PCS EDVENTURES COM INC
Form 10-K
July 02, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended March 31, 2013.

¨ TRANSITION REPORT UNDER SECTION 13 OF 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 000-49990

PCS Edventures!.com, Inc.

(Exact name of Registrant as specified in its charter)

Idaho	**82-0475383**
(State or other jurisdiction of	(I.R.S. Employer
Incorporation or organization	Identification No.)
345 Bobwhite Court, Suite 200 Boise, ID	83706
(Address of principal executive offices)	(Zip code)

Registrant s telephone number, including area code: (208) 343-3110

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act: No par value common stock

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No X

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

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

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

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨	Accelerated filer
Non-accelerated filer ¨	Smaller reporting company X

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates as of the last business day of FY2013 Q2: $5,928,741 as of September 30, 2012.

Indicate the number of shares outstanding of each of the Registrant s classes of common stock, as of the latest practicable date. As of July 1, 2013, the Registrant had outstanding 49,293,845 shares of common stock.

DOCUMENTS INCORPORATED BY REFERENCE:

None.

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PART I

Item 1. Business.

PCS Edventures!.com, Inc. (the Company , PCS , we , our , us or similar words) was incorporated in 1994 in the S Idaho. In November 2005, we acquired PCS LabMentors, Ltd. (PCS LabMentors) based in Fredericton, New Brunswick, Canada, which is a wholly owned subsidiary of PCS Edventures!.com, Inc. In January 2013 we formed a subsidiary called Premiere Science Inc. incorporated, registered in the State of Idaho. The subsidiary is 100% wholly owned by PCS Edventures!.com,Inc. No transactions occurred during the fiscal year ended March 31, 2013 for Premiere Science Inc.

PCS Edventures specializes in experiential, hands-on, K12 education. PCS has extensive experience and IP that includes robotics software, hardware, and K12 content, as well as sophisticated turn-key lab packages that teach topics of science, technology, engineering, and math (STEM).

PCS educational solutions are implemented through the development, marketing, and distribution of educational products and services that target the PreK-12 market as well as implemented through private STEM Learning Centers called Edventures! Labs.

The education market is complex and is comprised of a number of different types of customers to whom we sell:

Afterschool: The afterschool market consists of Boys and Girls Clubs, YMCAs, and others including a large number of afterschool programs supported by the $1.1B 21st Community Learning Center (21stCCLC) Federal grant program. We sell robotics and other hands-on STEM solutions to afterschool providers.

K6: Elementary classrooms in the United States are a rich market for PCS STEM professional development programs. There are over 60,000 elementary schools in the United States.

Technical Education: Tech Ed teachers in grades 6-12 use PCS robotics and engineering programs to prepare students for engineering or other technical fields. There are over 20,000 schools offering tech ed and career programs.

Parents and Home Educators: Our Edventures! Lab private learning center concept will position PCS in key communities to build awareness and support of PCS institutional products while generating revenue from the home and retail market. Conservative estimates of the homeschool population in the United States is over one million students.

PCS LabMentors is the exclusive provider of a proprietary virtual lab technology which is designed to provide hands-on experience to high school, community college and university students studying a variety of technical topics. These technical topics include programming, network management, security, operating systems, and other IT subjects. LabMentors technology provides students with the ability to manage and configure any hardware/software platform remotely, through a proprietary client accessed remote server farm. Also embedded within the LabMentors system is a Learning Management System (LMS) that enables the delivery and tracking of curriculum and tasks to students. Using LabMentors' complete solution, any school or institution can offer advanced IT training topics in any number of areas such as Windows Server® 2008, Windows® 7, Exchange 2010, SharePoint® 2010, Linux® system administration, and various other applications without the associated overhead of owning and managing heterogeneous hardware and software platforms.

The Results of Operations discussed herein are on a consolidated basis.

Recent Developments.

The following are business developments during the fiscal year that ended March 31, 2013 (FY2013):

Management and Board of Director Changes

o

Leann Gilberg, CFO, left the company in November of 2012 to pursue an opportunity with the Idaho Humane Society, an organization with which she had a long relationship.

o

Krystal Wright, a longtime employee and key person in accounting and administration, assumed the role of Controller for the company upon Leann s departure and has been maintaining the financial operations. PCS is actively seeking a CFO replacement.

o

Brett Newbold, appointed COO in FY2012 left the company under mutual agreement in February 2013.

o

In March of 2013, PCS hired Tom Kicmol, an e-commerce and project management expert to build up PCS commerce capabilities and direct development activities.

o

Michael K. McMurray resigned as a member of the board of directors of the Company to pursue other interests. Mr. McMurray s resignation was effective as of November 1, 2012. There were no disagreements between the Company and Mr. McMurray regarding his resignation.

o

Two new board members were added during the fiscal year Todd Hackett and Murali Ranganathan.

o

To strengthen PCS operational capabilities PCS initiated a search in Q4 of FY2013 for a candidate to fill the role of Sales and Marketing Director.

Other Activities

o

In January of 2013, we renewed our D&O insurance on favorable terms for a one year period.

o

We continued to explore potential partnerships during FY2013, seeking opportunities and values that would strengthen PCS Edventures and advance shareholder value through improved sales and marketing, development, or operational efficiency.

o

We continued to grow our long term relationship with Edison schools, providing additional customized learning labs for their summer adventures programs, as well as supplying them with materials authored and developed in previous years. Edison Schools has been the resource of well over $1M in revenue since the inception of the relationship. Edison program, developed by PCS, range from primary stage camps in life science and biology to high school age activities in engineering, electronics, and robotics. Development, packaging, fulfillment, and support were further streamlined this year to improve efficiency and the overall customer experience.

o

Our LabMentors division partnered with Cengage Learning to transition courses to a single sign on (SSO) system, to make it easier for instructors to find all the courses offered by LabMentors by logging into one centralized system.

o

We continued to develop our growing relationship with STEM Academy (STEM 101) in which PCS provides the robotics curriculum and Labs for their 6^{th} and 8^{th} grade programs, and are working on developing additional programs for their elementary and high school STEM solutions.

o

We have worked with T4EDU, a Saudi entity charged with managing education reform activities defined by the Saudi Ministry of Education, to bid on contracts for additional STEM consulting and development services related to the design, production and implementation of a nationwide network of science centers in Saudi Arabia, as part of the King Abdullah Education Initiative.

o

We further expanded our statewide penetration of STEM programs into Idaho schools emphasizing our elementary STEM training program for classrooms throughout the state.

o

We further expanded our penetration into the Boys and Girls Clubs of America, a significant niche market for PCS afterschool products with over 5,000 sites across the United States.

o

Our relationship with Creya Learning of India continues to evolve as they modify their business strategy better fit with the Indian culture and education system. Changes were implemented to target the private school market through a licensed lab model and they were able to place approximately 12 sites in FY2013. These demonstration sites will be used as proof of concept programs to drive additional sales and expansion in FY2014.

o

PCS launched and managed a pilot program for a new Learning Center model in partnership with Sage International Charter School in Boise. The program successfully accomplished a number of milestones including a growing student body, a learning framework model for the future, an effective lab design and system established, annual learning and event calendar tested and established, holiday and retail product test marketing was successful, a strong core staff was recruited and trained, the center was successfully used as a sales tool for generating institutional sales for PCS, a number of parent testimonials were accumulated on the benefits of the program, and a number of sales and marketing strategies and tactics were identified,

o

PCS applied for and was awarded Trade Adjustment Assistance funds during fiscal year ended March 31, 2011 in the amount of $75,000 to apply to the development and promotion of PCS programs to improve our competitiveness against foreign imports. These matching funds are being used to improve and expand the PCS Robotics line of controllers, proprietary software, and curriculum solutions to take advantage of the rapidly growing robotics education market. PCS continues to leverage these funds for development, promotion, and consulting where applicable. PCS has Trade Adjustment Assistance funds of approximately $50,000 in matching funds to use as of March 31, 2013.

Strategy.

Our strategy is to design and develop brain-based learning educational products and services for the PreK-16 market that emphasize STEM topics and develop contemporary skills for the 21st century learner. These skills include critical thinking, problem solving, innovation, creativity and communications.   These products, PCS will market through direct sales and channel partners as well as deploy in experiential-learning centers which will serve as direct revenue generating entities as well as product and service showrooms that will improve our sales, service, and support to school districts around the country.

Our strategy consists of:

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Continuing to develop, refine, and polish our PCS BrickLab STEM program for elementary classrooms and afterschool programs. The elementary opportunity is over 1MM classrooms and the BrickLab solution is demonstrated to effectively improve educators comfort level with STEM, enabling them to implement more STEM activities across their curriculum.

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Continuing to develop, refine, and polish our PCS Robotics programs consisting of the Brain, the Cortex, and our various lab configurations. This focus will take advantage of the exploding robotics marketplace.

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Using licensing and partnerships to drive the development of a global network of experiential-learning centers that will generate revenues and act as a sales and support network for PCS products and services;

.

Relentless commitment to making our products friendly and helpful for educators. If our products make their job easier, our products will be more and more popular;

.

The continued emphasis on forward looking development of products and services, recognizing the challenges that educators will be facing in several years, and preparing our

products to help them meet those challenges early. We strive to be seen as thought leaders in the space;

.

Building PCS brand recognition and market appeal through a network of learning centers and strong commitment to customer loyalty;

.

Continuing to incorporate the latest in brain-based research to improve the effectiveness of our curriculum and content product;

.

Using the Internet and other digital technologies to bring our products and services to other areas, persons, and markets, to increase market penetration;

Foreign Currency Exchange Rate Risk.

The Company promotes many of our products in the international market, as well as having established operations in Canada as a result of the acquisition of LabMentors. As a result, our statement of cash flows and operating results could be affected by changes in foreign currency exchange rates or weak economies of foreign countries. Working capital necessary to continue operating our foreign subsidiary are held in local, Canadian currency, with additional funds used through the parent company being held in U.S. dollars. In accordance with SFAS 52, Foreign Currency Translation , 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 period. 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). While our Canadian subsidiary provided approximately 5% of our revenue in fiscal year 2013, the sales and receivables are transacted in USD$ and thus there is not a significant exchange risk associated with those transactions.

Backlog.

Our unearned revenue was $83,756 at March 31, 2013. At the end of fiscal year 2013, the entire amount of unearned revenue is expected to be earned during fiscal years 2014 and 2015. Of the total listed in unearned revenue at March 31, 2013, $5,645 is for orders prepaid by customers, $22,649 and $53,750 are advanced royalties and license fees resulting from our agreement with Creya Learning of India, and the remaining amount of $1,712 is for license fees paid but that have yet to be fully used by our domestic customers. PCS, as part of the agreement with Creya Learning, will receive ongoing royalties on the tuition charged to students attending PCS based programs and royalties will be amortized as earned. Each month, the license fees are amortized according to the length of the subscription/license.

Seasonality.

Our quarterly operating results fluctuate as a result of a number of factors, including, but not limited to, the funding of customers, timing of product development and release, availability and timeliness of items required for assembly of the products, budget cycles, buying patterns of our customers, period ending dates, and the general health of the economy. Our learning center strategy is designed to offset these factors and smooth cash flow and revenue predictability over time.

Principal Products or Services and Their Markets.

The primary goal of the products and services we develop is to bring engaging, effective learning experiences to K12 students, experiences that can help them be successful in the 21st century workplace. We do this through the delivery of innovative programs in our Edventures! Labs and products that make teaching STEM easier for educators and program facilitators. To this end, we have developed and are currently marketing a number of innovative technology-based educational programs for the pre-kindergarten through university (PreK-12) classroom market, the K-12 afterschool market, the private learning center market, and the home school market. In addition, the virtual lab programs from our LabMentors division are currently marketed to the collegiate level. Separately, and in combination, these lab products present a platform for delivering educational services and support, and create a virtual community of learners and parents on the web. It is our intent that as this community grows, it becomes an education portal through which additional PCS programs and services can be deployed.

We believe that education programs of our type are not currently available from any other source and present a unique opportunity for sales and marketing to specific segments of the education industry. We believe that PCS' education programs deliver a unique, proven learning experience that:

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Provide students with exciting and relevant activities that brings curriculum to life;

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Develop essential critical thinking and problem-solving skills;

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Prepare students for real-world career demands; and

.

Build a strong foundation in technical literacy.

Customers currently use our products to:

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Uniquely motivate students by engaging them in their own learning;

.

Provide opportunities for students to pursue their own interests and questions and make decisions about how they will find answers and solve problems;

.

Make learning relevant and useful to students by establishing connections to life outside the classroom, addressing real world concerns, and developing real world skills which are desired by today s employers, including the ability to work well with others, make thoughtful decisions, take initiative, and solve complex problems;

.

Provide opportunities for teachers to build relationships with each other and with those in the larger community through sharing with other teachers, parents, mentors, and the business community who all have a stake in the student's education;

.

Provide exciting, hands-on, inquiry based instruction, which is aligned by standards produced by The National Science Teachers Association, the American Association for the Advancement of Science, Project 2061, the National Curriculum of the UK, the Core, Knowledge, Sequence, the National Association for the Education of Young Children (NAEYC), and many more depending on grade level or subject focus;

.

Help increase test scores and understanding in STEM standards;

.

Infuse engaging, technology-based methods and practices into the traditional classroom;

.

Teach concepts from mechanical, electrical, structural, and software engineering as well as mechatronics and robotics;

.

Challenge students through promoting critical thinking, creativity, and problem solving techniques;

.

Enable teachers to teach science lab activities without a science lab;

.

Enable IT training professionals at the high school and college level to offer sophisticated hands-on training labs through virtualization, effectively eliminating their need to own and manage expensive server networks.

The products and programs we are currently marketing are applicable and useful to a variety of educational market segments. These product lines have been designed to stand-alone as well as integrate with one another to create contiguous, systemic solutions:

PCS Edventures! Labs

PCS Edventures! Labs are a new program piloted in FY2013 designed to offer a unique, experiential STEM education experience. A space of approximately 1,000sf is turned into a high-tech lab for robotics, mechanical engineering, 3D modeling, computer programming, and manufacturing. Organized through a sophisticated learning framework called the PCS Merit System, the curriculum is designed to prepare students to thrive in the 21st century as they explore and master various topics in an environment that emphasizes the development of independent, higher order thinking skills.

The first PCS Edventures! Lab is located in Boise and is attached to the corporate offices for R&D purposes. Several models of deployment into new communities are being explored for expansion in FY2014.

ThinkBug

The ThinkBug product line includes an Alphabet Builder Curriculum, a Number Builder Curriculum, PCS Big Bricks, and an optional mobile furniture unit. Designed around the most current brain and block play research, ThinkBug brings a comprehensive manipulative based literacy and numeracy STEM solution to early childhood and kindergarten educators

PCS BrickLab®

The PCS BrickLab® is a remarkably effective system of building blocks combined with PCS curriculum resources that addresses technology, math, construction engineering, communication, and science principles at the early primary grades. Simple to use, manage, and teach, it is an engaging and effective tool for hands-on STEM education. PCS currently has over six volumes of curriculum that support the BrickLab manipulative package addressing needs for students in the elementary and afterschool setting.

PCS Professional Development STEM Institutes

The PCS STEM institutes offer a 30 hour professional development program for elementary teachers that develops student-centered learning environments, improves student academic performance, promotes 21st century skills in students, and improves teacher comfort and competence in teaching science, technology, engineering, and mathematics (STEM) across the curriculum. Our institutes use products such as Bricklab to make STEM education approachable, less intimidating, and easier for the teacher.

PCS Digital Media Labs

Designed for today's digital native youth, PCS Digital Media Labs transform educational settings into technology-driven environments that use digital photography, video, and podcasting to make daily lesson plans more engaging. The curriculum is aligned with technology standards from the International Society for Technology Education (ISTE) and the International Technology Education Association (ITEA). Each Digital Media Lab contains hands-on lesson plans, a hard cover mobile case, digital cameras, camcorders or voice recorders, accessories, and a teacher guide. It is currently available in Elementary and Secondary versions for classrooms and afterschool programs.

PCS Academy of Engineering

The PCS Academy of Engineering Lab is a STEM program designed for use within tech-ed programs and is scalable for various environments using 10 student modules that include hardware, software, lab furniture, and curriculum. Using the PCS Academy of Engineering students develop, design, and produce exciting hands-on projects ranging from catapults to robots in response to engaging challenges in a variety of topics. The current PCS Academy of Engineering product includes three primary volumes of mechanical engineering activities. The Tech Ed configuration of the Academy of Engineering uses fischertechnik constructs for hands-on activities. The Academy of Engineering includes online assessment and support tools as well as access to an online competition framework that enables all lab students to share information and compete. The AOE is currently marketed to middle and junior high schools.

PCS Academy of Robotics

The Academy of Robotics Lab is a STEM program that is scalable for various environments using 10 student modules that include hardware, software, lab furniture, and curriculum. Using the Academy of Robotics students develop, design, and produce exciting hands-on projects ranging from simple robotic automatons to advanced manufacturing simulations. The current Academy of Robotics product for the classroom setting includes three primary volumes of robotics curriculum covering the basics of mobility, structural integrity, motorization, end effectors, working envelopes, programming, sensor integration, and more. In addition, three volumes of applied mathematics activities, Pre-Algebra, Algebra Book 1, and Algebra Book 2, have been developed to provide real world applications and illustrations of mathematics. The Tech Ed configuration of the Academy of Robotics uses fischertechnik constructs for hands-on activities. Fischertechnik solutions are typically used in more rigorous applications at the high school or university level. We also have the Academy of Robotics Lab Afterschool Edition available. With the use of LEGO® building elements, we have created an in-depth robotics program that was designed specifically for use in afterschool programs. Using the Academy of Robotics Afterschool Edition, students develop, design, and produce exciting hands-on projects ranging from simple robotic automatons to advanced manufacturing simulations. It s a great way to introduce students outside the classroom to the importance of robotics and STEM, so they will look forward to these subjects within their regular school day. Academy of Robotics Labs include online assessment and support tools as well as access to an online competition framework that enables all lab students to share information and compete in exciting virtual challenges. Also available is a smaller package called the Robotic Educator Pack (REP), which bundles the Academy of Robotics Challenge with a starter inventory of manipulatives from fischertechnik at a lower price point. We recommend our AOR labs for students in grades 5-12.

PCS Academy of Electronics

The PCS Academy of Electronics Lab is designed for use within Tech Ed programs and is scalable using 10 student modules that include hardware, software, lab furniture and curriculum. Using the Academy of Electronics students develop, design, and produce exciting hands-on projects ranging from simple analog circuits demonstrating resistance to advanced digital logic projects using a variety of industry standard integrated circuits. The current Academy of Electronics product includes two primary volumes of electronics curriculum covering the basics of analog and digital electronics. Academy of Electronics modules use standard electronic components and breadboards as constructs for hands-on activities.

PCS Discover STEM Lab

The PCS Discover STEM Lab is a modular, easy to present program that provides activities for afterschool facilitators in the areas of STEM. Modules include hands-on activities that utilize PCS robotics, engineering, digital media, applied math activities and more. This cost-effective lab is the perfect fit into any afterschool program, and has been a great addition to our afterschool product line.

PCS LabMentors

LabMentors offers technologies and products through their virtual labs on a proprietary platform as described below:

Windows® Based Applications:

Currently LabMentors has virtual labs on its proprietary platform for Windows XP®, Windows Vista®, Windows® 7, Windows Server® 2003, Windows Server® 2008, and Windows SharePoint® 2010.

Linux® Based Virtual Labs:

LabMentors offers virtual labs on its proprietary platform for Linux+®.

Certification tracks:

LabMentors offers labs for Comptia and other certification tracks including Network+®, Security+®, GCFI Guide to Computer Forensics and Investigations Virtual Labs. LabMentors offers virtual labs on its proprietary platform for these Comptia and other certification tracks.

Custom Labs:

In addition, LabMentors also provides custom lab development. This pricing is based on the complexity and resources involved in developing such curriculum/virtual labs.

On-call mentoring:

This is a 24 hour 7 days per week call in and/or email service for students to contact the company for technical assistance regarding the virtual labs related to their studies.

PCS Designated Markets

The educational market represents significant business opportunities in the US. There are several segments within the educational market that can benefit from the products and services that PCS provides. PCS has developed sales and marketing strategies to position the Company and its products to meet the needs of specific segments in the education market.

There is increasing focus and importance being placed on the role of technology in both public and private education. Educators and parents are not only striving to integrate technology into the educational experiences of students, but also needing to increase student s performance in technology-based subjects such as Engineering, Mathematics and Science, creating STEM. Public schools are trying to increase their ability to deliver technology education effectively to students. The increased value being placed on technology in the classroom has also led to an increase in growth for private, charter, and magnet school alternatives, because of their very nature, that can offer better programs for STEM education. Growth of extended learning programs continues as well. Federally funded STEM programs that include before, after and summer school programs have also remained an important educational focus and are also expected to meet demands for technology.

PCS core curriculum strength is based on STEM principles. In order to increase market penetration and continued growth PCS has identified the following as key target markets:

1)

Edventures! Lab programs targeting the consumer

2)

K6 Programs for the elementary classroom

3)

Tech Ed Programs for grades 6-12

4)

Afterschool Programs

5)

Products and Services adapted to provide K-16 educational solutions for the international market

6)

Virtual labs for grades 10-16

PCS understanding of the complexities of STEM subjects and our progressive methodologies give us a unique ability to deliver solutions for educators to meet the growing demands of teaching STEM and integrating technology into classrooms and afterschool settings. Here is a briefing of our current Strategic Business Units (SBU) and their markets:

<u>Edventures! Lab Business Unit</u>

PCS plans to utilize its IP and former experience as an owner/operator of experiential learning centers to establish a network of hands-on learning centers in the United States. Students will study robotics, engineering, applied sciences, and other engaging and exciting subjects in an advanced afterschool program. These centers will provide a valuable service to parents, students, and schools and will also serve as product showrooms to facilitate the sale of PCS programs and services into the surrounding school districts. Additional revenue streams from virtual services, retail point of sale, and direct school sales are also being studied for inclusion into this business model. The first Edventures! Lab is operating as an R&D facility attached to the Boise corporate offices at this time.

K6 Strategic Business Unit

With over 50,000 public elementary schools alone, the elementary classroom in the United States represents one of the largest markets in the education industry. We are currently developing new marketing strategies to reach elementary teachers and district leaders in the U.S. While this is a newer SBU, we feel that we are gaining great traction and believe we will continue to thrive throughout the years. PCS K-6 programs for the elementary classroom consist of professional development and classroom resources that promote student centered learning, inquiry, and STEM topics. K-6 products include ThinkBug, PCS BrickLab®, Academy of Robotics and Digital Media Labs.

Technical Education Strategic Business Unit

Targeting the domestic technical education marketplace, which has an estimated 22,081 programs in the U.S, the Tech Ed SBU offers STEM products that meet the needs of technology teachers servicing grades 7-12 providing pre-engineering, computer science, and robotics solutions. With most educators and districts realizing the need for STEM education improvement, the Tech Ed SBU has a great product line to meet the market s needs. A primary focus for the Tech Ed SBU is the exploding marketplace for robotics. Markets for educational robotic kits at $27.5 million in 2007 are anticipated to reach $1.69 billion by 2014. Tech Ed products include the PCS Academy of Engineering, Academy of Robotics , Academy of Science®, PCS Digital Media Labs and the current development of MINDS-i kits.

