



The Learning Company

Executive Summary

12/31/04

“Helping Build Kids with Brighter Futures”

The Company

PCS Edventures!com, Inc. is the recognized leader in the design, development and delivery of learning products and services to the K-12 public and private school classroom, pre-schools, after school programs, YMCA's and Boys & Girls Clubs worldwide.

The Company was incorporated in the State of Idaho on August 3, 1994, under the name PCS Education Systems, Inc. with an authorized capital of 20,000,000 shares of common stock no par value. On June 15, 1996, the Company increased its authorized capital to 50,000,000 shares no par value and currently has 26,000,000 shares issued and outstanding. In January 2000, the Company changed its name to PCS Edventures.com, Inc. and in January 2001, applied to the Securities & Exchange Commission to register 3,150,000 shares through Form SB-2.

From this Registration, the Company completed its Form 15C211, was assigned Cusip # 69325N102, and appears at Edgar on-line. PCS was assigned the trading symbol of **PCSV.OB** and has been actively trading since August 5, 2001. On August 22, 2002, PCS amended the January 2001 SB2 Registration and filed an 8-A Registration for all of its outstanding shares with the SEC. On September 4, 2003, the Company amended its articles of incorporation to decrease the authorized number of common shares from 50,000,000 to 40,000,000. On September 4, 2003 PCS created a new class of shares called Preferred Shares and is authorized to issue 10,000,000 of these shares and those currently issued call for a conversion price of \$0.25 per share. The Company is current on and compliant with all of its SEC filings.

PCS has developed seven innovative technology based educational Lab programs, an on-line interactive curriculum, communication and assessment program to support those Labs and a proprietary learning technology platform for the Pre-K, K-12 and after-school markets. The Academy of Engineering ("AOE"), AOE Jr., Ed Lab, Robotics Lab, Discover Lab, Brick Lab and Young Learners Brick Lab are site-license installations for classrooms, after-school and other community learning programs. Edventures!com is a comprehensive web delivered educational program that supports the various Lab site license locations and also serves as a stand-alone program delivered into the home on a subscription basis. Separately, and in combination, these products present a platform for delivering educational services and support, and create a virtual community of learners and parents on the web. As this community grows, it becomes an education portal through which additional programs and services can be deployed.

The proprietary platform developed and owned by PCS, which is called the Edventures Learning Architecture (ELA) provides a robust, yet simple to use Learning Management System (LMS) for deploying online learning solutions in various languages. This ELA provides content developers with a web-based form environment that facilitates fast, efficient development of online courses and includes assessment, communication and collaboration features. This platform can carry content from simple text to media rich graphics, audio and video in multiple languages. It is one of the few currently available that has "double byte" and "triple byte" capabilities that allows it to deliver content in several languages at the same time. It currently carries the web-based PCS content in the US and Canada in English and in Korean for Korea.

Certain market factors indicate that PCS is uniquely positioned to take advantage of an enormous opportunity in these segments of the education marketplace worldwide. The various PCS Lab and site license installations can be applied to a wide range of Pre-K and K-14 educational environments. The on-line Edventures!.com program is also designed for K-12 students, with a plan to expand that with adding languages.

Market Overview

The educational marketplace is enormous; \$250B in the public sector and \$10 Billion in the after school market in the US and \$20B after school worldwide, but fragmented into various segments ranging from non-profit educational programs to the public school system. PCS is focusing its sales and marketing efforts on specific market segments in an integrated strategy that is building brand and name awareness of PCS products in schools, in the growing after-school market, at home, both domestic and internationally and within the larger educational marketplace.

The specific, US market segments are:

Market	Sites	Enrollments	Notes
Pre-K & Child Care	100,000	4,475,000	Includes Corporate Child Care
Grades K – 6	73,262	23,824,595	Includes K-12 enrollments.
Grades 6 – 8	14,640	9,008,958	
Grades 9 – 12	19,743	13,082,016	
Home-school	N/A	1,200,000	
Extended: BGCA	2,865	N/A	Boys & Girls Clubs of America
Extended: Other	8,000	N/A	YMCAs, Community Centers, ASTC

Conclusion

In such an enormous market, PCS can drive \$80M to \$100M in revenues and yet have penetrated less than 1% of the market in the US and less than .5% of the known world market. Through direct sales, promotions, and select arrangements with educational resellers and partners, PCS Edventures!.com, Inc. believes it can create a world wide distribution network for its learning programs that will drive short term and long term growth of the Company.

Company History

In October 1994, PCS Education Systems, Inc. the former corporate name of PCS Edventures!.com, Inc., acquired substantially all of the assets of PCS Schools, Inc. (“PCS Schools”) and turned it into a wholly owned subsidiary. Since 1985, PCS Schools had created an educational enrichment program that was delivered in owner-operated, free standing Learning Centers, located up and down the West Coast. PCS Edventures has created a business strategy that divested the Learning Centers started by PCS Schools and focused the Company on creating learning labs and web based educational systems utilizing PCS Schools legacy curriculum.

PCS Lab Products

PCS currently has seven Lab product offerings for the Pre-K, K-12 and after-school marketplace.

Academy of Engineering, AOE Jr., Edventures Lab, Robotics Lab, Discover Lab, Brick Lab and Young Learners Brick Lab.

