorized and unissued shares of Preferred Stock, undesignated as to series and available for classification or reclassification by the Board of Directors and reissuance by the corporation as provided in Section 5.2.

ARTICLE 5A SERIES A PREFERRED STOCK

5A.1 Definitions. Capitalized terms used and not otherwise defined within this Article 5A that are defined in the Purchase Agreement (as defined below), shall have the meanings given such terms in the Purchase Agreement. With respect to this Article 5A, the following terms shall have the following meanings:

5A.1.1 "Affiliate" means any Person that directly or indirectly, through one or more intermediaries controls, or is controlled by, or is under common control with the another Person.

5A.1.2 "Bankruptcy Event" means any of the following events: (a) the corporation or any Significant Subsidiary (as such term is defined in Rule 1.02(s) of Regulation S-X) thereof commences a case or other proceeding under

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

any bankruptcy, reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction relating to the corporation or any Significant Subsidiary thereof; (b) there is commenced against the corporation or any Significant Subsidiary thereof any such case or proceeding that is not dismissed within 60 days after commencement; (c) the corporation or any Significant Subsidiary thereof is adjudicated insolvent or bankrupt or any order of relief or other order approving any such case or proceeding is entered; (d) the corporation or any Significant Subsidiary thereof suffers any appointment of any custodian or the like for it or any substantial part of its property that is not discharged or stayed within 60 days; (e) the corporation or any Significant Subsidiary thereof makes a general assignment for the benefit of creditors; (f) the corporation or any Significant Subsidiary thereof calls a meeting of its creditors with a view to arranging a composition, adjustment or restructuring of its debts; or (g) the corporation or any Significant Subsidiary thereof, by any act or failure to act, expressly indicates its consent to, approval of or acquiescence in any of the foregoing or takes any corporate or other action for the purpose of effecting any of the foregoing.

5A.1.3 "Closing Date" means the date on which the payment of the Purchase Price (as defined herein) by the Investor to the corporation is completed pursuant to the Purchase Agreement to purchase the Preferred Stock and Warrants, which shall occur on or before December 29, 2005.

5A.1.4 "Commission" means the Securities and Exchange Commission.

5A.1.5 "Common Stock" means the corporation's common stock without par value, and stock of any other class into which such shares may hereafter have been reclassified or changed.

5A.1.6 "Common Stock Equivalents" means any securities of the corporation or the Subsidiaries which would entitle the holder thereof to acquire at any time Common Stock, including without limitation, any debt, preferred stock, rights, options, warrants or other instrument that is at any time convertible into or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock.

5A.1.7 "Conversion Date" shall have the meaning set forth in Section 5A.6.1.

5A.1.8 "Conversion Ratio" shall have the meaning set forth in Section 5A.6.1.

5A.1.9 "Conversion Value" shall have the meaning set forth in Section 5A.6.1.

5A.1.10 "Conversion Shares" means, collectively, the shares of Common Stock into which the shares of Series A Preferred Stock are convertible in accordance with the terms hereof.

5A.1.11 "Conversion Shares Registration Statement" means a registration statement that meets the requirements of the Registration Rights Agreement and registers the resale of all Conversion Shares by the Holder, who shall be named as a "selling stockholder" thereunder, all as provided in the Registration Rights Agreement.

5A.1.12 "Dilutive Issuance" shall have the meaning set forth in Section 5A.7.4 hereof.

5A.1.13 "Effective Date" means the date that the Conversion Shares Registration Statement is declared effective by the Commission.

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

5A.1.14 "Exchange Act" means the Securities Exchange Act of 1934, as amended.

5A.1.15 "Exempt Issuance" means the issuance of (a) shares of Common Stock, warrants, options or other rights (i) to employees, officers, or directors of the corporation pursuant to any stock or option plan (including, without limitation, the corporation's 2004 Nonqualified Stock Option Plan) duly adopted by a majority of the non-employee members of the Board of Directors of the corporation or a majority of the members of a committee of non-employee directors established for such purpose, (ii) to consultants or advisors to the corporation or to financial institutions or lessors in connection with commercial credit arrangements, equipment financings, real property lease transactions or similar transactions, pursuant to arrangements approved by the Board of Directors, or (iii) in payment of compensation of the corporation's directors, (b) securities upon the exercise or conversion of any securities issued hereunder, (c) shares of Common Stock issued to (i) former shareholders of LabMentors pursuant to the Share Exchange Agreement dated November 30, 2005 (excluding, however, shares of Common Stock to be issued pursuant to the earnout provisions of that agreement if issued for less than \$0.50 per share), (ii) certain financial advisors in connection with the LabMentors acquisition, and (iii) LabMentors' president, Joe Khoury, pursuant to an employment agreement made in connection with the LabMentors acquisition, (d) shares of Common Stock and warrants issued to Cyndel & Co., Inc., a consultant to the corporation, pursuant to a Consulting Agreement effective November 1, 2005, (e) shares of Common Stock issuable pursuant to options, warrants or rights outstanding as of the Effective Date of the Amended and Restated Articles of Incorporation, provided that such securities have not been amended since the Effective Date of the Second Amended and Restated Articles of Incorporation to increase the number of such securities, (f) shares of Common Stock issuable in payment of noncash dividends or upon conversion of corporation's outstanding shares of preferred stock, (g) securities issued pursuant to acquisitions or strategic transactions provided however that there is no variable rate pricing mechanisms without a floor price included in any such transaction (including, without limitation, securities issued in connection with the acquisition of Back-Up Training Corporation of Coeur d'Alene, Idaho), provided any such issuance shall only be to a Person which is, itself or through its subsidiaries, an operating company in a business synergistic with the business of the corporation and in which the corporation receives benefits in addition to the investment of funds, but shall not include a transaction in which the corporation is issuing securities primarily for the purpose of raising capital or to an entity whose primary business is investing in securities.

5A.1.16 "Fundamental Transaction" shall have the meaning set forth in Section 5A.7.9 hereof.

5A.1.17 "Holder" shall have the meaning given such term in Section 5A.2 hereof.

5A.1.18 "Junior Securities" means the Common Stock and all other equity or equity equivalent securities of the corporation other than those securities that are explicitly senior in rights or liquidation preference to the Series A Preferred Stock.

5A.1.19 "Original Issue Date" shall mean the date of the first issuance of any shares of the Series A Preferred Stock regardless of the number of transfers of any particular shares of Series A Preferred Stock and regardless of the number of certificates which may be issued to evidence such Series A Preferred Stock.

5A.1.20 "Person" means a company, an association, a partnership, a limited liability company, a business association, an individual, a government or political subdivision thereof or a governmental agency.

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

5A.1.21 "Purchase Agreement" means the Note Purchase Agreement, dated as of the December 29, 2005, to which the corporation and the original Holders are parties, as amended, modified or supplemented from time to time in accordance with its terms, a copy of which is on file at the principal offices of the corporation.

5A.1.22 "Registration Rights Agreement" means the Registration Rights Agreement, dated as of the Closing Date, to which the corporation and the original Holder are parties, as amended, modified or supplemented from time to time in accordance with its terms.

5A.1.23 "Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

5A.1.24 "Series A Preferred Stock" shall have the meaning set forth in Section 5A.2.

5A.1.25 "Subscription Amount" shall mean the One Million Dollars (\$1,000,000.00) to be paid for the Note purchase pursuant to the Purchase Agreement, in United States Dollars and in immediately available funds.

5A.1.26 "Subsidiary" shall mean a company, limited liability company, partnership, joint venture or other business entity of which the corporation owns beneficially or of record more than 19% of the equity interest.

5A.1.27 "Trading Day" means a day on which the Common Stock is traded on a Trading Market.

5A.1.28 "Trading Market" means the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the Nasdaq SmallCap Market, the American Stock Exchange, the New York Stock Exchange, the Nasdaq National Market or the OTC Bulletin Board.

5A.1.29 "Transaction Documents" shall have the meaning set forth in the Purchase Agreement.

5A.1.30 "VWAP" means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock is then listed or quoted on a Trading Market, the daily volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the primary Trading Market on which the Common Stock is then listed or quoted as reported by Bloomberg Financial L.P. (based on a Trading Day from 9:30 a.m. EST to 4:02 p.m. Eastern Time) using the VAP function; (b) if the Common Stock is not then listed or quoted on the Trading Market and if prices for the Common Stock are then reported in the "Pink Sheets" published by the National Quotation Bureau Incorporated (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Common Stock so reported; or (c) in all other cases, the fair market value of a share of Common Stock as determined by a nationally recognized-independent appraiser selected in good faith by Purchasers holding a majority of the principal amount of Series A Preferred Stock then outstanding.

5A.2 Designation, Amount and Par Value. Pursuant to Section 5.2 of Article 5 and subject to the terms and conditions of this Article 5A, a series of preferred stock shall be designated as the corporation's Series A Convertible Preferred Stock without par value (the "Series A Preferred Stock" or "Preferred Stock") and the number of shares so designated shall be five million (5,000,000) (which shall not be subject to increase without the consent of the holders of a majority of the outstanding shares of the Series A Preferred Stock (each a "Holder" and collectively, the "Holders")). Capitalized terms not otherwise defined within this Article 5A shall have the

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

meaning given such terms in Section 5A.1 hereof.

5A.3 Dividends and Other Distributions. No dividends shall be payable with respect to the Series A Preferred Stock. No dividends shall be payable with respect to the Common Stock while the Series A Preferred Stock is outstanding. The Common Stock shall not be redeemed while the Series A Preferred Stock is outstanding.