Afterschool Strategic Business Unit

Targeting the domestic afterschool marketplace, the PCS Afterschool SBU offers products that were specifically designed for the unique needs of the afterschool enrichment environment. The market for afterschool programs in the United States is significant with specific market segments such as the Boys and Girls Clubs (4,000 sites) and the $1B 21st Century Community Learning Centers program. It continues to be one of our more successful markets and we believe that

this trend will continue. Afterschool products include the PCS BrickLab®, Discover STEM Lab, the Academy of Robotics afterschool version, MINDS-i packages with PCS robotics and the PCS Digital Media Labs.

International Strategic Business Unit

Internationally, PCS programs have a great deal of appeal from the perspective of STEM education needs, and also as a catalyst for developing student-centered learning environments that emphasize 21st century skills such as problem solving, critical thinking, communications, and collaboration skills. PCS continues to explore opportunities in foreign markets. PCS takes great pride in being able to adapt its products to meet the diverse and unique needs of the international market place.

LabMentors

PCS LabMentors is the exclusive provider of a proprietary virtual lab technology which is designed to provide hands-on experience to high school, community college and university students studying a variety of technical topics. These technical topics include programming, network management, security, operating systems and other IT subjects. LabMentors' technology provides students with the ability to manage and configure any hardware/software platform remotely, through a proprietary client accessed remote server farm. Also embedded within the LabMentors system is a Learning Management System (LMS) that enables the delivery and tracking of curriculum and tasks to students. Using LabMentors' complete solution, any school or institution can offer advanced IT training topics in any number of areas such as Windows Server® 2008, Windows® 7,Exchange 2010, SharePoint® 2010, Linux system administration and various other applications without the associated overhead of owning and managing heterogeneous hardware and software platforms.

Marketing and Other Agreements.

(i) In June 2011, we entered into a licensing agreement with Kindle Education, now Creya Learning, for the country of India and have provided support, curriculum, and training for their experiential learning programs.

(ii) In April 2012, we entered into a distribution agreement with STEMfinity, an online source for a variety of STEM products. STEMfinity has proven to be a reliable source of orders with sales over $35,000 during fiscal year ending March 31, 2013.

(iii) In May 2012, we entered into an agreement with Cultural Innovations, a British museum consulting company, to provide STEM education consulting services related to the King Abdullah Education Initiative in Saudi Arabia. The King Abdullah initiative, launched in 2007, is a sweeping reform program designed to transform the Saudi education system and includes a strong emphasis on student centered learning and STEM education.

(iv) In May 2012, we entered into an agreement with Empire Relationship Group to gain exposure for PCS (PCSV:OB) to the investment community through various communications methods by placing its corporate story and profile in front of brokers and investors.

(v) In September 2012, we entered into an agreement with Investorials out of Boulder, Colorado for a short 2-3 minute video featuring PCS that was posted online, a 1,000+ word research report covering PCS and marketed to investors and well as other written articles circulated per month relevant to corporate or industry events.

(vi) During the 4th quarter of fiscal year ending March 31, 2013, PCS was in negotiations with Galileo Math and Science Magnet School as a desire to work together establishing a premier Science Technology Engineering and Math (STEM) laboratory within the Galileo school for joint use of the Partners for educational purposes; in May 2013 a Memo of Understanding was signed and a Summer Program was launched.

Distribution Methods of the Products or Services.

All products except the virtual labs produced by LabMentors are drop shipped from the manufacturer or shipped through a preferred provider from our warehouse to the specified customer. The virtual labs produced by LabMentors are delivered on the Internet through server farms located off-site.

Status of any Publicly Announced New Product or Service.

PCS continues to strengthen and develop the core line of STEM products and services.

From November of 2011 through March of 2012, PCS launched a series of pilot programs related to the learning center model in partnership with Sage International Charter School located in Boise in which we continued to manage and run a successful year during fiscal year ending March 31, 2013.

In Q4 of FY 2012 the primary development focus was the improvement and refining of key PCS Robotics products including the Robotics Educator Pack (REP) and the PCS Brain and Cortex programming environment.

December 2012 brought the creation of three new 12-day summer camps for Edison Schools.

In February 2013 we released a re-vised version of our Discover! E Kit. The small engineering kit offers 12 different engaging builds for grades 5-9 with sound concepts written by both an engineer and educator.

Competitive Business Conditions and the Small Business Issuer's Competitive Position in the Industry

and Methods of Competition.

The education industry is highly competitive, fragmented, and is rapidly evolving around the STEM disciplines. We expect the industry to continue to undergo significant and rapid technology change. The Nationwide economic difficulties are causing budget deficits, teacher layoffs, and program reductions, which may impede industry growth.

Competitors in the STEM marketplace include a variety of publishers, technical education companies and non-profit solution providers including VEX, Pitsco, LabVolt, Pasco, LEGO® Education, McGraw Hill and Project Lead the Way. These companies along with new entrants into the market may develop products and services and technologies superior to our products that may result in our products and services becoming less competitive. Many of the companies that are established or are entering the market have substantially greater financial, manufacturing, marketing, technical resources and established historical channels than we have and represent significant long-term competition. To the extent that these companies offer comparable products and services at lower prices or higher quality and more cost effective, our business could be adversely affected.

Potential Competitive Advantages.

We believe that we have and continue to develop certain additional competitive advantages that we will attempt to maximize in developing and implementing our business strategy.

<u>Experiential learning centers</u> - We believe the establishment of a network of experiential learning centers, based on our curriculum, products and expertise in afterschool programs, will yield us a significant competitive advantage through improved presence in key markets for both sales and support. The establishment of these centers, in addition to providing revenues from operations, creates a dynamic showroom that can be used for sales demonstrations, product training and support activities, and promotional events within the targeted community.

<u>Professional development</u> - Our BrickLab professional development institute conducted from 2008-2010 resulted in the successful deployment of this product into hundreds of Idaho elementary classrooms and the production of University authored research now available for educators and administrators through the American Association of Engineering Education (ASEE). This research documents the effectiveness of the Bricklab Institute in improving teacher attitudes and their comfort level in conducting STEM activities in the elementary classroom. The network of active

teachers also provides PCS with a strong community of program advocates from which PCS can leverage and expand the program. Since elementary teachers are typically more comfortable with language arts than STEM topics, the BrickLab Institute provides a proven solution to a prevalent problem for elementary principals across the country.

Robotics programs - Our PCS Robotics programs are specifically designed to accommodate needs in the education marketplace that were identified through years of experience with K12 robotics. The result is less expensive, more flexible robotics solution that has the ability to integrate into every robotic educator s classroom. Specific examples of this flexibility include a multi-level programming environment that naturally evolves in complexity to match the needs of the student, an open physical architecture that provides hooks for all major manipulative manufacturers including fischertechnik®, LEGO®, K NEX®, MINDS-i, VEX, erector, and even industry standard R/C components. The open physical architecture of our microcontroller and its basis on the highly popular Atmel AVR platform provides educators and robotic enthusiasts direct hardware access and the ability to use a variety of programming environments.

Our framework - Our unique experiential learning framework is designed for managing and facilitating non-formal education provides us with in-house capabilities unavailable through other channels. Initially designed over a decade ago, the PCS Merit System is a non-formal learning framework that provides flexibility, adaptability, and a variety of unique characteristics that create a highly effective pedagogical model unavailable elsewhere.

Forward looking processes - Our forward looking educational development processes include mapping our curriculum and products against future trends such as the upcoming Next Generation Science Standards, the Common Core, and the NAEP s mandated technology and engineering literacy assessment to be implemented nationwide in the US in 2014.

Our use of the Internet as a delivery and support mechanism for the programs - By leveraging our expertise in Internet technology, PCS believes it can achieve the following significant advantages: (1) a high level of program control and protection; (2) the building of a significant data model regarding program usage; and (3) a direct channel to our users who are migrating towards digital e-reading devices. Each of these advantages provides tangible long-term benefits to the Company.

Organic expansion of program offerings - After implementing and proving a successful program model, PCS believes it can leverage its high level of customer satisfaction to expand current and additional programs designed to integrate seamlessly into the already deployed sites. This creates a long-term growth strategy that includes new and residual sales to an ever-growing list of customers.

The flexibility of products and staff to align STEM solutions to multiple types of users - Our in-house intellectual capital has experience in a variety of educational environments and has demonstrated an ability to create highly effective solutions for specific niche markets. This extensive experience of almost 25 years in STEM education provides PCS with an advantage over competitors with less experience in STEM education.

PCS believes the contiguous nature of its products creates a system that provides a competitive advantage over other companies who may have single product offerings or products with no systemic approach or plan. This system begins at the PreK level and extends through college. School districts seeking a systemic approach to STEM education will find the PCS approach comprehensive.

Sources and Availability of Raw Materials and the Names of Principal Suppliers.

We currently do not manufacture the products that accompany our curriculum and are dependent on vendors for our supply of these products. We believe that efficient purchasing is a key factor in maintaining our competitiveness. The following is a list of vendors for our key products: I.B.A., MINDS-i, Fischertechnik, K NEX, Q-Smart Robot Technologies, Gratnells, Office Value and Ingram Micro.

Dependence on One or a Few Major Customers.

In general, PCS does not rely on one or a few major customers. However, PCS LabMentors has two major customers, Cengage Learning, previously known as Thomson Course Technology and DeVry whose revenue is greater than 10% of the total LabMentors revenue stream.

Patents, Trademarks, Licenses, Franchises, Concessions, Royalty Agreements or Labor Contracts, including Duration.

We seek to protect our technology, documentation, and other written materials under trade secret and copyright laws, which afford only limited protection. Generally, we enter into confidentiality and non-disclosure agreements with our key vendors and suppliers. At the present time, we have not applied for any patents, nor do we have any patents pending. We anticipate that our products will not be the type for which patent protection will be sought. However, we may file for patent protection on certain aspects of our proprietary technology in the future.

Currently we use the following registered and common-law trademarks: PCS & Design®, , Edventures! , PCS BrickLab®, PCS Academy of Science®, Academy of Robotics , Academy of Electronics , PCS Edventures!.com.®, , , Little Edventures , , New Learning for a New World®, Imagination in Education®, and PCS Academy of Engineering . We intend to evaluate continually the appropriateness of seeking registration of additional product names and trademarks as they evolve.

Our PCS & Design® mark (Registration No. 2,213,678) has been in use since at least as early as 1992 and has been a U.S. Registered Trademark since December 29, 1998. PCS Edventures!.Com® (Registration No. 2,511,642) has been in use since at least as early as June 1, 1996 and has been a U.S. Registered Trademark since November 27, 2001.

We applied for a U.S. trademark registration (application serial number #78/329,127) for PCS BrickLab® on November 17, 2003. PCS BrickLab® was registered on January 16, 2007 with Registration Number 3,198,009. PCS BrickLab® has been in use since at least as early as January 1, 2002.

We applied for a U.S. trademark registration (application serial number #78/841,293) for PCS STEPS® on March 20, 2006. PCS STEPS® was registered on May 22, 2007 with Registration Number 3,244,304. PCS STEPS® has been in use since at least as early as January 1, 2006.

We applied for a U.S. trademark registration (application serial number #77/184,052) for Imagination in Education® on May 17, 2007. Imagination in Education® was registered on August 5, 2008 with Registration Number 3,478,928. Imagination in Education® has been in use since at least as early as July 1, 2006.

We applied for a U.S. trademark registration (application serial number #77/184,043) for New Learning for a New World® on May 17, 2007. New Learning for a New World was registered on November 11, 2008 with Registration

Number 3,529,785. New Learning for a New World® has been in use since at least as early as July 1, 2006.

We applied for a U.S. trademark registration (application serial number #78/472600) for PCS Academy of Science® on August 24, 2004. PCS Academy of Science® was registered on September 1, 2009 with Registration Number 3,676,485. PCS Academy of Science® has been in use since at least as early as January 1, 2004.

We applied for U.S. Copyright Registration of Infusing Technology Digital Photography Lab: Elementary on August 4, 2008. Registration #TX6-863-245 was granted effective August 4, 2008. Infusing Technology Digital Photography Lab: Elementary date of first publication was March 26, 2008.

We applied for U.S. Copyright Registration of Infusing Technology Digital Photography Lab: Grades 1-6 on August 4, 2008. Registration #TX6-865-569 was granted effective August 4, 2008. Infusing Technology Digital Photography Lab: Grades 1-6 date of first publication was June 10, 2008.

We applied for U.S. Copyright Registration of Infusing Technology Digital Photography Lab: High School on August 4, 2008. Registration #TX6-964-151 was granted effective August 4, 2008. Infusing Technology Digital Photography Lab: High School date of first publication was May 7, 2008.

We applied for U.S. Copyright Registration of Digital Audio Lab Grades 1 through 6 Curriculum on October 14, 2008. Registration #TX6-881-690 was granted effective October 14, 2008. Digital Audio Lab Grades 1 through 6 Curriculum date of first publication was October 1, 2008.

Although we believe that our products have been independently developed and that we do not infringe on any third party rights, third parties may, in the future, assert infringement claims against us. We may be required to modify our products, trademarks, and/or technology or to obtain licenses to permit our continued use of those rights. We may not be able to do so in a timely manner or upon reasonable terms and conditions and as such failure to do so could irreparably harm the Company and/or our operating results.

We currently have curriculum royalty agreements with GibsonTech. The agreement with Gibson Tech, which was renewed in FY2012, is for cash royalty payments based on sales of our PCS Academy of Electronics product. An agreement with Jackie DeLuna, that was for cash royalty payments based on sales of our Digital Photography lab product(s) expired March 31, 2012.

Need for any Government Approval of Principal Products or Services.

None, not applicable.

Effect of Existing or Probable Governmental Regulations on the Business.

Exchange Act.

We are subject to the following regulations of the Securities Exchange Act of 1934, as amended (the Exchange Act), and applicable securities laws, rules and regulations promulgated under the Exchange Act by the Securities and Exchange Commission (the SEC). Compliance with these requirements of the Exchange Act also substantially increases our legal and accounting costs.

Smaller Reporting Company.

We are subject to the reporting requirements of Section 13 of the Exchange Act, and subject to the disclosure requirements of Regulation S-K of the SEC, as a smaller reporting company. That designation will relieve us of some of the informational requirements of Regulation S-K.

Sarbanes-Oxley Act.

We are also subject to the Sarbanes-Oxley Act of 2002. The Sarbanes-Oxley Act created a strong and independent accounting oversight board to oversee the conduct of auditors of public companies and strengthens auditor independence. It also requires steps to enhance the direct responsibility of senior members of management for financial reporting and for the quality of financial disclosures made by public companies; establishes clear statutory rules to limit, and to expose to public view, possible conflicts of interest affecting securities analysts; creates guidelines for audit committee members appointment, compensation and oversight of the work of public companies auditors; management assessment of our internal controls; prohibits certain insider trading during pension fund blackout periods; requires companies and auditors to evaluate internal controls and procedures; and establishes a federal crime of securities fraud, among other provisions. Compliance with the requirements of the Sarbanes-Oxley Act substantially increases our legal and accounting costs.

Reporting Obligations.

Section 14(a) of the Exchange Act requires all companies with securities registered pursuant to Section 12(g) of the Exchange Act to comply with the rules and regulations of the SEC regarding proxy solicitations, as outlined in Regulation 14A. Matters submitted to stockholders of our Company at a special or annual meeting thereof or pursuant to a written consent will require our Company to provide our stockholders with the information outlined in Schedules 14A or 14C of Regulation 14; preliminary copies of this information must be submitted to the SEC at least 10 days prior to the date that definitive copies of this information are forwarded to our stockholders.

We will also be required to file annual reports on Form 10-K and quarterly reports on Form 10-Q with the SEC on a regular basis, and will be required to timely disclose certain material events (e.g., changes in corporate control; acquisitions or dispositions of a significant amount of assets other than in the ordinary course of business; and bankruptcy) in a Current Report on Form 8-K.

Cost and Effects of Compliance with Environmental Laws.

None, not applicable.

Number of Total Employees and Number of Full Time Employees.

We employ approximately thirteen full-time employees, while our LabMentors subsidiary has three full-time employees. Premiere Science Inc does not currently have any active operations and does not employ any employees at this time. We will hire part-time and additional full-time employees on an as-needed basis. We have not experienced a shortage of qualified employees. None of our employees are a party to a collective bargaining unit and we believe that our relationship with our employees is good.

Item 1A - Risk Factors.

Smaller reporting companies are not required to provide this information; however, you should be aware that an investment in the Company is highly speculative and subject to numerous risks. You should consider the following most notable risk factors together with all the other information contained in this Annual Report on Form 10-K before making an investment decision with respect to our common stock. This list is not to be considered all inclusive.

Risks Related to our Business.

Ability to Raise Capital

We have a history of significant operating losses and may not be able to achieve sustained profitability if we are unable to increase revenue from our new products and marketing efforts. To achieve sustained profitability, we will need to implement changes to existing business processes and improve our cost cutting efforts in addition to driving revenue growth. This history of operating losses could impede our future ability to raise capital.

Potential Loss of Intellectual Property

The company has pledged its Intellectual Property as collateral for notes payable as discussed in Note 8. Risk of loss of the underlying IP exists should the Company default on these notes.

Education Funding

The education market is heavily dependent on support from federal, state and local governments. These government agencies have realized budget cuts and the government appropriations process is often slow and unpredictable. Funding difficulties can negatively impact our ability to increase revenue.

International Expertise

Our attempt to enter international markets introduces political and cultural risk. As a small company, we do not have extensive experience in international business arrangements and will need to rely on certain outside expertise which can be costly.

Item 1B-Unresolved Staff Comments.

None.

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Item 2. Property.

Location.

The Company leases its Principal executive offices in Boise, Idaho. These offices consist of approximately 7,300 square feet of office space. Rent obligations are currently $10,266/month under a non-cancelable operating lease that expired May 31, 2012. The lease was extended effective June 1, 2012, at a rate of $8,680/month for 13 months. The company is evaluating whether or not it will continue to lease space at its current location at the conclusion of the extended lease period. The intention is to extend again effective June 1, 2013, at a rate of $8,680/month for 13 months.

The Company leases additional warehouse space in Boise, Idaho. This warehouse space consists of approximately 2,880 square feet. Rent obligations are approximately $1,400/month under a non-cancelable operating lease that expired June 30, 2012. The lease was extended effective July 1, 2012, at a rate of $1,325/month for 24 months.

Effective October 2010 LabMentors entered into a five year office lease. This lease was cancelled effective July 1, 2012, which resulted in a penalty for early termination of the lease equal to three months rent. The Company was able to obtain a new, fully furnished office at the National Research Council facility effective July 1, 2012. The new lease is a three year commitment to be paid in Canadian dollars each month. Lease payments are $395 per month CAD, before 13% tax, for the first nine months, then increases annually over the three-year term with payments for the final three months of the term being $558 per month CAD, before tax. The move was initiated as part of cost savings efforts being implemented within LabMentors and reduces the monthly lease payments.

Investment Policies.

None.

Description of Real Estate and Operating Data.

None.

Item 3. Legal Proceedings.

(i) On January 3, 2012, the U.S. District Court for the District of Idaho signed the Final Judgment in the Securities and Exchange Commission (the SEC) case pursuant to the Consent that the Company and Mr. Anthony Maher, its former CEO, had previously executed. Without admitting or denying the allegations of the Complaint, the Company and Mr. Maher consented to the entry of the Final Judgment which, among other things: permanently restrained and enjoined the Company from violations of, and permanently restrained and enjoined Mr. Maher from aiding and abetting violations of, Section 13(a) of the Securities Exchange Act of 1934 (the Exchange Act) and Rules 12b-20, 13a-1, and 13a-11 thereunder; permanently restrained and enjoined Mr. Maher from violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder; permanently restrained and enjoined Mr. Maher from violations of Section 13(a) of the Exchange Act and Rule 13a-14 thereunder; barred Mr. Maher from serving as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act, as amended, or that is required to file reports pursuant to Section 15(d) of the Exchange Act, for a period of five years from the date of the entry of the Final Judgment; and ordered Mr. Maher to pay a civil penalty in the amount of $100,000 to be paid in equal quarterly amounts of $25,000. There were no monetary sanctions imposed against the Company.

(ii) <u>Class Action Lawsuit</u>: The Company, along with its former CEO and former CFO, was named in a class action lawsuit (<u>Niederklein v. PCS Edventures!.com, Inc., et al.</u>, U.S. District Court for the District of Idaho, Case 1:10-cv-00479-CWD). The class action was brought on behalf of shareholders who purchased shares of the Company s common stock during the period between March 28, 2007 and August 15, 2007. In September, the Company announced that it had entered into an agreement to settle the class action lawsuit, subject to further proceedings and approval by the Court. While the Company denies the allegations made in the class action lawsuit, the settlement was entered to eliminate the burden and expense of further litigation. On October 5, 2011, the Court granted preliminary approval to the

settlement, and approved the notices that were sent to potential class members. At the Settlement Fairness Hearing on February 22, 2012, the Court gave final approval to the settlement and entered the Final Judgment and Order of Dismissal With Prejudice. The class action was settled for $665,000 with the Company s insurance carrier providing most of the settlement funds. In accordance with the Court ordered settlement, all settlement funds were paid on or before February 29, 2012.

Item 4. Mine Safety Disclosures

None.

PART II

Item 5. Market for Common Equity, Related Stockholder Matters and Small Business Issuer Purchases of Equity Securities.

Market Information.

Our common stock is presently quoted on the OTC Bulletin Board of the NASD under the symbol PCSV as discussed below. No assurance can be given that the market for our common stock will continue in the future or will be maintained. The possible sale of restricted securities (common stock) pursuant to Rule 144 of the SEC held by members of management or others could have a substantial adverse impact on this market. The range of high and low bid quotations for our common stock during each quarter of our past two fiscal years is shown below. Prices are inter-dealer quotations as reported by the NQB, LLC, and do not necessarily reflect transactions, retail markups, markdowns, or commissions.

Stock Quotations.

Holders.

As of March 31, 2013, we had approximately 250 stockholders of record through our transfer agent. This figure does not include an indeterminate number of stockholders who may hold their shares in a street name.

Dividends.

We have not paid any cash dividends since our inception and do not anticipate or contemplate paying dividends in the foreseeable future. It is the present intent of management to utilize all available funds for the development of our business.

Securities Authorized for Issuance Under Equity Compensation Plans.

On August 27, 2009, the Board of Directors adopted and the shareholder s approved the PCS Edventures!.com, Inc. 2009 Equity Incentive Plan (2009 Plan). The 2009 Plan was designed to replace the existing 2004 Nonqualified Stock Option Plan (2004 Plan). The 2009 Plan provides for the grant of various types of equity instruments, including grants of restricted and unrestricted PCS common stock as well as options and other types of awards. The 2009 Plan was implemented to align the interests of the Company s employees with those of the shareholders and to motivate, attract, and retain its employees and provide an incentive for outstanding performance.

