

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2009

OR

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

For the transition period from _____ to _____

COMMISSION FILE NUMBER 333-127347

PROVISION HOLDING, INC.

(Exact Name of registrant as specified in its charter)

Nevada	20-0754724
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

9253 Eton Avenue, Chatsworth, California 91311
(Address of principal executive offices) (Zip Code)

Registrant's telephone Number: (818) 775-1624

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(do not check if smaller reporting company)

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

As of February 19, 2010, the issuer had 31,352,955 outstanding shares of common stock.

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PROVISION HOLDING, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 2009 (Unaudited)	June 30, 2009
ASSETS		
CURRENT ASSETS		
Cash	\$ 79,918	\$ 19,339
Inventory	264,127	222,712
Prepaid expenses	250,538	106,875
Investments	<u>3,000</u>	<u>3,000</u>
TOTAL CURRENT ASSETS	597,583	351,926
EQUIPMENT , net of accumulated depreciation	337,045	472,715
PREPAID FINANCING COSTS	69,400	93,781
INTANGIBLES , net of accumulated amortization	<u>173,401</u>	<u>174,649</u>
TOTAL ASSETS	<u>\$ 1,177,429</u>	<u>\$ 1,093,071</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 780,840	\$ 599,835
Accrued interest	730,078	571,417
Unearned revenue	101,948	71,557
Current portion of convertible debt, net of debt discount	1,978,393	921,881
Notes payable, current portion	175,000	138,000
Contingent liability	<u>592,312</u>	<u>592,312</u>
TOTAL CURRENT LIABILITIES	4,358,571	2,895,002
CONVERTIBLE DEBT , net of current portion and debt discount	<u>78,576</u>	<u>219,805</u>
TOTAL LIABILITIES	<u>4,437,147</u>	<u>3,114,807</u>
STOCKHOLDERS' DEFICIT		
Preferred stock, par value \$0.001 per share		
Authorized – 4,000,000 shares		
Issued and outstanding – 0 shares	-	-
Common stock, par value \$0.001 per share		
Authorized – 100,000,000 shares		
Issued and outstanding – 30,877,644 and 26,465,372, respectively	30,877	26,465
Additional paid-in capital	13,076,838	12,198,454
Less receivable for stock	(50,000)	(50,000)
Accumulated deficit	<u>(16,317,433)</u>	<u>(14,196,655)</u>
TOTAL STOCKHOLDERS' DEFICIT	<u>(3,259,718)</u>	<u>(2,021,736)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	<u>\$ 1,177,429</u>	<u>\$ 1,093,071</u>

The accompanying notes are an integral part of the financial statements

PROVISION HOLDING, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2009 AND 2008
(UNAUDITED)

	For the Three Months Ended		For the Six Months Ended	
	December 31,		December 31,	
	2009	2008	2009	2008
REVENUES	\$ 80,995	\$ 219,320	\$ 135,459	\$ 342,117
COST OF REVENUES	35,436	107,293	57,483	164,782
GROSS PROFIT	45,559	112,027	77,976	177,335
EXPENSES				
General and administrative	579,594	662,994	1,053,306	1,167,727
Research and development	38,381	41,376	84,961	82,847
TOTAL EXPENSES	617,975	704,370	1,138,267	1,250,574
(LOSS) FROM OPERATIONS	(572,416)	(592,343)	(1,060,291)	(1,073,239)
OTHER INCOME (EXPENSE)				
Unrealized loss on securities	-	-	-	(3,000)
Gain on disposal of fixed asset	-	5,725	-	5,725
Interest expense	(456,137)	(209,575)	(1,060,487)	(380,462)
TOTAL OTHER INCOME (EXPENSE)	(456,137)	(203,850)	(1,060,487)	(377,737)
(LOSS) BEFORE INCOME TAXES	(1,028,553)	(796,193)	(2,120,778)	(1,450,976)
Income tax expense	-	-	-	-
NET (LOSS)	<u>\$ (1,028,553)</u>	<u>\$ (796,193)</u>	<u>(2,120,778)</u>	<u>(1,450,976)</u>
NET (LOSS) PER COMMON SHARE				
Basic and diluted	<u>\$ (0.04)</u>	<u>\$ (0.03)</u>	<u>(0.08)</u>	<u>(0.06)</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING				
Basic and diluted	<u>28,734,789</u>	<u>24,573,894</u>	<u>28,128,057</u>	<u>24,510,130</u>

The accompanying notes are an integral part of the financial statements

PROVISION HOLDING, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED DECEMBER 31, 2009 AND 2008
(UNAUDITED)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss)	\$ (2,120,778)	\$ (1,450,976)
Adjustments to reconcile net (loss) to net cash (used) by operating activities:		
Non-cash compensation	-	36,313
Stock issued for services	545,149	284,562
Depreciation expense	30,843	61,296
Amortization	1,248	1,248
Gain on disposal of fixed asset	-	(5,725)
Unrealized loss on securities	-	3,000
Amortization of debt discount	823,447	217,970
Changes in operating assets and liabilities:		
Accounts receivable	-	(600)
Inventory	63,412	77,641
Prepaid financing costs	72,701	50,558
Accounts payable and accrued liabilities	181,005	28,015
Accrued interest	158,661	98,639
Unearned revenue	30,391	76,374
NET CASH (USED) BY OPERATING ACTIVITIES	(213,921)	(521,685)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	-	(44,207)
Patents	-	(3,306)
NET CASH (USED) BY INVESTING ACTIVITIES	-	(47,513)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable, net of fees	274,500	396,750
Prepayments of notes payable	-	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	274,500	396,750
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	60,579	(172,448)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	19,339	287,641
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	\$ 79,918	\$ 115,193
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ -	\$ 12,500
Taxes paid	\$ -	\$ -

The accompanying notes are an integral part of the financial statements

PROVISION HOLDING, INC.
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED DECEMBER 31, 2009
(UNAUDITED)

NOTE 1 ORGANIZATION AND BASIS OF PRESENTATION

Basis of Presentation

Preparation of Interim Condensed Consolidated Financial Statements

These interim condensed consolidated financial statements for the periods ended December 31, 2009 and 2008 have been prepared by the Company's management, without audit in accordance with accounting principles generally accepted in the United States of America and pursuant to the rules and regulations of the United States Securities and Exchange Commission ("SEC"). In the opinion of management, these interim condensed consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments, unless otherwise noted) necessary to present fairly the Company's financial position, results of operations and cash flows for the fiscal periods presented. Certain information and note disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted in these interim financial statements pursuant to the SEC's rules and regulations, although the Company's management believes that the disclosures are adequate to make the information presented not misleading. The financial position, results of operations and cash flows for the interim periods disclosed herein are not necessarily indicative of future financial results. These interim condensed consolidated financial statements should be read in conjunction with the annual financial statements and the notes thereto included in the Company's most recent Annual Report on Form 10K for the fiscal year ended June 30, 2009. The balance sheet at June 30, 2009 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements.

