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

FORM 10-Q

Quarterly Report under Section 13 or 15 (d) of Securities Exchange Act of 1934

For the Period ended June 30, 2018

Commission File Number 000-53204

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

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

5660 Eastgate Dr.
San Diego, California 92121
(858) 799-4583
(Address and telephone number of principal executive offices)

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

Indicate by check mark 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 [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company under Rule 12b-2 of the Exchange Act. (Check one.)

Large accelerated filer [ ]	Accelerated filer [ ]
Non-accelerated filer [ ]	Smaller reporting company [X]
Emerging growth company [ ]	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act [ ]

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

The number of registrant's shares of common stock, $0.001 par value, issuable and outstanding as of August 10, 2018 was 145,018,995.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (Unaudited)

Envision Solar International, Inc. and Subsidiary
Condensed Consolidated Balance Sheets

	June 30, 2018 (Unaudited)	December 31, 2017
Assets		
Current Assets		
Cash	$ 128,675	$ 403,475
Accounts Receivable, net	689,359	5,946
Prepaid and Other Current Assets	77,403	55,674
Inventory, net	891,990	2,319,500
Total Current Assets	1,787,427	2,784,595
Property and Equipment, net	179,234	226,112
Other Assets		
Patents, net	119,645	75,279
Deposits	106,998	156,588
Deferred Equity Offering Costs	40,416	–
Total Other Assets	267,059	231,867
Total Assets	$ 2,233,720	$ 3,242,574
Liabilities and Stockholders' Deficit		
Current Liabilities		
Accounts Payable	$ 972,662	$ 486,690
Accrued Expenses	477,687	451,924
Sales Tax Payable	53,241	46
Deferred Revenue	70,724	77,514
Convertible Line of Credit - net of discount amounting to $0 and $226,768 at June 30, 2018 and December 31, 2017, respectively	339,233	923,232
Convertible Note Payable - Related Party	160,000	135,000
Convertible Notes Payable - Current Portion - net of discount amounting to $84,916 and $175,668 at June 30, 2018 and December 31, 2017, respectively	1,471,700	1,486,948
Auto Loan - Current Portion	7,602	9,862
Total Current Liabilities	3,552,849	3,571,216
Convertible Notes Payable - Long Term Portion	100,000	–
Auto Loan - Long Term Portion	17,196	20,620
Total Long Term Liabilities	117,196	20,620
Total Liabilities	3,670,045	3,591,836
Commitments and Contingencies (Note 9)		
Stockholders' Deficit		
Preferred Stock, $0.001 par value, 10,000,000 shares authorized, 0 shares outstanding at June 30, 2018 and December 31, 2017, respectively	–	–
Common Stock, $0.001 par value, 490,000,000 shares authorized, 144,893,995 and 141,835,662 shares issued or issuable and outstanding at June 30, 2018 and December 31, 2017, respectively	144,894	141,836
Additional Paid-in-Capital	38,481,538	37,785,781
Accumulated Deficit	(40,062,757)	(38,276,879)
Total Stockholders' Deficit	(1,436,325)	(349,262)
Total Liabilities and Stockholders' Deficit	$ 2,233,720	$ 3,242,574

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

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

	For the Three Months Ended June 30, 2018	For the Three Months Ended June 30, 2017	For the Six Months Ended June 30, 2018	For the Six Months Ended June 30, 2017
Revenues	$ 844,495	$ 507,730	$ 3,720,467	$ 878,419
Cost of Revenues	825,761	520,836	3,667,433	895,379
Gross Profit (Loss)	18,734	(13,106)	53,034	(16,960)
Operating Expenses (including stock based expense of $177,434 and $191,146 for the six months ended June 30, 2018 and 2017, respectively)	573,151	545,292	1,182,320	1,214,281
Loss From Operations	(554,417)	(558,398)	(1,129,286)	(1,231,241)
Other Income (Expense)				
Other Income	614	136	1,422	306
Gain on Debt Settlement, net	–	2,355	–	2,355
Interest Expense	(220,468)	(47,625)	(658,014)	(101,606)
Gain on Debt Extinguishment	–	–	–	107,081
Total Other (Expense) Income	(219,854)	(45,134)	(656,592)	8,136
Loss Before Income Tax	(774,271)	(603,532)	(1,785,878)	(1,223,105)
Income Tax Expense	–	800	–	800
Net Loss	$ (774,271)	$ (604,332)	$ (1,785,878)	$ (1,223,905)
Net Loss Per Share- Basic and Diluted	$ (0.01)	$ (0.00)	$ (0.01)	$ (0.01)
Weighted Average Shares Outstanding- Basic and Diluted	144,706,495	125,647,287	144,101,477	124,039,447