	Number of Securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans excluding securities reflected in column (a) (c)
Equity compensation plans approved by security holders	2,624,966	$ 0.41	2,261,129
Equity compensation plans not approved by security holders	-	$ -	-
Total	2,624,966	$ 0.41	2,261,129

On April 4, 2012, the Board adopted and the shareholders approved an Amendment to an increase in the number of shares of common stock available for grants, incentive or other purposes under the Company s 2009 Equity Incentive Plan from 4,000,000 shares to 8,000,000 shares.

Recent Sales of Unregistered Securities

During the last three years, we sold the securities listed below in unregistered transactions. Each of the sales was sold in reliance on the exemption provided for in Section 4(2) of the Securities Act of 1933, as amended (the Securities Act). No underwriting fee or other compensation was paid in connection with the issuance of shares.

Name of Person or Group	Number of Shares	Consideration	Note
* Consultants	735,480	$ 118,247	1
Legal Consultants	1,013,677	88,187	2
Private Investors	1,785,414	608,000	3
Private Investors: Warrants	260,000	39,000	4
Private Investor: Note Conversions	2,535,001	97,296	5
*Employees: Benefits	1,237,828	173,852	6
*Employees: Bonus	768,002	80,635	7
*Employee Options: cash	-	-	8
*Employees Options: cashless	-	-	9
*Board of Directors: RSU s	582,354	240,000	10
	8,917,756	$ 1,445,217	

* Issued as Restricted Securities under the 2009 Equity Incentive Plan.

1.

Shares issued to consultants for services:

	Shares			Value		
	Fiscal Year			Fiscal Year		
	2011	2012	2013	2011	2012	2013
Q1	12,624	56,339	50,400	$ 11,415	$ 16,134	$ 2,520
Q2	23,210	111,550	66,350	14,060	21,800	3,980
Q3	43,798	218,253	-	11,565	22,575	-
Q4	67,606	85,350	-	9,698	4,500	-

2.

Shares issued for legal services:

	Shares			Value		
	Fiscal Year			Fiscal Year		
	2011	2012	2013	2011	2012	2013
Q1	-	10,361	230,627	$ -	$ 3,906	$ 11,531
Q2	10,961	53,627	233,067	7,422	10,396	10,681
Q3	28,303	131,322	-	6,879	10,827	-
Q4	17,723	101,061	196,625	2,531	5,932	18,082

3.

Shares issued to private investors for cash purchase:

	Shares			Value		
	Fiscal Year			Fiscal Year		
	2011	2012	2013	2011	2012	2013
Q1	750,000	80,000	-	$ 450,000	$ 8,000	$ -
Q2	-	-	-	-	-	-
Q3	955,414	-	-	150,000	-	-
Q4	-	-	-	-	-	-

4. Shares issued to private investors for the purchase of warrants:

	Shares Fiscal Year 2011	2012	2013	Value Fiscal Year 2011	2012	2013
Q1	-	-	-	$ -	$ -	$ -
Q2	-	-	-	-	-	-
Q3	-	260,000	-	-	39,000	-
Q4	-	-	-	-	-	-

5. Shares issued to private investors for the conversion of promissory note:

	Shares Fiscal Year 2011	2012	2013	Value Fiscal Year 2011	2012	2013
Q1	-	-	-	$ -	$ -	$ -
Q2	-	-	1,330,210	-	-	63,496
Q3	-	-	1,204,791	-	-	33,800
Q4	-	-	-	-	-	-

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6. Shares issued to employees for benefits:

	Shares			Value		
	Fiscal Year			Fiscal Year		
	2011	2012	2013	2011	2012	2013
Q1	25,415	66,843	48,522	$ 20,434	$ 18,514	$ 2,426
Q2	31,090	167,524	85,574	19,147	32,449	4,726
Q3	54,940	419,833	-	17,452	29,703	-
Q4	114,478	223,609	-	17,614	11,387	-

7. Shares issued to employees for bonuses:

	Shares			Value		
	Fiscal Year			Fiscal Year		
	2011	2012	2013	2011	2012	2013
Q1	16,308	-	200,000	$ 14,102	$ -	$ 22,000
Q2	9,538	-	398,343	5,723	-	21,401
Q3	10,000	-	-	2,000	-	-
Q4	46,151	27,662	60,000	6,000	5,809	3,600

8. Shares issued to employees for the purchase of options for cash:

	Shares			Value		
	Fiscal Year			Fiscal Year		
	2011	2012	2013	2011	2012	2013
Q1	-	-	-	$ -	$ -	$ -
Q2	-	-	-	-	-	-
Q3	-	-	-	-	-	-
Q4	-	-	-	-	-	-

9. Purchase of options by employees in a cashless transaction:

	Shares			Value		
	Fiscal Year			Fiscal Year		
	2011	2012	2013	2011	2012	2013
Q1	-	-	-	$ -	$ -	$ -

Q2	-	-	-	-	-	-
Q3	-	-	-	-	-	-
Q4	-	-	-	-	-	-

10. Shares issued to Company s Board of Directors for Restricted Stock Units:

	Shares	Fiscal Year		Value	Fiscal Year	
	2011	2012	2013	2011	2012	2013
Q1	-	-	-	$ -	$ -	$ -
Q2	-	176,472	-	-	90,000	-
Q3	-	-	300,000	-	-	60,000
Q4	105,882	-	-	90,000	-	-

Securities Act of 1933, as amended (the Securities Act) Registration Exemption Relied Upon

Unless otherwise exempt from registration under the Securities Act of 1933, as amended (the Securities Act), we issued these securities to persons who were either accredited investors or sophisticated investors as those terms are respectively defined in Rules 501 and 506 of the SEC; and each person had prior access to all material information about us. We believe that the offer and sale of these securities was exempt from the registration requirements of the Securities Act pursuant to Sections 4(2) and 4(6) thereof, and Rule 506 of Regulation D of the Securities Exchange Commission. Section 18 of the Securities Act preempts state registration requirements for sales to these classes of persons, save for compliance with state notice and fee requirements, as may be applicable. Shares issued under the 2009 Plan have been registered on Form S-8 of the SEC; however, in many instances, shares issued or granted under the 2009 Plan were issued as restricted securities under Board of Director resolutions as indicated above.

Use of Proceeds of Registered Securities

There were no proceeds received during the fiscal year ended March 31, 2013, from the sale of registered securities.

Purchase of Equity Securities by Us and Affiliated Purchasers

During the year ended March 31, 2013, the Company made no purchases of its outstanding equity securities.

Purchases of Equity Securities by the Small Business Issuer and Affiliated Purchasers.

None, not applicable.

Item 6. Selected Financial Data.

None, not applicable.

Item 7. Management's Discussion and Analysis or Plan of Operation.

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

Except for historical facts, all matters discussed in this report, which are forward-looking, involve a high degree of risk and uncertainty. Certain statements in this report set forth management s intentions, plans, beliefs, expectations, or predictions of the future based on current facts and analyses. When we use the words believe , expect , anticipate estimate , intend or similar expressions, we intend to identify forward-looking statements. You should not place undue reliance on these forward-looking statements. Actual results may differ materially from those indicated in such statements, due to a variety of factors, risks and uncertainties. Potential risks and uncertainties include, but are not limited to, competitive pressures from other companies within the Educational Industries, economic conditions in the Company s primary markets, exchange rate fluctuation, reduced product demand, increased competition, inability to produce required capacity, unavailability of financing, government action, weather conditions and other uncertainties, including those detailed in the Company s SEC filings. The Company assumes no duty to update forward-looking statements to reflect events or circumstances after the date of such statements.

The following discussion should be read in conjunction with Item 1A, Risk Factors of this report beginning on page 18 and our audited consolidated financial statements and notes thereto contained in Item 8, Consolidated Financial Statements and Supplementary Data of this report.

Plan of Operation.

In fiscal year 2014, PCS will expand its commitment to the research and development of PreK-16, brain-based learning programs in Science, Technology, Engineering and Math (STEM) that embed 21st century thinking skills and new technologies through the deployment of Centers for STEM Education starting in Boise, Idaho. PCS implemented a new Strategic Business Unit (SBU) and subsidiary structure that targeted sales efforts to the following markets:

1) K6 programs for the elementary classroom

2) Tech Ed programs for grades 6-12

3) Afterschool programs

4) Services that provide K-16 educational solutions for the international market

5) Virtual labs for community colleges and universities

Fiscal year 2013 was the third year of implementation of the K6 and Tech Ed SBUs and saw PCS programs becoming well accepted in the core classroom market as evidenced by our presence in over 350 Idaho classrooms, classroom deployments of our programs in Texas, Illinois Florida, California, Maryland, and many other states. Despite the challenges presented by a discouraging economy and school budget landscape, we feel we have clearly demonstrated our ability to move beyond the afterschool market. Additional progress was made in terms of establishing district and university relationships, expanding the pilot programs, compiling research, developing grant partnerships, and refining the products and services for the classroom through continued application and testing.

During fiscal year 2014 we will continue to build upon the SBU foundations established in FY2012 and drive toward the establishment of synergies between these SBUs. This will include a more focused approach to our web-based marketing efforts and tightened sales processes. The PCS Centers for STEM Learning was a key strategic addition to our plan in FY2013 as they will serve the following purposes: 1) R&D test bed for product improvement and refinement; 2) Revenue generation through afterschool and summer course fees. This course revenue stream will be more predictable and consistent compared to the seasonal revenues associated with education budgets; 3) The centers will serve as showrooms for PCS products in strategic locations and key districts around the country. We believe this will provide PCS with significant competitive advantages over other solution providers since administrators and educators can visit local centers for support, training, and demonstrations of our products in action; 4) Revenues from experiential retail. We believe e-commerce sales of kits associated with STEM learning targeting the families of students attending the courses will provide a boost in Q3 revenues to offset low education sales traditionally anticipated during this time frame.

To capitalize on the expansion of the Learning Centers, we are actively pursuing funding vehicles such as private equity and licensing arrangements. Our plan to refine operations in our first center in Boise was successful. We plan to deploy a second program in Eagle Idaho in during FY2014, and a third in a yet to be determined market. The establishment of this initial network of centers will enable more rapid expansion in FY2014 and beyond. We believe the strategic deployment of PCS Learning Centers to be a viable and sound approach based on our initial trial programs.

Management's Discussion and Analysis of Financial Condition and Results of Operation.

Operating Results - Overview.

Fiscal year ended March 31, 2013 resulted in a net loss of ($662,465) as compared to the net loss during the fiscal year ended March 31, 2012 of ($1,966,526). This is a decrease in net loss of $1,304,061, or approximately 66%, from the net loss for the fiscal year ended March 31, 2012. The Basic Loss per Share for fiscal year 2013 and 2012 was ($0.01) and ($0.05), respectively. Details of changes in revenues and expenses can be found below. The impairment charge on LabMentors goodwill, intangibles and fixed assets accounted for $322,291 of the loss in fiscal year 2012.

Operating Results Revenues.

Consolidated revenues for the twelve-month period ended March 31, 2013, were $2,934,598, an increase of $604,933 or 26%, as compared to $2,329,665 for the twelve-month period ended March 31, 2012. The increase in consolidated revenues is due to the parent company s increase in revenue of $777,766. This increase was primarily due to an order we received from a customer for implementation of robotics labs into several after-school sites. PCS s subsidiary, LabMentors, experienced a decrease in revenue of 52% because of a decrease in sales activity from its main customer.

Operating Results Cost of Goods Sold/Cost of Sales.

Consolidated cost of goods sold for the twelve-month period ended March 31, 2013, increased $276,276 or 25% to $1,367,861 as compared to $1,091,585 for the twelve-month period ended March 31, 2012. The increase was mainly due to fulfilling the orders associated with the additional revenues generated during the fiscal year. Included in PCS cost of goods sold are variable costs including sales commissions, shipping expenses and product royalty payments. In addition, LabMentors has minimal variable costs. Cost of goods sold for FY2013 as a percent of revenues was consistent with FY2012 at 47%.

Operating Results Operating Expenses.

Operating expenses for the twelve-month period ended March 31, 2013, decreased by ($908,806) (31%) to $2,005,314 as compared to $2,914,120 for the twelve-month period ended March 31, 2012. The table below identifies the year over year changes:

	Fiscal Year ended March 31, 2013	
Option Warrant expense	($160,938)	(1)
Salaries	(218,840)	(2)
Contract labor	(78,572)	(3)
Employee Insurance Benefits	(30,062)	(4)
Depreciation	(114,197)	(5)
Marketing	(27,623)	(6)
Legal	(39,971)	(7)
Learning Center Overhead	70,950	(8)
Public Relations	24,753	(9)
Office Rent	(29,395)	(10)
Board Compensation	(22,500)	(11)
Impairment of Goodwill	(202,688)	(12)
Other, net	(79,723)	
	($908,806)	

1)

Option Warrant expense decreased due to older grants expiring and fully vesting.

2)

Salaries decrease due to reduced headcount and lower salaries for the positions that have turned over.

3)

Contract labor decreased due to termination of the relationship with the public relations firm and business development consultant.

4)

Employee insurance benefits decreased due to larger portions being paid by employees.

5)

Depreciation decreased due to full impairment recorded on LabMentors assets in Q4 FY2012.

6)

Marketing costs decreased due to fewer trade shows attended and fewer lead generation campaigns.

7)

Decrease in legal expense due to negotiated settlement with insurance carrier as related to the SEC investigation.

8)

Learning Center Overhead is related to the Learning Center that started up in spring 2012, thus no prior year expense.

9)

Public Relations expense increased due to the cost of a public relations firm that was retained on a contract basis during the period as well as additions such as Money TV.

10)

Rent expense decreased due to negotiations at lease expirations.

11)

Board Compensation decreased due to the board s willingness to decrease annual compensation from $30,000 each to $15,000 each in order to conserve cash.

12)

Impairment of intangible assets pertaining to the education software acquired with and subsequently developed at LabMentors

Operating Results Other Income/Expenses.

Total other income (expense) for fiscal years 2013 and 2012 was ($223,888) and $(290,486) a change of 23%, respectively. The change was primarily due to a decrease in interest expense in FY2013 pertaining to the reduction of debt discounts and amortization of warrants relating to financing during the fiscal year.

Liquidity.

As of the fiscal year ended March 31, 2013, we had $247,246 in cash, with total current assets of $499,333 and total current liabilities of $1,445,518. We have an accumulated deficit of ($37,208,971) and shareholder s equity of ($973,031).

The Company has a working capital deficit of $946,185 at March 31, 2013. The working capital deficit for the fiscal year ended March 31, 2012 was $897,938. The Company has a current ratio at March 31 of 0.35 and 0.37 for fiscal years 2013 and 2012, respectively. This decrease in liquidity was due primarily to the fiscal year 2013 net loss which was partially financed through short term debt and minimal equity financing.

Critical Accounting Policies.

Estimates.

Our discussion herein and analysis thereof is based upon our financial statements in Item 7 below, which have been prepared in accordance with Generally Accepted Accounting Principles of the United States (GAAP). The preparation of these statements requires management to make estimates and best judgments that affect the reported amounts. See Note 4 contained in Item 7 for additional discussions of these and other accounting policies and disclosures required by GAAP.

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 fiscal year ended March 31, 2013, the Company had sales to one major customer that accounted for 27% of total consolidated revenue. See Note 4 to the financial statements for additional information.

Fair Value of Financial Instruments.

The Company includes fair value information in the notes to financial statements when the fair value of its financial instruments is different from the book value. When the book value approximates fair value, no additional disclosure is made.

Foreign Currency Translation.

The functional currency of the Company is the U.S. dollar. The Company s financial statements include translations for the LabMentors subsidiary, which are maintained in Canadian 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 period. 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 the financial accounting standard pertaining to the 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 that were translated at the exchange rate at the end of the period.

Educational Software.

The Company's inventory consists partially of internally developed education computer programs and exercises to be accessed on the Internet. In accordance with the financial accounting standard pertaining to internally developed software, the costs associated with research and initial feasibility of the programs and exercises are expensed as incurred. Once economic feasibility has been determined, the costs to develop the programs and exercises are capitalized until they are ready for sale and access and are reported at the lower of unamortized cost or net realizable value. Capitalized program and exercise inventory are amortized on a straight-line basis over the estimated useful life of the program or exercise, generally 24 to 48 months.

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 generally accepted accounting principles 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 sale. Costs incurred thereafter to maintain the delivery and access platform are expensed as incurred. These capitalized costs were amortized on a straight-line basis over the estimated useful life of the Company s delivery and access platform that was determined to be 60 months. As of March 31, 2012 Intellectual Property was fully amortized.

Property and Equipment.

Property and equipment are recorded at cost and are being depreciated for financial accounting purposes on the straight-line method over their respective estimated useful lives ranging from three 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.

Goodwill and Intangible Assets.

We recorded our acquisition of LabMentors in accordance with the financial accounting standards issued by the FASB. We allocate the cost of acquired companies to the tangible and identified intangible assets and liabilities acquired with the remaining amount being recorded as goodwill. Certain intangible assets, such as acquired technology, are amortized (see Intellectual Property above).

The most recent acquisition did not have significant tangible assets, and, as a result, the majority of the purchase price was allocated to goodwill, which increases the potential for impairment charges that we may incur in the future.

We account for goodwill and other intangible assets in accordance with the financial accounting standards issued by the FASB pertaining to Goodwill and Other Intangible Assets. Under this standard, goodwill and intangible assets with indefinite lives are not amortized to expense and must be reviewed for impairment annually or more frequently if events or changes in circumstances indicate that impairment might have occurred. These events could include a significant change in the business climate, legal factors, a decline in operating performance, competition, sale or disposition of a significant portion of the business, or other factors. Specifically, goodwill impairment is determined using a two-step process. The first step used to identify potential impairment is the comparison of the fair value of the item with its carrying amount, including goodwill and intangible assets with indefinite lives. We operate as one company, and, therefore, compare our book value to market value, which management must determine upon review based on similar transactions. If our fair value exceeds our book value, our goodwill is considered not impaired and the second step of the impairment test is unnecessary. If the book value exceeds the fair value, the goodwill is considered to be impaired and management must measure the amount of impairment loss, if any. For the measurement step, if the carrying amount of the goodwill exceeds the estimated fair value of the goodwill, an impairment loss would be recognized in an amount equal to that excess. The fair value estimate requires that future cash flows relating to the acquisition, in this case, be forecasted. These forecasts require management to make assumptions on the future sale of current and future products and services, future market conditions, technological advances, future growth rates, and discount rates utilized. Any loss recognized cannot exceed the carrying amount of the goodwill. After an impairment loss is recognized, the adjusted carrying amount of goodwill is its new accounting basis. The Company s evaluation of goodwill and intangible assets completed at March 31, 2012, resulted in a full impairment. This impairment was recorded as an operating expense of $202,688 with respect to the goodwill. As of March 31, 2012, amortizable intangible assets were comprised of educational software being amortized over the estimated useful life of the program or exercise, generally 24 to 48 months. The Company recognized $92,468 of impairment of intangible assets pertaining to the education software acquired with and subsequently developed at LabMentors. Due to the impairment at March 31, 2012, the entire balance of intangible assets was amortized and no additions occurred during the fiscal year ended March 31, 2013.

Despite the goodwill and intangible asset impairments described, the Company s Lab Mentors subsidiary has continuing operations and continues to produce revenue.

Options/Warrants and Shares Issued for Services.

On January 1, 2006, the Company adopted the accounting standard pertaining to Accounting for Stock Based Compensation, which establishes accounting for stock-based payment transactions for employee services and goods and services received from non-employees. The Company is required to recognize expense of options or similar equity instruments issued to employees using the fair-value-based method of accounting for stock-based payments. This standard covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans. Application of this pronouncement requires significant judgment regarding the assumptions used in the selected option pricing model, including stock price volatility and employee exercise behavior. Most of these inputs are either highly dependent on the current economic environment at the date of grant or forward-looking over the expected term of the award.

The Company accounts for shares issued to employees and others based upon the prior day closing price of our common stock as of grant date.

Acquisitions.

Our strategy is to investigate companies and/or assets for acquisition that continue to increase our product depth, market penetration, and synergies within the Company. The Company has made no acquisitions over the last three years.

Off-Balance Sheet Arrangements.

We do not have any off-balance sheet arrangements as of March 31, 2013.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

None, not applicable.

Item 8. Financial Statements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors

PCS Edventures!.com, Inc. and Subsidiary

Boise, Idaho

We have audited the accompanying consolidated balance sheets of PCS Edventures!.com, Inc. and Subsidiary (the Company) as of March 31, 2013 and 2012 and the related statements of operations, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting.