The Company has evaluated subsequent events through February 22, 2009, the date these consolidated condensed financial statements were issued.

Going Concern

These financial statements are presented on the basis that the Company is a going concern. Going concern contemplates the realization of assets and the satisfaction of liabilities in the normal course of business over a reasonable length of time. The Company has incurred a loss of approximately \$2,100,000 in the current period and has negative working capital of approximately \$3,800,000. These matters raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to generate sufficient cash flow to meet its obligations on a timely basis, to obtain additional financing or refinancing as may be required and, ultimately, to attain profitable operations. Management's plan to eliminate the going concern situation include, but are not limited to, the raise of additional capital through issuance of debt and equity, improved cash flow management, aggressive cost reductions, and the creation of additional sales and profits across its product lines.

Principles of Consolidation

The consolidated financial statements include the financial statements of the Company and its wholly owned subsidiary. All significant inter-company balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts and timing of revenues and expenses, the reported amounts and classification of assets and liabilities, and the disclosure of contingent assets and liabilities. These estimates and assumptions are based on the Company's historical results as well as management's future expectations. The Company's actual results could vary materially from management's estimates and assumptions.

Basic and Diluted Income (Loss) per Share

In accordance with SFAS No. 128, "Earnings Per Share," basic income (loss) per common share is computed by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding. Diluted income (loss) per common share is computed similar to basic income per common share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. As of December 31, 2009, the Company had debt instruments outstanding that can potentially be converted into approximately 7,400,000 shares of common stock.

PROVISION HOLDING, INC.
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED DECEMBER 31, 2009
(UNAUDITED)

Fair Value of Financial Instruments

In April 2009, the FASB issued new guidance that require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. The new guidance is effective for interim and annual reporting periods ending after June 15, 2009. The fair value of certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and other current liabilities approximate their recorded carrying amounts because of their short-term nature.

The Company uses fair value measurements under the three-level valuation hierarchy for disclosures of fair value measurement and enhances disclosure for fair value measures. The three levels are defined as follows:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the financial instruments.
- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value.

	Carrying Value December 31, 2009	Fair Value Measurements December 31, 2009 Using Fair Value Hierarchy		
		Level 1	Level 2	Level 3
		Convertible notes	\$ 3,182,500	\$ --

The following table provides a summary of the changes in fair value of the Company's Promissory Notes, which are Level 3 liabilities as of December 31, 2009:

Balance at June 30, 2009	\$ 1,141,686
Issuance of debt	91,836
Accretion of discount	823,447
Balance at December 31, 2009	<u>\$ 2,056,969</u>

Recent Accounting Pronouncements

In the first quarter of fiscal 2009, the Company adopted Statement of Financial Accounting Standards No. 157, Fair Value Measurements, ("SFAS No. 157") for all financial assets and financial liabilities and for all non-financial assets and non-financial liabilities recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and enhances fair value measurement disclosure. The adoption of SFAS No. 157 did not have a significant impact on our consolidated financial statements, and the resulting fair values calculated under SFAS No. 157 after adoption were not significantly different than the fair values that would have been calculated under previous guidance.

PROVISION HOLDING, INC.
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED DECEMBER 31, 2009
(UNAUDITED)

In February 2007, the FASB issued SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115 (ASC 825)*. SFAS 159 permits companies to measure certain financial instruments and other items at fair value. We have not elected the fair value option applicable under SFAS 159.

In October 2008, the Financial Accounting Standards Board (“FASB”) issued Financial Staff Position 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active*, (“FSP 157-3”). FSP 157-3 clarifies the application of SFAS No. 157 in a market that is not active, and addresses application issues such as the use of internal assumptions when relevant observable data does not exist, the use of observable market information when the market is not active, and the use of market quotes when assessing the relevance of observable and unobservable data. FSP 157-3 is effective for all periods presented in accordance with SFAS No. 157. The adoption of FSP 157-3 did not have a significant impact on our consolidated financial statements or the fair values of our financial assets and liabilities.

In December 2008, the FASB issued Financial Staff Position (“FSP”) Financial Accounting Standard No. 140-4 and FASB Interpretation 46(R)-8, *Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities* (“FSP FAS 140-4” and “FIN 46(R)-8”). The document increases disclosure requirements for public companies and is effective for reporting periods (interim and annual) that end after December 15, 2008. FSP FAS 140-4 and FIN 46(R)-8 became effective for us on December 31, 2008. The adoption of FSP FAS 140-4 and FIN 46(R)-8 did not have a significant impact on our consolidated financial statements.

In April 2009, the FASB issued FSP 107-1 and Accounting Principles Board Opinion (APB) 28-1, *Interim Disclosures about Fair Value of Financial Instruments* (ASC 820). FSP 107-1 amends SFAS 107, *Disclosures about Fair Value Instruments* and APB 28, *Interim Financial Reporting* (ASC 820), to require disclosures about fair value of financial instruments during interim reporting periods. The Company adopted the provisions of FSP 107-1 and APB 28-1 during the quarter ended December 31, 2009.

In May 2009, the FASB issued SFAS 165, which establishes general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS 165 also requires the disclosure of the date through which subsequent events have been evaluated and the basis for that date. The Company adopted the provisions of SFAS 165 during the quarter ended June 30, 2009.