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

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

	For the Six Months Ended June 30, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	$ (1,785,878)	$ (1,223,905)
Adjustments to Reconcile Net loss to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and amortization	36,355	34,781
Common Stock issued for services	168,750	85,500
Common stock issued for loan guaranty	–	26,755
Gain on debt settlement	–	(2,355)
Compensation expense related to grant of stock options	8,684	78,891
Gain on debt extinguishment	–	(107,081)
Amortization of debt issue costs	–	800
Amortization of debt discount	560,900	805
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(683,413)	730,749
Prepaid expenses and other current assets	(52,001)	6,932
Inventory, net	1,468,797	(389,936)
Deposits	49,590	(1,810)
Increase (decrease) in:		
Accounts payable	485,973	96,190
Accrued expenses	25,763	172,232
Convertible note payable issued in lieu of salary - related party	25,000	60,000
Sales tax payable	53,195	(36,134)
Deferred revenue	(6,790)	14,844
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	354,925	(452,742)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	–	(3,220)
Funding of patent costs	(44,858)	(1,837)
NET CASH USED IN INVESTING ACTIVITIES	(44,858)	(5,057)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sale of common stock	290,000	245,000
Payments of offering costs related to sale of common stock	(12,000)	(3,600)
Borrowings (Repayments) on line of credit, net	(810,767)	500,000
Payments of loan offering costs	–	(9,655)
Payments of deferred equity offering costs	(40,416)	–
Repayments on notes payable	(6,000)	(6,000)
Repayments of auto loan	(5,684)	(4,608)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(584,867)	721,137
NET (DECREASE) INCREASE IN CASH	(274,800)	263,338
CASH AT BEGINNING OF PERIOD	403,475	8,568
CASH AT END OF PERIOD	$ 128,675	$ 271,906
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 98,561	$ 30,444
Cash paid for income tax	$ –	$ –
Supplemental Disclosure of Non-Cash Investing and Financing Activities:		
Transfer of prepaid asset to inventory	$ 30,272	$ 21,168

Depreciation capitalized into inventory	$ 11,015	$ 10,989
Prepaid insurance financed by third party	$ –	$ 16,335
Shares issued for debt conversion	$ –	$ 704,709
Recording of debt discount	$ 243,380	$ –

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

1. NATURE OF OPERATIONS, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Envision Solar International Inc. (along with its subsidiary, hereinafter the "Company", "us", "we", "our" or "Envision"), a Nevada corporation, invents, designs, and manufactures solar powered products and proprietary technology solutions targeting three verticals: electric vehicle charging infrastructure, out of home advertising infrastructure, and energy security and disaster preparedness. The Company focuses on creating renewably energized platforms for electric vehicle ("EV") charging, media and branding, and energy security which management believes are attractive, rapidly deployed, and of the highest quality. Management believes that the Company's chief differentiator is its ability to invent, design, engineer, and manufacture solar products which are a complex integration of our own proprietary technology and other commonly available engineered components. The resulting products are built to have the longest life expectancy in the industry while also delivering valuable amenities and potentially highly attractive revenue opportunities for our customers. Management believes that Envision's products deliver multiple layers of value such as: impact free renewably energized EV charging; media, branding, and advertising platforms; sustainable and secure energy production; architectural enhancement; reduced carbon footprint; high visibility "green halo" branding; reduction of net operating costs through reduced utility bills; and revenue creation opportunities through the sales of digital out of home ("DOOH") media.

Basis of Presentation

The interim unaudited condensed consolidated financial statements included herein have been prepared by the Company, pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of the Company's management, all adjustments (consisting of normal recurring adjustments and reclassifications and non-recurring adjustments) necessary to present fairly our results of operations and cash flows for the three and six months ended June 30, 2018 and 2017, and our financial position as of June 30, 2018, have been made. The results of operations for such interim periods are not necessarily indicative of the operating results to be expected for the full year.

Certain information and disclosures normally included in the notes to the annual consolidated financial statements have been condensed or omitted from these interim financial statements. Accordingly, these interim unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2017. The December 31, 2017 consolidated balance sheet is derived from those statements.

Principals of Consolidation

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates in the accompanying unaudited condensed consolidated financial statements include the allowance for doubtful accounts receivable, valuation of inventory and standard cost allocations, depreciable lives of property and equipment, estimates of loss contingencies, 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

<u>Concentration of Credit Risk</u>

Financial instruments that potentially subject us to concentrations of credit risk consist of cash and revenues.

The Company maintains its cash in banks and financial institution deposits that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts from inception through June 30, 2018. As of June 30, 2018, there were no amounts greater than the federally insured limits.

Concentration of Accounts Receivable

As of June 30, 2018, customers that each represented more than 10% of the Company's net accounts receivable balance were as follows:

Customer A	48%
Customer B	22%
Customer C	21%

As of December 31, 2017, there was a single customer that represented 94% of the Company's net accounts receivable balance.

Concentration of Revenues

For the six months ended June 30, 2018, customers that each represented more than 10% of our net revenues were as follows:

Customer A	53%
Customer B	11%
Customer C	11%

For the six months ended June 30, 2017, customers that each represented more than 10% of our net revenues were as follows:

Customer A	30%
Customer D	20%
Customer E	15%
Customer F	10%

Cash and Cash Equivalents

For the purposes of the unaudited condensed 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 June 30, 2018 and December 31, 2017 respectively.

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 June 30, 2018, the carrying amounts of these instruments approximated their fair values because of the short-term nature of these instruments.

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 of a note where the embedded conversion option has been bifurcated and accounted for as a derivative liability, the Company records the shares at fair value, relieves all related notes, derivatives, and debt discounts, and recognizes a net gain or loss on extinguishment. 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 Recognition

As of January 1, 2018, Envision adopted the revenue standards of Financial Accounting Standards Board Update No. 2014-09: "Revenue from Contracts with Customers (Topic 606)." The core principle of this Topic is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognized in accordance with that core principle by applying the following five steps: 1) identify the contracts with a customer; 2) identify the performance obligations in the contract; 3) determine the transaction price; 4) allocate the transaction price to the performance obligations; and 5) recognize revenue when (or as) we satisfy a performance obligation.