Accordingly, we express no such opinion. An audit 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 PCS Edventures!.com, Inc. and Subsidiary as of March 31, 2013 and 2012 and the results of its operations and cash flows for the periods described above in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has suffered reoccurring losses and negative cash flow from operations, both of which raise substantial doubt about its ability to continue as a going concern. Management s plans regarding those matters also are described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ M&K CPAS, PLLC

www.mkacpas.com

Houston, Texas

June 28, 2013

PCS EDVENTURES!.COM, INC. AND SUBSIDIARY
Consolidated Balance Sheets (USD $)

	As of March 31, 2013	2012
CURRENT ASSETS		
Cash	$ 247,246	$ 15,780
Accounts receivable, net of allowance for doubtful accounts of $2,669 and $4,805, respectively	119,840	362,748
Prepaid expenses	36,386	58,309
Finished goods inventory	93,717	55,335
Other receivable	2,144	26,616
Total Current Assets	499,333	518,788
FIXED ASSETS, net of accumulated depreciation of $253,397 and $234,682, respectively	38,177	56,892
OTHER ASSETS		
Mold Cost	19,107	15,868
Deposits	7,371	7,822
Total Other Assets	26,478	23,690
TOTAL ASSETS	$ 563,988	$ 599,370
CURRENT LIABILITIES		
Accounts payable and other current liabilities	$ 486,363	$ 459,672
Payroll liabilities payable	33,851	100,967
Accrued expenses	136,359	103,770
Deferred revenue	83,756	117,314
Note payable, convertible, net of discount	185,000	185,000
Note payable, convertible, related party, net of discount	80,000	30,000
Note payable, related party, net of discount	408,129	383,668
Lines of credit payable	32,061	36,335
Total Current Liabilities	1,445,519	1,416,726
Notes payable, related party, long term	25,000	-
Notes payable, convertible, related party, long term	66,500	-
Total Liabilities	1,537,019	1,416,726
STOCKHOLDERS' EQUITY		
Preferred stock, no par value, 20,000,000 authorized shares,		

no shares issued and outstanding		-		-
Common stock, no par value, 90,000,000 authorized shares, 49,293,845 and 44,889,336 shares issued and outstanding, respectively		36,199,846		35,630,855
Stock payable		40,640		93,741
Accumulated comprehensive loss		(4,546)		4,554
Accumulated deficit		(37,208,971)		(36,546,506)
Total Stockholders' Equity		(973,031)		(817,356)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	563,988	$	599,370

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

PCS EDVENTURES!.COM, INC. AND SUBSIDIARY
Consolidated Statements of Operations (USD $)

	For the years ended March 31, 2013	2012
REVENUES		
Lab revenue	$ 2,912,129	$ 2,286,956
License revenue	22,469	42,709
Total Revenues	2,934,598	2,329,665
COST OF SALES	1,367,861	1,091,585
GROSS PROFIT	1,566,737	1,238,080
OPERATING EXPENSES		
Salaries and wages	1,064,356	1,221,611
Depreciation and amortization expense	18,715	137,989
Impairment of long lived assets	-	119,603
Impairment of goodwill	-	202,688
General and administrative expenses	922,243	1,232,229
Total Operating Expenses	2,005,314	2,914,120
OPERATING LOSS	(438,577)	(1,676,040)
OTHER INCOME AND (EXPENSES)		
Interest income	-	128
Interest expense	(156,925)	(274,114)
Other income	5,894	50,746
Other expense	5,551	(67,246)
Other expense derivative	(78,408)	-
Total Other Income and Expenses	(223,888)	(290,486)
NET LOSS	(662,465)	(1,966,526)
Foreign currency translation	(9,100)	(8,866)
NET COMPREHENSIVE LOSS	$ (671,565)	$ (1,975,392)
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ (671,565)	$ (1,975,392)
Loss per Share Basic and Diluted	$ (0.01)	$ (0.05)
Weighted Average Number of Shares Outstanding, Basic and Diluted	47,264,151	43,588,970

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

PCS EDVENTURES!.COM, INC.
Consolidated Statements of Stockholders' Equity (Deficit) (USD $)

	# of Common Shares O/S		Capital Stock		Stock Payable		Accumulated Deficit	Other Comprehensive Income		Total Stockholders' Equity
Balance at 03/31/2011	42,699,529	$	35,007,464	$	74,418	$	(34,579,980)	$ 13,420	$	515,322
Common stock for services	1,673,335		193,932		27,323					221,255
Common stock for RSU's	176,472		38,824							38,824
Warrants issued for debt	-		90,211							90,211
Exercise of Warrants, shares	260,000		39,000							39,000
Option Expense			147,058							147,058
Common Stock for Cash	80,000		8,000		(8,000)					
Debt discount			106,366							106,366
Foreign currency translation								(8,866)		(8,866)
NET LOSS							(1,966,526)			(1,966,526)
Balance at 03/31/2012	44,889,336		35,630,855		93,741		(36,546,506)	4,554		(817,356)

Common Stock for services	911,165	53,944				53,944
Common Stock for bonuses	658,343	47,001	(26,101)			20,900
Common Stock for RSU's	300,000	81,000	(27,000)			54,000
Conversion of notes payable	2,535,001	97,296				97,296
Option Expense		82,700				82,700
Change in derivative liability		190,837				190,837
Debt Discount		7,977				7,977
Extension of warrants		8,236				8,236
Foreign currency translation					(9,100)	(9,100)
NET LOSS				(662,465)		(662,465)
Balance at 03/31/2013	49,293,845	$ 36,199,846	$ 40,640	$ (37,208,971)	$ (4,546)	$ (973,031)

PCS EDVENTURES!.COM, INC. AND SUBSIDIARY
Consolidated Statements of Cash Flows (USD $)

	For the years ended March 31,	
	2013	**2012**
CASH FLOWS FROM OPERATING ACTIVITIES		
NET LOSS	$ (662,465)	$ (1,966,526)
Adjustments to reconcile net loss to net cash provided (used) by operating activities		
Deemed dividend	8,236	-
Change in fair value of derivative liability	78,408	-
Debt discount amortization	94,335	231,973
Depreciation and amortization expense	18,715	137,989
Common stock issued for services	128,847	165,725
Amortization of fair value of stock options	82,700	147,058
(Gain)/Loss on stock issued for services and compensation	-	(36,413)
Stock payable for services	-	131,241
Warrants issued for debt	-	90,211
Impairment of long lived assets	-	119,603
Impairment of goodwill	-	202,688
Increase (Decrease) in inventory reserve		(5,837)
(Increase) decrease in accounts receivable	242,908	(99,849)
(Increase) decrease in prepaid expenses	21,923	(15,388)
(Increase) decrease in inventories	(38,382)	58,961
(Increase) decrease in other current assets	24,472	66,813
(Increase) decrease in other assets	(2,788)	-
(Decrease) increase in accounts payable and accrued liabilities	(4,850)	176,857
Increase (decrease) in unearned revenue	(33,558)	51,158
Net Cash Used by Operating Activities	(41,499)	(543,736)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for purchase of fixed assets	-	(6,401)
Net Cash Used by Investing Activities	-	(6,401)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of warrants	-	39,000
Proceeds from bank line of credit	-	39,050
Principal payments on bank line of credit	(4,468)	(2,715)
Proceeds from notes payable	85,000	100,000
Proceeds from notes payable - related party	1,143,500	385,000
Principal payments on debt - related party	(889,468)	(101,332)
Principal payments on debt	(52,500)	(100,000)
Net Cash Provided by Financing Activities	282,064	359,003

Foreign currency translation		(9,100)		(8,866)
Net Decrease in Cash		231,465		(200,000)
Cash at Beginning of Year		15,780		215,780
Cash at End of Year	$	247,246	$	15,780

PCS EDVENTURES!.COM, INC. AND SUBSIDIARY
Consolidated Statements of Cash Flows (USD $)

	For the years ended March 31, 2013	2012
NON-CASH INVESTING & FINANCING ACTIVITIES		
Common stock issued for services (stock payable)	$ 41,240	$ 13,918
Common stock issued for conversion of RSUs (stock payable)	81,000	52,500
Common stock issued for cash (stock payable)	-	8,000
Conversion of Debt	97,296	-
Debt discount	7,977	106,366
Adjustment of derivative liability due to debt conversion	190,837	-
CASH PAID FOR:		
Interest	$ 25,739	$ 3,754
Income taxes	1,600	1,680

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

PCS EDVENTURES!.COM, INC. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

March 31, 2013 and 2012

NOTE 1 - ORGANIZATION AND DESCRIPTION OF BUSINESS

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

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

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

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

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

On January 31, 2013, PCS Edventures!.com, Inc. formed a subsidiary called Premiere Science Inc.

incorporated and registered in the State of Idaho. The subsidiary is 100% wholly owned by PCS Edventures!.com,Inc. and was formed to use as an additional sales and marketing tool to gain other business opportunities. There were no operations for the subsidiary during the fiscal year ended March 31, 2013.

NOTE 2 GOING CONCERN

The Company s consolidated financial statements are prepared using accounting principles generally accepted in the United States of America applicable to a going concern that contemplates the realization of assets and liquidation of liabilities in the normal course of business. The established sources of revenues are not sufficient to cover the Company s operating costs. The Company has accumulated significant losses and payables and generated negative cash flows. The combination of these items raises substantial doubt about its ability to continue as a going concern. Management s plans with respect to alleviating this adverse position are as follows:

During the fiscal year ended March 31, 2012, PCS began the transition to a new marketing model that would address the challenges presented by the current budgetary cuts in the educational market. First, PCS has focused its primary development and marketing resources on the afterschool market where funding is more predictable and available than traditional school budgets, many of which are undergoing significant cuts. Second, PCS recognizes that its experience in operating learning centers creates a unique opportunity to supplement the current PCS business model through opening learning centers in partnership with schools. This approach combines PCS expertise in experiential learning with its considerable store of intellectual property comprised of learning frameworks, content, proprietary hardware, and software developed over the past two decades while increasing the throughput of our existing direct sales efforts. This marketing approach will incorporate the large body of PCS intellectual property into an afterschool program that families will pay tuition to attend. PCS developed a relationship with Sage International, an International Baccalaureate charter school based in Boise, to provide the facility and classroom for the afterschool program, and PCS, in exchange, provides the equipment and support. The school uses the material during the day as part of the curriculum, and PCS operates for-profit afterschool classes on weekends, evenings, during breaks and after the close of the school day. PCS conducted market tests of holiday camps during November and December of 2011 and in March of 2012, refining and confirming basic assumptions related to the business plan, and opened for afterschool and summer programs in April of 2012. The PCS Learning Center generated $17,830 and $60,961 of revenue in the three and twelve months ended March 31, 2013, respectively.

The business plan proposes the continued promotion and growth of the PCS Learning Center to further demonstrate proof of the concept, and the opening of two additional learning centers in FY2014, one more located in the Boise market, partnering with another local school, and a third opening in a market of strategic importance yet to be determined. The premise of the business plan is two-fold: 1) learning center revenues will be more consistent and predictable for the Company to plan and manage cash and growth; and 2) an established network of learning centers will serve as highly effective showrooms for sales of PCS products and services into neighboring districts. Also of note, close partnerships with schools provide an opportunity to test and improve PCS products on a regular basis.

Also related to the learning center business, PCS signed a license and royalty agreement with Creya Learning of India (CL). CL will use PCS content and support services to implement experiential learning curriculums into Indian schools and to build out a network of experiential learning centers in India that will function as premier afterschool locations as well as product showrooms. PCS, as part of the agreement, will receive ongoing royalties on the tuition charged to students attending PCS based programs. In Q1, FY2013, PCS also executed a STEM consulting agreement with Cultural Innovations for science center and STEM consulting services in the Kingdom of Saudi Arabia and concluded work associated with a tender competition contract initiated in Q2 of FY2012 with Tatweer Holding Company of Saudi Arabia. PCS will continue to pursue additional international opportunities to offset the continued challenges to the domestic economy and to take advantage of global market needs for PCS type products and services.

Product development in FY2013 has focused on continued improvements and refinements to PCS products and curriculum, primarily PCS Robotics related materials. Executive management continues in its conviction that the K12 educational robotics market represents a viable market opportunity for PCS.

In addition, Murali Ranganathan was appointed to the Board of Directors on January 11, 2013 and will act as Audit Committee Chairman. Mr. Ranganathan is the Senior Manager of Finance Strategy for Micron, and is the financial lead for evaluating, negotiating, and conducting due diligence on Micron's M&A and venture investment opportunities. Mr. Ranganathan has a long and impressive career in both engineering and finance, with a Masters in Industrial and Systems Engineering from Ohio State, and an MBA from the Booth School of Business at the University of Chicago. Mr, Ranganathan s experience and financial knowledge will be extraordinary as PCS continues to refine its business plan.

The Company continues to report improved results during FY2013. Although during the quarter ended March 31, 2013, revenue was $458,316 down 29% from the same quarter last year, the Company had a net loss of ($260,247), compared to a loss of ($632,740) in the same quarter last year which was a significant improvement. Offsetting the income effect on sales was a charge of $27,949 due to the change in fair value of the derivatives related to a portion of our debt (see Note 8 and 9). Revenue for the twelve months ended March 31, 2013, were $2,934,598, an increase of 26% compared to the same period in the prior year. Net loss for the twelve month period ended March 31, 2013 was ($662,465) after the charge of $78,408 for the change in fair value of the derivatives related to a portion of our debt (see Note 8 and 9). Net loss for the same period of the prior year, during which time there was no derivative charge, was ($1,966,526), thus showing a marked improvement in the results of operations. Although the Company continues to show increased sales and decreased expenses, cash flow remains a challenge. Cash flow from operations for the twelve months ended was $(41,499).

While the efforts put in by management and the entire employee team are beginning to be realized, as illustrated by the improved results during this fiscal year, the ability of the Company to continue as a going concern is dependent upon our ability to successfully accomplish the plans described to raise capital as needed, to continue to monitor and reduce overhead costs, and to attain profitable operations. The accompanying consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern

NOTE 3 OTHER RECEIVABLES

	March 31, 2013		March 31, 2012	
Canadian SRED credit receivable		-		15,084
Canadian GST tax receivable		2,144		2,251
Employee advance		-		9,281
Total Other Receivable	$	2,144	$	26,616

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Accounting Method

The Company's consolidated financial statements are prepared using the accrual method of accounting. The Company has elected a March 31 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. 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 that 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. The Company has established an allowance for doubtful accounts of $2,669 and $4,805 for the years ended March 31, 2013 and 2012, respectively.

During the last two fiscal years ending March 31, 2013 and March 31, 2012, the following major customers exceeded 10% of revenue:

	For the Years Ended March 31,					
		2013			2012	
Customer A	$	805,350	27%	$	229,992	10%

Customers with accounts receivable greater than 10% of total accounts receivable at March 31, 2013 and March 31, 2012, were as follows:

	For the Years Ended March 31,					
		2013			2012	
Customer A	$	15,090	13%	$	13,728	4%
Customer B		19,845	17%		207,719	57%
Customer C		26,724	22%		-	-

d. Foreign Currency Translation

The functional currency of our subsidiary is considered the local currency. Our PCS LabMentors' subsidiary has a functional currency in Canadian dollars (CAD). The subsidiary s financial statements have been translated into US dollars in accordance with generally accepted accounting principles regarding foreign currency translation. 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 period. Translation adjustments are reflected as a separate component of stockholders' equity, accumulated other comprehensive income (loss) and the net change for the year are reflected separately in the statements of operations and other comprehensive income (loss). Through this, all of the Company s financial documents are stated within the functional currency of the parent company, which is the United States dollar (USD).

In accordance with generally accepted accounting principles regarding the presentation of the Statement of Cash Flows, the cash flows of the subsidiary 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 that was translated at the exchange rate at the end of the period.

e. Fair Value of Financial Instruments

On January 1, 2008, the Company adopted guidance which defines fair value, establishes a framework for using fair value to measure financial assets and liabilities on a recurring basis, and expands disclosures about fair value measurements. Beginning on January 1, 2009, the Company also applied the guidance to non-financial assets and liabilities measured at fair value on a non-recurring basis, which includes goodwill and intangible assets. The guidance establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company s assumptions of what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of the inputs as follows:

Level 1 - Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 - Inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates, yield curves, etc.), and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).

Level 3 - Unobservable inputs that reflect our assumptions about the assumptions that market participants would use in pricing the asset or liability.

The following schedule summarizes the valuation of financial instruments at fair value on a non-recurring basis in the balance sheets as of March 31, 2013:

	Fair Value Measurements at March 31, 2013			
Liabilities	**Level 1**	**Level 2**	**Level 3**	**Gain/(loss)**
Derivative Liabilities *	$ -	$ -	$ -	($78,408)
	$ -	$ -	$ -	($78,408)

*The derivative liability ended on January 14, 2013 when the promissory note was repaid in full.

The following table presents assets and liabilities that are measured and recognized at fair value as of March 31, 2012 on a non-recurring basis:

	Fair Value Measurements at March 31, 2012			
Liabilities	**Level 1**	**Level 2**	**Level 3**	**Gain/(loss)**
Goodwill	$ -	$ -	$ -	($202,688)
	$ -	$ -	$ -	($202,688)

The standard issued by the FASB concerning the fair value option for financial assets and liabilities became effective for the Company on January 1, 2008. The standard establishes a fair value option that permits entities to choose to measure eligible financial instruments and certain other items at fair value at specified election dates. A business entity shall report unrealized gains and losses on items for which the fair value options have been elected in earnings at each subsequent reporting date. For the periods ended March 31, 2013 and 2012 there were no applicable items on which the fair value option was elected.

f. Revenue Recognition

PCS recognizes revenue for its two revenue streams: Product (Learning Labs) and Licensing in accordance with generally accepted accounting standards pertaining to revenue recognition of single unit and/or multiple deliverables.

The Company recognizes product revenue in accordance with generally accepted accounting standards, which is codified under FASB ASC Topic 605   Revenue Recognition,   under which revenue is recognized when it is realizable and when earned.

Licensing Revenue is in relation to the sales of the learning labs. This revenue is based on a contractual term of one year, which begins when the physical lab is shipped to the customer. Should the customer terminate the licensing prior to the expiration of the contract, PCS does not have an obligation to refund any portion of the fees. As such, revenue is amortized and recorded over the life of the contractual license, in accordance with generally accepted accounting standards.

g. Goodwill

Goodwill represents the excess of the cost of PCS LabMentors' acquisition over the net of the amounts assigned to the assets acquired and liabilities assumed. The Company accounts for its goodwill in accordance with generally accepted accounting standards, which requires the Company to test goodwill for impairment annually or whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable, rather than amortize.

The Company undertook a Goodwill impairment review during fiscal years 2012. The Company s evaluation of goodwill completed at March 31, 2012, resulted in a full impairment of the goodwill due to continued operating losses and lack of growth of the subsidiary. This impairment was recorded as an operating expense of $202,688.

Despite the goodwill impairments described, the Company s Lab Mentors subsidiary has continuing operations and continues to produce revenue.

h. Business Combinations

There were no business combinations during the fiscal years ended March 31, 2013 and 2012.

i. Principles of Consolidation

The accompanying consolidated financial statements consolidate the accounts of the parent company and its wholly owned subsidiaries. All significant inter-company accounts and transactions have been eliminated through consolidation.

j. Provision for Income Taxes

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

The Company recorded net deferred tax assets to the extent we believe these assets will more likely than not be realized. In making such a determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, and results of recent operations. In the event we were to determine that we would be able to realize our deferred income tax assets in the future in excess of their net recorded amount, we would make an adjustment to the deferred tax asset valuation allowance.

We record uncertain tax positions in accordance with ASC 740 on the basis of a two-step process whereby (1) we determine whether it is more likely than not that the tax positions will be sustained based on the technical merits of the position and (2) those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is greater than 50 percent likely to be realized upon ultimate settlement with the related taxing authority. The Company has no uncertain tax positions to disclose.

Net deferred tax assets and liabilities consist of the following components as of March 31, 2013 and 2012:

	March 31,	
	2013	2012
Deferred Tax Assets		
NOL carryover	$ 4,934,039	$ 5,254,964
Deferred revenue	32,665	45,752
Accrued expenses	12,172	25,944
Idaho ITC	9,716	10,558
Allowance for Bad Debt	1,041	1,874
Gross deferred tax assets	4,989,633	5,339,092
Valuation allowance	(4,968,748)	(5,319,531)
Net deferred tax asset	$ 20,885	$ 19,561
Deferred Tax Liabilities		
Accumulated depreciation	$ (20,885)	$ (94,555)
Other	-	-
Gross deferred tax liabilities	$ (20,885)	$ (94,555)
Net deferred tax assets (liabilities)	$ -	$ -

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The reconciliation between the Company s effective tax rate on income from continuing operations and the statutory tax rate is as follows:

	March 31, 2013	March 31, 2012
Book income	$ (225,238)	$ (668,615)
State taxes	(33,124)	(98,329)
Stock for services/expense	0	5,758
Penalties/dues	0	3,287
Options expense	32,253	95,018
Goodwill	0	79,048
Other	797	896
NOL utilization	-	-
Valuation allowance	225,312	582,937
	$ -	$ -

At March 31, 2013 the Company had a net operating loss carry-forward of approximately $12,651,381 that may be offset against future taxable income. No tax benefit has been reported in the March 31, 2013 consolidated financial statements since the potential tax benefit is offset by a valuation allowance of the same amount.

Due to the change in ownership provisions of the Tax Reform Act of 1986, net operating loss carry forward for Federal income tax reporting purposes are subject to annual limitations. Should a change in ownership occur, the net operating loss carry-forward may be limited as to use in future years.

The Company and its subsidiary file income tax returns in the United States, Canada, the State of Idaho and the State of California. The statute of limitations on a Federal tax return is the due date of the tax return plus three years. In the case of NOLs, the year in which the NOL was generated remains open up to the amount of the NOL until the statute of limitations expires on the year it was used. PCS Edventures first filed a tax return in 1994. Therefore no statutes have closed. The Company does not have any unrecognized tax benefits to report in the current period.

The Company s policy is to recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses.

Canadian tax laws allow a company to recoup a significant amount of research and development costs. As a result, the Company has continued 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.

k. 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 in accordance with generally accepted accounting standards. Diluted loss per share is equal to basic loss per share as the result of the anti-dilutive nature of the stock equivalents.

	For the Years Ended March 31,	
	2013	2012
Basic loss per share from operations:		
Net loss	$ (662,465)	$ (1,966,526)
Weighted average number of shares outstanding	47,264,151	43,588,970
Basic loss per share	$ (0.01)	$ (0.05)

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l. Recently Issued Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2013-02, *Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*, to improve the transparency of reporting these reclassifications. Other comprehensive income includes gains and losses that are initially excluded from net income for an accounting period. Those gains and losses are later reclassified out of accumulated other comprehensive income into net income. The amendments in the ASU do not change the current requirements for reporting net income or other comprehensive income in financial statements. All of the information that this ASU requires already is required to be disclosed elsewhere in the financial statements under U.S. GAAP. The new amendments will require an organization to:

- Present (either on the face of the statement where net income is presented or in the notes) the effects on the line items of net income of significant amounts reclassified out of accumulated other comprehensive income - but only if the item reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period; and

- Cross-reference to other disclosures currently required under U.S. GAAP for other reclassification items (that are not required under U.S. GAAP) to be reclassified directly to net income in their entirety in the same reporting period. This would be the case when a portion of the amount reclassified out of accumulated other comprehensive income is initially transferred to a balance sheet account (e.g., inventory for pension-related amounts) instead of directly to income or expense.

The amendments apply to all public and private companies that report items of other comprehensive income. Public companies are required to comply with these amendments for all reporting periods (interim and annual). The amendments are effective for reporting periods beginning after December 15, 2012, for public companies. Early adoption is permitted. The adoption of ASU No. 2013-02 is not expected to have a material impact on our financial position or results of operations.

In January 2013, the FASB issued ASU No. 2013-01, *Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities*, which clarifies which instruments and transactions are subject to the offsetting disclosure requirements originally established by ASU 2011-11. The new ASU addresses preparer concerns that the scope of the disclosure requirements under ASU 2011-11 was overly broad and imposed unintended costs that were not commensurate with estimated benefits to financial statement users. In choosing to narrow the scope of the offsetting disclosures, the Board determined that it could make them more operable and cost effective for preparers while still giving financial statement users sufficient information to analyze the most significant presentation differences between financial statements prepared in accordance with U.S. GAAP and those prepared under IFRSs. Like ASU 2011-11, the amendments in this update will be effective for fiscal periods beginning on, or after January 1,

2013. The adoption of ASU 2013-01 is not expected to have a material impact on our financial position or results of operations.

In October 2012, the FASB issued Accounting Standards Update ASU 2012-04, Technical Corrections and Improvements in Accounting Standards Update No. 2012-04. The amendments in this update cover a wide range of Topics in the Accounting Standards Codification. These amendments include technical corrections and improvements to the Accounting Standards Codification and conforming amendments related to fair value measurements. The amendments in this update will be effective for fiscal periods beginning after December 15, 2012. The adoption of ASU 2012-04 is not expected to have a material impact on our financial position or results of operations.

In August 2012, the FASB issued ASU 2012-03, Technical Amendments and Corrections to SEC Sections: Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin (SAB) No. 114, Technical Amendments Pursuant to SEC Release No. 33-9250, and Corrections Related to FASB Accounting Standards Update 2010-22 (SEC Update) in Accounting Standards Update No. 2012-03. This update amends various SEC paragraphs pursuant to the issuance of SAB No. 114. The adoption of ASU 2012-03 is not expected to have a material impact on our financial position or results of operations.