In June 2009, the Financial Accounting Standards Board (“FASB”) issued ASC Statement No. 105, the FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles (“ASC 105”). ASC 105 will become the single source authoritative nongovernmental U.S. generally accepted accounting principles (“GAAP”), superseding existing FASB, American Institute of Certified Public Accountants, Emerging Issues Task Force, and related accounting literature. ASC 105 reorganized the thousands of GAAP pronouncements into roughly 90 accounting topics and displays them using a consistent structure. Also included is relevant SEC guidance organized using the same topical structure in separate sections. The Company adopted ASC 105 for the financial statements ended September 30, 2009. The adoption of ASC 105 did not have an impact on the Company’s financial position or results of operations.

NOTE 2 INVENTORY

Inventory consists of the following:

	<u>December 31,</u> <u>2009</u>
Raw materials	\$ 122,889
Work in process	141,238
Finished goods	<u>-</u>
Total	<u>\$ 264,127</u>

PROVISION HOLDING, INC.
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED DECEMBER 31, 2009
(UNAUDITED)

NOTE 3 CONVERTIBLE DEBT

In July of 2009, the Company issued \$50,000 of convertible debt. The note is convertible into common stock at the option of the holder at a conversion price of \$0.10 per share. The note pays interest at a rate of 10% per annum and is due in July 2010.

In October of 2009, the Company issued \$75,000 of convertible debt. The notes are convertible into common stock at the option of the holder at a conversion price of \$0.50 per share and includes warrants to purchase 150,000 shares of common stock at \$0.50 per share. The notes pay interest at a rate of 10% per annum and are due in January 2011.

In November of 2009, the Company issued \$12,500 of convertible debt. The note is convertible into common stock at the option of the holder at a conversion price of \$0.50 per share and includes warrants to purchase 3,125 shares of common stock at \$0.50 per share. The note pays interest at a rate of 8% per annum and is due in November 2011.

In December of 2009, the Company issued \$100,000 of convertible debt. The note is convertible into common stock at the option of the holder at a conversion price of \$0.15 per share and includes warrants to purchase 500,000 shares of common stock at \$0.20 per share. The note pays interest at a rate of 8% per annum and is due in December 2011.

The Company allocated the proceeds of issuances above between the convertible debt and the detachable warrants and beneficial conversion feature based on their relative fair values. Accordingly, a debt discount totaling \$145,664 was recorded to additional paid-in capital. For the six months ended December 31, 2009 interest expense of \$823,447 has been accreted increasing the carrying value of the convertible notes to \$2,056,969 as of December 31, 2009. The fair value of the warrants was estimated using the Black-Scholes option pricing model with an expected life ranging from 24 to 36 months, a risk free interest rate ranging from .94% to 3.14%, a dividend yield of 0%, and an expected volatility of 100%.

Convertible debt consists of the following:

	<u>December 31, 2009</u>
Convertible notes payable, annual interest rate of 10%, due dates range from May 2010 to December 2011; convertible into common stock at a rate of \$0.10 to \$1.50 per share.	\$ 2,432,500
Convertible note payable, annual interest rate of 10%, convertible into common stock at a rate of \$1 per share. Note matured on March 8, 2009 and is now in default and due upon demand.	750,000
Unamortized debt discount	<u>(1,125,531)</u>
	2,056,969
Less current portion	<u>(1,978,393)</u>
Convertible debt, net of current portion and debt discount	<u>\$ 78,576</u>

Future note maturities of convertible debt for the next twelve months and beyond are \$3,095,000 and \$87,500, respectively.

PROVISION HOLDING, INC.
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED DECEMBER 31, 2009
(UNAUDITED)

NOTE 4 NOTES PAYABLE

In September of 2009, \$7,000 of debt was issued. The note payable is due upon demand and does not bear interest. In connection with the funding of this note, the note holder is due to receive 40,000 shares of the Company's common stock within 30 days of receipt of the borrowed funds. If for any reason, the principal sum is not paid in full within 90 days of the date thereof, or if the stock above is not issued to the note holder within 30 days, the Note shall accrue interest at a rate of 7% APR, or portion thereof, until all amounts are paid in full ("Default"). This interest shall accrue from the date above. In the event a Default occurs, the stock shall still be issuable to the note holder, and the entire remaining principal sum and all interest accrued shall become immediately due.

In November of 2009, \$30,000 of debt was issued in the form of three notes payable. The notes payable are due upon demand and bear interest at 10% per annum. In connection with the funding of this note, the note holders received 500,000 shares of the Company's common stock within 30 days of receipt of the borrowed funds. If for any reason, the principal sum is not paid in full within 90 days of the date thereof, or if the stock above is not issued to the note holder within 30 days, the Note shall accrue interest at a rate of 10% APR, or portion thereof, until all amounts are paid in full ("Default"). This interest shall accrue from the date above. In the event a Default occurs, the stock shall still be issuable to the note holder, and the entire remaining principal sum and all interest accrued shall become immediately due.

NOTE 5 EQUITY

Common Stock

During the six months ended December 31, 2009, the Company issued 4,412,272 shares of its common stock to its various consultants for services rendered and term service agreements. The underlying shares had a fair market value of \$737,132 on the date of issuance. In accordance with the terms of the agreements and the length of services to be provided, the Company has included \$545,149 of stock compensation expense in the statement of operations for the six months ended December 31, 2009 and recorded the balance of \$191,983 as additional prepaid compensation.

NOTE 6 SUBSEQUENT EVENTS

Subsequent to December 31, 2009, the Company has issued 47,619 shares of common stock for cash of \$10,000 and approximately 442,000 shares of common stock for services and debt.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements regarding our business, financial condition, results of operations and prospects. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and similar expressions or variations of such words are intended to identify forward-looking statements, but are not deemed to represent an all-inclusive means of identifying forward-looking statements as denoted in this Quarterly Report on Form 10-Q. Additionally, statements concerning future matters are forward-looking statements.

Although forward-looking statements in this Quarterly Report on Form 10-Q reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by us. Consequently, forward-looking statements are inherently subject to risks and uncertainties and actual results and outcomes may differ materially from the results and outcomes discussed in or anticipated by the forward-looking statements. Such forward-looking statements are subject to a number of risks, assumptions and uncertainties that could cause the Company's actual results to differ materially from those projected in such forward-looking statements. These risks, assumptions and uncertainties include: the ability to develop customers and generate revenues; the ability to compete effectively in a rapidly evolving marketplace; the impact of technological change; our ability to protect our intellectual property in the United States and other countries; our ability to raise capital to implement our business plan; and other risks referenced from time to time in the Company's filings with the Securities and Exchange Commission.