All 7 of the PCS Labs are turnkey site license programs designed for use within various Pre-K and K-12 environments. Using these labs, students develop, design, and produce exciting hands-on projects ranging from catapults to robots in response to engaging challenges on a variety of topics. The current AOE Lab product includes five books for the mechanical engineering strand and future topic strands for expanding the program include structural, electrical and software engineering. Each strand includes courseware for over 272 hours of instruction. An Academy site license currently sells for \$21,500 and includes materials, manipulatives, and curriculum, a custom designed storage and organization unit, a digital camera, web-based support by Edventures!.com and electronic assessment tools, and two days of teacher training. An AOE Jr, currently sells for \$13,995 and includes all the material available for the AOE, but with a smaller inventory of bricks and components. The Edventures Lab currently costs \$7,550 for the site license and deliverables and that price includes a 50-student block license for access to Edventures!.com. The Robotics Lab priced at \$6,995 is in response to requests from educators for a comprehensive and scaleable Robotics curriculum and also includes a Robotics Kit. The Discover Lab is currently priced at \$3,250 and includes a smaller inventory of bricks, beams and components, but equal unlimited access to Edventures.com. The Brick Lab is priced at \$595.00 and contains the necessary curriculum, brick constructs and storage unit for a 30-child classroom environment. The Young Learners Brick Lab that sells for \$299, features Duplo sized bricks, or similar sized manipulatives and is based on the curriculum guidelines provided by the National Association for the Education of Young Children (NAEYC).

After School Program

The Academy of Engineering, AOE Jr., Ed Lab and Discover Lab programs were originally designed in an after-school environment and are ideal to meet the expanding need for educational solutions for school-based programs, Boys & Girls Clubs, YMCA, Community Learning Centers and similar organizations. The Robotics Lab and the Brick Lab represent the first PCS Lab products specifically designed for the classroom and were in response to teacher requests for a more comprehensive tool than what is currently available. When used in this format, these programs become a hub for educational activities out of the engineering curriculum, or from the online Edventures! program. The complete support, communication, collaboration, assessment and curriculum components provide a turnkey system for offering a flexible, effective educational offering.

School Resource Center

The PCS Labs are currently being deployed as a school-wide resource center that allows K-12 teachers to integrate hands-on; project based learning activities into their daily curriculum. As a resource center, these mobile Labs are rolled from classroom to classroom throughout the course of a typical school week, being used by the entire school. Examples of how the program is used include: (1) a platform for gifted and talented programs; (2) to enhance and extend a science curriculum; (3) to enhance and extend mathematics activities; (4) to serve as a foundation for an after-school program; (5) and as a vo-tech or technology education program. This model makes

the program an ideal resource for schools that are seeking innovative and organized methods for integrating technology and hands-on learning into the classroom.

Pre-Engineering Course

All of the Labs provide a comprehensive engineering curriculum designed around hands-on bricks, beams, gears and other components and construct manipulatives. This curriculum allows the program to serve as the foundation for pre-engineering courses suitable for students in Jr./Sr. High. The hands-on applications of technology, design and production techniques, and the integration of the Internet based services, makes it a highly attractive total classroom solution.

Pre-School

The Young Learner Brick Lab was designed specifically for the Pre-K and Child Care market and is based around larger sized bricks and similarly sized manipulatives. It features over 1,000 colorful plastic building blocks, sturdy mobile container, 30 heavy duty activity cards with over 130 building activities and challenges based around the alphabet, a teachers guide and a high rise board game for up to 4 players at once. The curriculum for this product is educationally sound and was developed around the guidelines provided by the National Association for the Education of Young Children (NAEYC).

Edventures!.com

Edventures!.com is an Internet delivered project-based-learning program that provides a safe, secure, and exciting learning and communications environment for students. It is designed to stand alone for individual family use, and also integrates with the web services provided through the seven PCS Lab site license programs. Edventures! services allow students to continue their learning programs from home via the Internet, and to show parents their digital portfolios from the Lab programs. The environment also features over 200 do-at-home projects organized into a sophisticated learning model (Merit System), an animated glossary, monitored chat rooms, live interaction with online instructors, personal email accounts for all students and more. The Edventures!.com at-home curriculum utilizes bricks, beams and other components, software and other resources to teach concepts in Physics, Electricity, Internet, Programming, Art, Architecture and Engineering. Edventures!.com is also included in the Lab site licenses as an on-line support and assessment tool and provides a framework within which students can safely communicate, collaborate and learn. Edventures!.com is available as a stand-alone, home based subscription product for \$69.95 per year or \$39.95 for 6 months.

Edventures Learning Architecture

The Edventures Learning Architecture provides a comprehensive, turnkey, web-based training solution that is simple to use and can deliver a variety of educational and training materials. It is a robust, comprehensive and flexible tool that can carry content from simple text up to and including media rich with audio and video, and currently carries the PCS web based edventures.com site and content. It has a built in assessment tool, communication and collaboration features and classroom management capabilities.

Sales and Marketing

Overview

PCS education programs deliver a unique, proven learning experience that (1) provides students with exciting and relevant activities that brings curriculum to life; (2) develops essential critical thinking and problem-solving skills; (3) prepares students for real-world career demands; and (4) builds a strong foundation in technical literacy. PCS type programs are not available from any other source and present a unique opportunity for sales and marketing to specific segments of the education industry. The Company believes it can achieve significant penetration of the K-12 and other extended learning markets worldwide with the Academy of Engineering, AOE Jr., Ed Lab, Robotics Lab, Discover Lab, Brick Lab and Young Learner Brick Lab products.