In July 2012, the FASB issued ASU 2012-02, Intangibles Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment in Accounting Standards Update No. 2012-02. This update amends ASU 2011-08, *Intangibles Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment* and permits an entity first to assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test in accordance with Subtopic 350-30, *Intangibles - Goodwill and Other - General Intangibles Other than Goodwill*. The amendments are effective for annual and interim impairment tests performed for fiscal years beginning after September

15, 2012. Early adoption is permitted, including for annual and interim impairment tests performed as of a date before July 27, 2012, if a public entity s financial statements for the most recent annual or interim period have not yet been issued or, for nonpublic entities, have not yet been made available for issuance. The adoption of ASU 2012-02 has not had a material impact on our financial position or results of operations.

In December 2011, the FASB issued ASU 2011-12, Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05. This update defers the requirement to present items that are reclassified from accumulated other comprehensive income to net income in both the statement of income where net income is presented and the statement where other comprehensive income is presented. The adoption of ASU 2011-12 has not had a material impact on our financial position or results of operations.

In December 2011, the FASB issued ASU No. 2011-11 Balance Sheet: Disclosures about Offsetting Assets and Liabilities (ASU 2011-11). This Update requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. The objective of this disclosure is to facilitate comparison between those entities that prepare their financial statements on the basis of U.S. GAAP and those entities that prepare their financial statements on the basis of IFRS. The amended guidance is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The Company is currently evaluating the impact, if any, that the adoption of this pronouncement may have on its results of operations or financial position.

m. Educational Software

Educational software was purchased by the Company as a part of its acquisition of 511092 N.B. LTD. In addition, the Company has internally developed education computer programs and student exercises to be accessed on the Internet. In accordance with financial accounting standards pertaining to internally developed software, the costs associated with research and initial feasibility of the programs and student exercises are expensed as incurred. Once economic feasibility has been determined, the costs to develop the programs and student exercises are capitalized until the software is ready for sale. At that point, the development costs are reported at the lower of unamortized cost or net realizable value. Capitalized programs and student exercise inventory items are amortized on a straight-line basis over the estimated useful life of the program or exercise, generally 24 to 48 months.

The Company evaluates its purchased intangibles for possible impairment on an ongoing basis. When impairment indicators exist, the Company will perform an assessment to determine if the intangible asset has been impaired and to what extent. The assessment of purchased intangibles impairment is conducted by first estimating the undiscounted future cash flows to be generated from the use and eventual disposition of the purchased intangibles and comparing this amount with the carrying value of these assets. If the undiscounted cash flows are less than the carrying amounts, impairment exists and future cash flows are discounted at an appropriate rate and compared to the carrying amounts of the purchased intangibles to determine the amount of the impairment.

During fiscal year ending March 31, 2012, the Company reassessed the acquired assets and recognized $92,468 of impairment of intangible assets pertaining to the education software acquired with and subsequently developed at LabMentors. No additions or changes occurred during fiscal year ending March 31, 2013.

Despite the asset impairments described, the Company s Lab Mentors subsidiary has continuing operations and continues to produce revenue.

n. 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 generally accepted accounting standards 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 sale. 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.

o. Property and Equipment

Property and equipment are recorded at cost and are being depreciated for financial accounting purposes on the straight-line method over their respective estimated useful lives ranging from three 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 operating expense. Renewals and betterments are capitalized.

p. Finished Goods Inventory

Finished goods inventory is composed of items produced in-house, as well as items from outside suppliers. These items include, but are not limited to, K NEX manipulatives, fischertechnik® manipulatives, Eduwise manipulatives, LEGO® manipulatives, digital media equipment, furniture units, curriculum, blocks, PCS Academy of Science® science kits, poster packs, and other miscellaneous items used in our various labs. Our inventory is carried at the lower of cost or market and valued using the average cost method for each item. In addition, we have established a reserve for obsolete and slow moving items.

q. Stock Options and stock grants

Effective January 1, 2006, the Company accounts for stock issued for employee benefits and goods and services received from non-employees in accordance with generally accepted accounting standards. The Company is required to recognize expense of options or similar equity instruments including restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans. Application of this standard requires significant judgment regarding the assumptions used in the selected option-pricing model, including stock price volatility and employee exercise behavior.

Most of these inputs are either highly dependent on the current economic environment at the date of grant or forward-looking over the expected term of the award.

The Company accounts for shares issued to employees and others based upon the closing price of our common stock at the grant date.

The Company has granted options and warrants to purchase PCS Edventures!.com common stock. These instruments have been valued using the Black-Scholes model and are fully detailed in Note 13.

r. Derivative Financial Instruments

The Company generally does not use derivative financial instruments to hedge exposures to cash-flow risks or market-risks that may affect the fair values of its financial instruments. The Company utilizes various types of financing to fund our business needs, including preferred stock with warrants attached and other instruments not indexed to our stock. The Company is required to record its derivative instruments at their fair value. Changes in the fair value of derivatives are recognized in earnings in accordance with ASC 815. The Company utilized multinomial lattice models that value the derivative liability within the notes based on a probability weighted discounted cash flow model.

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NOTE 5 - PREPAID EXPENSES

Prepaid expenses for the periods are as follows:

	March 31, 2013	March 31, 2012
Prepaid insurance	$ 6,988	$ 15,991
Prepaid trade show/travel	1,990	3,354
Prepaid inventory	2,341	17,000
Prepaid software	11,457	11,964
Prepaid expenses, other	13,610	10,000
Total Prepaid Expenses	$ 36,386	$ 58,309

NOTE 6 - FIXED ASSETS

Assets and depreciation for the period are as follows:

	March 31,	
	2013	2012
Computer/office equipment	$ 10,112	$ 10,112
Server equipment	154,107	154,107
Software	127,355	127,355
Accumulated depreciation	(253,397)	(234,682)
Total Fixed Assets	$ 38,177	$ 56,892

Fixed Asset depreciation expense for the years ended March 31, 2013 and 2012 was $18,715 and $25,930, respectively.

Due to continued operating losses and lack of growth of the Canadian subsidiary, LabMentors, the Company recognized an impairment charge for the year ended March 31, 2012 in the amount of $26,731 to write down server equipment.

NOTE 7 - COMMON AND PREFERRED STOCK TRANSACTIONS

a. Common Stock

During the fiscal year ended March 31, 2013, the Company issued 134,096 shares of common stock as additional compensation to employees. The per share value ranged from $0.038 to $0.15 for a net value of $7,152 based on the closing price of the Company s common stock on the date of grant. Of the 134,096 shares issued 48,522 were issued in payment of amounts accrued as of March 31, 2012, with a value of $2,426. As of March 31, 2013, a shares payable in the amount of $600 has been accrued, representing shares that will be issued in future periods.

During the fiscal year ended March 31, 2013, the Company issued 658,343 shares of common stock as a bonus to employees. The per share value ranged from $0.04 to $0.11 for a net value of $47,001 based on the closing price of the

Company s common stock on the date of grant. Of the 658,343 shares issued, the Company granted 200,000 shares of restricted stock to an officer during fiscal year 2012. The Shares are immediately forfeited if the officer is not an employee of the Company at the date that Rule 144 of the current rules of the Securities and Exchange Commission provides that the restrictions are removed and the restricted stock may be registered or otherwise qualified for sale. The stock certificate was issued in October 2012 and was held at PCS until the shares fully vested in April 2012. The shares vested over a six-month period and are valued at $0.11 per share which represents the fair market value at the date of grant in accordance with the 2009 Equity Incentive Plan. The value of the shares was amortized over the vesting period in the amount of $3,667 per month. $18,335 was expensed during fiscal year ended March 31, 2012 and the balance, $3,667 was expensed during fiscal year ending March 31, 2013 at which time the certificate was released.

During the fiscal year ended March 31, 2013, the Company issued 777,069 shares of common stock for services. The per share value ranged from $0.04 to $0.20 for a net value of $44,448 based on the closing price of the Company s common stock on the date of grant. Of the 777,069 shares issued, 329,627 were issued in payment of amounts accrued at March 31, 2012 with a value of $16,481. As of March 31, 2012, shares payable in the amount of $1,040 has been accrued, representing 26,000 shares that will be issued in future periods.

During the fiscal year ended March 31, 2013, the Company recognized $54,000 of restricted stock units payable to non-management directors for services rendered at a rate of one share of common stock for each restricted stock unit. Each restricted stock unit is valued at $0.20, based on the closing price of the Company s common stock at the date of grant. These agreements call for payment of current year director fees via issuance of restricted stock units over a vesting period of not less than twelve months, and require continued service for twelve months and reelection at the next annual shareholder meeting. These directors were reelected at the Annual Meeting on September 28, 2012 and the shares are fully vested and have been issued to those directors who chose not to defer their compensation. RSU Payable was decreased by $90,000. $60,000 was recorded to common stock for the issuances in December 2012, which represent 300,000 shares of common stock. For the directors who chose to defer payment an entry was made to book fair market value of the RSU, in which $21,000 was recorded to Common Stock and $9,000 was reclassified to stock payable.

During the nine months ended December 31, 2012, the Company issued new RSU agreements for the active board members for the service period of September 2012 to August 2013. Each restricted stock unit is valued at $0.10, based on the closing price of the Company s common stock at the date of grant. These agreements call for payment of current year director fees via issuance of restricted stock units over a vesting period of not less than twelve months, and require continued service for twelve months and reelection at the next annual shareholder meeting. The Company accrued an amount of $30,000 during the period ending March 31, 2013, related to shares subscribed for services performed.

During the fiscal year ending March 31, 2013, the Company issued 2,535,001 shares of common stock for the conversion of promissory notes issued to private investors. The price per share value ranged from $0.02 to $0.05 for a net value of $97,296. See Note 8.

During the fiscal year ending March 31, 2013, the Company recognized $7,977 in debt discount as an increase to stockholders equity pursuant to the terms of convertible promissory notes issued with attached warrants. The debt discount consists of a beneficial conversion feature and attached warrants. See Note 8.

During the fiscal year ended March 31, 2013, the Company expensed amounts related to stock options and warrants granted in the current period as well as prior periods valued at $82,700.

During the fiscal year ended March 31, 2013, the Company expensed amounts related to the change is derivative liabilities in the amount of 190,837 as an increase in stockholder s equity due to conversion of convertible notes payable. See note 8 and 9.

During the fiscal year ended March 31, 2013, the Company expensed 8,236 related to a deemed dividend that was generated during the September 30, 2013 quarter for the expiration date extension of the warrants issued in consideration for the promissory note extensions, which resulted in a deemed dividend of $8,236 consistent with current accounting guidance. The deemed dividend was valued using the Black-Scholes model.

During the fiscal year ended March 31, 2012, the Company issued 877,810 shares of common stock as additional compensation to employees. The per share value ranged from $0.03 to $0.49 for a net value of $92,052 based on the closing price of the Company s common stock on the date of grant. Of the 877,810 shares issued 45,546 were issued in payment of amounts accrued as of March 31, 2011, with a value of $8,623. As of March 31, 2012, a shares payable in the amount of $2,426 has been accrued, representing 48,522 shares that will be issued in future periods.

During the fiscal year ended March 31, 2012, the Company issued 27,662 shares of common stock as a bonus to employees. The per share value was $0.21 for a net value of $5,809 based on the closing price of the Company s common stock on the date of grant.

During the fiscal year ended March 31, 2012, the Company issued 767,863 shares of common stock for services. The per share value ranged from $0.03 to $0.45 for a net value of $96,068 based on the closing price of the Company s common stock on the date of grant. Of the 767,863 shares issued, 26,475 were issued in payment of amounts accrued at March 31, 2011 with a value of $5,295. During the period, $107,255 has been accrued in stock payable, and shares valued at $96,068 have been issued from stock payable for a net reduction in stock payable for services the amount of $11,187. As of March 31, 2012, a shares payable in the amount of $16,481 has been accrued, representing 329,627 shares that will be issued in future periods.

During the fiscal year ended March 31, 2012, the Company received $39,000 for the exercise of 260,000 outstanding warrants.

During the fiscal year ended March 31, 2012, the Company issued 50,000 shares of restricted Rule 144 common stock to an officer, at $0.10 per share. The officer purchased the restricted Rule 144 common stock for cash in fiscal year 2011 and the purchase was included in Stock Payable during the year ended March 31, 2011 in the amount of $5,000.

During the fiscal year ended March 31, 2012, the Company issued 30,000 shares of restricted Rule 144 common stock to a consultant at $0.10 per share. The consultant had purchased the restricted Rule 144 common stock for cash in fiscal year 2011 and the purchase was included in Stock Payable during the year ended March 31, 2011 in the amount of $3,000.

During the fiscal year ending March 31, 2012, the Company recognized $106,366 in debt discount as an increase to stockholders equity pursuant to the terms of convertible promissory notes issued with attached warrants. The debt discount consists of a beneficial conversion feature and attached warrants. See Note 8.

During the fiscal year ended March 31, 2012, the Company expensed amounts related to stock options granted in the current period as well as prior periods valued at $147,058.

During the fiscal year ended March 31, 2012, the Company expensed amounts related to warrants granted to holders of promissory notes as consideration in exchange for an extension of the maturity date of the notes valued at $90,211.

During the fiscal year ended March 31, 2012, the Company recognized restricted stock units payable to non-management directors for services rendered at a rate of one share of common stock for each restricted stock unit. Each restricted stock unit is valued at $0.85, based on the closing price of the Company s common stock at the date of grant. These restricted stock units were awarded to non-management directors in RSU agreements on September 23, 2010. These agreements called for payment of current year director fees, $30,000 per non-management director, of which there were three, via issuance of restricted stock units over a vesting period of not less than twelve months, and require continued service for twelve months and re-election at the next annual shareholder meeting. The resulting expense of $90,000 was recognized ratably over the service period. During the fiscal year ended March 31, 2012, 176,472 shares were issued in satisfaction of RSU s for which the 12 month service and re-election requirements were met. These shares were valued at the market value on the date these requirements were met, resulting in a value of $38,824. Stock Payable was reduced by a total of $90,000, a portion of which ($52,500) was expensed in the period ended March 31, 2011. A gain of $51,176 was recognized upon the settlement of the amount owed. The gain was calculated as the difference between the value of the stock on the date the service requirements were met, $38,824, and the amount expensed over the service period, $90,000. The Company accrued an amount of $52,500 during the period related to shares subscribed for services performed.

b. Preferred Stock

The Company has 20,000,000 authorized shares of preferred stock. As of March 31, 2013 there are no preferred shares issued or outstanding.

NOTE 8 - NOTES PAYABLE

Notes payable consisted of the following at March 31, 2013 and March 31, 2012

	March 31, 2013		March 31, 2012	
Short Term Note Payable, Related Party	$	408,129	$	283,668
Short Term Convertible Note		185,000		185,000
Short Term Convertible Note, Related Party		80,000		130,000
Line of Credit		32,061		36,335
Long Term Note Payable, Related Party		25,000		-
Long Term Convertible Note, Related Party		66,500		-
Total Notes Payable	$	796,690	$	635,003

Note Payable

On July 3, 2012, the Company entered into a promissory note in the amount of $10,000. The note bears interest at fifteen percent (15%) per annum and was due on September 2, 2012. On July 30, 2012, the Company repaid this note in the amount of $10,113. The payment consisted of $10,000 in principal and $113 in accrued interest.

Note Payable Related Party

On December 30, 2011, the Company entered into a note payable in the amount of $30,000. The note bears interest at ten percent (10%) per annum and was due on February 28, 2012. This note was subsequently extended to July 31, 2012. A second extension was issued on this note, under the same terms and conditions, with a new maturity date of December 31, 2012. The company negotiated a third extension for this promissory note from the lender with a maturity date of March 31, 2013, which was subsequently extended to July 31, 2013.

On January 6, 2012 the Company entered into a promissory note in the amount of $35,000. The note paid interest at ten percent (10.0%) per annum. The note was due and payable with accrued interest on or before March 6, 2012 and was secured by certain accounts receivable of the Company. Upon collection of the pledged receivables the amount was rolled into a new Promissory Note dated January 26, 2012 in the aggregate amount of $175,000 with interest payable at fifteen percent (15%) per annum. This note was due and payable on or before April 10, 2012. The aggregate amount of $175,000 plus accrued interest was paid in full on April 18, 2012 upon receipt of the receivable related to the pledged purchase order used to secure the January 26, 2012 note. The January 26, 2012 note included attached warrants to purchase 175,000 shares of restricted Rule 144 common stock at a rate of $0.12 per share for the first 18 months and $0.18 per share for the remaining 18 months. The warrants expire 36 months from date of agreement. The warrants were evaluated for embedded derivatives in accordance with ASC 815 and were found to not include any embedded derivatives. The warrants attached to the note were valued using the Black Scholes Valuation Model, resulting in a fair value of $8,006.

On January 13, 2012, the Company entered into two separate promissory notes in the amount of $35,000 each for an aggregate amount of $70,000. The notes bear interest at nine percent (9%) per annum and are due and payable on or before January 10, 2013. Minimum monthly payments of 1.5% of the loan balances are required and are submitted to Lenders financial institution. Principal payments of $5,799 had been paid as of March 31, 2013. The note was amended April 1, 2013 and re-written with a new principal amount of $32,100 each for an aggregate amount of $64,200. The notes bear interest at nine percent (9%) per annum and are due and payable on or before April 1, 2020. The underlying loan requires that the Company pay to the lenders financial institution monthly payments of $1,033.17 on or before the 1st day of each month, beginning May 1, 2013, and continuing each month in like amount until the final payment due on April 1, 2020.

On March 14, 2012, the Company entered into a promissory note for $10,000 with one of our board members. The note bears interest at ten percent (10%) per annum and was due and payable on or before April 30, 2012. This note was subsequently extended and was due and payable on or before July 31, 2012. On July 30, 2012, the Company repaid this note in the amount of $10,381. The payment consisted of $10,000 in principal and $381 in accrued interest. The interest paid included $47 that was accrued in Interest Payable and expensed as of March 31, 2012.

On April 18, 2012, we entered into a long term promissory note with Anthony A. Maher for $25,000 with an interest rate of 7.5% per annum. The balance is due in full on or before April 18, 2017. Monthly payments are made for interest only to the lenders financial intuition.

On June 14, 2012, we executed a promissory note with one of our shareholders, for $60,000 at 15% interest per annum, secured by seven of our sales orders to finance inventory purchases. The promissory note was due on or before August 14, 2012. There is no conversion feature associated with this promissory note. This note was subsequently rolled into a $560,000 note dated July 17, 2012.This transaction involved the issuance of a promissory note, which was payable with interest of 15% per annum, in cash on or before September 30, 2012. The $60,000 due August 14, 2012 was rolled into the new promissory note agreement as part of the amount borrowed. The Company issued 100,000 warrants with a 36 month term at $0.15 per share exercise price as part of this agreement. The promissory note was secured by a purchase order in the amount of $741,780 dated July 16, 2012. The loan proceeds were utilized to purchase inventory to fulfill the Purchase Order, bring certain vendors and payable accounts current, and finance the operations and logistics required to fulfill and support the order. This loan was repaid in full, including accrued interest of $11,277, on September 4, 2012.

On October 12, 2012, we entered into a loan transaction in the amount of $75,000 with an accredited investor as that term is defined in Rule 501 of Regulation D of the SEC. The transaction involved the issuance of a Promissory Note, which is payable with interest of 12.5% per annum, in cash on or before December 14, 2012. The Promissory Note is secured by a Purchase Order in the amount of $220,405 dated August 1, 2012 and by the proceeds from the Accounts Receivable, after shipping to and receipt by the customer. The loan proceeds will be utilized to finance operations and logistics required to fulfill and support the remaining unshipped portion of the order. This note was paid in full with all accrued interest in the amount of $1,413 on December 7, 2012.

On October 23, 2012, we entered into a loan transaction in the amount of $25,000 with an accredited investor as that term is defined in Rule 501 of Regulation D of the SEC. The transaction involved the issuance of a Promissory Note, which is payable with interest of 12.5% per annum, in cash on or before December 23, 2012. The Promissory Note is secured by a Purchase Order in the amount of $220,405 dated August 1, 2012 and by the proceeds from the Accounts Receivable, after shipping to and receipt by the customer. The loan proceeds will be utilized to finance operations and logistics required to fulfill and support the remaining unshipped portion of the order. This note was paid in full with all accrued interest in the amount of $368 on December 7, 2012.

On November 16, 2012, we entered into a loan transaction in the amount of $40,000 with an accredited investor as that term is defined in Rule 501 of Regulation D of the SEC. The transaction involved the issuance of a Promissory Note, which is payable with interest of 12.5% per annum, in cash on or before December 14, 2012. The Promissory

Note is secured by a Purchase Order in the amount of $220,405 dated August 1, 2012 and by the proceeds from the Accounts Receivable, after shipping to and receipt by the customer. The loan proceeds will be utilized to finance operations and logistics required to fulfill and support the remaining unshipped portion of the order. This note was paid in full with all accrued interest in the amount of $274 on December 7, 2012.

On December 26, 2012, we entered into a loan transaction in the amount of $63,000 with an accredited investor as that term is defined in Rule 501 of Regulation D of the SEC. The transaction involved the issuance of a Promissory Note, which is payable with interest of 12.5% per annum, in cash on or before February 18, 2013. The Promissory Note is secured by a Purchase Order in the amount of $63,600 and by the proceeds from the Accounts Receivable, after shipping to and receipt by the customer. The loan proceeds will be utilized to finance operations and logistics required to fulfill and support the remaining unshipped portion of the order. This note was subsequently combined with the $137,000 Promissory Note issued on January 17, 2013 under the terms and conditions described below.

On January 17, 2013, the Company entered into a loan transaction with an accredited investor as that term is defined in Rule 501 of regulation D of the SEC. The transaction involved the issuance of a Promissory Note in the amount of $200,000, in which $63,000 was to be considered advanced under a previous Note between Borrower and Lender dated December 26, 2012. The note bears interest at a rate of 15% per annum and is due and payable on April 30, 2013. In consideration for the financing, the Company issued 100,000 warrants to purchase common stock at an exercise price of $0.07. The warrants expire 36 months from date of agreement. The warrants were evaluated for embedded derivatives in accordance with ASC 815 and were found to not include any embedded derivatives. The warrants attached to the note were valued using the Black Scholes Valuation Model, resulting in a fair value of $7,977. This value was recorded as a debt discount and is being amortized over the life of the loan. The note was paid in full on April 1, 2013.

On February 26, 2013, we executed a promissory note with one of our shareholders, for $65,000 at 15% interest per annum, secured by seven of our sales orders to finance inventory purchases. The promissory note was due on or before April 20, 2013. There is no conversion feature associated with this promissory note. A payment of $20,000 was made against the principal on the note on April 1, 2013. Subsequently the note was extended and made part of the $95,000 convertible promissory note issued on May 24, 2013 as describe in the 8-K filed on May 24, 2013.

On March 22, 2013, we entered into a loan transaction with one of our board members in the amount of $25,000. The note bears interest at a rate of 8% per annum, secured by three of our accounts receivables to finance inventory purchases. The promissory note and all accrued interest is due and payable on May 31, 2013. This note was subsequently extended for 90 days, due on or before August 31, 2013.