We undertake no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this Annual Report on Form 10-K, except as required by law. Readers are urged to carefully review and consider the various disclosures made throughout the entirety of this Annual Report, which are designed to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and prospects.

Business History and Overview

On February 14, 2008, MailTec, Inc. (now known as Provision Holding, Inc.) (the "Company") entered into an Agreement and Plan of Merger, which was amended and restated on February 27, 2008 (as amended and restated, the "Agreement"), and closed effective February 28, 2008, with ProVision Merger Corp., a Nevada corporation and wholly owned subsidiary of the Company (the "Subsidiary") and Provision Interactive Technologies, Inc., a California corporation ("Provision"). Pursuant to the Agreement, the Subsidiary merged into Provision, and Provision became a wholly owned subsidiary of the Company. As consideration for the merger of the Subsidiary into Provision, the Company issued 20,879,350 shares of the Company's common stock to the shareholders, creditors, and certain warrant holders of Provision, representing approximately 86.5% of the Company's aggregate issued and outstanding common stock, and the outstanding shares and debt, and those warrants whose holders received shares of the Company's common stock, of Provision were transferred to the Company and cancelled.

The Company is focused on the development and distribution of Provision's patented three-dimensional, holographic interactive displays focused at grabbing and holding consumer attention particularly and initially in the advertising and product merchandising markets. The systems display a moving 3D image size to forty inches in front of the display, projecting a digital video image out into space detached from any screen, rendering truly independent floating images featuring high definition and crisp visibility from far distances. The nearest comparable to this technology can be seen in motion pictures such as Star Wars and Minority Report, where objects and humans are represented through full-motion holograms.

We are also developing and marketing several new point-of-purchase, and other devices, tailored to specific industries that are currently in Pilot Programs with major international companies or readying to begin shortly; including the medical, entertainment, government and home markets. In addition to selling the hardware for our patented three-dimensional, holographic interactive video displays, we are building our business into a digital media company offering advertising on a network of our 3D holographic video displays.

One of our new products is known as the "HL40 Diamond", an extraordinary 3D holographic video display system, to the retailing and advertising industries is smaller and lighter than its predecessor, the HL40C. Used to promote all type of products and services, the HL40D is a powerful tool to break through the clutter of traditional in store advertising and merchandising. Our other powerful 3D products can be used for a wide variety of interactive applications including order-taking and information retrieval.

Business Development

Launching our first products into grocery stores, we have developed a new patent pending application. Known as the “3DEO Rewards Center” or “3DEO”, this ProVition device, also described as a kiosk or terminal, projects 3D video advertisements, promotions, and public service announcements; and allows consumers to print coupons as well as receive non-cash awards like sweepstakes. The 3DEO Rewards Center provides consumer product good (“CPG”) companies, along with other brands, marketers and advertisers with a new way of promoting their products at the point of purchase, where consumers are making seventy percent of their buying decisions.

We tested our concept in Fred Meyer Stores, a division of The Kroger, Co., installing 3DEO Centers in the Pacific Northwest. We received advertising placements from some of the largest manufacturers in the country, including Unilever, Proctor & Gamble, Johnson & Johnson, BIC and Kimberly Clark. The manufacturers’ will advertise through digital coupons that customers will receive from Provision’s 3DEO Media Centers.

In August 2009, the Company announced an extremely successful market test with Unisys Japan, and its Japanese distribution partner. As reported by Unisys, Provision’s 3DEO program resulted in “uncountable eye-catches “from various industries as the next generation of 3D digital signage.” Earlier in the year, Provision was named as one of the Top 10 companies at Infocomm 2009 as a significant technology trend of the year. Provision was also honored by digital media giant, Scala, for the “most innovative installation” in 2008.

During 2009, Provision announced the addition of former Apple CEO and current AT&T Director, Gil Amelio, to their Advisory Board. Additionally, Digital Media Industry executive, Lyle Bunn, was also named to Provision’s Advisory Board. Both of these additions have given the Company significant additional credibility in business, technology, and the digital media market.

We made two key announcements introducing Provision’s strategic alliances and partnerships with IBM, Microsoft, and Intel. As an Intel Capital portfolio company, Provision’s CEO, Curt Thornton, was invited to speak at the CEO forum held both in 2008 and 2009, sharing the Company’s 3D holographic product line, market launch, and company strategy to over 200 global CEO’s in attendance.

We plan to build, own, and operate networks of 3DEO Rewards Centers. In March 2008 we signed three-year agreements with several independent Hispanic grocery store chains to install 3DEO Reward Centers in 47 locations in southern California. In September 2008, we signed an agreement with the Long Island Gasoline Retailers Association (“LIGRA”) to install its patented 3D holographic displays in up to 800 member stores throughout New York. Provision’s displays will be located inside the independent convenience stores of major franchise gasoline retailers including Shell, ExxonMobil, Citgo, Sunoco, BP, Amoco and Gulf. As of December 31, 2009 the Company has announced a total of 1,086 retail locations with signed contracts, with additional retail locations pending announcement.

We signed a five-year agreement with ADCENTRICITY, Inc. to sell advertising on our digital signage network. We also signed a letter of intent with LocalAdLink to support our local and regional advertising sales.

We will require significant additional funds to complete our business development. We cannot be certain that funding will be available on acceptable terms, or at all. To the extent that we raise additional funds by issuing equity securities, our stockholders may experience significant dilution. Any debt financing, if available, may involve restrictive covenants that impact our ability to conduct our business. If we are unable to raise additional capital on acceptable terms, or at all, we may have to significantly delay, scale back or discontinue the development and/or commercialization of one or more of our product candidates, restrict our operations or obtain funds by entering into agreements on unattractive terms.

We have a limited operating history upon which an investor can evaluate our business prospects, which makes it difficult to forecast our future operating results, in light of the risks, uncertainties and problems frequently encountered by companies with limited operating histories. These include, but are not limited to, competition, the need to develop customers and market expertise, market conditions, sales, and marketing and governmental regulation.

Research and Development

Research and Development Activities

At present, Provision's patents and patent applications are supplemented by substantial intellectual property we are currently protecting as trade secrets and proprietary know-how. This includes matter related to all three product lines. We expect to file additional patent applications on a regular basis in the future.

