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

FORM 10-K

For the fiscal year ended December 31, 2013

Commission File Number 333-147104

Envision Solar International, Inc.
(Exact name of Registrant as specified in its charter)

Nevada	**26-1342810**
(State of Incorporation)	(IRS Employer ID Number)

7675 Dagget Street, Suite 150
San Diego, California 92111
(858) 799-4583
(Address and telephone number of principal executive offices)

Securities registered pursuant to Section 12(g) of the Act:

Title of Each Class	**Name of Each Exchange On Which Registered**
COMMON STOCK	OTC-QB Market

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. 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 under Rule 12b-2 of the Exchange Act. (Check one.)

Large accelerated filer ☐	Accelerated Filer ☐
Non-accelerated filer ☐	Smaller reporting company ☒

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

The aggregate market value of voting stock held by non-affiliates of the registrant was approximately $12,324,285 as of June 28, 2013 (computed by reference to the last sale price of a share of the registrant's Common Stock on that date as reported by OTC Bulletin Board).

The number of registrant's shares of common stock, $0.001 par value, outstanding as of March 31, 2014 was 83,713,998.

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PART I

Unless specifically noted otherwise, this annual report on Form 10-K reflects the business and operations of Envision Solar International, Inc., a Nevada corporation (hereinafter the “Company,” “us,” “we,” “our” or “Envision”) and its subsidiaries.

ITEM 1. BUSINESS

Envision designs, engineers, fabricates, and installs solar products and proprietary technology solutions. The Company focuses on creating high quality products which transform both surface and top deck parking lots of commercial, institutional, governmental and other customers into shaded renewable generation plants while creating sustainable media and branding assets and contributing to the growth of electric vehicle charging infrastructure. Management believes that the Company's chief differentiator is its ability to design and engineer architecturally accretive solar products which are a complex integration of simple, commonly available engineered components. The resulting products are built to have the longest life expectancy in the industry while also delivering a highly appealing architectural enhancement to our customer’s locations. Management believes that Envision's products deliver multiple layers of value such as media, branding, and advertising platforms, architectural enhancement of the parking lot, reduction of heat islanding and improved parking experiences through shading, high visibility "green halo" branding, reduction of net operating costs through reduced utility bills and the creation of an iconic luxury landmark where simple parking previously existed.

Products and Technologies

The Company's Solar Tree® structure has been in deployment and continued improvement for over seven years. During the last three years, the Solar Tree® structure was redesigned from the ground up to incorporate all of the best attributes of previous designs. We believe the resulting product has become the standard of quality in solar shaded parking and while there are an increasing number of competitors in the space, we believe there is no competing product which includes all of the important attributes of the Solar Tree® structure. We understand it to be the only single column, bio mimicked, tracking, and architectural solar support structure designed specifically for parking lots.

The Company has designed and incorporated EnvisionTrak™, its proprietary and patent pending tracking solution, to the Solar Tree® structure, furthering the unique nature of the product and we believe increasing the Company's technological leadership within the industry. We believe EnvisionTrak™ is a complex integration of the highest quality gearing, electrical motors and controls which are combined in a robust, highly engineered and supremely reliable manner. While there are many tracking solutions available to the solar industry, we believe EnvsionTrak™ is the only tracking solution which causes the solar array to orient itself in alignment with the sun without swinging, rotating or leaving its lineal alignment with the parking spaces below. We believe this is a vital attribute in solar shaded parking as any swinging or rotating of the arrays could result in impeding the flow of traffic, particularly first responders such as fire trucks, in the drive aisles. It is a violation of many local codes to have restricted overhead clearance in the drive aisles. EnvisionTrak™ has been demonstrated, through data obtained from our past customers, to increase electrical production, but perhaps a greater value is the high visual appeal created by Solar Tree® structures which are tracking the sun in perfect synchronicity.

The Solar Tree® structure’s canopy measures 35'X35' and covers between six and eight parking spaces. Envision has also developed a single parking space version of the product that leverages the same technology, components, and architectural qualities, but is one tenth the size and less expensive. The Solar Tree® Socket is designed for tight locations and offers customer budget flexibility. It has been produced by the Company to broaden the addressable market for its technology.

Envision continues to identify other complimentary product offerings and enhancements to current offerings, and is in the design phase on certain such products.

Leveraging the structural and technological attributes of its existing products, the Company has developed a new product called EV ARC™ and delivered the first units of this product line during the quarter ended September 30, 2013. We believe EV ARC™ (Electric Vehicle Autonomous Renewable Charger) solves many of the problems associated with electric vehicle charging infrastructure deployments and is a product with a potentially very large addressable market. Until now, the deployment of electrical vehicle ("EV") chargers has been significantly hindered by complications in the site acquisition process caused by the complicated and invasive processes required to fulfill the installation. Each EV charger requires a pedestal which is mounted to a poured concrete foundation which first requires excavation. Chargers also require a trench run to deliver grid connected electricity, and often require transformers and other local electrical equipment upgrades. Additional entitlements, easements, leases and other site acquisition requirements will slow, or prevent entirely, the deployment of large numbers of chargers. When an EV charger is deployed successfully, the host may be liable for increased kilowatt hour charges and often, more expensive demand charges. Landlords often do not perceive enough value creation in the deployment of an EV Charger, and as such, are not inclined to grant permission to the service providers who approach them.

We believe EV ARC™ changes this paradigm completely because it is entirely self-contained and can be delivered to the site ready to operate. Its ballasted pad contains battery storage and creates a structurally sound platform which will support the rest of the structure. The solar array structure is similar to our Socket™ product, and through our EnvisionTrak™ tracking solution, is column mounted to the ballasted pad. There is an electrical cabinet which is attractively integrated into the unit and in which various components enable the conversion of sunlight to electricity which is stored in batteries, and the delivery of that electricity to the EV charging station. Incorporating battery storage means that EV ARC™ can charge day or night. EV ARC™ delivers a clean source of power to any model of EV charger that is integrated into the structure. Envision Solar continues to maintain a vendor agnostic stance in regards to EV charging, and as such, EV ARC™ is designed to accept whichever EV charger the end customer chooses. The EV ARC™ can be set up to charge a single EV or multiple electric scooters or smaller electric vehicles. In this early stage of the production evolution for the EV ARC™ and low volumes, the Company believes the appropriate selling price point is lower than the actual initial costs of production. Management believes that certain production elements will mature allowing for gross profit on future sales later in 2014. These elements include production economies of scale, lower costs of components including the cost of battery storage which is currently a significant cost contributor, as well as design changes to allow for improved production processes.

EV ARC™ is designed to address the sizable market of EV charging infrastructure. The current lack of such infrastructure is the single greatest impediment to the adoption of EVs in the US and elsewhere. A standardized, easily deployable EV charger, which is renewably energized rather than relying on carbon based electrical energy, would appear to have significant appeal to those entities which are interested in the proliferation of EV charging infrastructure. Management believes that the EV ARC™ should generate significant volumes of sales in the coming months and years. We believe no competing company has a similar product, so the Company's first-to-market position should create an opportunity for a share in the market interest.

We strive to produce products integrating only the highest quality components available. The Company's production philosophy is to invest in quality design, components and integration so as to ensure the lowest costs of warranty and service in the industry, while maintaining and growing a brand which is already recognized as one of the leading producers of the highest quality solar products available.

The Company produces a series of products which management believes offer multiple layers of value to its customers leveraging the same underlying technology and fabrication techniques and infrastructure. This enables the Company to reach a broad customer base with varied product offerings without maintaining the overhead normally associated with a diverse set of products.

The Company's current list of products include:

1. The Solar Tree® Standard structure, a thirty five foot square solar array mounted on a single column,
2. The Branded Solar Tree® (HVBA) structure which includes customized branding, finishes and signage,
3. The Solar Tree® SMP (Sustainable Media Platform) structure, which includes static and digital advertising displays,
4. The Solar Tree® HVLC (High Value Low Cost) structure, a lower cost version of the standard Solar Tree® structure,
5. The Solar Tree® Socket structure, a single space version of the Solar Tree® structure,
6. The EV ARC™.

All Envision products can be upgraded with the addition of:

1. EnvisionTrak™ sun tracking technology,
2. SunCharge™ solar powered EV charging,
3. ARC™ technology energy storage,
4. LED lighting,
5. Media and Branding Screens.

Envision leverages a combination of in-house and outsourced resources to create its products. Management believes that the Company has significant operating leverage through the deliberate separation of intellectual property creation (in-house) and the actual deployment of the Company's products (outsourced). All intellectual property is developed in-house. Product designs are then vetted by third-party structural and electrical engineering firms to ensure that the designs meet the jurisdictional requirements and codifications for the deployment locations. We believe this further helps dissipate any potential liabilities for the structural and electrical elements by providing additional insured parties with partial responsibility for the designs. Architectural, structural, and electrical design elements are combined into shop and deployment documents that can be exported to a vetted, qualified stable of fabrication and deployment resources.

It is the Company’s intention to create a limited fabrication facility in the future in which the structural components of its mainstay products will be optimized and fabricated. We believe an in-house fabrication facility may enable the Company to reduce direct costs associated with individual products. We believe the facility will further enable the Company to make improvements to existing products and also to introduce new products in a much more timely and efficient manner. Management believes that the product development process can be significantly faster and less expensive when carried out by an in-house fabrication facility. We believe one of the most significant risks currently faced by the Company is its reliance upon outsourced fabrication, and the delays and costs associated with this model. The standardized and broadly repurposed components which comprise the Company’s product set do not require an expensive fabrication facility. In fact, the line required can be narrow, limited and highly efficient, thus not requiring significant investment or human resources. The Company intends to continue to outsource installation and deployment of its products, and as further improvements and standards are attained, it is management’s belief the Company can continue to reduce (a) the amount of installation resources required in the field and (b) the Company’s need to supervise those resources. The Company intends to rely on outsourced fabrication resources when growth or high order volume makes it necessary.

Management believes that the continuation of the Company’s strategy to create highly engineered, highly scalable products which are delivered as a kit of parts to the customer site, and which require minimal field labor activities, is further positioning the Company as a provider of products which are complex but standardized and easily deployable and which reduces the exposure of the Company to the risks and inherent margin erosion that are incumbent in field deployments. The Company intends to continue to work with its existing fabrication partners and also qualify new resources so that spikes in product demand can be buffered through the use of outsourced resources if and while the Company’s in-sourced fabrication facility is scaled to achieve any new levels of production. We believe the growth which the Company anticipates in the future is attainable through this highly scalable model. The products are standardized, scalable and highly repeatable. The documentation and deployment processes that the Company is creating are highly detailed and explanatory, thus enabling a growing pool of qualified sub-contracted resources to fabricate and deploy the products without being dilutive to quality. The Company places high emphasis on qualifying and vetting sub-contracted resources because of the significant portion of the Company's shareholder value attributable to brand value.

The Company continues to bring engineering and design improvements to its products that are designed to increase the level of standardization and reduce the field labor and effort required for product deployment. Wherever possible, the components of the Solar Tree® structures are factory integrated and assembled such that complete assemblies are delivered to the sites with a regularly decreasing level of field installation activity required. This allows the Company to reduce risks associated with field work such as weather, labor deficiencies, and accidents. Our strategy also enables us to control future labor costs through mass production in a factory environment and the avoidance of prevailing wage, union, or other labor related conditions that are outside of the Company's control on deployment sites. This improvement in products, standardization, and modularization has enabled the Company to significantly reduce field deployment timeframes.

Envision's proprietary technology is described and covered through various patented and patent-pending intellectual properties. Management believes innovation and the ability to create multiple layers of value beyond competing with utility-produced electricity are key differentiators for the Company.

Services

The Company manages and controls the entire turn-key deployment of its products and supervises any field activities performed by qualified subcontracted vendors. Design, engineering, entitlement, and program management are all conducted mostly in the office while installation management is performed in the field to ensure that the highest standards and efficiencies are being met throughout the deployment. Nevertheless, as the products become more standardized and systematized and as they require less field activities to perform the deployments, so too does the level of Company supervision decrease, and the existing construction management skill sets resident at the Company can be leveraged over an increasing volume of deployments.

Intellectual Property

Envision owns the registered trademarks Solar Grove® and Solar Tree® structures.

The Company has been issued two patents: one for our Solar Tree ® structure (patent No. 7,705,277) and one recently issued for EnvisionTrak™ (a dual-synchronous tracking system for its Solar Tree® structures) (patent No. 8,648,551). Further, the Company has a patent pending for its EVARC™ product.

Key Initiatives

Solar Tree® Structure Product/Technology Development - the Company is continuing to improve the designs and efficiencies of its products. Significant emphasis is placed on innovation which we believe enables higher quality with increased deployment efficiency and reduced deployment risk. Fabrication and installation methodologies which replace labor with mechanized processes are favored. The Company's design, fabrication, and procurement processes are under constant improvement to increase efficiency and control costs. Solar Tree® structures are single column shading structures which support an overhead solar array which can be oriented for the best aesthetic effect while maximizing solar efficiency. They can be deployed alone or as a group or Solar Grove ™.

EnvisionTrak™ Tracking Solar Tree® Structure® - a dual synchronous tracking mechanism which causes the Solar Tree® array to track the sun throughout the day, potentially increasing output by approximately 18%-25%.

SunCharge™ Solar Charging Stations - the integration of "best of breed" electric vehicle charging stations into the columns of the Solar Tree® structures. A major focus of the Company is on the future infrastructure of electric vehicles (EVs) and plug-in hybrid electric vehicles (PHEVs), and the leveraging of renewables and architecturally accretive infrastructure to support them.

ARC™ Technology is the integration of storage into all existing Envision Solar products. Battery storage removes the intermittency of electrical delivery often cited as a reason for not taking advantage of Renewable Energy. We believe Envision Solar is positioning itself to be a leader in the convergence of Renewable Energy generation and storage. We believe our EV ARC™ product is an elegant embodiment of this convergence. The Company plans to continue to commit engineering resources to this space with the intention of making all products storage capable within the next 12 months and starting with the Solar Tree® array, which already has a large hollow space in its existing column which we believe could be ideally suited for the elegant placement of battery storage technologies. The battery storage market is nascent, and according to industry analysts, poised for growth in the coming months and years. Management intends that the Company be a leader in the integration of Renewable Energy Products with battery storage solutions.

The Market

Distributed generation photovoltaic solar projects have historically been rooftop or adjacent property installations. Rooftops have a number of inherent problems that are avoided by utilizing parking lots and the top levels of parking structures for solar installations. Rooftops are populated with mechanical equipment, vents, skylights, elevator overruns and most importantly, roofing materials and systems including waterproof membranes that require maintenance, are warranted, and must be replaced often – more often than solar PV products. Rooftops are also limited in the area which is required for large scale energy production by PV systems. The low returns generated by many roof top and adjacent property solar deployments are often not sufficient inducement to a real estate owner, developer or tenant to expose themselves to the encumbrance and risks associated with those sorts of deployments, which in part explains the relatively low adoption of this otherwise beneficial technology.

There are over 800 million parking spaces in the United States. We believe parking lots, and the top levels of parking structures, are preferable locations, in many cases, to building rooftops for numerous reasons, which accounts for the rapid growth of the solar parking array market. They are large, unobstructed, sun-drenched areas that are easily accessible during project construction. They have no waterproofing issues and benefit significantly from shade for cars and drivers. In addition, the Company emphasizes “Solar You Can See!” because rooftop solar can’t be seen in most cases. Solar parking arrays, on the other hand, are experienced and enjoyed by employees and visitors. With the installation of a solar parking array, a previously barren and unpleasant parking lot could become a cool, shady, people friendly park where everyone can directly experience clean solar energy generation, shade, and soft safe lighting at night. We believe property owners will enjoy the benefits of the positive demonstration such a visible display of the sustainable design of their properties are and turn a cost centers into revenue centers. As the adoption of Electric Vehicles increase, we believe parking lots will be an ideal location for EV charging infrastructure and Envision’s products with SunCharge™ will offer a very attractive option to any entity considering the deployment of such solutions.

Market Verticals

Envision Solar has created a suite of products which management believes are unique, compelling, and ideally suited to address the following market verticals:

1. Outdoor Advertising,
2. Electric Vehicle Charging, and
3. Shade and Energy Production.

Management believes that each of these market verticals has:

a) Annual spending in the billions,
b) A global marketplace,
c) Significant growth, and
d) A compelling need for the products Envision produces.

1. Outdoor Advertising

As the value of traditional advertising media such as television, radio, and print diminishes, advertisers in the United States and abroad are looking for new outlets to capture the attention of consumers. Management believes there will be significant growth in spending on outdoor advertising platforms such as billboards. We believe this is particularly true relative to digital content. The DOOH (digital out of home) industry is enjoying a period of rapid growth and is set to continue to do so for the foreseeable future. Management has seen statistics suggesting DOOH and other outdoor advertising spending will exceed $7B in the United States and $25B globally in 2014, with massive potential markets such as China just beginning to enter the marketplace.

While we believe there is a great deal of pent up appetite for billboard spending in the United States, there are also significant barriers to the widespread deployment of the infrastructure:

a) Entitlement – billboards are increasingly difficult to take through the permitting and zoning process. Some jurisdictions have outlawed them entirely.
b) Public perception – the value of billboard advertising becomes questionable when the constituency views the medium as anti-social, as is often the case with traditional billboards.
c) Energy Costs – lit and digital billboards are major energy consumers.
d) Content updates – billboards can be slow and costly to update.

We believe Envision Solar has products that solve each of the above impediments to billboard and DOOH infrastructure deployments.

Because the Envision Solar products are renewably energized, they are shrouded in what is often referred to as the "Green Halo." We believe that the green/sustainable aspect of our products makes them more likely to win approval through the entitlement process, while also making them more popular with an increasingly environmentally-conscious public. The dual effect, we believe, is that our products may be deployable in locations where traditional billboards may be denied. We believe these products will be more popular with an advertisers' intended audience and, as a result, advertisers may be willing to pay for them either as a capital purchase or through any existing payment schedule they have with vendors such as Lemar, Clear Channel or JC Decaux. Envision plans to sell product (and perhaps in the future rent or lease) either directly to the end user or to one of the brokerages. We do not currently intend to sell space to content providers as there are other well established companies doing that to which we can sell.

Because our products produce more energy than they consume through the displaying of advertising content, they do not have ongoing operating expenses associated with energy costs. In fact, they can also support other local energy requirements such as lighting or, even more politically important, EV charging infrastructure.

Each of our products can be equipped with a WAN (Wide Area Network) connection that can be used to monitor the condition and performance of the unit. This WAN connection can be used equally to deliver content updates to our product's advertising screens and to network the products so that they can be intelligently linked to one another as well as to local consumers through NFC (Near Field Communications).

2. Electric Vehicle Charging

While the growth rates in electric vehicle sales and, as a result, the requirements for supporting infrastructure are impressive, to date, the deployment of electric vehicle service equipment ("EVSE") has not met the goals set by the Department of Energy ("DoE") or any of the larger companies currently engaged in the space. The reasons for the delays are manifold but the main impediments include the following:

a) Site Acquisition – identifying and leasing/controlling locations,
b) Entitlement – permitting and zoning requirements,
c) Civil Works – foundations and trenching,
d) Inability to move the EVSE once deployed,
e) Energy – sources and cost of energy,
f) Telemetry – communications with the EV chargers.

We believe the Envision Solar EV ARC™ is the world's first and only transportable, solar powered EVSE. It arrives on site ready to operate. It resides inside a single parking space atop a ballasted pad, which negates the requirement for a foundation and makes it capable of withstanding 120 mph winds. Because it produces and stores all its own energy, it does not need a grid connection and therefore needs no trenching, switch gear, or transformer upgrades. Management believes the lack of a foundation or trench means that in most jurisdictions the EV ARC™ will not need a building permit. It is immune to grid interruptions such as black outs or brown outs. As such, it will allow for vehicle charging even in times of emergency. It can be moved at any time because it is not connected to the ground or grid, and we believe, creates an attractive and highly visible branding asset for the host. There are no utility bills to pay and, as the number of EVs increase on the host campuses; more EV ARC™ units can be added in minutes with a continued lack of disruption.

We believe these factors make the EV ARC™ a very compelling value proposition to anyone who intends to install such devices. A corporate customer can deploy EV charging quickly, efficiently, and without digging up its parking lots. The positive carbon foot print impact is greater because the EV ARC™ uses sunlight to charge the employees' EVs and, we believe, the marketing and branding impact is far greater because the enterprise has a highly visible demonstration of its commitment to the environment.

We believe Envision Solar's larger Solar Tree® structures also make perfect EVSE locations. Considering the list of impediments to EV infrastructure deployments, we believe that the Solar Tree® structure with column integrated CleanCharge™ EV chargers offers significant advantages over a typical grid tied EV charger. We believe that they offer the most attractive and practical mounting assets for fixed EV charging stations. The single column design is ideal for centrally locating multiple chargers and making them available to the maximum number of spaces. Entitlement can go more smoothly because the Solar Tree® structures contribute more benefits to the local environment than simple EV chargers. Those additional benefits include shade, reduction in heat islanding, reduction in light pollution, architectural accretion, reduction in grid stress, and even disaster preparedness when equipped with ARC™ technology. We believe that commercial real estate owners and corporate campuses will recognize the multiple layers of increased value delivered by Solar Tree® structures and CleanCharge™ deployed with little disruption to their facilities.

Solar Tree® structures with ARC™ technology energy storage generate and store enough energy to fully charge 6 to 8 EVs each day. They can be deployed in any location that is not shaded and does not require any utility grid connection. We believe that this vital factor makes them the compelling choice for remote locations where there is inadequate utility grid connection (e.g. remote rest areas) or where the requirement is for charging of mission critical vehicles (e.g. first responders, hospitals). It is our further contention that any campus environment with an EV charging need and a wish for a high degree of reliability in its electrical supply can benefit from our Solar Tree® structures with ARC™ on-board energy storage because, we believe, in times of grid instability (e.g. natural disaster, terrorism, capacity constraints), the Envision Solar products could provide the most reliable source of energy at the location.

Management believes that so called "range anxiety" is one of the top two reasons that customers are not buying EVs. We believe that our products can contribute in a significant and material manner to reducing range anxiety. As a result, we believe that any company or governmental entity that views the roll out of EV charging infrastructure as important to its business could reasonably be expected to become our customer.

3. Shade and Energy Production

Envision Solar was initially conceived as an entity structured to provide architectural and design services to customers looking for shaded parking solutions. The Company invented the Solar Tree® product line that we believe still provides the best option for solar and shade generation in parking lots. Now, with the introduction of the newest Envision product, the Solar Tree® HVLC (high value low cost) array, we believe that we can be competitive in many purely energy focused projects as well.

We believe there are at least 800 million parking spaces in the United States today. Each of our Solar Tree® products covers six to eight parking spaces. The top deck of a typical parking structure accommodates 20 to 30 Solar Tree® structures. Anyone who has looked out of the window of an airplane knows the enormity of the opportunity associated with creating shade and renewable energy in parking lots. While this is the most cost sensitive and competitive market we are approaching, the size of the market, and significant improvements in our ability to address that market, lead the management to believe that we can win a meaningful portion of this market.

We believe, globally, solar deployments are growing significantly. While much of the growth has been focused on low-cost solutions, we believe that there will be a shift towards quality over cost as the market matures and the reduced costs of commoditized components allow for higher quality deployments while still approaching or even surpassing grid parity. Our deployment speed is also important to our marketing efforts. In most cases, we deploy our Solar Tree® products in active parking lots of active businesses. Whether we are deploying for shade or for marketing purposes, our prospective customers often consider business disruption in their analysis and buying decisions. We believe that we can perform the fastest deployment in the industry, making deployment of Envision products less negatively impactful than the deployment of our competitor's products. The potential loss of revenue or opportunity caused by a torn-up parking lot can, over time, be quite substantial. We believe our deployment speed will increasingly contribute to Envision's competitive edge.

Customer Concentration

During 2013, the Company had three customers that each exceeded 10% of our revenue. Although we will continue to market and sell to these same entities, the revenues were for independent product sales or project based sales which conclude with installations, there is no continued effect or relationship to any future revenues from these sources or others.

Competition

The solar energy industry is intensely competitive. We are subject to competition from a number of other companies manufacturing, selling, and installing solar power products in the commercial market, many of which have longer operating histories and greater financial and other resources than the Company. Our competitors include but are not limited to Baja Carports, Solaire, ViSole Energy, and Wattlotts. These companies, among others, compete with us in the business of designing, assembling, selling, and installing solar power production facilities for parking lots and parking structures. While we believe that our proprietary designs and our deployment strategies differentiate us from our competitors in the market, there is no assurance that our business, operating results, and financial condition will not be materially adversely affected by our competitors.

Government Regulation

Businesses in general and solar energy companies in particular are subject to extensive regulation at the federal, state, and local level. We are subject to extensive government regulation of employment, health, safety, working conditions, labor relations, and the environment in the course of the conduct of our business. In order for our customers to enable the installation of our equipment and to utilize our products, they generally are required to obtain permits from local and other governmental agencies. In order to access the utility grid for the solar power produced by our products, they must comply with the applicable rules and regulations of the relevant state public utility agencies. In order for our customers to take advantage of available tax and other governmental incentives associated with the installation of solar power production facilities, and the production and use or sale of solar power, they must comply with the applicable regulatory terms and conditions. Government regulation may have a material adverse impact on our business, operating results, and financial condition.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters are located at 7675 Dagget Street, Suite 150, San Diego, California 92111. We lease approximately 4,200 square feet of office space pursuant to a lease that expired in December 2013 and is now a month to month lease arrangement.

In connection with our entry into this lease, we issued to our landlord and real estate broker a 10% convertible note in the amount of $100,000, which was to become due on December 18, 2010 and is subordinated in right of payment to the prior payment in full of all of our existing and future senior indebtedness. Through a series of annual amendments at the end of each fiscal year and a current amendment at the end of 2013, the maturity date has been extended to June 30, 2014. The holders of the note may, at their option, convert all or a portion of the outstanding principal amount and unpaid accrued interest as of the date of conversion into shares of our common stock equal to one share for each $0.33 of outstanding principal and unpaid accrued interest. In the event that we receive more than $1,000,000 in a financing or a series of financings (whether related or unrelated) prior to the maturity date of the note, 25% of the proceeds from any such financing in excess of $1,000,000 shall be used to pay down the note. Any funds provided to us by Gemini Master Fund, Ltd. ("Gemini") or any person or entity that co-invests with Gemini will not be credited toward the $1,000,000 threshold. Through December 31, 2013, the lender agreed to waive this requirement related to financing proceeds.

ITEM 3. LEGAL PROCEEDINGS

The Company may be involved in legal actions and claims arising in the ordinary course of business from time to time. As of December 31, 2013, the Company is not involved in any open litigation matters.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable

Part II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

On May 3, 2010, we received our listing for quotation on OTC-QB market under the symbol "EVSI". Prior to our reverse merger, there was no public market for our common stock.

The range of high and low last sale closing price quotations for each fiscal quarter during the most recent two years is as follows:

	High	Low
Year Ended December 31, 2012		
First Quarter ended March 31, 2012	$0.29	$0.19
Second Quarter ended June 30, 2012	$0.38	$0.18
Third Quarter ended September 30, 2012	$0.20	$0.13
Fourth Quarter ended December 31, 2012	$0.18	$0.12
Year Ended December 31, 2013		
First Quarter ended March 31, 2013	$0.29	$0.16
Second Quarter ended June 30, 2013	$0.25	$0.16
Third Quarter ended September 30, 2013	$0.22	$0.14
Fourth Quarter ended December 31, 2013	$0.18	$0.13

The above quotations reflect inter-dealer prices, without retail markup, mark-down, or commission and may not necessarily represent actual transactions. The closing price of our common stock on March 21, 2014 was $0.15 per share.

On March 21, 2014, there were approximately 425 holders of record of our common stock.

We have not declared or paid any cash dividends on our common stock and do not anticipate declaring or paying any cash dividends in the foreseeable future. We can give no assurances that we will ever have excess funds available to pay dividends.

Recent Sales of Unregistered Securities

During the year ended December 31, 2013 pursuant to private placements, the Company issued 12,901,333 shares of common stock for cash at a purchase price of $0.15 per share or $1,935,200 and the Company incurred $154,816 of capital raising fees that were paid in cash and charged to additional paid-in capital.

During the period from January 1, 2014 to the date of this report, pursuant to a private placement, the Company issued 6,050,000 shares of common stock for cash at a purchase price of $0.15 per share or a total of $907,500 and incurred $24,000 of capital raising fees that will paid in cash and charged to additional paid in capital. The Company also issued 6,050,000 warrants pursuant to the offering price. The warrants are exercisable at an exercise price of $0.15 for a period of 36 months from the date of issuance. The Company is further obligated to issue 100,000 warrants, each with a 5 year term and $0.25 exercise price, to the placement agents.

Stock Issued for Services

In March 2013, the Company issued 250,000 shares of common stock at a value of $0.15 per share (based on contemporaneous cash sales prices) or $37,500, for professional services to be rendered.

In September 2013, the Company issued 304,000 shares of common stock at a value of $0.18 per share (based on market price at the time of the transaction) or $54,720, for professional services to be rendered.

On January 23, 2014, Mr. Paul H. Feller accepted an appointment as a new Director of the Company effective January 23, 2014. In consideration for Mr. Feller's acceptance to serve as a Director of the Company, the Company granted 1,000,000 restricted shares of its common stock to him, subject to the terms and conditions set forth in the Restricted Stock Grant Agreement, dated January 23, 2014, including but not limited to the following vesting schedule: 166,672 shares on January 24, 2014 and then 69,444 shares on the last day of each calendar quarter thereafter commencing on March 31, 2014. The total value of this stock grant is $0.17 per share (based on market price at the time of the transaction) or $170,000.

Stock Issued in Settlement of Note Payable

In October 2013, the Company issued 150,000 shares of common stock at a value of $0.19 per share (based on market price at time of transaction) or $28,500 as a partial payment of outstanding debt.

Gemini Convertible Debt Extension and Simultaneous Conversion of Principal Debt Balance

As of February 28, 2014 the Company entered into a fourth extension and amendment agreement with a simultaneous principal conversion agreement related to the convertible notes payable to Gemini Master Fund ("Gemini"). With this agreement, all outstanding notes have been merged into one note, the term of the note was extended to June 30, 2015 and the beneficial holder ceiling was increased to 9.9%. No other terms of the notes were modified. These changes were accounted for as a debt modification but not as a debt extinguishment because the embedded conversion feature is bifurcated and treated as a derivative and no other debt extinguishment criteria were met. As a result of this transaction, the Company will record $618,536 of embedded conversion option based effective interest based on the increase in the fair value of the embedded conversion option due to the modification which will be recorded as debt discount and amortized over the remaining term of the loan. The Company also issued 1,500,000 common stock purchase warrants valued at $193,625 using the Black-Scholes valuation methodology, each with a three year term and $0.20 strike price, to the holder. The Company agreed to pay a $6,500 fee to cover legal and document fees which will be capitalized as an asset and will be amortized over the remaining term of the note. Simultaneously, Gemini will convert $550,000 of principal convertible debt and additional 2014 interest on such principal debt into 3,727,778 shares of common stock of the Company at the contracted conversion price of $0.15 per share. As an inducement to Gemini to convert the principal debt amount, the Company agreed to issue 3,727,778 common stock purchase warrants, each with a strike price of $0.20 and a three year term. These warrants will be valued at $482,300 using the Black-Scholes valuation methodology and will be expensed at the date of the transaction. Further, the Company issued 973,278 shares of common stock in settlement of the 2013 accrued interest on the Gemini notes. The Company will record a $19,462 loss on conversion related to this piece of the transaction.

Equity Compensation Plans

2008 Stock Option Plan

On February 12, 2010, in connection with our reverse merger with Envision CA, we adopted the 2008 Stock Option Plan of Envision CA (the "2008 Plan") pursuant to which 200,000 shares of Envision CA common stock were reserved for issuance as awards to employees, directors, consultants and other service providers. The purpose of the 2008 Plan is to provide an incentive to attract and retain directors, officers, consultants, advisors and employees whose services are considered valuable, to encourage a sense of proprietorship and to stimulate an active interest of such persons in our development and financial success. Under the 2008 Plan, we are authorized to issue incentive stock options intended to qualify under Section 422 of the Code and non-qualified stock options. The incentive stock options may only be granted to employees. Nonstatutory stock options may be granted to employees, directors and consultants. The 2008 Plan will be administered by our Board of Directors until such time as such authority has been delegated to a committee of the Board of Directors. On a post-Merger basis, 5,867,006 stock options have been granted to date and remain outstanding under the 2008 Plan.

2011 Stock Incentive Plan

On August 10, 2011, in order to provide an incentive to attract and retain directors, officers, consultants, advisors and employees whose services are considered valuable, to encourage a sense of proprietorship and to stimulate an active interest of such persons in our development and financial success, the Company, through its Board of Directors, adopted a new equity incentive plan (the "2011 Plan"), pursuant to which 30,000,000 shares (plus annual increases as defined in the plan) of our common stock are reserved for issuance as awards to employees, directors, consultants and other service providers. Under the 2011 Plan, we are authorized to issue incentive stock options intended to qualify under Section 422 of the Code and non-qualified stock options. The incentive stock options may only be granted to employees. Nonstatutory stock options may be granted to employees, directors and consultants. The 2011 Plan is administered by our Board of Directors until such time as such authority has been delegated to a committee of the Board of Directors. The 2011 Plan was ratified by our shareholders in 2012. To date, 18,182,856 stock options have been granted and remain outstanding under the 2011 Plan.

Incentive Plan Awards

From January 1, 2013 through December 31, 2013, the Company issued a total of 1,000,000 stock options under the 2011 Plan, which were issued to three of its Board members and four additional non executive employees.

The following table sets forth certain information regarding our 2008 Plan and 2011 Plan as of December 31, 2013:

Number of securities to be issued upon exercise of outstanding stock options	**Weighted-average exercise price of outstanding stock options**	**Number of securities remaining available for future issuance under equity compensation plans**
24,049,862	$0.30	12,658,838

Warrants

As a part of the Company's private placement in 2013, the Company issued 6,450,667 common stock purchase warrants to investors as a part of the offering price. The warrants have an exercise price of $0.20 per share and expire one year from the date of issuance. Additionally, the Company issued 645,067 common stock purchase warrants, valued at $130,402 and exercisable for a period of five years from the date of issuance at an exercise price of $0.25 per share, to the placement agents.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This report contains forward-looking statements that are based on current expectations, estimates, forecasts, and projections about us, the industry in which we operate and other matters, as well as management's beliefs and assumptions and other statements regarding matters that are not historical facts. These statements include, in particular, statements about our plans, strategies and prospects. For example, when we use words such as "projects," "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "should," "would," "could," "will," "opportunity," "potential" or "may," and variations of such words or other words that convey uncertainty of future events or outcomes, we are making forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (Securities Act) and Section 21E of the Securities Exchange Act of 1934, as amended (Exchange Act).