On March 28, 2013, we executed a promissory note with one of our shareholders, for $50,000 at 12% interest per annum, secured by eight of our sales orders to finance inventory purchases. The promissory note was due on or before June 5, 2013. There is no conversion feature associated with this promissory note. Subsequently the note was extended and made part of the $95,000 convertible promissory note issued on May 24, 2013 as described in the 8-K filed on May 24, 2013.

Line of Credit

On September 13, 2011, the Company drew down a line of credit at a financial institution in the amount of $39,050. The line of credit bears interest at 17.5% per annum. The Company makes variable monthly payments. During the twelve months ended March 31, 2013, the Company had repaid $4,468 of principal.

Convertible Note Payable

On March 31, 2011, the Company entered into several convertible promissory notes in the aggregate amount of $215,000. The notes are convertible into common stock at a rate of $0.15 per share. The notes bear interest at ten percent (10%) per annum and include attached warrants to purchase two shares of restricted Rule 144 common stock for every dollar loaned, at a rate of $0.15 per share, for an aggregate total of 430,000 restricted Rule 144 common shares. The notes were due on June 29, 2011, and are secured by that portion or percentage of the Borrower s Intellectual Property which the principal amount of the note bears to the fair market value of all Intellectual Property of the Borrower. Intellectual Property of the Borrower is defined to mean all trademarks, registered or unregistered, marks, logos, business names, proprietary computer software, curriculum, copyrighted material, registered or unregistered, trade names, patents and patent applications, and all general intangibles relating to the foregoing. Notwithstanding the foregoing, Intellectual Property shall not include any license, property or contract right the granting of a security in which would be prohibited by law or contract. The warrants expire 36 months from date of agreements. The Company recognized a discount on the debt issued, which was composed of an embedded beneficial conversion feature and attached warrants. The Company measured the beneficial conversion feature by allocating a portion of the proceeds equal to the intrinsic value of the feature to additional paid-in-capital. The intrinsic value of the feature was calculated on the commitment date using the effective conversion price of the notes. This intrinsic value is limited to the portion of the proceeds allocated to the notes, and was calculated as $58,000. The warrants attached to the notes were valued using the Black Scholes Valuation Model, resulting in a fair value of $63,479, the balance of which was fully amortized as of June 30, 2011.

The Company extended the due date on the convertible notes payable dated March 31, 2011 in the aggregate amount of $215,000. These notes were originally due on June 29, 2011 and subsequently extended. In consideration for the first note extension, the Company issued an additional 430,000 restricted Rule 144 common stock warrants. The restricted Rule 144 common stock warrants allow for the purchase of one share of restricted Rule 144 common stock at $0.15 per restricted Rule 144 common stock warrant. The warrants expire 36 months from the date of the original warrant agreement. The fair market value of these warrants was calculated using the Black Scholes Valuation Model, resulting in an expense of $61,995 during the quarter ended June 30, 2011. On February 10, 2012, the notes were extended to August 25, 2013, with repayments to be made quarterly beginning in May, 2012, in the amount of $40,000 per quarter, with the remaining balance due in August 2013. No additional warrants were issued in connection with subsequent extensions.

On August 1, 2012, the Company issued amendments to the convertible note agreements in the aggregated amount of $215,000 and extended the due date with the repayments in the amount of $40,000 per quarter to begin April, 2013, and the final payments due in August, 2014, with any remaining balance due at that time. In consideration for extending the due date of the promissory notes, the expiration dates on the warrants issued on March 31, 2011 and June 27, 2011, were amended and extended an additional three years, making the new expiration dates August 1, 2017. At the Lender s sole option, Lenders may elect to receive payment of their respective note and all accrued interest in restricted common stock of the Borrower at the price per share of said common stock at same rate as the warrants. Subsequently and effective June 7, 2013, we executed an amendment to the loan transaction. The amended transaction involved the extension of the Promissory Note from April 30, 2013 to April 30, 2016, with the creditors waiving any default under the previous note. The company made interest payments to each of the eight note holders for all accrued interest from August 1, 2012 to April 30, 2013 for consideration of the extension. The company has agreed to make quarterly interest payments to each of the note holders during the term of the extension. All other terms of the previous Promissory Note, Security Agreement and related warrants remain in full force and effect.

Convertible Note Payable Related Party

For the transactions described above in regard to the $215,000 convertible note, $30,000 was loaned from a related party and has been broken out as described in the Company s financial statements and accompanying notes a March 31, 2013.

On June 20, 2011 the Company entered into a convertible promissory note in the amount of $100,000. The note paid interest at ten percent (10.0%) per annum and included attached warrants to purchase two shares of restricted Rule 144 common stock for every dollar loaned, at a rate of $0.15 per share, for a total of 200,000 restricted Rule 144 common shares. The Note was due on August 20, 2011. At the Lender s sole option, Lender could elect to receive payment of this Note and all accrued interest on the due date in restricted Rule 144 common stock of the Borrower at the price per share of said restricted Rule 144 common stock at same rate as the warrants. The warrants expire 36 months from date of agreement. The note was evaluated for embedded derivatives in accordance with ASC 815 and was found to not include any embedded derivatives. The Company recognized a discount on the debt issued, which was composed of an embedded beneficial conversion feature and attached warrants. The Company measured the beneficial conversion feature by allocating a portion of the proceeds equal to the intrinsic value of the feature to additional paid-in-capital. The intrinsic value of the feature was calculated on the commitment date using the effective conversion price of the notes. This intrinsic value is limited to the portion of the proceeds allocated to the notes, and was calculated as $63,862. The warrants attached to the notes were valued using the Black Scholes Valuation Model, resulting in a fair value of $36,138. On September 30, 2011 the due date of this note was extended to November 1, 2011 at the same ten percent (10.0%) per annum rate. As part of the extension specific accounts receivable were pledged as collateral on the note and as consideration for the extension, additional warrants to purchase two shares of restricted Rule 144 common stock for every dollar loaned, at a rate of $0.15 per share, for a total of 200,000 restricted Rule 144 common shares were granted to the Lender. The attached warrants were valued using the Black Scholes Valuation Model, resulting in a fair value of $28,216 that was expensed at date of issue. The note was repaid in full on November 7, 2011, the same day as the receivable that had been pledged as collateral was collected.

On February 29, 2012, the Company entered into three separate convertible promissory notes in the aggregate amount of $100,000. The notes bear interest at ten percent (10%) per annum and were due on May 30, 2012. At the sole option each respective Lender, the outstanding balance of the notes may be converted into shares of restricted Rule 144 common stock of the Borrower at a price per share of $0.05. In the event Lender elects to convert any outstanding balance due under this note into such shares, Lender shall give written notice to the Borrower seven (7) days prior to the effective date of such exercise. At Borrower s sole option, Borrower may elect to pay Lender in cash up to one-half (1/2) of the then principal and interest due under the note. In such event, the remaining balance of principal and interest shall be converted as provided under the note agreement. On June 14, 2012, one of the notes, in the amount of $50,000, was converted into 1,028,770 shares of our restricted common stock in accordance with the terms of the convertible promissory note. A second extension was issued for the remaining two notes in an aggregate amount of $50,000, under the same terms and conditions, with a new maturity date of October 31, 2012. These two notes were subsequently extended, with no changes to the terms, were due and payable on or before December 31, 2012. The company negotiated a new maturity date with the lender and issued extensions on the two convertible promissory notes with due dates of March 31, 2013, which were subsequently extended to June 30, 2013.

On April 23, 2012, we entered into a Securities Purchase Agreement whereby we issued an 8% convertible promissory note in an aggregate amount of $32,500, convertible into shares of common stock of the Company at the expiration of six months, at a discount to market of 42% of the Market Price, which means the average of the lowest three (3) Closing Bid Prices for the common stock during the ten (10) Trading Day period ending on the latest complete Trading Day prior to the Conversion Date. The convertible promissory note has a due date of January 26, 2013; can be pre-paid, subject to varying Optional Prepayment Date payments ranging from 125% if prepaid during the first 30 days to 150% if prepaid prior to the expiration of 180 days. Conversion is restricted so that conversions will not result in an ownership of more than 4.99% of the outstanding common stock of the Company by the note holder. The Company is at all times required to reserve at least four times the amount of shares that may be subject to conversion at any time for issuance on conversion. The note holder also has a first right of refusal on any additional funding of up to $100,000. The agreements contain customary representations and warranties, customary affirmative and negative covenants, customary anti-dilution provisions, and customary events of default that entitle the note holder to accelerate the due date of the unpaid principal amount of, and all accrued and unpaid interest on, the convertible promissory note. The Company recognized a discount on the debt issued related to the derivative liability. The Company measured the derivative liability using a lattice model as described in Note 9, of which $12,213 was amortized during the twelve months ended March 31, 2013. On October 31, 2012, the lender exercised their right and converted the principal amount of $10,000 into 215,517 shares of Common Stock. On November 8, 2012, $8,000 of principal was converted and 225,589 shares of Common Stock were issued, leaving a principal balance of $14,500. The final transaction occurred on November 20, 2012 when the lender converted the remaining balance of $14,500 in principal and $1,300 in accrued interest into 763,285 shares of common stock, fully converting the promissory note of $32,500. Due to the conversion within the terms, no gain or loss was recognized.

On June 4, 2012, we entered into a second Securities Purchase Agreement with the same party as the April 23, 2012 agreement, whereby we issued an 8% convertible promissory note in an aggregate amount of $28,750, convertible into shares of common stock of the Company under the same terms as the first note dated April 23, 2012. The Company recognized a discount on the debt issued related to the derivative liability. This debt discount was calculated as $28,750, of which $5,174 was amortized during the twelve months ended March 31, 2013. On December 4, 2012, the Company elected and submitted payment to pre- pay the promissory note in full. The payment consisted of the principal amount of $28,750 along with $1,150 in accrued interest and the payoff penalty amount of $14,359.

On July 16, 2012, we entered into a third Securities Purchase Agreement with the same party as our April 23 and June 4, 2012 agreements, whereby we issued an 8% convertible promissory note in an aggregate amount of $13,750, convertible into shares of common stock of the Company under the same terms as the first note dated April 23, 2012. The Company recognized a discount on the debt issued related to the derivative liability. This debt discount was calculated as $13,750, of which $1,952 was amortized during the twelve months ended March 31, 2013. The company elected and submitted payment to pre-pay the promissory note on January 14, 2013. The total payment made was $21,173, which consisted of the principal amount of $13,750 along with $550 in accrued interest and a payoff penalty in the amount of $6,873.

On June 7, 2012, Leann R. Gilberg, Robert O. Grover and Brett A. Newbold, three of our officers, as well as one employee shareholder, and one additional shareholder, each converted his/her respective $2,400 convertible promissory note dated May 3, 2012, into 60,288 shares of our restricted common stock in accordance with the terms of said convertible promissory notes. Forms 4 were filed for the three officers on June 12, 2012. The Company recognized a discount on the debt issued related to the embedded beneficial conversion feature. The Company measured the beneficial conversion feature by allocating a portion of the proceeds equal to the intrinsic value of the feature to additional paid-in-capital. The intrinsic value of the feature was calculated on the commitment date using the effective conversion price of the notes. This intrinsic value was calculated as $9,889, of which $7,184 was amortized during the three months ended June 30, 2012, at the time of conversion with the remaining balance included in the gain on redemption at conversion.

On December 3, 2012, the company entered into a long term convertible promissory note with board member and shareholder Todd Hackett in the amount of $45,000. The note is convertible into common stock at a rate of $0.04 per share. The note bears interest at eight (8%) per annum and is due 36 months from the date of the agreement, on or before December 03, 2015. The proceeds from the note were used by the company to pay off the Security Purchase Agreement (tranche 2) issued on June 4, 2012, along with any accrued interest, penalties and administrative costs. The debt discount was calculated as $18,255, of which $1,233 was amortized during the twelve months ended March 31, 2013.

On January 11, 2013, we entered into an 8% Convertible Promissory Note with an accredited investor, in the amount of $21,500, convertible into shares of common stock of the Company, at the market price of $0.065. The note is due thirty six months from the date of note. The note is secured by a secondary security interest in all of the Company s intellectual property. The proceeds received by the Company from the sale of this note will be used by the Company for prepaying the Promissory Note dated June 5, 2012 (Tranche 3) issued to Asher Enterprises, Inc., as well as any administrative costs associated with the payment. This final payment completes and pays off all outstanding notes with Asher Enterprises. The Company recognized a discount on the debt issued related to the derivative liability. This debt discount was calculated as $9,285, of which $1,952 was amortized during the twelve months ended March 31, 2013.

NOTE 9 DERIVATIVE FINANCIAL INSTRUMENTS

The Company generally does not use derivative financial instruments to hedge exposures to cash-flow risks or market-risks that may affect the fair values of its financial instruments. The Company utilizes various types of financing to fund our business needs, including convertible debts with conversion features and other instruments not indexed to our stock. The convertible notes include fluctuating conversion rates. The Company uses a lattice model for valuation of the derivative. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and then re-valued at each reporting date, with changes in the fair value reported in income in accordance with ASC 815. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is reassessed at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether net cash settlement of the derivative instrument could be required within the 12 months of the balance sheet date.

As discussed in Note 8 under convertible notes, the Company issued convertible notes payable that provide for the issuance of convertible notes with variable conversion provisions. The conversion terms of the convertible notes are variable based on certain factors, such as the future price of the Company s common stock. The number of shares of common stock to be issued is based on the future price of the Company s common stock. As of March 31, 2013, the number of shares of common stock issuable upon conversion of promissory notes and warrants could exceed the Company s maximum number of authorized common shares. Due to the fact that the number of shares of common stock issuable is not able to be determined definitively, the equity environment is tainted and all additional convertible debentures and warrants are included in the value of the derivative. Pursuant to ASC 815-15 Derivatives, the fair values of the variable conversion option and warrants and shares to be issued were recorded as derivative liabilities on the issuance date. The fair values of the Company s derivative liabilities were estimated at the issuance date and are revalued at each subsequent reporting date, using a lattice model. The derivative ended due to the final payment of the convertible promissory note on January 14, 2013, in which the Company had no derivative liabilities at March 31, 2013. The change in fair value of the derivative liabilities for the twelve months ended March 31, 2013 resulted in a loss of ($78,408), respectively, which was reported as other income/(expense) in the consolidated statements of operations.

The following presents the derivative liability value by instrument type at March 31, 2013:

	March 31, 2013
Convertible Notes	-
Common Stock Warrants	-
	$ -

The fair market value determined for the derivative liability is $0 at March 31, 2013. A total of $112,429 was recorded as a debt discount up to the face value of the notes and the excess of $36,933 was expensed.

The following is a summary of changes in the fair market value of the derivative liability during the twelve months ended March 31, 2013:

	Derivative Liability Total
Balance, April 23, 2012	$ 108,905
Increase in derivative value due to issuances of convertible notes and tainting of other convertible notes and warrants	
Promissory notes converted during the period	(36,349)
Change in fair market value of derivative liabilities due to mark to market adjustments	39,461
Balance, June 30, 2012	112,017
Increase in derivative value due to issuances of convertible notes and warrants	18,054
Change in fair market value of derivative liabilities due to mark to market adjustments	123,740
Balance, September 30, 2012	$ 253,811
Increase in derivative value due to issuances of convertible notes and tainting of other convertible notes and warrants	18,255
Promissory notes converted during the period	(45,153)
Change in fair market value of derivative liabilities due to mark to market adjustments	(154,812)
Balance, December 31, 2012	$ 72,101
Increase in derivative value due to issuances of convertible notes and tainting of other convertible notes and warrants	11,011
Promissory notes repaid during the period	(109,355)
Change in fair market value of derivative liabilities due to mark to market adjustments	26,223
Balance, March 31, 2013	$ -

Key inputs and assumptions used to value the convertible debentures and warrants issued during the twelve months ended March 31, 2013:

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The projected volatility curve for each valuation period was based on the historical volatility of the Company.

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The stock price would fluctuate with the Company projected volatility.

.

An event of default for the convertible note would occur 5% of the time, increasing 1.00% per month to a maximum of 10%.

.

Alternative financing for the convertible note would be initially available to redeem the note 0% of the time and increase monthly by 1% to a maximum of 10%.

.

The monthly trading volume would average $200,000 in the period and would increase at 5% per month.

.

The Holder would automatically convert the notes at the greater of two times the conversion price or stock price if the registration was effective and the Company was not in default.

.

The Holder would exercise the warrant at maturity if the stock price was above the exercise price.

.

The Holder would exercise the warrant at target prices starting at the greater of two times the exercise price or the stock price; and lowering such target as the warrants approached maturity.

.

The Holder would automatically convert all of the shares at a stock price of price equal to the target price.

.

The Holder would convert on a monthly basis in amounts not to exceed the average quarters trading volume based on historical performance, assuming the volume would increase by 5% each month.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

a. Operating Lease Obligation

The Company leases its main office under a non-cancelable lease agreement accounted for as an operating lease. The lease expired in May 2012. This lease was extended for 13 months beginning June 1, 2012. Rent expense for the corporate offices was $26,041 and 31,291 for the quarter ended March 31, 2013 and 2012, and $107,714 and $127,251 for the twelve months ended March 31, 2013 and 2012, respectively, under this lease arrangement. The company is evaluating whether or not it will continue to lease space at its current location at the conclusion of the extended lease period. The intention is to extend again effective June 1, 2013, at a rate of $8,680/month for 13 months.

The Company leases additional warehouse space in Boise, Idaho. This warehouse space consists of approximately 2,880 square feet. The lease expired in June 2012. This lease was extended for 24 months, beginning July 1, 2012. Rent expense for the warehouse was $3,975 and $4,200 for the quarter ended March 31, 2013 and 2012, and $16,200 and $16,800 for the twelve months ended March 31, 2013 and 2012, respectively.

Effective October 2010 LabMentors entered into a five year office lease. This lease was cancelled effective July 1, 2012, which resulted in a penalty for early termination of the lease equal to three months rent. The Company was able to obtain a new, fully furnished office at the National Research Council facility effective July 1, 2012. The new lease is a three year commitment to be paid in Canadian dollars each month. Lease payments are $395 per month CAD, before 13% tax, for the first nine months, then increases annually over the three-year term with payments for the final three months of the term being $558 per month CAD, before tax. The move was initiated as part of cost savings efforts being implemented within LabMentors and reduces the monthly lease payments. Rent expense, converted to USD, for LabMentors was $1,188 and $4,724 for the quarter ended March 31, 2013 and 2012, and $8,598 and $18,457 for the twelve months ended March 31, 2013, respectively.

Minimum lease obligation
over the next 5 years

Fiscal Year	Amount (USD)
2013	$ 131,897
2014	47,456
2015	10,430
2016	1,646
2017	-
Total	$ 191,429

b. Litigation

(i) On January 3, 2012, the U.S. District Court for the District of Idaho signed the Final Judgment in the Securities and Exchange Commission (the SEC) case pursuant to the Consent that the Company and Mr. Anthony Maher, its former CEO, had previously executed. Without admitting or denying the allegations of the Complaint, the Company and Mr. Maher consented to the entry of the Final Judgment which, among other things: permanently restrained and enjoined the Company from violations of, and permanently restrained and enjoined Mr. Maher from aiding and abetting violations of, Section 13(a) of the Securities Exchange Act of 1934 (the Exchange Act) and Rules 12b-20, 13a-1, and 13a-11 thereunder; permanently restrained and enjoined Mr. Maher from violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder; permanently restrained and enjoined Mr. Maher from violations of Section 13(a) of the Exchange Act and Rule 13a-14 thereunder; barred Mr. Maher from serving as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act, as amended, or that is required to file reports pursuant to Section 15(d) of the Exchange Act, for a period of five years from the date of the entry of the Final Judgment; and ordered Mr. Maher to pay a civil penalty in the amount of $100,000 to be paid in equal quarterly amounts of $25,000. There were no monetary sanctions imposed against the Company.

(ii) Class Action Lawsuit: The Company, along with its former CEO and former CFO, was named in a class action lawsuit (Niederklein v. PCS Edventures!.com, Inc., et al., U.S. District Court for the District of Idaho, Case 1:10-cv-00479-CWD). The class action was brought on behalf of shareholders who purchased shares of the Company s common stock during the period between March 28, 2007 and August 15, 2007. In September, the Company announced that it had entered into an agreement to settle the class action lawsuit, subject to further proceedings and approval by the Court. While the Company denies the allegations made in the class action lawsuit, the settlement was entered to eliminate the burden and expense of further litigation. On October 5, 2011, the Court granted preliminary approval to the settlement, and approved the notices that were sent to potential class members. At the Settlement Fairness Hearing on February 22, 2012, the Court gave final approval to the settlement and entered the Final Judgment and Order of Dismissal With Prejudice. The class action was settled for $665,000, with the Company s insurance carrier providing most of the settlement funds. In accordance with the Court ordered settlement, all settlement funds were paid on or before February 29, 2012.

c. Contingencies

During the year ended March 31, 2012, the Company worked with the State of California and a private consulting firm specializing in California State sales and use tax in relation to a review of sales and use tax for our California customers during the period April 1, 2002 through June 30, 2011. During this period, there was an estimated $0.6 million in reportable sales in which the Company did not file or collect sales and use tax, as required by California State law. The review determined that approximately $60,000 in prior period sales and use tax, including interest and late fees, was due to the California State Board of Equalization (BOE) as of June 30, 2011. Of this amount the Company was successful in collecting approximately $41,000 from prior customers. A check in the amount of $41,473 was mailed to the BOE on August 31, 2011 and applied against the liability leaving a balance of $7,146 in sales and use tax and $13,316 in interest. The Company was able to work with the BOE to have all penalties allotted, relieved from the account. The estimated recognized loss due to the inability to collect from customers was decreased to adjust the reported loss during fiscal year 2011 from $30,000 to approximately $7,100 during the quarter ending September 30, 2011. The Company was able to establish a payment plan with the Board of Equalization to begin payments starting February 20, 2012 in the amount of $3,542 per month until the remaining balance is paid in full. The final payment was paid in July 2012.

NOTE 11 - EDUCATIONAL SOFTWARE

Educational software was purchased by the Company as a part of its acquisition of 511092 N.B. LTD. and consists of internally developed education computer programs and student exercises to be accessed on the Internet. In accordance with financial accounting standards pertaining to internally developed software, the costs associated with research and initial feasibility of the programs and student exercises are expensed as incurred. Once economic feasibility has been determined, the costs to develop the programs and student exercises are capitalized until the software is ready for sale. At that point, the development costs are reported at the lower of unamortized cost or net realizable value. Capitalized programs and student exercise inventory items are amortized on a straight-line basis over the estimated useful life of the program or exercise, generally 24 to 48 months.

NOTE 12 - ACCRUED EXPENSES

Accrued expenses are made up of the following at March 31, 2013 and March 31, 2012.