During 2009 the Company has announced several new patents issued including the U.S. and China. Provision also filed six new patents in the European Union, further protecting its intellectual property globally.

Provision announced and demonstrated its first and second generation interactive, gesture-recognition based technologies integrated with its 3D holographic displays at the Intel Developer Forum and the National Retail Federation Expo. The significance of this gesture recognition interactive technology allows consumers and users of the 3D displays to "touch" and manipulate the holographic video images in real-time, therefore providing an immersive, engaging experience with an immediate call-to-action for the consumer, and benefiting the retailer and advertiser. In September 2009 the Company announced and demonstrated its latest development program with the University of Tokyo to bring in "feel" or "touchability" to Provision's 3D holographic video images.

The Company introduced its newest product to the marketplace earlier in the year. Called the HL17 Micro Diamond, replacing the current HL17T, the Micro Diamond is half the size of the traditional HL17T weighs only 18 pounds.

While not remaining complacent with its current technology platform being launched into the Digital Out-Of-Home advertising markets, the Company seized the opportunity to begin the development of a 3D Consumer Product. The new consumer product will be the first of its kind and will exponentially expand the reach of Provision's cutting edge technology. The "out-of-the-box, plug-and-play" 3D display will ultimately be targeted as a high volume product for the home game market. The 3D display will be designed to be completely compatible with the most popular game consoles on the market, and priced accordingly. The new 3D consumer product will also ultimately benefit Provision's market-leading, retail partners. The Company plans on applying its successful consumer development solutions to its DOOH products, providing partners with products that are lower cost, lighter weight, and have futuristic industrial design.

We believe that Provision's intellectual property and expertise constitutes an important competitive resource, and we continue to evaluate the markets and products that are most appropriate to exploit this expertise. In addition, we maintain an active program of intellectual property protection, both to assure that the proprietary technology developed by us is appropriately protected and, where necessary, to assure that there is no infringement of Provision's proprietary technology by competitive technologies.

At present, our patents and patent applications are supplemented by substantial intellectual property we are currently protecting as trade secrets and proprietary know-how. This includes matter related to all three product lines. We expect to file additional patent applications on a regular basis in the future.

We believe that our intellectual property and expertise constitutes an important competitive resource, and we continue to evaluate the markets and products that are most appropriate to exploit this expertise. In addition, we maintain an active program of intellectual property protection, both to assure that the proprietary technology developed by us is appropriately protected and, where necessary, to assure that there is no infringement of our proprietary technology by competitive technologies.

We rely on a combination of patent, patent pending, copyright, trademark and trade secret laws, proprietary rights agreements and non-disclosure agreements to protect our intellectual properties. We cannot give any assurance that these measures will prove to be effective in protecting our intellectual properties. We also cannot give any assurance that our existing patents will not be invalidated, that any patents that we currently or prospectively apply for will be granted, or that any of these patents will ultimately provide significant commercial benefits. Further, competing companies may circumvent any patents that we may hold by developing products which closely emulate but do not infringe our patents. While we intend to seek patent protection for our products in selected foreign countries, those patents may not receive the same degree of protection as they would in the United States. We can give no assurance that we will be able to successfully defend our patents and proprietary rights in any action we may file for patent infringement. Similarly, we cannot give any assurance that we will not be required to defend against litigation involving the patents or proprietary rights of others, or that we will be able to obtain licenses for these rights. Legal and accounting costs relating to prosecuting or defending patent infringement litigation may be substantial.

We also rely on proprietary designs, technologies, processes and know-how not eligible for patent protection. We cannot give any assurance that our competitors will not independently develop the same or superior designs, technologies, processes and know-how.

While we have and will continue to enter into proprietary rights agreements with our employees and third parties giving us proprietary rights to certain technology developed by those employees or parties while engaged by us, we can give no assurance that courts of competent jurisdiction will enforce those agreements.

Select Financial Information

	2009	2008
Total Assets	\$ 1,177,429	\$ 1,176,919
Total Liabilities	\$ 4,437,147	\$ 2,448,981
Total Stockholders' Deficit	\$ (3,259,718)	\$ (1,272,062)
Revenues	\$ 80,995	\$ 219,320
Cost of Revenues	35,436	107,293
Gross Profit	45,559	112,027
Expenses	617,975	704,370
Loss from Operations	(572,416)	(592,343)
Other Income (Expense)	(456,137)	(203,850)
Net Loss	\$ (1,028,553)	\$ (796,193)
Net Loss per Common Share	\$ (0.04)	\$ (0.03)

Revenue and Cost of Revenue

Revenues for the three months ended December 31, 2009 decreased 63% to \$80,995 from \$219,320 for the three months ended December 31, 2008. Our lack of available cash resources to construct more units combined with the general economic slowdown adversely impacted our revenues. Included in revenues for the three months ended December 31, 2009 is \$74,525 from the sale of our product coming from international distributors and the beginning shipment of our Studio One purchase agreement as well as \$4,167 in advertising revenues. These international product sales came in from countries including Japan and Europe. The Company has announced additional sales to its Japanese distributor supporting the test of the Company's products by Unisys, as well as recent shipments to the U.K. to its distributor who is working with Samsung. Advertising sales are expected to increase as the Company continues its roll out of its 3D Reward Center in the large top demographic markets of Los Angeles (#2) and New York (#1). We have entered into several agreements with media buying agencies and ad agencies to assist in the selling of 3D holographic ads and coupon promotions; expecting to continue the growth of ad sales on a quarter by quarter basis.

Our cost of revenues were \$35,436 for the three months ended December 31, 2009 as compared to \$107,293 for the three months ended December 31, 2008. This decrease of \$71,857 or 67% is a direct result of our decreased revenues as well as the increase in advertising revenue which carries no cost of revenue.

We had a gross profit percentage of 56% for the three months ended December 31, 2009 compared to a gross profit percentage of 51% for the three months ended December 31, 2008. The increase in gross margin percentage was a result of a change in our sales mixture to higher margin items, increase in some sales prices to certain regional, retail customers, along with our additional advertising revenues. As discussed above, we expect advertising revenues to increase in the coming quarters as the Company begins to roll out its 3D Reward Center in the large top demographic markets of Los Angeles (#2) and New York (#1).