These forward-looking statements are subject to numerous assumptions, risks and uncertainties that may cause the Company's actual results to be materially different from any future results expressed or implied by the Company in those statements. The most important factors that could prevent the Company from achieving its stated goals include, but are not limited to, the following:

(a) volatility or decline of the Company's stock price;

(b) potential fluctuation in quarterly results;

(c) failure of the Company to earn revenues or profits;

(d) inadequate capital to continue or expand its business, and inability to raise additional capital or financing to implement its business plans;

(e) unavailability of capital or financing to prospective customers of the Company to enable them to purchase products and services from the Company;

(f) failure to commercialize the Company's technology or to make sales;

(g) reductions in demand for the Company's products and services, whether because of competition, general industry conditions, loss of tax incentives for solar power, technological obsolescence or other reasons;

(h) rapid and significant changes in markets;

(i) inability of the Company to pay its liabilities;

(j) litigation with or legal claims and allegations by outside parties;

(k) insufficient revenues to cover operating costs, resulting in persistent losses; and

(l) potential dilution of the ownership of existing shareholders in the Company due to the issuance of new securities by the Company in the future.

There is no assurance that the Company will be profitable. The Company may not be able to successfully develop, manage, or market its products and services. The Company may not be able to attract or retain qualified executives and other personnel. Intense competition may suppress the prices that the Company can charge for its products and services, hindering profitability or causing losses. The Company may not be able to obtain customers for its products or services. Government regulation may hinder the Company's business. Additional dilution in outstanding stock ownership may be incurred due to the issuance of more shares, warrants and stock options, or the exercise of outstanding warrants and stock options. The Company is exposed to other risks inherent in its business.

Because the statements are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by the forward-looking statements. The Company cautions you not to place undue reliance on the statements, which speak only as of the date of this Form 10-K. The cautionary statements contained or referred to in this section should be considered in connection with any subsequent written or oral forward-looking statements that the Company or persons acting on its behalf may issue. The Company does not undertake any obligation to review or confirm analysts' expectations or estimates or to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of this Form 10-K, or to reflect the occurrence of unanticipated events.

OVERVIEW:

Company Formation

Prior to February 11, 2010, we were a "shell company", as defined by the Securities and Exchange Commission, without material assets or activities. On February 11, 2010, we completed a merger pursuant to which a wholly owned subsidiary of ours merged with and into Envision Solar International, Inc., a California corporation ("Envision CA"), with Envision being the surviving corporation and becoming our wholly owned subsidiary. On March 11, 2010, Envision CA was merged into our publicly-held company and the name of the publicly-held company was changed to Envision Solar International, Inc. In connection with this merger, we discontinued our former business and succeeded to the business of Envision as our sole line of business. The merger is accounted for as a recapitalization, with Envision deemed to be the accounting acquirer and Casita Enterprises, Inc. ("Casita") the acquired company. Accordingly, Envision's historical consolidated financial statements for periods prior to the merger have become those of the registrant (Casita) retroactively restated for, and giving effect to, the number of shares received in the merger. The accumulated earnings of Envision were also carried forward after the acquisition.

Business Overview

Envision Solar International is a developer of solar products and proprietary technology solutions. The Company focuses on creating high quality products which transform both surface and top deck parking lots of commercial, institutional, governmental and other customers into shaded renewable generation plants. We believe the Company's chief differentiator is its ability to design and engineer architecturally accretive solar shaded parking and electric vehicle charging solutions as products which are a complex integration of simple, commonly available engineered components. The resulting products are built to have the longest life expectancy in the industry while also delivering a highly appealing architectural enhancement to our customer's locations. We believe Envision's products deliver multiple layers of value such as media and advertising platforms, architectural enhancement of the parking lot, reduction of heat islanding through shading, improved parking through shading, high visibility "green halo" branding, reduction of net operating costs through reduced utility bills and the creation of an iconic luxury landmark where simple parking existed previously.

The Company's premier product is the Solar Tree® array for which the canopy footprint measures an approximate 35 ft by 35 ft and covers 6-8 parking stalls. We have also developed various models of this product to help meet what we believe to be different market demands including the HVBA (high value branding asset), SMA (sustainable media asset), CIP (customer interface platform), HVLC (high value, low cost) and the smaller Socket array. These products can also be engineered to accommodate different sizing while still using our basic backbone design. The Company has focused significant efforts over the past few years attempting build out and also standardize our main product offerings. We believe these efforts will assist us in establishing economies of scale in the purchasing of the components that makeup the product, reducing continued design costs, and developing efficiencies and risk reduction strategies in the deployment of the products. Although these efforts have added to expenses in both the direct costs of deployments as well as additional operating costs in the current periods, we believe the Company will be able to capitalize on these improvements and see cost reductions in the future leading to increased gross profits. These improvements include items such as a factory built steel columns of the array, the development of pre-engineered purlin sections that can be assembled and installed in the field as four completed sections, pre installation and wiring of various electrical components of the system onto the structure in the factory, as well as prefabricated pads for inverters and electrical equipment. Not only will this reduce deployment time and field activities and thus reduce costs, but we believe the improvements will also help minimize disruption at customer sites which will help the Company in its sales efforts.

Further, during 2012 and 2013, the Company developed a product called the EVARC™ which was launched in the third quarter of 2013. This is a standalone, islanded version of a solar array with integrated electric vehicle charging infrastructure and battery storage. There is no requirement to connect to the electrical grid and thus deployments will be as direct as delivering the finished good product to the customer site and turning it on. As these units are free standing and not connected into the electrical grid or other fixed infrastructure, these units can be redeployed to other locations offering significant flexibility and value to an end customer. Based on initial and continuing market feedback, management believes this will have the potential to significantly increase future revenues of the Company as well as generating a broader recognition of the Company in the market.

As it relates to directed selling efforts, the Company has focused a significant amount of such efforts trying to open sales channels with significantly large customers that have the ability to execute sales orders for multiple products or properties within one sales effort. We have found that this has lead to increased sales cycles as compared to what we originally expected contributing to decreased revenues in fiscal 2013. The Company is however, starting to see positive progressive results related to these efforts. We have contracts with some well known corporate entities and continued discussions with these customers suggest that, when initial deployments go well, these customers plan on expanding their purchases to multiple campuses. We believe our relationship with General Motors and its Cadillac division will produce further orders in 2014 as they introduce their brand of electric vehicle to the market. We are in current discussions with various government agencies concerning the viability of our products meeting some of their very challenging demands for which they have yet to find a viable solution. Further, the market feedback for our new EVARC™ product suggests the potential for significant growth through the sales of this product.

Critical Accounting Policies

Please refer to Note 1 in the consolidated financial statements for further information on the Company's critical accounting policies which are summarized as follows:

Accounts Receivable. Accounts receivable are customer obligations due under normal trade terms. Management reviews accounts receivable on a periodic basis to determine if any receivables will potentially be uncollectible. Management's evaluation includes several factors including the aging of the accounts receivable balances, a review of significant past due accounts, our historical write-off experience, net of recoveries and economic conditions. The Company includes any accounts receivable balances that are determined to be uncollectible in its overall allowance for doubtful accounts. Further, the Company may record a general reserve in its allowance for doubtful accounts to account for future changes that may negatively impact our overall collections. After all attempts to collect a receivable have failed, the receivable is written off against the allowance.

Impairment of Long-lived Assets. The Company accounts for long-lived assets in accordance with the provisions of ASC 360-10-35-15 "Impairment or Disposal of Long-Lived Assets." This guidance requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Accounting for Derivatives. The Company evaluates its convertible instruments, options, warrants, or other contracts to determine if those contracts or embedded components of those contracts qualify as derivatives to be separately accounted for under ASC Topic 815, "Derivatives and Hedging." The result of this accounting treatment is that the fair value of the derivative is marked-to-market on each balance sheet date and recorded as a liability. In the event that the fair value is recorded as a liability, the change in fair value is recorded in the statement of operations as other income (expense). Upon conversion or exercise of a derivative instrument, the instrument is marked to fair value at the conversion date and then that fair value is reclassified to equity. Equity instruments that are initially classified as equity that become subject to reclassification under ASC Topic 815 are reclassified to liabilities at the fair value of the instrument on the reclassification date.

Use of Estimates. The preparation of consolidated financial statements in accordance with generally accepted accounting principles in the United States of America. ("U.S. GAAP") requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The consolidated financial statements include estimates based on currently available information and our judgment as to the outcome of future conditions and circumstances. Significant estimates in the accompanying consolidated financial statements include the allowance for doubtful accounts receivable, valuation of inventory, depreciable lives of property and equipment, estimates of costs to complete and earnings on uncompleted contracts, estimates of loss contingencies, valuation of accrued rent, valuation of derivatives, valuation of beneficial conversion features in convertible debt, valuation of share-based payments, valuation of accrued loss contingencies, and the valuation allowance on deferred tax assets.

Revenue and Cost Recognition. Revenues are primarily derived from the direct sales of products in addition to construction projects for the construction and installation of integrated solutions and proprietary products. Revenues may also consist of design fees for the design of solar systems and arrays, and revenues from sales of professional services.

Revenues from design services and professional services are recognized as earned.

Revenues from inventoried product sales are recognized upon the final delivery of such product to the customer. Any deposits received from a customer prior to such delivery are accounted for as deferred revenue on the balance sheet.

Revenues and related costs on construction projects are recognized using the "percentage of completion method" of accounting in accordance with ASC 605-35, "Construction-Type and Production-Type Contracts". Under this method, contract revenues are recognized over the performance period of the contract in direct proportion to the costs incurred as a percentage of total estimated costs for the entirety of the contract. Costs include direct material, direct labor, subcontract labor, allocable depreciation, and other allocable indirect costs and are charged to the periods as incurred. All unallocable indirect costs and corporate general and administrative costs are also charged to the periods as incurred. Any recognized revenues that have not been billed to a customer are recorded as an asset in "costs and estimated earnings in excess of billings on uncompleted contracts." Any billings of customers in excess of recognized revenues are recorded as a liability in "Billings in excess of costs and estimated earnings on uncompleted contracts." However, in the event a loss on a contract is foreseen, the Company will recognize the loss when such loss is determined.

For construction contracts that do not qualify for use of the percentage of completion method, the Company accounts for such contracts using the "completed contract method" of accounting in accordance with ASC 605-35. Under this method, contract costs are accumulated as deferred assets and billings and/or cash received are recorded to a deferred revenue liability account during the periods of construction, but no revenues, costs or profits are recognized in operations until the period upon completion of the contract. Costs include direct material, direct labor, subcontract labor, allocable depreciation, and other allocable indirect costs. All unallocable indirect costs and corporate general and administrative costs are charged to the periods as incurred. However, in the event a loss on a contract is foreseen, the Company will recognize the loss when such loss is determined. The deferred asset (accumulated contract costs) in excess of the deferred liability (billings and/or cash received) is classified as a current asset under "Costs in excess of billings on uncompleted contracts." The deferred liability (billings and/or cash received) in excess of the deferred asset (accumulated contract costs) is classified under current liabilities as "Billings in excess of costs on uncompleted contracts."

A contract is considered complete when all costs except insignificant items have been incurred and the installation is operating according to specifications or has been accepted by the customer.

The Company has contracts in various stages of completion. Such contracts require estimates to determine the appropriate cost and revenue recognition. Costs estimates are reviewed periodically on a contract-by-contract basis throughout the life of the contract such that adjustments to the profit resulting from revisions are made cumulative to the date of the revision. Significant management judgments and estimates, including the estimated costs to complete projects, must be made and used in connection with the revenue recognized in the accounting period. Current estimates may be revised as additional information becomes available.

The Company includes shipping and handling fees billed to customers as revenues, and shipping and handling costs as cost of revenues. The Company does not provide any warranties on its products other than those passed on to its customers from its manufacturers, if any. As the Company expands its product offerings, it will offer expanded warranties on certain components. In accordance with ASC 450-20-25, the Company accrues for product warranties when the loss is probable and can be reasonably estimated. At December 31, 2013, the Company has $13,000 of accrued warranty reserve for a specific warranty claim. No further product warranty accrual has been recorded given the lack of historical warranty experience.

Stock Based Compensation. At inception, we adopted ASC Topic 718, "Compensation – Stock Options." ASC Topic 718 requires companies to estimate and recognize the fair value of stock-based awards to employees and directors. The value of the portion of an award that is ultimately expected to vest is recognized as an expense over the requisite service periods using the straight-line attribution method. The Company accounts for non-employee share-based awards in accordance with the measurement and recognition criteria of ASC 505-50 "Equity-Based Payments to Non-Employees". We estimate the fair value of each stock option at the grant date by using the Black-Scholes option pricing model.

Results of Operations

Results of Operations for the Year Ended December 31, 2013 Compared to the Year Ended December 31, 2012

Revenue. For the year ended December 31, 2013, our revenue was $281,014, compared to $721,835 for the same period in 2012. During 2012, we finished two larger, multiple array projects that we started in 2011 as well as installing our Solar Tree ® arrays for other valuable customers. During 2013, although our revenues were lower than in 2012, we were successful in installing our first ever Cadillac branded Solar Tree® array for a dealership, and we also designed, built, and delivered the first three units of our new EVARC™ products to end customers.

Our products, which we believe to be of a significantly greater quality than our competitor's products, can cost significantly more to acquire initially than a typical competing product, although we believe that the life cycle costs and TCO (total cost of ownership) may be lower. The benefits that come with our product, in our opinion, far outweigh the difference in installed costs offered by our lower priced competition. Although we continue to receive positive feedback on the value proposition of our product offerings, especially that of our new EV ARC product, we believe that the high initial installation costs of our standard array, combined with the overall economic conditions that companies are experiencing as they rebound from a recessionary period, have slowed businesses from completing purchases. We further believe that many companies are in a transitory period in their acceptance of various renewable energy platforms. In response to these market conditions, the Company has focused a significant portion of its selling efforts toward securing large customers that have the ability to order volumes of our products within one sales effort. These larger customers appear to support and foster directives that lead to the proliferation of renewable energy systems for their properties.

Management is responding to these market conditions by creating new products which we believe may have reduced sales cycles and/or more attractive financial models. Examples of these product developments are:

1. EV ARC™ - this product is much less expensive than our larger Solar Tree® structures and is portable. It requires less capital and real estate commitment from our potential customers, and therefore we believe is an easier purchasing decision which may require a lower level of management sign-off. EV ARC™ is also highly exportable, and as such, we believe offers significantly increased geographic growth potential.

2. Solar Tree® HVLC structure – this product leverages the high quality engineering and fabrication of our standard Solar Tree® structure but without many of the finer aesthetic attributes and details. It is designed for broad deployments where branding and media placement are not important. We believe it is well suited to enable the Company to compete in instances where low cost energy production is the foremost requirement of the purchaser such as RFPs (requests for proposals) and PPAs (power purchase agreements). Management believes that our ability to produce and install the highest quality structures in a highly efficient manner will allow us to succeed in this highly competitive area of the industry. In November 2013, the Company received its first orders for these products.

3. Solar Tree® SMP (Sustainable Media Platform) structure - management has consulted with various people we believe to be industry experts who report that the Company's Solar Tree® structures strategically located in high traffic areas are extremely valuable platforms for display advertising and other media. With that in mind the Company has partnered with Daktronics to create a Solar Tree® structure with incorporated static or digital media displays. The pay back periods on such a structure should be far shorter and the revenue generation potential far greater than typical solar deployments can offer, and as such, the product offers a much easier financial decision for a potential customer such as a shopping mall REIT.

All of the above mentioned product offerings are based upon the Company's existing products and technology, but are designed to reduce the barriers to purchasing on the part of the prospective customer. Enhanced revenue generation and lowered product cost both create opportunities for improved financial models for our prospective customers which we believe will, in turn, reduce the length of the sales cycle while increasing the numbers of prospective customers for our products.

Gross Profit. For the year ended December 31, 2013, we had a gross loss $244,538 compared to a gross profit of $168,607 for the same period in 2012.

In 2012, the Company designed certain additional elements to our Solar Tree® array for the General Motors Cadillac division. We believe these changes, which were made in collaboration with Cadillac personnel, would add to the marketing value proposition of our structure for this client base, and we believe, directly benefit the Company with increased sales to this channel. In so doing, we were challenged with a certain few of these elements and thus recorded an approximate $30,000 project loss that was recorded in 2012 gross profits. Also in 2012, we contracted to sell two units of our new EVARC product and began the manufacturing process on the order. As we moved forward on the first time development of this product line, we identified certain modifications that were required for our customer and recorded a loss of approx $20,000 for such sale which is recorded in 2012 gross profits. These losses were offset by the positive margins of all other active projects in the period.

During 2013, the Company was successful in deploying this first ever Cadillac branded Solar Tree® array. During this installation, we experienced challenges with the first time deployment of these new elements, including what management believes will be unique site conditions that increased costs of this singular deployment producing increased overall losses on the project. Further, as discussed above, during this period in 2013, we built and delivered the first three units of our EV ARC product and experienced increases in the production costs over initial estimates. In this early stage of the production evolution for the EV ARC™ and low volumes, the Company believes the appropriate selling price point is lower than these actual initial costs of production. Management believes that certain production elements will mature allowing for gross profit on future sales later in 2014. These elements include production economies of scale, lower costs of components including the cost of battery storage which is currently a significant cost contributor, as well as design changes to allow for improved production processes. As such, the Company recorded these estimated losses on other units of the EV ARC™ that were sold in 2013 but will not be produced until 2014. Additionally, management has identified certain cost in the upcoming deployment of our first ever HVLC array that was contracted in 2013 resulting in estimated losses. These increased costs resulted in the gross loss for the period.

Operating Expenses. Total operating expenses were $2,190,133 for the year ended December 31, 2013, compared to $2,368,793 for the same period in 2012. A significant contributor to this decrease relates to non cash stock option expense which decreased by approximately $330,000 to $435,028 in 2013 from $766,732 in 2012. The Company incurred approximately $80,000 more in 2013, as compared to 2012, for various marketing efforts; and sales expenses, primarily labor related, increased by almost $80,000. Consulting fees increased by an approximate net of $70,000, but this amount included increases in public relations and investment advisory services and decreases in architectural consulting and legal fees. Further, in 2012, the Company expended over $100,000 on certain business development costs related to General Motors that were not incurred in 2013.

Provision for Income Taxes. Our income taxes for the years ended December 31, 2013 and December 31, 2012 remained consistent and related primarily to a $1,600 charge for the California Franchise Tax Board based on the minimum tax due to the state for each year. We did not incur any federal tax liability for the years ended December 31, 2013 and 2012 because we incurred operating losses in these periods.

Interest Expense. Interest expense was $647,854 for the year ended December 31, 2013, compared to $972,027 for the same period in 2012. The decrease was primarily derived from the amortization of debt discount related to the embedded conversion option derivative components of the current debt instruments which amortization amounted to $456,073 in 2013 and $674,254 in 2012. Although such debt discount was recorded and then fully amortized in each of these periods, such debt discount was lower in 2013 primarily due to the market value of our stock compared to the conversion option strike price at the time of recording the discount. Further, in 2012, the Company incurred approximately an additional $83,000 of fees related to the conversion of convertible debt that was charged to interest expense.

Gain on debt Settlement. We generated income of $114,167 for the year ended December 31, 2013, compared to $42,731 for the year ended December 31, 2012. This is all derived from management's successful efforts in negotiating final settlements of historical obligations of the Company.

Change in Fair Value of Embedded Conversion Option Liability. The income associated with the change in fair value of our embedded conversion option liability decreased to $174,808 for the year ended December 31, 2013, compared to $647,977 for the period ended December 31, 2012. The amounts represent the change in fair value of the embedded conversion option attached to the Gemini Master Fund notes and are in large part due to the fluctuation of our stock price in relation to the conversion strike price of the debt.

Net Earnings (Loss). We generated net losses of $2,793,910 for the year ended December 31, 2013, compared to $2,481,728 for the same period in 2012. The major components that derive these losses, and the changes of such between years, are discussed in the above paragraphs.

Liquidity and Capital Resources

General. At December 31, 2013, we had cash of $392,098. We have historically met our cash needs through proceeds from private placements of our securities, and from loans. Our cash requirements are generally for operating activities.

Our operating activities used cash of $1,591,667 for the year ended December 31, 2013, and we used cash in operations of $1,162,812 for the same period in 2012. This use of cash in 2013 was primarily driven by the $2,793,910 net loss we experienced in the period which was offset by various net changes in the balance sheet items as well other non cash items in such loss. In 2013, the Company incurred $557,967 of non cash expenses, including $435,028 for employee or director related stock options, paid for with the Company's equity instruments. Related to the derivative components of our debt instruments, we had a noncash charge of $456,073 of amortization of debt discount that was recorded in interest expense and $174,808 of noncash income for the change in the fair value of our embedded conversion option liability. We also incurred $44,359 of depreciation, recorded $11,700 of bad debt expense, and recorded non cash income on the net settlements of debts of $114,167. Relative to balance sheet items, in relation to the timing of the cash flows on active projects at the end of 2012, during 2013 we had a decrease in accounts receivable of $138,357 representing cash collected that was partially used to fund the reduction of $58,436 of accounts payable. There was a source of cash generated through the increase of accrued liabilities of $250,883 primarily related to the interest owed on debts, increased vacation accrual, estimated project losses recorded as a liability, and timing liabilities related to the yearend payroll. Also, we had a decrease of $80,000 in the deferred revenue liability related to deposit billings in 2012 for the EVARC product that was delivered in 2013, and a decrease of $36,853 of inventory related to the work in progress build out of this same delivered product. Further, as a function of the timing of project billings, we had an increase in billings in excess of costs and estimated earnings on uncompleted contracts resulting from a mobilization payment for a new project.

Cash used in investing activities, all related to equipment purchases, during the year ended December 31, 2013 was $41,948, compared to $9,568 during the same period in 2012.

Cash received in our financing activities was $1,768,317 for the year ended December 31, 2013, compared to cash received of $961,000 during the same period in 2012. These cash flows are primarily attributable to the sale of common stock executed during the applicable years, less offering costs for such period. Additionally, in 2013, the Company made principal payments of $12,067 on a debt instrument in lieu of interest.

As of December 31, 2013, current liabilities exceeded current assets by approximately $2,600,000. Current assets decreased from $706,418 at December 31, 2012 to $629,284 at December 31, 2013 (primarily related to the decrease of inventory and prepaid assets) while current liabilities increased from $2,860,197 at December 31, 2012 to $3,233,430 at December 31, 2013 (partially related to the increase in accrued liabilities and the increase in convertible notes payable net of discount as such discount was amortized to interest expense during 2013 and no current discount is applicable). As a result, our working capital increased to a deficit of $2,604,146 at December 31, 2013 from a deficit of $2,153,779 at December 31, 2012.

As of December 31, 2013, the Company had $1,689,975 in short term borrowings of which $1,406,326 is past due and payable as of December 31, 2013. All of our borrowings incur interest expense of 10% per annum. Payments on the Company's borrowings will restrict cash used for operations during 2014. One of the short term borrowing arrangements is secured by substantially all assets of the Company and its subsidiaries.

During the period from January 1, 2014 to the date of this report, pursuant to a private placement, the Company raised $883,500, net of placement fees, in consideration for the issuance of shares of the Company's common stock and common stock purchase warrants.

Management believes that, along with the maturation of long sales cycle opportunities and the introduction of the EVARC product line, that certain changes will allow it to execute on its strategic plan and enable it to experience profitable growth in the future. Some of these changes include: increase in external sales relationships, increase in internal sales personnel, process improvements, standardization and improved product design, cost reductions achieved with deployment and manufacturing velocities, increased public awareness of the Company and its products, and improvements in the capital markets. Management believes that these changes will help enable the Company to generate sufficient revenue and gross margins and raise additional capital to allow the Company to manage its debt burden appropriately and assist the Company towards growth in the future. There is no assurance, however, as to if or when the Company will be able to achieve those investment objectives. The Company does not have sufficient capital to meet its current cash needs which the Company estimates to be approximately $1,500,000 for 2014, including the costs of compliance with the continuing reporting requirements of the Securities Exchange Act of 1934, as amended. The Company intends to seek additional capital and long term debt financing to attempt to overcome its working capital deficit. The Company is currently conducting a private placement of its common stock and common stock purchase warrants to raise $2,000,000 of capital (of which $907,500 has been raised through the date of this report), but there is no assurance that the Company can raise sufficient additional capital or obtain sufficient financing to enable it to sustain monthly operations. In order to address its working capital deficit, the Company also intends to endeavor to increase sales of its existing products and services. There may not be sufficient funds available to the Company to enable it to remain in business and the Company's needs for additional financing are likely to persist, although the management team believes that recent operational and business development opportunities are causing this situation to improve.

Contractual Obligations

Please refer to Note 10 in the consolidated financial statements for further information on the Company's contractual obligations.

Going Concern Qualification

The Company has incurred significant losses from operations, and such losses are expected to continue. The Company's Independent Registered Public Accounting Firm has included a "Going Concern Qualification" in their report for the year ended December 31, 2013. In addition, the Company has limited working capital. The foregoing raises substantial doubt about the Company's ability to continue as a going concern. Management's plans include seeking additional capital or debt financing. There is no guarantee that additional capital or debt financing will be available when and to the extent required, or that if available, it will be on terms acceptable to the Company. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. The "Going Concern Qualification" might make it substantially more difficult to raise capital.

Off-Balance Sheet Arrangements

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Envision Solar International, Inc. and Subsidiary

Consolidated Financial Statements

December 31, 2013 and 2012

Envision Solar International, Inc. and Subsidiary

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SALBERG & COMPANY, P.A.
Certified Public Accountants and Consultants

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of:
Envision Solar International, Inc.

We have audited the accompanying consolidated balance sheets of Envision Solar International, Inc. and its Subsidiary as of December 31, 2013 and 2012 and the related consolidated statements of operations, changes in stockholders' deficit, and cash flows for each of the two years in the period ended December 31, 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Envision Solar International, Inc. and its Subsidiary as of December 31, 2013 and 2012 and the consolidated results of its operations and its cash flows for each of the two years in the period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company reported a net loss of $2,793,910 and $2,481,728 in 2013 and 2012, respectively, and used cash for operating activities of $1,591,667 and $1,162,812 in 2013 and 2012, respectively. At December 31, 2013, the Company had a working capital deficiency, stockholders' deficit and accumulated deficit of $2,604,146, $2,505,874 and $27,616,098 respectively. These matters raise substantial doubt about the Company's ability to continue as a going concern. Management's plans as to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Salberg & Company P.A.

SALBERG & COMPANY, P.A.
Boca Raton, Florida
March 31, 2014

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Envision Solar International, Inc. and Subsidiary
Consolidated Balance Sheets

	December 31, 2013	December 31, 2012
Assets		
Current Assets		
Cash	$ 392,098	$ 257,396
Accounts Receivable, net	179,459	329,516
Prepaid and other current assets	38,255	63,181
Inventory, net	19,472	56,325
Total Current Assets	629,284	706,418
Property and Equipment, net	88,865	91,276
Other Assets		
Debt issue costs, net	–	5,000
Deposits	9,407	9,407
Total Other Assets	9,407	14,407
Total Assets	$ 727,556	$ 812,101
Liabilities and Stockholders' Deficit		
Current Liabilities		
Accounts Payable	$ 458,933	$ 630,036
Accrued Expenses	603,300	358,450
Sales Tax Payable	36,828	38,864
Deferred Revenue	–	80,000
Billings in excess of costs and estimated earnings on uncompleted contracts	163,129	26,838
Convertible Note Payable -Related Party	110,616	122,683
Notes Payable	73,033	97,000
Convertible Notes Payable, net of discount of $0 and $456,073 at December 31, 2013 and 2012 respectively	1,506,326	1,050,253
Embedded Conversion Option Liability	281,265	456,073
Total Current Liabilities	3,233,430	2,860,197
Commitments and Contingencies (Note 10)		
Stockholders' Deficit		
Common Stock, $0.001 par value, 162,500,000 million shares authorized, 71,702,942 and 58,097,609 shares issued or issuable and outstanding at December 31, 2013 and 2012, respectively	71,703	58,098
Additional Paid-in-Capital	25,038,521	22,715,994
Accumulated Deficit	(27,616,098)	(24,822,188)
Total Stockholders' Deficit	(2,505,874)	(2,048,096)
Total Liabilities and Stockholders' Deficit	$ 727,556	$ 812,101

The accompanying notes are an integral part of these Consolidated Financial Statements.

Envision Solar International, Inc. and Subsidiary
Consolidated Statements of Operations

	For the Year Ended December 31,	
	2013	**2012**
Revenues	$ 281,014	$ 721,835
Cost of Revenues	525,552	553,228
Gross Profit (Loss)	(244,538)	168,607
Operating Expenses (including stock based compensation expense of $557,967 for the year ended December 31, 2013 and $832,225 for the year ended December 31, 2012)	2,190,133	2,368,793
Loss From Operations	(2,434,671)	(2,200,186)
Other Income (Expense)		
Other Income	1,240	1,525
Gain on Debt Settlement, net	114,167	42,731
Interest Expense	(647,854)	(972,027)
Change in fair value of embedded conversion option liability	174,808	647,977
Total Other Income (Expense)	(357,639)	(279,794)
Loss Before Income Tax	(2,792,310)	(2,479,980)
Income Tax Expense	1,600	1,748
Net Loss	$ (2,793,910)	$ (2,481,728)
Net Loss Per Share- Basic and Diluted	$ (0.04)	$ (0.04)
Weighted Average Shares Outstanding- Basic and Diluted	69,548,621	55,479,675

The accompanying notes are an integral part of these Consolidated Financial Statements.

Envision Solar International, Inc. and Subsidiary
Consolidated Statements of Changes in Stockholders' Deficit
For the Years Ended December 31, 2013 and 2012

	Common Stock		Additional	Accumulated	
	Stock	Amount	Paid-in-Capital	Deficit	Total
Balance December 31, 2011	49,405,732	$ 49,406	$ 19,808,851	$ (22,340,460)	$ (2,482,203)
Stock Issued for Cash	4,200,000	4,200	1,045,800	–	1,050,000
Cash Offering Costs	–	–	(84,000)	–	(84,000)
Stock Issued for Services	594,286	594	73,899	–	74,493
Stock Issued in Conversion of Convertible Note	3,647,591	3,648	1,044,188	–	1,047,836
Stock Issued in Settlement of Note Payable	250,000	250	48,250	–	48,500
Warrants Issued for Services	–	–	12,274	–	12,274
Stock Option Expense	–	–	766,732	–	766,732
Net Loss 2012	–	–	–	(2,481,728)	(2,481,728)
Balance December 31, 2012	58,097,609	$ 58,098	$ 22,715,994	$ (24,822,188)	$ (2,048,096)
Stock Issued for Cash	12,901,333	12,901	1,922,299	–	1,935,200
Cash Offering Costs	–	–	(154,816)	–	(154,816)
Stock Issued for Services	554,000	554	91,666	–	92,220
Stock Issued in Settlement of Note Payable	150,000	150	28,350	–	28,500
Stock Option Expense	–	–	435,028	–	435,028
Net Loss 2013	–	–	–	(2,793,910)	(2,793,910)
Balance December 31, 2013	71,702,942	$ 71,703	$ 25,038,521	$ (27,616,098)	$ (2,505,874)

The accompanying notes are an integral part of these Consolidated Financial Statements.

Envision Solar International, Inc. and Subsidiary
Consolidated Statements of Cash Flows

	For the Year Ended December 31,	
	2013	**2012**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	$ (2,793,910)	$ (2,481,728)
Adjustments to Reconcile Net loss to Net Cash Used in Operating Activities:		
Depreciation	44,359	60,428
Bad debt expense (recovery)	11,700	(14,488)
Warrants issued as debt issuance fees	–	12,274
Common Stock issued for Services	74,264	6,993
Amortization of prepaid expenses paid in common stock	48,675	46,226
Gain on debt Settlement, net	(112,667)	(8,731)
Gain on settlement of debt for common stock	(1,500)	(34,000)
Compensation expense related to grant of stock options	435,028	766,732
Change in fair value of embedded conversion option liability	(174,808)	(647,977)
Amortization of debt discount	456,073	674,254
Amortization of debt issue costs	5,000	30,480
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts Receivable	138,357	1,129,946
Prepaid Expenses and other current assets	(5,793)	1,954
Costs and estimated earnings in excess of billings on uncompleted contracts	–	42,580
Inventory	36,853	(56,325)
Deposits	–	(6,250)
Increase (decrease) in:		
Accounts Payable	(58,436)	(839,460)
Accounts Payable - related party	–	(109,145)
Accrued Expenses	250,883	253,493
Accrued Rent	–	9,417
Sales Tax Payable	(2,036)	(3,402)
Deferred Revenue	(80,000)	80,000
Billings in excess of costs and estimated earnings on uncompleted contracts	136,291	(76,083)
NET CASH USED IN OPERATING ACTIVITIES	(1,591,667)	(1,162,812)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Equipment	(41,948)	(9,568)
NET CASH USED IN INVESTING ACTIVITIES	(41,948)	(9,568)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments on convertible notes payable	(12,067)	–
Proceeds from Sale of Common Stock	1,935,200	1,050,000
Payments of offering costs related to sale of common stock	(154,816)	(84,000)
Payments of Debt Issue Costs	–	(5,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,768,317	961,000
NET INCREASE (DECREASE) IN CASH	134,702	(211,380)
CASH AT BEGINNING OF YEAR	257,396	468,776
CASH AT END OF YEAR	$ 392,098	$ 257,396
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ –	$ 12,268
Cash paid for income tax	$ 1,600	$ 1,748
Supplemental Disclosure of Non-Cash Investing and Financing Activities:		
Prepaid common stock issued for services	$ 85,740	$ 67,500
Conversion of accounts payable to convertible notes payable	$ –	$ 20,000
Common stock issued in conversion of note payable and accrued interest	$ 28,500	$ 48,500
Common stock issued in conversion of convertible note payable	$ –	$ 1,047,836
Capitalization of accrued interest to notes payable	$ –	$ 2,004
Capitalization of accrued interest to convertible notes payable	$ –	$ 130,383

Embedded conversion option liability recorded as debt discount	$ –	$ 456,073

The accompanying notes are an integral part of these Consolidated Financial Statements.

1. CORPORATE ORGANIZATION, NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CORPORATE ORGANIZATION

The Company was incorporated on June 12, 2006 as a limited liability company ("LLC"), under the name Envision Solar, LLC. In September 2007, the company was reorganized as a California C Corporation and issued one share of common stock for each outstanding member unit in the LLC. Also during 2007, the Company formed various wholly owned subsidiaries to account for its planned future operations. During 2008, only two subsidiaries were operational, with a third, Envision Africa, LLC anticipated becoming operational in the future. The other various remaining subsidiaries were dissolved with the Secretary of State of California in 2008. Later during 2010, Envision Africa LLC was also dissolved. Further, during 2011, Envision Solar Residential was dissolved. The only remaining subsidiary included in these consolidated financial statements is Envision Solar Construction Company, Inc.

On February 11, 2010, Envision Solar International, Inc., a California corporation (Envision CA) was acquired by an inactive publicly-held company in a transaction treated as a recapitalization of the Company with Envision CA being the surviving business and becoming our wholly-owned subsidiary. On March 11, 2010, Envision CA was merged into our publicly-held company and the name of the publicly-held company was changed to Envision Solar International, Inc. (along with its subsidiaries, hereinafter the "Company", "us", "we", "our" or "Envision"). The effects of the recapitalization have been retroactively applied to all periods presented in the accompanying consolidated financial statements and footnotes.