Revenues are primarily derived from the direct sales of manufactured products. Revenues may also consist of maintenance fees for the maintenance of previously sold products, and revenues from sales of professional services.

Revenues from inventoried product sales are recognized upon the final delivery of such product to the customer or when legal transfer of ownership takes place. Revenue values are fixed price arrangements determined at the time an order is placed or a contract is entered into. The customer is typically obligated to make payment for such products within a 15-45 day period after delivery.

Revenues from maintenance fees are recognized equally over the period of the maintenance term. Revenue values are fixed price arrangements determined at the time an order is placed or a contract is entered into. The customer is typically obligated to make payment for the service in advance of the maintenance period.

Revenues from professional services are recognized as services are performed. Revenue values are based upon fixed fee arrangements or hourly fee-based arrangements with agreed to hourly rates of service categories in line with expertise requirements. These services are billed to a customer as such services are provided and the customer will be obligated to make payments for such services typically within a 15-45 day period.

Any deposits received from a customer prior to delivery of the purchased product or monies paid prior to the period for which a service is provided are accounted for as deferred revenue on the balance sheet.

Sales tax is recorded on a net basis and excluded from revenue.

The Company generally provides a standard one year warranty on its products for materials and workmanship but will pass on the warranties from its vendors, if any, which generally cover at least such period. In accordance with ASC 450-20-25, the Company accrues for product warranties when the loss is probable and can be reasonably estimated. At June 30, 2018, the Company has no product warranty accrual given the Company's de minimis historical financial warranty experience.

Cost of Revenues

The Company records direct material and component costs, direct labor and associated benefits, and manufacturing overhead costs such as supervision, manufacturing equipment depreciation, rent, and utility costs as costs of revenues. The Company further includes shipping and handling fees billed to customers as revenues, and shipping and handling costs as cost of revenues.

Patents

The company believes it is in a position to achieve future economic value benefits for its various patents and patent ideas. All administrative costs for obtaining patents are accumulated on the balance sheet as a Patent asset until such time as a patent is issued at which point amortization begins. The costs of these intangible assets are classified as a long term asset and amortized on a straight line basis over the legal life of such asset, which is typically 20 years. In the event a patent is denied or abandoned, all accumulated administrative costs will be expensed in the period in which the patent was denied or abandoned. Patent amortization expense was $492 and $280 in the six-month periods ended June 30, 2018 and 2017, respectively.

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.

Net Loss Per Share

Basic net loss per share is computed by dividing the net loss by the weighted average number of shares of common stock outstanding during the periods presented. Diluted net loss per common share is computed using 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 notes payable that are convertible into 12,274,762 common shares, options to purchase 15,174,175 common shares and warrants to purchase 5,817,950 common shares were outstanding at June 30, 2018. These shares were not included in the computation of diluted loss per share for the three or six months ended June 30, 2018 because the effects would have been anti-dilutive. These options and warrants may dilute future earnings per share.

Segments

The Company follows ASC 280-10 for, "Disclosures about Segments of an Enterprise and Related Information." During 2018 and 2017, the Company only operated in one segment; therefore, segment information has not been presented.

Reclassifications

Certain reclassifications have been made on prior period balances to conform to the current year presentation. At June 30, 2018, $25,656, net of $30,960 of discount, and $62,616 at December 31, 2017, was reclassified from Convertible Notes Payable – Related Parties to Convertible Notes Payable as the lender is no longer a related party. This reclassification had no impact on net loss, shareholders' equity or cash flows as previously reported.

New Accounting Pronouncements

ASU 2018-05

In March 2018, the Financial Accounting Standards Board issued Accounting Standards Update No. 2018-05: *"Income Taxes (Topic 805)"* to provide accounting and disclosure guidance on accounting for income taxes under generally accepted accounting principles ("U.S. GAAP"). This guidance addresses the recognition of taxes payable or refundable for the current year and the recognition of deferred tax liabilities and deferred tax assets for the future tax consequences of events that have been recognized in an entity's financial statements or tax returns. ASC Topic 740 also addresses the accounting for income taxes upon a change in tax laws or tax rates. The income tax accounting effect of a change in tax laws or tax rates includes, for example, adjusting (or re-measuring) deferred tax liabilities and deferred tax assets, as well as evaluating whether a valuation allowance is needed for deferred tax assets. The Company has accounted for the changes related to the Tax Cuts and Jobs act passed by Congress in 2017.

ASU 2016-02

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-02: "Leases (Topic 842)" whereby lessees will need to recognize almost all leases on their balance sheet as a right of use asset and a lease liability. This guidance is effective for interim and annual reporting periods beginning after December 15, 2018. The Company expects this ASU will increase its current assets and current liabilities but have no net material impact on its consolidated financial statements.

2. GOING CONCERN

As reflected in the accompanying unaudited condensed consolidated financial statements for the six months ended June 30, 2018, the Company had a net loss of $1,785,878. Additionally, at June 30, 2018, the Company had a working capital deficit of $1,765,422, an accumulated deficit of $40,062,757 and a stockholders' deficit of $1,436,325. It is Management's opinion that these factors raise substantial doubt about the Company's ability to continue as a going concern for a period of twelve months from the issuance date of this report.