Important Strategic Factors

Each of the following factors provides significant competitive and long-term advantages for the Company. The essential features and assumptions of the PCS strategy are:

1. High barriers exist to entry: PCS educational programs are unique and sophisticated.

PCS educational programs are innovative, unique and based on fifteen years of experience and product development. Barriers to entry for competitive products that are time tested are extremely high. Early and significant market penetration will guarantee "first and best" name recognition for the types of educational services that PCS will deliver.

2. Utilize the Internet as a delivery and support mechanism for the programs.

By leveraging its extensive expertise in Internet technology, PCS achieves the following significant advantages: (1) a high level of program control; (2) the building of a significant data model regarding program usage; and (3) a direct channel to enrolled students who access the program at home. Each of these advantages provides tangible long-term benefits to the Company.

3. Expand program offerings and distribute them via established program licensees.

After implementing and proving a successful program model, PCS will utilize its established network of licensees to distribute 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 existing licensees on an annual basis

4. Proliferate licensing of PCS programs by expanding other educational market segments

PCS recognizes that the public schools and community organizations offering educational programs are the best choice for rapid expansion and capturing market share and visibility. Additional market segments will be attacked individually as PCS demonstrates program viability, market by market. By taking a long-term strategic approach to market penetration, and

maintaining a policy of solid marketing and distribution, each PCS educational program will be an asset that will continue to generate growth and sales.

The Education Marketplace

Introduction

A major paradigm shift is taking place in our public and private schools nationwide as they seek to truly maximize educational experiences for children in the coming millennium. This shift necessitates sweeping changes in how schools are operated, programs are taught, technology is integrated, students are assessed and classrooms are managed. With change and unrest of this magnitude developing within the education industry, enormous opportunities are emerging for companies who understand the problems and promise of technology and new educational methodologies. PCS is uniquely positioned to take advantage of this opportunity based on its almost two decades of experience delivering technology enriched learning programs.

An Air of Dissatisfaction

Over the past few years, the emergence of a definitive for-profit education industry has begun to evolve due to the tremendous pressures exerted by a society demanding more and better alternatives in education. According to a recent Gallup poll, 71% of Americans give the nation's schools a grade of C, D or F and 54% give their own schools a low grade. 69% of the public supports school choice, which is driving the growth of private and charter school alternatives. Capitalizing on this atmosphere, private education companies specializing in after-school, tutoring and special skills programs are rapidly growing businesses catering to large numbers of students and parents. Parents support alternative education programs and enrichment activities and actively seek them out for their children, as well as exert more and more pressure on public schools to improve their performance.

The Growth of the Extended Learning Market

Recent high-profile federal programs indicate a growing opportunity within the extended learning market which encompasses before, after and summer school programs on the campus of public schools, or operated through the venue of organizations like the Boys & Girls Clubs of America. A recently posted web site, "www.afterschool.gov," summarizes many of the federal funding sources now available for this growing market segment. One significant driving force in this movement is the proven impact after-school programs have in decreasing juvenile crime.

Academy of Engineering, AOE Jr., Ed Lab, Robotics Lab, Discover Lab, Brick Lab and Young Learner Brick Lab: Primary Markets

PCS has identified as its initial primary market for its seven Lab products, traditional Pre-K and K-12 public and private schools and the after-school programs that are growing exponentially across the United States. Widespread financial support for implementing school-based after-school programs is driving the growth of public school programs in this segment. To illustrate this growing trend, \$100M was allocated in 1998 by the DOE for public school-based, after-

school programs, \$200M in 1999, \$400M in 2000, \$600M in 2001, \$800M in 2002, \$1.0B in 2003 and to an annual budget of over \$1.2B in 2004. And in June 2002, President Bush signed into effect the “No Child Left Behind Act”, which will add significant and additional funding to existing after-school programs. In addition, the growth of programs such as those offered by the Boys & Girls Clubs of America, is further proof of the market need for the PCS products. The US Department of Justice has allocated significant sums of money to the Boys & Girls Clubs of America over the years for the sole purpose of expanding and enhancing their programs as a tool to reduce teenage crime.

Specific Market Analysis: K-12 Market in US

PCS created an initial sales strategy of direct selling to the after-school markets and accomplished this by attending education conferences and trade shows and becoming acquainted with potential customers. Our sales people worked the telephones after each conference or trade show with the goal of reaching all contacts in 5 working days or less. This initial strategy has created a database of 100,000 plus education contacts in the US, which are contacted either by e-mail, direct mail or telephone no less than once per month. PCS had a goal of at least one Lab in each state as a reference site before we began to recruit sales people who would live in each state. Since April 1, 2004, PCS has launched phase II of the sales & marketing plan and has recruited independent education sales reps organizations for additional on-the-ground market penetration. The Company currently has quality representation in 48 states that sell PCS products in conjunction with the PCS in-house sales personnel.

Specific Market Analysis: Boys & Girls Clubs

Funding for these programs have been secured from various foundations, including the Gates Foundation, Intel Foundation, and other prominent national Foundations and groups such as the Microsoft Corporate Gifting Group. As a result of the No Child Left Behind Act and now with available funding from the 21st Century Grant process, these Clubs are quickly becoming a very viable market for PCS Learning Labs. Additionally, Clubs have evidenced a strong interest in the program due to an organization-wide mandate to implement educational programs like the PCS Labs. Clubs have discovered that the PCS Labs create an inquiry based educational experience and the change is welcome from the traditional “blackboard lecture” they receive during the day in their normal classroom experience.