	March 31,	
	2013	2012

Interest payable		63,732		31,915
Sales tax payable		1,230		14,030
Credit card debt		61,281		56,872
Professional fees: legal, accounting & other		10,116		953
Total accrued expenses	$	136,359	$	103,770

NOTE 13 - DILUTIVE INSTRUMENTS

Stock Options and Warrants

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

	Issued	Cancelled	Executed	Total Issued and Outstanding	Exercisable	Not Vested
Balance as of March 31, 2011	23,451,655	10,161,085	9,692,210	3,598,360	2,419,430	1,178,930
Warrants	1,455,000		260,000	1,195,000		
Common Stock	275,000	623,751		(348,751)		
Balance as of March 31, 2012	25,181,655	10,784,836	9,952,210	4,444,609	3,337,109	1,107,500
Warrants	385,000	375,000		10,000		
Common Stock	1,600,000	1,937,500		(337,500)		
Balance as of March 31, 2013	27,166,655	13,097,336	9,952,210	4,117,109		4,117,109

No common stock options were exercised during the years ended March 31, 2013 and 2012, respectively.

During the year ended March 31, 2013 and 2012, the Company had 1,937,500 and 623,751 common stock options and 375,000 and 0 warrants cancelled or expired, respectively. Cancellations are, in general, due to employee terminations prior to the common stock option being fully vested. Expirations are due to common stock options not being purchased prior to the stated expiration date.

On January 17, 2013, the Company issued 100,000 warrants to a shareholder with a 36 month term at $0.07 per share exercise price as consideration for the issuance of a Promissory Note in the amount of $200,000, in which $63,000 was to be considered advanced under a previous Note between Borrower and Lender dated December 26, 2012. The warrants were evaluated for embedded derivatives in accordance with ASC 815 and were found to not include any embedded derivatives. The warrants attached to the note were valued using the Black Scholes Valuation Model, resulting in a fair value of $7,977. This value was recorded as a debt discount and is being amortized over the life of the loan. The note was paid in full on April 1, 2013.

On January 11, 2013, the Company issued 120,000 warrants to a shareholder and lender and 65,000 warrants to another shareholder and lender both with a 36 month term at $0.07 per share exercise price as consideration for renewal of outstanding debt and promissory notes. The warrants were tainted and had a derivative value of $1,726 expensed during the quarter ended March 31, 2013.

On January 11, 2013, the Company granted 150,000 incentive stock options to an employee under the Company s 2009 Equity Incentive Plan. The incentive options are convertible to restricted Rule 144 common stock. The options were valued using the Black-Scholes valuation model. The restricted Rule 144 shares have an expected volatility rate of 323.15%. The total value of this option was $9,482.The options vest over a 12 month period and are exercisable at $0.06 per share. The fair market value was calculated and as of March 31, 2013, $1,184 in value of the options was expensed. The employee was terminated and the options were expensed through termination date and options were forfeited due to termination.

On July 16, 2012, the Company issued 100,000 warrants with a 36 month term at $0.15 per share exercise price in conjunction with a Promissory Note agreement which was secured by a purchase order in the amount of $741,780 dated July 16, 2012.

On May 15, 2012, the Company granted 850,000 incentive stock options to an officer, Robert Grover. The expected volatility rate of 223.62% calculated using the Company stock price over the period beginning June 1, 2009 through date of issue. A risk free interest rate of 0.38 % was used to value the options. The options were valued using the Black-Scholes valuation model. The total value of this option was $46,175. The options vest over a three year period and are exercisable at $0.06 per share which represents the fair market value at the date of grant in accordance with the 2009 Equity Incentive Plan. As of March 31, 2013, $12,826 in value of the options was expensed.

On April 13, 2012, the Company granted 450,000 incentive stock options to an officer, Leann Gilberg. The incentive stock options are convertible to restricted Rule 144 common stock. The restricted Rule 144 shares have an expected volatility rate of 220.15% calculated using the Company stock price over the period June 1, 2009 through date of issue. A risk free interest rate of 0.41% was used to value the options. The options were valued using the Black-Scholes valuation model. The total value of this option was $22,192. The options vest over a two year period and are exercisable at $0.05 per share which represents the fair market value at the date of grant in accordance with the 2009 Equity Incentive Plan. As of March 31, 2013, $11,712 in value of the options was expensed before Ms. Gilberg was resigned in November 2012.

On March 16, 2012, the Company granted 150,000 incentive stock options to an officer, Brett Newbold. The options were granted but not issued until the fiscal year ending March 31, 2013. The incentive stock options are convertible to restricted Rule 144 common stock. The restricted Rule 144 shares have an expected volatility rate of 219.31% calculated using the Company stock price over the period beginning June 1, 2009 through the date of issue. A risk free interest rate of 0.21% was used to value the options. The options were valued using the Black-Scholes valuation model. The total value of this option was $5,915. The options vest over a 12-month period and are exercisable at $0.04 per share which represents the fair market value at the date of grant in accordance with the 2009 Equity Incentive Plan. As of March 31, 2013, $4,929 in value of the options was expensed upon Mr. Newbold s departure in February 2013.

On January 26, 2012, the Company entered into a promissory note in the amount of $175,000. The note included attached warrants to purchase 175,000 shares of restricted Rule 144 common stock at a rate of $0.12 per share for the first 18 months and $0.18 per share for the remaining 18 months. The warrants expire 36 months from date of agreement. The per share price represented a premium on the $0.05 closing price of the Company s common stock on the OTC Bulletin Board on the commencement date of the note. The warrants computed volatility is 220.47%. A risk free interest rate of 0.31% was used to value the warrants using the Black Scholes Model. The value calculated was recorded as a debt discount and amortized over the term of the loan.

During the year ended March 31, 2012, the Company had 260,000 warrants exercised at a price of $0.15 per share.

On June 29, 2011, the Company granted a stock purchase agreement to a consultant for 250,000 stock purchase warrants. Each purchase warrant is convertible into one share of restricted Rule 144 common stock at $0.17 per share. The purchase warrant is contingent upon the delivery of a signed distribution agreement and receipt of revenue by the Company in an amount of no less than $250,000 (USD). The warrant expires 36 months from the effective date. Due to the fact that these warrants are contingently exercisable and the contingency is not resolved, no amount has been recorded for these warrants.

On June 20, 2011, the Company entered into a convertible promissory note in the amount of $100,000. The note included attached warrants to purchase two shares of restricted Rule 144 common stock for every dollar loaned, at a rate of $0.15 per share, for a total of 200,000 restricted Rule 144 common shares. The warrants expire 36 months from date of agreement. The per share price represented an 11.7% discount from the closing price of the Company s common stock on the OTC Bulletin Board on the commencement date of the note. The warrants computed volatility is 159.30%. A risk free interest rate of 0.68% was used to value the warrants using the Black Scholes Model. The beneficial conversion feature pertaining to the promissory note and attached warrants were valued and a debt discount of $100,000 was recorded. On September 30, 2011 the due date of this note was extended and as consideration for the extension, additional warrants to purchase two shares of restricted Rule 144 common stock for every dollar loaned, at a rate of $0.15 per share, for a total of 200,000 restricted Rule 144 common shares were granted to the Lender. The per share price represented an 11.7 % discount from the closing price of the Company s common stock on the OTC Bulletin Board on the commencement date of the note. The warrants computed volatility is 164.98%. A risk free interest rate of 0.42% was used to value the warrants using the Black Scholes Model. The value of the warrants issued for the extension of the maturity date was expensed.

On May 31, 2011, the Company granted 275,000 incentive options to an officer. These options were issued as additional incentive compensation. The options vest over a six month period and are exercisable at $0.17 per share which represents the fair market value at the date of grant in accordance with the 2009 Equity Incentive Plan. The options were valued using the Black-Scholes valuation model. The options have an expected volatility rate of 147.21% calculated using the Company stock price for a two-year period beginning June 24, 2010. A risk free interest rate of 0.79% was used to value the options. The total value of these options of $36,473.

On April 27, 2011, the Company issued contingent warrants to purchase an aggregate of 200,000 shares of restricted Rule 144 common stock at $0.35 per share. The conversion of the warrants to common stock is based upon the successful creation of a predetermined sales or distribution agreement that generates recognized revenue in an amount no less than $250,000. The warrant expires 36 months from date of warrant. Due to the fact that these warrants are contingently exercisable and the contingency is not resolved, no amount has been recorded for these warrants.

On August 24, 2010, the Company granted 133,930 incentive options to an employee. These options were issued as additional incentive compensation. The options were valued using the Black-Scholes valuation model. The shares have an expected volatility rate of 109.70% calculated using the Company stock price for a two-year period beginning August 25, 2010. A risk free interest rate of .39% was used to value the options. The options vest over a three-year period and are exercisable at $.70 per share which represents the fair market value at the date of grant in accordance with the 2009 Equity Incentive Plan. During the twelve-months ended March 31, 2013, $7,259, of the total value was expensed.

On August 23, 2010, the Company granted 50,000 options to a consultant. These options were issued to the consultant due to exemplary performance. The shares have an expected volatility rate of 109.81% calculated using the Company stock price for a two-year period beginning August 23, 2010. A risk free interest rate of .37% was used to value the options. The options were valued using the Black-Scholes valuation model. The total value of these options was $11,988. The options vest over a three-year period, contain a number of performance conditions and are exercisable at $.71 per share which represents the fair market value at the date of grant in accordance with the 2009 Equity Incentive Plan.   During the twelve-months ended March 31, 2013, $3,097 of the total value was expensed.

On June 24, 2010, the Company granted 800,000 incentive options to a select group of employees. These options were issued as incentive compensation to the employees. The options were valued using the Black-Scholes valuation model.   The options have an expected volatility rate of 114.06% calculated using the Company stock price for a two-year period beginning June 24, 2010. A risk free interest rate of 0.48% was used to value the options. The total value of these options was $258,170. The options vest over a three-year period and are exercisable at $.55 per share which represents the fair market value at the date of grant in accordance with the 2009 Equity Incentive Plan. During the twelve-months ended March 31, 2013, $28,146 of the total value was expensed.

On June 17, 2010, the Company granted 300,000 incentive stock options to an officer. These options were issued as incentive compensation to the officer. The options were valued using the Black-Scholes valuation model. The options have an expected volatility rate of 113.82% calculated using the Company stock price for a two-year period beginning June 17, 2010. A risk free interest rate of .53% was used to value the options. The total value of these options was $92,897. The options vest over a three-year period and are exercisable at $.60 per share, which represents the fair market value at the date of grant in accordance with the 2009 Equity Incentive Plan. During the twelve-months ended March 31, 2013, $13,547 of the total value was expensed.

NOTE 14 - RELATED PARTY TRANSACTIONS

During the fiscal year ended March 31, 2013 and March 31, 2012, the Company entered into various loan transactions with members of the Board of Directors (Donald Farley, Todd Hackett and Murali Ranganathan) and Shareholders. The loans were done at arms length and are fully disclosed in Note 8.

During the fiscal year ending March 31, 2013 the Company converted 300,000 restricted stock units (RSUs) of the 450,000 issued to common stock for non-management directors for services rendered during the period September 1, 2011 to August 31, 2012 at a rate of one share of common stock for each restricted stock unit. In addition, the board members we all issued new Restricted Stock Awards for the current period of September 1, 2012 to August 31, 2013. The transaction is described in detail on page 44, Note 7.

During the fiscal year ended March 31, 2013, the Company granted 200,000 shares of restricted stock to officer, Robert Grover, in addition to a 150,000 restricted stock award as a bonus and 850,000 shares of Incentive Stock Options. Full disclosures can be read under Note 7 and Note 13.

During the fiscal year ended March 31, 2013, the Company granted 50,000 shares of restricted stock to officer, Leann Gilberg, in addition to 450,000 shares of Incentive Stock Options. Full disclosures can be read under Note 7 and Note 13.

During the year ended March 31, 2013, the Company had an employment agreement with Brett A. Newbold as the Company s new Chief Operating Officer. In conjunction with the employment agreement, the Company granted Mr. Newbold 100,000 shares of restricted common shares of PCS stock. In addition to the monthly salary and the aforementioned 100,000 shares of common restricted stock, the Company issued to Newbold 150,000 shares of Incentive Stock Options. The details of these stock issuances are fully disclosed in Note 7 and Note 13.

During the year ended March 31, 2012, the Company issued 27,662 shares of common stock to Joesph Khoury, an officer of LabMentors, our wholly owned subsidiary, for bonuses for a net value of $5,809, based on the closing price of our common stock at the grant dates.

NOTE 15 ACCOUNTS RECEIVABLE

The Company s concentration of credit risk consists primarily of trade receivables. In the normal course of business, the Company provides credit terms to its customers, which generally range from net 30 to 45 days. 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 allowance is based on the prior three-year historical uncollectable accounts as a percentage of sales. Total bad debt allowance as of March 31, 2013 and 2012, was $2,669 and $4,805, respectively. The bad debt expense for the year ending March 31, 2013 and 2012 was ($2,135) and $1,526, respectively.

NOTE 16 OTHER ASSETS

During the year ended March 31, 2009, the Company contracted for the production of a plastic mold (a covering for the third generation proprietary electronic controller, The Brain). The Brain is incorporated into AOR product line. The cost of the mold was $28,426. The cost is amortized on a per unit basis with a total estimated 10,000 units. As of March 31, 2013, the Company had amortized 2,805 units. Due to usage of the mold being slower than anticipated an additional amortization charge of $4,592 was recorded during the year ended March 31, 2012 to better approximate straight-line depreciation. During the fiscal year ended March 31, 2013, the Company continued to use the straight-line method to depreciate the mold. As a cost savings measure the Company outsourced some of its manufacturing to a company in China for the controller case, The Brain , in which a new mold was created. The cost of the mold was $7,088 USD. Use of this mold began in December 2012, in which at that time amortization began using the straight-line method. Amortization of the mold is included in cost of sales for AOR. The Company recorded a charge of $3,849 during the fiscal year ended March 31, 2013 for the amortization of both molds.

NOTE 17 OTHER INCOME

Other income is made up of the following at March 31, 2013 and March 31, 2012.

	2013		2012	
State of California BOE settlement true-up	$	-	$	23,070
SR&ED refund		-		15,134
Recovery of previously written off receivables		5,651		10,186
Other		243		2,356
Total Other Income	**$**	**5,894**	**$**	**50,746**

NOTE 18 - SUBSEQUENT EVENTS

Effective June 7, 2013, we executed an amendment to the loan transaction. The amended transaction involved the extension of the Promissory Note from April 30, 2013 to April 30, 2016, with the creditors waiving any default under the previous note. The Company made interest payments to each of the eight note holders for all accrued interest from August 1, 2012 to April 30, 2013 for consideration of the extension. The Company has agreed to make quarterly interest payments to each of the note holders during the term of the extension. All other terms of the previous Promissory Note, Security Agreement and related warrants remain in full force and effect.

On May 24, 2013, we entered into three different loan transactions with an accredited investor , one of our board members and a shareholder, Todd Hackett. Mr. Hackett financed a long term Convertible Promissory Note, payable with interest at 8% per annum in the amount of $95,000, convertible into shares of common stock of the Company at a price of $0.0325 per share, which represents a 20% discount from the market price as of the date of the note. The note is due thirty six months from the date of the note in cash on or before May 24, 2016. The note has a security interest in those assets of Borrower designated as fixed assets on the financial statements of Borrower for the fiscal year ended March 31, 2013, and a security interest (the IP Security Interest) in all intellectual property owned by the Borrower. The IP Security Interest granted under this Note shall be, and be deemed to be, subordinated to any prior security interests granted prior to the date of this note by the Borrower in any or all Intellectual Property under any note obligations in favor of any one or more lenders to the Borrower.

In addition, Mr. Hackett financed a 12% Convertible Promissory Note in the amount of $100,000, convertible into shares of common stock of the Company, at a price of $0.0325 per share, which represents a 20% discount from the market price as of the date of the note. The note is due ninety days from the date of the note on or before August 24, 2013. If the Lender does not decide to convert the note after 60 days from the date of the note, the Borrower must amend the note and secure the $100,000 with unsecured accounts receivable or customer purchase orders from its customers (to be determined) as collateral.

The third loan transaction Mr. Hackett financed was a short term Promissory Note in the amount of $150,000, payable with interest at 12% per annum, in cash on or before August 24, 2013. The Promissory Note is secured by several customer Purchase Orders in the amount of $150,229, in which the Company has structured to pay back $0.50 for every $1.00 received from the customer purchase order, in which for the remaining $0.50 outstanding, the Company would re-secured with new customer purchase orders (to be determined). The loan proceeds will be utilized to support the fulfillment of the orders pledged as well as finance operations for a short term.

On April 30, 2013, we entered into a loan transaction with an accredited investor for a Promissory Note, payable with interest at 8% per annum in the amount of $5,000, convertible into shares of common stock of the Company at a price of $0.20 per share. The note is due twenty four months from the date of the note, on or before August 31, 2015.

Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9(A). Controls and Procedures.

Disclosure Controls and Procedures

We maintain disclosure controls and procedures , as the Securities and Exchange Commission (SEC) defines such term. We have designed these controls and procedures to reasonably assure that information required to be disclosed in our reports filed under the Exchange Act, such as this Form 10-K, is recorded, processed, summarized, and reported within the periods specified in the SEC s rules and forms. We have also designed our disclosure controls to provide reasonable assurance that such information is accumulated and communicated to the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow them to make timely decisions regarding our required disclosures.

Our management has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934) as of March 31, 2013. Based on this evaluation, the Chief Executive Officer concluded that our Company s disclosure controls and procedures, including the accumulation and communication of disclosures to the Company s Chief Executive Officer as appropriate to allow timely decisions regarding required disclosure were not effective as of this date to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC s rules and forms. The Company s year-end closing process did not adequately ensure that all transactions were accounted for in accordance with GAAP and that required adjustments were made to the financial statements to prevent them from being materially misstated. Management acknowledges that as a smaller reporting entity, it is difficult to have adequate accounting staff to perform appropriate additional reviews of the financial statements. In addition, two personnel positions turned over in the finance area just prior to year-end and training new personnel has taken time.

Management s Report on Internal Control Over Financial Reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance of achieving their control objectives. Our management, including our Chief Executive Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all error or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Management believes that the financial statements included in this report fairly present in all material respects our financial condition, results of operations and cash flows for the periods presented.

Our management, with the participation of the principal executive officer, evaluated the effectiveness of the Company s internal control over financial reporting as of March 31, 2013. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control Integrated Framework. As a result of its review, management identified a material weakness in the internal control over financial reporting. This material weakness was evidenced through the Company s year-end closing process, which did not adequately ensure that all transactions were accounted for in accordance with GAAP and that required adjustments were made to the financial statements to prevent them from being materially misstated. Based on this evaluation, our management, with the participation of the principal executive officer, concluded that, as of March 31, 2013, our internal control over financial reporting was not effective. Management acknowledges that as a smaller reporting entity, it is difficult to have adequate accounting staff to perform appropriate additional reviews of the financial statements. In addition, the Company s Chief Financial Officer resigned prior to year-end and training and transitioning has taken time.

This Annual Report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management s report was not subject to attestation by our registered public accounting firm pursuant to rules of the SEC that permit us to provide only management s report in this Annual Report.

Changes in Internal Control Over Financial Reporting

On November 30, 2012, Ms Gilberg resigned as Chief Financial Officer.

Item 9(B). Other Information

None.

PART III

Item 10. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act.

Identification of Directors and Executive Officers.

The following table sets forth the name, age and position of each officer and director of the Company:

Name	Age	Position
Robert O. Grover	50	Chief Executive Officer
Donald J. Farley	65	Secretary
Dehryl A. Dennis	72	Director
Todd R. Hackett	52	Director
Murali Ranganathan	43	Director

Term of Office.

The terms of office of the current directors shall continue until the annual meeting of stockholders, which has been scheduled by the Board of Directors to be held no later than September of each year. The annual meeting of the Board of Directors immediately follows the annual meeting of stockholders, at which executive officers for the coming year are elected.

Business Experience.

Robert O. Grover. On January 5, 2012, Mr. Grover was appointed Chief Executive Officer, Mr. Grover became Executive Vice President in May 1996 and served as President, Chief Operating Officer, and Chief Technology Officer from March 2010 until January 2012. Mr. Grover has been instrumental in the continued development and growth of the PCS family of products. Mr. Grover joined PCS at its inception. Mr. Grover graduated from Boise State University in 1987 with a Bachelor of Arts degree in English and an A.A.S. in Business Management.

Donald J. Farley. Mr. Farley is the Secretary of the Company and acted as the 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 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.

Dehryl A. Dennis, Ed.D. Dr. Dennis has had a 36-year career that took him from teaching in small public schools in southwest Idaho to Puerto Rico and Illinois, and then returned him to his native state as a district administrator in

Boise, Idaho. During his entire professional career, Dr. Dennis was an outspoken advocate for programs that emphasized applied learning. Because of his strong belief that most people learn by doing rather than thinking about doing , he supported and helped implement off-school site classrooms in malls and hospitals; partnerships with trade unions, small business, and industry; and cooperative agreements with institutions of higher learning. The success of these programs culminated in the construction of the Dehryl A. Dennis Professional Technical Center, which opened in 1999 and presently serves approximately 900 students from 16 area high schools. Appointed in 1976 as Director of Personnel, he later served as Assistant Superintendent and then Deputy Superintendent until he was appointed District Superintendent in 1994. He remained as Superintendent until his retirement in July 1999.

Todd R. Hackett. Mr. Hackett is the owner Todd Hackett Construction Co., a successful construction company in Iowa where he has served as President for the last 25 years. Mr. Hackett first became aware of PCS as an investment opportunity in 2007. Over the past five years, his involvement with PCS has grown from a casual investor to providing short-term financing to us to meet our operational needs. He is a strong advocate for bringing educational opportunities to both children and young adults to strengthen their knowledge in math and science. Mr. Hackett brings a strong business background to PCS, well founded in the fundamental principles of building a successful company. He has demonstrated his abilities in the building of his own company from a start-up in 1981 to a major construction firm now handling multi-million dollar projects. Many of his projects involve educational institutions such as community colleges, middle schools, libraries and applied technology labs.

Murali Ranganathan. Mr. Ranganathan is the Senior Manager of Finance Strategy for Micron, where he is the financial lead for evaluating, negotiating, and conducting due diligence on Micron s M&A and venture investment opportunities. Mr. Ranganathan is a planning and financial expert who is well versed in due diligence. Mr. Ranganathan is Chairman of the Audit Committee for PCS Edventures. Mr. Ranganathan has a long and impressive career in both engineering and finance, with a Masters in Industrial and Systems Engineering from Ohio State, and an MBA from the Booth School of Business at the University of Chicago.

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 PCS 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.

Family Relationships.

There are no family relationships between any of our directors or executive officers, however, Chief Executive Officer, Robert Grover spouse works for the company on a contract basis in our Learning Center.

Involvement in Certain Legal Proceedings.