The Company has incurred significant losses from operations, and such losses are expected to continue. In addition, the Company has limited working capital. In the upcoming months, Management's plans include seeking additional operating and working capital through a combination of public, private and debt financings. 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. Further, the Company continues to seek out sales contracts for new product sales that should provide additional revenues and, in the long term, gross profits. Additionally, Envision intends to renegotiate the debt instruments that become due later in 2018. All such actions and funds, if successful, may not be sufficient to cover monthly operating expenses or meet minimum payments with respect to the Company's liabilities over the next twelve months.

The unaudited condensed 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. INVENTORY

Inventories are stated at the lower of cost or net realizable value. Costs are determined using the first in- first out (FIFO) method. Inventory consists approximately of the following:

	June 30, 2018	December 31, 2017
Finished Goods	$ –	$ 1,716,141
Work in Process	559,013	311,481
Raw Materials	341,578	300,479
Inventory Allowance	(8,601)	(8,601)
Total Inventory	$ 891,990	$ 2,319,500

4. ACCRUED EXPENSES

The major components of accrued expenses are summarized as follows:

	June 30, 2018	December 31, 2017
Accrued vacation	$ 151,843	$ 152,051
Accrued interest	174,506	175,953
Accrued rent	75,501	77,164
Accrued loss contingency	–	44,423
Other accrued expense	75,837	2,333
Total accrued expenses	$ 477,687	$ 451,924

5. CONVERTIBLE LINE OF CREDIT

On September 18, 2017, in addition to a convertible "Lender" note (See Note 7), the Company entered into a revolving secured convertible promissory note (the "Revolver") with an unaffiliated lender (the "Lender"). Pursuant to the Revolver, the Company has the right to make borrowings from the Lender in amounts of up to 70% of the value of any specific purchase order (each a "PO") received by the Company from a credit worthy customer (each a "Draw Down"), up to a maximum of $3,000,000, commencing on the date of the Revolver and terminating 300 days after the date of the Revolver. The Revolver bears simple interest at the floating rate per annum equal to the 12 month USD LIBOR index rate quoted from time to time in New York, New York by the Bloomberg Service plus 600 basis points (the "Interest Rate"). The Interest Rate will be adjusted on the first day of each calendar month during the term of this Note to reflect any changes in the 12 month LIBOR rate as quoted on that day, or if that day is not a business day, on the next business day thereafter. The principal and accrued unpaid interest with respect to each Draw Down is due and payable within five (5) business days of receipt from the Customer by the Company of a payment due under the applicable PO (with respect to each Draw Down, the "Maturity Date"). Each Draw Down is secured by a perfected recorded second priority security interest in all of the Company's assets, as set forth in that certain Security Agreement by and between the Company and the Lender. The Lender will have the right at any time until the Maturity Date of a Draw Down, provided the Lender gives the Company written notice of the Lender's election to convert prior to any prepayment of such Draw Down by the Company with respect to converting that portion of such Draw Down covered by the prepayment, to convert all or any portion of the outstanding principal and accrued unpaid interest (the "Conversion Amount"), into such number of fully paid and nonassessable shares of the Company's common stock as is determined by dividing the Conversion Amount by the greater of (i) fifteen cents ($0.15) or (ii) 75% of the Volume Weighted Average Price of the Company's common stock that is quoted on a public securities trading market (if more than one, the one with the then highest trading volume), during the five (5) consecutive trading days immediately prior to the date of the Lender's written notice of the Lender's election to convert.

As additional consideration for any Draw Downs made by the Company as evidenced by the Revolver, the Company agreed to issue to the Lender common stock purchase warrants exercisable for a period of three years from the date of issuance with an exercise price equal to the greater of (i) $0.15 per share or (ii) 75% of the Volume Weighted Average Price of the Company's common stock that is quoted on a public securities trading market (if more than one, the one with the then highest trading volume), during the five (5) consecutive trading days immediately prior to the date of the applicable Draw Down. The number of warrants issuable to the Lender will equal 25% of the increase over the highest dollar amount previously drawn down by the Company on the Revolver divided by the greater of (i) fifteen cents ($0.15) or (ii) 75% of the Volume Weighted Average Price of the Company's common stock that is quoted on a public securities trading market (if more than one, the one with the then highest trading volume), during the five (5) consecutive trading days immediately prior to the date of the applicable Draw Down which causes the increase over the previous highest amount borrowed.

The Company received funds for an initial Draw Down on September 26, 2017 in the amount of $850,000. As a result of this Draw Down, the Company issued 1,416,667 common stock purchase warrants having a value of $122,992 using the Black-Scholes valuation methodology, and each with a $0.15 exercise price and three year term. As a result of this transaction and including the relative fair value of the issued warrants, the Company recorded $243,223 of value of beneficial conversion features and warrants, which was recorded as debt discount on the accompanying balance sheet and was amortized to interest expense over the term of the Draw Down. This Draw Down was paid back to the Lender during the three month period ended March 31, 2018.

The Company received funds for a second Draw Down on October 24, 2017 in the amount of $300,000. As a result of this Draw Down, the Company issued 500,000 common stock purchase warrants having a value of $56,620 using the Black-Scholes valuation methodology, and each with a $0.15 exercise price and three year term. As a result of this transaction and including the relative fair value of the issued warrants, the Company recorded $175,261 of value of beneficial conversion features and warrants, which was recorded as debt discount on the accompanying balance sheet and was amortized to interest expense over the term of the Draw Down. This Draw Down was paid back to the Lender during the three month period ended March 31, 2018.