Expenses

General and administrative expenses for the three months ended December 31, 2009 were \$579,594 as compared to \$662,994 for the three months ended December 31, 2008.

During the three months ended December 31, 2009 our marketing expense decreased \$67,796 to \$1,688 for the three months ended December 31, 2009 from \$69,484 during the three months ended December 31, 2008. The decrease in our marketing expenses was due to our decision to not reorder approximately \$60,000 of marketing materials that were ordered and used during the year ended June 30, 2009. Our accounting fees decreased \$47,739 to \$85,141 during the three months ended December 31, 2009 from \$132,880 during the three months ended December 31, 2008. This decrease in accounting fees is directly related to our financial statement audits for the two years ended June 30, 2008 being included in last year's expenses. Additionally we experienced a decrease of \$36,770 in non-cash compensation to \$284,105 during the three months ended December 31, 2009 from \$320,875 during the three months ended December 31, 2008. Non-cash compensation relates to the value of common stock, warrants and options issued in exchange for services rendered. While we cannot guarantee it, we do not expect our non-cash compensation to continue this level of expense in the near future. Our consulting expenses increased \$39,078 to \$47,325 during the three months ended December 31, 2009 from \$8,247 during the three months ended December 31, 2008. Additionally, our salaries and wages increased \$21,173 to \$93,611 during the three months ended December 31, 2009 from \$72,438 during the three months ended December 31, 2008.

During the three months ended December 31, 2009 we recorded \$38,381 of research and development expenses as compared to \$41,376 during the three months ended December 31, 2008. Research and development expenses relate to the salary paid to two key employees who conduct ongoing technical engineering tasks for product improvements, cost reductions, new product development, and the like.

Other Income (Expense)

Interest expense increased 118% to \$456,137 during the three months ended December 31, 2009 from \$209,575 during the three months ended December 31, 2008. The increase is directly related to the issuance of new debt and the amortization of the related debt discount.

During the three months ended December 31, 2008 we recorded \$5,725 on the gain from the disposal of a fixed asset.

Net Loss

As a result of the aforementioned, our net loss increased 29% or \$232,360, to \$1,028,553 during the three months ended December 31, 2009 from \$796,193 during the three months ended December 31, 2008.

Results of Operation – Six Months Ended December 31, 2009 as Compared to the Six Months Ended December 31, 2008

Select Financial Information

	2009	2008
Revenues	\$ 135,459	\$ 342,117
Cost of Revenues	57,483	164,782
Gross Profit	77,976	177,335
Expenses	1,138,267	1,250,574
Loss from Operations	(1,060,291)	(1,073,239)
Other Income (Expense)	(1,060,487)	(377,737)
Net Loss	<u>\$ (2,120,778)</u>	<u>\$ (1,450,976)</u>
Net Loss per Common Share	<u>\$ (0.08)</u>	<u>\$ (0.06)</u>

Revenue and Cost of Revenue

Revenues for the six months ended December 31, 2009 decreased 60% to \$135,459 from \$342,117 for the six months ended December 31, 2008. Our lack of available cash resources to construct more units combined with the general economic slowdown adversely impacted our revenues. Included in revenues for the six months ended December 31, 2009 is \$127,025 from the sale of our product coming from international distributors and the beginning shipment of our Studio One purchase agreement as well as \$5,556 in advertising revenues. These international product sales came in from countries including Japan and Europe. The Company has announced additional sales to its Japanese distributor supporting the test of the Company's products by Unisys, as well as recent shipments to the U.K. to its distributor who is working with Samsung. Advertising sales are expected to increase as the Company continues its roll out of its 3D Reward Center in the large top demographic markets of Los Angeles (#2) and New York (#1). We have entered into several agreements with media buying agencies and ad agencies to assist in the selling of 3D holographic ads and coupon promotions; expecting to continue the growth of ad sales on a quarter by quarter basis.

Our cost of revenues were \$57,483 for the six months ended December 31, 2009 as compared to \$164,782 for the six months ended December 31, 2008. This decrease of \$107,299 or 65% is a direct result of our decreased revenues as well as the increase in advertising revenue which carries no cost of revenue.

We had a gross profit percentage of 58% for the six months ended December 31, 2009 compared to a gross profit percentage of 52% for the six months ended December 31, 2008. The increase in gross margin percentage was a result of a change in our sales mixture to higher margin items, increase in some sales prices to certain regional, retail customers, along with our additional advertising revenues. As discussed above, we expect advertising revenues to increase in the coming quarters as the Company begins to roll out its 3D Reward Center in the large top demographic markets of Los Angeles (#2) and New York (#1).

Expenses

General and administrative expenses for the six months ended December 31, 2009 were \$1,053,306 as compared to \$1,167,727 for the six months ended December 31, 2008.

During the six months ended December 31, 2009 our marketing expense decreased \$91,050 to \$4,266 for the six months ended December 31, 2009 from \$95,316 during the six months ended December 31, 2008. The decrease in our marketing expenses was due to our decision to not reorder approximately \$60,000 of marketing materials that were ordered and used during the year ended June 30, 2008. Our accounting fees decreased \$44,514 to \$108,741 during the six months ended December 31, 2009 from \$153,255 during the six months ended December 31, 2008. This decrease in accounting fees is directly related to our financial statement audit for the two years ended June 30, 2008 being included in last year's expenses. These decreases in expenses were partially offset by an increase of \$224,274 in non-cash compensation to \$545,149 during the six months ended December 31, 2009 from \$320,875 during the six months ended December 31, 2008. Non-cash compensation relates to the value of common stock, warrants and options issued in exchange for services rendered. While we cannot guarantee it, we do not expect our non-cash compensation to continue this level of increase in the near future. Our consulting expenses increased \$64,703 to \$82,950 during the six months ended December 31, 2009 from \$18,247 during the six months ended December 31, 2008. Additionally, our salaries and wages increased \$41,191 to \$206,911 during the six months ended December 31, 2009 from \$165,720 during the six months ended December 31, 2008.

During the six months ended December 31, 2009 we recorded \$84,961 of research and development expenses as compared to \$82,847 during the six months ended December 31, 2008. Research and development expenses relate to the salary paid to two key employees who conduct ongoing technical engineering tasks for product improvements, cost reductions, new product development, and the like.