Specific Market Analysis: Extended Learning Market

In addition to the Boys & Girls Clubs of America, additional non-school-based programs are proliferating through YMCA's, Community Learning Centers, and other sites such as Science Museums. PCS is currently working to establish reference sites in each of these markets and will follow a strategy similar to the one it is pursuing with the Boys & Girls Clubs of America. PCS believes the extended learning market will continue to grow to the extent that it will achieve a level of 25% of the public school market in terms of dollars spent, as the US continues to search for ways to prop up under-performing public schools. And as in the Boys & Girls Clubs, the PCS Lab experience is a welcome respite from the day-to-day classroom experience.

Specific Market Analysis: Pre-K and Child-Care Market

It is estimated that this market will grow exponentially in the next 5 to 10 years. With a majority of married couples both working and the growth of the single parent family unit, it is estimated that over 75% of children under the age of 6 will be receiving some form of outside care at least three days per week. It is predicted that the federal government will begin to bring this need into sharper focus with increasing amounts of funding for lower income families and this in turn will create additional learning opportunities for all children in the Pre-K and Child Care age groups.

The following table summarizes projected sales for AOE, AOE Jr., Ed Lab, Robotics Lab, Discover Lab, Brick Lab and Young Learners Brick Lab in the US.

Market Segment	F2005 Unit Sales	F2006 Unit Sales	F2007 Unit Sales
Pre-K and Child Care	185	200	230
21 st Century After-School	225	255	285
Boys & Girls Clubs	210	250	290
Public and Private Classroom	295	375	400
Other Extended Learning	285	325	395
Totals	1,200	1,400	1,600

Competition in the US

Cisco Systems sells a product called Networking Academy that is a Vo-Tech IT program and would be considered competitive for about \$15,000 each. Autodesk is partnered in a program called Project Lead the Way that is a Cad/Engineering product. There are others such as Graphics Academy and the Academy of Multi-Media, as well as educational manipulative distributors such as Fisher-Technic, Lasy, Pitsco, Educators Resource and K'Nex, and a whole host of catalog sales companies. PCS views any company that is working to create sales and revenue in the education space as a competitor, because they are competing with us for education dollars and the students time.

The PCS Competitive Advantage:

PCS has three strong competitive advantages in this market: The PCS relationship with multiple manipulative manufacturers and its ability to create curriculum pieces for each one is a serious competitive edge that PCS currently holds. There are at least four high quality manufacturers of manipulatives today and they all would like to be the exclusive supplier. PCS has the edge in experience as it executed this type of program in its own Centers for over fifteen years and is highly knowledgeable in its application. And the seamless extensions offered by the Edventure.com home product and its web services for each member of its Learning Labs make the product highly attractive, since it promotes lifelong learning and a "beyond the walls of the classroom" learning paradigm.

Edventures!.com: Primary Market

Edventures!.com is designed to provide a full-featured educational extension via the Internet to all students participating in the PCS site-license Lab programs. This allows the individual student to continue to work on their Lab project after they get home. However, for families and students who do not have access to the program through a local Lab location, the program is also available on a subscription basis at home for \$39.95 for 6 months and \$69.96 for 12 months. The Company believes that with the emergence of such firms as Bill Bennett's K-12 and other similar initiatives, Edventures.com will begin to enjoy an increase in subscribership as an enrichment tool for the more traditional education these firms offer for home-school families. The home market is divided into subsets we call the home-school families and traditional families.

Specific Market Analysis: Traditional Families

There are approximately 46 Million students currently attending K-12 schools across the U.S. that are potential Edventures!.com users. The prime motivator for many of these students initially attracted to Edventures! is the colorful and exciting way the content is presented, and once inside, the fun way the content is presented retains their interest level.

Specific Market Analysis: Homeschool Families

PCS has successfully created alliances with various organizations that will give Edventures!.com exposure to all of their subscribers. In addition to the more traditional families, research and current use of the program indicates that Edventures!.com is an ideal product for the growing home-school market, and provides an excellent segue between students in traditional and non-traditional environments. The home-school market is booming and estimated to encompass two million children and close to \$800M in spending by 2005. Edventures!.com has been approved for state level funding for home-school students in the states of California, Arizona and Alaska.

ELA: Primary Market

The Company feels the market for ELA is huge, literally world wide and encompasses the education market as well as the corporate training market. Because of the unique architectural characteristics employed in the design and development of the platform, it has the ability to carry all foreign languages, typically referred to as "double byte" and "triple byte" capable. For example, most popular learning management systems in use today, have only single byte capabilities and while that is satisfactory for the US market, it is limiting in terms of the world market. When the ELA was in the design phase, one of the primary criteria was that it needed to be able to carry more than one language because the Company felt its own content needed to be translated into foreign languages as the PCS market grew. The ELA can carry all manner and means of content in all languages from simple text up to media and graphic rich content including audio and video, and depending on band-width at the other end, full motion video.

This platform has an embedded assessment tool, robust communication and collaboration capabilities and can track and manage student enrollment. It manages and controls online

learning content including access controls and approvals, so that different levels of access can be relegated to different levels of need. The ELA is a content developer's dream in that it is extremely simple to load, convert and import content onto, using standards-compliant HTML delivery, all through a standard browser. The platform boasts integrated multi-media support for the delivery of audio, video, graphics and flash and a sophisticated multimedia glossary support integrated with lesson development. Its assessment features track individuals and comprehensive test scores and reports if students pass or fail based on their grades. The communication capabilities include integrated mail support and notification system, discussion groups, threaded messages, chat and real time features. An integral part of the ELA is a fully functioning e-commerce capability and functionality for credit card purchases.