5A.4 Voting Rights. The Series A Preferred Stock shall have no voting rights. However, so long as any shares of Series A Preferred Stock are outstanding, the corporation shall not, without the affirmative approval of the Holders of the shares of the Series A Preferred Stock then outstanding, (a) alter or change adversely the powers, preferences or rights given to the Series A Preferred Stock or alter or amend the terms or conditions of the Series A Preferred Stock set forth in the Amended and Restated Articles of Incorporation of the corporation, (b) authorize or create any class of stock ranking as to dividends or distribution of assets upon a Liquidation (as defined in Section 5A.5) senior to or otherwise pari passu with the Series A Preferred Stock, or any of preferred stock possessing greater voting rights or the right to convert at a more favorable price than the Series A Preferred Stock, (c) amend the Second Amended and Restated Articles of Incorporation or other charter documents in breach of any of the provisions hereof, (d) increase the authorized number of shares of Series A Preferred Stock, or (e) enter into any agreement with respect to the foregoing.

5A.5 Liquidation. Upon any liquidation, dissolution or winding-up of the corporation, whether voluntary or involuntary (a "Liquidation"), the Holders shall be entitled to receive out of the assets of the corporation, whether such assets are capital or surplus, for each share of Series A Preferred Stock an amount equal to \$0.60 (the "Liquidation Value") before any distribution or payment shall be made to the holders of any Junior Securities, and if the assets of the corporation shall be insufficient to pay in full such amounts, then the entire assets to be distributed to the Holders shall be distributed among the Holders ratably in accordance with the respective amounts that would be payable on such shares if all amounts payable thereon were paid in full. At the election of a Holder made by written notice delivered to the corporation at least two (2) business days prior to the effective date of the subject transaction, as to the shares of Series A Preferred Stock held by such Holder, a Fundamental Transaction (excluding for purposes of this Section 5A.5 any Fundamental Transaction described in Section 5A.7.9(d) (A) or 5A.7.9(d) (B)) or Change of Control shall be treated as a Liquidation.

5A.6 Conversion.

5A.6.1 Conversions at Option of Holder. Each share of Series A Preferred Stock shall be initially convertible (subject to the limitations set forth in Section 5A.6.3), into one (1) share of Common Stock (as adjusted as provided below, the "Conversion Ratio") at the option of the Holders, at any time and from time to time from and after the Original Issue Date. Holders shall effect conversions by providing the corporation with the form of conversion notice attached hereto as Annex A (a "Notice of Conversion") as fully and originally executed by the Holder, together with the delivery by the Holder to the corporation of the stock certificate(s) representing the number of shares of Series A Preferred Stock so converted, with such stock certificates being duly endorsed in full for transfer to the corporation or with an applicable stock power duly executed by the Holder in the manner and form as deemed reasonable by the transfer agent of the Common Stock. Each Notice of Conversion shall specify the number of shares of Series A Preferred Stock to be converted, the number of shares of Series A Preferred Stock owned prior to the conversion at issue, the number of shares of Series A Preferred Stock owned subsequent to the conversion at issue, the stock certificate number and the shares of Series A Preferred Stock represented thereby which

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

are accompanying the Notice of Conversion, and the date on which such conversion is to be effected, which date may not be prior to the date the Holder delivers such Notice of Conversion and the applicable stock certificates to the corporation by overnight delivery service (the "Conversion Date"). If no Conversion Date is specified in a Notice of Conversion, the Conversion Date shall be the Trading Day immediately following the date that such Notice of Conversion and applicable stock certificates are received by the corporation. The calculations and entries set forth in the Notice of Conversion shall control in the absence of manifest or mathematical error. Shares of Series A Preferred Stock converted into Common Stock in accordance with the terms hereof shall be canceled and may not be reissued. The initial value of the Series A Preferred Stock on the Conversion Date shall be equal to \$0.60 per share (as adjusted pursuant to Section 5A.7 or otherwise as provided herein, the "Conversion Value"). If the initial Conversion Value is adjusted pursuant to Section 5A.7 or as otherwise provided herein, the Conversion Ratio shall likewise be adjusted and the new Conversion Ratio shall equal the Liquidation Value divided by the new Conversion Value. Thereafter, subject to any further adjustments in the Conversion Value, each share of Series A Preferred Stock shall be initially convertible into that number of shares of Common Stock equal to the new Conversion Ratio.

5A.6.2 Automatic Conversions. Subject to Section 5A.5, all of the outstanding shares of Series A Preferred Stock shall be automatically converted into the Conversion Shares upon the close of business on the business day immediately preceding the date fixed for consummation of any transaction resulting in a Change of Control of the corporation (an "Automatic Conversion Event"). A "Change in Control" means a consolidation or merger of the corporation with or into another company or entity in which the corporation is not the surviving entity or the sale of all or substantially all of the assets of the corporation to another company or entity not controlled by the then existing stockholders of the corporation in a transaction or series of transactions. The corporation shall not be obligated to issue certificates evidencing the Conversion Shares unless certificates evidencing the shares of Series A Preferred Stock so converted are either delivered to the corporation or its transfer agent or the holder notifies the corporation or its transfer agent in writing that such certificates have been lost, stolen, or destroyed and executes an agreement satisfactory to the corporation to indemnify the corporation from any loss incurred by it in connection therewith. Upon the conversion of the Series A Preferred Stock pursuant to this Section 5A.6.2, the corporation shall promptly send written notice thereof, by hand delivery or by overnight delivery, to the holder of record of all of the Series A Preferred Stock at its address then shown on the records of the corporation, which notice shall state that certificates evidencing shares of Series A Preferred Stock must be surrendered at the office of the corporation (or of its transfer agent for the Common Stock, if applicable).

5A.6.3 Beneficial Ownership Limitation. Except as provided in Section 5A.6.2 above, the corporation shall not effect any conversion of the Series A Preferred Stock, and the Holder shall not have the right to convert any portion of the Series A Preferred Stock to the extent that after giving effect to such conversion, the Holder (together with the Holder's affiliates), as set forth on the applicable Notice of Conversion, would beneficially own in excess of 4.9% of the number of shares of the Common Stock outstanding immediately after giving effect to such conversion. For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by the Holder and its affiliates shall include the number of shares of Common Stock issuable upon conversion of the Series A Preferred Stock with respect to which the determination of such sentence is being made, but shall exclude the number of shares of Common Stock which would be issuable upon (A) conversion of the remaining, nonconverted shares of Series A Preferred Stock beneficially owned by the Holder or any of its affiliates, so long as such shares of Series A

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

Preferred Stock are not convertible within sixty (60) days from the date of such determination, and (B) exercise or conversion of the unexercised or nonconverted portion of any other securities of the corporation (including the Warrants) subject to a limitation on conversion or exercise analogous to the limitation contained herein beneficially owned by the Holder or any of its affiliates, so long as such other securities of the corporation are not exercisable nor convertible within sixty (60) days from the date of such determination. For purposes of this Section 5A.6.3, in determining the number of outstanding shares of Common Stock, the Holder may rely on the number of outstanding shares of Common Stock as reflected in the most recent of the following: (A) the corporation's most recent quarterly reports, Form 10-Q, Form 10-QSB, Annual Reports, Form 10-K, or Form 10-KSB, as the case may be, as filed with the Commission under the Exchange Act (B) a more recent public announcement by the corporation or (C) any other written notice by the corporation or the corporation's transfer agent setting forth the number of shares of Common Stock outstanding. Upon the written or oral request of the Holder, the corporation shall within two (2) Trading Days confirm orally and in writing to the Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the corporation, including the Series A Preferred Stock, by the Holder or its affiliates since the date as of which such number of outstanding shares of Common Stock was publicly reported by the corporation. This Section 5A.6.3 may be waived or amended only with the consent of the Holders of all of the Series A Preferred Stock and the consent of the holders of a majority of the shares of outstanding Common Stock of the corporation who are not Affiliates. For the purpose of the immediately preceding sentence, the term "Affiliate" shall mean any person: (a) that directly or indirectly, through one or more intermediaries controls, or is controlled by, or is under common control with the corporation, or (b) who beneficially owns (i) any shares of Series A Preferred Stock, or (ii) the corporation's Common Stock Purchase Warrant(s) dated December 29, 2005. For purposes of this Section 5A.6.3, beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act.

5A.6.4 Mechanics of Conversion.

(a) Delivery of Certificate Upon Conversion. Except as otherwise set forth herein, not later than three Trading Days after each Conversion Date (the "Share Delivery Date"), the corporation shall deliver to the Holder (A) a certificate or certificates which, after the Effective Date, shall be free of restrictive legends and trading restrictions (other than those required by the Purchase Agreement) representing the number of shares of Common Stock being acquired upon the conversion of shares of Series A Preferred Stock, and (B) a bank check in the amount of accrued and unpaid dividends (if the corporation has elected or is required to pay accrued dividends in cash). After the Effective Date, the corporation shall, upon request of the Holder, deliver any certificate or certificates required to be delivered by the corporation under this Section electronically through the Depository Trust Corporation or another established clearing corporation performing similar functions. If in the case of any Notice of Conversion such certificate or certificates are not delivered to or as directed by the applicable Holder by the third Trading Day after the Conversion Date, the Holder shall be entitled to elect by written notice to the corporation at any time on or before its receipt of such certificate or certificates thereafter, to rescind such conversion, in which event the corporation shall immediately return the certificates representing the shares of Series A Preferred Stock tendered for conversion.