NATURE OF OPERATIONS

Envision Solar International is a developer of solar products and proprietary technology solutions. The Company focuses on creating high quality products which transform both surface and top deck parking lots of commercial, institutional, governmental and other customers into shaded renewable generation plants. The Company's chief differentiator is its ability to design and engineer architecturally accretive solar shaded parking and electric vehicle charging solutions as products which are a complex integration of simple, commonly available engineered components. The resulting products are built to have the longest life expectancy in the industry while also delivering a highly appealing architectural enhancement to our customer's locations. Envision's products deliver multiple layers of value such as media and advertising platforms, architectural enhancement of the parking lot, reduction of heat islanding through shading, improved parking through shading, high visibility "green halo" branding, reduction of net operating costs through reduced utility bills and the creation of an iconic luxury landmark where simple parking existed previously.

PRINCIPALS OF CONSOLIDATION

The consolidated financial statements include the accounts of Envision Solar International, Inc. and its wholly-owned subsidiary, Envision Solar Construction Company, Inc. All significant inter-company balances and transactions have been eliminated in the consolidation.

USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates in the accompanying consolidated financial statements include the allowance for doubtful accounts receivable, valuation of inventory, depreciable lives of property and equipment, estimates of costs to complete and earnings on uncompleted contracts, estimates of loss contingencies, valuation of accrued rent, valuation of derivatives, valuation of beneficial conversion features in convertible debt, valuation of share-based payments, and the valuation allowance on deferred tax assets.

CONCENTRATIONS

Concentration of Credit Risk

The Company maintains its cash in bank and financial institution deposits that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts through December 31, 2013. Bank balances in excess of FDIC insured levels amounted to $154,178 as of December 31, 2013.

Concentration of Accounts Receivable

At December 31, 2013 and 2012, customers that each accounted for more than 10% of our accounts receivable were as follows:

	2013	2012
Customer 1	87%	–
Customer 2	12%	–
Customer 3	–	46%
Customer 4	–	31%
Customer 5	–	18%

Concentration of Revenues

For the years ended December 31, 2013 and 2012, customers that each represented more than 10% of our revenues were as follows:

	2013	2012
Customer A	56%	–
Customer B	28%	–
Customer C	14%	–
Customer D	–	26%
Customer E	–	24%
Customer F	–	22%
Customer G	–	13%

CASH AND CASH EQUIVALENTS

For the purposes of the consolidated statements of cash flows, the Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. There were no cash equivalents at December 31, 2013 or December 31, 2012.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company’s financial instruments, including cash, accounts receivable, accounts payable, accrued expenses and short term loans, are carried at historical cost basis. At December 31, 2013, the carrying amounts of these instruments approximated their fair values because of the short-term nature of these instruments. (See note 9 for further discussion of fair value measurements.)

ACCOUNTS RECEIVABLE

Accounts receivable are customer obligations due under normal trade terms. Management reviews accounts receivable on a periodic basis to determine if any receivables will potentially be uncollectible. Management's evaluation includes several factors including the aging of the accounts receivable balances, a review of significant past due accounts, dialogue with the customer, the financial profile of a customer, our historical write-off experience, net of recoveries and economic conditions. The Company includes any accounts receivable balances that are determined to be uncollectible in its overall allowance for doubtful accounts. Further, the Company may record a general reserve in its allowance for doubtful accounts to account for future changes that may negatively impact our overall collections. After all attempts to collect a receivable have failed, the receivable is written off against the allowance.

INVENTORY

Inventories are stated at the lower of cost or net realizable value. Costs are determined using the first in- first out (FIFO) method. As of December 31, 2013, inventory consists entirely of raw materials.

PROPERTY, EQUIPMENT AND DEPRECIATION

Property and equipment is recorded at cost. Depreciation is computed using the straight-line method based on the estimated useful lives of the related assets of 5 to 7 years. Expenditures for maintenance and repairs along with fixed assets below our capitalization threshold are expensed as incurred.

IMPAIRMENT OF LONG-LIVED ASSETS

The Company accounts for long-lived assets in accordance with the provisions of ASC 360-10-35-15 "Impairment or Disposal of Long-Lived Assets." This guidance requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

ACCOUNTING FOR DERIVATIVES

The Company evaluates its convertible instruments, options, warrants or other contracts to determine if those contracts or embedded components of those contracts qualify as derivatives to be separately accounted for under ASC Topic 815, "Derivatives and Hedging." The result of this accounting treatment is that the fair value of the derivative is marked-to-market each balance sheet date and recorded as a liability. In the event that the fair value is recorded as a liability, the change in fair value is recorded in the statement of operations as other income (expense). Upon conversion or exercise of a derivative instrument, the instrument is marked to fair value at the conversion date and then that fair value is reclassified to equity. Equity instruments that are initially classified as equity that become subject to reclassification under ASC Topic 815 are reclassified to liabilities at the fair value of the instrument on the reclassification date.

REVENUE AND COST RECOGNITION

Revenues are primarily derived from the direct sales of products in addition to construction projects for the construction and installation of integrated solutions and proprietary products. Revenues may also consist of design fees for the design of solar systems and arrays, and revenues from sales of professional services.

Revenues from design services and professional services are recognized as earned.

Revenues from inventoried product sales are recognized upon the final delivery of such product to the customer. Any deposits received from a customer prior to such delivery are accounted for as deferred revenue on the balance sheet.

Revenues and related costs on construction projects are recognized using the "percentage of completion method" of accounting in accordance with ASC 605-35, "Construction-Type and Production-Type Contracts." Under this method, contract revenues are recognized over the performance period of the contract in direct proportion to the costs incurred as a percentage of total estimated costs for the entirety of the contract. Costs include direct material, direct labor, subcontract labor, allocable depreciation and other allocable indirect costs and are charged to the periods as incurred. All unallocable indirect costs and corporate general and administrative costs are also charged to the periods as incurred. Any recognized revenues that have not been billed to a customer are recorded as an asset in "costs and estimated earnings in excess of billings on uncompleted contracts." Any billings of customers in excess of recognized revenues are recorded as a liability in "Billings in excess of costs and estimated earnings on uncompleted contracts." However, in the event a loss on a contract is foreseen, the Company will recognize the loss when such loss is determined.

For construction contracts that do not qualify for use of the percentage of completion method, the Company accounts for such contracts using the "completed contract method" of accounting in accordance with ASC 605-35. Under this method, contract costs are accumulated as deferred assets and billings and/or cash received are recorded to a deferred revenue liability account during the periods of construction, but no revenues, costs or profits are recognized in operations until the period upon completion of the contract. Costs include direct material, direct labor, subcontract labor, allocable depreciation and other allocable indirect costs. All unallocable indirect costs and corporate general and administrative costs are charged to the periods as incurred. However, in the event a loss on a contract is foreseen, the Company will recognize the loss when such loss is determined. The deferred asset (accumulated contract costs) in excess of the deferred liability (billings and/or cash received) is classified as a current asset under "Costs in excess of billings on uncompleted contracts." The deferred liability (billings and/or cash received) in excess of the deferred asset (accumulated contract costs) is classified under current liabilities as "Billings in excess of costs on uncompleted contracts."

A contract is considered complete when all costs except insignificant items have been incurred and the installation is operating according to specifications or has been accepted by the customer.

The Company has contracts in various stages of completion. Such contracts require estimates to determine the appropriate cost and revenue recognition. Costs estimates are reviewed periodically on a contract-by-contract basis throughout the life of the contract such that adjustments to the profit resulting from revisions are made cumulative to the date of the revision. Significant management judgments and estimates, including the estimated costs to complete projects, must be made and used in connection with the revenue recognized in the accounting period. Current estimates may be revised as additional information becomes available.

The Company includes shipping and handling fees billed to customers as revenues, and shipping and handling costs as cost of revenues. The Company typically does not provide any warranties on its products other than those passed on to its customers from its manufacturers, if any. As the Company expands its product offerings, it may offer expanded and extended warranties on certain components or projects. In accordance with ASC 450-20-25, the Company accrues for product warranties when the loss is probable and can be reasonably estimated. At December 31, 2013, the Company has $13,000 of accrued warranty reserve for a specific warranty claim. No further product warranty accrual has been recorded given the lack of historical warranty experience.

RESEARCH AND DEVELOPMENT

In accordance with ASC 730-10, "Research and Development," expenditures for research and development of the Company's products are expensed when incurred, and are included in operating expenses. The Company recognized research and development costs of $18,548 for the year ending December 31, 2013 and $10,150 for the year ending December 31, 2012.

ADVERTISING

The Company conducts advertising for the promotion of its products and services. In accordance with ASC 720-35, "Advertising Costs," advertising costs are charged to operations when incurred; such amounts aggregated $120,525 in 2013 and $31,305 in 2012.

STOCK-BASED COMPENSATION

The Company follows ASC 718, "Compensation – Stock Compensation." ASC 718 requires companies to estimate and recognize the fair value of stock-based awards to employees and directors. The fair value of the portion of an award that is ultimately expected to vest is recognized as an expense over the requisite service periods using the straight-line attribution method.

The Company accounts for non-employee share-based awards in accordance with the measurement and recognition criteria of ASC 505-50 "Equity-Based Payments to Non-Employees".

The Company estimates the fair value of each stock option at the grant date by using the Black-Scholes option pricing model.

INCOME TAXES

The Company accounts for income taxes pursuant to the provisions of ASC Topic 740, "Income Taxes," which requires, among other things, an asset and liability approach to calculating deferred income taxes. The asset and liability approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. A valuation allowance is provided to offset any net deferred tax assets for which management believes it is more likely than not that the net deferred asset will not be realized.

The Company follows the provisions of ASC 740-10-25-5, "Basic Recognition Threshold." When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. In accordance with the guidance of ASC 740-10-25-6, the benefit of a tax position is recognized in the consolidated financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above should be reflected as a liability for unrecognized tax benefits in the accompanying balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination. The Company believes its tax positions are all highly certain of being upheld upon examination. As such, the Company has not recorded a liability for unrecognized tax benefits. As of December 31, 2013, tax years 2008 through 2013 remain open for IRS audit. The Company has received no notice of audit from the IRS for any of the open tax years.

The Company recognizes the benefit of a tax position when it is effectively settled. ASC 740-10-25-10, "Basic Recognition Threshold" provides guidance on how an entity should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits. ASC 740-10-25-10 clarifies that a tax position can be effectively settled upon the completion of an examination by a taxing authority. For tax positions considered effectively settled, the Company recognizes the full amount of the tax benefit.

BASIC AND DILUTED NET LOSS PER COMMON SHARE

Basic net loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. Diluted net loss per common share is computed by dividing the net loss by the weighted average number of common shares outstanding for the period and, if dilutive, potential common shares outstanding during the period. Potential common shares consist of the incremental common shares issuable upon the exercise of stock options, stock warrants, convertible debt instruments or other common stock equivalents. Potentially dilutive securities are excluded from the computation if their effect is anti-dilutive.

Convertible debt convertible into 4,734,243 common shares, options to purchase 24,049,862 common shares and warrants to purchase 9,851,540 common shares were outstanding at December 31, 2013. Convertible debt convertible into 8,040,061 common shares, options to purchase 23,049,862 common shares and warrants to purchase 7,806,155 common shares were outstanding at December 31, 2012. Dilutive common stock equivalents were not included in the computation of diluted net loss per share in 2013 and 2012 because the effects would have been anti-dilutive due to the net losses. Due to the net loss in 2013 and 2012, basic and diluted net loss per share amounts are identical. These potential common shares may dilute future earnings per share.

CONTINGENCIES

Certain conditions may exist as of the date the consolidated financial statements are issued which may result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur. Company management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein. If the assessment of a contingency indicates that it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated, then the estimated liability would be accrued in the Company's consolidated financial statements. If the assessment indicates that a potentially material loss contingency is not probable but is reasonably possible, or is probable but cannot be reasonably estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable would be disclosed. The Company does not include legal costs in its estimates of amounts to accrue.

SEGMENTS

The Company follows the guidance of ASC 280-10 for "Disclosures about Segments of an Enterprise and Related Information." During 2013 and 2012, the Company only operated in one segment; therefore, segment information has not been presented.

RECENT ACCOUNTING PRONOUNCEMENTS

Management does not believe that any recently issued, but not yet effective, accounting standards, if currently adopted, would have a material effect on the consolidated financial statements.

2. GOING CONCERN

As reflected in the accompanying consolidated financial statements for the years ended December 31, 2013 and 2012, the Company had net losses of $2,793,910 (which includes $557,967 of stock based compensation expense) and $2,481,728 (which includes $832,225 of stock based compensation expense), respectively and cash used in operations of $1,591,667 and $1,162,812, respectively. Additionally, at December 31, 2013, the Company had a working capital deficit of $2,604,146, stockholders' deficit of $2,505,874, and accumulated deficit of $27,616,098. These factors raise substantial doubt about the Company's ability to continue as a going concern.

Envision plans to pursue a capital raise to raise at least an additional $2,000,000 during the upcoming months (See Note 15). The Company will also look to raise additional funds for further operating capital later in the fiscal year. Further, the Company will seek projects and systems sales that may provide additional revenues and operating profits. All such actions and funds, if successful, are expected to be sufficient to cover monthly operating expenses as well as meet minimum payments with respect to the Company's liabilities over the next twelve months in addition to providing additional working capital. From January 1, 2013 through December 31, 2013, the Company raised a net $1,780,384 from an earlier offering that ended in the period ended June 30, 2013.

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.

3. CONTRACT ACCOUNTING AND ACCOUNTS RECEIVABLE

Billings in excess of costs and estimated earnings on uncompleted contracts represents billings and/or cash received that exceed accumulated revenues recognized on uncompleted contracts accounted for under the percentage of completion contract method (See Note 1).

At December 31, 2013, billings in excess of costs and estimated earnings on uncompleted contracts consisted of the following for contracts accounted for using the percentage of completion method of accounting:

Billings and/or cash receipts on uncompleted contract	$	166,334
Less: Revenues recognized		(3,205)
Billings in excess of costs and estimated earnings on uncompleted contracts	$	163,129

At December 31, 2012, billings in excess of costs and estimated earnings on uncompleted contracts consisted of the following for contracts accounted for using the percentage of completion method of accounting:

Billings and/or cash receipts on uncompleted contract	$	60,000
Less: Revenues recognized		(33,162)
Billings in excess of costs and estimated earnings on uncompleted contracts	$	26,838

The Company records accounts receivable related to its construction contracts and its design services based on billings or on amounts due under the contractual terms. The allowance for doubtful accounts is based upon the Company's policy. Accounts receivable throughout the year may decrease based on payments received, credits for change orders, or back charges incurred.

At December 31, 2013 and 2012, accounts receivable were as follows:

	December 31, 2013	December 31, 2012
Accounts receivable	$ 191,159	$ 342,770
Less: Allowance for doubtful accounts	(11,700)	(13,254)
Accounts receivable, Net	$ 179,459	$ 329,516

Bad debt expense (recovery) for 2013 and 2012 was $11,700 and ($14,488), respectively.

4. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets are summarized as follows:

	December 31, 2013	December 31, 2012
Prepaid Investment Advisory Services	$ 17,956	$ 48,675
Prepaid Insurance	20,299	14,506
Total prepaid expenses and other current assets	$ 38,255	$ 63,181

5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	Est. Useful Lives	December 31, 2013	December 31, 2012
Computer equipment and software	5 years	$ 152,317	$ 150,370
Furniture and fixtures	7 years	197,169	197,169
Office equipment	5 years	28,289	28,289
Machinery and equipment	5 years	68,160	28,159
Total property and equipment		445,935	403,987
Less accumulated depreciation		(357,070)	(312,711)
Property and Equipment, Net		$ 88,865	$ 91,276

Total depreciation expense for 2013 and 2012 was $44,359 and $60,428, respectively.

6. ACCRUED EXPENSES

The major components of accrued expenses are summarized as follows:

	December 31, 2013	December 31, 2012
Accrued vacation	$ 100,304	$ 77,903
Accrued officers' salary	68,749	68,749
Accrued interest	201,688	30,356
Accrued estimated losses on contracts	96,096	44,508
Accrued Rent	101,839	122,421
Other accrued expense	34,624	14,513
Total accrued expenses	$ 603,300	$ 358,450

7. CONVERTIBLE NOTE PAYABLE – RELATED PARTY

During 2009, John Evey advanced $100,000 to the Company and on October 1, 2009, the Company executed a 10% convertible promissory note for $102,236, which included the total $100,000 principal advanced plus $2,236 of accrued interest. This note was due December 31, 2010 and was convertible to common shares at $0.33 per share. There was no beneficial conversion feature at the note date. In December 2010, this note was extended until December 31, 2011. This note is subordinate to the Gemini Master Funds notes. On April 27, 2010, Mr. Evey was added to the Board of Directors of Envision (See Note 14).

Effective December 31, 2011, the Company entered into a further extension agreement to extend the maturity date of this note to December 31, 2012. There were no additional fees or discounts associated with this extension. Per generally accepted accounting principles, this modification was treated as an extinguishment, but as the market price of the Company's stock was below the conversion price at the time of the modification, there was no beneficial conversion feature that needed to be recorded.

Effective December 31, 2012, the Company entered into an additional extension agreement to extend the maturity date of this note to December 31, 2013. The conversion price for this note was reduced to $0.20 per share of common stock. There were no additional fees or discounts associated with this extension. Per generally accepted accounting principles, this modification was treated as a debt extinguishment, but as the market price of the Company's stock was below the conversion price at the time of the modification, there was no beneficial conversion feature that needed to be recorded. During the fiscal year ended December 31, 2013, in lieu of interest payments, the Company made principal payments on this note amounting to $12,067.

Effective December 31, 2013, the Company entered into a further extension agreement to extend the maturity date of this note to December 31, 2014. There were no additional fees or discounts associated with this extension. Per generally accepted accounting principles, this modification was treated as an extinguishment, but as the market price of the Company's stock was below the conversion price at the time of the modification, there was no beneficial conversion feature that needed to be recorded. The note continues to bear interest at a rate of 10%. The balance of the note as of December 31, 2013 is $110,616 with accrued and unpaid interest amounting to $12,273.

8. NOTES PAYABLE

On June 1, 2010, the Company entered into a Promissory Note with one of its vendors in exchange for the vendor cancelling its open invoices to the Company. Total outstanding payables recorded by the Company at the time of conversion were $179,702. The note amount was for $160,633 and bears interest at 10%. The Company recorded a gain on the conversion of $19,069. The note can be converted only at the option of the Company, at any time, into common stock with a conversion price of $0.33 per share. In May, 2011, the Company made a partial conversion of this note into 100,000 shares of common stock. The Company recorded a payment of interest of $17,384, a reduction of outstanding debt of $15,616 and a loss on the settlement of debt of $2,000 related to this transaction. The note, plus the accrued interest was due and payable on December 31, 2011. Effective December 31, 2011, the Company entered an amendment to this note extending the maturity date of the note to December 31, 2012. No other terms of the note were changed.

During 2012, the Company made partial conversions of this note into 250,000 shares of the Company's common stock. The shares were valued at their quoted trade prices aggregating to $48,500. The Company recorded payments of interest of $17,014, a reduction of principal of $65,486, and a gain on settlement of debt of $34,000 related to these transactions. Further, effective as of December 31, 2012, the Company entered into an amendment to this note extending the maturity date of the note to December 31, 2013 as well as reducing the conversion price of the note to $0.20 per share of common stock and amending the balance of the note, including accrued interest of $2,005 through December 31, 2012 and a modification fee of $15,464, to $97,000. This modification was treated as a debt extinguishment and the Company recorded a loss on the debt extinguishment of $15,464 related to this amendment.

During 2013, the Company made partial conversions of this note into 150,000 shares of the Company's common stock. The shares were valued at their quoted trade prices aggregating to $28,500. The Company recorded payments of interest of $6,033, a reduction of principal of $23,967, and a gain on settlement of debt of $1,500 related to these transactions. Further, effective as of December 31, 2013, the Company entered into an amendment to this note extending the maturity date of the note to December 31, 2014. There was no accounting effect for this extension. As of December 31, 2013, the note had a remaining balance due of $73,033 with accrued and unpaid interest amounting to $3,063. (See Note 11)

9. CONVERTIBLE NOTES PAYABLE AND FAIR VALUE MEASUREMENTS

Summary:

As of December 31, 2013, the following summarizes principal amounts owed under convertible notes:

	Amount	Discount	Convertible Notes Payable, net of discount
Pegasus Note	$ 100,000	$ –	$ 100,000
Gemini Master Fund – Second Amended Note and Note Five	1,313,877	–	1,313,877
Gemini Master Fund – Note 2010-3	92,449	–	92,449
	$ 1,506,326	$ –	$ 1,506,326

As of December 31, 2012, the following summarizes principal amounts owed under convertible notes:

	Amount	Discount	Convertible Notes Payable, net of discount
Pegasus Note	$ 100,000	$ –	$ 100,000
Gemini Master Fund – Second Amended Note and Note Five	1,313,877	426,092	887,785
Gemini Master Fund – Note 2010-3	92,449	29,981	62,468
	$ 1,506,326	$ 456,073	$ 1,050,253

Pegasus Note:

On December 19, 2009, the Company entered into a convertible promissory note for $100,000 to a new landlord in lieu of paying rent for one year for new office space. The interest is 10% per annum with the note principal and interest originally due December 18, 2010 and subsequently extended until December 31, 2011. However, if the Company receives greater than $1,000,000 of proceeds from debt or equity financing, 25% of the amount in excess of $1,000,000 shall be used to pay down the note. This note is subordinate to all existing senior indebtedness of the Company. This note is convertible at $0.33 per share and there was no beneficial conversion feature at the note date.

Effective December 31, 2011, the Company entered into a modification extending the term of the note to December 31, 2012. Per generally accepted accounting principles, this modification was treated as a debt extinguishment, but as the market price of the Company's stock was below the conversion price at the time of the modification, there was no beneficial conversion feature that needed to be recorded.

Effective December 31, 2012, the Company entered into an additional modification extending the term of the note to December 31, 2013, and waiving, through December 31, 2012, the requirement to pay down the note with financing proceeds received by the Company in the period. Per generally accepted accounting principles, this modification was treated as a debt extinguishment, but as the market price of the Company's stock was below the conversion price at the time of the modification, there was no beneficial conversion feature that needed to be recorded.

Effective December 31, 2013, the Company entered into an additional modification extending the term of the note to June 30, 2014, and waiving, through December 31, 2013, the requirement to pay down the note with financing proceeds received by the Company in the period. Per generally accepted accounting principles, this modification was treated as a debt extinguishment, but as the market price of the Company's stock was below the conversion price at the time of the modification, there was no beneficial conversion feature that needed to be recorded. The balance of the note as of December 31, 2013 is $100,000 with accrued and unpaid interest amounting to $40,356.

Gemini Second Amended Note and Note Five:

At the end of 2010, the Company had outstanding two convertible notes to Gemini Master Fund, Ltd (the "holder" or "lender") originally due December 31, 2010. These notes bore interest at a rate of 12% per annum and have a conversion feature whereby, the lender, at its option, may at any time convert this loan into common stock at $0.25 per share. Interest under these notes is due on the first business day of each calendar quarter, however, upon three days advance notice, the Company may elect to add such interest to the note principal balance effectively making the interest due at note maturity. With regard to the conversion feature of these notes, the conversion rights contain price protection whereby if the Company sold equity or converted existing instruments to common stock at a price less than the stated conversion price, the conversion price will be adjusted downward to the sale price. Furthermore, if the Company issues new rights, warrants, options or other common stock equivalents at an exercise price that is less than the stated conversion price, then the conversion price shall be adjusted downward to a new price based on a stipulated formula. The holder may not convert the debt if it results in the holder beneficially holding more than 4.9% of the Company common stock. The note is secured by substantially all assets of the Company and any of its subsidiaries, and is unconditionally guaranteed by all the subsidiaries.

Prior to June 30, 2010, all shares underlying the Gemini Master Fund convertible debt were subject to a lock-up agreement as stated above, and the shares were not easily convertible to cash thus, the embedded conversion option did not need to be bifurcated and recorded as a fair value derivative due to the price protection provision in the notes. Subsequent to June 30, 2010, such lock-up provisions expired and as such, the Company has determined that the embedded conversion option met the definition of a derivative liability and thus must be bifurcated and recorded as a fair value derivative. Further, through an extension agreement, the maturity date of the note was modified to December 31, 2011.

On December 31, 2011, the Company entered into a second extension and amendment agreement modifying certain terms of the notes. The interest rate was reduced to 10%; the conversion price was reduced from $0.25 to $0.20; and the term was extended to December 31, 2012. These changes were accounted for as a debt modification but not as a debt extinguishment. As a result of this transaction, the Company has recorded $614,114 of embedded conversion option based effective interest based on the increase in the fair value of the embedded conversion option due to the modification which is recorded as debt discount and will be amortized over the remaining term of the loan. Further, at the modification date, $132,736 of accrued interest was added to the loan balance. At December 31, 2011, the notes had a total balance of $1,190,308, and a net balance of $576,194.

On December 31, 2012, the Company entered into a third extension and amendment agreement whereas the term of the note was extended to December 31, 2013. As a part of this amendment, the Company agreed to cause Robert Noble, its chairman, to execute a lock-up agreement whereas Mr. Noble agrees not to sell or transfer any shares of Envision common stock until a defined restriction period expires. Mr. Noble delivered such lock-up agreement. No other terms were modified, but the Company paid a $5,000 fee to cover legal and document fees which was capitalized as an asset on the balance sheet as "Debt issue costs" and will be amortized over the remaining life of the note. This change was accounted for as a debt modification but not as a debt extinguishment because the embedded conversion feature is bifurcated and treated as a derivative. As a result of this transaction, the Company has recorded $426,092 of embedded conversion option based effective interest based on the increase in the fair value of the embedded conversion option due to the modification which is recorded as debt discount and was amortized over the remaining term of the loan. Further, at the modification date, $123,569 of accrued interest was added to the loan balance. At December 31, 2012, the note had a total balance of $1,313,877, and a net balance of $887,785.

During 2013, as a result of our private offering, the conversion feature of this note triggered certain conversion rights whereas the conversion price of this note was reduced to $0.15 per share. Further, at December 31, 2013, the balance of the note became due and payable. As of December 31, 2013, the note has a balance of $1,313,877 and accrued and unpaid interest amounting to $136,397. See Note 15.

Gemini Note 2010-3:

On April 22, 2010, the Company entered into a new non-secured note with Gemini Master Fund, LTD, Note No. 2010-3, for $50,000. This note bore interest at 12% per annum, payable in quarterly installments of the accrued and unpaid interest, beginning July 1, 2010, with the note originally maturing on August 20, 2010. In the event a quarterly payment is late, it incurs a late fee of 20%. On December 31, 2010, the Company entered into a revised agreement to extend the maturity date of the note to December 31, 2011. As a part of this agreement, all accrued and unpaid interest amounting to $4,247 was capitalized into the note balance along with an extension fee of $4,069. Such extension fee, recorded as debt discount, was amortized to interest expense over the remaining term of the note.

Effective December 31, 2011, the Company entered into an agreement to modify the terms of this note. As a result of this modification, the maturity date of the note was extended to December 31, 2012; the per annum interest rate of the note was lowered to 10%; and the note became convertible with a conversion feature whereby, the lender, at its option, may at any time convert this loan into common stock of the Company at $0.20 per share. All terms related to the conversion process are deemed to be the same terms as the other Gemini notes discussed above. All other terms of the original note remain the same. These changes were accounted for as a debt modification but not a debt extinguishment because the embedded conversion feature is bifurcated and treated as a derivative. As a result of this transaction, the Company has recorded $33,863 of embedded conversion option based effective interest based on the increase in the fair value of the embedded conversion option due to the modification which is recorded as debt discount and was amortized over the remaining term of the loan. Further, at this modification date, $7,319 of accrued interest was added to the loan balance. At December 31, 2011, the note had a total balance of $65,635, and a net balance of $31,772.

Effective December 31, 2012, the Company entered into a further agreement to modify the maturity date of this note to December 31, 2013. No other terms of the note were modified. These changes were accounted for as a debt modification but not a debt extinguishment because the embedded conversion feature is bifurcated and treated as a derivative. As a result of this transaction, the Company recorded $29,981 of embedded conversion option based effective interest based on the increase in the fair value of the embedded conversion option due to the modification which is recorded as debt discount and was amortized over the remaining term of the loan. Further, at this modification date, a $20,000 accounts payable balance was converted into the note balance and $6,814 of accrued interest was added to the note balance. At December 31, 2012, the note had a total balance of $92,449, and a net balance of $62,468.

During 2013, as a result of our private offering, the conversion feature of this note triggered certain conversion rights whereas the conversion price of this note was reduced to $0.15 per share. Further, at December 31, 2013, the balance of the note became due and payable. As of December 31, 2013, the note has a balance of $92,449 and accrued and unpaid interest amounting to $9,597. See Note 15.

Hickson Note:

On September 8, 2011, the Company entered into a convertible promissory note for $1,000,000 to a private individual. The interest is 9% per annum with the note principal and interest due December 31, 2012. This note is subordinate to all existing senior indebtedness of the Company. This note is convertible at $0.29 per share. As it relates to this note, the Company recorded $34,483 of beneficial conversion feature intrinsic value which is recorded as debt discount and is being amortized over the term of the note. As of December 31, 2011, this note had a total outstanding balance of $1,000,000 and a balance, net of discount, of $973,723.

On March 22, 2012, the Company entered into an amendment with Mr. Hickson related to this note. The amendment amended the terms of the note allowing for the conversion of any accrued and unpaid interest to convert to common stock at an exercise price equal to the market price of our common stock on the day of conversion. Further on March 22, 2012, Mr. Hickson provided notice to the Company to convert his entire principal and accrued interest into common stock of the Company. As such, the Company issued 3,448,276 shares of common stock at $0.29 (based on contractual terms of the note) related to the principal and 199,315 shares of common stock at $0.24 (based on market price at time of transaction) for interest or a total of 3,647,591 shares of common stock in retirement of all outstanding obligations related to this convertible note. All remaining debt discount was expensed to interest in accordance with ASC 470-20-40-1. There was no gain or loss recorded on this transaction. (See note 11 and 12)

Fair Value Measurements – Derivative liability:

The accounting guidance for fair value measurements provides a framework for measuring fair value and requires expanded disclosures regarding fair value measurements. Fair value is defined as the price that would be received for an asset or the exit price that would be paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. The accounting guidance established a fair value hierarchy which requires an entity to maximize the use of observable inputs, where available. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based on the Company's own assumptions used to measure assets and liabilities at fair value. An asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

Assets and liabilities measured at fair value on a recurring and non-recurring basis consisted of the following at December 31, 2012 and 2013:

		Fair value Measurements at December 31, 2012		
	Carrying Value at December 31, 2012	(Level 1)	(Level 2)	(Level 3)
Embedded Conversion Option Liability	$ 456,073	$ –	$ –	$ 456,073

		Fair value Measurements at December 31, 2013		
	Carrying Value at December 31, 2013	(Level 1)	(Level 2)	(Level 3)
Embedded Conversion Option Liability	$ 281,265	$ –	$ –	$ 281,265

The following is a summary of activity of Level 3 liabilities for the period ended December 31, 2012 and 2013:

Balance at December 31, 2011	$	647,977
Increase in liability due to debt modification		456,073
Change in fair value		(647,977)
Balance at December 31, 2012	$	456,073
Increase in liability due to debt modification		–
Change in fair value		(174,808)
Balance December 31, 2013	$	281,265

Changes in fair value of the embedded conversion option liability are included in other income (expense) in the accompanying consolidated statements of operations.

The Company estimates the fair value of the embedded conversion liability utilizing the Black-Scholes pricing model, which is dependent upon several variables such as the expected term (based on contractual term), expected volatility of our stock price over the expected term (based on historical volatility), expected risk-free interest rate over the expected term, and the expected dividend yield rate over the expected term. The Company believes this valuation methodology is appropriate for estimating the fair value of the derivative liability. The following table summarizes the assumptions the Company utilized to estimate the fair value of the embedded conversion option at December 31, 2013 and 2012:

Assumptions	December 31, 2013	December 31, 2012
Expected term	0.0	1.0
Expected Volatility	134%	113%
Risk free rate	0.02%	0.16%
Dividend Yield	0.00%	0.00%

There were no changes in the valuation techniques during 2013. The Company did however compute the valuation of this derivative liability using a binomial lattice model noting no material differences in valuation results. The weighted average interest rate for short term notes as of December 31, 2013 was 10%.

10. COMMITMENTS AND CONTINGENCIES

Leases:

Prior to 2010, the Company entered into litigation with a previous landlord related to leased office space that the Company abandoned prior to its lease expiration. (See Legal Matters below). In 2010, a legal judgment was entered awarding the landlord legal possession of premises as well as $94,170, plus interest at 10%, as satisfaction of all claims. During 2013, the Company entered into a further settlement arrangement with the debtor such that monthly payments amounting to $10,000 per month will be made by the Company until the obligation is satisfied. The Company has recorded a liability for this obligation, with the unpaid balance amounting to $101,839 and $122,421 as of December 31, 2013 and December 31, 2012 respectively.

In December 2009, the Company entered into a new 4-year lease for new premises. The lease agreement includes a $100,000 note payable feature as discussed in Note 9, for the first year, and then includes rent increases each year thereafter. As of December 31, 2013, the original lease term had expired and the lease has converted into a month to month instrument. As such, there is no remaining financial obligation.

Rent expense was $107,168 and $104,156 for the years ended December 31, 2013 and 2012, respectively.

Legal Matters:

From time to time, we may be involved in litigation relating to claims arising out of our operations in the normal course of business. As of December 31, 2013, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of our operations except for the following:

The Company was a party to a lawsuit with its former landlord whereby the landlord claims that the Company broke its lease with respect to the rental of office space, which housed the Company's headquarters. The Company vacated premises on December 20, 2009 and the landlord repossessed premises on January 1, 2010. In 2010, a judgment was entered whereby Envision was ordered to pay $94,170 plus 10% interest until paid in satisfaction of all claims. The Company entered into a further settlement agreement with the debtor such that monthly payments amounting to $10,000 per month will be made by the Company until the obligation is satisfied. As of December 31, 2013, the accrued and unpaid portion of this liability amounted to $101,839. (See "Leases" above)

Other Commitments:

The Company enters into various contracts or agreements in the normal course of business whereby such contracts or agreements may contain commitments. During 2013 and 2012, the Company has agreements to act as a reseller for certain vendors; joint development contracts with third parties; sales agent agreements whereby sales agents would receive a fee equal to a percentage of revenues generated by the agent; business development agreements and strategic alliance agreements where both parties have agreed to cooperate and provide business opportunities to each other and in some instances, provide for a right of first refusal with respect to certain projects of the other parties; agreements with vendors where the vendor may provide marketing, public relations, technical consulting or subcontractor services and financial advisory agreements where the financial advisor would receive a fee and/or commission for advising and raising capital for the Company. All expenses and liabilities relating to such contracts were recorded in accordance with generally accepted accounting principles during the periods. Although such agreements increase the risk of legal actions against the Company for potential non-compliance, other than revenue generating sales contracts, there are no firm commitments in such agreements as of December 31, 2013.