New Product Line:

PCS Academy of Science reflects the Company's response to requests from educators to develop or acquire additional product lines that address the long held need for low cost but effective instruction and hands-on projects in the Sciences. Along with acquiring the distribution rights for the Science Demo Ltd.® products and curriculum that PCS has rewritten, PCS has successfully recruited Mr. Solly Tamari, who had been developing the US market for Science Demo.

Science Demo, Ltd, is not only the supplier of the products but is an important partner to PCS, as they serve as the manufacturer as well as R&D. PCS has the exclusive rights to distribute SDL's products in the US and Canada and other countries. Science Demo® has developed several science products that are currently being used in over 12,000 schools throughout the world and are available in several languages including Spanish and French.

The PCS Junior Science Wizard Program is a unique program that engages kids and interests them in science. The program uses the company's WizKits™, Science Wizard Purple Lab Coats and specially developed curriculum to empower students to teach students

The WizKits™ are the enabling technology for many of the company's current and future products, such as the Junior Science Wizards Program. Their unique design allows kids to have fun while learning. Teachers love the WizKits™ because it makes them more effective.

The integration of all these pieces makes the Company unique in the education market place. It will be relatively inexpensive to set up and support our national sales and distribution network. It will allow us to push many additional products through this marketing channel with little resistance. It will keep our sales organization willing to give us the time and attention necessary to achieve results. It will provide a path for quick growth to become one of the leading suppliers in this industry.

A major strategic partner is Communities in Schools (CIS), on Worth Magazine's list of 100 best philanthropic organizations. PCS already has a number of very successful Junior Science Wizard Programs with CIS in NJ and TX, and is now ready to offer the program to its 2,500 national sites.

The WizKits™ have been selected by the Harris County Board of Education, serving 26 districts including Houston, TX, as part of a three-year curriculum development project in conjunction with the Rice Model Lab.

Another very important achievement is the approval of its Principles of Science Curriculum for a NYSTL (New York State Textbook Law) contract. The significance is that the AOS product line is one of the first approved products that combine textbooks and kits. This opens the door for PCS to now to also compete for lucrative textbook funds in addition to standard supply funds.

The product line has many customers including: the New Jersey Juvenile Justice Commission (25 schools); New Jersey Department of Human Services (14 schools), New Jersey Alternative Education schools; Newark Public Schools; Philadelphia Public Schools; Camden Public Schools, NJ Communities in Schools, Oklahoma Technical Assistance Center (20 Alternative schools with 500 school potential); San Diego Juvenile Court and Community Schools (15 schools) and more.

Products and Services Description

The primary component of the AOS is the Junior Science Wizard Program™. Developed together with Community In Schools, it started out as a science program that was very well received. Since its initial introduction in 2001 it has evolved into a broad concept where students teach other students, literally "putting back the fun in learning." In addition to science, the students acquire language and presentation skills and increase their self-confidence and motivation. The program is especially suitable for underrepresented populations.

The program is based on the WizKits™ that are activities in a box that enable teachers and students to easily perform science activities. They provide exciting, hands-on activities using special apparatus and specially treated chemicals that have been developed to eliminate set-up time and the many problems of performing science experiments with children. This concept, coupled with special curriculum, allows the Junior Science Wizards Program to use the hundreds of products that fit every segment of the science education market.

The following are several additional programs already developed and sold based on the WizKits™:

- The LabLess Lab™, multiple-use, lab quality WizKits™, that serve as an extremely cost-effective alternative to the traditional lab, potentially saving tens of thousands of dollars
- The Principles of Science Curriculum Units (approved for NY State Textbook Law Contract - NYSTL) is one of the first to combine textbooks with their related activities in one, easy-to-use package.
- Curriculum Unit WizKits™ correlated to major textbooks and range from \$1,000 to \$5,000 per unit.

- The Enrichment/After-School modules, packaged for 20 students, range from \$300 to \$700 per module.
- Retail WizKits™, inexpensive individual WizKits™ ranging in price from \$15 to \$39.95.
- The WizLog™ is a portable, data acquisition and analysis system used in science education. An average single WizLog plus sensors sells for around \$600 to \$1,000. A classroom set sells for about \$6,000.
- The SciWiz™ network is an additional sales channel mainly addressing the after school market. They are local people that, for a fee, go in to schools and after-school programs, and teach students using WizKits™.

The Junior Science Wizard Program is the only one of its kind in the market. It is unique in that it appeals to a broad range of schools and programs, and bypasses the traditional purchasing decisions. Part of its appeal is due to their highly visual nature and ease of use of the activities only available with the WizKits™.

The WizKits™ in their LabLess Lab™ configuration are currently the only viable solution that can actually be an alternative to a standard science lab in many schools, providing savings of hundreds of thousands of dollars while increasing understanding! The WizKits™ are unique in that each kit includes apparatus that has been specially developed to create exciting scientific phenomena, and enable inquiry-based learning. The development and design capabilities of The Academy of Science have been proven time and again when they have taken cumbersome, lengthy activities, and through innovative design and manufacturing, have created a new activity that is easier, quicker and more exciting.