The Company received funds for a third Draw Down on February 20, 2018 in the amount of $290,000. As a result of this Draw Down, the Company issued 407,784 common stock purchase warrants having a fair value of $61,282 using the Black-Scholes valuation methodology, and each with a $0.1778 exercise price and three year term (See Note 11 and 13). As a result of this transaction, the Company recorded $212,420 of debt discount consisting of the relative fair value of warrants of $50,591 and a beneficial conversion feature value of $161,829 which was amortized to interest expense over the term of the Draw Down. This drawn down was paid back to the Lender during the three month period ended June 30, 2018.

During the three months ended June 30, 2018, the Company received funds on drawdowns totaling $339,233. No warrants were owed on these drawdowns.

As of June 30, 2018, the convertible line of credit had a balance amounting to $339,233 with accrued interest amounting to $2,813 which is included in accrued expenses (See Note 4).

6. CONVERTIBLE NOTE PAYABLE - RELATED PARTY

On October 18, 2016, the Company entered into a five year employment agreement, effective as of January 1, 2016, with Mr. Desmond Wheatley, the Chief Executive Officer, President, and Chairman of the Company (the "Agreement"). Pursuant to the Agreement, Mr. Wheatley will receive an annual deferred salary of $50,000 which Mr. Wheatley would have deferred until such time as Mr. Wheatley and the Board of Directors agreed that payment of the deferred salary and/or cessation of the deferral was appropriate. In certain circumstances upon the Company achieving specified milestones, which are described in the Agreement, Mr. Wheatley could have demanded payment of all or any portion of the deferred amount, and the Company must comply with such demand. In August 2018 this agreement was amended to where his salary shall defer until the earliest to occur of the following: (i) a permissable event specified in Section 409A of the Code, or (ii) December 31, 2020, or (iii) an event specified below in Section 8.1(a) or 8.1(b) of this Agreement. In the case of a cessation of the deferral, the Company's Board of Directors may unilaterally affect such a result by a resolution duly adopted by it without the agreement or participation of the Employee and with Employee recusing himself from the vote. Employee will be paid all of the deferred amount upon the occurrence of (a) if and when the Company experiences a "change of control" whereby more than 50% of the outstanding equity of the Company changes ownership in a single transaction or series of related transactions, or otherwise as defined in Section 15.6 of the Original Agreement, (b) a sale of all or substantially all of the assets of the Company, (c) a permissible event specified in Section 409A of the Code, or (d) on December 31, 2020.

All deferred amounts are evidenced by an unsecured convertible promissory note payable by the Company to Mr. Wheatley, bearing simple interest at the rate of 10% per annum, accruing until paid, convertible into shares of the Company's common stock at $0.15 per share at any time in whole or in part at Mr. Wheatley's discretion, with a maturity date of December 31, 2020. As the conversion price was equivalent to the market price at the time of issuance, there was no beneficial conversion feature to this note.

Additionally, on March 29, 2017 the board of directors granted Mr. Wheatley a $35,000 bonus for which Mr. Wheatley agreed to defer such bonus under the same terms of his salary deferral. The balance of the note as of June 30, 2018, is $160,000 with accrued and unpaid interest amounting to $19,576 which is included in accrued expenses (See Notes 4 and 13).

7. CONVERTIBLE NOTES PAYABLE

As of June 30, 2018, the following summarizes amounts owed under convertible notes payable:

	Amount	Unamortized Discount	Convertible Notes Payable, net of discount
Evey Note	$ 56,616	$ 30,960	$ 25,656
"Lender" Note	1,500,000	53,956	1,446,044
Convertible Notes Payable – Current Portion	$ 1,556,616	$ 84,916	$ 1,471,700
Pegasus Note	$ 100,000	$ –	$ 100,000
Convertible Notes Payable – Long term Portion	$ 100,000	$ –	$ 100,000

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. 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 had no beneficial conversion feature at the note date.

Through a series of amendments, the term of the note was extended until December 31, 2016, and waived, through December 31, 2015, the requirement to pay down the note with financing proceeds received by the Company.

Effective June 13, 2018, the Company entered into a further amendment to extend the maturity date of this note to December 31, 2019 and waive the past requirements to pay the note with financing proceeds received by the Company. Additionally, the note holders agreed not to offer for sale, issue, sell, contract to sell, pledge or otherwise dispose of any of our common stock or securities convertible into common stock, before December 31, 2019. There were no additional fees or discounts associated with this amendment. This modification was treated as an extinguishment as the change in fair value of the embedded conversion option just before and just after the modification was more than 10% of the carrying amount of the note. The market price of the Company's stock was below the conversion price at the time of the modification, therefore no beneficial conversion feature needed to be recorded.

As of June 30, 2018, the note had a balance of $100,000 with accrued and unpaid interest amounting to $85,151 which is included in accrued expenses (See Note 4).

Evey Note

Prior to fiscal 2011, the Company was advanced monies by John Evey, our former director, and executed a 10% convertible promissory note with compounding interest which was convertible into shares of common stock at $0.33 per share. There was no beneficial conversion feature at the note date and this note is subordinate to the then existing notes. Through a series of amendments from the original due date, the conversion price of the convertible note was reduced to $0.20 and the maturity date was extended to December 31, 2017.