Upon the signing of customer contracts, the Company enters into various other agreements with third party vendors who will provide services and/or products to the Company. Such vendor agreements may call for a deposit along with certain other payments based on the delivery of goods or services. Payments made by the Company before the completion of projects are treated as ongoing project expenses and due to the contractual nature of the agreements; the Company may be contingently liable for other payments required under the agreements.

11. COMMON STOCK

Shares Issued

Issuances of the Company's common stock during the years ended December 31, 2013 and 2012, respectively, are as follows:

2013

Stock Issued in Cash Sales

During the year ended December 31, 2013 pursuant to private placements, the Company issued 12,901,333 shares of common stock for cash with a per share price of $0.15 per share or $1,935,200 and the Company incurred $154,816 of capital raising fees that were paid in cash and charged to additional paid-in capital.

Stock Issued for Services

In March 2013, the Company issued 250,000 shares of common stock with a per share value of $0.15 (based on contemporaneous cash sales prices) or $37,500, for professional services to be rendered. The shares were fully vested and were expensed over the six month term of the payment.

In September 2013, the Company issued 304,000 shares of common stock with a per share value of $0.18 (based on market price at the time of the transaction) or $54,720, for professional services. $6,480 was expensed for services rendered while $48,240 was recorded as a prepaid asset and is being expensed over the remaining six month term of the agreement.

Stock Issued in Settlement of Note Payable

In October 2013, the Company issued 150,000 shares of common stock with a per share value of $0.19 (based on market price at time of transaction) or $28,500 as a partial payment of outstanding debt. The Company recorded a reduction of notes payable of $23,967, a reduction of accrued interest of $6,033 and a gain on debt settlement of $1,500 related to this transaction. (See Note 8)

2012

Stock Issued in Cash Sales

During the year ended December 31, 2012 pursuant to private placements, the Company issued 4,200,000 shares of common stock for cash with a per share price of $0.25 per share or $1,050,000 and the Company incurred $84,000 of capital raising fees that were paid in cash and charged to additional paid-in capital.

Stock Issued for Services

In May 2012, the Company issued 31,786 shares of common stock with a per share value of $0.22 (based on market price at the time of the transaction) or $6,993, for professional services rendered. The shares were fully vested and expensed during the three months ended June 30, 2012.

In October 2012, the Company issued 562,500 vested shares of common stock with a per share value of $0.12 (based on market price at the time of the transaction) or $67,500, for professional services to be rendered. The value of this contract was recorded as a prepaid asset and will be amortized over the nine month term of the agreement.

Stock Issued for Conversion of Convertible Debt

On March 22, 2012, a lender provided notice to the Company to convert the entire principal and accrued interest of his outstanding convertible note into common stock of the Company. As such, the Company issued 3,448,276 shares of common stock at $0.29 (based on contractual terms of the note) related to the $1,000,000 of principal and 199,315 shares of common stock at $0.24 (based on market price at time of transaction) for the $47,836 of accrued interest or a total of 3,647,591 shares of common stock in retirement of all outstanding obligations related to this convertible note. (See note 9)

Stock Issued in Settlement of Note Payable

In April 2012, the Company issued 100,000 shares of common stock with a per share value of $0.29 (based on market price at time of transaction) or $29,000 as a partial payment of outstanding debt. The Company recorded a reduction of notes payable of $22,114, a reduction of accrued interest of $10,886 and a gain on debt settlement of $4,000 related to this transaction. (See Note 8)

In October 2012, the Company issued 150,000 shares of common stock with a per share value of $0.13 (based on market price at time of transaction) or $19,500 as a partial payment of outstanding debt. The Company recorded a reduction of notes payable of $43,372, a reduction of accrued interest of $6,128 and a gain on debt settlement of $30,000 related to this transaction. (See Note 8)

12. STOCK OPTIONS AND WARRANTS

On August 10, 2011, the Company's Board of Directors approved and caused the Company to adopt the Envision Solar International, Inc. 2011 Stock Incentive Plan (the "Plan"), which authorizes the issuance of up to 30,000,000 shares of the Company's common stock pursuant to the exercise of stock options or other awards granted under the Plan.

In 2008, the Board approved the 2008 equity Incentive Plan, which authorizes 6,108,571 shares under the plan. Exercise rights may not expire more than three months after the date of termination of the employee but may expire in less time as stipulated in the individual grant notice. For disability or death, the optionee or estate will generally have up to twelve months to exercise their options. For certain options the Company may have rights of first refusal for a stipulated period of time, under a separate stock restriction agreement, whereby if the holder exercise the options and then desires to sell the underlying shares, the Company has the right to repurchase such shares at a price to which the holder has agreed to sell them to a third party.

In 2007, the Company authorized the 2007 Unit Option Plan when the Company was a limited liability company. Options granted under this plan were exchanged one for one for options of Envision Solar International, Inc. upon conversion to a corporation from an LLC. In March 2012, the Board of Directors effectively terminated the 2007 Plan. (See Note 1)

Stock Options

The Company follows the provisions of ASC Topic 718, "Compensation – Stock Compensation." ASC Topic 718 establishes standards surrounding the accounting for transactions in which an entity exchanges its equity instruments for goods or services. ASC Topic 718 focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions, such as options issued under the Company's Stock Option Plans. The Company's stock option compensation expense was $435,028 and $766,732 for the years ended December 31, 2013 and 2012, respectively, and there was $410,588 of total unrecognized compensation cost related to unvested options granted under the Company's options plans as of December 31, 2013. This stock option expense will be recognized through July 2017.

The fair value of each option is estimated on the date of grant using the Black-Scholes option-pricing model. This model incorporates certain assumptions for inputs including a risk-free market interest rate, expected dividend yield of the underlying common stock, expected option life and expected volatility in the market value of the underlying common stock.

In February 2010, the Company entered into a letter agreement with its Chief Executive Officer, pursuant to which the Officer agreed to terminate all of his options under Envision's 2007 Unit Option Plan and 2008 Equity Incentive Plan upon the issuance to the Officer of a new option to purchase an aggregate of 9,162,856 shares of common stock under a new plan at an exercise price of $0.33 per share which options vest immediately upon the Company's achievement of cumulative gross revenues of either (i) $15,000,000 during the fiscal year ended December 31, 2010 or (ii) $30,000,000 prior to December 31, 2014.

From January 1, 2012 through December 31, 2012, the Company issued 600,000 stock options under the plans with a total valuation of $101,632.

From January 1, 2013 through December 31, 2013, the Company issued 1,000,000 stock options under the plan with a total valuation of $164,935.

We used the following assumptions for options granted in fiscal 2013 and 2012:

	2013	2012
Expected volatility	128.75 -134.02%	106.70%
Expected lives	5 -10 Years	3 -5.5 Years
Risk-free interest rate	0.02%	0.21%
Expected dividend yield	None	None

The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options and warrants have characteristics different from those of its traded stock, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of such stock options. The risk free interest rate is based upon quoted market yields for United States Treasury debt securities with a term similar to the expected term. The expected dividend yield is based upon the Company's history of having never issued a dividend and management's current expectation of future action surrounding dividends. Expected volatility was based on historical data for the trading of our stock on the open market. The expected lives for such grants were based on the simplified method for employees and directors.

All options qualify as equity pursuant to ASC 815-40-25, "Contracts in Entity's Own Equity."

Option activity for the years ended December 31, 2013 and 2012 under the 2008 and 2011 Plans is as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding at December 31, 2011	22,755,291	$ 0.31
Granted	600,000	0.24
Exercised	–	–
Forfeited	–	–
Expired	(305,429)	0.33
Outstanding at December 31, 2012	23,049,862	$ 0.31
Exercisable at December 31, 2012	13,887,006	$ 0.29
Weighted average grant date fair value		$ 0.17
Granted	1,000,000	0.19
Exercised	–	–
Forfeited	–	–
Expired	–	–
Outstanding at December 31, 2013	24,049,862	$ 0.30
Exercisable at December 31, 2013	14,555,583	$ 0.29
Weighted average grant date fair value		$ 0.16

The following table summarizes information about employee stock options outstanding at December 31, 2013:

Options Outstanding					Options Exercisable		
Range of Exercise Price	Number Outstanding at December 31, 2013	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Aggregate Intrinsic Value	Number Exercisable at December 31, 2013	Weighted Average Exercise Price	Aggregate Intrinsic Value
$ 0.165-1.31	24,049,862	6.85 Years	$ 0.30	$ –	14,555,583	$ 0.29	$ –
	24,049,862	6.85 Years	$ 0.30	$ –	14,555,583	$ 0.29	$ –

As the Company's stock price was lower than the weighted average exercise price at December 31, 2013, there is no aggregate intrinsic value of the options.

Options exercisable have a weighted average remaining contractual life of 6.32 years as of December 31, 2013.

Warrants

2013

In connection with the private placement which occurred in 2013, purchasing stockholders were entitled to receive warrants to purchase shares of the Company equal to the number of units that were purchased. Based on the number of units sold, the Company issued 6,450,667 warrants to purchase one share of common stock for each warrant. The warrants have an exercise price of $0.20 per share and expire one year from the date of issuance.

Further, as a part of the Company's private placement in 2013, the Company issued 645,067 warrants to the placement agents. These warrants, valued at $130,402, are exercisable for 5 years at an exercise price of $0.25. There was no financial statement accounting effects for the issuance of these warrants as the value has been fully charged to Additional Paid-in-Capital as an offering cost against the offering proceeds. The Company estimated the fair value of the warrants utilizing the Black-Scholes pricing model. The assumptions used in the valuation of these warrants include:

Assumptions	
Expected term	5 yrs
Expected Volatility	30.96%
Risk free rate	0.14%
Dividend Yield	0.00%

2012

In conjunction with the conversion of the Hickson convertible promissory note in March 2012 (See note 9), the Company paid a cash fee of $40,000 and an issuance of 68,966 warrants, each with a 5 year term and an exercise price of $0.29, for a total warrant valuation of $12,274 based on the Black-Scholes pricing model to Allied Beacon, the registered placement agent of the note. The assumptions used in the valuation of these warrants include:

Assumptions	
Expected term	5 yrs
Expected Volatility	105.82%
Risk free rate	0.214%
Dividend Yield	0.00%

These fees were expensed to interest at the conversion date. Jay Potter, our director, was a registered representative of Allied Beacon. (See note 14)

As a part of the Company's private placement in 2012, the Company issued 210,000 warrants to Allied Beacon, the placement agents. These warrants, valued at $30,590, are exercisable for 5 years at an exercise price of $0.275. There was no financial statement accounting effects for the issuance of these warrants as the value has been fully charged to Additional Paid-in-Capital as an offering cost against the offering proceeds. Jay Potter, our director, was a registered representative of Allied Beacon. (See note 14)

Warrant activity for the years ended December 31, 2013 and 2012 are as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding at December 31, 2011	10,537,003	$ 0.46
Granted	278,966	0.28
Exercised	–	–
Forfeited	–	–
Expired	(3,009,814)	0.50
Outstanding at December 31, 2012	7,806,155	$ 0.44
Exercisable at December 31, 2012	7,806,155	$ 0.44
Weighted average grant date fair value		$ 0.15
Granted	7,095,734	0.43
Exercised	–	–
Forfeited	–	–
Expired	(5,050,349)	0.52
Outstanding at December 31, 2013	9,851,540	$ 0.23
Exercisable at December 31, 2013	9,851,540	$ 0.23
Weighted average grant date fair value		$ 0.20

Warrants exercisable have a weighted average remaining contractual life of 1.15 years as of December 31, 2013.

13. INCOME TAXES

There was no Federal income tax expense for the years ended December 31, 2013 and 2012 due to the Company's net losses. Income tax expense represents minimum state taxes due.

The blended Federal and State tax rate of 40.2% applies to loss before taxes. The Company's tax expense differs from the "expected" tax expense for Federal income tax purposes, (computed by applying the United States Federal tax rate of 34% to loss before taxes), as follows:

	Year ended December 31,	
	2013	2012
Computed "expected" tax expense (benefit)	$ (949,929)	$ (843,193)
State taxes, net of federal benefit	(173,132)	(180,827)
Goodwill impairment and other non-deductible items	76,599	(155,420)
Change in deferred tax asset valuation allowance	1,048,062	1,181,188
Income tax expense	$ 1,600	$ 1,748

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The effects of temporary differences that gave rise to significant portions of deferred tax assets and liabilities at December 31 are as follows:

	2013	2012
Deferred tax assets:		
Accrued vacation	$ –	$ 12,430
Accrued salaries	–	27,386
Charitable contributions	4,128	2,731
Reserve for bad debt	30,006	18,684
Stock options	4,411,279	4,237,988
Inventory Adjustment	3,326	–
Other	7,502	3,751
Net operating loss carryforward	6,183,779	5,193,118
Total gross deferred tax assets	10,640,020	9,496,088
Less: Deferred tax asset valuation allowance	(10,528,703)	(9,480,641)
Total net deferred tax assets	111,317	15,447
Deferred tax liabilities:		
Depreciation	(111,317)	(15,447)
Total deferred tax liabilities	(111,317)	(15,447)
Total net deferred taxes	$ –	$ –

The valuation allowance at December 31, 2013 was $10,528,703. The increase in the valuation allowance during 2013 was $1,048,062.

At December 31, 2013, the Company has a net operating loss carry forward of $15,523,716 available to offset future net income through 2033. The NOL expires during the years 2014 to 2033. The utilization of the net operating loss carryforwards is dependent upon the ability of the Company to generate sufficient taxable income during the carryforward period. In the event that a significant change in ownership of the Company occurs as a result of the Company's issuance of common stock, the utilization of the NOL carry forward will be subject to limitation under certain provisions of the Internal Revenue Code. Management does not presently believe that such a change has occurred.

14. RELATED PARTY TRANSACTIONS

Accounts Payable and Related Party Vendor Payments

During 2013, the Company made payments totaling $56,750 to GreenCore Capital, LLC for professional services provided to the Company. Jay Potter, our director, is the managing member of GreenCore Capital LLC.

Desmond Wheatley, the current CEO and President of the Company, is the owner of a consulting firm that provided services to the Company during 2010, including his own personal services. As of December 31, 2011, the Company had a balance owed to this consulting firm of $109,145 that is included in Accounts Payable –Related Party. This balance was paid during 2012.

Prior to November 2012, Jay Potter, our director, was a registered representative of Allied Beacon and had been engaged through Allied Beacon to provide capital raising services to the Company as it related to the Company's 2012 private offering. In 2012, the Company has paid $84,000 of cash offering costs related to these services all of which have been accounted for as a reduction of additional paid in capital. Further, in March 2012, in conjunction with the conversion of this loan to common stock of the Company, the Company paid a cash fee of $40,000 to Allied Beacon and an issuance of 68,966 warrants, each with a 5 year term for a total warrant valuation of $12,274. (See notes 9 and 12)

Note Payable to Officer

In 2009, the Company executed a 10% convertible note payable in the amount of $102,236 due December 31, 2010 to John Evey for amounts loaned to the Company. Mr. Evey joined the Board of Directors on April 27, 2010. Through a series of extensions, the note due date was extended to December 31, 2014. During the fiscal year ended December 31, 2013, in lieu of interest payments, the Company made principal payments on this note amounting to $12,067. The balance of the note as of December 31, 2013 is $110,616 with accrued and unpaid interest amounting to $12,273. (See Note 7)

15. SUBSEQUENT EVENTS

During the period from January 1, 2014 to the date of this report, pursuant to private placements, the Company issued 6,050,000 shares of common stock for cash with a per share price of $0.15 per share or $907,500, and the Company incurred $24,000 of capital raising fees that will be paid in cash and charged to additional paid in capital. The Company also issued 6,050,000 warrants included in the offering price and is obligated to issue 100,000 warrants to the placement agent.

On January 23, 2014, Mr. Paul H. Feller accepted an appointment as a new director of the Company effective January 23, 2014. In consideration for Mr. Feller's acceptance to serve as a director of the Company, the Company granted 1,000,000 restricted shares of its common stock to him, subject to the terms and conditions set forth in the Restricted Stock Grant Agreement including but not limited to the following vesting schedule: 166,672 shares on January 24, 2014 and then 69,444 shares on the last day of each calendar quarter thereafter commencing on March 31, 2014. The total value of this stock grant is $0.17 per share (based on market price at the time of the transaction) or $170,000. The share value will be expensed proportionately as the shares vest.

On February 7, 2014, the Company issued 200,000 stock options to each of its three non executive directors other than Mr. Feller, for a total of 600,000 stock options. All of these stock options will vest over the current year of board service and were valued using the Black-Scholes option pricing methodology. Jay Potter and John Evey each received 200,000 options with a term of 10 years and a strike price of $0.17 with a combined total valuation of $57,159. Robert Noble received 200,000 options with a term of 5 years and a strike price of $0.187 for a total valuation of $25,996. The assumptions used in the valuation of these options include volatility of 138.71%, expected dividends of 0.0%, a discount rate of 1.52%, and expected terms, applying the simplified method, of 5.5 years for Mr. Potter and Mr. Evey and 3 years for Mr. Noble.

As of February 28, 2014 the Company entered into a fourth extension and amendment agreement with a simultaneous principal conversion agreement related to the convertible notes payable to Gemini Master Fund ("Gemini"). With this agreement, all outstanding notes have been merged into one note, the term of the note was extended to June 30, 2015 and the beneficial holder ceiling was increased to 9.9%. No other terms of the notes were modified. These changes were accounted for as a debt modification but not as a debt extinguishment because the embedded conversion feature is bifurcated and treated as a derivative and no other debt extinguishment criteria were met. As a result of this transaction, the Company will record $618,536 of embedded conversion option based effective interest based on the increase in the fair value of the embedded conversion option due to the modification which will be recorded as debt discount and amortized over the remaining term of the loan. The Company also issued 1,500,000 common stock purchase warrants valued at $193,625 using the Black-Scholes valuation methodology, each with a three year term and $0.20 strike price, to the holder which will be recorded as debt discount and amortized over the remaining term of the note. The Company agreed to pay a $6,500 fee to cover legal and document fees which will be capitalized as an asset on the balance sheet as "Debt issue costs" and will be amortized over the remaining term of the note. Simultaneously, Gemini will convert $550,000 of principal convertible debt and additional 2014 interest on such principal debt into 3,727,778 shares of common stock of the Company at the contracted conversion price of $0.15 per share. The conversion will be recorded to equity with no gain or loss on such conversion related to the principal portion and the Company will record a loss of $1,222 related to the conversion of accrued interest. As an inducement to Gemini to convert the principal debt amount, the Company agreed to issue 3,727,778 common stock purchase warrants, each with a strike price of $0.20 and a three year term. These warrants will be valued at $482,300 using the Black-Scholes valuation methodology and will be expensed at the date of the transaction. Further, the Company issued 973,278 shares of common stock in settlement of the 2013 accrued interest on the Gemini notes. The Company will record a $19,462 loss on conversion related to this piece of the transaction.

On March 28, 2014, the Company entered into a new consulting agreement with GreenCore Capital, LLC ("GreenCore") and effectively cancelled all prior agreements between the companies. GreenCore will continue to provide financial advisory and analytical professional services to the Company as well as acting as a sales channel for Envision products. Related to the professional services provided, GreenCore will receive a payment amounting to $30,000 and the issuance of 260,000 shares of the Company's common stock (valued at $39,000 based on contemporaneous sales of equity securities) payable upon the execution of this agreement. These payments will be expensed as incurred. Further, in months in which the Company requests the professional services, GreenCore will receive a monthly payment of $9,000 in cash and the equivalent of $9,000 of the Company's common stock, as defined by a contract formula. Related to the services for which GreenCore is acting as a sales channel for Envision, the Company will pay a cash fee between 1-5% of gross revenue receipts received by the Company, dependent upon the involvement of Consultant in such sale, as defined. Jay Potter, our director, is the managing member of GreenCore and the individual performing the services.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A (T). CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management is responsible for establishing and maintaining disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission (the "SEC"), and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based closely on the definition of "disclosure controls and procedures" in Rule 15d-15(e) under the Exchange Act. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

At the end of the period covered by this Annual Report, we conducted an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2013, the disclosure controls and procedures of our Company were not effective to ensure that the information required to be disclosed in our Exchange Act reports was recorded, processed, summarized and reported on a timely basis.

The Company is undertaking to improve its internal control over financial reporting and improve its disclosure controls and procedures. As of December 31, 2012, we had identified the following material weaknesses which still existed as of December 31, 2013 and through the date of this report:

As of December 31, 2012 and 2013 and as of the date of this report, we did not maintain effective controls over the control environment. Specifically, the Board of Directors does not currently have a director who qualifies as an audit committee financial expert as defined in Item 407(d)(5)(ii) of Regulation S-K. Also, because of the size of the Company's administrative staff, controls related to the segregation of certain duties have not been developed and the Company has not been able to adhere to them. Furthermore, we have not formally adopted a written code of business conduct and ethics that governs the Company's employees, officers and directors. Since these entity level programs have a pervasive effect across the organization, management has determined that these circumstances constitute a material weakness and therefore affects disclosure controls and procedures.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. All internal control systems, no matter how well designed, have inherent limitations. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

We carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our internal controls over financial reporting as of December 31, 2013. Based on this assessment, management believes that, as of December 31, 2013, we did not maintain effective controls over the financial reporting control environment. Specifically, the Board of Directors does not currently have a director who qualifies as an audit committee financial expert as defined in Item 407(d)(5)(ii) of Regulation S-K. Further, because of the limited size of its administrative support staff, and due to the financial constraints on the Company, management has not been able to develop or implement controls related to the segregation of duties for purposes of financial reporting, nor have certain IT controls been developed and adhered to.

Because of these material weaknesses, management has concluded that we did not maintain effective internal control over financial reporting as of December 31, 2013, based on the criteria established in the "Internal Integrated Framework" issued by COSO.

No Attestation Report by Independent Registered Accountant

The effectiveness of our internal control over financial reporting as of December 31, 2013 has not been audited by our independent registered public accounting firm by virtue of our exemption from such requirement as a smaller reporting company.

Changes in Internal Controls over Financial Reporting

There were no changes in internal controls over financial reporting that occurred during the period covered by this report, which have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Corrective Action

Our Board of Directors is seeking a candidate with audit committee financial expertise to serve as an independent director of the Company and as the Chairman of our audit committee. Management plans to make future investments in the continuing education of our accounting and financial staff. Specifically, we plan to seek specific public company accounting training. Improvements in our disclosure controls and procedures and in our internal control over financial reporting will, however, depend on our ability to add additional resources and independent directors to provide more internal checks and balances, and to provide qualified independence for our anticipated audit committee. We believe we will be able to commence achieving these goals once our sales and cash flow grow and our financial condition improves.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The names of all current executive officers and members of the Board of Directors and certain information regarding them are set forth in this section of the annual report. Our directors hold office until the earlier of their death, resignation, removal by stockholders, or until their successors have been qualified. Our officers are selected by, and serve at the pleasure of, our Board of Directors.

The following table sets forth information regarding our executive officers and directors as of March 28, 2014:

Name	Age	Position
Desmond Wheatley	48	Chief Executive Officer, President and Director
Chris Caulson	45	Chief Financial Officer
Robert Noble	61	Chairman of the Board of Directors
Jay Potter	49	Director
John Evey	64	Director
Paul Feller	49	Director

Biographies of Directors and Officers

DESMOND WHEATLEY has served as our President and Chief Operating Officer since September 2010 and was named Chief Executive Officer and a Director in August 2011. Mr. Wheatley has two decades of senior international management experience in technology systems integration, energy management, communications and renewable energy. Prior to joining Envision Solar, Mr. Wheatley was a founding partner in the international consulting practice Crichton Hill LLC in 2009 and chief executive officer of iAxis FZ LLC, a Dubai based alternative energy and technology systems integration company from 2007 to 2009. From 2000 to 2007, Mr. Wheatley held a variety of senior management positions at San Diego based Kratos Defense and Security Solutions, fka Wireless Facilities with the last five years as president of ENS, the largest independent security and energy management systems integrator in the United States. Prior to forming ENS in 2002, Mr. Wheatley held senior management positions in the cellular and broadband wireless industries; deploying infrastructure and lobbying in Washington DC on behalf of major wireless service providers. Mr. Wheatley's teams led turnkey deployments of thousands of cellular sites and designed and deployed broadband wireless networks in many MTAs across the United States. Mr. Wheatley has founded, funded, and operated four profitable start-up companies and was previously engaged in merger and acquisition activities. Mr. Wheatley evaluated acquisition opportunities, conducted due diligence and raised commitments of $500M in debt and equity. Mr. Wheatley sits on the boards of Admonsters, San Francisco California and the Human Capital Group, Los Angeles, California and was formerly a board member at DNI in Dallas, Texas.

Mr. Wheatley's qualifications are:

- Leadership experience – Mr. Wheatley has been our Chief Executive Officer since August 2011 and President since September 2010. He has held numerous executive positions in international organizations including five years as president of a publically traded technology and energy management company.
- Industry experience – Mr. Wheatley was the founding member of an international consulting company with expertise in the renewable and energy sectors. He has held various executive level positions in multiple infrastructure deployment companies and has been involved in energy management and renewables since 2002.

- Finance Experience – Mr. Wheatley was founding partner in multiple companies with direct responsibilities for their financial success and stability. He has participated in $500 million of capital raises and held full profit and loss responsibility for a public company with approximately $70 million of revenues.
- Education experience – Mr. Wheatley was educated in his native Scotland.

CHRIS CAULSON has been our Chief Financial Officer since August 2011 and previously led our accounting and finance functions since June 2010. Mr. Caulson brings over 22 years of financial management experience including security infrastructure and technology integration, wireless communications, and telecommunications industries. From 2004 into 2009, Mr. Caulson held various positions including Vice President of Operations and Finance of ENS, the largest independent technology systems integrator in the United States and a wholly-owned division of Kratos Defense & Security Solutions, Inc. In this role, Mr. Caulson was responsible for the operational and financial execution of multiple subsidiaries and well over $100 million of integration projects including networks for security, voice and data, video, life safety and other integrated applications. Prior to 2004, Mr. Caulson was chief financial officer of Titan Wireless, Inc., a $200 million international telecommunications division of Titan Corp (subsequently purchased by L-3.). Mr. Caulson, who has a Bachelors of Accountancy from the University of San Diego, began his career with the public accounting firm Arthur Andersen.

Mr. Caulson's qualifications:

- Leadership experience – Mr. Caulson has been our Chief Financial Officer since August 2011 and has held similar positions in multiple other companies.
- Finance experience – Mr. Caulson has over 22 years experience in financial related positions and was an external auditor in the public accounting firm of Arthur Andersen.
- Industry experience – Mr. Caulson has held multiple financial related executive positions in publically traded companies.
- Education experience – Mr. Caulson has his bachelors of accountancy degree from the University of San Diego.

ROBERT NOBLE has served as Chairman of the Board of Directors since 2006 and was our prior Chief Executive Officer and Chief Financial Officer, resigning both positions in August 2011. Prior to founding Envision, Mr. Noble served as the Chief Executive Officer of Tucker Sandler Architects, an architecture firm located in San Diego, California, from 2000 through 2007. Since its inception in 1998 through today, Mr. Noble has served as the chief executive officer of Noble Environmental Technologies, Inc., a materials company. He further served as chief executive officer of Ecoinvestment Network, a California company, since 2007, Envision Regenerative Health, a California company, since 2008, Noble Environmental Europe, AG, a Swiss company, and the Noble Group, Inc., a California company, since 2007. Mr. Noble is an accomplished architect, environmental designer, industrial designer and environmental technology entrepreneur. Mr. Noble and his work have won numerous awards, including awards from Popular Science Magazine (Best of What's New), Entrepreneur Magazine (Innovator of the Year, Environmental Category), National Public Radio (E-chievement Environmental Award), the Urban Land Institute (San Diego Smart Growth Award, Innovation Category) and The American Institute of Architects - San Diego Chapter (Energy Efficiency Award). He received his undergraduate degree in architecture from the University of California - Berkeley, and his Master of Architecture from Harvard University Graduate School of Design. Mr. Noble also completed graduate work at Cambridge University and Harvard Business School.

Mr. Noble's qualifications:

- Leadership experience – Mr. Noble has been our chairman and through August 2011 was chief executive officer since inception and has held similar positions in multiple other companies.
- Finance experience – Mr. Noble founded the Company and was our chief executive officer of until August 2011, as well as other companies, supervising the financial management of such as a part of his responsibilities.
- Industry experience – Mr. Noble is an accomplished and award winning architect and has served as a community leader in the eco-friendly space. He is an international speaker on the subject.
- Education experience – Mr. Noble received his undergraduate degree in architecture from the University of California - Berkeley, and a Master of Architecture from Harvard University Graduate School of Design. Mr. Noble also completed graduate work at Cambridge University and Harvard Business School.

JAY POTTER has served as a Director of the Company since 2007. Mr. Potter has been active in the financial and energy industries for over 20 years and has participated, directed or placed over two hundred million dollars of capital in start-up and early stage companies. In 2006, Mr. Potter served as the interim Chief Executive Officer of EAU Technologies Inc. (Symbol: EAUI:OB), a publicly traded company specializing in non-toxic sanitation and disinfectant technologies. In 2007, he founded an early stage venture fund in GreenCore Capital, Inc. and serves as that company's Chairman and Chief Executive Officer. He has served as Chairman, President and Chief Executive Officer of Nexcore Capital, Inc. and its financial service affiliates since co-founding the company in 1996. Prior to December 2012, he was a registered representative with Allied Beacon Partners, Inc., a registered securities broker dealer firm that has served as the placement agent on certain of the Company's private placements of securities. Effective December 2012, without admitting or denying the findings, Mr. Potter entered into a Letter of Acceptance, Waiver and Consent with the Financial Industry Regulatory Authority (FINRA) to settle alleged violations of FINRA Rules 2010, 1122, IM-1000 and Article V, Section 2(c) of the Bylaws that impose certain reporting obligations on FINRA members, resulting in a fine and temporary suspension. Mr. Potter serves as the Chairman of Sterling Energy Resources, Inc. (symbol: SGER:PK), a public oil and gas company involved in the acquisition, exploration and development of oil and natural gas from its numerous leases. Mr. Potter serves as a Director of Envision, Noble Environmental Europe, AG, and Noble Environmental Technologies, and Fulcrum Enterprises among others.

Mr. Potter's qualifications are:

- Leadership experience – Mr. Potter has held various executive positions at multiple companies and is a Board member of Envision, Noble Environmental Europe, AG, and Noble Environmental Technologies, Inc.
- Industry experience – Mr. Potter has held numerous executive level positions for companies focusing on renewable energies and pother environmentally focused ventures.
- Finance Experience – Mr. Potter raised and placed over $200 million of capital into early stage companies.
- Education experience – Mr. Potter attended San Diego State University.

JOHN EVEY has served as a Director of the Company since April 2010. Since 2012, Mr. Evey has provided independent strategic assistance to corporations with a special focus on companies in the life science and clean technology sectors that can do well financially while also producing substantial social benefit. Prior to this, from 2011 to 2012, Mr. Evey was Executive Vice President of Nature and Culture International, an organization that has directly catalyzed the protection of more than ten million acres of large tropical forest ecosystems. Prior to accepting that role, Mr. Evey served for four years as Vice President for Development at the J. Craig Venter Institute ("JCVI"), for which he was responsible for generating collaborative partnerships and financial resources from all sources except federal research agencies for this major institute that is advancing genomic research to benefit human health and the environment. Beginning in 2002, Mr. Evey served as Assistant Director of the Scripps Institution of Oceanography and Executive Director of Development for the Marine Sciences at University of California, San Diego ("UCSD"). Prior to that, he was Vice President for Institutional Advancement at University of the Pacific after having served for more than a decade as Director of Development at Oregon State University. His earliest professional experience includes roles as founding director of the Office for Resource Development at the Oregon Shakespeare Festival and as the initial association executive for the statewide arts lobby, Oregon Advocates for the Arts. As a volunteer, he catalyzed creation of the Southern Oregon Land Conservancy. As an officer of the Travel Industry Council of Oregon, Mr. Evey and two colleagues successfully advocated the creation and funding of a Tourism Division in the Oregon Department of Economic Development. Mr. Evey is a member of the Host Committee for the Kyoto Prize Symposium in San Diego, which features the Kyoto Prize laureates each spring.

Mr. Evey's qualifications are:

- Leadership experience – Mr. Evey has held multiple executive positions, including as Vice President for Advancement for the three-campus University of the Pacific.
- Industry experience – Mr. Evey has served as Director of Development for Oregon State University, a Carnegie Tier I research university with statewide services.
- Finance Experience – Mr. Evey has personally generated over $100 million in gifts and matching funds to charitable organizations.
- Education experience – Mr. Evey has a B.S. from Oregon State University and an M.S. from the University of Oregon as well as many professional development courses and seminars.

PAUL FELLER has served as a Director of the Company since January 2014. Mr. Feller has been involved with the management of live entertainment events for over 18 years. Since August 2012, Mr. Feller has been an independent consultant to various companies. From 2008 to 2012, he was the Chairman of the Board of Directors, president, and chief executive officer of Stratus Media Group, Inc., a global live entertainment company that owned and operated such premier events as the Mille Miglia, Perugia International Film Festival, Elite XC MMA, and Concours d' Elegance. Mr. Feller was the Chairman of Pro Elite, Inc. from 2010 from 2012. In 2001, Mr. Feller founded Pro Sports & Entertainment. During 1999, he served as the mergers and acquisitions officer of SFX Entertainment, Inc. a global live entertainment company acquired by Clear Channel Communications. From 1998 to 1999, he served as the chief operating officer with PSI/API International; a live entertainment business, which operated, sports events in Asia, Europe and North America. Mr. Feller had responsibility for developing global markets in China, Europe, and the United States. He negotiated agency rights and television broadcast agreements with such properties as the America's Cup syndicate, Association of Volleyball Professionals Tour, Disney's Pigskin Classic, NCAA's Freedom Bowl, Andretti Indy Racing Team, Long Beach Marathon, Toshiba Senior PGA, Formula , FIFA World Cup Soccer, Wimbledon, Pro Elite/Elite XC MMA, and both the Vancouver Open and ATP Shanghai Open Tennis Tournaments. As head of PSI's Asia division, Mr. Feller managed a $135 million revenue operation and expanded it to a $300 million valuation, and developed agreements with STAR Television and China's CCTV and operated the first international professional soccer tournament in China bringing in AC Milan, Jueventus and Manchester United to Asia. He has been a member of the Los Angeles Sports Council, Orange County Sports Association, Asia International Business and Entertainment Association, US Professional Cycling Association, and the UK Professional Cycling Association. Mr. Feller was knighted in 2011 by the Swedish monarchy. He attended Purdue University earning credits toward a bachelor's degree in Mechanical Engineering with an Aerospace emphasis and currently is attending Lincoln/Northwestern Law School earning credits toward a Juris Doctor.