(b) Obligation Absolute; Partial Liquidated Damages. The corporation's obligations to issue and deliver the Conversion Shares upon conversion of Series A Preferred Stock in accordance with the terms hereof are absolute and unconditional, irrespective of any action or inaction by the Holder to enforce

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

the same, any waiver or consent with respect to any provision hereof, the recovery of any judgment against any Person or any action to enforce the same, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by the Holder or any other Person of any obligation to the corporation or any violation or alleged violation of law by the Holder or any other person, and irrespective of any other circumstance which might otherwise limit such obligation of the corporation to the Holder in connection with the issuance of such Conversion Shares. In the event a Holder shall elect to convert any or all of its Series A Preferred Stock, the corporation may not refuse conversion based on any claim that such Holder or any one associated or affiliated with the Holder of has been engaged in any violation of law, agreement or for any other reason unless an injunction from a court, on notice, restraining and or enjoining conversion of all or part of this Series A Preferred Stock shall have been sought and obtained and the corporation posts a surety bond for the benefit of the Holder in the amount of 150% of the Conversion Value of Series A Preferred Stock outstanding, which is subject to the injunction, which bond shall remain in effect until the completion of arbitration/litigation of the dispute and the proceeds of which shall be payable to such Holder to the extent it obtains judgment. In the absence of an injunction precluding the same, the corporation shall issue Conversion Shares or, if applicable, cash, upon a properly noticed conversion. If the corporation fails to deliver to the Holder such certificate or certificates pursuant to Section 5A.6.4(a) within two (2) Trading Days of the Share Delivery Date applicable to such conversion, the corporation shall pay to such Holder, in cash, as liquidated damages and not as a penalty, for each \$5,000 of Conversion Value of Series A Preferred Stock being converted, \$200 per Trading Day (increasing to \$400 per Trading Day after three (3) Trading Days and increasing to \$800 per Trading Day six (6) Trading Days after such damages begin to accrue) for each Trading Day after the Share Delivery Date until such certificates are delivered. Nothing herein shall limit a Holder's right to pursue actual damages for the corporation's failure to deliver certificates representing shares of Common Stock upon conversion within the period specified herein and such Holder shall have the right to pursue all remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief.

(c) Compensation for Buy-In on Failure to Timely Deliver Certificates Upon Conversion. If the corporation fails to deliver to the Holder such certificate or certificates pursuant to Section 5A.6.4(a) by a Share Delivery Date, and if after such Share Delivery Date the Holder purchases (in an open market transaction or otherwise) Common Stock to deliver in satisfaction of a sale by such Holder of the Conversion Shares which the Holder was entitled to receive upon the conversion relating to such Share Delivery Date (a "Buy-In"), then the corporation shall pay in cash to the Holder the amount by which (x) the Holder's total purchase price (including brokerage commissions, if any) for the Common Stock so purchased exceeds (y) the product of (1) the aggregate number of shares of Common Stock that such Holder was entitled to receive from the conversion at issue multiplied by (2) the price at which the sell order giving rise to such purchase obligation was executed. For example, if the Holder purchases Common Stock having a total purchase price of \$11,000 to cover a Buy-In with respect to an attempted conversion of shares of Series A Preferred Stock with respect to which the aggregate sale price giving rise to such purchase obligation is \$10,000, under clause (A) of the immediately preceding sentence the corporation shall be required to pay the Holder \$1,000. The Holder shall provide the corporation written notice indicating the amounts payable to the Holder in respect of the Buy-In, together with applicable confirmations and other evidence reasonably requested by the corporation. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the corporation's failure to timely deliver certificates representing shares of Common Stock upon conversion of the shares of Series A Preferred Stock as

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

required pursuant to the terms hereof.

(d) Reservation of Shares Issuable Upon Conversion. The corporation covenants that it will at all times reserve and keep available out of its authorized and unissued shares of Common Stock solely for the purpose of issuance upon conversion of the Series A Preferred Stock, each as herein provided, free from preemptive rights or any other actual contingent purchase rights of persons other than the Holders, not less than such number of shares of the Common Stock as shall (subject to any additional requirements of the corporation as to reservation of such shares set forth in the Purchase Agreement) be issuable (taking into account the adjustments and restrictions of Section 5A.7) upon the conversion of all outstanding shares of Series A Preferred Stock. The corporation covenants that all shares of Common Stock that shall be so issuable shall, upon issue, be duly and validly authorized, issued and fully paid, nonassessable and, if the Conversion Shares Registration Statement is then effective under the Securities Act, registered for public sale in accordance with such Conversion Shares Registration Statement.

(e) Fractional Shares. Upon a conversion hereunder, the corporation shall not be required to issue stock certificates representing fractions of shares of the Common Stock.

(f) Transfer Taxes. The issuance of certificates for shares of the Common Stock on conversion of the Series A Preferred Stock shall be made without charge to the Holders thereof for any documentary stamp or similar taxes that may be payable in respect of the issue or delivery of such certificate, provided that the corporation shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any such certificate upon conversion in a name other than that of the Holder of such shares of Series A Preferred Stock so converted and the corporation shall not be required to issue or deliver such certificates unless or until the person or persons requesting the issuance thereof shall have paid to the corporation the amount of such tax or shall have established to the satisfaction of the corporation that such tax has been paid.

5A.7 Certain Adjustments.

5A.7.1 Stock Dividends and Stock Splits. If the corporation, at any time while the Series A Preferred Stock is outstanding: (A) shall pay a stock dividend or otherwise make a distribution or distributions on shares of its Common Stock or any other equity or equity equivalent securities payable in shares of Common Stock (which, for avoidance of doubt, shall not include any shares of Common Stock issued by the corporation pursuant to this Series A Preferred Stock), (B) subdivide outstanding shares of Common Stock into a larger number of shares, (C) combine (including by way of reverse stock split) outstanding shares of Common Stock into a smaller number of shares, or (D) issue by reclassification of shares of the Common Stock any shares of capital stock of the corporation, then the Conversion Value shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding before such event and of which the denominator shall be the number of shares of Common Stock outstanding after such event. Any adjustment made pursuant to this Section 5A.7.1 shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

5A.7.2 Subsequent Equity Sales. From the date hereof until such time as no Purchaser holds any of the Securities, the corporation shall be prohibited from effecting or entering into an agreement to effect any Subsequent Financing involving a "Variable Rate Transaction" or an "MFN Transaction"

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

(each as defined below). The term "Variable Rate Transaction" shall mean a transaction in which the corporation issues or sells (i) any debt or equity securities that are convertible into, exchangeable or exercisable for, or include the right to receive additional shares of Common Stock either (A) at a conversion, exercise or exchange rate or other price that is based upon and/or varies with the trading prices of or quotations for the shares of Common Stock at any time after the initial issuance of such debt or equity securities, or (B) with a conversion, exercise or exchange price that is subject to being reset at some future date after the initial issuance of such debt or equity security or upon the occurrence of specified or contingent events directly or indirectly related to the business of the corporation or the market for the Common Stock. The term "MFN Transaction" shall mean a transaction in which the corporation issues or sells any securities in a capital raising transaction or series of related transactions which grants to an investor the right to receive additional shares based upon future transactions of the corporation on terms more favorable than those granted to such investor in such offering. Any Purchaser shall be entitled to obtain injunctive relief against the corporation to preclude any such issuance, which remedy shall be in addition to any right to collect damages. Notwithstanding the foregoing, this Section 5A.7.2 shall not apply in respect of an Exempt Issuance, except that no Variable Rate Transaction or MFN Transaction shall be an Exempt Issuance.

5A.7.3 Subsequent Rights Offerings. The corporation, at any time while the Series A Preferred Stock is outstanding, shall not issue rights, options or warrants to holders of Common Stock entitling them to subscribe for or purchase shares of Common Stock at a price per share less than the Conversion Price.

5A.7.4 Anti-Dilution Price Adjustment. From the date hereof until such time as the Holder holds less than 10% of the shares of Series A Preferred Stock issued to the original Holder, the corporation closes on the sale (other than an Exempt Issuance) of a note or notes, shares of Common Stock, or shares of any class of convertible preferred stock at a price per share of Common Stock, or with a conversion right to acquire Common Stock at a price per share of Common Stock, that is less than the Conversion Value (as adjusted to the capitalization per share as of the Closing Date, following any stock splits, stock dividends, or the like) (collectively, "Dilutive Issuance"), the corporation shall make a post-Closing adjustment in the Conversion Value of the Series A Preferred Stock so that the effective price per share paid by the Investor is reduced to a price determined by multiplying the current exercise price by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately prior to such Dilutive Issuance plus the number of shares of Common Stock which the aggregate consideration received by the corporation for the shares of Common Stock issuable in the Dilutive Issuance would purchase at the current Conversion Value, and the denominator of which shall be the number of shares of Common Stock outstanding immediately prior to such Dilutive Issuance plus the number of additional shares of Common Stock to be issued in the Dilutive Issuance. For the purposes of the foregoing calculation, the number of shares of Common Stock outstanding immediately prior to such Dilutive Issuance shall be determined on a fully diluted basis as if, immediately prior to the Dilutive Issuance, all convertible securities issued by the corporation (including the Series A Preferred Stock) had been fully converted into shares of Common Stock and all outstanding warrants, options or other rights for the purchase of shares of Common Stock or convertible securities had been fully exercised and converted (and the resulting securities fully converted into shares of Common Stock, if so convertible). Such reduction of the Conversion Value shall be made at the time such Dilutive Issuance is executed.

5A.7.5 Waiver of Anti-Dilution Adjustment. Notwithstanding anything herein to the contrary, the operation of, and any adjustment of the Series A

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

Conversion Value Price pursuant to this Section 5A.7.5 may be waived with respect to any specific share or shares of Series A Preferred Stock, either prospectively or retroactively and either generally or in a particular instance by a writing executed by the registered Holder of such share or shares. Any waiver pursuant to this Section 5A.7.5 shall bind all future Holders of such shares of Series A Preferred Stock for which such rights have been waived.

5A.7.6 Adjustment Based on EBITDA. In the event the corporation's EBITDA is less than \$4.5 million for the audited fiscal year ended March 31, 2007 as reported to the Commission on Form 10-KSB (where "EBITDA" means earnings before interest, tax, depreciation and amortization as reported from continuing operations before any non-recurring items), then the Conversion Value shall be reduced proportionately by the same percentage as the percentage decline below the \$4.5 million EBITDA target, subject to a maximum reduction of 71.43% if the EBITDA is \$1,285,714 or less. For example, if the corporation earns \$3.6 million, or 20% below \$4.5 million, then the Conversion Value shall be reduced by 20%. Such reduction shall be made at the time the March 31, 2007 financial results are reported and shall be made from the starting Conversion Value, and shall be cumulative upon any other changes to the Conversion Value that may already have been made. However, the Conversion Value shall not in any circumstance be dropped below \$0.1714 per share.