Other Income (Expense)

Interest expense increased 179% to \$1,060,487 during the six months ended December 31, 2009 from \$380,462 during the six months ended December 31, 2008. The increase is directly related to the issuance of new debt and the amortization of the related debt discount.

During the six months ended December 31, 2008 we recorded \$5,725 on the gain from the disposal of a fixed asset.

During the six months ended December 31, 2008 we recorded \$3,000 unrealized loss of securities as we revalued the carrying value of our investment in corporate stock held.

Net Loss

As a result of the aforementioned, our net loss increased 46% or \$669,802 to \$2,120,778 during the six months ended December 31, 2009 from \$1,450,976 during the six months ended December 31, 2008.

Financial Condition, Liquidity and Capital Resources

Management remains focused on controlling cash expenses. We have limited cash resources and plan our expenses accordingly.

We had cash of \$79,918 at December 31, 2009 compared to cash of \$19,339 at June 30, 2009. Our working capital deficit increased to \$3,760,988 at December 31, 2009 from a deficit of \$2,543,076 at June 30, 2009. The reason for the increase in the working capital deficit was the increase in current portion of convertible debt of approximately \$800,000.

During the six months ended December 31, 2009, we used \$213,921 of cash for operating activities versus \$521,658 during the six months ended December 31, 2008. The primary difference was the deferral of paying many of our creditors and wages to conserve cash.

Cash used in investing activities during the six months ended December 31, 2009 and 2008 was \$-0- and \$47,513, respectively. During the six months ended December 31, 2008 we used \$44,207 to purchase equipment and \$3,306 to purchase patents.

Cash provided by financing activities during the six months ended December 31, 2009 was \$274,500 as a result of the proceeds from notes payable, net of fees. Cash provided by financing activities during the six months ended December 31, 2008 was \$396,750 as a result of the proceeds from notes payable, net of fees.

Given our plans and expectation that we will need additional capital, we will need to issue additional shares of capital stock or securities convertible or exercisable for shares of capital stock, including preferred stock, options or warrants. The issuance of additional capital stock may dilute the ownership of the current stockholders.

Off Balance Sheet Arrangements

We do not engage in any off balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, revenues, results of operations, and liquidity or capital expenditures.

Critical Accounting Policies

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts and timing of revenues and expenses, the reported amounts and classification of assets and liabilities, and the disclosure of contingent assets and liabilities. These estimates and assumptions are based on the Company's historical results as well as management's future expectations. The Company's actual results could vary materially from management's estimates and assumptions.

Revenue Recognition — We recognize revenue when persuasive evidence of an arrangement exists, title transfer has occurred, the price is fixed or readily determinable, and collectability is probable. We recognize revenue in accordance with Staff Accounting Bulletin No. 104, "Revenue Recognition." Sales are recorded net of sales returns and discounts, which are estimated at the time of shipment based upon historical data.

Impairment of Long-Lived Assets — We review the recoverability of the carrying value of long-lived assets using the methodology prescribed in SFAS No. 144, "Accounting for the Impairment and Disposal of Long-Lived Assets" whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. Upon such an occurrence, recoverability of these assets is determined by comparing the forecasted undiscounted net cash flows to which the assets relate, to the carrying amount. If the asset is determined to be unable to recover its carrying value, it is written down to fair value. Fair value is determined based on discounted cash flows, appraised values or other information available in the market, depending on the nature of the assets. Methodologies for determining fair value are inherently based on estimates that may change, such as the useful lives of assets and our cash flow forecasts associated with certain assets. A change in these estimates may result in impairment charges, which would impact our operating results.

Going Concern — These financial statements are presented on the basis that the Company is a going concern. Going concern contemplates the realization of assets and the satisfaction of liabilities in the normal course of business over a reasonable length of time. The Company has incurred a loss of approximately \$2,100,000 in the current period and has negative working capital of approximately \$3,800,000. These matters raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to generate sufficient cash flow to meet its obligations on a timely basis, to obtain additional financing or refinancing as may be required and, ultimately, to attain profitable operations. Management's plan to eliminate the going concern situation include, but are not limited to, the raise of additional capital through issuance of debt and equity, improved cash flow management, aggressive cost reductions, and the creation of additional sales and profits across its product lines.

Accounting for Stock Option Based Compensation

Effective July 1, 2006, the Company adopted SFAS No. 123(R), "Share-Based Payment: An Amendment of FASB Statements No. 123 and 95" using the modified prospective method. Under this method, compensation cost is recognized on or after the effective date for the portion of outstanding awards, for which the requisite service has not yet been rendered, based on the grant date fair value of those awards. Prior to July 1, 2006, the Company accounted for employee stock options using the intrinsic value method in accordance with Accounting Principles Board (APB) Opinion No. 25 (APB No. 25), "Accounting for Stock Issued to Employees," and adopted the disclosure only alternative of SFAS No. 123. For stock-based awards issued on or after July 1, 2006, the Company recognizes the compensation cost on a straight-line basis over the requisite service period for the entire award. Measurement and attribution of compensation cost for awards that are unvested as of the effective date of SFAS No. 123(R) are based on the same estimate of the grant-date or modification-date fair value and the same attribution method used under SFAS No. 123.

On November 10, 2005, the Financial Accounting Standards Board (FASB) issued FASB Staff Position No. FAS 123(R)-3 "Transition Election Related to Accounting for Tax Effects of Share-Based Payment Awards". The Company has elected to adopt the alternative transition method provided in the FASB Staff Position for calculating the tax effects of stock-based compensation pursuant to SFAS No. 123(R). The alternative transition method includes simplified methods to establish the beginning balance of the additional paid-in capital pool (APIC pool) related to the tax effects of employee stock-based compensation, and to determine the subsequent impact on the APIC pool and Consolidated Statements of Cash Flows of the tax effects of employee stock-based compensation awards that are outstanding upon adoption of SFAS No. 123(R). As the Company is currently in a net operating loss position and has placed valuation allowances on its net deferred tax assets, there is no net impact on the Company's APIC pool related to stock-based compensation for the six months ended December 31, 2009.