Mr. Feller's qualifications are:

- Leadership experience – Mr. Feller has held various senior executive positions with multiple companies and has sat on various boards of directors.
- Industry experience – Mr. Feller has held executive level positions for companies focusing on media and media placement.
- Finance Experience – Mr. Feller has been involved in significant capital raises, and has managed multiple mergers and acquisitions creating positive, increased valuations through the process and management of the entities.
- Education experience – Mr. Feller attended Purdue University

There are no family relationships among any of our directors and executive officers.

Limitation of Liability and Indemnification of Officers and Directors

Under Nevada General Corporation Law and our articles of incorporation, our directors will have no personal liability to us or our stockholders for monetary damages incurred as the result of the breach or alleged breach by a director of his "duty of care." This provision does not apply to the directors' (i) acts or omissions that involve intentional misconduct or a knowing and culpable violation of law, (ii) acts or omissions that a director believes to be contrary to the best interests of the corporation or its shareholders or that involve the absence of good faith on the part of the director, (iii) approval of any transaction from which a director derives an improper personal benefit, (iv) acts or omissions that show a reckless disregard for the director's duty to the corporation or its shareholders in circumstances in which the director was aware, or should have been aware, in the ordinary course of performing a director's duties, of a risk of serious injury to the corporation or its shareholders, (v) acts or omissions that constituted an unexcused pattern of inattention that amounts to an abdication of the director's duty to the corporation or its shareholders, or (vi) approval of an unlawful dividend, distribution, stock repurchase or redemption. This provision would generally absolve directors of personal liability for negligence in the performance of duties, including gross negligence.

The effect of this provision in our articles of incorporation is to eliminate the rights of Envision and our stockholders (through stockholder's derivative suits on behalf of Envision) to recover monetary damages against a director for breach of his fiduciary duty of care as a director (including breaches resulting from negligent or grossly negligent behavior) except in the situations described in clauses (i) through (vi) above. This provision does not limit nor eliminate the rights of Envision or any stockholder to seek non-monetary relief such as an injunction or rescission in the event of a breach of a director's duty of care. In addition, our Articles of Incorporation provide that if Nevada law is amended to authorize the future elimination or limitation of the liability of a director, then the liability of the directors will be eliminated or limited to the fullest extent permitted by the law, as amended. Nevada General Corporation Law grants corporations the right to indemnify their directors, officers, employees and agents in accordance with applicable law. Our bylaws provide for indemnification of such persons to the full extent allowable under applicable law. These provisions will not alter the liability of the directors under federal securities laws.

We intend to enter into agreements to indemnify our directors and officers, in addition to the indemnification provided for in our bylaws. These agreements, among other things, indemnify our directors and officers for certain expenses (including attorneys' fees), judgments, fines, and settlement amounts incurred by any such person in any action or proceeding, including any action by or in the right of Envision, arising out of such person's services as a director or officer of Envision, any subsidiary of Envision or any other company or enterprise to which the person provides services at the request of Envision. We believe that these provisions and agreements are necessary to attract and retain qualified directors and officers.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling Envision pursuant to the foregoing provisions, Envision has been informed that in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Board Committees

We intend to establish an audit committee of the Board of Directors, which will consist of independent directors of which at least one will qualify as a qualified financial expert as defined in Item 407(d)(5)(ii) of Regulation S-K. The audit committee's duties will be to recommend to our Board of Directors the engagement of independent auditors to audit our consolidated financial statements and to review our accounting and auditing principles. The audit committee will review the scope, timing and fees for the annual audit and the results of audit examinations performed by the internal auditors and independent public accountants, including their recommendations to improve the system of accounting and internal controls. The audit committee would at all times be composed exclusively of directors who are, in the opinion of our Board of Directors, free from any relationship that would interfere with the exercise of independent judgment as a committee member and who possess an understanding of consolidated financial statements and generally accepted accounting principles.

Compensation Committee

We currently have a compensation committee of the Board of Directors made up of two of our independent directors. The compensation committee reviews and approves our salary and benefits policies, including compensation of executive officers.

Code of Ethics

We intend to adopt a code of ethics that applies to our officers, directors and employees, including our Chief Executive Officer and Chief Financial Officer, but have not done so to date due to our relatively small size.

Compliance with Section 16(A) of Exchange Act

Section 16(a) of the Exchange Act requires our officers and directors, and certain persons who own more than 10% of a registered class of our equity securities (collectively, "Reporting Persons"), to file reports of ownership and changes in ownership ("Section 16 Reports") with the Securities and Exchange Commission. Reporting Persons are required by the SEC to furnish us with copies of all Section 16 Reports they file.

Based solely on our review of the copies of such Section 16 Reports received by us, or written representations received from certain Reporting Persons, all Section 16(a) filing requirements applicable to our Reporting Persons during and with respect to the fiscal year ended December 31, 2013 have been complied with on a timely basis except for Keshif Ventures, LLC.

ITEM 11. EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The following Compensation Discussion and Analysis describes the material elements of compensation for our executive officers identified in the Summary Compensation Table ("Named Executive Officers"), and executive officers that we may hire in the future. As more fully described below, our Board's compensation committee reviews and recommends policies, practices, and procedures relating to the total direct compensation of our executive officers, including the Named Executive Officers, and the establishment and administration of certain of our employee benefit plans to our Board of Directors.

Compensation Program Objectives and Rewards

Our compensation philosophy is based on the premise of attracting, retaining, and motivating exceptional leaders, setting high goals, working toward the common objectives of meeting the expectations of customers and stockholders, and rewarding outstanding performance. Following this philosophy, we consider all relevant factors in determining executive compensation, including the competition for talent, our desire to link pay with performance, the use of equity to align executive interests with those of our stockholders, individual contributions, teamwork, and each executive's total compensation package. We strive to accomplish these objectives by compensating all executives with compensation packages consisting of a combination of competitive base salary and incentive compensation.

The compensation received by our Named Executive Officers is based primarily on the levels at which we can afford to retain them and their responsibilities and individual contributions. Our compensation policy also reflects our strategy of minimizing general and administration expenses and utilizing independent professional consultants. To date, we have not applied a formal compensation program to determine the compensation of the Named Executives Officers. In the future, our compensation committee and Board of Directors expect to apply the compensation philosophy and policies described in this section of our annual report.

The primary purpose of the compensation and benefits we consider is to attract, retain, and motivate highly talented individuals who will engage in the behavior necessary to enable us to succeed in our mission, while upholding our values in a highly competitive marketplace. Different elements are designed to engender different behaviors, and the actual incentive amounts which may be awarded to each Named Executive Officer are subject to the annual review of our compensation committee who will make recommendations regarding compensation to our Board of Directors. The following is a brief description of the key elements of our planned executive compensation structure.

- Base salary and benefits are designed to attract and retain employees over time.
- Incentive compensation awards are designed to focus employees on the business objectives for a particular year.
- Equity incentive awards, such as stock options and non-vested stock, focus executives' efforts on the behaviors within the recipients' control that they believe are designed to ensure our long-term success as reflected in increases to our stock prices over a period of several years, growth in our profitability and other elements.
- Severance and change in control plans are designed to facilitate a company's ability to attract and retain executives as we compete for talented employees in a marketplace where such protections are commonly offered.

Benchmarking

We have not yet adopted benchmarking but may do so in the future. When making compensation decisions, our compensation committee and Board of Directors may compare each element of compensation paid to our Named Executive Officers against a report showing comparable compensation metrics from a group that includes both publicly-traded and privately-held companies. Our Board believes that while such peer group benchmarks are a point of reference for measurement, they are not necessarily a determining factor in setting executive compensation. Each executive officer's compensation relative to the benchmark varies based on the scope of responsibility and time in the position. We have not yet formally established our peer group for this purpose.

The Elements of Envision's Compensation Program

Base Salary

Executive officer base salaries are based on job responsibilities and individual contribution. Our compensation committee or Board of Directors review the base salaries of our executive officers, including our Named Executive Officers, considering factors such as corporate progress toward achieving objectives (without reference to any specific performance-related targets) and individual performance experience and expertise. Additional factors reviewed by our compensation committee and Board of Directors in determining appropriate base salary levels and raises include subjective factors related to corporate and individual performance. For the year ended December 31, 2013, all executive officer base salary decisions were approved by the Board of Directors.

Incentive Compensation Awards

The Named Executives have not been paid bonuses and our compensation committee has not yet recommended a formal compensation policy for the determination of bonuses. If our revenue grows and bonuses become affordable and justifiable, we expect to use the following parameters in justifying and quantifying bonuses for our Named Executive Officers and other officers of Envision: (1) the growth in our revenue, (2) the growth in our gross profit (3) the growth in our earnings before interest, taxes, depreciation and amortization, as adjusted ("EBITDA"), (4) achievement of other corporate goals as outlined by the Board and (5) our stock price. The Board has not adopted specific performance goals and target bonus amounts, but may do so in the future.

Equity Incentive Awards

In order to provide an incentive to attract and retain directors, officers, and other employees whose services are considered valuable, to encourage a sense of proprietorship and to stimulate an active interest of such persons in our development and financial success, on August 10, 2011, the Board approved and caused the Company to adopt, a new equity incentive plan (the "2011 Plan"), pursuant to which 30,000,000 shares of our common stock are reserved for issuance as awards to employees, directors, consultants and other service providers. This 2011 Plan was ratified by our shareholders as a part of the 2012 annual shareholders meeting.

From January 1, 2013 through December 31, 2013, the Company granted 600,000 stock options under the 2011 Plan with a total valuation of $80,152 to the members of the Board of Directors. From January 1, 2013 through December 31, 2013, the Company granted 400,000 stock options under the 2011 Plan with a total valuation of $84,783 to non executive employees and contractors of the Company.

Additionally, although there were no new awards under the 2008 Plan granted during 2013, there are prior awards outstanding under the 2008 Plan to former officers and advisors.

Benefits and Prerequisites

At this stage of our business we have limited benefits and no prerequisites for our employees other than vacation benefits. We do not have a 401 (k) Plan or any other retirement plan for our Named Executive Officers. We may adopt these plans and confer other fringe benefits for our executive officers in the future if our business grows sufficiently to enable us to afford them.

Separation and Change in Control Arrangements

On August 10, 2011, the Company entered into employment agreements with its Chief Executive Officer and its Chief Financial Officer. The term of the agreements is through January 1, 2016. The agreements call for a payment to the executive employee equal to one year of salary plus 100% of his bonus potential if the executive is terminated for reasons other than mutual agreement, executive's death, executive's breach, or upon disability of the executive, as defined. If the executive is terminated as a result of a change of control, as defined, then the executive would receive a payment equal to two years of annual compensation and 100% of his bonus potential for such two year period.

There were no other employment agreements outstanding as of December 31, 2013.

Executive Officer Compensation

Summary Compensation Table

The following Summary Compensation Table sets forth, for the years indicated, all cash compensation paid, distributed or accrued for services rendered in all capacities by our Chief Executive Officer and all other compensated executive officers, as determined by reference to total compensation for the fiscal year ended December 31, 2013 and 2012, who were serving as executive officers at the end of the 2013 and former executive officers, who received or are entitled to receive remuneration in excess of $100,000 during the stated periods.

Name and principal position	Year	Salary ($)	Deferred Comp ($)	Bonus ($)	Stock awards ($)	Option Awards ($)	All other Compensation ($)	Total ($)
Desmond Wheatley (1)	2013	200,000	–	–	–	–	–	200,000
President and Chief	2012	200,000	–	–	–	–	–	200,000
Chris Caulson (2)	2013	165,000	–	–	–	–	–	165,000
Chief Financial Officer	2012	165,000	–	–	–	–	–	165,000

(1) Mr. Wheatley joined the Company full time in December 2010 at which time he was appointed President. On August 10, 2011, Mr. Wheatley was appointed Chief Executive Officer of the Company.

(2) Mr. Caulson joined the Company full time in November 2010. On August 10, 2011, Mr. Caulson was appointed Chief Financial Officer of the Company.

Agreements with Executive Officers

Desmond Wheatley

On August 10, 2011, the Board of Directors appointed Desmond Wheatley (then the Company's President and Chief Operating Officer) as its new Chief Executive Officer, President, and Corporate Secretary and approved and entered into an employment agreement with him, effective on August 10, 2011. This agreement calls for an annual salary of $200,000. Further, Mr. Wheatley was granted 4,320,000 stock options pursuant to our 2011 Plan with an exercise price of $0.27 per share exercisable for a period of ten (10) years from the date of grant. One third of these options vested immediately, one third vested on November 1, 2011 and one third vested on November 1, 2012. The term of the employment agreement ends on January 1, 2016.

Chris Caulson

On August 10, 2011, the Company appointed Chris Caulson as its new Chief Financial Officer and approved and entered into an employment agreement with him, effective on August 10, 2011. This agreement calls for an annual salary of $165,000. Further, Mr. Caulson was granted 2,700,000 stock options pursuant to our 2011 Plan with an exercise price of $0.27 per share exercisable for a period of ten (10) years from the date of grant. One third of these options vested immediately, one third vested on November 1, 2011 and one third vested on November 1, 2012. The term of the employment agreement ends on January 1, 2016.

Outstanding Equity Awards at Fiscal Year End

The following table summarizes the total outstanding incentive equity awards as of December 31, 2013, for each named executive officer:

Name	Number of securities underlying unexercised options - number exercisable	Number of securities underlying unexercised options - number unexercisable	Option exercise price ($)	Option expiration date
Desmond Wheatley	4,320,000(1)	–	$ 0.27	August 9, 2021
Chris Caulson	2,700,000(2)	–	$ 0.27	August 9, 2021

(1) On August 10, 2011, Mr. Wheatley received 4,320,000 stock options pursuant to our 2011 Plan with an exercise price of $0.27 per share exercisable for a period of ten (10) years from the date of grant. One third of these options vested immediately, one third vested on November 1, 2011 and one third vested on November 1, 2012.

(2) On August 10, 2011, Mr. Caulson was granted 2,700,000 stock options pursuant to our 2011 Plan with an exercise price of $0.27 per share exercisable for a period of ten (10) years from the date of grant. One third of these options vested immediately, one third vested on November 1, 2011 and one third vested on November 1, 2012.

Option Exercises and Stock Vested

None of our executive officers exercised any stock options or acquired stock through vesting of an equity award during the fiscal year ended December 31, 2013.

Director Compensation

The following table sets forth all compensation paid, distributed, or accrued for services rendered in the capacities of non executive Board members.

Name	Fees earned or cash paid	Year	Option Awards ($)(1)	All other compensation	Total ($)
Robert Noble	0	2013	22,993(2)	0	22,993
	0	2012	28,916(3)	0	28,916
Jay Potter	0	2013	28,579(4)	0	28,579
	0	2012	36,358(5)	0	36,358
John Evey	0	2013	28,579(6)	0	28,579
	0	2012	36,358(7)	0	36,358

(1) This represents the fair value of the award as of the grant date in accordance with FASB ASC Topic 718.

(2) On December 18, 2013, Mr. Noble received nonqualified stock options pursuant to our 2011 Plan to purchase up to 200,000 shares of our common stock at an exercise price of $0.1815 per share exercisable for a period of five years from the date of grant in consideration for his services to us. These stock options vested on December 18, 2013.

(3) On January 1, 2012, Mr. Noble received nonqualified stock options pursuant to our 2011 Plan to purchase up to 200,000 shares of our common stock at an exercise price of $0.253 per share exercisable for a period of five years from the date of grant in consideration for his services to us. These stock options vested throughout, 2012.

(4) On December 18, 2013, Mr. Potter received nonqualified stock options pursuant to our 2011 Plan to purchase up to 200,000 shares of our common stock at an exercise price of $0.165 per share exercisable for a period of ten years from the date of grant in consideration for his services to us. These stock options vested on December 18, 2013.

(5) On January 1, 2012, Mr. Potter received nonqualified stock options pursuant to our 2011 Plan to purchase up to 200,000 shares of our common stock at an exercise price of $0.23 per share exercisable for a period of five years from the date of grant in consideration for his services to us. These stock options vested throughout 2012.

(6) On December 18, 2013, Mr. Evey received nonqualified stock options pursuant to our 2011 Plan to purchase up to 200,000 shares of our common stock at an exercise price of $0.165 per share exercisable for a period of ten years from the date of grant in consideration for his services to us. These stock options vested on December 18, 2013.

(7) On January 1, 2012, Mr. Evey received nonqualified stock options pursuant to our 2011 Plan to purchase up to 200,000 shares of our common stock at an exercise price of $0.23 per share exercisable for a period of five years from the date of grant in consideration for his services to us. These stock options vested throughout 2012.

On January 23, 2014, Mr. Paul H. Feller accepted an appointment as a new director of the Company effective January 23, 2014. In

consideration for Mr. Feller's acceptance to serve as a director of the Company, the Company granted 1,000,000 restricted shares of its common stock to him, subject to the terms and conditions set forth in the Restricted Stock Grant Agreement including but not limited to the following vesting schedule: 166,672 shares on January 24, 2014 and then 69,444 shares on the last day of each calendar quarter thereafter commencing on March 31, 2014. The total value of this stock grant is $0.17 per share (based on market price at the time of the transaction) or $170,000.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information as of March 21, 2014 regarding the beneficial ownership of our common stock by (i) each person or entity who, to our knowledge, beneficially owns more than 5% of our common stock; (ii) each executive officer and named officer; (iii) each director; and (iv) all of our officers and directors as a group. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission. In computing the number of shares beneficially owned by a person and the percentage of ownership of that person, shares of common stock subject to options or warrants held by that person that are currently exercisable or become exercisable within 60 days of March 21, 2014 are deemed outstanding even if they have not actually been exercised. Those shares, however, are not deemed outstanding for the purpose of computing the percentage ownership of any other person. Unless otherwise indicated in the footnotes to the following table, each of the stockholders named in the table has sole voting and investment power with respect to the shares of our common stock beneficially owned. Except as otherwise indicated, the address of each of the stockholders listed below is: c/o 7675 Dagget Street, Suite 150, San Diego, California 92111.

Name of Beneficial Owner	Number of Shares Beneficially Owned (1)	Percentage Beneficially Owned (2)
Robert Noble	13,202,272 (3)	16.76%
Jay Potter	2,644,391 (4)	3.36%
John Evey	1,474,420 (5)	1.87%
Desmond Wheatley	2,880,000 (6)	3.66%
Chris Caulson	1,800,000 (7)	2.29%
Paul Feller	1,000,000 (8)	1.27%
Keshif Ventures, LLC	10,000,000 (9)	12.70%
Gerald Hickson	4,893,276(10)	6.21%
All officers and directors as a group (5 persons)	23,001,083	29.21%

(1) Shares of common stock beneficially owned and the respective percentages of beneficial ownership of common stock assume the exercise by such person of all options, warrants and other securities convertible into common stock beneficially owned by such person or entity currently exercisable or exercisable within 60 days of March 21, 2014.

(2) Based on 78,752,942 shares of our common stock outstanding as of March 21, 2014.

(3) Includes 11,587,440 shares of common stock, 476,712 shares of common stock issuable upon the exercise of options that are exercisable within 60 days of March 21, 2014, and 1,138,120 shares of common stock issuable upon the exercise of warrants that are exercisable within 60 days of March 21, 2014.

(4) Includes 791,167 shares of common stock, 676,712 shares of common stock issuable upon the exercise of options that are exercisable within 60 days of March 21, 2014, 576,512 shares of common stock issuable upon the exercise of warrants that are exercisable within 60 days of March 21, 2014,and 600,000 shares issuable upon the exercise of warrants held by Fulcrum Enterprises, Inc. that are exercisable within 60 days of March 21, 2014. Mr. Potter is the chairman and president of Fulcrum Enterprises, Inc.

(5) Includes 183,261 shares of common stock, 676,712 shares of common stock issuable upon the exercise of options that are exercisable within 60 days of March 21, 2014, and 614,447 shares of common stock issuable upon the conversion of balances owed through convertible note.

(6) Shares of common stock issuable upon exercise of options that are exercisable within 60 days of March 21, 2014.

(7) Shares of common stock issuable upon exercise of options that are exercisable within 60 days of March 21, 2014.

(8) Includes 1,000,000 shares issued for a three year service period as a director. Of these shares 166,672 shares vested on January 24, 2014 and then 69,444 shares will vest on the last day of each calendar quarter thereafter commencing on March 31, 2014.

(9) Includes 4,000,000 shares issuable in 2014 pursuant to the Company’s private placement. The address for this holder is 4445 Eastgate Mall, San Diego, California 92121.

(10) The address for this holder is 403 Hazeltine Drive, Austin Texas 78734

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

On January 10, 2013, Envision entered into a consulting agreement with GreenCore Capital, LLC ("GreenCore") pursuant to which GreenCore will provide professional services to the Company in addition to acting as a sales channel for the Company's products. Jay Potter, our Director, is the managing member of GreenCore. The Company made payments totaling $56,750 to GreenCore during 2013.

On March 28, 2014, the Company entered into a new consulting agreement with GreenCore and effectively cancelled all prior agreements between the companies. GreenCore will continue to provide financial advisory and analytical professional services to the Company as well as acting as a sales channel for Envision products. Related to the professional services provided, GreenCore will receive a payment amounting to $30,000 and the issuance of 260,000 shares of the Companys common stock payable upon the execution of this agreement. Further, in months in which the Company requests the professional services, a monthly payment of $9,000 in cash and the equivalent of $9,000 of the Company's common stock, as defined. Related to the services for which GreenCore is acting as a sales channel for Envision, the Company will pay a cash fee between 1-5% of gross revenue receipts received by the Company dependent upon the involvement of Consultant in such sale, as defined.

In 2009, the Company executed a 10% convertible note payable in the amount of $102,236 due December 31, 2010 to John Evey for amounts loaned to the Company. Mr. Evey joined the Board of Directors on April 27, 2010. Through a series of extensions, the note due date was extended to December 31, 2014. During the fiscal year ended December 31, 2013, in lieu of interest payments, the Company made principal payments on this note amounting to $12,067. The balance of the note as of December 31, 2013 is $110,616 with accrued and unpaid interest amounting to $12,273.

On February 21, 2014, the Company entered into a consulting agreement (the "Consulting Agreement") with Cronus Equity LLC, a Delaware limited liability company ("Cronus"), to be effective as of February 1, 2014, pursuant to which Cronus will provide professional services to the Company. Paul Feller, a director of Envision, is a managing partner of Cronus and the individual performing such professional services on behalf of Cronus. In consideration for providing these services to the Company, Cronus will receive a monthly fee amounting to $10,000 unless such amount is otherwise jointly agreed by the parties. Cronus may also be asked to perform additional services as it relates to the raising of capital by the Company, and if so, will be compensated with additional consulting fees that will be mutually agreed to by the parties.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The Company's Board of Directors reviews and approves audit and permissible non-audit services performed by its independent registered public accounting firm, as well as the fees charged for such services. In its review of non-audit service and its appointment of Salberg & Company, P.A. as our independent registered public accounting firm, the Board considered whether the provision of such services is compatible with maintaining independence. All of the services provided and fees charged by Salberg & Company, P.A. in 2013 and 2012 were approved by the Board of Directors. The following table shows the fees for the years ended December 31, 2013 and 2012:

	2013	2012
Audit Fees (1)	$ 56,200	$ 55,600
Audit Related Fees (2)	$ 0	$ 0
Tax Fees (3)	$ 0	$ 0
All Other Fees	$ 0	$ 0

(1) Audit fees – these fees relate to the audit of our annual consolidated financial statements and the review of our interim quarterly financial statements.
(2) Audit related fees – no fees of this sort were billed by Salberg & Company P.A., our principal accountant during 2013 and 2012.
(3) Tax fees – no fees of this sort were billed by Salberg & Company P.A., our principal accountant during 2013 and 2012.

Pre-Approval Policies and Procedures of Audit and Non-Audit Services of Independent Registered Public Accounting Firm

The Board of Director's policy is to pre-approve, typically at the beginning of our fiscal year, all audit and non-audit services, other than de minimis non-audit services, to be provided by an independent registered public accounting firm. These services may include, among others, audit services, audit-related services, tax services and other services and such services are generally subject to a specific budget. The independent registered public accounting firm and management are required to periodically report to the full Board of Directors regarding the extent of services provided by the independent registered public accounting firm in accordance with this pre-approval, and the fees for the services performed to date. As part of the Board's review, the Board will evaluate other known potential engagements of the independent auditor, including the scope of work proposed to be performed and the proposed fees, and approve or reject each service, taking into account whether the services are permissible under applicable law and the possible impact of each non-audit service on the independent auditor's independence from management. At audit committee meetings throughout the year, the auditor and management may present subsequent services for approval. Typically, these would be services such as due diligence for an acquisition, that would not have been known at the beginning of the year.

The Board of Directors has considered the provision of non-audit services provided by our independent registered public accounting firm to be compatible with maintaining their independence. The audit committee will continue to approve all audit and permissible non-audit services provided by our independent registered public accounting firm.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following consolidated financial statements are included in Item 8 of this report:

1. Financial Statements

   Report of Independent Registered Public Accounting Firm

   Consolidated Balance Sheets at December 31, 2013 and December 31, 2012

   Consolidated Statements of Operations for the Years Ended December 31, 2013 and 2012

   Consolidated Statements of Changes in Stockholders' Deficit for the Years Ended December 31, 2013 and 2012

   Consolidated Statements of Cash Flows for the Years Ended December 31, 2013 and 2012

   Notes to Consolidated Financial Statements

2. Financial Statement Schedule

   None

The following exhibits are included with this filing:

3. Exhibits

Exhibit No.	Description
2.1	Agreement of Merger and Plan of Reorganization, dated February 10, 2010, by and among Casita Enterprises, Inc., ESII Acquisition Corp. and Envision Solar International, Inc.(1)
3.1	Articles of Incorporation(2)
3.2	Bylaws (2)
10.1	2007 Unit Option Plan of Envision Solar, LLC, dated as of July 2007(1)
10.2	Asset Purchase Agreement, dated as of January, 2008, by and among Envision Solar International, Inc. and Generating Assets, LLC(1)
10.3	Warrant, dated as of January 11, 2008, issued to Squire, Sanders & Dempsey L.L.P.(1)
10.4	Securities Purchase Agreement, dated as of November 12, 2008, by and between Envision Solar International, Inc. and Gemini Master Fund, Ltd.(1)
10.5	Secured Bridge Note, dated November 12, 2008, issued to Gemini Master Fund, Ltd.(1)
10.6	Security Agreement, dated as of November 12, 2008, by and among Envision Solar International, Inc., Envision Solar Construction, Inc., Envision Solar Residential, Inc., Envision Africa, LLC, Gemini Master Fund, Ltd. and Gemini Strategies, LLC(1)
10.7	Intellectual Property Security Agreement, dated as of November 12, 2008, by and among Envision Solar International, Inc., Envision Solar Construction, Inc., Envision Solar Residential, Inc., Envision Africa, LLC Gemini Master Fund, Ltd. and Gemini Strategies, LLC (1)
10.8	Subsidiary Guarantee, dated as of November 12, 2008, by and among Envision Solar International, Inc., Envision Solar Construction, Inc., Envision Solar Residential, Inc., Envision Africa, LLC and Gemini Strategies, LLC(1)
10.9	Forbearance Agreement, dated as of April 11, 2009, by and among Envision Solar International, Inc., Envision Solar Construction, Inc., Envision Solar Residential, Inc., Envision Africa, LLC and Gemini Master Fund, Ltd.(1)
10.10	Subordination Agreement, dated as of October 1, 2009, by and among Envision Solar International, Inc., Envision Solar Construction, Inc., Envision Solar Residential, Inc., Envision Africa, LLC, Jon Evey, Gemini Master Fund, Ltd. and Gemini Strategies, LLC(1)
10.11	Amendment Agreement, dated as of October 30, 2009, by and among Envision Solar International, Inc., Envision Solar Construction, Inc., Envision Solar Residential, Inc., Envision Africa, LLC, Gemini Master Fund, Ltd. and Gemini Strategies, LLC(1)

10.12	Lock-up Agreement, dated as of October 30, 2009, by and between Envision Solar International, Inc. and Robert Noble(1)
10.13	Lease dated as of December 17, 2009 by and between Pegasus KM, LLC and Envision Solar International, Inc.(1)
10.14	10% Subordinated Convertible Promissory Note, dated December 17, 2009, issued to Mark Mandell, William Griffith and Pegasus Enterprises, LP(1)
10.15	Amended and Restated 10% Subordinated Convertible Promissory Note, dated as of December 31, 2010, issued to John Evey(1)
10.16	Agreement of Conveyance, Transfer and Assignment of Assets and Assumption of Obligations, dated as of February 10, 2010, by and between Casita Enterprises, Inc. and Casita Enterprises Holdings, Inc.(1)
10.17	Stock Purchase Agreement, dated February 10, 2010, by and between Casita Enterprises, Inc. and Jose Cisneros, Marco Martinez, Paco Sanchez, Don Miguel and Lydia Marcos(1)
10.18	Selling Agreement between Envision Solar International, Inc and Allied Beacon Partners, Inc.(3)
10.19	Letter of Intent with General Motors, LLC.(4)
10.20	Selling Agreement with Allied Beacon Partners, Inc., dated January 8, 2013(5)
10.21	Consulting Agreement with GreenCore Capital, LLC, dated January 10, 2013(5)
10.22	Teaming Agreement with Horizon Energy Group signed January 16, 2013(6)
10.23	Restricted Stock Agreement between the Company and Paul H. Feller, dated January 23, 2014(7)
10.24	Consulting Agreement with Cronus Equity LLC, dated February 21, 2014(8)
10.25	Fourth Extension and Amendment Agreement between Envision Solar International, Inc. and Gemini Master Fund Ltd and Gemini Strategies LLC dated as of February 28, 2014 with Exhibits
10.26	Consulting Agreement with GreenCore Capital, LLC, dated March 28, 2014
31.1	Section 302 Certification of Principal Executive Officer
31.2	Section 302 Certification of Principal Accounting Officer
32.1	Section 906 Certification of Principal Executive Officer
32.2	Section 906 Certification of Principal Accounting Officer
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.DEF	XBRL Definition Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document

(1) Incorporated by reference to the Form 8K filed with the Securities and Exchange Commission, dated February 12, 2010.
(2) Incorporated by reference to the Form SB-2 Registration Statement filed with the Securities and Exchange Commission dated November 2, 2007.
(3) Incorporated by reference to the Form 8K filed with the Securities and Exchange Commission, dated September 9, 2011.
(4) Incorporated by reference to the Form 8K filed with the Securities and Exchange Commission, filed on March 28, 2012.
(5) Incorporated by reference to the Form 8K filed with the Securities and Exchange Commission, dated January 11, 2013.
(6) Incorporated by reference to the Form 8K filed with the Securities and Exchange Commission, dated January 16, 2013.
(7) Incorporated by reference to the Form 8K filed with the Securities and Exchange Commission, dated January 28, 2014.
(8) Incorporated by reference to the Form 8K filed with the Securities and Exchange Commission, dated February 26, 2014.

SIGNATURES

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

Envision Solar International, Inc.

Dated: March 31, 2014

By: **/s/ Desmond Wheatley**
Desmond Wheatley, Chief Executive Officer and President
(Principal Executive Officer)

By: **/s/ Chris Caulson**
Chris Caulson, Chief Financial Officer
(Principal Financial Officer)

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

By: /s/Robert Noble **Dated: March 31, 2014**
Robert Noble, Chairman

By: /s/Jay S. Potter **Dated: March 31, 2014**
Jay S. Potter, Director

By: /s/John Evey **Dated: March 31, 2014**
John Evey, Director

By: /s/Paul Feller **Dated: March 31, 2014**
Paul Feller, Director

EXHIBIT 10.25

FOURTH EXTENSION AND AMENDMENT AGREEMENT

This Fourth Extension and Amendment Agreement (this "***Agreement***"), effective as of December 31, 2013, is entered into as of February 28, 2014 by and among Envision Solar International, Inc., a Nevada corporation ("***Company***"), Envision Solar Construction, Inc., a California corporation (collectively with any other guarantors of the Notes or A&R Note (as defined herein), the "***Envision Guarantors***" or "***Guarantors***"), and Gemini Master Fund, Ltd., a Cayman Islands corporation (the "***Investor***"), and Gemini Strategies LLC, Inc., a Nevada corporation ("***Collateral Agent***"). The Company and the Guarantors are sometimes referred to herein individually as an "***Envision Entity***" and collectively as the "***Envision Entities***". Capitalized terms used herein, but not otherwise defined, shall have the meanings ascribed to them in that certain Securities Purchase Agreement, dated as of November 12, 2008, between the Company and the Investor (the "***Purchase Agreement***"), that certain Assumption Agreement, dated as of February 12, 2010, between the Company and the Investor (the "***Assumption Agreement***"), that certain Extension and Amendment Agreement, dated as of December 31, 2010, between the Company and the Investor (the "***First Extension Agreement***"), that certain Second Extension and Amendment Agreement, dated as of December 23, 2011, between the Company and the Investor (the "***Second Extension Agreement***"), that certain Third Extension and Amendment Agreement, dated as of December 28, 2012, between the Company and the Investor (the "***Third Extension Agreement***", and together with the First Extension Agreement and Second Extension Agreement, the "***Extension Agreements***"), or the Notes or other Transaction Documents, as applicable.

R E C I T A L S:

WHEREAS, pursuant to the Assumption Agreement, the Company issued to the Investor that certain Second Amended and Restated Secured Bridge Note in the original principal amount, as of the issuance date thereof of February 12, 2010, equal to $811,792.20, which as of December 31, 2013 had an outstanding principal amount equal to $1,203,657.93 pursuant to the Extension Agreements ("***Original Note***");

WHEREAS, on or about March 10, 2010, the Investor loaned to the Company an additional $75,000, which loan was evidenced by an additional Secured Bridge Note issued by the Company to the Investor in the amount of $75,000, which as of December 31, 2013 had an outstanding principal amount equal to $110,218.69 pursuant to the Extension Agreements ("***March 2010 Note***");

WHEREAS, on or about April 22, 2010, the Investor loaned to the Company an additional $50,000, which loan was evidenced by an additional Secured Bridge Note issued by the Company to the Investor in the amount of $50,000, which as of December 31, 2013 had an outstanding principal amount equal to $92,448.83 pursuant to the Extension Agreements ("***April 2010 Note***", and together with the Original Note and the March 2010 Note, the "***Notes***");

WHEREAS, the Guarantors have entered into that certain Subsidiary Guarantee, dated as of November 12, 2008 (the "***Guarantee***"), pursuant to which each Guarantor has guaranteed the satisfaction of all the obligations of the Company under the Transaction Documents, including without limitation all of the Notes;

WHEREAS (a) on or about February 12, 2010 the Company and the Guarantors entered into that certain Security Agreement, (b) on or about November 12, 2008 the Company's predecessor and the Guarantors entered into that certain Security Agreement and that certain Intellectual Property Security Agreement, (c) on or about December 31, 2010 the Company entered into that certain Intellectual Property Security Agreement, (d) as of January 1, 2012 Gemini Strategies, LLC, a Delaware limited liability company, resigned as Collateral Agent and the Collateral Agent referred to herein was appointed Collateral Agent, and (e) on or about March 15, 2013 the Company entered into that certain Intellectual Property Security Agreement (the "***2013 Security Agreement***", and together with all such security agreements, as amended to date, collectively, the "***Security Agreements***"), pursuant to which the Company and the Guarantors have each granted a security interest in its assets and properties to the Investor and the Collateral Agent to secure the satisfaction of all the obligations of the Envision Entities under the Transaction Documents, including without limitation all of the Notes;

WHEREAS, the Company has not yet made the quarterly interest payments due under the Notes for calendar year 2013, and the totally amount of interest due as of December 31, 2013 under all the Notes equals $145,994.71 ("***Interest Amount***");

WHEREAS, the Company failed to repay the Notes on the Maturity Date therefor and is currently unable to repay the Notes;

WHEREAS, the Company desires, and the Investor is willing to accept, an extension of the Maturity Date under all the Notes pursuant to the terms and conditions set forth herein; and

WHEREAS, the Company has requested that the Investor convert a portion of the Notes into shares of Common Stock, and the Investor is willing to convert a portion of the Notes pursuant to the terms and conditions set forth herein;

A G R E E M E N T:

NOW, THEREFORE, in consideration of the foregoing and subject to the terms and conditions herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Extension.** The Maturity Date under all the Notes is hereby amended to be June 30, 2015.