Effective June 27, 2018, the Company entered into a further extension agreement to extend the maturity date of this note to July 1, 2019. Additionally, Mr. Evey agreed not to offer for sale, issue, sell, contract to sell, or otherwise dispose of any of our common stock or securities convertible into common stock on or before December 31, 2018 and not to offer for sale, issue, sell, contract to sell, pledge, or otherwise dispose of any of our common stock issuable upon the conversion of the note, on or before July 1, 2019. There were no additional fees or discounts associated with this extension. This modification was treated as an extinguishment as the change in fair value of the embedded conversion option just before and just after the modification was more than 10% of the carrying amount of the note. The Company recorded debt discount amounting to $30,960 for the value of the beneficial conversion feature and will amortize this to interest expense over the remaining term of the loan.

For the six month period ended June 30, 2018, in lieu of interest payments, the Company made principal payments totaling $6,000. As of June 30, 2018, this note has a balance, net of $30,960 of discount, amounting to $25,656 with accrued interest amounting to $67,272 which is included in accrued expenses (See Note 4). The note continues to bear interest at a rate of 10%**.**

“Lender” Note

On September 18, 2017, in addition to entering into a revolving convertible line of credit (See Note 5), the Company also entered into a $1,500,000 secured convertible promissory note with the same unaffiliated lender (the “Lender”). The Note bears simple interest at the floating rate per annum equal to the 12 month USD LIBOR index rate quoted from time to time in New York, New York by the Bloomberg Service plus 400 basis points (the “Interest Rate”). The Interest Rate will be adjusted on the first day of each calendar month during the term of the Note to reflect any changes in the 12 month LIBOR rate as quoted at on that day, or if that day is not a business day, on the next business day thereafter. Interest will only accrue on outstanding principal. Accrued unpaid interest is payable monthly on the first calendar day of each month for interest accrued during the previous month, with all outstanding principal and accrued unpaid interest payable in full on or before September 17, 2018 to the extent not converted into shares of the Company’s common stock. The Note is secured by a perfected recorded first priority security interest in all of the Company’s assets, as set forth in a certain Security Agreement by and between the Company and the Lender, dated September 18, 2017. At any time until the Maturity Date, and provided Lender gives the Company written notice of Lender’s election to convert prior to any prepayment of this Note by the Company with respect to converting that portion of this Note covered by the prepayment, the Lender has the right to convert all or any portion of the outstanding principal and accrued interest (the “Conversion Amount”), into such number of fully paid and nonassessable shares of the Company’s common stock as is determined by dividing the Conversion Amount by the greater of (i) fifteen cents ($0.15) or (ii) 75% of the Volume Weighted Average Price of the Company’s common stock that is quoted on a public securities trading market (if more than one, the one with the then highest trading volume), during the five (5) consecutive trading days immediately prior to the date of the Lender’s written notice of its election to convert.

As additional consideration for the loan evidenced by the Note, the Company agreed to issue to the Lender common stock purchase warrants exercisable for a period of three years from the date of issuance with an exercise price equal to $0.15 per share. The number of warrants issuable to the Lender is equal to 25% of the loan Amount divided by fifteen cents ($0.15). As of September 18, 2017, the Company issued 2,500,000 common stock purchase warrants under this provision having a fair value of $187,142 using the Black-Scholes valuation methodology, and each with a $0.15 exercise price. As a result of this transaction, the Company recorded $232,767 of debt discount consisting of the relative fair value of the warrants of $166,384 and a beneficial conversion feature of $66,384, which is being amortized to interest expense over the term of the note.

During any time when the Note is outstanding, or when the Lender holds any Company stock, or any warrants to acquire Company stock where the combination of both could result in the Lender owning stock with a current value of one million dollars or greater, in the Company, the Lender will have certain review and consulting rights as described in the Note.

As of June 30, 2018, the convertible note had a balance, net of $53,956 of debt discount, amounting to $1,446,044.

8. AUTO LOAN

In October 2015, the Company purchased a new vehicle and financed the purchase through a dealer auto loan. The loan has a term of 60 months, requires minimum monthly payments of approximately $950, and bears interest at a rate of 5.99 percent. As of June 30, 2018, the loan has a short-term portion of $7,602 and a long-term portion of $17,196.

9. COMMITMENTS AND CONTINGENCIES

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 June 30, 2018, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of our operations.

Leases:

In August 2016, the Company entered into a sublease for its current corporate headquarters and manufacturing facility. The sublease expires in August 2020 which is the same term of the master lease for which the Company is the subtenant. Monthly lease payments range from $46,800 per month currently increasing to $50,619 per month for the final year of the lease.

Other Commitments:

The Company enters into various contracts or agreements in the normal course of business whereby such contracts or agreements may contain commitments. Since inception, the Company entered into agreements to act as a reseller for certain vendors; joint development contracts with third parties; referral agreements where the Company would pay a referral fee to the referrer for business generated; 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 agree 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, investor relations, public relations, technical consulting or subcontractor services, vendor arrangements with non binding minimum purchasing provisions, and financial advisory agreements where the financial advisor would receive a fee and/or commission for 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, there are no firm commitments in such agreements.