Competition:

The traditional, science education sales channels are dominated by large catalog houses such as: Science Kit & Boreal, School Specialty, VWR and others. These vendors have catalogs with many products from a large variety of manufacturers, however PCS has discovered that few in the alternative education market purchase from these catalogs any longer.

In addition there are many small manufacturers and distributors, such as Kemtec, Edvotek, Lab-Aids and more, some of whom sell also to alternative education. Another big channel are the publishers, such as Pearson, Glencoe and Holt that address a huge budget segment - textbooks. However, there is now a shift that has opened the door to others such as PCS to compete for those dollars by offering textbooks combined with kits. As previously mentioned, PCS has already achieved such approval in New York state and has already received payment through a textbook budget.

Barriers to Competition;

Copying or duplicating the products and curriculum by competitors would be difficult and costly for the following reasons:

- Creating chemicals that are safe for children, that have the right concentration so that they always work and have an extended shelf life requires a very high level of expertise and are difficult to duplicate even if you have a sample.
- Manufacturing the special apparatus requires knowledge, experience, special machinery and processes.
- The Junior Science Wizard™ concept is greatly facilitated due to the inherent ease-of-use of the WizKits™.

The education market, and especially the alternative education market, is very large, complex and difficult to understand. PCS has many years of hands-on experience in the regular and alternative markets, and has built an extensive knowledge base that is not readily available to outsiders.

Sourcing

PCS is now the exclusive distributor in the US and Canada for the products manufactured by Science Demo. This also provides PCS with Science Demo's excellent R&D facilities without the costs involved in maintaining such a facility. Science Demo gives PCS the highest priority for developing new products that are required by the market.

Target Market Segment Strategy

The WizKits™, are suitable for every segment of the educational market dealing with science, starting from regular schools, to alternative schools, charter schools, after-school, home-schooling, special education, gifted & talented, summer camps, boys and girls clubs, and even the retail and specialty retail markets.

Market Needs

The Educational System in the United States is struggling by almost anyone's definition, especially in science and math. (TIMSS report, NAEP statistics, and other reports). The main reasons are:

- The traditional way science and math is taught is not interesting to students, 85% of high school graduates do not know even basic science facts. The U.S. is in 16th Place on TIMSS.
- Costs: Science Labs are very expensive to set up and operate. They are stationary and require skilled personnel. Educational systems are looking for more effective uses of their budgets.
- Many states require continuing education for continuing teacher certification.

Distribution Patterns

Due to the size of this market, all the normal distribution patterns will be followed, such as trade shows, workshops, advertising, and Public Relations. Additionally, in most cases the costs for these sales and marketing efforts in the alternative education market are much lower, helping increase margins. Also, it is easier to reach decision-makers in the alternative education, and most leads or contacts established, on average, have a much larger budget than in the traditional market. PCS regularly participates in these various venues and uses innovative marketing methods to create a higher awareness.

While there are many competitors and suppliers in the traditional education market, many of them do not compete in the alternative market. In addition, while there are many kit manufacturers, currently there is no one that has products similar to the WizKits™. Moreover, PCS has created special curriculum and repackaged the products in such a way that while they fully comply with all the national and local standards.

PCS has also developed the Junior Science Wizard Program that, while being a program based on science, is used for many purposes and is therefore purchased under a variety of budget categories. Another important point in the alternative market, is the nature of the customer: in most cases they have limited or no knowledge of the subject, and therefore require a much easier and less complicated product. This is exactly what the Science Demo product line offers.

Strategy and Implementation Summary

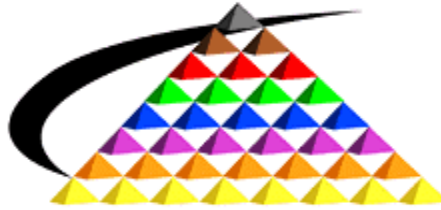
- Build a nationwide, strong, aggressive and responsive sales force.
- Build a sales and customer support organization providing high quality products with top-notch service.
- Employ creative marketing concepts and programs such as Solomon the Science Wizard to maximize exposure at minimum costs.

Sales Strategy

Direct selling to major accounts utilizing company employees. These will use PCS's special sales methodology that has been successfully utilized in several large accounts. This process includes establishing a pilot site, and after successful completion, selling in to the rest of the organization with the blessing of headquarters.

Sales and delivery of services utilizing the independent network of manufacturer reps (Rep) and the SciWiz™ network. With PCS' experience and knowledge of many of the Rep organizations in this network will enable setting up an initial active network within months, instead of years.

PCS Edventures!.com Merit System



The Edventures!.com Merit System Pyramid

PCS has developed a proprietary educational model that facilitates the delivery and assessment of the student learning experience. The Merit System, graphically represented above, is utilized on the web-based Edventures.com and the various Lab programs. It allows each individual to customize his or her learning experience both in complexity and challenge to meet each individual student's age, level of maturity, ability, and innate talents. It provides students an opportunity to select their own unique learning path from an infinitely variable and dynamic system currently offering eight curriculum areas ranging art to engineering. And best of all, it becomes a visible portfolio of each students progress through the program.

Some features specific to the Merit System include:

Hands-on, Real World Applications of Theory. PCS believes all students possess the desire to create, design, or build projects. Based on the structure and function of the Merit System each student is challenged to engineer robots, create computer graphics, compose music, build bridges, design structures and more. The more projects a student completes, the more "merits" (represented by colored triangles) a student achieves. The hands-on element of the Merit System is key to stimulating and retaining student participation.