2. **Extension Warrant.** In consideration for the extension granted in Section 1 above, the Company shall issue to the Investor a warrant to purchase 1,500,000 shares of Common Stock of the Company in the form of Exhibit A attached hereto ("***Extension Warrant***"). The Company shall issue and deliver the Extension Warrant to the Investor duly executed by the Company within five (5) Business Days following full execution hereof.

3. **Conversion Price.** The Company hereby represents, acknowledges, confirms and agrees that the Conversion Price under each of the Notes has been reduced to equal $0.15 in accordance with the terms of the Notes due the Company's issuance of securities (subject to further adjustment as set forth in Section 5 of each such Note).

4. **Beneficial Ownership Limitation.** The Company and the Investor hereby agree that effective as of February 28, 2014 the Beneficial Ownership Limitation, as defined and set forth in Notes, shall be increased from 4.9% to 9.9%.

5. **Principal and Interest.**

5.1. Amounts Due. The Company, the Guarantors and the Investor hereby represent, acknowledge, confirm and agree that (a) the Interest Amount accrued and unpaid under the Notes for 2013 equals $145,994.71, and (b) the aggregate principal amount outstanding under all of the Notes as of December 31, 2013 equals $1,406,325.45. The Company unconditionally owes such aggregate amounts outstanding under the Notes to the Investor, without offset, defense or counterclaim of any kind, nature or description whatsoever.

5.2. Interest Shares. The Company shall pay the Interest Amount in shares of Common Stock at a price of $0.15 per share, such that in satisfaction of such Interest Amount due as of December 31, 2013 the Company shall issue to the Investor 973,298 duly authorized, validly issued, fully paid and non-assesssable shares of Common Stock of the Company ("***Interest Shares***"). The Company shall issue and deliver the Interest Shares to the Investor within ten (10) Business Days following full execution hereof.

6. **Early Conversion.**

6.1. Conversion. The Investor shall, contemporaneously herewith, convert $550,000 in principal amount of the Notes, plus accrued but unpaid interest thereon, into 3,727,778 shares of Common Stock ("***Early Conversion Shares***") by executing and delivering to the Company herewith the completed form of conversion notice attached hereto as Exhibit C. Notwithstanding anything contained in the Notes, the Company shall deliver the Early Conversion Shares to the Investor within ten (10) Business Days following full execution hereof.

6.2. Early Conversion Warrant. In consideration for effecting the conversion contemplated by Section 6.1 above, the Company shall issue to the Investor a warrant to purchase 3,727,778 shares of Common Stock of the Company in the form of Exhibit A attached hereto ("***Early Conversion Warrant***", and together with the Extension Warrant, the "***Warrants***"). The Company shall issue and deliver the Early Conversion Warrant to the Investor duly executed by the Company within five (5) Business Days following full execution hereof.

7. **Amended Note.** The Company shall substitute and amend each of the Notes by exchanging, substituting and merging all such Notes for and into a single new Third Amended and Restated Secured Bridge Note, in the form of Exhibit B attached hereto, in the principal amount equal to $1,406,325.45 less the $550,000 in principal converted pursuant to Section 6.1 above, or $856,325.45 ("***A&R Note***"). The Company shall issue and deliver the A&R Note to the Investor duly executed by the Company within five (5) Business Days following full execution hereof.

8. **Rule 144.** The Company acknowledges and agrees that, for purposes of Rule 144 promulgated under the Securities Act, the holding period for the A&R Note, the Conversion Shares issuable upon conversion of, or otherwise pursuant to, the A&R Note (including without limitation the Early Conversion Shares), the Warrants and the Interest Shares shall have commenced on April 22, 2010 (the original issuance date of the last Note issued). Such Conversion Shares and Interest Shares shall be issued without any legends, trading restrictions or stop orders. The Company shall not take any position inconsistent with the foregoing and shall, if reasonably requested by an Investor, cause the Company's legal counsel to issue a legal opinion to the effect that any such Conversion Shares and Interest Shares are freely tradable without restriction or legends. Without limiting the foregoing, on or prior to the seventh (7^{th}) Business Day following the date on which this Agreement is fully executed, the Company shall cause its legal counsel to issue a legal opinion, to the Investor and the Company's transfer agent, to the effect that the Early Conversion Shares and Interest Shares may be freely traded without restriction thereon nor legend on any stock certificates therefor. The Company, or the Company's transfer agent, shall cause one of more unlegended stock certificates evidencing the Early Conversion Shares and Interest Shares to be delivered to the Investor's nominee at the following name and address, and with the following instructions to the recipient, within ten (10) Business Days following the date on which this Agreement is fully executed:

Name:	Knotfloat & Co. F/B/O Gemini Master Fund, Ltd.	
Address:	DTCC-Newport Office Center 570 Washington Blvd 5th Floor / NY Window Jersey City, NJ 07310 Attn: Mr. Robert Mendez	
Instructions:	For deposit into the account of:	
	Account Name:	Gemini Master Fund, Ltd.
	Account Number:	680240
	Broker:	Deutsche Bank

The A&R Note shall not constitute a novation or satisfaction and accord of any of the Notes. The Company hereby acknowledges and agrees that the A&R Note shall merely amend and continue the terms and provisions contained in the Notes and shall not extinguish or release the Company or any of its Subsidiaries under any Transaction Document or otherwise constitute a novation of its obligations thereunder or otherwise affect in any way the security interest under the Security Agreements securing all the Company's and Guarantors' obligations under the Notes and A&R Note.

9. **Intellectual Property.** The Company hereby represents and warrants that it has not filed nor been issued any additional patents, patent applications, trademarks or trademark applications since February 12, 2010 other than the patent application described in the 2013 Security Agreement (which application was subsequently granted and patent number 8,648,551 was issued for such application).

10. Other Agreements.

10.1. References to Notes and Transaction Documents. All references in the Transaction Documents and herein to (i) "Transaction Documents" shall be deemed to be references to the Transaction Documents (as currently defined in the Purchase Agreement and as amended by the amendments thereto), this Agreement, the Extension Agreements, the Forbearance Agreement, the Casita Security Agreement, the Security Agreements, the Guarantee, the Notes, the A&R Note, the Warrants, the Assumption Agreement, and the Lock-Up Agreement, and (ii) "Note" or "Notes" shall be deemed to be references to collectively the A&R Note, as may be amended (including without limitation any future Notes issued to the Investor).

10.2. Disclosure. If the Company takes the position that the amendments and transactions contemplated hereby constitute material non-public information concerning the Company, then the Company shall, within two business days following the date hereof, file a Form 8-k and/or issue a press release disclosing the material terms of the transactions contemplated hereby. If the Company does not so file any Form 8-k or issue any press release, then the Company hereby represents and warrants that the amendments and transactions contemplated hereby do not constitute material non-public information concerning the Company. The Company and the Investor shall consult with each other in issuing any other press releases with respect to the transactions contemplated hereby and other press releases to be issued by the Company.

10.3. Security Continued. The Envision Entities' obligations under all the Transaction Documents, including without limitation this Agreement, the A&R Note and the Warrants, shall be secured by all the assets of the Envision Entities pursuant to the Security Agreements as if this Agreement and the A&R were in effect at the time of execution of such Security Agreements and referenced therein. The Envision Entities' shall execute such other agreements, documents and financing statements reasonably requested by the Investor, which will be filed at the Company's expense with the applicable jurisdictions and authorities.

11. Miscellaneous.

11.1. Effect of this Agreement. Except as modified pursuant hereto, no other changes or modifications to the Transaction Documents are intended or implied and in all other respects the Transaction Documents are hereby specifically ratified, restated and confirmed by all parties hereto as of the date hereof. To the extent of conflict between the terms of this Agreement and the original Transaction Documents, the terms of this Agreement shall control. The Transaction Documents, including without limitation this Agreement, shall be read and construed as one agreement. This Agreement shall not become effective unless and until the Investor has received the A&R Note, the Interest Shares and the Warrants, which receipt shall be a condition precedent to the effectiveness of this Agreement.

11.2. Acknowledgment and continuation of Security Interests. The Envision Entities hereby acknowledge, confirm and agree that (a) the Investor has and shall continue to have valid, enforceable and perfected Liens upon and security interests in the assets and properties of the Envision Entities heretofore granted to the Investor pursuant to, and having first priority as set forth in, the Security Agreements, securing all obligations under the Transaction Documents, including without limitation the A&R Note, and (b) the A&R Note is guaranteed by the Guarantors pursuant to the Guarantee. The Envision Entities hereby acknowledge, confirm and agree that the Investor has and shall continue to have valid and enforceable assignments of the patents, trademarks and other intellectual property and other assets assigned by the Envision Entities, including without limitation those listed on the annexes to the Security Agreements.

11.3. Expenses. As and for the expenses incurred by the Investor in connection with this Agreement and the transactions contemplated hereby, the Company shall promptly pay to the Investor or its counsel a non-accountable, non-refundable sum equal to $6,500 upon execution hereof, which payment shall be a condition precedent to the effectiveness of this Agreement.

11.4. Further Assurances. The parties hereto shall execute and deliver such additional documents and take such additional action as may be reasonably necessary or desirable to effectuate the provisions and purposes of this Agreement.

11.5. Governing Law. The rights and obligations hereunder of each of the parties hereto shall be governed by and interpreted and determined in accordance with the internal laws of the State of New York without regard to principle of conflicts of laws, but excluding any rule of law that would cause the application of the law of any jurisdiction other than the laws of the State of New York.

11.6. Counterparts. This Agreement may be executed in any number of counterparts, but all of such counterparts shall together constitute but one and the same agreement. In making proof of this Agreement, it shall not be necessary to produce or account for more than one counterpart thereof signed by each of the parties hereto. Delivery of an executed counterpart of this Agreement by telefacsimile or .pdf shall have the same force and effect as delivery of an original executed counterpart of this Agreement.

11.7. New York Civil Procedure Law and Rules Section 3213. The A&R Note shall be deemed an unconditional obligation of each of the Envision Entities for the payment of money and, without limitation to any other remedies of the Investor, may be enforced against the Envision Entities by summary proceeding pursuant to New York Civil Procedure Law and Rules Section 3213 or any similar rule or statute in the jurisdiction where enforcement is sought. For purposes of such rule or statute, any other document or agreement to which the Investor and the Envision Entities are parties or which any Envision Entity delivered to the Investor, which may be convenient or necessary to determine the Investor's rights under the A&R Note or any Envision Entity's obligations to the Investor are deemed a part of the A&R Note, whether or not such other document or agreement was delivered together with the A&R Note or was executed apart from the A&R Note.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

ENVISION SOLAR INTERNATIONAL, INC., a Nevada corporation

By:__/s/ Desmond Wheatley
Name: Desmond Wheatley
Title: CEO

ENVISION SOLAR CONSTRUCTION, INC., a California corporation

By:___/s/ Desmond Wheatley
Name: Desmond Wheatley
Title: CEO

GEMINI MASTER FUND, LTD.
By: GEMINI STRATEGIES LLC, INC., as investment manager

By: /s/ Steven Winters
Name: Steven Winters
Title: President

GEMINI STRATEGIES LLC, INC., as Agent

By: /s/ Steven Winters
Name: Steven Winters
Title: President

EXHIBIT A

Form of Warrants

COMMON STOCK PURCHASE WARRANT

ENVISION SOLAR INTERNATIONAL, INC.

Warrant Shares: _____ Issue Date: March __, 2014

This COMMON STOCK PURCHASE WARRANT (the "Warrant") certifies that, for value received, GEMINI MASTER FUND, LTD. (the "Holder") is entitled, upon the terms and subject to the limitations on exercise and the conditions hereinafter set forth, at any time and from time to time on or after the Issue Date (as defined above) and on or prior to the close of business on March 15, 2017 (the "Termination Date") but not thereafter, to subscribe for and purchase from Envision Solar International, Inc., a Nevada corporation (the "Company"), up to **[1,500,000] [3,727,778]**[1] shares (the "Warrant Shares") of Common Stock. The purchase price of one share of Common Stock under this Warrant shall be equal to the Exercise Price, as defined in Section 2(b).

Section 1. Definitions. Capitalized terms used and not otherwise defined herein shall have the meanings set forth in that certain Fourth Extension and Amendment Agreement, dated as of December 31, 2013, between the Company and the Holder (the "Extension Agreement"), or that certain Securities Purchase Agreement, dated as of November 12, 2008, between the Company and the Holder (the "Purchase Agreement"), or that certain Third Amended and Restated Secured Bridge Note issued by the Company to the Holder on or about the date hereof, as the case may be.

Section 2. Exercise.

a) Exercise of Warrant. Exercise of the purchase rights represented by this Warrant may be made, in whole or in part, at any time and from time to time on or after the Issue Date and on or before the Termination Date by delivery to the Company of a duly executed facsimile copy or email of an executed PDF of the Notice of Exercise Form annexed hereto (or such other office or agency of the Company as it may designate by notice in writing to the registered Holder at the address of the Holder appearing on the books of the Company); and, within 3 Trading Days of the date said Notice of Exercise is delivered to the Company, the Company shall have received payment of the aggregate Exercise Price of the shares thereby purchased by wire transfer or cashier's check drawn on a United States bank, unless payment is being made by cashless exercise as provided in Section 2(c) below. Notwithstanding anything herein to the contrary, the Holder shall not be required to physically surrender this Warrant to the Company until the Holder has purchased all of the Warrant Shares available hereunder and the Warrant has been exercised in full, in which case the Holder shall surrender this Warrant to the Company for cancellation within 3 Trading Days of the date the final Notice of Exercise is delivered to the Company. Partial exercises of this Warrant resulting in purchases of a portion of the total number of Warrant Shares available hereunder shall have the effect of lowering the outstanding number of Warrant Shares purchasable hereunder in an amount equal to the applicable number of Warrant Shares purchased. The Holder and the Company shall maintain records showing the number of Warrant Shares purchased and the date of such purchases. In the event of any dispute or discrepancy, the records of the Holder shall be controlling and determinative in the absence of manifest error. The Holder and any assignee, by acceptance of this Warrant, acknowledge and agree that, by reason of the provisions of this paragraph, following the purchase of a portion of the Warrant Shares hereunder, the number of Warrant Shares available for purchase hereunder at any given time may be less than the amount stated on the face hereof.

b) Exercise Price. The exercise price per share of the Common Stock under this Warrant shall be $0.20, subject to adjustment hereunder (the "Exercise Price").

[1] Insert applicable amount for Extension Warrant or Early Conversion Warrant, as the case may be.

c) Cashless Exercise. This Warrant may be exercised by means of a "cashless exercise" in which the Holder shall be entitled to receive a certificate for the number of Warrant Shares equal to the quotient obtained by dividing [(A-B) (X)] by (A), where:

(A) = the VWAP on the Trading Day immediately preceding the date of such election;

(B) = the Exercise Price of this Warrant, as adjusted; and

(X) = the number of Warrant Shares issuable upon exercise of this Warrant in accordance with the terms of this Warrant by means of a cash exercise rather than a cashless exercise.

Notwithstanding anything herein to the contrary, on the Termination Date, this Warrant shall be automatically exercised via cashless exercise pursuant to this Section 2(c).

d) Holder's Restrictions. The Company shall not effect any exercise of this Warrant, and a Holder shall not have the right to exercise any portion of this Warrant, pursuant to Section 2 or otherwise, to the extent that after giving effect to such issuance after exercise as set forth on the applicable Notice of Exercise, the Holder (together with the Holder's Affiliates, and any other person or entity acting as a group together with the Holder or any of the Holder's Affiliates), would beneficially own in excess of the Beneficial Ownership Limitation (as defined below). For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by the Holder and its Affiliates shall include the number of shares of Common Stock issuable upon exercise of this Warrant with respect to which such determination is being made, but shall exclude the number of shares of Common Stock which would be issuable upon (A) exercise of the remaining, nonexercised portion of this Warrant beneficially owned by the Holder or any of its Affiliates and (B) exercise or conversion of the unexercised or nonconverted portion of any other securities of the Company (including, without limitation, any other Common Stock Equivalents) subject to a limitation on conversion or exercise analogous to the limitation contained herein beneficially owned by the Holder or any of its Affiliates. Except as set forth in the preceding sentence, for purposes of this Section 2(d), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder, it being acknowledged by the Holder that the Company is not representing to the Holder that such calculation is in compliance with Section 13(d) of the Exchange Act and the Holder is solely responsible for any schedules required to be filed in accordance therewith. To the extent that the limitation contained in this Section 2(d) applies, the determination of whether this Warrant is exercisable (in relation to other securities owned by the Holder together with any Affiliates) and of which portion of this Warrant is exercisable shall be in the sole discretion of the Holder, and the submission of a Notice of Exercise shall be deemed to be the Holder's determination of whether this Warrant is exercisable (in relation to other securities owned by the Holder together with any Affiliates) and of which portion of this Warrant is exercisable, in each case subject to the Beneficial Ownership Limitation, and the Company shall have no obligation to verify or confirm the accuracy of such determination. In addition, a determination as to any group status as contemplated above shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. For purposes of this Section 2(d), in determining the number of outstanding shares of Common Stock, a Holder may rely on the number of outstanding shares of Common Stock as reflected in (x) the Company's most recent periodic or annual report, as the case may be, (y) a more recent public announcement by the Company or (z) any other notice by the Company or the Company's Transfer Agent setting forth the number of shares of Common Stock outstanding. Upon the written or oral request of a Holder, the Company shall within three Trading Days confirm orally and in writing to the Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Warrant, by the Holder or its Affiliates since the date as of which such number of outstanding shares of Common Stock was reported. The "Beneficial Ownership Limitation" shall be 9.9% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon exercise of this Warrant. By written notice to the Company, the Holder may at any time and from time to time increase or decrease the Beneficial Ownership Limitation to any other percentage specified in such notice (or specify that the Beneficial Ownership Limitation shall no longer be applicable), provided, however, that (A) any such increase (or inapplicability) shall not be effective until the sixty-first (61st) day after such notice is delivered to the Company, and (B) any such increase or decrease shall apply only to the Holder and not to any other holder of Warrants. The provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 2(d) to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Beneficial Ownership Limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitations contained in this paragraph shall apply to a successor holder of this Warrant.

e) Mechanics of Exercise.

i. Delivery of Certificates Upon Exercise. Certificates for shares purchased hereunder shall be transmitted by the transfer agent of the Company to the Holder by crediting the account of the Holder's prime broker with the Depository Trust Company ("DTC") through its Deposit Withdrawal Agent Commission ("DWAC") system if the Company is a participant in such system and either (x) there is an effective Registration Statement permitting the resale of the Warrant Shares by the Holder, or (y) such shares may be sold pursuant to Rule 144, and otherwise by physical delivery to the address specified by the Holder in the Notice of Exercise, within 3 Trading Days from the delivery to the Company of the Notice of Exercise, surrender of this Warrant (if required) and payment of the aggregate Exercise Price as set forth above ("Warrant Share Delivery Date"). This Warrant shall be deemed to have been exercised on the date the Exercise Price is received by the Company. The Warrant Shares shall be deemed to have been issued, and the Holder or any other person so designated to be named therein shall be deemed to have become a holder of record of such shares for all purposes, as of the date the Warrant has been exercised by payment to the Company of the Exercise Price (or by cashless exercise) and all taxes required to be paid by the Holder, if any, pursuant to Section 2(e)(vi) prior to the issuance of such shares, have been paid. If the Company fails for any reason to deliver to the Holder the Warrant Shares or certificates evidencing the Warrant Shares subject to a Notice of Exercise by the third (3rd) Trading Day after the Warrant Share Delivery Date, the Company shall pay to the Holder, in cash, as liquidated damages and not as a penalty, for each $1,000 of Warrant Shares subject to such exercise (based on the VWAP of the Common Stock on the date of the applicable Notice of Exercise), $10 per Trading Day (increasing to $20 per Trading Day on the fifth Trading Day after such liquidated damages begin to accrue) for each Trading Day after such third (3rd) Trading Day following the Warrant Share Delivery Date until such shares or certificates are delivered.

ii. Delivery of New Warrants Upon Exercise. If this Warrant shall have been exercised in part, the Company shall, at the request of a Holder and upon surrender of this Warrant certificate, at the time of delivery of the certificate or certificates representing Warrant Shares, deliver to Holder a new Warrant evidencing the rights of Holder to purchase the unpurchased Warrant Shares called for by this Warrant, which new Warrant shall in all other respects be identical with this Warrant.

iii. Rescission Rights. If the Company fails to cause its transfer agent to transmit to the Holder a certificate or certificates representing the Warrant Shares (or otherwise transmit such shares via DWAC to the Holder's DTC account) pursuant to this Section 2(e) by the Warrant Share Delivery Date, then the Holder will have the right to rescind such exercise.

iv. Compensation for Buy-In on Failure to Timely Deliver Certificates Upon Exercise. In addition to any other rights available to the Holder, if the Company fails to cause its transfer agent to transmit to the Holder a certificate or certificates representing the Warrant Shares (or otherwise transmit such shares via DWAC to the Holder's DTC account) pursuant to an exercise on or before the Warrant Share Delivery Date, and if after such date the Holder is required by its broker to purchase (in an open market transaction or otherwise) or the Holder's brokerage firm otherwise purchases, shares of Common Stock to deliver in satisfaction of a sale by the Holder of the Warrant Shares which the Holder anticipated receiving upon such exercise (a "Buy-In"), then the Company shall (1) pay in cash to the Holder the amount by which (x) the Holder's total purchase price (including brokerage commissions, if any) for the shares of Common Stock so purchased exceeds (y) the amount obtained by multiplying (A) the number of Warrant Shares that the Company was required to deliver to the Holder in connection with the exercise at issue times (B) the price at which the sell order giving rise to such purchase obligation was executed, and (2) at the option of the Holder, either reinstate the portion of the Warrant and equivalent number of Warrant Shares for which such exercise was not honored or deliver to the Holder the number of shares of Common Stock that would have been issued had the Company timely complied with its exercise and delivery obligations hereunder. For example, if the Holder purchases Common Stock having a total purchase price of $11,000 to cover a Buy-In with respect to an attempted exercise of shares of Common Stock with an aggregate sale price giving rise to such purchase obligation of $10,000, under clause (1) of the immediately preceding sentence the Company shall be required to pay the Holder $1,000. The Holder shall provide the Company written notice indicating the amounts payable to the Holder in respect of the Buy-In and, upon request of the Company, evidence of the amount of such loss. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company's failure to timely deliver the Warrant Shares or certificates representing shares of Common Stock upon exercise of the Warrant as required pursuant to the terms hereof.

v. No Fractional Shares or Scrip. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant. As to any fraction of a share which the Holder would otherwise be entitled to purchase upon such exercise, the Company shall at its election, either pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Exercise Price or round up to the next whole share.

vi. Charges, Taxes and Expenses. Issuance of certificates for Warrant Shares shall be made without charge to the Holder for any issue or transfer tax or other incidental expense in respect of the issuance of such certificate, all of which taxes and expenses shall be paid by the Company, and such certificates shall be issued in the name of the Holder or in such name or names as may be directed by the Holder; provided, however, that in the event certificates for Warrant Shares are to be issued in a name other than the name of the Holder, this Warrant when surrendered for exercise shall be accompanied by the Assignment Form attached hereto duly executed by the Holder; and the Company may require, as a condition thereto, the payment of a sum sufficient to reimburse it for any transfer tax incidental thereto.

vii. Closing of Books. The Company will not close its stockholder books or records in any manner which prevents the timely exercise of this Warrant, pursuant to the terms hereof.

Section 3. Certain Adjustments.

a) Stock Dividends and Splits. If the Company, at any time while this Warrant is outstanding: (A) pays a stock dividend or otherwise makes a distribution or distributions on shares of its Common Stock or any other equity or equity equivalent securities payable in shares of Common Stock (which, for avoidance of doubt, shall not include any shares of Common Stock issued by the Company upon exercise of this Warrant), (B) subdivides outstanding shares of Common Stock into a larger number of shares, (C) combines (including by way of reverse stock split) outstanding shares of Common Stock into a smaller number of shares, or (D) issues by reclassification of shares of the Common Stock any shares of capital stock of the Company, then in each case the Exercise Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event and the number of shares issuable upon exercise of this Warrant shall be proportionately adjusted such that the aggregate Exercise Price of this Warrant shall remain unchanged. Any adjustment made pursuant to this Section 3(a) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

b) Subsequent Rights Offerings. If the Company, at any time while the Warrant is outstanding, shall issue rights, options or warrants to all holders of Common Stock (and not to Holders in their capacity as holders of Warrants) entitling them to subscribe for or purchase shares of Common Stock at a price per share less than the VWAP at the record date mentioned below, then the Exercise Price shall be multiplied by a fraction, of which the denominator shall be the number of shares of the Common Stock outstanding on the date of issuance of such rights or warrants plus the number of additional shares of Common Stock offered for subscription or purchase, and of which the numerator shall be the number of shares of the Common Stock outstanding on the date of issuance of such rights or warrants plus the number of shares which the aggregate offering price of the total number of shares issued (assuming receipt by the Company in full of all consideration payable upon exercise of such rights, options or warrants) would purchase at such VWAP. Such adjustment shall be made whenever such rights or warrants are issued, and shall become effective immediately after the record date for the determination of stockholders entitled to receive such rights, options or warrants.

c) Pro Rata Distributions. If the Company, at any time while this Warrant is outstanding, shall distribute to all holders of Common Stock (and not to Holders in their capacity as holders of Warrants) evidences of its indebtedness or assets (including cash and cash dividends) or rights or warrants to subscribe for or purchase any security other than the Common Stock (which shall be subject to Section 3(b)), then in each such case the Exercise Price shall be adjusted by multiplying the Exercise Price in effect immediately prior to the record date fixed for determination of stockholders entitled to receive such distribution by a fraction of which the denominator shall be the VWAP determined as of the record date mentioned above, and of which the numerator shall be such VWAP on such record date less the then per share fair market value at such record date of the portion of such assets or evidence of indebtedness so distributed applicable to one outstanding share of the Common Stock as determined by the Board of Directors in good faith. In either case the adjustments shall be described in a statement provided to the Holder of the portion of assets or evidences of indebtedness so distributed or such subscription rights applicable to one share of Common Stock. Such adjustment shall be made whenever any such distribution is made and shall become effective immediately after the record date mentioned above.

d) Fundamental Transaction. If, at any time while this Warrant is outstanding, (A) the Company effects any merger or consolidation of the Company with or into another Person, (B) the Company effects any sale of all or substantially all of its assets in one or a series of related transactions, (C) any tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of Common Stock are permitted to tender or exchange their shares for other securities, cash or property, or (D) the Company effects any reclassification of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property (each a "Fundamental Transaction"), then, upon any subsequent exercise of this Warrant, the Holder shall have the right to receive, for each Warrant Share that would have been issuable upon such exercise immediately prior to the occurrence of such Fundamental Transaction, the number of shares of Common Stock of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and any additional consideration (the "Alternate Consideration") receivable as a result of such merger, consolidation or disposition of assets by a holder of the number of shares of Common Stock for which this Warrant is exercisable immediately prior to such event. For purposes of any such exercise, the determination of the Exercise Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one share of Common Stock in such Fundamental Transaction, and the Company shall apportion the Exercise Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon any exercise of this Warrant following such Fundamental Transaction. To the extent necessary to effectuate the foregoing provisions, any successor to the Company or surviving entity in such Fundamental Transaction shall issue to the Holder a new warrant consistent with the foregoing provisions and evidencing the Holder's right to exercise such warrant into Alternate Consideration. The terms of any agreement pursuant to which a Fundamental Transaction is effected shall include terms requiring any such successor or surviving entity to comply with the provisions of this Section 3(d) and insuring that this Warrant (or any such replacement security) will be similarly adjusted upon any subsequent transaction analogous to a Fundamental Transaction. Notwithstanding anything to the contrary, in the event of a Fundamental Transaction, the Company or any successor entity shall pay at the Holder's option, exercisable at any time concurrently with or within 30 days after the consummation of the Fundamental Transaction, an amount of cash equal to the value of this Warrant as determined in accordance with the Black Scholes Option Pricing Model obtained from the "OV" function on Bloomberg L.P. using (i) a price per share of Common Stock equal to the VWAP of the Common Stock for the Trading Day immediately preceding the date of consummation of the applicable Fundamental Transaction, (ii) a risk-free interest rate corresponding to the U.S. Treasury rate for a period equal to the remaining term of this Warrant as of the date of consummation of the applicable Fundamental Transaction and (iii) an expected volatility equal to the 100 day volatility obtained from the "HVT" function on Bloomberg L.P. determined as of the Trading Day immediately following the public announcement of the applicable Fundamental Transaction.

e) Calculations. All calculations under this Section 3 shall be made to the nearest four decimal places or the nearest 1/100th of a share, as the case may be. For purposes of this Section 3, the number of shares of Common Stock deemed to be issued and outstanding as of a given date shall be the sum of the number of shares of Common Stock (excluding treasury shares, if any) issued and outstanding.

f) Voluntary Adjustment By Company. The Company may at any time during the term of this Warrant reduce the then current Exercise Price to any amount and for any period of time deemed appropriate by the Board of Directors of the Company.

g) Notice to Holder.

i. Adjustment to Exercise Price. Whenever the Exercise Price is adjusted pursuant to any provision of this Section 3, the Company shall promptly mail to the Holder a notice setting forth the Exercise Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment.

ii. Notice to Allow Exercise by Holder. If (A) the Company shall declare a dividend (or any other distribution in whatever form) on the Common Stock; (B) the Company shall declare a special nonrecurring cash dividend on or a redemption of the Common Stock; (C) the Company shall authorize the granting to all holders of the Common Stock rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights; (D) the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Stock, any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, of any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property; (E) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company; then, in each case, the Company shall cause to be mailed to the Holder at its last address as it shall appear upon the Warrant Register of the Company, at least 20 calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares of the Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange; provided that the failure to mail such notice or any defect therein or in the mailing thereof shall not affect the validity of the corporate action required to be specified in such notice. The Holder is entitled to exercise this Warrant during the period commencing on the date of such notice to the effective date of the event triggering such notice.

Section 4. Transfer of Warrant.

a) Transferability. Subject to compliance with any applicable securities laws, this Warrant and all rights hereunder (including, without limitation, any registration rights) are transferable, in whole or in part, upon surrender of this Warrant at the principal office of the Company or its designated agent, together with a written assignment of this Warrant substantially in the form attached hereto duly executed by the Holder or its agent or attorney and funds sufficient to pay any transfer taxes payable upon the making of such transfer. Upon such surrender and, if required, such payment, the Company shall execute and deliver a new Warrant or Warrants in the name of the assignee or assignees and in the denomination or denominations specified in such instrument of assignment, and shall issue to the assignor a new Warrant evidencing the portion of this Warrant not so assigned, and this Warrant shall promptly be cancelled. A Warrant, if properly assigned, may be exercised by a new holder for the purchase of Warrant Shares without having a new Warrant issued.

b) New Warrants. This Warrant may be divided or combined with other Warrants upon presentation hereof at the aforesaid office of the Company, together with a written notice specifying the names and denominations in which new Warrants are to be issued, signed by the Holder or its agent or attorney. Subject to compliance with Section 4(a), as to any transfer which may be involved in such division or combination, the Company shall execute and deliver a new Warrant or Warrants in exchange for the Warrant or Warrants to be divided or combined in accordance with such notice. All Warrants issued on transfers or exchanges shall be dated the original Issue Date and shall be identical with this Warrant except as to the number of Warrant Shares issuable pursuant thereto.

c) Warrant Register. The Company shall register this Warrant, upon records to be maintained by the Company for that purpose (the "Warrant Register"), in the name of the record Holder hereof from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Holder, and for all other purposes, absent actual notice to the contrary.

Section 5. Miscellaneous.

a) No Rights as Shareholder Until Exercise. This Warrant does not entitle the Holder to any voting rights or other rights as a shareholder of the Company prior to the exercise hereof as set forth in Section 2(e)(i).

b) Loss, Theft, Destruction or Mutilation of Warrant. The Company covenants that upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant or any stock certificate relating to the Warrant Shares, and in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it (which, in the case of the Warrant, shall not include the posting of any bond), and upon surrender and cancellation of such Warrant or stock certificate, if mutilated, the Company will make and deliver a new Warrant or stock certificate of like tenor and dated as of such cancellation, in lieu of such Warrant or stock certificate.

c) Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then such action may be taken or such right may be exercised on the next succeeding Business Day.

d) Authorized Shares.

The Company covenants that during the period the Warrant is outstanding, it will reserve from its authorized and unissued Common Stock a sufficient number of shares to provide for the issuance of the Warrant Shares upon the exercise of any purchase rights under this Warrant. The Company further covenants that its issuance of this Warrant shall constitute full authority to its officers who are charged with the duty of executing stock certificates to execute and issue the necessary certificates for the Warrant Shares upon the exercise of the purchase rights under this Warrant. The Company will take all such reasonable action as may be necessary to assure that such Warrant Shares may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of the Trading Market upon which the Common Stock may be listed. The Company covenants that all Warrant Shares which may be issued upon the exercise of the purchase rights represented by this Warrant will, upon exercise of the purchase rights represented by this Warrant, be duly authorized, validly issued, fully paid and nonassessable and free from all taxes, liens and charges created by the Company in respect of the issue thereof (other than taxes in respect of any transfer occurring contemporaneously with such issue).

Except and to the extent as waived or consented to by the Holder, the Company shall not by any action, including, without limitation, amending its certificate of incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate to protect the rights of the Holder as set forth in this Warrant against impairment. Without limiting the generality of the foregoing, the Company will (a) not increase the par value of any Warrant Shares above the amount payable therefor upon such exercise immediately prior to such increase in par value, (b) take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Warrant Shares upon the exercise of this Warrant, and (c) use commercially reasonable efforts to obtain all such authorizations, exemptions or consents from any public regulatory body having jurisdiction thereof as may be necessary to enable the Company to perform its obligations under this Warrant.