5A.7.7 Pro Rata Distributions. If the corporation, at any time while Series A Preferred Stock is outstanding, shall distribute to all holders of Common Stock (and not to Holders) evidences of its indebtedness or assets or rights or warrants to subscribe for or purchase any security, then in each such case the Conversion Value shall be determined by multiplying such Conversion Value in effect immediately prior to the record date fixed for determination of stockholders entitled to receive such distribution by a fraction of which the denominator shall be the VWAP determined as of the record date mentioned above, and of which the numerator shall be such VWAP on such record date less the then fair market value at such record date of the portion of such assets or evidence of indebtedness so distributed applicable to one outstanding share of the Common Stock as determined by the Board of Directors in good faith. In either case the adjustments shall be described in a statement provided to the Holders of the portion of assets or evidences of indebtedness so distributed or such subscription rights applicable to one share of Common Stock. Such adjustment shall be made whenever any such distribution is made and shall become effective immediately after the record date mentioned above.

5A.7.8 Calculations. All calculations under this Section 5A.7 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. The number of shares of Common Stock outstanding at any given time shall not include shares owned or held by or for the account of the corporation, and the description of any such shares of Common Stock shall be considered on issue or sale of Common Stock. For purposes of this Section 5A.7, the number of shares of Common Stock deemed to be issued and outstanding as of a given date shall be the sum of the number of shares of Common Stock (excluding treasury shares, if any) actually issued and outstanding.

5A.7.9 Notice to Holders.

(g) Adjustment to Conversion Price. Whenever the Conversion Value is adjusted pursuant to any of Section 5A.7, the corporation shall promptly mail to each Holder a notice setting forth the Conversion Value after such adjustment and setting forth a brief statement of the facts requiring such adjustment. If the corporation issues a variable rate security, despite the prohibition thereon in the Purchase Agreement, the corporation shall be deemed to have issued Common Stock or Common Stock Equivalents at the lowest possible conversion or exercise price at which such securities may be converted or

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

exercised in the case of a Variable Rate Transaction (as defined in the Purchase Agreement), or the lowest possible adjustment price in the case of an MFN Transaction (as defined in the Purchase Agreement).

(h) Notices of Other Events. If (A) the corporation shall declare a dividend (or any other distribution) on the Common Stock; (B) the corporation shall declare a redemption of the Common Stock; (C) the corporation shall authorize the granting to all holders of the Common Stock rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights; (D) the approval of any stockholders of the corporation shall be required in connection with any reclassification of the Common Stock or any Fundamental Transaction, (E) the corporation shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the corporation; then in each case, the corporation shall cause to be filed at each office or agency maintained for the purpose of conversion of the Series A Preferred Stock, and shall cause to be mailed to the Holders at their last addresses as they shall appear upon the stock books of the corporation, at least 30 calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares of the Common Stock for securities, cash or other property deliverable upon such reclassification or Fundamental Transaction; provided, that the failure to mail such notice or any defect therein or in the mailing thereof shall not affect the validity of the corporate action required to be specified in such notice.

(i) Exempt Issuance. Notwithstanding the foregoing, no adjustment will be made under this Section 5A.7 in respect of an Exempt Issuance.

(j) Fundamental Transaction. If, at any time while this Series A Preferred Stock is outstanding, (A) the corporation effects any merger or consolidation of the corporation with or into another Person, (B) the corporation effects any sale of all or substantially all of its assets in one or a series of related transactions, (C) any tender offer or exchange offer (whether by the corporation or another Person) is completed pursuant to which holders of Common Stock are permitted to tender or exchange their shares for other securities, cash or property, or (D) the corporation effects any reclassification of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property (in any such case, a "Fundamental Transaction"), then upon any subsequent conversion of this Series A Preferred Stock, the Holder shall have the right to receive, for each Conversion Share that would have been issuable upon such conversion absent such Fundamental Transaction, the same kind and amount of securities, cash or property as it would have been entitled to receive upon the occurrence of such Fundamental Transaction if it had been, immediately prior to such Fundamental Transaction, the holder of one share of Common Stock (the "Alternate Consideration"). For purposes of any such conversion, the determination of the Conversion Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one share of Common Stock in such Fundamental Transaction, and the corporation shall apportion the Conversion Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon any conversion of this Series A Preferred Stock following such

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

Fundamental Transaction. To the extent necessary to effectuate the foregoing provisions, any successor to the corporation or surviving entity in such Fundamental Transaction shall file a new Certificate of Designations with the same terms and conditions and issue to the Holder new preferred stock consistent with the foregoing provisions and evidencing the Holder's right to convert such preferred stock into Alternate Consideration. The terms of any agreement pursuant to which a Fundamental Transaction is effected shall include terms requiring any such successor or surviving entity to comply with the provisions of this Section 5A.7.9(d) and insuring that this Series A Preferred Stock (or any such replacement security) will be similarly adjusted upon any subsequent transaction analogous to a Fundamental Transaction.

5A.8 Miscellaneous.

5A.8.1 Notices. Any and all notices or other communications or deliveries to be provided by the Holders hereunder, including, without limitation, any Notice of Conversion, shall be in writing and delivered personally, by facsimile, sent by a nationally recognized overnight courier service, addressed to the corporation, at the address provided in the Purchase Agreement, facsimile number (208) 344-1321 Attn: President, or such other address or facsimile number as the corporation may specify for such purposes by notice to the Holders delivered in accordance with this Section. Any and all notices or other communications or deliveries to be provided by the corporation hereunder shall be in writing and delivered personally, by facsimile, sent by a nationally recognized overnight courier service addressed to each Holder at the facsimile telephone number or address of such Holder appearing on the books of the corporation, or if no such facsimile telephone number or address appears, at the principal place of business of the Holder. Any notice or other communication or deliveries hereunder shall be deemed given and effective on the earliest of (i) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile telephone number specified in this Section prior to 5:30 p.m. (New York City time), (ii) the date after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile telephone number specified in this Section later than 5:30 p.m. (New York City time) on any date and earlier than 11:59 p.m. (New York City time) on such date, (iii) the second Business Day following the date of mailing, if sent by nationally recognized overnight courier service, or (iv) upon actual receipt by the party to whom such notice is required to be given.

5A.8.2 Absolute Obligation. Except as expressly provided herein, no provision of this Certificate of Designation shall alter or impair the obligation of the corporation, which is absolute and unconditional, to pay the liquidated damages (if any) on, the shares of Series A Preferred Stock at the time, place, and rate, and in the coin or currency, herein prescribed.

5A.8.3 Lost or Mutilated Preferred Stock Certificate. If a Holder's Series A Preferred Stock certificate shall be mutilated, lost, stolen or destroyed, the corporation shall execute and deliver, in exchange and substitution for and upon cancellation of a mutilated certificate, or in lieu of or in substitution for a lost, stolen or destroyed certificate, a new certificate for the shares of Series A Preferred Stock so mutilated, lost, stolen or destroyed but only upon receipt of evidence of such loss, theft or destruction of such certificate, and of the ownership thereof, and indemnity, if requested, all reasonably satisfactory to the corporation.

5A.8.4 Next Business Day. Whenever any payment or other obligation hereunder shall be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day.

Article 6

To the fullest extent permitted by law, this corporation shall have the power

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

to indemnify any person and to advance expenses incurred or to be incurred by such person in defending a civil, criminal, administrative or investigative action, suit or proceeding threatened or commenced by reason of the fact said person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer employee or agent of another corporation, partnership, joint venture, trust or other enterprise. Any such indemnification or advancement of expenses shall not be deemed exclusive of any other rights to which such person may be entitled under any bylaw, agreement, vote of shareholders or disinterested directors of otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office. Any indemnification or advancement of expenses so granted or paid by the corporation shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs and personal representative of such a person.

No director shall be liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty except (i) for any breach of the director's duty of loyalty to the corporation or its stockholders; (ii) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law; (iii) for liability imposed for failure to comply with the applicable legal standard of conduct for a director in any of the circumstances described in Section 30-1-48, Idaho Code; or (iv) for any transaction from which the director derives an improper personal benefit.

Article 7

The name and address of the incorporator is as follows:

Name	Address
Donald J. Farley	702 W. Idaho Street, Suite 700 Boise, Idaho 83702

DATED this ____ day of _____, 2006.

Anthony A. Maher, President

ANNEX A

NOTICE OF CONVERSION

(TO BE EXECUTED BY THE REGISTERED HOLDER IN ORDER TO CONVERT SHARES OF SERIES A PREFERRED STOCK)

The undersigned hereby elects to convert the number of shares of Series A Convertible Preferred Stock indicated below, into shares of common stock without par value (the "Common Stock"), of PCS Edventure!.COM, Inc., an Idaho corporation (the "Company"), according to the conditions hereof, as of the date written below. If shares are to be issued in the name of a person other than undersigned, the undersigned will pay all transfer taxes payable with respect thereto and is delivering herewith such certificates and opinions as reasonably requested by the Company in accordance therewith. No fee will be charged to the Holder for any conversion, except for such transfer taxes, if any.