Student Selection of Subject Area. Since the PCS educational philosophy relies upon a students own initiative and self-motivation, PCS encourages the student to choose the subject area he or she wishes to pursue. This is why the Merit System offers multiple areas of study and why PCS is committed to constantly adding new subjects and curriculum areas.

Pace of Learning Experience. All people learn differently. Some people are extraordinarily talented at mathematics, others at language skills, and still others demonstrate natural artistic talents. Certainly we are all very different and acquire knowledge in a different manner. PCS understands this inherent challenge to education and has developed and refined the Merit System in such a fashion that students can progress at their own pace. It is important that a student feel challenged and stretched by Merit System projects. Consequently, an experienced or gifted student can progress through earlier levels quickly until he or she reaches a project level that is sufficiently advanced.

Management

The following table sets forth the executive officers and directors of PCS:

Anthony A. Maher	57	Chairman of the Board, President, and CEO
Robert O. Grover	41	Executive Vice President & CTO
Christina M. Vaughn	35	Vice President & CFO
Cecil D. Andrus	70	Board of Directors, Compensation & Audit Committee
Donald J. Farley	56	Board of Directors, Corporate Secretary
Michael K. McMurray	59	Board of Directors, Corporate Treasurer & Audit Chair

Anthony A. Maher, Chairman, President & CEO

Anthony A. Maher was recruited to PCS at its inception as Chairman of the Board, President and Chief Executive Officer and structured the purchase of PCS Schools. Since then, Mr. Maher has overseen the development of the curriculum from four core areas to over 100; the development of its distance developer database; and the creation of its web based publishing expertise which has led to the current double byte and triple byte platform and web delivery capabilities. He also led PCS into two critical acquisitions of companies that possessed technology needed by PCS to continue its transition from a site based deliverer of educational curriculum to its present focus of developing and deploying learning labs supported by distance learning content and assessment as well as electronic and multi-media content development and delivery.

In 1982, prior to being asked to join PCS, Mr. Maher was Founder, Chairman of the Board and CEO of National Manufacturing Company, Inc. and its subsidiary, National Medical Industries, Inc. He sold controlling interest in November 1989 and the balance of his ownership in 1992. In 1979, Mr. Maher was Executive Vice President for Littletree Inns, a hotel company based in Boise, Idaho with properties throughout the Northwest. In 1976, Mr. Maher joined Fred P. Thompson, Jr. a Boise based entrepreneur who owned several small operating companies and he assisted in the acquisition of companies in addition to the operations of existing companies. In 1974, Mr. Maher was Senior Vice President at Alta Lipids, Ltd. and in 1973 he worked at Ralston Purina, where he was responsible for Market Development in the Western Region. From 1970 to 1972, he taught high school economics, world government and history. Mr. Maher graduated from Boise State University in 1970 with a Bachelor of Arts degree in Political Science.

President & COO

Position to be filled from a national search in fiscal 2005.

Robert O. Grover, Executive Vice President & Chief Technology Officer

Robert O. Grover joined PCS at its inception and became Executive Vice President in May 1996. Mr. Grover's current focus is on the development of PCS distance education applications including the web-based support and delivery systems that are integral to the support provided by Edventures!.com to the Labs.

In 1992, he developed the PCS Merit System that has become the foundation of the Edventures!.com learning systems online. His recent years have been dedicated to the expansion of technical services and capabilities within PCS. He was recently promoted to Chief Technology Officer. Mr. Grover graduated from Boise State University in 1987 with a Bachelor of Arts degree in English.

Vice President, Sales & Marketing

Position to be filled from a national search in fiscal 2005.

William F. Albert, National Sales Manager

Mr. Albert joined PCS as an Account Manager in June 2000 from Murie Design Group, a web design-ad agency where he was charged with advertising sales. Bill was promoted to Senior Account Manager in June 2001 and to his current position on May 1, 2002 in recognition of his outstanding contribution to the revenue stream of the Company. He is a May 2000 graduate of Washington State University where he majored in Communications/Advertising with a minor in Business Administration.

Suzanne C. Haislip, Regional Sales Manager

Suzanne joined PCS in June 2001 from Qwest Communications where she was responsible for the WOW Internet training program launch. Prior to that she was charged with the Small Business Instructor campaign at Qwest and its predecessor US West. Before US West/Qwest, she was a Credit Analyst at Sears Credit Central and prior to that, the Senior Data Clerk at West One Bank. She was promoted to Senior Account Manager in May 2002. Suzanne attended Boise State University in 1999, where she majored in Communications, Training and Development and she also attended Albertson College of Idaho from 1994 to 1996, majoring in Business Administration.

Joe D. Egusquiza, International Sales Manager

Joe joined PCS in January 2002 from a successful stint at Horizon Broadcasting Group, where he was involved with advertising sales for new accounts. Prior to Horizon, Joe was associated with Qcast/Media Communication where he was again charged with attracting new accounts. He is a 1991 graduate of American Falls High School and is a veteran of the US Navy. Joe has been selected to head up the International marketing efforts for the Company since February 2003.

Solly Tamari, AOS Product Manager

Solly brings over 25 years of sales and marketing experience to PCS. Prior to his joining PCS in May 2004, Solly was President & CEO of Effective Education, Inc, a New Jersey based distributor of Science Demo product lines to the K-12 market. These products formally marketed by Effective Education are the foundation of the PCS Academy of Science product line.