Before taking any action which would result in an adjustment in the number of Warrant Shares for which this Warrant is exercisable or in the Exercise Price, the Company shall obtain all such authorizations or exemptions thereof, or consents thereto, as may be necessary from any public regulatory body or bodies having jurisdiction thereof.

e) Jurisdiction. All questions concerning the construction, validity, enforcement and interpretation of this Warrant shall be determined in accordance with the provisions of the Purchase Agreement.

f) Restrictions. The Holder acknowledges that the Warrant Shares acquired upon the exercise of this Warrant, if not registered, will have restrictions upon resale imposed by state and federal securities laws.

g) Nonwaiver and Expenses. No course of dealing or any delay or failure to exercise any right hereunder on the part of the Holder shall operate as a waiver of such right or otherwise prejudice the Holder's rights, powers or remedies, notwithstanding the fact that all rights hereunder terminate on the Termination Date. If the Company willfully and knowingly fails to comply with any provision of this Warrant, which results in any material damages to the Holder, the Company shall pay to the Holder such amounts as shall be sufficient to cover any costs and expenses including, but not limited to, reasonable attorneys' fees, including those of appellate proceedings, incurred by the Holder in collecting any amounts due pursuant hereto or in otherwise enforcing any of its rights, powers or remedies hereunder.

h) Notices. Any notice, request or other document required or permitted to be given or delivered to the Holder by the Company shall be delivered in accordance with the notice provisions of the Purchase Agreement.

i) Limitation of Liability. No provision hereof, in the absence of any affirmative action by the Holder to exercise this Warrant to purchase Warrant Shares, and no enumeration herein of the rights or privileges of the Holder, shall give rise to any liability of the Holder for the purchase price of any Common Stock or as a stockholder of the Company, whether such liability is asserted by the Company or by creditors of the Company.

j) Remedies. The Holder, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Warrant. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Warrant and hereby agrees to waive and not to assert the defense in any action for specific performance that a remedy at law would be adequate.

k) Successors and Assigns. Subject to applicable securities laws, this Warrant and the rights and obligations evidenced hereby shall inure to the benefit of and be binding upon the successors of the Company and the successors and permitted assigns of Holder. The provisions of this Warrant are intended to be for the benefit of all Holders from time to time of this Warrant and shall be enforceable by the Holder or holder of Warrant Shares.

l) Amendment. This Warrant may be modified or amended or the provisions hereof waived with the written consent of the Company and the Holder.

m) Severability. Wherever possible, each provision of this Warrant shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Warrant shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Warrant.

n) Headings. The headings used in this Warrant are for the convenience of reference only and shall not, for any purpose, be deemed a part of this Warrant.

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its officer thereunto duly authorized as of the Issue Date set forth above.

ENVISION SOLAR INTERNATIONAL, INC.

By:_____
Name: Desmond Wheatley
Title: CEO

EXHIBIT B

Form of Third Amended and Restated Secured Bridge Note

Original Issue Date: April 22, 2010 $856,325.45
Amended and Restated as of: February 28, 2014 Note No. 2014-1

THIS NOTE is one of a series of duly authorized and validly issued Secured Bridge Notes of Envision Solar International, Inc., a Nevada corporation f/k/a Casita Enterprises, Inc. (the "Company"), having its principal place of business at 4225 Executive Square, Suite 1000, San Diego, CA 92037, designated as its Secured Bridge Notes (this Note, the "Note" and, collectively with the other Notes of such series, the "Notes"), provided that the Company may not issue any other Notes without the prior written consent of the Holder hereof.

FOR VALUE RECEIVED, the Company promises to pay to the order of GEMINI MASTER FUND, LTD. or its registered assigns (the "Holder"), or shall have paid pursuant to the terms hereunder, the principal sum of Eight-Hundred Fifty-Six Thousand Three-Hundred Twenty-Five Dollars and Forty-Five Cents (US$856,325.45) on June 30, 2015 (the "Maturity Date") and to pay interest to the Holder on the aggregate unconverted and then outstanding principal amount of this Note in accordance with the provisions hereof.

The Company's and its Subsidiaries' obligations under this Note and the other Transaction Documents are secured by the Collateral (as defined in the Security Agreement, including without limitation all Intellectual Property Rights) pursuant to the terms of the Security Documents and the obligations under this Note are guaranteed by the Company's Subsidiaries pursuant to the Subsidiary Guarantee.

This Note is subject to the following additional provisions:

Section 1. Definitions. For the purposes hereof, in addition to the terms defined elsewhere in this Note (a) initially capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Purchase Agreement, the Amendment Agreements or the Assumption Agreement, as the case may be, and (b) the following terms shall have the following meanings:

"Alternate Consideration" shall have the meaning set forth in Section 5(e).

"Amendment Agreements" means those certain Amendment Agreements, dated as of October 30, 2009 and January 20, 2010, each between the Company's predecessor, Envision, and the original Holder hereof, and each as amended, modified or supplemented from time to time in accordance with its terms, that certain Fourth Extension and Amendment Agreement dated on or about February 28, 2014 and effective as of December 31, 2013 between the Company and the Holder, and each of the Extension Agreements, as defined in such Fourth Extension and Amendment Agreement.

"Assumption Agreement" means that certain Assumption Agreements, dated as of February 12, 2010, between the Company and the original Holder hereof, as amended, modified or supplemented from time to time in accordance with its terms.

"Bankruptcy Event" means any of the following events: (a) the Company or any Subsidiary (as defined in Rule 1-02(w) of Regulation S-X) thereof commences a case or other proceeding under any bankruptcy, reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction relating to the Company or any Subsidiary thereof; (b) there is commenced against the Company or any Subsidiary thereof any such case or proceeding that is not dismissed within 60 days after commencement; (c) the Company or any Subsidiary thereof is adjudicated insolvent or bankrupt or any order of relief or other order approving any such case or proceeding is entered; (d) the Company or any Subsidiary thereof suffers any appointment of any custodian or the like for it or any substantial part of its property that is not discharged or stayed within 60 calendar days after such appointment; (e) the Company or any Subsidiary thereof makes a general assignment for the benefit of creditors; (f) the Company or any Subsidiary thereof calls a meeting of its creditors with a view to arranging a composition, adjustment or restructuring of its debts; or (g) the Company or any Subsidiary thereof, by any act or failure to act, expressly indicates its consent to, approval of or acquiescence in any of the foregoing or takes any corporate or other action for the purpose of effecting any of the foregoing.

"Base Conversion Price" shall have the meaning set forth in Section 5(b).

"Business Day" means any day except any Saturday, any Sunday, any day which shall be a federal legal holiday in the United States or any day on which banking institutions in the State of New York are authorized or required by law or other governmental action to close.

"Buy-In" shall have the meaning set forth in Section 4(d)(v).

"Change of Control Transaction" means the occurrence after the date hereof of any of (i) an acquisition after the date hereof by an individual or legal entity or "group" (as described in Rule 13d-5(b)(1) promulgated under the Exchange Act) of effective control (whether through legal or beneficial ownership of capital stock of the Company, by contract or otherwise) of in excess of 50% of the voting securities of the Company (other than by means of conversion of the Notes), or (ii) the Company merges into or consolidates with any other Person, or any Person merges into or consolidates with the Company and, after giving effect to such transaction, the stockholders of the Company immediately prior to such transaction own less than 51% of the aggregate voting power of the Company or the successor entity of such transaction, or (iii) the Company sells or transfers all or substantially all of its assets to another Person and the stockholders of the Company immediately prior to such transaction own less than 51% of the aggregate voting power of the acquiring entity immediately after the transaction, or (iv) a replacement at one time or within a three year period of more than one-half of the members of the Company's board of directors which is not approved by a majority of those individuals who are members of the board of directors on the date hereof (or by those individuals who are serving as members of the board of directors on any date whose nomination to the board of directors was approved by a majority of the members of the board of directors who are members on the date hereof), or (v) the execution by the Company of an agreement to which the Company is a party or by which it is bound, providing for any of the events set forth in clauses (i) through (iv) above.

"Common Stock" means the Company's common stock, $0.001 par value per share.

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

"Conversion Date" shall have the meaning set forth in Section 4(a).

"Conversion Price" shall have the meaning set forth in Section 4(b).

"Conversion Shares" means, collectively, the shares of Common Stock issued or issuable upon conversion or redemption of this Note in accordance with the terms hereof, including without limitation shares of Common Stock issued or issuable as interest hereunder or as damages under the Transaction Documents.

"Dilutive Issuance" shall have the meaning set forth in Section 5(b).

"Dilutive Issuance Notice" shall have the meaning set forth in Section 5(b).

"Event of Default" shall have the meaning set forth in Section 8.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"Exempt Issuance" means any sale, issuance or grant of Common Stock or Common Stock Equivalents (a) to any officer, director or employee of or consultant to the Company or any of its Subsidiaries for the primary purpose of soliciting or retaining their employment or service pursuant to a bona fide option or equity incentive compensation plan, agreement or arrangement duly adopted and approved by the Company's Board of Directors and the Company's stockholders, or (b) upon conversion or exercise of any Common Stock Equivalents, in each case outstanding on the date of execution of the first Amendment Agreement, in accordance with the terms of such Common Stock Equivalents, provided that such Common Stock Equivalents have not been amended since such date to directly or indirectly effectively (i) increase the number of shares of Common Stock issuable upon the exercise, conversion or exchange of any such Common Stock Equivalent or (ii) decrease the consideration payable to the Company (or the applicable exercise price or conversion price) upon such exercise, conversion or exchange.

"Fundamental Transaction" means (a) the Company effects any merger or consolidation of the Company with or into another Person, (b) the Company effects any sale of all or substantially all of its assets in one transaction or a series of related transactions, (c) an acquisition of effective control (whether through legal or beneficial ownership of capital stock of the Company, by contract or otherwise) of in excess of 50% of the voting securities of the Company or its Subsidiaries comprising a majority of the Company's assets, (d) any tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of Common Stock of the Company are permitted to tender or exchange their shares for other securities, cash or property, or (e) the Company effects any reclassification of its common stock or any compulsory share exchange pursuant to which the common stock is effectively converted into or exchanged for other securities, cash or property. For purposes hereof the assets of the Company shall include the assets of the Company together with its Subsidiaries.

"Late Fees" shall have the meaning set forth in Section 2(c).

"Mandatory Default Amount" means the sum of (i) the greater of (A) 115% of the outstanding principal amount of this Note, plus 100% of accrued and unpaid interest hereon, or (B) the outstanding principal amount of this Note, plus all accrued and unpaid interest hereon, divided by the Conversion Price on the date the Mandatory Default Amount is either (a) demanded (if demand or notice is required to create an Event of Default) or otherwise due or (b) paid in full, whichever has a lower price, multiplied by the VWAP on the date the Mandatory Default Amount is either (x) demanded or otherwise due or (y) paid in full, whichever has a higher VWAP, and (ii) all other amounts, costs, expenses and liquidated damages due in respect of this Note.

"MFN Transaction" means a transaction in which the Company issues or sells any securities to an investor in one or a series of related capital raising transactions which grants to such investor the right to receive additional securities or better terms based in some manner upon future sales or issuances of Common Stock or Common Stock Equivalents on terms more favorable than those granted to such investor in such capital raising transaction(s).

"New York Courts" shall have the meaning set forth in Section 9(d).

"Notice of Conversion" shall have the meaning set forth in Section 4(a).

"Original Issue Date" means the date of the first issuance of this Note, regardless of any transfers of this Note and regardless of the number of instruments which may be issued to evidence this Note.

"Permitted Indebtedness" means (a) the indebtedness evidenced by the Notes, (b) the Indebtedness existing on the Closing Date under the Purchase Agreement which is set forth on Schedule 5.7 attached to the first Amendment Agreement, provided that the terms of any such Indebtedness have not been changed from the terms existing on the date of such Amendment Agreement, (c) lease obligations and purchase money indebtedness of up to $100,000, in the aggregate, incurred in connection with the acquisition of capital assets and lease obligations with respect to newly acquired or leased assets, and (d) unsecured indebtedness that (i) is expressly subordinate to the Note pursuant to a written subordination agreement with the Holder that is acceptable to the Holder in its sole and absolute discretion and (ii) matures at a date later than the Maturity Date.

"Permitted Lien" means the individual and collective reference to the following: (a) Liens for taxes, assessments and other governmental charges or levies not yet due or Liens for taxes, assessments and other governmental charges or levies being contested in good faith and by appropriate proceedings for which adequate reserves (in the good faith judgment of the management of the Company) have been established in accordance with GAAP; (b) Liens imposed by law which were incurred in the ordinary course of the Company's business, such as carriers', warehousemen's and mechanics' Liens, statutory landlords' Liens, and other similar Liens arising in the ordinary course of the Company's business, and which (x) do not individually or in the aggregate materially detract from the value of such property or assets or materially impair the use thereof in the operation of the business of the Company and its consolidated Subsidiaries or (y) are being contested in good faith by appropriate proceedings, which proceedings have the effect of preventing for the foreseeable future the forfeiture or sale of the property or asset subject to such Lien; (c) Liens incurred in connection with Permitted Indebtedness under clauses (a) and (c) thereunder, provided that such Liens are not secured by assets of the Company or its Subsidiaries other than the assets so acquired or leased.

"Purchase Agreement" means the Securities Purchase Agreement, dated as of November 12, 2008, among the Company's predecessor in interest, Envision, and the original Holder hereof, as amended, modified or supplemented from time to time in accordance with its terms.

"Registration Statement" means an effective registration statement under the Securities Act that registers the resale of all Conversion Shares of the Holder, names the Holder as a "selling stockholder" therein, and contains a current prospectus not subject to any blackout, suspension or stop order.

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

"Share Delivery Date" shall have the meaning set forth in Section 4(d)(ii).

"Subsidiary" shall refer to any direct or indirect subsidiary of the Company.

"Trading Day" means a day on which the principal Trading Market is open for business.

"Trading Market" means the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the NYSE Amex Equities, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the New York Stock Exchange or the OTC Bulletin Board.

"Variable Rate Transaction" means a transaction in which the Company issues or sells (i) any debt or equity securities that are convertible into, exchangeable or exercisable for, or include the right to receive additional shares of Common Stock either (A) at a conversion, exercise or exchange rate or other price that is based upon and/or varies with the trading prices of or quotations for the shares of Common Stock at any time after the initial issuance of such debt or equity securities, or (B) with a conversion, exercise or exchange price that is subject to being reset at some future date after the initial issuance of such debt or equity security or upon the occurrence of specified or contingent events directly or indirectly related to the business of the Company or the market for the Common Stock or (ii) enters into any agreement, including, but not limited to, an equity line of credit, whereby the Company may sell securities at a future determined price.

"VWAP" means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock is then listed or quoted on a Trading Market, the daily volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the Trading Market on which the Common Stock is then listed or quoted for trading as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)); (b) if the OTC Bulletin Board is not a Trading Market, the volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the OTC Bulletin Board; (c) if the Common Stock is not then quoted for trading on the OTC Bulletin Board and if prices for the Common Stock are then reported in the "Pink Sheets" published by Pink Sheets, LLC (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Common Stock so reported; or (d) in all other cases, the fair market value of a share of Common Stock as determined by an independent appraiser selected in good faith by the Holder and reasonably acceptable to the Company.

Section 2. Interest; Late Fees.

a) Interest Rate. Interest shall accrue daily on the outstanding principal amount of this Note at a rate per annum equal to 10% commencing on the Original Issue Date. For clarification, accrued interest hereunder has been paid through December 31, 2013 under the Prior Notes which have been amended and restated by this Note, and interest shall continue to accrue under this Note as of the close on business on such date even though the amendment and restatement occurred at a later date.

b) Payment of Interest. On the first business day of each calendar quarter and on the Maturity Date, the Company shall pay to the Holder in cash in immediately available funds any accrued but unpaid interest hereunder on the aggregate unconverted and then outstanding principal amount of this Note, *provided* that the Company may elect, by delivering written notice to the Holder at least three (3) Business Days prior to any such date (other than the Maturity Date), to pay such accrued interest on such date by adding such amount of interest to the outstanding principal amount due hereunder as of such date.

c) Default Interest. All overdue accrued and unpaid amounts to be paid hereunder shall entail a late fee at an interest rate equal to the lesser of 20% per annum or the maximum rate permitted by applicable law ("Late Fees") which shall accrue daily from the date such amount is due hereunder through and including the date of actual payment in full.

d) Calculations. All interest calculations shall be on the basis of a 360-day year with 30-day months.

Section 3. Registration of Transfers and Exchanges.

a) Different Denominations. This Note is exchangeable for an equal aggregate principal amount of Notes of different authorized denominations, as requested by the Holder surrendering the same. No service charge will be payable for such exchange.

b) Investment Representations. This Note has been issued subject to certain investment representations of the Company and the original Holder set forth in the Purchase Agreement and Amendment Agreement and may be transferred or exchanged only (i) in compliance with applicable federal and state securities laws and regulations, and (ii) in compliance with the Purchase Agreement (including without limitation Section 4.1 thereof and the requirements set forth therein that such subsequent Holder make certain additional representations to the Company).

Section 4. Conversion.

a) Voluntary Conversion. At any time after the Original Issue Date until this Note is no longer outstanding, this Note shall be convertible, in whole or in part, into shares of Common Stock at the option of the Holder, at any time and from time to time (subject to the conversion limitations set forth in Section 4(c) hereof). The Holder shall effect conversions by delivering to the Company a Notice of Conversion, the form of which is attached hereto as Annex A (a "Notice of Conversion"), specifying therein the principal amount of this Note to be converted and the future date (which may be the same date as the date such notice is deemed effective pursuant to Section 9(a)) on which such conversion shall be effected (such date, the "Conversion Date"). If no Conversion Date is specified in a Notice of Conversion, the Conversion Date shall be the date that such Notice of Conversion is deemed delivered hereunder. To effect conversions hereunder, the Holder shall not be required to physically surrender this Note to the Company unless the entire principal amount of this Note, plus all accrued and unpaid interest thereon, has been so converted. Conversions hereunder shall have the effect of lowering the outstanding principal amount of this Note in an amount equal to the applicable conversion. The Holder and the Company shall maintain records showing the principal amount(s) converted and the date of such conversion(s). In the event of any dispute or discrepancy, the records of the Holder shall be controlling and determinative in the absence of manifest error. The Holder, and any assignee by acceptance of this Note, acknowledge and agree that, by reason of the provisions of this paragraph, following conversion of a portion of this Note, the unpaid and unconverted principal amount of this Note may be less than the amount stated on the face hereof.

b) Conversion Price. The conversion price shall be equal to $0.15 (as such conversion price may be adjusted pursuant to the terms set forth herein (the "Conversion Price").

c) Holder's Restriction on Conversion. The Company shall not effect any conversion of this Note, and a Holder shall not have the right to convert any portion of this Note, to the extent that after giving effect to the conversion set forth on the applicable Notice of Conversion, the Holder (together with the Holder's Affiliates, and any other person or entity acting as a group together with the Holder or any of the Holder's Affiliates) would beneficially own in excess of the Beneficial Ownership Limitation (as defined below). For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by the Holder and its Affiliates shall include the number of shares of Common Stock issuable upon conversion of this Note with respect to which such determination is being made, but shall exclude the number of shares of Common Stock which are issuable upon (A) conversion of the remaining, unconverted principal amount of this Note beneficially owned by the Holder or any of its Affiliates and (B) exercise or conversion of the unexercised or unconverted portion of any other securities of the Company subject to a limitation on conversion or exercise analogous to the limitation contained herein (including, without limitation, any other Notes and the Warrant) beneficially owned by the Holder or any of its Affiliates. Except as set forth in the preceding sentence, for purposes of this Section 4(c), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. To the extent that the limitation contained in this paragraph applies, the determination of whether this Note is convertible (in relation to other securities owned by the Holder together with any Affiliates) and of which principal amount of this Note is convertible shall be in the sole discretion of the Holder, and the submission of a Notice of Conversion shall be deemed to be the Holder's determination of whether this Note may be converted (in relation to other securities owned by the Holder together with any Affiliates) and which principal amount of this Note is convertible, in each case subject to the Beneficial Ownership Limitation. To ensure compliance with this restriction, the Holder will be deemed to represent to the Company each time it delivers a Notice of Conversion that such Notice of Conversion has not violated the restrictions set forth in this paragraph and the Company shall have no obligation to verify or confirm the accuracy of such determination. In addition, a determination as to any group status as contemplated above shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. For purposes of this paragraph, in determining the number of outstanding shares of Common Stock, the Holder may rely on the number of outstanding shares of Common Stock as stated in the most recent of the following: (A) the Company's most recent periodic or annual report, as the case may be; (B) a more recent public announcement by the Company; or (C) a more recent notice by the Company or the Company's transfer agent setting forth the number of shares of Common Stock outstanding. Upon the written or oral request of a Holder, the Company shall within three Trading Days confirm orally and in writing to the Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Note, by the Holder or its Affiliates since the date as of which such number of outstanding shares of Common Stock was reported. The "Beneficial Ownership Limitation" shall be 9.9% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon conversion of this Note held by the Holder. By written notice to the Company, the Holder may at any time and from time to time increase or decrease the Beneficial Ownership Limitation to any other percentage specified in such notice (or specify that the Beneficial Ownership Limitation shall no longer be applicable), provided, however, that (A) any such increase (or inapplicability) shall not be effective until the sixty-first (61st) day after such notice is delivered to the Company, and (B) any such increase or decrease shall apply only to the Holder and not to any other holder of Notes. The provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this paragraph to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Beneficial Ownership Limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitations contained in this paragraph shall apply to a successor holder of this Note.

d) Mechanics of Conversion.

i. Conversion Shares Issuable Upon Conversion of Principal Amount. The number of Conversion Shares issuable upon a conversion hereunder shall be determined by the quotient obtained by dividing (x) the outstanding principal amount of this Note to be converted plus any accrued but unpaid interest thereon, by (y) the Conversion Price.

ii. Delivery of Certificate Upon Conversion. Not later than three Trading Days after each Conversion Date (the "Share Delivery Date"), the Company shall deliver, or cause to be delivered, to the Holder a certificate or certificates representing the Conversion Shares which shall be free of restrictive legends and trading restrictions representing the number of Conversion Shares being acquired upon the conversion of this Note. The Company shall use commercially reasonable efforts to deliver any certificate(s) or shares required to be delivered by the Company under this Section 4 electronically through the Depository Trust Company or another established clearing corporation performing similar functions.

iii. Failure to Deliver Certificates. If in the case of any Notice of Conversion such certificate(s) or shares are not delivered to or as directed by the applicable Holder by the third Trading Day after the Conversion Date, the Holder shall be entitled to elect by written notice to the Company at any time on or before its receipt of such certificate or certificates, to rescind such Conversion, in which event the Company shall promptly return to the Holder any original Note delivered to the Company and the Holder shall promptly return to the Company the Common Stock certificates representing the principal amount of this Note unsuccessfully tendered for conversion to the Company.

iv. Obligation Absolute; Partial Liquidated Damages. The Company's obligations to issue and deliver the Conversion Shares upon conversion of this Note in accordance with the terms hereof are absolute and unconditional, irrespective of any action or inaction by the Holder to enforce the same, any waiver or consent with respect to any provision hereof, the recovery of any judgment against any Person or any action to enforce the same, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by the Holder or any other Person of any obligation to the Company or any violation or alleged violation of law by the Holder or any other Person, and irrespective of any other circumstance which might otherwise limit such obligation of the Company to the Holder in connection with the issuance of such Conversion Shares; provided, however, that such delivery shall not operate as a waiver by the Company of any such action the Company may have against the Holder. In the event the Holder of this Note shall elect to convert any or all of the outstanding principal amount hereof, the Company may not refuse conversion based on any claim that the Holder or anyone associated or affiliated with the Holder has been engaged in any violation of law, agreement or for any other reason, unless an injunction from a court, on notice to Holder, restraining and or enjoining conversion of all or part of this Note shall have been sought and obtained, and the Company posts a surety bond for the benefit of the Holder in the amount of 100% of the outstanding principal amount of this Note, which is subject to the injunction, which bond shall remain in effect until the completion of arbitration/litigation of the underlying dispute and the proceeds of which shall be payable to the Holder to the extent it obtains judgment. In the absence of such injunction, the Company shall issue Conversion Shares or, if applicable, cash, upon a properly noticed conversion. If the Company fails for any reason to deliver to the Holder such certificate(s) or shares pursuant to Section 4(d)(ii) by the third Trading Day after the Share Delivery Date, the Company shall pay to the Holder, in cash, as liquidated damages and not as a penalty, for each $1000 of principal amount being converted, $10 per Trading Day (increasing to $20 per Trading Day on the fifth Trading Day after such liquidated damages begin to accrue) for each Trading Day after such second Trading Day after the Share Delivery Date until such certificates are delivered. Nothing herein shall limit a Holder's right to pursue actual damages or declare an Event of Default pursuant to Section 8 hereof for the Company's failure to deliver Conversion Shares within the period specified herein and the Holder shall have the right to pursue all remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief. The exercise of any such rights shall not prohibit the Holder from seeking to enforce damages pursuant to any other Section hereof or under applicable law.

v. Compensation for Buy-In on Failure to Timely Deliver Certificates Upon Conversion. In addition to any other rights available to the Holder, if the Company fails for any reason to deliver to the Holder such certificate(s) or shares by the Share Delivery Date pursuant to Section 4(d)(ii), and if after such Share Delivery Date the Holder is required by its brokerage firm to purchase (in an open market transaction or otherwise), or the Holder's brokerage firm otherwise purchases, shares of Common Stock to deliver in satisfaction of a sale by the Holder of the Conversion Shares which the Holder was entitled to receive upon the conversion relating to such Share Delivery Date (a "Buy-In"), then the Company shall (A) pay in cash to the Holder (in addition to any other remedies available to or elected by the Holder) the amount by which (x) the Holder's total purchase price (including any brokerage commissions) for the Common Stock so purchased exceeds (y) the product of (1) the aggregate number of shares of Common Stock sold that the Holder was entitled to receive from the conversion at issue multiplied by (2) the actual sale price at which the sell order giving rise to such purchase obligation was executed (including any brokerage commissions) and (B) at the option of the Holder, either reissue (if surrendered) this Note in a principal amount equal to the principal amount of the attempted conversion or deliver to the Holder the number of shares of Common Stock that would have been issued if the Company had timely complied with its delivery requirements under Section 4(d)(ii). For example, if the Holder purchases Common Stock having a total purchase price of $11,000 to cover a Buy-In with respect to an attempted conversion of this Note with respect to which the actual sale price of the Conversion Shares (including any brokerage commissions) giving rise to such purchase obligation was a total of $10,000 under clause (A) of the immediately preceding sentence, the Company shall be required to pay the Holder $1,000. The Holder shall provide the Company written notice indicating the amounts payable to the Holder in respect of the Buy-In and, upon request of the Company, evidence of the amount of such loss. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company's failure to timely deliver certificates representing shares of Common Stock upon conversion of this Note as required pursuant to the terms hereof.

vi. Reservation of Shares Issuable Upon Conversion. The Company covenants that it will at all times reserve and keep available out of its authorized and unissued shares of Common Stock for the sole purpose of issuance upon conversion of this Note and payment of interest on this Note, each as herein provided, free from preemptive rights or any other actual contingent purchase rights of Persons other than the Holder (and the other holders of the Notes), not less than such aggregate number of shares of the Common Stock as shall (subject to the terms and conditions set forth in the Purchase Agreement) be issuable (taking into account the adjustments of Section 5) upon the conversion of the outstanding principal amount of this Note and payment of interest hereunder. The Company covenants that all shares of Common Stock that shall be so issuable shall, upon issue, be duly authorized, validly issued, fully paid and nonassessable and, if the Registration Statement is then effective under the Securities Act, shall be registered for public sale in accordance with such Registration Statement.

vii. Fractional Shares. No fractional shares or scrip representing fractional shares shall be issued upon the conversion of this Note. As to any fraction of a share which Holder would otherwise be entitled to purchase upon such conversion, the Company shall at its election, either pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Conversion Price or round up or down to the next whole share.

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

Section 5. Certain Adjustments.

a) Stock Dividends and Stock Splits. If the Company, at any time while this Note is outstanding: (A) pays a stock dividend or otherwise makes a distribution or distributions payable in shares of Common Stock on shares of Common Stock or any Common Stock Equivalents (which, for avoidance of doubt, shall not include any shares of Common Stock issued by the Company upon conversion of, or payment of interest on, the Notes); (B) subdivides outstanding shares of Common Stock into a larger number of shares, including without limitation the Split; (C) combines (including by way of a reverse stock split) outstanding shares of Common Stock into a smaller number of shares; or (D) issues, in the event of a reclassification of shares of the Common Stock, any shares of capital stock of the Company, then the Conversion Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding any treasury shares of the Company) outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event (subject to the Split already accounted for in Section 4(b)). Any adjustment made pursuant to this Section shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

b) Subsequent Equity Sales. If, at any time while this Note is outstanding, the Company or any Subsidiary, as applicable, sells or grants any option to purchase or sells or grants any right to reprice, or otherwise disposes of or issues (or announces any sale, grant or any option to purchase or other disposition), any Common Stock or Common Stock Equivalents entitling any Person to acquire shares of Common Stock at an effective price per share that is lower than the then Conversion Price (such lower price, the "Base Conversion Price" and such issuances, collectively, a "Dilutive Issuance") (if the holder of the Common Stock or Common Stock Equivalents so issued shall at any time, whether by operation of purchase price adjustments, reset provisions, floating conversion, exercise or exchange prices or otherwise, or due to warrants, options or rights per share which are issued in connection with such issuance, be entitled to receive shares of Common Stock at an effective price per share that is lower than the Conversion Price, such issuance shall be deemed to have occurred for less than the Conversion Price on such date of the Dilutive Issuance), then the Conversion Price shall be reduced to equal the Base Conversion Price. Such adjustment shall be made whenever such Common Stock or Common Stock Equivalents are issued. Notwithstanding the foregoing, no adjustment will be made under this Section 5(b) in respect of an Exempt Issuance. If the Company enters into a Variable Rate Transaction or MFN Transaction, despite the prohibition set forth in the Purchase Agreement, the Company shall be deemed to have issued Common Stock or Common Stock Equivalents at the lowest possible conversion price at which such securities may be converted or exercised. The Company shall notify the Holder in writing, no later than 1 Business Day following the issuance of any Common Stock or Common Stock Equivalents subject to this Section 5(b), indicating therein the applicable issuance price, or applicable reset price, exchange price, conversion price and other pricing terms (such notice, the "Dilutive Issuance Notice"). For purposes of clarification, whether or not the Company provides a Dilutive Issuance Notice pursuant to this Section 5(b), upon the occurrence of any Dilutive Issuance, the Holder is entitled to receive a number of Conversion Shares based upon the Base Conversion Price on or after the date of such Dilutive Issuance, regardless of whether the Holder accurately refers to the Base Conversion Price in the Notice of Conversion.

c) Subsequent Rights Offerings. If the Company, at any time while the Note is outstanding, shall issue rights, options or warrants to all holders of Common Stock (and not to the Holders in their capacity as holders of Notes) entitling them to subscribe for or purchase shares of Common Stock at a price per share that is lower than the VWAP on the record date referenced below, then the Conversion Price shall be multiplied by a fraction of which the denominator shall be the number of shares of the Common Stock outstanding on the date of issuance of such rights or warrants plus the number of additional shares of Common Stock offered for subscription or purchase, and of which the numerator shall be the number of shares of the Common Stock outstanding on the date of issuance of such rights or warrants plus the number of shares which the aggregate offering price of the total number of shares issued (assuming delivery to the Company in full of all consideration payable upon exercise of such rights, options or warrants) would purchase at such VWAP. Such adjustment shall be made whenever such rights or warrants are issued, and shall become effective immediately after the record date for the determination of stockholders entitled to receive such rights, options or warrants.

d) Pro Rata Distributions. If the Company, at any time while this Note is outstanding, distributes to all holders of Common Stock (and not to the Holders in their capacity as holders of Notes) evidences of its indebtedness or assets (including cash and cash dividends) or rights or warrants to subscribe for or purchase any security (other than the Common Stock, which shall be subject to Section 5(b)), then in each such case the Conversion Price shall be adjusted by multiplying such Conversion Price in effect immediately prior to the record date fixed for determination of stockholders entitled to receive such distribution by a fraction of which the denominator shall be the VWAP determined as of the record date mentioned above, and of which the numerator shall be such VWAP on such record date less the then fair market value at such record date of the portion of such assets or evidence of indebtedness so distributed applicable to 1 outstanding share of the Common Stock as determined by the Board of Directors of the Company in good faith. In either case the adjustments shall be described in a statement delivered to the Holder describing the portion of assets or evidences of indebtedness so distributed or such subscription rights applicable to 1 share of Common Stock. Such adjustment shall be made whenever any such distribution is made and shall become effective immediately after the record date mentioned above.

e) Fundamental Transaction. If, at any time while this Note is outstanding, the Company effects or is otherwise subject to any "Fundamental Transaction", then, upon any subsequent conversion of this Note, the Holder shall have the right to receive, for each Conversion Share that would have been issuable upon such conversion immediately prior to the occurrence of such Fundamental Transaction, the same kind and amount of securities, cash or property as it would have been entitled to receive upon the occurrence of such Fundamental Transaction if it had been, immediately prior to such Fundamental Transaction, the holder of 1 share of Common Stock (the "Alternate Consideration"). For purposes of any such conversion, the determination of the Conversion Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of 1 share of Common Stock in such Fundamental Transaction, and the Company shall apportion the Conversion Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon any conversion of this Note following such Fundamental Transaction. To the extent necessary to effectuate the foregoing provisions, any successor to the Company or surviving entity in such Fundamental Transaction shall issue to the Holder a new Note consistent with the foregoing provisions and evidencing the Holder's right to convert such Note into Alternate Consideration. The terms of any agreement pursuant to which a Fundamental Transaction is effected shall include terms requiring any such successor or surviving entity to comply with the provisions of this Section 5(e) and insuring that this Note (or any such replacement security) will be similarly adjusted upon any subsequent transaction analogous to a Fundamental Transaction.

f) Calculations. All calculations under this Section 5 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 5, the number of shares of Common Stock deemed to be issued and outstanding as of a given date shall be the sum of the number of shares of Common Stock (excluding any treasury shares of the Company) issued and outstanding.

g) Notice to the Holder.

i. Adjustment to Conversion Price. Whenever the Conversion Price is adjusted pursuant to any provision of this Section 5, the Company shall promptly deliver to each Holder a notice setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment.

ii. Notice to Allow Conversion by Holder. If (A) the Company shall declare a dividend (or any other distribution in whatever form) on the Common Stock, (B) the Company shall declare a special nonrecurring cash dividend on or a redemption of the Common Stock, (C) the Company shall authorize the granting to all holders of the Common Stock of rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Stock, any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, of any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property or (E) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company, then, in each case, the Company shall cause to be filed at each office or agency maintained for the purpose of conversion of this Note, and shall cause to be delivered to the Holder, at least 20 calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares of the Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange, provided that the failure to deliver such notice or any defect therein or in the delivery thereof shall not affect the validity of the corporate action required to be specified in such notice. The Holder is entitled to convert this Note during the 20-day period commencing on the date of such notice through the effective date of the event triggering such notice.