Conversion calculations:

Date to Effect Conversion: _____

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

Number of shares of Common Stock owned prior to Conversion: _____

Number of shares of Series A Preferred Stock to be Converted:

Value of shares of Series A Preferred Stock to be Converted:

Number of shares of Common Stock to be Issued: _____

Certificate Number of Series A Preferred Stock attached
hereto:_____

Number of Shares of Series A Preferred Stock represented by attached
certificate:_____

Number of shares of Series A Preferred Stock subsequent to Conversion:

[HOLDER]

By:_____

Name:

Title:

Exhibit B
Financial Statements of LabMentors
dated May 31, 2005 and September 30, 2005
as filed in 8K statements dated
December 9, 2005 and February 15, 2006

510229 N.B. LTD. DBA LABMENTORS

Financial Statements

September 30, 2005

C O N T E N T S

Balance Sheet	3
Statement of Operations	4
Statement of Stockholders' Equity (Deficit)	5
Statement of Cash Flows	6
Notes to the Financial Statements	7

511092 N.B. LTD. DBA LABMENTORS

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

Balance Sheet
September 30, 2005
(Unaudited)

ASSETS

CURRENT ASSETS

Accounts receivable	\$	10,061
Other receivable (Note 4)		3,935
Restricted cash (Note 3)		4,600

Total Current Assets		18,596

FIXED ASSETS (NET)		4,301
--------------------	--	-------

EDUCATIONAL SOFTWARE (NET)		156,099
----------------------------	--	---------

INTELLECTUAL PROPERTY (NET)		20,925

TOTAL ASSETS	\$	199,921
		=====

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

CURRENT LIABILITIES

Bank overdraft	\$	640
Accounts payable		33,969
Accrued interest		8,473
Accrued liabilities		12,793
Deposits payable		4,267
Unearned revenue		2,955
Other current liabilities		4,075
Notes payable and current portion of long-term liabilities (Note 5)		122,466

Total Current Liabilities		189,638

LONG-TERM LIABILITIES

Long-term liabilities (Note 5)		130,522

Total Liabilities		320,160

COMMITMENTS AND CONTINGENCIES (Note 6)

STOCKHOLDERS' EQUITY (DEFICIT)

Common stock, no par value, authorized unlimited shares; 17,511,200 shares issued and outstanding		295,275
Accumulated other comprehensive loss		(25,073)
Accumulated deficit		(390,441)

Total Stockholders' Equity (Deficit)		(120,239)

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$	199,921
		=====

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

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

511092 N.B. LTD. DBA LABMENTORS
Statement of Operations and Other Comprehensive Loss
For the Period Ended September 30, 2005
(Unaudited)

REVENUES	\$	55,246
COST OF GOODS		22,327

GROSS PROFIT		32,919
EXPENSES		
Salaries and wages		50,675
Depreciation and Amortization expense		21,284
General and administrative		45,533

Total Operating Expenses		117,492

OPERATING LOSS		(84,573)

OTHER INCOME AND EXPENSES		
Interest expense		(21,229)

Total Other Income and Expenses		(21,229)

NET LOSS		(105,802)
OTHER COMPREHENSIVE LOSS		
Foreign currency translation adjustment		(5,360)

TOTAL COMPREHENSIVE LOSS	\$	(111,162)
		=====
BASIC LOSS PER SHARE	\$	(0.01)
		=====
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		17,511,250
		=====

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

4

511092 N.B. LTD. DBA LABMENTORS
Statement of Stockholders' Equity (Deficit)

	Common Shares	Shares	Amount	Accumulated Deficit	Other Comprehensive Loss
Balance, May 31, 2004	10,807,000		\$ 64,377	\$ (125,338)	\$ (19,553)
Stock issued for conversion of debt - related party at \$0.04 per share	1,500,000		59,715	-	-
Stock issued for services					

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

rendered at \$0.04 per share	100,000	3,981	-	-
Stock issued for cash at \$0.02 per share	5,004,200	79,620	-	-
Stock issued for cash at \$0.88 per share	100,000	87,582	-	-
Movement in other comprehensive income (loss) - foreign currency translation adjustments	-	-	-	(160)
Net loss for the year ended May 31, 2005	-	-	(159,301)	-
Balance, May 31, 2005	17,511,200	\$ 295,275	\$ (284,639)	\$ (19,713)
Movement in other comprehensive income (loss) - foreign currency translation adjustments (Unaudited)	-	-	-	(5,360)
Net loss for the period ended September 30, 2005 (Unaudited)	-	-	(105,802)	-
Balance, September 30, 2005 (Unaudited)	17,511,200	\$ 295,275	\$ (390,441)	\$ (25,073)

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

5

511029 N.B. LTD. DBA LABMENTORS
Statement of Cash Flows
For the Period Ended September 30, 2005
(Unaudited)

CASH FLOW FROM OPERATING ACTIVITIES

Net loss	\$ (105,802)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation and amortization expense	21,284
Amortization of debt discount	16,841
Changes in operating assets and liabilities:	
Increase in accounts receivable	5,770
Decrease in restricted cash	9,334
Decrease in other current assets	1,086
Decrease in prepaid expenses	1,433
(Decrease) in accounts payable	(11,968)
Increase in accrued liabilities	8,805
Increase in deferred revenue	2,955
Increase in accrued interest	4,509
Net Cash Used by Operating Activities	(45,753)

CASH FLOW FROM INVESTING ACTIVITIES

-

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

CASH FLOWS FROM FINANCING ACTIVITIES

Decrease in bank overdraft	(7,946)
Cash proceeds from notes payable	53,699

Net Cash Provided by Financing Activities	45,753
NET INCREASE IN CASH	-
CASH AT BEGINNING OF YEAR	-

CASH AT END OF YEAR	\$ -
	=====

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

6

511092 N.B. LTD. DBA LABMENTORS
Notes to the Financial Statements
September 30, 2005
(Unaudited)

NOTE 1 - ORGANIZATION AND DESCRIPTION OF BUSINESS

The financial statements presented are those of 511092 N.B. LTD. DBA LabMentors, a Canadian Corporation ("the Company").

On February 2, 2000, LabMentors was incorporated under the laws of the Province of New Brunswick, Canada as 511092 N.B. LTD. to engage in web-based educational products. LabMentors currently sells products to Course Technology and DeVry in the United States. These programs offer a unique atmosphere highly conducive to individual styles of learning and a system that utilizes computer technology to increase areas of inquiry and application. In addition, the labs allow certifications for several platforms and software applications at the collegiate level. The Company intends to continue to develop products for this market, as well as expand its reach into secondary education in the U.S. and internationally. Our products and technologies are targeted to the public and private school classrooms. Our products and technologies are delivered to the classroom through software and Internet access. Our technologies allow students to explore the basic foundations of computers from programming to database technologies to server integration.

There are currently three major shareholders of the Company stock, including Joseph Khoury (President), Bogdan Itoafa (Co-Founder), and Workers Investment Fund.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Accounting Method

The Company's financial statements are prepared using the accrual method of accounting. The Company has elected May 31 as its year-end.

b. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

c. Basic Loss per Share

The computation of basic loss per share of common stock is based on the weighted average number of shares outstanding during the period of the financial statements. As of September 30, 2005, the Company had no stock equivalents outstanding.

7

511092 N.B. LTD. DBA LABMENTORS
Notes to the Financial Statements
September 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Concentration of Credit Risks and Significant Customers

The Company maintains cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Financial instruments which potentially subject the Company to concentration of credit risk consist primarily of trade receivables. In the normal course of business, the Company provides credit terms to its customers. Accordingly, the Company performs ongoing credit evaluations of its customers and maintains allowances for possible losses which when realized have been within the range of management's expectations. The Company does not require collateral from its customers.

During the period ended September 30, 2005, the Company had sales to one major customer that accounted for 100 percent of revenues.

e. Foreign Currency Translation

The functional currency of the Company is the Canadian dollar (\$CDN). The Company's financial statements have been translated into US dollars. All assets and liabilities are translated at the exchange rate on the balance sheet date and all revenues and expenditures are translated at the average rate for the year. Translation adjustments are reflected as a separate component of stockholders' equity, accumulated other comprehensive income (loss) and the net change for the year reflected separately in the statements of operations and other comprehensive income (loss).

In accordance with SFAS No. 95, "Statement of Cash Flows," the cash flows of the Company are translated using the weighted average exchange rates during the respective period. As a result, amounts in the statement of cash flows related to changes in assets and liabilities will not necessarily agree with the changes in the corresponding balances on the balance sheet which was translated at the exchange rate at the end of the period.

f. Revenue Recognition

The Company recognizes revenues relating to access to and usage of its program and exercise software on the Company's website over the term of the subscription or hourly units purchased.

8

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

511092 N.B. LTD. DBA LABMENTORS
Notes to the Financial Statements
September 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Newly Issued Accounting Pronouncements

During the period ended September 30, 2005, the Company adopted the following accounting pronouncements:

The FASB issued SFAS No. 123R (revised 2004) "Share-Based Payment" in December 2004. SFAS No. 123R requires employee stock-based compensation to be measured based on the fair value as of the grant-date of the awards and the cost is to be recognized over the period during which an employee is required to provide services in exchange for the award. This pronouncement eliminates the alternative use of Accounting Principles Board (APB) No. 25, wherein the intrinsic value method of accounting for awards. SFAS No. 123R is effective for the Company's fiscal year beginning June 1, 2005. The company will adopt the provisions of SFAS No. 123R on a prospective basis once the acquisition is complete. The financial statement impact is not an issue in that all stock currently outstanding with the Company will be converted to PCS stock upon close, after which time all calculations will be in accordance with their policies and procedures, which incorporate this new SFAS.

The FASB issued SFAS No. 154, Accounting Changes and Error Correction - a replacement of APB No. 20 and SFAS No. 3, Reporting Accounting Changes in Interim Financial Statements, in May 2005. SFAS 154 changes the requirements for the accounting for and reporting of a change in accounting principle. It also applies to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions.

The implementation of the provisions of these pronouncements are not expected to have a significant effect on the Company's consolidated financial statement presentation.

h. Educational Software

The Company's inventory consists of internally developed education computer programs and exercises to be accessed on the internet. In accordance with FAS 86, 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 estimate useful life of the program or exercise, generally 42 to 48 months.

9

511092 N.B. LTD. DBA LABMENTORS
Notes to the Financial Statements
September 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. 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

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

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 online 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 Company's delivery and access platform which has been determined to be 60 months.

j. Property and Equipment

Property and equipment are recorded at cost and being depreciated for financial accounting purposes on the straight-line method over their respective estimated useful lives ranging from five to seven years. Upon retirement or other disposition of these assets, the cost and related accumulated depreciation are removed from the accounts and the resulting gains or losses are reflected in the results of operations.

Expenditures for maintenance and repairs are charged to operations. Renewals and betterments are capitalized. Depreciation of leased equipment under capital leases is included in depreciation.