With the exception of the consent judgment involving the Company s former Chief Financial Officer Ms. Stith and the Final Judgment involving the Company s former Chief Executive Officer Mr. Maher in the Securities and Exchange Commission (the SEC) case discussed in Note 8(b), during the past 10 years, to our knowledge, none of our present or former directors, executive officers or persons nominated to become directors or executive officers has been the subject of any of the following:

(1) A petition under the federal bankruptcy laws or any state insolvency law was filed by or against, or a receiver, fiscal agent or similar officer was 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 (2) years before the time of such filing, or any corporation or business association of which he was an executive officer at or within two (2) years before the time of such filing;

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

(3) Such person 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 or her from, or otherwise limiting, the following activities:

(i) Acting as a futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker, leverage transaction merchant, any other person regulated by the Commodity Futures Trading Commission, or an associated person of any of the foregoing, or as an investment adviser, underwriter, broker or dealer in securities, or as an affiliated person, director or employee of any investment company, bank, savings and loan association or insurance company, or engaging in or continuing any conduct or practice in connection with such activity;

(ii) Engaging in any type of business practice; or

(iii) Engaging in any activity in connection with the purchase or sale of any security or commodity or in connection with any violation of Federal or State securities laws or Federal commodities laws;

(4) Such person was the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any Federal or State authority barring, suspending or otherwise limiting for more than sixty (60) days the right of such person to engage in any activity described in paragraph (f)(3)(i) of this section, or to be associated with persons engaged in any such activity;

(5) Such person was found by a court of competent jurisdiction in a civil action or by the SEC to have violated any federal or state securities law, and the judgment in such civil action or finding by the SEC has not been subsequently reversed, suspended, or vacated;

(6) Such person was found by a court of competent jurisdiction in a civil action or by the Commodity Futures Trading Commission to have violated any Federal commodities law, and the judgment in such civil action or finding by the Commodity Futures Trading Commission has not been subsequently reversed, suspended or vacated;

(7) Such person was the subject of, or a party to, any federal or state judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of:

(i) Any federal or state securities or commodities law or regulation; or

(ii) Any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order; or

(iii) Any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or

(8) Such person was the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act (15 U.S.C. 78c(a)(26))), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act (7 U.S.C. 1(a)(29))), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

Compliance with Section 16(a) of the Exchange Act.

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 2013 with the exception of the below:

Based solely on our review of the copies of such forms received by us, or written representations from certain reporting persons, we believe that during fiscal year ended March 31, 2013, all filing requirements applicable to our officers, directors and greater than 10% percent beneficial owners were complied with.

Code of Ethics.

We adopted a Code of Ethics and it was attached as Exhibit 14 to our 2004 Annual Report. The Code was revised in 2010 and is available on our web site at https://edventures.com.

Nominating Committee.

No changes have been made to the process by which shareholders may nominate a person or persons to serve as a member of the Company s Board of Directors.

Audit Committee.

We chartered an audit committee in 2001 for the purpose of engaging an accounting firm, which is currently M&K CPAs, PLLC, for the annual audit and quarterly reviews. The audit committee currently consists of Board members Murali Ranganathan and Dehryl A. Dennis. Mr. Ranganathan 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 its Charter regarding the scope and responsibilities

for the audit committee adopted in fiscal year 2005 and revised in fiscal year 2010. The audit committee meets with M&K CPAs, PLLC via telephone on a quarterly basis and meets separately with management to review quarterly financial results and discuss any issues. The audit committee facilitated a teleconference meeting with the Board of Directors and M&K CPAs, PLLC on during the Company s Annual Meeting. In addition, the audit committee discusses auditing issues as needed during regularly scheduled board meetings, which are documented in the Company s minutes.

Item 11. Executive Compensation.

Compensation.

<u>SUMMARY COMPENSATION TABLE FOR FISCAL YEARS 2011-2013</u>

The following table provides information relative to compensation paid to our executive officers for the years ended March 31, 2011 through March 31, 2013. During the fiscal year ended March 31, 2013, Mr. Grover s salary comprised 11.0% of the total compensation paid to all employees, Ms. Gilberg s salary comprised 6.6% of the total compensation paid to all employees and Mr. Newbold s salary comprised less than 6.1% of the total compensation paid to all employees.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Comp.	Total ($)
				($)	($)	($)	($)	($)	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Robert O. Grover, CEO	FY2013	104,166		9,000	42,500	-	-	- (i)	155,666
	FY2012 (iii)	100,000	5,300	22,000	-	-	-	(i)	127,300
	FY2011 (iii)	99,133	-	-	180,000	-	-	- (i)	279,133
Leann R. Gilberg, Former CFO (ii)	FY2013	62,977		2,500	18,000	-	-	- (i)	83,477
	FY2012 (iii)	48,815	-	-	-	-	-	- (i)	48,815
	FY2011	-	-	-	-	-	-	- (i)	-

Brett A. Newbold, Former COO (ii)	FY2013	(iii)	58,285		4,000	6,000			13,600	(i)	81,885
	FY2012	(iii)	2,500	-	-	-	-	-	-	(i)	2,500
	FY2011		-	-	-	-	-	-	-	(i)	-
Valerie L. Grindle, Former CEO and Sr. V.P. of Finance and Administration, CFO (ii)	FY2013		-	-	-	-	-	-	-	(i)	-
	FY2012	(iii)	80,833	-	-	46,750	-	-	-	(i)	127,583
	FY2011	(iii)	2,429	-	-	-	-	-	-	(i)	2,429

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

(ii) Ms. Gilberg s compensation is pro-rated based on a hire date of September 15, 2011 and termination date of November 30, 2012. Mr. Newbold s compensation is pro-rated based on a hire date of March 16, 2012 and a termination date of February 11, 2013. Ms. Grindle s compensation is pro-rated based on her resignation effective January 04, 2012.

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Options Grants in Last Fiscal Year.

GRANTS OF PLAN-BASED AWARDS FOR FISCAL YEAR 2013

The following table outlines the equity-based awards granted to our executive officers for the fiscal year ended March 31, 2013.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)
		Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)			
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)

	10/31/2011	-	-	-	-	-	-	200,000	-	0.11
Robert O. Grover, CEO	05/15/2012	-	-	-	-	850,000	850,000	-	-	0.05
	05/15/2012	-	-	-	-	-	-	150,000	-	0.06
Leann R. Gilberg, Former CFO	04/13/2012	-	-	-	-	450,000	450,000 (i)	-	-	0.04
	04/13/2012	-	-	-	-	-	-	50,000	-	0.05
Brett A. Newbold, Former COO	03/16/2012	-	-	-	-	150,000	150,000 (ii)	-	-	0.04
	04/09/2012	-	-	-	-	-	-	100,000	-	0.04
Valerie L. Grindle Former, CEO and Senior V.P. of Finance and Administration, CFO	05/03/2011	-	-	-	-	275,000	275,000 (iii)	-	-	0.17

(i). Ms. Gilberg was issued the Incentive Stock Options, however after she resigned in November 30, 2012, the options were forfeited.

(ii) Mr. Newbold was terminated February 11, 2013. As of March 31, 2013, 75,000 shares vested and are available for Mr. Newbold to exercise. The remaining 75,000 was forfeited.

(iii) Ms. Grindle resigned her position as CEO on January 4, 2012. Her Incentive Stock Options were forfeited during the fiscal year ended March 31, 2013.

<u>OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END 2013</u>

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares of Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Robert O. Grover	11,250	41,250	-	0.60	06/17/15	-	-	-	-
	325,000	525,000	525,000	0.05	05/15/15	-	-	-	-
Leann R. Gilberg	(i) -	(i) -	(i) -	0.04	04/13/17	-	-	-	-
Brett A. Newbold	(ii) 75,000	(ii) 75,000	(ii) 75,000	0.04	03/16/17	-	-	-	-
Valerie L. Grindle	(iii) -	(iii) -	(iii) -	0.17	05/31/16	-	-	-	-

(i). Ms. Gilberg was issued a Stock Option Award on April 13, 2012 in the amount of 450,000 Shares with an exercise price of $0.04 in which 150,000 shares were deemed exercisable. However, the Option Award was cancelled during the fiscal year due to Ms. Gilberg s termination effective November 30, 2012.

(ii) Mr. Newbold was terminated February 11, 2013. As of March 31, 2013, 75,000 shares vested and are available for Mr. Newbold to exercise. The remaining 75,000 was forfeited.

(iii). Ms. Grindle resigned her position as CEO on January 4, 2012. Her Incentive Stock Options were forfeited during the fiscal year ended March 31, 2013.

OPTION EXERCISES AND STOCK VESTED FOR FISCAL YEAR

The following table provides information related to stock option exercises by executive officers of the Company, as well as any stock awards vesting during the Fiscal Year Ended March 31, 2013.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercised ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
(a)	(b)	(c)	(d)	(e)
Robert O. Grover	-	-	200,000 (i)	22,000
			150,000	9,000
Leann R. Gilberg	-	-	50,000	2,500
Brett A. Newbold	-	-	100,000	4,000
Valerie L. Grindle	-	-	-	-

(i)

During the fiscal year ended March 31, 2012, the Company granted 200,000 shares of restricted stock to Mr. Grover. Shares are immediately forfeited if the officer is not an employee of the Company at the date that Rule 144 of the current rules of the Securities and Exchange Commission provides that the restrictions are removed and the restricted stock may be registered or otherwise qualified for sale. The stock certificate was issued and is being held at PCS until the shares are fully vested in April 2012. The shares vest over a six-month period and are valued at $.11 per share which represents the fair market value at the date of grant in accordance with the 2009 Equity Incentive Plan. The value of the shares is being amortized over the vesting period in the amount of $3,667 per month.

Audit Committee Financial Expert.

We chartered an audit committee in 2001 for the purpose of engaging an accounting firm, which is currently M&K CPAs, PLLC, for the annual audit and quarterly reviews. The audit committee currently consists of Board members Murali Ranganathan and Dehryl A Dennis. Mr. Ranganathan 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 its Charter regarding the scope and responsibilities for the audit committee adopted in fiscal year 2005 and revised in fiscal year 2010. The audit committee meets with M&K CPAs, PLLC via telephone on a quarterly basis and meets separately with management to review quarterly financial results and discuss any issues. The audit committee facilitated a teleconference meeting with the Board of Directors and M&K CPAs, PLLC during the Company s Annual Meeting. In addition, the audit committee discusses auditing issues as needed during regularly scheduled board meetings, which are documented in the Company s minutes.

Compensation of Directors.

Effective October 1, 2009, the Board resolved and adopted the annual fees to be paid to outside Directors of the Board to be $30,000 annually and paid in the form of Restricted Stock Units, or other form authorized under the PCS 2009 Equity Incentive Plan as the Board determines. Restricted Stock Units are subject to forfeiture as described in the 2009 Plan. As of March 31, 2013, the Company had accrued $30,000 of director fees. The CEO is excluded from receiving additional compensation as a Board member beginning the second fiscal quarter of 2006 by unanimous consent of the Board.

The following table shows awards and payments to outside Directors of our Board for fiscal year 2013 as compensation.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension value and Nonqualified Deferred Compensation Earnings	All Other Compensation ($)	Total ($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Dehryl Dennis	-	30,000 15,000	-	-	-	-	30,000 15,000
Donald Farley	-	30,000 15,000	-	-	-	-	30,000 15,000
Michael McMurray	-	30,000	-	-	-	-	30,000
Todd Hackett	-	15,000	-	-	-	-	15,000
Murali Ranganathan	-	10,000	-	-	-	-	10,000

Employment Agreements

We have written employment agreements with three employees:

Brett A. Newbold, Chief Operating Officer - The contract with Mr. Newbold provides for a six-month Employment Agreement whereby he is to be paid $5,000 in cash and an additional 5,000 shares per month in restricted stock awards. The Employment Agreement cannot be terminated by PCS during the six-month period without cause. Mr. Newbold received 100,000 shares of restricted stock as a signing bonus. He was also granted options to purchase 150,000 shares of PCS common stock under the PCS 2009 Equity Incentive Plan, with an exercise price of $0.04 per share based on the market value of the stock on the date of the grant. Mr. Newbold is also eligible for standard benefits provided to all employees. This agreement was terminated upon Mr. Newbold s departure in February 2013.

Anthony A. Maher, Former Chief Executive Officer and Former Director of the Company **-** Mr. Maher, an employee of the Company, resigned as an Officer and a Director of the Company last summer and was given an Employment Contract that was filed with the Securities and Exchange Commission on October 12, 2011 on a Form 8-K Current

Report dated October 10, 2011. Mr. Maher had been assisting the Company in the business development and finance areas. January 16, 2012, Anthony A. Maher returned from medical leave. An Amended Employment Agreement was executed effective January 1, 2012, rescinding effective December 31, 2011, the prior Employment Agreement dated August 26, 2011. Under this Agreement, Mr. Maher receives a monthly salary of $7,500 plus standard insurance benefits available to all employees and is an at will employee of the Company. He will report to the CEO and CFO and his role will be advisory. This agreement was terminated upon Mr. Maher s departure.

Joseph A. Khoury, our subsidiary President - The contract with Mr. Khoury 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.

Stock Option Plans and Other Incentive Compensation Plans.

On August 27, 2009, the Board of Directors adopted and the shareholder s approved the PCS Edventures!.com, Inc. 2009 Equity Incentive Plan (2009 Plan). The 2009 Plan was designed to replace the existing 2004 Nonqualified Stock Option Plan (2004 Plan). The 2009 Plan provides for the grant of various types of equity instruments, including grants of restricted and unrestricted PCS common stock as well as options and other types of awards. The 2009 Plan was implemented to align the interests of the Company s employees with those if the shareholders and to motivate, attract, and retain its employees and provide an incentive for outstanding performance. An 8K was filed on November 19, 2009 registering the Plan. On April 4, 2012, the Board adopted and the shareholders approved an Amendment to an increase in the number of shares of common stock available for grants, incentive or other purposes under the Company s 2009 Equity Incentive Plan from 4,000,000 shares to 8,000,000 shares.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Security Ownership of Management and Others

CERTAIN BENEFICIAL OWNERS

The following table outlines information provided to the Company as of March 31, 2013 regarding beneficial ownership of PCS Common Stock by the Company s directors, executive management, and any beneficial owners.

DIRECTORS AND EXECUTIVE OFFICERS

	Amount and Nature of Beneficial Ownership (1)						
Name and Address of Beneficial Owner	Shares Owned	Shares Issuable Upon Exercise of Options	Shares Issuable Upon Receipt of Restricted Stock Units	Shares Issuable Upon Exercise of Warrants	Shares Issuable Upon Exercise of Convertible Note	Total	Percentage Owned (5)
Robert O. Grover, CEO 345 Bobwhite Court, Suite 200 Boise, Idaho 83706	(2) 1,037,871	1,150,000	-	-	-	2,187,871	4.43%
Leann R. Gilberg CFO 345 Bobwhite Court, Suite 200 Boise, Idaho 83706	247,843 (3)	-	-	-	-	247,843	Less than 1.0%
Brett A. Newbold COO 345 Bobwhite Court, Suite 200 Boise, Idaho 83706	195,288 (4)	75,000	-	-	-	270,288	Less than 1.0%
Dehryl A. Dennis	310,788	20,971	150,000			481,759	Less than 1.0%

Director 345 Bobwhite Court, Suite 200 Boise, Idaho 83706				-	-		
Donald J. Farley Secretary 345 Bobwhite Court, Suite 200 Boise, Idaho 83706	968,117	80,313	150,000	65,000	-	1,263,430	2.56%
Michael K. McMurray Director 345 Bobwhite Court, Suite 200 Boise, Idaho 83706	506,006	74,466	-	-		580,472	1.17%
Todd Hackett Director 345 Bobwhite Court, Suite 200 Boise, ID 83706	2,948,465	-	150,000	775,000	1,325,000	5,048,465	10.24%
Murali Ranganathan Director 345 Bobwhite Court, Suite 200 Boise, Idaho 83706	-	-	142,857	-	-	142,857	Less than 1.0%
All officers and directors as a group (eight persons)	6,214,378	1,400,750	592,857	840,000	1,325,000	10,372,985	24.53%

1.

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. Currently, Todd Hackett is the only beneficial owners, as defined by the Securities Exchange Commission as owners with greater than 5% ownership, other than our directors and executive officers.

2.

Includes (i) 772,894 shares owned of record by Mr. Grover; (ii) 15,000 shares which are beneficially owned by spouse Heidi Grover; (iii) 249,977 shares owned by daughter Dahlton Grover

3.

Issued Incentive Option Award however, the Option was forfeited when terminated

4.

Incentive Stock Option was for 150,000 of which 75,000 vested. The remaining 75,000 were forfeited when Mr. Newbold was terminated February 2013.

5.

Based upon 49,293,845 shares issued and outstanding as of March 31, 2013.

Changes in Control.

To our knowledge, there are no present arrangements or pledges of our securities that may result in a change in control of our company.

Item 13. Certain Relationships and Related Transactions.

Transactions with Related Persons.

Please refer to Note 14 for a full disclosure at March 31, 2013

Parents.

None, not applicable.

Promoters and Control Persons.

None,

Director Independence.

We believe that all members of our Board of Directors with the exception of our Chief Executive Officer, Robert O. Grover, are independent based on the following definition of NASDAQ, which is quoted below from Rule 5605(a)(2): Independent Director means a person other than an Executive Officer or employee of the Company or any other individual having a relationship, which, in the opinion of the Company s board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. For purposes of this rule, Family Member means a person s spouse, parents, children and siblings, whether by blood, marriage or adoption, or anyone residing in such person s home. The following persons shall not be considered independent:

(A) a director who is, or at any time during the past three years was, employed by the Company;

(B) a director who accepted or who has a Family Member who accepted any compensation from the Company in excess of $120,000 during any period of twelve consecutive months within the three years preceding the determination of independence, other than the following:

(i)

compensation for board or board committee service;

(ii)

compensation paid to a Family Member who is an employee (other than an Executive Officer) of the Company; or

(iii)

benefits under a tax-qualified retirement plan, or non-discretionary compensation.

Provided, however, that in addition to the requirements contained in this paragraph (B), audit committee members are also subject to additional, more stringent requirements under Rule 5605(c)(2).

(C) a director who is a Family Member of an individual who is, or at any time during the past three years was, employed by the Company as an Executive Officer;

(D) a director who is, or has a Family Member who is, a partner in, or a controlling Shareholder or an Executive Officer of, any organization to which the Company made, or from which the Company received, payments for property or services in the current or any of the past three fiscal years that exceed 5% of the recipient s consolidated gross revenues for that year, or $200,000, whichever is more, other than the following:

(i)

payments arising solely from investments in the Company s securities; or

(ii)

payments under non-discretionary charitable contribution matching programs.

(E) a director of the Company who is, or has a Family Member who is, employed as an Executive Officer of another entity where at any time during the past three years any of the Executive Officers of the Company serve on the compensation committee of such other entity; or

(F) a director who is, or has a Family Member who is, a current partner of the Company s outside auditor, or was a partner or employee of the Company s outside auditor who worked on the Company s audit at any time during any of the past three years.

(G) in the case of an investment company, in lieu of paragraphs (A)-(F), a director who is an interested person of the Company as defined in Section 2(a)(19) of the Investment Company Act of 1940, other than in his or her capacity as a member of the board of directors or any board committee.

Our Board of Directors has adopted this definition of an independent director even though we are not required to have independent directors.

Item 14. Principal Accountant Fees And Services.

<u>Fees Paid to Principal Accountants</u>

Fee Category	FY2013	FY2012
Audit Fee	$ 49,926	$ 59,625
Audit Related Fee	10,000	-
All Other Fees	7,511	-
Total Fees	$ 67,437	$ 59,625

Pre-approval and Policies

The Audit Committee must approve all audit and non-audit engagements of our independent public accounting firm in writing.

Part IV

Item 15. Exhibits.

(a)(3)

Exhibits. The following exhibits are filed as part of this Annual Report:

Exhibit 3.1 Second Amended and Restated Articles of Incorporation Filed October 2, 2006.

Exhibit 3.2

Articles of Amendment to Second Amended and Restated Articles of Incorporation filed April 4, 2012.

Exhibit 3.2

Third Amended By-Laws.

Exhibit 14

Code of Ethics.

Exhibit 21 Subsidiaries of the Company

Exhibit 31.1

302 Certification..

Exhibit 32.1

906 Certification.

Exhibits. The following exhibits are incorporated by reference:

Exhibit 10.1

Form of Extension, 8-K filed June 18, 2013.

Exhibit 10.2

Form of Promissory Note, 8-K filed May 29, 2013.

Exhibit 10.3

Convertible Promissory Note, 8-K filed May 29, 2013.

Exhibit 10.4

Convertible Promissory Note, 8-K filed May 29, 2013.

Exhibit 10.5

Form of Promissory Note, 8-K filed January 11, 2013.

Exhibit 10.6

Form of Promissory Note, 8-K filed December 11, 2012.

Exhibit 10.7 Form of Promissory Note, 8-K filed October 12, 2012.

Exhibit 10.8 Form of Promissory Note, 8-K filed July 19, 2012.

Exhibit 10.9 Form of Warrant, 8-K filed July 19, 2012.

Exhibit 10.10

Form of Promissory Note, 8-K filed May 9, 2012.

Exhibit 10.11

Securities Purchase Agreement, 8-K filed April 30, 2012.

Exhibit 10.12

Convertible Promissory Note, 8-K filed April 30, 2012.

Exhibit 10.13

Form of Promissory Note, 8-K filed April 4, 2012.

Exhibit 10.14

Stipulation of Settlement, 8-K filed October 12, 2011.

Exhibit 10.15

Court Order, 8-K filed October 12, 2011.

Exhibit 10.16

Form of Extension, 8-K filed October 6, 2011.

Exhibit 10.17

Form of Extension, 8-K filed October 6, 2011.

Exhibit 10.18

Form of Additional Warrants, 8-K filed October 6, 2011.

Exhibit 10.19

Memorandum of Understanding, 8-K filed September 6, 2011.

Exhibit 10.20

Form of Extension, 8-K filed July 14, 2011.

Exhibit 10.21

Promissory Note, 8-K filed June 22, 2011.

Exhibit 10.22

Warrant, 8-K filed June 22, 2011.

Exhibit 10.23

Form of Promissory Note, 8-K filed April 7, 2011.

Exhibit 10.24

Form of Security Agreement, 8-K filed April 7, 2011.

Exhibit 10.25

Form of Warrant, 8-K filed April 7, 2011.

101 INS

XBRL Instance Document*

101 PRE

XBRL Taxonomy Extension Presentation Linkbase Document*

101 LAB

XBRL Taxonomy Extension Label Linkbase Document*

101 DEF

XBRL Taxonomy Extension Definition Linkbase Document*

101 CAL

XBRL Taxonomy Extension Calculation Linkbase Document*

101 SCH

XBRL Taxonomy Extension Schema Document*

* Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed furnished and not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, or deemed furnished and not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, and otherwise are not subject to liability under these sections.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated:	07/01/2013	By:	/s/ Robert O. Grover Robert O. Grover CEO

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

Dated:	07/01/2013	By:	/s/Donald J. Farley Donald J. Farley Secretary and Director
Dated:	07/01/2013	By:	/s/Dehryl A. Dennis Dehryl A. Dennis Director
Dated:	07/01/2013	By:	/s/Murali Rananathan Murali Ranganathan Director
Dated:	07/01/2013	By:	/s/Todd Hackett Todd Hackett Director