10. COMMON STOCK

Stock Issued in Cash Sales

During the six months ended June 30, 2018 pursuant to a private placement, the Company issued 1,933,333 shares of common stock for cash with a per share price of $0.15 per share or $290,000 and the Company incurred $12,000 of capital raising fees that were paid in cash and charged to additional paid-in-capital. Additionally, the Company issued 273,333 warrants as an offering cost to a third party, each with a 5 year term and a strike price of $0.15 per share, at the close of the private placement offering. There was no accounting effect for the issuance of these warrants as their fair value was charged to additional paid-in-capital as an offering cost and offset by a credit to additional paid-in-capital for their fair value when issuing these warrants. (See Note 11)

Director Compensation

During the six month period ended June 30, 2018, the Company released a total of 375,000 vested shares of common stock (related to previous grants to each of these directors of 750,000 shares which vest on a pro rata basis over a three year period), with a per share fair value of $0.15, or $56,250 (based on the market price at the time of the agreement), to three directors for their service as defined in their respective Restricted Stock Grant Agreements. The $56,250 was expensed during the six months ended June 30, 2018 (See Note 13). As of June 30, 2018, there were unreleased shares of common stock representing $168,750 of unrecognized restricted stock grant expense related to these Restricted Stock Grant Agreements.

Effective March 27, 2018, based on authorization initially approved by the Board of Directors on December 19, 2017, and confirmed by resolutions adopted by the Board on March 27, 2018, the Company granted a total of 750,000 shares of common stock with a per share value of $0.15 per share (based on contemporaneous cash sales prices), or $112,500, to three directors for performance of their duties. These shares are being issued from a pool of 750,000 shares of common stock for each director of previously authorized restricted stock grant awards for performance that are awarded if specific performance criteria are achieved or the Board authorizes their award and vesting by specific resolutions (See Note 13). These shares are immediately expensed.

11. STOCK OPTIONS AND WARRANTS

Stock Options

There were no stock options issued during the six months ended June 30, 2018.

During the six months ended June 30, 2018, the Company recorded stock option based compensation of $8,684 related to prior grants. As of June 30, 2018, there is $24,845 of unrecognized stock option based compensation expense that will be recognized over the next two years.

Warrants

As a part of the Company's private placement, the Company effectively issued 273,333 warrants during the three months ended March 31, 2018 to the placement agents. These warrants, valued at $26,206, are exercisable for 5 years at an exercise price of $0.15 per share. 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 volatility of 79.39%, expected dividends of 0.0%, a discount rate of 1.50%, and expected term of 5 years. There was no financial statement accounting effect for the issuance of these warrants as their fair value has been charged to Additional Paid-in-Capital as an offering cost and was offset by a credit to Additional Paid-in-Capital for their fair value when recording the issuance of these warrants (See Note 10).

In connection with a Draw Down of a convertible line of credit, as of February 20, 2018, the Company issued 407,784 common stock purchase warrants with a total value of $61,282 and each with a $0.1778 exercise price and 3 year term. 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 volatility of 82.55%, expected dividends of 0.0%, a discount rate of 1.50%, and expected term of 3 years. (See Note 5).

12. REVENUES

For each of the identified periods, revenues can be categorized into the following:

	For the six months ended June 30, 2018	2017
Product Sales	$ 3,706,103	$ 874,819
Maintenance Fees	3,789	–
Professional Services	10,575	3,600
Total Revenues	$ 3,720,467	$ 878,419

At June 30, 2018 and December 31, 2017, deferred revenue amounted to $70,724 and $77,514 respectively. At June 30, 2018, the Company has received an initial deposit to plan and manufacture two Solar Tree® units in addition to deposits for multi-year maintenance plans for previously sold products. As of June 30, 2018, deferred revenue associated with product deposits are $26,304 and the delivery of such products are expected within the following six months, while deferred maintenance fees amounted to $44,420 and pertain to services to be provided through the second quarter of 2022.

13. RELATED PARTY TRANSACTIONS

During the six months ended June 30, 2018, the Company released a total of 1,125,000 shares of common stock with a total value of $168,750, to three directors. These payments were expensed upon release of the shares (See Note 10).

On October 18, 2016, the Company entered into a five year employment agreement, effective as of January 1, 2016, with Mr. Desmond Wheatley, the Chief Executive Officer, President, and Chairman of the Company (the "Agreement"). Pursuant to the Agreement, Mr. Wheatley will receive an annual deferred salary of $50,000 which Mr. Wheatley will defer until such time as Mr. Wheatley and the Board of Directors agree that payment of the deferred salary and/or cessation of the deferral is appropriate. Additionally, on March 29, 2017 the board of directors granted Mr. Wheatley a $35,000 bonus for which Mr. Wheatley agreed to defer such bonus under the same terms of his salary deferral. All deferred amounts are evidenced by an unsecured convertible promissory note payable by the Company to Mr. Wheatley. The balance of the note as of June 30, 2018, is $160,000 with accrued and unpaid interest amounting to $19,576 which is included in accrued expenses (See Notes 4 and 6).

14. SUBSEQUENT EVENTS

Subsequent to June 30, 2018, the Company has borrowed net funds under its Convertible Line of Credit with the Lender amounting to $203,561 (See Note 5).