NOTE 3 - RESTRICTED CASH

Pursuant to an employment arrangement, the Company has placed funds in an escrow account with an attorney. Those funds are restricted as to their use and have been classified as such in the Company's financial statements. A portion of the funds are released each pay period to pay the salary of the employee who is utilizing LabMentors until December 2005 as an employee based immigration sponsor. The balance of restricted cash of September 30, 2005 was \$3,935.

NOTE 4 - OTHER RECEIVABLES

This amount includes receivables from employees due to travel and other expense advances. Each will be properly categorized once documentation and/or receipts are provided to the accounting department. No material changes should be noted.

10

511092 N.B. LTD. DBA LABMENTORS
Notes to the Financial Statements
September 30, 2005

NOTE 5 - NOTES PAYABLE & LONG TERM DEBT

As of September 30, 2005, the following notes payable and long-term debt were outstanding:

ACOA Loan	\$	45,402
Loan #1 BH		5,587
Notes Payable WIF		98,971
Notes Payable Frank Maresca		103,028

Total		252,988
Less current portion		(122,466)

Long Term Debt	\$	130,522

=====

Also note that all debt, with the exception of the ACOA Loan will be converted at close of the acquisition, which occurred as a subsequent event referenced in Note 8.

NOTE 6 - COMMITMENTS AND CONTINGENCIES

Currently the Company has a month-to-month lease agreement for its office location. This lease is between the Company and a related party. This related party is wholly owned by the Company's President and CEO.

NOTE 7 - GOING CONCERN

The Company's financial statements are prepared using generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. However, the Company does not have significant cash or other material assets, nor does it have an established source of revenues sufficient to cover its operating costs. Additionally, the Company has accumulated significant losses, has negative working capital, and a deficit in stockholders' equity. All of these items raise substantial doubt about its ability to continue as a going concern. Management's plans with respect to alleviating the adverse financial conditions that caused its auditors to express substantial doubt about the Company's ability to continue as a going concern are as follows:

During the fiscal year ending May 2005, the Company opened discussions with PCS Edventures!.com, Inc. for possible acquisition activities. As stated in Note 8, this acquisition is set to close on or before November 30, 2005. Over the next fiscal year, the Company will continue to develop marketplace strategy for the U.S. market as well as the international market. See Note 8 for further information.

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

11

511092 N.B. LTD. DBA LABMENTORS
Notes to the Financial Statements
September 30, 2005

NOTE 8 - SUBSEQUENT EVENTS

In July 2005, the Company entered into a Letter of Intent Agreement which provides for the Company to be acquired by PCS Edventures!.com, Inc., an Idaho Corporation ("PCS"). On November 30, 2005, a Share Exchange Agreement was executed by all shareholders and PCS President to conclude the acquisition of LabMentors. LabMentors has since legally changed its name to PCS LabMentors, LTD. The Company is structured as a wholly owned subsidiary of PCS. All accounting is currently being transitioned to PCS, while sales and research and development continue to take place in Fredericton, New Brunswick Canada. No employees were terminated as a result of the acquisition.

In addition, the Company changed locations. The Company now operates from a

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

smaller location owned and managed by an unrelated party on a month-to-month basis.

b) Pro forma financial information.

Pro forma financial statements

UNAUDITED CONDENSED COMBINED PRO FORMA FINANCIAL STATEMENTS

The following unaudited condensed combined pro forma financial statements ("the pro forma financial statements'') and explanatory notes have been prepared and give effect to the acquisition of 511092 N.B. LTD. ("LabMentors") (a Canadian Company) by PCS Edventures!.com, Inc. ("PCS"). PCS has a year end of March 31 while LabMentors has a May 31 year end.

In accordance with Article 11 of Regulation S-X under the Securities Act, an unaudited condensed combined pro forma balance sheet (the "pro forma balance sheet'') as of September 30, 2005, and unaudited condensed combined pro forma statements of operations and other comprehensive loss for the periods ended September 30, 2005 and for the years ended March 31, 2005 (PCS) and May 31, 2005 (Lab Mentors) (the "pro forma statements of income''), have been prepared to reflect, for accounting purposes, the acquisition of LabMentors by PCS.

The following pro forma financial statements have been prepared based upon the historical financial statements of LabMentors and PCS. The pro forma financial statements should be read in conjunction with the historical consolidated financial statements and related notes thereto of PCS and Subsidiaries as of March 31, 2005; included in its Form 10-KSB and the May 31, 2005 audited financial statements and the unaudited September 30, 2005 financial statements filed separately with this Form 8-K.

The September 30, 2005 pro forma balance sheet assumes that the acquisition of LabMentors by PCS was completed at the beginning of the periods presented, May 31, 2004. The September 30, 2005 pro forma balance sheet includes the historical unaudited consolidated balance sheet data of LabMentors and PCS as of September 30, 2005. LabMentors and PCS have had no intercompany activity that would require elimination in the pro forma financial statements, with the exception of equity adjustments for gain on settlement of LabMentors' debt and recording of the purchase through a stock exchange.

The pro forma statements of operations for the periods ended September 30, 2005 and the year ended March 31, 2005 for PCS (May 31, 2005 for LabMentors, assumes that the acquisition of LabMentors by PCS occurred on June 1, 2004. The differences in the periods presented as a result of the differing year ends of the companies, does not materially distort the results of operations of the combined companies as if they were consolidated for all periods presented.

The pro forma financial statements are provided for illustrative purposes only, and are not necessarily indicative of the operating results or financial position that would have occurred if the mergers had been consummated at the beginning of the periods or on the dates indicated, nor are they necessarily indicative of any future operating results or financial position. The pro forma financial statements do not include any adjustments related to any restructuring charges or one-time charges which may result from the mergers or the final result of valuations of inventories, property, plant and equipment, intangible assets, debt, and other obligations.

PCS EDVENTURES!.COM, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED COMBINED PRO FORMA BALANCE SHEET

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

	PCS as of September 30, 2005	LabMentors as of September 30, 2005	Combined Historical PCS & LabMentors	Pro Forma Adjustments	Pro Forma Combined PCS & LabMentors September 30, 2005
ASSETS					
Current Assets:					
Cash	\$ 130,047	\$ -	\$ 130,047	\$ -	\$ 130,047
Accounts receivable	583,936	10,061	593,997	-	593,997
Restricted cash	-	4,600	4,600	-	4,600
Other current assets	12,307	3,935	16,242	-	16,242
Total Current Assets	726,290	18,596	744,886	-	744,886
Fixed Assets, Net:	13,834	4,301	18,135	-	18,135
Inventory	87,416	156,099	243,515	-	243,515
Goodwill	-	-	-	62,030	62,030
Other Assets	6,225	20,925	27,150	-	27,150
TOTAL ASSETS	\$ 833,765	\$ 199,921	\$1,033,686	\$ 62,030	\$1,095,716

**LIABILITIES AND STOCKHOLDERS'
EQUITY (DEFICIT)**

Current Liabilities:					
Bank overdraft	\$ -	\$ 640	\$ 640	\$ -	\$ 640
Accounts payable	422,455	33,969	456,424	-	456,424
Accrued compensation	56,293	5,727	62,020	-	62,020
Payroll liabilities	48,769	5,358	54,127	-	54,127
Accrued interest	60,344	8,473	68,817	-	68,817
Accrued expenses	69,735	1,708	71,443	-	71,443
Unearned revenue	347,310	2,955	350,265	-	350,265
Deposits payable	-	4,267	4,267	-	4,267
Other current liabilities	-	4,075	4,075	-	4,075
Notes payable-related parties	116,690	-	116,690	-	116,690
Notes payable	114,952	122,466	237,418	(122,466)	114,952
Total Current Liabilities	1,236,548	189,638	1,426,186	(122,466)	1,303,720
Long Term Liabilities					
Notes payable	-	130,522	130,522	(85,120)	45,402
Total Non-Current Liabilities	-	130,522	130,522	(85,120)	45,402
Total Liabilities	1,236,548	320,160	1,556,708	(207,586)	1,349,122

Stockholders' Equity:

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

Preferred stock	56,372	-	56,372	-	56,372
Common stock	24,199,911	295,275	24,495,186	(207,586)1	24,619,911
				420,000 2	
				(502,861)2	
Accumulated deficit	(24,659,066)	(390,441)	(25,049,507)	125,338 2	(24,924,169)
Accumulated Other Comprehensive Loss	-	(25,073)	(25,073)	19,553 2	(5,520)
Total Stockholders' Equity	(402,783)	(120,239)	(523,022)	269,616	(253,406)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 833,765	\$ 199,921	\$1,033,686	\$ 62,030	\$1,095,716

(1) To reflect conversion of LabMentors debt to equity in conjunction with PCS acquisition.

(2) To reflect PCS Edventures acquisition of LabMentors as if done May 31, 2004.