Recent Accounting Pronouncements

In the first quarter of fiscal 2009, the Company adopted Statement of Financial Accounting Standards No. 157, Fair Value Measurements, ("SFAS No. 157") for all financial assets and financial liabilities and for all non-financial assets and non-financial liabilities recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and enhances fair value measurement disclosure. The adoption of SFAS No. 157 did not have a significant impact on our consolidated financial statements, and the resulting fair values calculated under SFAS No. 157 after adoption were not significantly different than the fair values that would have been calculated under previous guidance.

In February 2007, the FASB issued SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115 (ASC 825)*. SFAS 159 permits companies to measure certain financial instruments and other items at fair value. We have not elected the fair value option applicable under SFAS 159.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles" ("SFAS No. 162"). SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements presented in conformity with generally accepted accounting principles in the United States of America. SFAS No. 162 will be effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board (PCAOB) amendments to AU Section 411, "The Meaning of, Present fairly in conformity with generally accepted accounting principles". The Company does not believe the implementation of SFAS No. 162 will have a material impact on its consolidated financial statements.

In October 2008, the Financial Accounting Standards Board ("FASB") issued Financial Staff Position 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active, ("FSP 157-3"). FSP 157-3 clarifies the application of SFAS No. 157 in a market that is not active, and addresses application issues such as the use of internal assumptions when relevant observable data does not exist, the use of observable market information when the market is not active, and the use of market quotes when assessing the relevance of observable and unobservable data. FSP 157-3 is effective for all periods presented in accordance with SFAS No. 157. The adoption of FSP 157-3 did not have a significant impact on our consolidated financial statements or the fair values of our financial assets and liabilities.

In December 2008, the FASB issued Financial Staff Position ("FSP") Financial Accounting Standard No. 140-4 and FASB Interpretation 46(R)-8, Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities ("FSP FAS 140-4" and "FIN 46(R)-8"). The document increases disclosure requirements for public companies and is effective for reporting periods (interim and annual) that end after December 15, 2008. FSP FAS 140-4 and FIN 46(R)-8 became effective for us on December 31, 2008. The adoption of FSP FAS 140-4 and FIN 46(R)-8 did not have a significant impact on our consolidated financial statements.

In April 2009, the FASB issued FSP 107-1 and Accounting Principles Board Opinion (APB) 28-1, *Interim Disclosures about Fair Value of Financial Instruments* (ASC 820). FSP 107-1 amends SFAS 107, *Disclosures about Fair Value Instruments* and APB 28, *Interim Financial Reporting* (ASC 820), to require disclosures about fair value of financial instruments during interim reporting periods. The Company adopted the provisions of FSP 107-1 and APB 28-1 during the quarter ended September 30, 2009.

In May 2009, the FASB issued SFAS 165, which establishes general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS 165 also requires the disclosure of the date through which subsequent events have been evaluated and the basis for that date. The Company adopted the provisions of SFAS 165 during the quarter ended June 30, 2009.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

N/A

ITEM 4T. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures. Internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) refers to the process designed by, or under the supervision of, our principal executive officer and principal financial officer, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Management is responsible for establishing and maintaining adequate internal control over financial reporting.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Based upon this evaluation, our CEO has concluded that, without third-party specialists, our current disclosure controls and procedures are not effective to provide reasonable assurance that material information required to be included in our periodic SEC reports is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and accumulated and communicated to our senior management, including our CEO, to allow timely decisions regarding required disclosures. Management's report is not subject to attestation by our registered public accounting firm pursuant to temporary rules of the SEC that permit us to provide only management's report in this Annual Report.

Changes in Internal Control Over Financial Reporting. During the most recent quarter ended December 31, 2009, there has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS.

There are no material legal proceedings, to our knowledge, pending against us or being pursued by us.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

The below shares of common stock were sold or issued to accredited investors in the quarter ended December 31, 2009 pursuant to an exemption from registration under Section 4(2) of the Securities Act and Regulation D promulgated pursuant thereto. No general solicitation or advertising was used to market the securities:

In October of 2009, the Company issued \$75,000 of convertible debt. The notes are convertible into common stock at the option of the holder at a conversion price of \$0.50 per share and includes warrants to purchase 150,000 shares of common stock at \$0.50 per share. The notes pay interest at a rate of 10% per annum and are due in January 2011.

In November of 2009, the Company issued \$12,500 of convertible debt. The note is convertible into common stock at the option of the holder at a conversion price of \$0.50 per share and includes warrants to purchase 3,125 shares of common stock at \$0.50 per share. The note pays interest at a rate of 8% per annum and is due in November 2011.

In December of 2009, the Company issued \$100,000 of convertible debt. The note is convertible into common stock at the option of the holder at a conversion price of \$0.15 per share and includes warrants to purchase 500,000 shares of common stock at \$0.20 per share. The note pays interest at a rate of 8% per annum and is due in December 2011.

All funds raised in these issuances were used to fund our operations. Purchases of Equity Securities by the Issuer and Affiliated Purchasers.

In November of 2009, \$30,000 of debt was issued in the form of three notes payable. The notes payable are due upon demand and bear interest at 10% per annum. In connection with the funding of this note, the note holders received 500,000 shares of the Company's common stock within 30 days of receipt of the borrowed funds.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None

ITEM 5. OTHER INFORMATION.

None

ITEM 6. EXHIBITS.

Exhibit Number	Description
31.1	Certification by Chief Executive Officer and Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
32.1	Certification by Chief Executive Officer and Chief Financial Officer, required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PROVISION HOLDING, INC.

February 22, 2010

By: /s/ Curt Thornton

Curt Thornton
Chief Executive Officer (Principal Executive
Officer) and Chief Financial Officer
(Principal Financial Officer and Accounting
Officer) and Director

CERTIFICATION

I, Curt Thornton, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Provision Holdings, Inc., for the quarter ended December 31, 2009;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant is made known to us by others, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. I have disclosed, based on the most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

February 22, 2010

/s/ Curt Thornton

Curt Thornton

Chief Executive Officer (Principal Executive Officer)

(Principal Accounting and Financial Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Provision Holdings, Inc. (the "Company") on Form 10-Q for the quarter ended December 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Curt Thornton, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

February 22, 2010

/s/ Curt Thornton

Curt Thornton
Chief Executive Officer (Principal Executive Officer)
(Principal Accounting and Financial Officer)