Section 6. No Prepayment. The Company may not prepay this Note in whole or in part without the prior written consent of the Holder.

Section 7. Negative Covenants. As long as any portion of this Note remains outstanding, unless the Holder shall have otherwise given prior written consent, the Company shall not, and shall not permit any of its Subsidiaries (whether or not a Subsidiary on the Original Issue Date or the date of execution of the Amendment Agreement) to, directly or indirectly:

a) other than Permitted Indebtedness, enter into, create, incur, assume, guarantee or suffer to exist any Indebtedness of any kind, including but not limited to, a guarantee, on or with respect to any of its property or assets now owned or hereafter acquired or any interest therein or any income or profits therefrom;

b) other than Permitted Liens, enter into, create, incur, assume or suffer to exist any Liens of any kind, on or with respect to any of its property or assets now owned or hereafter acquired or any interest therein or any income or profits therefrom;

c) amend its charter documents, including without limitation its certificate or articles of incorporation and bylaws, in any manner that materially and adversely affects any rights of the Holder;

d) repay, repurchase or offer to repay, repurchase or otherwise acquire more than a de minimis number of shares of its common stock or any other securities;

e) repay, repurchase or offer to repay, repurchase or otherwise acquire any Indebtedness (except for the Notes in accordance with the terms of the Notes), other than regularly scheduled principal and interest payments as such terms are in effect as of the Closing Date;

f) repay, repurchase or offer to repay, repurchase or otherwise acquire any Indebtedness to any current or former employees, officers or directors of the Company or its Subsidiaries or such current or former employees', officers' or directors' affiliates, including without limitation any loans from or management fees payable to Robert Noble, Karen Morgan, Bill Adelson, Pam Stevens or their affiliates;

g) pay cash dividends or distributions on any equity securities of the Company;

h) enter into any transaction with any affiliate of the Company or any Subsidiary, unless such transaction is made on an arm's-length basis and expressly approved by a majority of the disinterested directors of the Company (even if less than a quorum otherwise required for board approval);

i) enter into any Variable Rate Transaction or MFN Transaction without the prior written consent of the Holder (provided that if such consent is obtained the Conversion Price adjustments contained herein shall still apply); or

j) enter into any agreement with respect to any of the foregoing.

Section 8. Events of Default.

a) "Event of Default" means, wherever used herein, any of the following events (whatever the reason for such event and whether such event shall be voluntary or involuntary or effected by operation of law or pursuant to any judgment, decree or order of any court, or any order, rule or regulation of any administrative or governmental body):

i. any default in the payment of any amount owing under the Notes Note, as and when the same shall become due and payable (whether on the Maturity Date or by acceleration or otherwise) which default is not cured within 5 Business Days;

ii. the Company shall fail to observe or perform any other covenant or agreement contained in the Note which failure is not cured, if possible to cure, within the earlier to occur of (A) 5 Business Days after notice of such failure sent by the Holder or its representative and (B) 10 Business Days after the Company has become or should have become aware of such failure;

iii. a default or event of default (subject to any grace or cure period provided in the applicable agreement, document or instrument) shall occur under (A) any of the Transaction Documents or (B) any other material agreement, lease, document or instrument to which the Company or any Subsidiary is obligated (and not covered by clause (vi) below);

iv. any representation or warranty made in this Note, any other Transaction Document, any written statement pursuant hereto or thereto or any other report, financial statement or certificate made or delivered to the Holder shall be untrue or incorrect in any material respect as of the date when made or deemed made;

v. the Company or any Subsidiary shall be subject to a Bankruptcy Event;

vi. the Company or any Subsidiary shall default on any of its obligations under any mortgage, credit agreement or other facility, indenture agreement, factoring agreement or other instrument under which there may be issued, or by which there may be secured or evidenced, any indebtedness for borrowed money or money due under any long term leasing or factoring arrangement that (a) involves an obligation greater than $100,000, whether such indebtedness now exists or shall hereafter be created, and (b) results in such indebtedness becoming or being declared due and payable prior to the date on which it would otherwise become due and payable;

vii. if the Common Stock shall not be eligible for listing or quotation for trading on a Trading Market and shall not be eligible to resume listing or quotation for trading thereon within five Trading Days after May 1, 2010;

viii. the Company shall be a party to any Fundamental Transaction or shall agree to sell or dispose of all or in excess of 33% of its assets in one transaction or a series of related transactions (whether or not such sale would constitute a Change of Control Transaction);

ix. if the Company is not subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act or has failed to file all reports required to be filed thereunder during the then preceding 12 months (or such shorter period that the Company was required to file such reports);

x. if any of the Security Documents or any Subsidiary Guarantee ceases to be in full force and effect (including failure to create a valid and perfected first priority lien on and security interest in all the Collateral (as defined in the Security Agreement) and Intellectual Property Rights of the Company and its Subsidiaries) at any time for any reason;

xi. any material adverse change in the condition, value or operation of a material portion of the Collateral or Intellectual Property Rights;

xii. the Company shall fail for any reason to deliver certificates to a Holder prior to the seventh Trading Day after a Conversion pursuant to Section 4(d) or the Company shall provide at any time notice to the Holder, including by way of public announcement, of the Company's intention to not honor requests for conversions of any Notes in accordance with the terms hereof; or

xiii. any monetary judgment, writ or similar final process shall be entered or filed against the Company, any subsidiary or any of their respective property or other assets for more than $100,000, and such judgment, writ or similar final process shall remain unvacated, unbonded or unstayed for a period of 45 calendar days.

b) Remedies Upon Event of Default. If any Event of Default occurs, the outstanding principal amount of this Note, plus accrued but unpaid interest, liquidated damages and other amounts owing in respect thereof through the date of acceleration, shall become, at the Holder's election, immediately due and payable in cash at the Mandatory Default Amount. After the occurrence and during the continuance of any Event of Default, the interest rate on this Note shall accrue at an interest rate equal to the lesser of 20% per annum or the maximum rate permitted under applicable law. Upon the payment in full of the Mandatory Default Amount, the Holder shall promptly surrender this Note to or as directed by the Company. In connection with such acceleration described herein, the Holder need not provide, and the Company hereby waives, any presentment, demand, protest or other notice of any kind, and the Holder may immediately and without expiration of any grace period enforce any and all of its rights and remedies hereunder and all other remedies available to it under applicable law. Such acceleration may be rescinded and annulled by the Holder at any time prior to payment hereunder and the Holder shall have all rights as a holder of the Note until such time, if any, as the Holder receives full payment pursuant to this Section 8(b). No such rescission or annulment shall affect any subsequent Event of Default or impair any right consequent thereon.

Section 9. Miscellaneous.

a) Notices. Any and all notices or other communications or deliveries to be provided by the Holder hereunder, including, without limitation, any Notice of Conversion, shall be in writing and delivered personally, by facsimile, by email, or sent by a nationally recognized overnight courier service, addressed to the Company, at the address set forth above, or such other facsimile number or address or email address as the Company may specify for such purpose by notice to the Holder delivered in accordance with this Section 9. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and shall be deemed given and effective on the earliest of (a) the date of transmission, if such notice or communication is delivered via facsimile or by email prior to 5:30 p.m. (New York City time) on a Business Day, (b) the next Business Day after the date of transmission, if such notice or communication is delivered via facsimile or email as set forth above on a day that is not a Business Day or later than 5:30 p.m. (New York City time) on any Business Day, (c) the third Business Day following the date of mailing, if sent by regular mail, or (d) the Business Day following the date on which such notice or communication is deposited with a nationally recognized overnight courier service. The address for such notices and communications shall be as set forth on the signature pages attached to the Purchase Agreement.

b) Absolute Obligation. Except as expressly provided herein, no provision of this Note shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of, liquidated damages and accrued interest, as applicable, on this Note at the time, place, and rate, and in the coin or currency, herein prescribed. This Note is a direct debt obligation of the Company.

c) Lost or Mutilated Note. If this Note shall be mutilated, lost, stolen or destroyed, the Company shall execute and deliver, in exchange and substitution for and upon cancellation of a mutilated Note, or in lieu of or in substitution for a lost, stolen or destroyed Note, a new Note for the principal amount of this Note so mutilated, lost, stolen or destroyed, but only upon receipt of evidence of such loss, theft or destruction of such Note, and of the ownership hereof, reasonably satisfactory to the Company (with an affidavit by the Holder confirming such loss, theft or destruction being deemed reasonably satisfactory).

d) Governing Law. All questions concerning the construction, validity, enforcement and interpretation of this Note shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflict of laws thereof. Each party agrees that all legal proceedings concerning the interpretation, enforcement and defense of the transactions contemplated by any of the Transaction Documents (whether brought against a party hereto or its respective Affiliates, directors, officers, shareholders, employees or agents) shall be commenced in the state and federal courts sitting in the City of New York, Borough of Manhattan (the "New York Courts"). Each party hereto hereby irrevocably submits to the exclusive jurisdiction of the New York Courts for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of any of the Transaction Documents), and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of such New York Courts, or such New York Courts are improper or inconvenient venue for such proceeding. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Note and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by applicable law. Each party hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Note or the transactions contemplated hereby. If either party shall commence an action or proceeding to enforce any provisions of this Note, then the prevailing party in such action or proceeding shall be reimbursed by the other party for its attorney's fees and other costs and expenses reasonably incurred in the investigation, preparation and prosecution of such action or proceeding.

e) Waiver. Any waiver by the Company or the Holder of a breach of any provision of this Note shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Note. The failure of the Company or the Holder to insist upon strict adherence to any term of this Note on one or more occasions shall not be considered a waiver or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Note. Any waiver by the Company or the Holder must be in writing.

f) Severability. If any provision of this Note is invalid, illegal or unenforceable, the balance of this Note shall remain in effect, and if any provision is inapplicable to any Person or circumstance, it shall nevertheless remain applicable to all other Persons and circumstances. If it shall be found that any interest or other amount deemed interest due hereunder violates the applicable law governing usury, the applicable rate of interest due hereunder shall automatically be lowered to equal the maximum rate of interest permitted under applicable law. The Company covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law or other law which would prohibit or forgive the Company from paying all or any portion of the principal of or interest on this Note as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this indenture, and the Company (to the extent it may lawfully do so) hereby expressly waives all benefits or advantage of any such law, and covenants that it will not, by resort to any such law, hinder, delay or impeded the execution of any power herein granted to the Holder, but will suffer and permit the execution of every such as though no such law has been enacted.

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

h) Headings. The headings contained herein are for convenience only, do not constitute a part of this Note and shall not be deemed to limit or affect any of the provisions hereof.

i) Assumption. Any successor to the Company or any surviving entity in a Fundamental Transaction shall (i) assume, prior to such Fundamental Transaction, all of the obligations of the Company under this Note and the other Transaction Documents pursuant to written agreements in form and substance satisfactory to the Holder and (ii) issue to the Holder a new Note of such successor entity evidenced by a written instrument substantially similar in form and substance to this Note, including without limitation having a principal amount and interest rate equal to the principal amount and the interest rate of this Note and having similar ranking to this Note, which shall be satisfactory to the Holder. The provisions of this Section 9(i) shall apply similarly and equally to successive Fundamental Transactions and shall not affect the Holder's other rights hereunder or under the other Transaction Documents.

j) Usury. This Note shall be subject to the anti-usury limitations contained herein and in the Purchase Agreement.

Section 10. Security Interest.

(a) Acknowledgment of Security Interests. The Envision Entities hereby acknowledge, confirm and agree that the Holder has and shall continue to have valid, enforceable and perfected Liens upon and security interests in the assets and properties of the Envision Entities heretofore granted to the Investor pursuant to, and having first priority as set forth in, the Security Agreements, securing all obligations under the Transaction Documents, including without limitation this Note. The Envision Entities hereby acknowledge, confirm and agree that the Holder has and shall continue to have valid and enforceable assignments of the patents, trademarks and other intellectual property and other assets assigned by the Envision Entities, including without limitation those listed on the annexes to the Security Agreements. The Envision Entities hereby acknowledge, confirm and agree that pursuant to the Guarantee the Envision Entities guarantee all obligations of the Company hereunder.

(b) References to Notes and Transaction Documents. All references in the Transaction Documents and herein to (i) "Transaction Documents" shall be deemed to be references to the Transaction Documents (as currently defined in the Purchase Agreement and as amended by the Amendment Agreements), the Assumption Agreement, the Forbearance Agreement, the Notes and the Lock-Up Agreements, and (ii) "Note" or "Notes" shall be deemed to be references to collectively all the Notes including this Note (together with any future Notes issued to the Holder).

(c) Security Continued. The Company's and the Envision Entities' obligations under all the Transaction Documents, including without limitation this Note, shall be secured by all the assets of the Envision Entities pursuant to the Security Agreements as if this Note were in effect at the time of execution of such Security Agreements and referenced therein. The Company shall execute such other agreements, documents and financing statements reasonably requested by the Holder, which will be filed at the Company's expense with the applicable jurisdictions and authorities.

Section 11. New York Civil Procedure Law and Rules Section 3213. This Note shall be deemed an unconditional obligation of each of the Envision Entities for the payment of money and, without limitation to any other remedies of the Holder, may be enforced against the Envision Entities by summary proceeding pursuant to New York Civil Procedure Law and Rules Section 3213 or any similar rule or statute in the jurisdiction where enforcement is sought. For purposes of such rule or statute, any other document or agreement to which the Holder and the Envision Entities are parties or which any Envision Entity delivered to the Holder, which may be convenient or necessary to determine the Holder's rights under this Note or any Envision Entity's obligations to the Holder are deemed a part of the this Note, whether or not such other document or agreement was delivered together with this Note or was executed apart from this Note.

****

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed by a duly authorized officer as of the date first above indicated.

ENVISION SOLAR INTERNATIONAL, INC.,
a Nevada corporation

By:_____
Name: Desmond Wheatley
Title: CEO

ENVISION SOLAR CONSTRUCTION, INC.,
a California corporation

By:_____
Name: Desmond Wheatley
Title: CEO

EXHIBIT C

NOTICE OF CONVERSION

The undersigned hereby elects to convert principal under the Third Amended and Restated Secured Bridge Note due June 30, 2015 Number 2014-1 of ENVISION SOLAR INTERNATIONAL, INC., a Nevada corporation (the Company"), into shares of common stock (the "Common Stock"), of the Company according to the conditions hereof, as of the date written below. If shares of Common Stock are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto and is delivering herewith such certificates and opinions as reasonably requested by the Company in accordance therewith. No fee will be charged to the holder for any conversion, except for such transfer taxes, if any.

By the delivery of this Notice of Conversion the undersigned represents and warrants to the Company that its ownership of the Common Stock does not exceed the limitation specified under Section 4 of this Note (if any), as determined in accordance with Section 13(d) of the Exchange Act.

The undersigned agrees to comply with the prospectus delivery requirements under the applicable securities laws in connection with any transfer of the aforesaid shares of Common Stock pursuant to any prospectus.

Conversion calculations:

Date to Effect Conversion: _____

Principal Amount of Note to be Converted: _____

Interest Accrued on Account
of Conversion at Issue: _____

Number of shares of Common Stock to be issued:

GEMINI MASTER FUND, LTD.
By: GEMINI STRATEGIES LLC, INC., as investment manager

By: _____
Name: Steven Winters
Title: President

Name: GEMINI MASTER FUND, LTD.

Address for Delivery of Common Stock Certificates:
_____
_____

Or
DWAC Instructions:

Broker No: _____
Account No: _____

EXHIBIT 10.26

CONSULTING AGREEMENT

This Consulting Agreement (the "Agreement") is made this 28th day of March 2014, by and between Envision Solar International, Inc., a Nevada corporation (the "Company") and GreenCore Capital, LLC, a Delaware limited liability company ("Consultant"), with respect to the following facts:

R E C I T A L S

WHEREAS, Company is engaged in the business of designing, developing, commercializing, manufacturing, marketing, selling, configuring and installing sophisticated, architecturally appealing solar power generating equipment, electric charging stations, and other environmentally responsible products and technologies.

WHEREAS, Consultant is engaged in the business of providing consulting services in the areas set forth in Exhibit A to this Agreement (collectively, the "Services").

WHEREAS, Consultant is desirous of acting as an independent consultant to the Company by providing the services to the Company in accordance with the terms of this Agreement.

WHEREAS, Jay S. Potter is the principal owner and sole manager of the Consultant and will be the primary provider of the Services.

WHEREAS Company and Consultant have previously entered into agreements and hereby intend to cancel all previous agreements in favor of this agreement

WHEREAS, Kevin G Davis is an associate of Jay Potter who will aid in the provision of the Services from time to time and will be provided an email address by the Company for the sole and exclusive purpose of providing such Services.

W I T N E S S E T H

NOW THEREFORE, for and in consideration of the foregoing recitals and the mutual promises, representations and covenants contained herein,

IT IS AGREED as follows:

1. Appointment of Consultant. The Company hereby appoints Consultant to provide the Services to the Company on a non exclusive basis.

2. Consultant Responsibilities. The Consultant, as an independent contractor, will be responsible for, among other things, the items set forth in Exhibit A to this Agreement.

3. Consultant Covenants and Agreements. The Consultant further agrees and understands as a part of this Agreement, as follows:

(a) Consultant hereby covenants and agrees to maintain in confidence all Confidential Information in trust for the Company, its successors and assigns. During the term of this Agreement and at any and all times following the termination of this Agreement, Consultant covenants and agrees not to directly or indirectly, for or on behalf of any person, firm, corporation or other entity, misappropriate, use for other than the Company's benefit, or disclose to anyone outside the Company's organization any Confidential Information without the prior written consent of the Company, which consent may be withheld by the Company for any reason or no reason at all. For the purposes of this Agreement, "Confidential Information" means all customer lists, records, financial data, engineering data, trade secrets, business and marketing plans and studies, computer programs and software, strategic plans, formulas, production processes and techniques, tools, applications for patents, designs, models, patterns, drawings, tracings, sketches, blueprints, and all other similar information developed and/or used by Company in the course of its business and which is not known by or readily available to the general public. The parties stipulate that that the Confidential Information is important and affects the successful business conduct of the Company and its goodwill, and that any breach of any term in this Section 3(a) is a material breach of this Agreement.

(b) In further reflection of the Company's important interests in its proprietary information and its trade, customer, vendor and employee relationships, Consultant agrees that, during the term of this Agreement and during the 12 month period following the termination of Consultant's Services with Company for any reason, Consultant will not directly or indirectly, for or on behalf of any person, firm, corporation or other entity, (a) interfere with any contractual or other business relationships that Company has with any of its customers, consultants, employees, clients, service providers, lenders or materials suppliers, or (b) solicit or induce any employee of Company to terminate his/her employment relationship with Company. Notwithstanding anything else herein to the contrary, after a termination of this Agreement, Consultant may transact business with clients with whom he had a pre-existing relationship prior to the date of this Agreement, and with any actual or prospective investors and lenders in the Company which Consultant introduced to the Company.

4. Expense Reimbursement. The Company will reimburse Consultant for the reasonable verifiable travel and other expenses incurred by Consultant in connection with the performance of Consultant's duties under this Agreement when those expenses have been pre-approved by the Company in advance and in writing. Consultant's verified reimbursable expenses will be paid by the Company in cash within a reasonable time after presentment by Consultant of an itemized list of invoices describing such expenses. Consultant will submit expense reports to the Company for each month by the fifth day of the following month.

5. Inventions.

(a) Any Inventions, as defined below, developed, made, produced, invented, created, modified, evolved during, or resulting, arising or originating in connection with the performance by the Consultant of its Services under this Agreement will be deemed "work made for hire." The Company will be the exclusive owner of any such Inventions whether or not such inventions are developed or created by the Consultant independently or in combination with the Company or the Company's employees. The Consultant covenants and agrees that Consultant will have no interest in or claim to such Inventions pursuant to this Agreement.

(b) During the term of this Agreement and at any and all times following the termination of this Agreement, Consultant covenants and agrees not to use or disclose, directly or indirectly, for or on behalf of any person, firm, corporation or other entity, any of the Inventions for any purpose or to any third party without the express prior written approval of Company.

(c) For the purposes of this Agreement, "Invention" means, without limitation, any investor lists, customer lists, inventions, formulae, techniques, discoveries, developments, designs, contributions, ideas, improvements, know-how, negative know-how, new machines, manufacturing processes or methods, original writings, software programs, processes, uses, apparatus, compositions of matter, copyrights, trademarks, designs or configurations of any kind, whether or not patentable or registrable under patent, copyright or similar statutes, conceived, made, learned or reduced to practice by Consultant, either alone or jointly with others, or any improvements to any of the above.

6. Material Breach. In the event of conduct by Consultant involving fraud or bad faith in the performance of its Services for the Company, or in the event of conduct involving fraud or bad faith by the Company, or in the event of a material breach of this Agreement by either party, then the other party may terminate this Agreement immediately upon delivery of written notice of its election to terminate this Agreement to the other party.

7. Equitable Remedies. Each party acknowledges that it would be impossible to measure in money the damages to the other party if there is a failure to comply with any covenants or provisions of this Agreement, and agrees that in the event of any breach of any covenant or provision, the other party to this Agreement will not have an adequate remedy at law. It is therefore agreed that the other party to this Agreement who is entitled to the benefit of the covenants or provisions of this Agreement which have been breached, in addition to any other rights or remedies which they may have, shall be entitled to immediate equitable relief to enforce such covenants and provisions, and that in the event that any such action or proceeding is brought in equity to enforce them, the defaulting or breaching party will not urge as a defense that there is an adequate remedy at law. Neither party will be obligated to post a surety or any other bond in order to assert equitable claims or seek equitable remedies under this Agreement.

8. Term and Termination. The term of this Agreement will commence on the date first above written and will remain in effect until terminated by either party for any reason or no reason upon providing the other party with thirty (30) days prior written notice of its election to terminate, unless sooner terminated pursuant to Section 7 of this Agreement.

9. Return of Property. Consultant acknowledges that all documents and materials pertaining to the business of the Company and its subsidiaries and affiliates are the property of the Company, even if made by Consultant. Upon termination, or upon earlier request of the Company, Consultant will return immediately all of the Company's property, including all such documents and materials in Consultant's possession and control, and all forms of Confidential Information, as well as address lists, keys, credit cards, and any other items of value. Consultant will not allow any third party to take or use any of the foregoing. Consultant agrees not to remove any Company property from the Company's premises without express permission. The obligations of Consultant pursuant to the terms herein will survive the termination of this Agreement.

10. Effect of Termination. The termination of this Agreement for any reason whatsoever will not release or discharge either party hereto from any obligation, debt or liability which may previously have accrued and remains to be performed upon the date of termination.

11. Independent Contractor. The Consultant will act at all times hereunder as an independent contractor with respect to the Company and not as an employee, partner, agent, or co-venturer of or with the Company. Except as set forth herein, the Company will neither have nor exercise control or direction whatsoever over the operations of the Consultant, and Consultant will neither have nor exercise any control or direction whatsoever over the employees, agents or subcontractors hired by the Company.

12. No Agency Created. No agency, employment, partnership or joint venture is intended to be created by this Agreement. Consultant will have no authority as an agent of Company or to otherwise bind the Company to any agreement, commitment, obligation, contract, instrument, undertaking, arrangement, certificate or other matter. Each party hereto will refrain from making any representation tending to create an apparent agency, employment, partnership or joint venture relationship between the parties. Neither the Consultant nor any of its employees, agents or subcontractors will have any claim against the Company for any compensation or remuneration other than as specifically provided in this Agreement. Consultant further waives and agrees to indemnify the Company against any claims for vacation pay, sick leave, retirement or pension benefits, social security contributions, worker's compensation insurance or benefits, disability or unemployment benefits, welfare and pension benefits and obligations of the Consultant under the Employee Retirement Income Security Act of 1974, or other benefits of any kind customarily afforded to any employee. The Consultant acknowledges that it is aware of its obligations to pay payroll, self-employment, income, license, franchise and other taxes relating to its employees, if any, and the Consultant agrees to pay all such taxes as required by law.

13. Indemnification of Company. Consultant will indemnify and hold harmless the Company from and against any loss, damage, liability, cost, suit, expense, assessment, interest or penalty, including, without limitation, reasonable attorneys' fees and court costs resulting from Consultant's failure to comply with the terms of this Agreement.

14. Indemnification of Consultant. The Company will indemnify and hold harmless Consultant from and against any loss, damage, liability, cost, suit, expense, assessment, interest or penalty, including, without limitation, reasonable attorneys' fees and court costs resulting from the Company's failure to comply with the terms of this Agreement.

15. Notices. Any notice required or permitted to be given pursuant to this Agreement must be in writing and must be (i) sent by email or facsimile transmission (in which case it will be deemed delivered upon actual receipt), (ii) placed in the United States mail, certified mail, return receipt requested, postage prepaid and addressed as provided in this paragraph (in which case, it will be deemed delivered five (5) days after such mailing), or (iii) personally delivered (in which case it will be deemed delivered upon actual receipt) to:

If to Consultant: The address and telephone number indicated below the signature for the authorized representative of Consultant.

If to Company: The address and telephone number indicated below the signature for the authorized representative of Company.

Any party may, pursuant to written notice in compliance with this paragraph, alter or change the address or the identity of the person to whom any notice is to be sent.

16. Assignment. This Agreement will not be assigned, pledged or transferred in any way by Consultant without the prior written consent of the Company. Any attempted assignment, pledge, transfer or other disposition of this Agreement or any rights, interests or benefits herein contrary to the foregoing provisions will be null and void.

17. Conflicting Agreements. Consultant and the Company represent and warrant to each other that the entry into this Agreement and the obligations and duties undertaken hereunder will not conflict with, constitute a breach of or otherwise violate the terms of any agreement or court order to which either party is a party and that each party is not required to obtain the consent of any person, firm, corporation or other entity in order to enter into this Agreement.

18. No Waiver. No terms or conditions of this Agreement will be deemed to have been waived, nor will any party hereto be stopped from enforcing any provisions of the Agreement, except by written instrument of the party charged with such waiver or estoppel. Any written waiver will not be deemed a continuing waiver unless specifically stated, will operate only as to the specific term or condition waived, and will not constitute a waiver of such term or condition for the future or as to any act other than specifically waived.

19. Binding Arbitration. Any dispute under this Agreement will be resolved by binding arbitration conducted in accordance with the rules and procedures of the American Arbitration Association as they are then in effect in the County of San Diego, State of California. In order to select an arbitrator, each party to the dispute will select an arbitrator of its choice, and those selected arbitrators will then select by mutual agreement a single arbitrator for the proceeding. The decision of the arbitrator shall be final and binding on the parties to this Agreement, and judgment thereon may be entered in the Superior Court for the County of San Diego or any other court having jurisdiction. Each party to this Agreement will advance one-half of the arbitrator's fees; however, all costs of the arbitration proceeding to enforce this Agreement, including attorneys' fees and witness expenses, shall be paid by the party against whom the arbitrator rules. It is expressly agreed that the parties to any such arbitration may take discovery as contemplated and provided for by California Code of Civil Procedure §1283.05. Notwithstanding anything herein to the contrary, the parties hereto will not be required to submit a claim to arbitration if the claim is for temporary or preliminary equitable or injunctive relief that could not practicably be heard in a timely fashion through the arbitration process.

20. Choice of Law and Venue. This Agreement will be governed by the laws of California without giving effect to applicable conflict of laws provisions. With respect to any litigation arising out of or relating to this Agreement, each party agrees that it will be filed in and heard by the state or federal courts with jurisdiction to hear such suits located in San Diego County, California.

21. Attorneys' Fees. In the event that either party must resort to legal action in order to enforce the provisions of this Agreement or to defend such action, the prevailing party will be entitled to receive reimbursement from the non-prevailing party for all reasonable attorney's fees and all other costs incurred in commencing or defending such action, or in enforcing this Agreement, including but not limited to post judgment costs.

22. Entire Agreement. This Agreement and the agreements referred to in this Agreement contain the entire agreement of the parties hereto in regard to the subject matter hereof and may not be changed orally but only by a written document signed by the party against whom enforcement of the waiver, change, modification, extension or discharge is sought.

23. Survival of Provisions. In case any one or more of the provisions or any portion of any provision set forth in this Agreement should be found to be invalid, illegal or unenforceable in any respect, such provision(s) or portion(s) thereof will be modified or deleted in such manner as to afford the parties the fullest protection commensurate with making this Agreement, as modified, legal and enforceable under applicable laws. The validity, legality and enforceability of any such provisions will not in any way be affected or impaired thereby and such remaining provisions will be construed as severable and independent thereof.

24. Prior Agreements. All prior agreements entered into between Consultant and Company are hereby terminated.

IN WITNESS WHEREOF, the parties to this Agreement hereby execute this Agreement as of the date first above written.

COMPANY: Envision Solar International, Inc.,
a Nevada corporation

By:_____
Desmond Wheatley, Chief Executive Officer

_____
Street Address

_____
City, State, and Zip Code

_____
Telephone Number

_____
Facsimile Number

_____
Email Address

CONSULTANT: GreenCore Capital, LLC, a Delaware
limited liability company

By:_____
Jay S. Potter, Manager

_____
Street Address

_____
City, State, and Zip Code

_____
Telephone Number

_____
Facsimile Number

_____
Email Address

Exhibit A
Description of Consulting Services

Consultant is engaged in the business of providing consulting services in the area of financial advisory and analytical services.

Consultant, as an independent contractor, will be responsible for, among other things, the following:

(a) Advice and consultation with respect to such items as the Company's business and strategic plans, financing alternatives, financial modeling, and capital requirements;

(b) Advice and consultation with respect to potential sources of additional financing and capital for the Company to enable it to implement its business plan and conduct its operations;

(c) Introductions, on a non-exclusive basis, to potential sources of capital and to other parties who can make such introductions;

(d) Advice and consultation with respect to the structure of potential transactions pursuant to which the Company may obtain financing or additional capital for its business; and

(e) Advice, consultation and assistance with long-term planning with respect to the Company's growth and expansion.

Consultant will also assist with the following activities by the Company, under the supervision of the Company's Chief Executive Officer: (1) product marketing and promotion, (2) lead generation and lead list development for product sales, (3) government communication and scheduling, (4) market research, and (5) ongoing identification of financing and capital sources.

Exhibit B
Fee Schedule

The Fee for Services performed by the Consultant is as follows: (1) an initial fee of $30,000 in cash and the issuance of 260,000 shares of common stock of the Company payable on or before March 31, 2014, in consideration for Consultant's work in establishing and initially implementing and managing a marketing program for product sales and sourcing capital and financing for the Company, payable upon the execution of this Agreement by the Company and the Consultant, and (2) for each month in which the Company requests the Services in writing, a monthly flat fee of $9,000 in cash and shares of the Company's common stock equal in value to $9,000 based on the preceeding five day average closing price at the end of each month, payable and issuable on the 15th day of each month for Services requested by the Company and rendered by the Consultant during the period from the 15th day of the previous month to the 15th day of the current month, for a Service Period commencing on March 17, 2014 and ending on September 15, 2014, with the first payment of cash and stock due on April 15, 2014. Based on performance, the Consultant may earn a bonus worth up to $10,000 at the termination or conclusion of the contract on September 15, 2014. From time to time and based upon the current requirements of the Company, the Company and the Consultant may elect to extend the Service Period for further months on an as needed basis.

During the term of this Agreement and for a period of two (2) years after the termination of this Agreement for any reason, Consultant will also be entitled to be paid a commission on the sale of Company products to customers that he introduces and participates in the selling process as detailed below. These commissions are to be paid to Consultant no later than thirty (30) days from the Company's receipt of good funds from the customers. The commission schedule is tiered or laddered to account for the various possible roles by Consultant. The commission rate will be determined on a case by case basis determined on the introduction of each prospect at the discretion of the CEO.

(a) 5% of the gross revenue receipts received and accepted by the Company, less refunds, charge backs and returns, for product sales that close during the term of this Agreement and two years beyond for a sale completed by the Consultant that did not require more than the Company's contribution of existing standard marketing materials.
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(b) 2% of the gross revenue receipts received and accepted by the Company less refunds, charge backs and returns, for product sales that close during the term of this Agreement and two years beyond for a for product sales that are completed by the Consultant and include the assistance of a Company executive or sales representative who elects to pursue the potential sale.

(c) 1% of the gross revenue receipts received and accepted by the Company, less refunds, charge backs and returns, for product sales that close during the term of this Agreement and one year beyond for a sale that the Consultant is credited for organizing and supporting.

(d) 1% of the gross revenue receipts received and accepted by the Company, less refunds, charge backs and returns, for all repeat product sales that close within six months of an initial sale to a Customer under the conditions described in (a,b&c) of this section.

Any additional Fees for Services earned by Consultant for other Services rendered to the Company after September 15, 2014 will be billed to the Company on a flat Fee basis for specific projects performed by the Consultant as part of its Services for the Company under this Agreement, and the Company will pay the amount of any such invoice in full within fifteen (15) days of the date of the receipt of such invoice, provided, that (a) Consultant notifies the Company in writing in reasonable detail of the scope and nature of the project and the amount of the Fee to be charged for it and that (b) the Company has provided written approval, in advance, to proceed with the project.

EXHIBIT 31.1

CERTIFICATION

I, Desmond Wheatley, certify that:

1. I have reviewed this report on Form 10-K of Envision Solar International, Inc.;

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, including its consolidated subsidiaries, is made known to us by others within those entities, 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;

    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. The registrant's other certifying officer(s) and I have disclosed, based on our 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 (of 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 small business issuer's internal control over financial reporting.

Date: March 31, 2014

/s/ Desmond Wheatley
Desmond Wheatley, Chief Executive Officer,
and President (Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

I, Chris Caulson, certify that:

1. I have reviewed this report on Form 10-K of Envision Solar International, Inc.;

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, including its consolidated subsidiaries, is made known to us by others within those entities, 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;

    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. The registrant's other certifying officer(s) and I have disclosed, based on our 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 (of 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 small business issuer's internal control over financial reporting.

Date: March 31, 2014

/s/ Chris Caulson
Chris Caulson,
Chief Financial Officer
(Principal Financial/Accounting Officer)

EXHIBIT 32.1

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 Annual Report of Envision Solar International, Inc. (the "Company") on Form 10-K for the period ending December 31, 2013 (the "Report") I, Desmond Wheatley, Chief Executive Officer of the Company, certify, pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge and belief:

(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 results of operations of the Company.

/s/ Desmond Wheatley Date: March 31, 2014
Desmond Wheatley, Chief Executive Officer
and President
(Principal Executive Officer)

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

EXHIBIT 32.2

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 Annual Report of Envision Solar International, Inc. (the "Company") on Form 10-K for the period ending December 31, 2013 (the "Report") I, Chris Caulson, Chief Financial Officer of the Company, certify, pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge and belief:

(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 results of operations of the Company.

/s/ Chris Caulson *Date: March 31, 2014*
Chris Caulson, Chief Financial Officer,
(Principal Financial/Accounting Officer)

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.