PCS EDVENTURES!.COM, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED COMBINED PRO FORMA STATEMENT OF OPERATIONS AND OTHER
COMPREHENSIVE LOSS

	PCS for the Months Ended September 30, 2005	LabMentors for the Months Ended September 30, 2005	Combined PCS & Pro Forma LabMentors Adjustments	Pro Forma Combined PCS & LabMentors for the period ended Sept. 30, 2005
REVENUES				
Lab Revenue	1,652,374	\$ 55,246	\$ 1,707,620	\$ 0 \$ 1,707,620
License Revenue	91,482	0	91,482	0 91,482
Subscription Revenue	2,553	0	2,553	0 2,553
Total Revenues	1,746,409	55,246	1,801,655	0 1,801,655
COST OF SALES				
	859,291	22,327	881,618	0 881,618
GROSS PROFIT	887,118	32,919	920,037	0 920,037
OPERATING EXPENSES				
Salaries and wages	257,091	50,675	307,766	0 307,766
Depreciation expense	2,381	21,284	23,665	0 23,665
General and administrative	513,916	45,533	559,449	0 559,449
Stock for services expense	90,115	0	90,115	0 90,115
Total Operating Expenses	863,503	117,492	980,995	0 980,995
OPERATING INCOME (LOSS)	23,615	(84,573)	(60,958)	0 (60,958)
OTHER INCOME AND EXPENSES				
Interest expense	(34,867)	(21,229)	(56,096)	0 (56,096)

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

Interest income	23	0	23	0	23
Other income	17,131	0	17,131	0	17,131
Other expense	(2,400)	0	(2,400)	0	(2,400)
Gain on settlement of debt	0	0	0	0	0
	-----	-----	-----	-----	-----
Total Other Income and Expenses	(20,113)	(21,229)	(41,342)	0	(41,342)
	-----	-----	-----	-----	-----
NET INCOME (LOSS)	3,502	(105,802)	(102,300)	0	(102,300)
OTHER COMPREHENSIVE LOSS					
Foreign currency translation adjustment	0	(5,360)	(5,360)	0	(5,360)
	-----	-----	-----	-----	-----
TOTAL COMPREHENSIVE LOSS	\$ 3,502	\$ (111,162)	\$ (107,660)	\$ 0	\$ (107,660)
	=====	=====	=====	=====	=====
Basic income per share				\$	(0.00)
				=====	=====
Weighted average shares outstanding					27,087,405
					=====

PCS EDVENTURES!.COM, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED COMBINED PRO FORMA STATEMENT OF OPERATIONS AND OTHER
COMPREHENSIVE LOSS

	PCS for the Year Ended March 31, 2005	LabMentors for the Year Ended May 31, 2005	Combined PCS & Pro Forma LabMentors Adjustments	Pro Forma Combined PCS & LabMentors for the year ended March 31, 2005
REVENUES				
Lab Revenue	1,294,709	\$ 124,848	\$ 1,419,557	\$ 0
License Revenue	158,917	0	158,917	0
Subscription Revenue	15,045	0	15,045	0
	-----	-----	-----	-----
Total Revenues	1,468,671	124,848	1,593,519	0
	-----	-----	-----	-----
COST OF SALES	679,324	0	679,324	0
	-----	-----	-----	-----
GROSS PROFIT	789,347	124,848	914,195	0
	-----	-----	-----	-----
OPERATING EXPENSES				
Salaries and wages	452,756	79,406	532,162	0
Depreciation expense	2,052	30,202	32,254	0
General and administrative	751,338	167,698	919,036	0
Stock for services expense	525,004	0	525,004	0
	-----	-----	-----	-----
Total Operating Expenses	1,731,150	277,306	2,008,456	0
	-----	-----	-----	-----
OPERATING LOSS	(941,803)	(152,458)	(1,094,261)	0
	-----	-----	-----	-----
OTHER INCOME AND EXPENSES				
Interest expense	(58,877)	(6,864)	(65,741)	0
Interest income	993	0	993	0

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

Other income	17,065	0	17,065	0	17,065
Gain on settlement of debt	43,990	21	44,011		44,011
	-----	-----	-----	-----	-----
Total Other Income and Expenses	3,171	(6,843)	(3,672)	0	(3,672)
	-----	-----	-----	-----	-----
NET LOSS	(938,632)	(159,301)	(1,097,933)	0	(1,097,933)
OTHER COMPREHENSIVE LOSS					
foreign currency translation adjustment	0	(160)	(160)	0	(160)
	-----	-----	-----	-----	-----
TOTAL COMPREHENSIVE LOSS	\$ (938,632)	\$ (159,461)	\$ (1,098,093)	\$ 0	\$ (1,098,093)
	=====	=====	=====	=====	=====
Basic income per share				\$	(0.04)
				=====	=====
Weighted average shares outstanding					26,253,256
					=====

510229 N.B. LTD. DBA LABMENTORS

Financial Statements

May 31, 2005

C O N T E N T S

Report of Independent Public Accounting Firm	3
Balance Sheet	4
Statement of Operations	5
Statement of Stockholders' Equity (Deficit)	6
Statement of Cash Flows	7
Notes to the Financial Statements	8

REPORT OF INDEPENDENT PUBLIC ACCOUNTING FIRM

Board of Directors
511092, Ltd. DBA LabMentors
Fredericton, Canada

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

We have audited the accompanying balance sheet of 511092, Ltd., DBA LabMentors as of May 31, 2005 and the related statements of operations, stockholders' equity (deficit) and cash flows for the year ended May 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 511092, Ltd., DBA LabMentors as of May 31, 2005 and the results of its operations, and its cash flows for the year ended May 31, 2005 in conformity with United States generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 7, the Company does not have significant cash or other material assets, nor does it have an established source of revenues sufficient to cover its operating costs. Additionally, the Company has accumulated significant losses, has negative working capital, and a deficit in stockholders' equity which together raise substantial doubt about the Company's ability to continue as a going concern. Management's plans with regard to these matters are also described in Note 7. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/HJ & Associates, LLC
HJ & Associates, LLC
Salt Lake City, Utah
November 21, 2005

511092 N.B. LTD. DBA LABMENTORS
Balance Sheet
May 31, 2005

ASSETS

CURRENT ASSETS

Accounts receivable	\$ 15,831
Other receivable (Note 4)	4,857
Restricted cash (Note 3)	13,934
Prepaid expenses	1,433
Other current assets	164

Total Current Assets	36,219

FIXED ASSETS (NET) 4,009

EDUCATIONAL SOFTWARE 163,219

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

INTELLECTUAL PROPERTY	22,505

TOTAL ASSETS	\$ 225,952
	=====
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	
CURRENT LIABILITIES	
Bank overdraft	\$ 8,586
Accounts payable	45,937
Accrued interest	3,964
Accrued expenses	8,353
Deposits payable	3,977
Notes payable and current portion of long-term liabilities (Note 5)	64,024

Total Current Liabilities	134,841

LONG-TERM LIABILITIES	
Long-term liabilities (Note 5)	100,188

Total Liabilities	235,029

COMMITMENTS AND CONTINGENCIES (Note 6)	
STOCKHOLDERS' EQUITY (DEFICIT)	
Common stock, no par value, authorized unlimited shares; 17,511,200 shares issued and outstanding	295,275
Accumulated other comprehensive loss	(19,713)
Accumulated deficit	(284,639)

Total Stockholders' Equity (Deficit)	(9,077)

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 225,952
	=====

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

F-4

511092 N.B. LTD. DBA LABMENTORS
Statement of Operations and Other Comprehensive Loss
For the Year Ended May 31, 2005

REVENUES	\$ 124,848
EXPENSES	
Salaries and wages	79,406
Depreciation and Amortization expense	30,202
General and administrative	167,698

Total Operating Expenses	277,306

OPERATING LOSS	(152,458)

OTHER INCOME AND EXPENSES	

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

Interest expense	(6,864)
Gain on settlement of debt	21

Total Other Income and Expenses	(6,843)

NET LOSS	(159,301)
OTHER COMPREHENSIVE LOSS	
Foreign currency translation adjustment	(160)

TOTAL COMPREHENSIVE LOSS	\$ (159,461)
	=====
BASIC LOSS PER SHARE	\$ (0.01)
	=====
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	15,203,769
	=====

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

F-5

511092 N.B. LTD. DBA LABMENTORS
Statement of Stockholders' Equity (Deficit)

	Common Shares	Shares	Amount	Accumulated Deficit	Other Comprehensive Loss
Balance, May 31, 2004	10,807,000	\$ 64,377	\$ (125,338)	\$ (19,553)	
Stock issued for conversion of debt - related party at \$0.04 per share	1,500,000	59,715	-	-	
Stock issued for services rendered at \$0.04 per share	100,000	3,981	-	-	
Stock issued for cash at \$0.02 per share	5,004,200	79,620	-	-	
Stock issued for cash at \$0.88 per share	100,000	87,582	-	-	
Movement in other comprehensive income (loss) - foreign currency translation adjustments	-	-	-	(160)	
Net loss for the year ended May 31, 2005	-	-	(159,301)	-	
	-----	-----	-----	-----	
Balance, May 31, 2005	17,511,200	\$295,275	\$ (284,639)	\$ (19,713)	
	=====	=====	=====	=====	

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

F-6

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

511029 N.B. LTD. DBA LABMENTORS
Statement of Cash Flows
For the Year Ended May 31, 2005

CASH FLOW FROM OPERATING ACTIVITIES

Net loss	\$ (159,301)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation and amortization expense	30,202
Gain on forgiveness of debt	(21)
Common stock for services rendered	3,981
Changes in operating assets and liabilities:	
Decrease in accounts receivable	(15,343)
(Increase) in restricted cash	(13,505)
Increase in prepaid expense	(1,379)
Decrease (increase) in other assets	(5,289)
Increase in accounts payable	16,553
(Decrease) in accrued liabilities	(13,362)

Net Cash Used by Operating Activities	(157,464)

CASH FLOW FROM INVESTING ACTIVITIES

Capitalization of educational software	(148,113)
Purchase of fixed assets	(3,498)

Net Cash Used by Investing Activities	(151,611)

CASH FLOWS FROM FINANCING ACTIVITIES

Increase in bank overdraft	8,586
Proceeds from issuance of common stock	161,083
Cash proceeds from notes payable	126,054

Net Cash Provided by Financing Activities	295,723

EFFECT OF EXCHANGE RATES ON CASH	112

NET DECREASE IN CASH	(13,240)

CASH AT BEGINNING OF YEAR	13,240

CASH AT END OF YEAR	\$ -
	=====

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

F-7

511092 N.B. LTD. DBA LABMENTORS
Notes to the Financial Statements
May 31, 2005

NOTE 1 - ORGANIZATION AND DESCRIPTION OF BUSINESS

The financial statements presented are those of 511092 N.B. LTD. DBA LabMentors, a Canadian Corporation ("the Company").