Prior to joining PCS, Mr. Tamari served in executive positions with various companies in the education and technology fields including as Vice President of Esched Science & Technology; Co-Founder and Managing Director of TPM Computers and Services; Managing Director of Omnitech Hardware & Software Services; and its parent Team Computers. He has a technical background and is a graduate of Bar-Ilan University.

Administrative

Christina M. Vaughn, Vice President & CFO

Christy was promoted to Vice President and CFO on May 1, 2002 from Controller and Assistant CFO in recognition of her outstanding contribution to the Company. She joined PCS in June 2000 after an 8-year association with Intermountain Gas Co. as an Analyst. She was responsible for revenue, cash and asset mitigation, forecasting commodity costs, and managed reporting of historical and forward pricing. She also oversaw all NPV and IRR analyses of potential capital projects. She graduated, cum laude, May 1990 from the prestigious College of Idaho, with a Finance degree and from Willamette University's, Atkinson School of Management with an MBA in May 1992.

Kimberly Webb, Assistant to the CFO

Ms. Webb joined PCS in September 2004, as an Assistant to the CFO and her primary responsibilities are to assist Christina Vaughn in A/P, Invoicing, A/R and Payroll. She is expected to graduate from Boise State University with her degree in Finance and Accounting in December 2005, at which time she will be given additional responsibilities. Kim comes to PCS after working in various, bookkeeping, accounting and processing positions.

Product Development

David A. Chase, Technical Project Leader, Design Specialist

Mr. Chase received a Bachelors of Science degree in Elementary Education from Miami University, Oxford, Ohio. Mr. Chase joined PCS in August of 1995, and has been instrumental in the design, development and deployment of nearly all PCS educational products and systems technologies. He has multiple skills in computer information system development; and in-depth understanding of information management and system development cycles. He also has expertise in database development, which includes system analysis and design, physical and logical design and system implementation. He is highly skilled in writing database driven applications for Web-based delivery. Empress Database system, Microsoft Access, Structured Query Language (SQL), HTML, VRML, and CFML, JavaScript, PERL, Internet and Intranet application development, Adobe Photoshop 4.0, Netscape, Internet Explorer, Shockwave Flash 2.0, Microsoft GIF Animator, Unix/Linux, MacOS, DOS and Windows 95.

Nathan R. Cook, Technical Developer, Network Administrator & Systems Engineer

Mr. Cook was home schooled until the age of 16, obtained his GED in 1998, and began attending Boise State University full-time. Nathan joined PCS in the fall of 2000 from Belo Interactive where he was an Internet Programmer. In early 2001, he developed the Apache/PHP/Mysql platform for our Learning Management System (LMS). He is fluent in such technologies as HTML, PHP, SQL, PERL, Unix/Linux, Apache, DNS (Bind), qmail, MS Windows, Flash, Adobe Photoshop, Adobe Illustrator and Adobe PageMaker. His knowledge stems from real world experience of designing, developing, implementing and administering database driven online applications, e-commerce shopping carts, office connectivity networks, web, proxy, mail, and dns servers.

Richard M. Wright, Director of Content and Curriculum Development

Mr. Wright serves as the resident manipulative and construct expert. His web site "Weird Richard, An Odyssey", exists in three languages and holds claim to being the largest educational LEGO® web site on the Internet. He is the Director of the Academy of Engineering program and is actively involved in the continued development and refinement of the Academy program, as well as the training and deployment of Academy licenses. He joined the Boise PCS Schools Learning Center as an Instructor in 1990, teaching children ages 4 -18, using construct elements as the primary teaching tool. He brings eight years of teaching experience to the design of fun and developmentally appropriate learning activities. He holds a Bachelor's Degree in Political Science from Boise State University, with a minor in social sciences.

Laura H. Baran, Web development, Production Editor & Writer

Laura graduated St. Xavier University, Chicago, Illinois with a Bachelors of Arts degree in English. At Channers Publishing Company, a Reed Elsvier subsidiary, she worked as a marketing assistant for four magazines, has published articles in national publications, and worked on the development of a first-of-its kind business-to-business web site. Laura was most recently the webmaster and content manager for *Electronic Packaging and Production* magazine's website.

Laura's skill-set includes HTML, Allaire Homesite, Photoshop, Illustrator, QuarkXpress, Java Script, data modeling, database maintenance, and other various editing and graphics software. She is also qualified to read Perl, and SQL.

FACILITIES

In December 2002, the Company moved its principal executive offices to 345 BobWhite Court, Suite 200 in Boise, ID 83706. These offices consist of approximately 5,500 square feet of Class A office space on a main street in Boise. This lease is for 5-years, commencing on March 1, 2003 and the rent obligations are \$5,750 per month in 2003; \$6,250 per month in 2004; \$6,750 per month in 2005; \$7,250 per month in 2006 and \$7,750 per month in 2007.

BOARD OF DIRECTORS

Cecil D. Andrus

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

Donald J. Farley

Mr. Farley is the Secretary of the Company and has acted as the Company's legal counsel since 1994. 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.

Anthony A. Maher

Mr. Maher is President, CEO, and Chairman of the Board. See "Management."

Michael K. McMurray

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

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Harris & Associates
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Our Auditors:

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HJ & Associates
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Farmers & Merchants State Bank
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