On February 2, 2000, LabMentors was incorporated under the laws of the Province of New Brunswick, Canada as 511092 N.B. LTD. to engage in web-

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

based educational products. LabMentors currently sells products to Course Technology and DeVry in the United States. These programs offer a unique atmosphere highly conducive to individual styles of learning and a system that utilizes computer technology to increase areas of inquiry and application. In addition, the labs allow certifications for several platforms and software applications at the collegiate level. The Company intends to continue to develop products for this market, as well as expand its reach into secondary education in the U.S. and internationally. Our products and technologies are targeted to the public and private school classrooms. Our products and technologies are delivered to the classroom through software and Internet access. Our technologies allow students to explore the basic foundations of computers from programming to database technologies to server integration.

There are currently three major shareholders of the Company stock, including Joseph Khoury (President), Bogdan Itoafa (Co-Founder), and Workers Investment Fund.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Accounting Method

The Company's financial statements are prepared using the accrual method of accounting. The Company has elected May 31 as its year-end.

b. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

c. Basic Loss per Share

The computation of basic loss per share of common stock is based on the weighted average number of shares outstanding during the period of the financial statements. Diluted loss per share is equal to basic loss per share as the result of the antidilutive nature of the stock equivalents. As of May 31, 2005, the Company had no stock equivalents outstanding.

F-8

511092 N.B. LTD. DBA LABMENTORS
Notes to the Financial Statements
May 31, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Concentration of Credit Risks and Significant Customers

The Company maintains cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Financial instruments which potentially subject the Company to concentration of credit risk consist primarily of trade receivables. In the normal course of business, the Company provides credit terms to its

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

customers. Accordingly, the Company performs ongoing credit evaluations of its customers and maintains allowances for possible losses which when realized have been within the range of management's expectations. The Company does not require collateral from its customers.

During the year ended May 31, 2005, the Company had sales to major customers that exceeded 10 percent of revenues as follows:

Customer A - \$ 79,112	64%
Customer B - \$ 45,379	36%

The Company also has an account receivable from a major customer as of May 31, 2005 as follows:

Customer A - \$ 5,048
Customer B - \$ 10,783

e. Foreign Currency Translation

The functional currency of the Company is the Canadian dollar (\$CDN). The Company's financial statements have been translated into US dollars. All assets and liabilities are translated at the exchange rate on the balance sheet date and all revenues and expenditures are translated at the average rate for the year. Translation adjustments are reflected as a separate component of stockholders' equity, accumulated other comprehensive income (loss) and the net change for the year reflected separately in the statements of operations and other comprehensive income (loss).

In accordance with SFAS No. 95, "Statement of Cash Flows," the cash flows of the Company are translated using the weighted average exchange rates during the respective period. As a result, amounts in the statement of cash flows related to changes in assets and liabilities will not necessarily agree with the changes in the corresponding balances on the balance sheet which was translated at the exchange rate at the end of the period.

f. Revenue Recognition

The Company recognizes revenues relating to access to and usage of its program and exercise software on the Company's website over the term of the subscription or hourly units purchased.

F-9

511092 N.B. LTD. DBA LABMENTORS
Notes to the Financial Statements
May 31, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Provision for Income Taxes

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carry forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely that not that some portion or all of the deferred tax assets will not be

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Net deferred tax assets consist of the following components as of May 31, 2005:

Deferred tax assets:	
NOL Carryover	\$ 94,675
Deferred tax liabilities:	
Valuation allowance	(94,675)

Net deferred tax asset	\$ -
	=====

The income tax provision differs from the amount of income tax determined by applying the Canadian federal and provincial income tax rates totaling 35% to pretax income from continuing operations for the years ended May 31, 2005 due to the following:

Book loss	\$ (55,810)
Valuation allowance	55,810

	\$ -
	=====

At May 31, 2005, the Company had net operating loss carryforwards of approximately \$270,000 that may be offset against future taxable income from the year 2005 through 2024. No tax benefit has been reported in the May 31, 2005 financial statements since the potential tax benefit is offset by a valuation allowance of the same amount.

Canadian tax laws allow a company to recoup a significant amount of research and development costs. As a result, the Company will continue to conduct its research and development within Fredericton, New Brunswick and continue to apply for such tax incentives. In addition, income taxes are/will be prepared in accordance with Revenue Canada guidelines so as to maximize additional incentives, when available (see Note x).

F-10

511092 N.B. LTD. DBA LABMENTORS
Notes to the Financial Statements
May 31, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Newly Issued Accounting Pronouncements

During the year ended May 31, 2005, the Company adopted the following accounting pronouncements:

The FASB issued SFAS No. 123R (revised 2004) "Share-Based Payment" in December 2004. SFAS No. 123R requires employee stock-based compensation to be measured based on the fair value as of the grant-date of the awards and the cost is to be recognized over the period during which an employee is required to provide services in exchange for the award. This pronouncement eliminates the alternative use of Accounting Principles Board (APB) No. 25, wherein the intrinsic value method of

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

accounting for awards. SFAS No. 123R is effective for the Company's fiscal year beginning June 1, 2005. The company will adopt the provisions of SFAS No. 123R on a prospective basis once the acquisition is complete. The financial statement impact is not an issue in that all stock currently outstanding with the Company will be converted to PCS stock upon close, after which time all calculations will be in accordance with their policies and procedures, which incorporate this new SFAS.

The FASB issued SFAS No. 154, Accounting Changes and Error Correction - a replacement of APB No. 20 and SFAS No. 3, Reporting Accounting Changes in Interim Financial Statements, in May 2005. SFAS 154 changes the requirements for the accounting for and reporting of a change in accounting principle. It also applies to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions.

The implementation of the provisions of these pronouncements are not expected to have a significant effect on the Company's consolidated financial statement presentation.

i. Educational Software

The Company's inventory consists of internally developed education computer programs and exercises to be accessed on the internet. In accordance with FAS 86, 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 estimate useful life of the program or exercise, generally 42 to 48 months.

F-11

511092 N.B. LTD. DBA LABMENTORS
Notes to the Financial Statements
May 31, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. 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 online 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 Company's delivery and access platform which has been determined to be 60 months.

k. Property and Equipment

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

Property and equipment are recorded at cost and being depreciated for financial accounting purposes on the straight-line method over their respective estimated useful lives ranging from five to seven years. Upon retirement or other disposition of these assets, the cost and related accumulated depreciation are removed from the accounts and the resulting gains or losses are reflected in the results of operations.

Expenditures for maintenance and repairs are charged to operations. Renewals and betterments are capitalized. Depreciation of leased equipment under capital leases is included in depreciation.

NOTE 3 - RESTRICTED CASH

Pursuant to an employment arrangement, the Company has placed funds in an escrow account with an attorney. Those funds are restricted as to their use and have been classified as such in the Company's financial statements. A portion of the funds are released each pay period to pay the salary of the employee who is utilizing LabMentors until December 2005 as an employee based immigration sponsor. The balance of restricted cash of May 31, 2005 was \$13,934.

NOTE 4 - TAX INCENTIVES

Scientific Research & Experimental Development ("SR&ED") can allow for tax credits to Canadian companies. SR&ED is a refundable tax credit program offered by the Canada Revenue Agency ("CRA") to provide incentive for companies to undertake development activities in Canada. There are stringent reporting criteria to complete the filings to be reimbursed for the HST to apply for these credits. The Company is in the process of applying for such refundable tax credits for the years ended May 31, 2004 and 2005. Because of the uncertainties surrounding the application process and related qualifications no amounts related to there possible credits have been recognized in these financial statements.

As of May 31, 2005, the Company had a net refund due or receivable of \$4,857.

F-12

511092 N.B. LTD. DBA LABMENTORS
Notes to the Financial Statements
May 31, 2005

NOTE 5 - NOTES PAYABLE & LONG TERM DEBT

As of May 31, 2005, the following notes payable and long-term debt was outstanding:

ACOA Loan	\$ 20,568
Loan #1 BH	5,853
Loan #2 CK	7,962
Notes Payable WIF	79,620
Notes Payable Frank Maresca	50,209

Total	\$ 164,212
	=====
Less current portion	(64,024)

Long Term Debt	\$ 100,188
	=====

Edgar Filing: PCS EDVENTURES COM INC - Form PRER14A

NOTE 6 - COMMITMENTS AND CONTINGENCIES

Currently the Company has a month-to-month lease agreement for its office location. This lease is between the Company and a related party. This related party is wholly owned by the Company's President and CEO.

NOTE 7 - GOING CONCERN

The Company's financial statements are prepared using generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. However, the Company does not have significant cash or other material assets, nor does it have an established source of revenues sufficient to cover its operating costs. Additionally, the Company has accumulated significant losses, has negative working capital, and a deficit in stockholders' equity. All of these items raise substantial doubt about its ability to continue as a going concern. Management's plans with respect to alleviating the adverse financial conditions that caused its auditors to express substantial doubt about the Company's ability to continue as a going concern are as follows:

During the fiscal year ending May 2005, the Company opened discussions with PCS Edventures!.com, Inc. for possible acquisition activities. As noted above, this acquisition is set to close on or before November 30, 2005. Over the next fiscal year, the Company will continue to develop marketplace strategy for the U.S. market as well as the international market.

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

F-13

511092 N.B. LTD. DBA LABMENTORS
Notes to the Financial Statements
May 31, 2005

NOTE 8 - SUBSEQUENT EVENTS

In July 2005, the Company entered into a Letter of Intent Agreement which provides for the Company to be acquired by PCS Edventures!.com, Inc., an Idaho Corporation ("PCS"). The Letter of Intent provides for a definitive agreement to be executed and closing to take place by November 30, 2005 at which time, the Company is expected to become a wholly owned subsidiary of PCS. All accounting will be undertaken by PCS, while sales and research and development will continue to take place in Fredericton, New Brunswick Canada. No employees will be terminated as a result of the acquisition.

F-14

- b) Pro forma financial information. Proforma financial information will be proved within 75 days of the date of this Report.
- c) Exhibits. The following exhibits are attached pursuant to Item 601 of Regulation S-B (17 CFR 228.601) and Instructions B.2 of this form.