On July 19, 2018, Mr. Jay S. Potter resigned as a director of Envision Solar International, and the Company accepted Mr. Potter's resignation effective on the same date. In recognition of Mr. Potter's long and valuable service to the Company, the Board of Directors authorized the immediate vesting and issuance to Mr. Potter of the balance of the nonperformance restricted stock award scheduled to be issued to him through December 31, 2018. As such, the Company released a total of 125,000 vested shares of common stock with a per share fair value of $0.15, or $18,750 (based on the market price at the time of the agreement).

Item 2. 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 Envision Solar International, Inc. (hereinafter, with its subsidiary, "Envision," "Company," "us," "we" or "our"), 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.

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) low trading volume of our common stock and general lack of liquidity;

(l) competition in the EV charging market including price competition from grid connected chargers;

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

(n) 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 businesses.

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 unaudited Quarterly Report on Form 10-Q. Forward looking statements and other disclosures in this report speak only as of the date they are made. 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-Q, or to reflect the occurrence of unanticipated events.

Overview

Envision is a sustainable technology innovation company based in San Diego, California. Focusing on what we refer to as "Solar 3.0," we invent, design, engineer, manufacture and sell solar powered products that enable vital and highly valuable services in locations where it is either too expensive or too impactful to connect to the utility grid, or where the requirements for electrical power are so important that grid failures, like blackouts, are intolerable. When competing with utilities or typical solar companies, we rely on our products' deployability, reliability, accessibility, and total cost of ownership, rather than producing the cheapest kilowatt hour with the help of subsidies.

Envision's solar powered products and proprietary technology solutions target three verticals: electric vehicle charging infrastructure, out of home advertising platforms, and energy security and disaster preparedness. The Company focuses on creating renewably energized, high-quality products for electric vehicle ("EV") charging, media and branding, and energy security, that are rapidly deployable and attractively designed. Our chief differentiator is, we believe, our ability to invent, design, engineer, and manufacture solar products which are a complex integration of our own proprietary technology and parts, and other commonly available engineered components. The resulting products are built to have the longest life expectancy in the industry while also delivering valuable amenities and potentially highly attractive revenue opportunities for our customers. Envision's products are designed to deliver multiple layers of value such as: impact free renewably energized EV charging; media, branding, and advertising platforms; sustainable and secure energy production; reduced carbon footprint; high visibility "green halo" branding; reduction of net operating costs through reduced utility bills; and revenue creation opportunities through sales of digital out of home ("DOOH") media. The Company sells its products to customers with requirements in one or more of the three verticals the Company addresses. Qualified customers can also lease our EV ARC™ products through leasing relationships we have developed. Envision's products can qualify for various federal, state, and local financial incentives which could significantly reduce final out-of-pocket costs from our selling price for eligible customers.

Products and Technologies

We currently produce two categories of product: the patented EV ARC™ (Electric Vehicle Autonomous Renewable Charger) and the patented Solar Tree®. We have recently submitted third and fourth product categories, the EV-Standard™ product and the UAV ARC™ product, for patent approval. They are patent pending and in late stage product development and engineering. All four product lines incorporate the same underlying technology and value, having a built-in renewable energy source in the form of attached solar panels or light wind generator, along with battery storage. The EV ARC™ product is a permanent solution in a transportable format and the Solar Tree® product is a permanent solution in a fixed format. The EV-Standard™ is also fixed but uses an existing streetlamp's foundation and grid connection. The UAV ARC™ is a permanent solution in a transportable format and the marinized version will also be deployable at sea or on other bodies of water. We believe that our series of products offer multiple layers of value to our customers while leveraging the same underlying technology, fabrication techniques and infrastructure that we use for all of our products. This enables us to reach a broad customer base with varied product offerings without maintaining the overhead normally associated with a diverse set of products.

Our current list of products includes:

- EV ARC™ Electric Vehicle Autonomous Renewable Charger.
- EV ARC™ HP DC Fast Charging Electric Vehicle Autonomous Renewable Charger.
- EV ARC™ Media Electric Vehicle Autonomous Renewable Charger with advertising screen and/or branding/messaging.
- EV ARC™ Autonomous Renewable Motorcycle Charger.
- EV ARC™ Autonomous Renewable Bicycle Charger.
- ARC Mobility™ Transportation System.
- The Solar Tree® DCFC product, a single column-mounted smart generation and energy storage system with the capability to provide a 50kW DC fast charge to one or more electric vehicles.

  The EV Standard™ is currently patent pending and in the development and engineering phase of its product evolution.

The UAV ARC™, a drone recharging product, is patent pending and in the development and engineering phase of its product evolution.

All current Envision products can be upgraded with the addition of the following:

- EnvisionTrak™ sun tracking technology (patented),
- Data capture and management (IoT),
- SunCharge™ solar powered EV charging,
- ARC™ technology energy storage,
- E-Power emergency power panels,
- LED lighting,
- Media and branding screens, and
- Security cameras, WiFi, sound, and emergency call boxes.

EV ARC™ and Solar Tree® products can also be equipped to provide emergency power to users such as first responders during times of emergency or other grid failures. Because our products replenish their batteries every day, even during cloudy conditions, we believe that they are some of the most robust and reliable back-up energy sources available today. Several of our current government customers are ordering EV ARC™ units with our optional E Power panels integrated into the units. E Power is a series of secured power outlets with directed and primary energy access available to emergency responders. This is a source of increased revenue for us and, we believe, a compelling value proposition for our products.

EV ARC™ and Solar Tree® products can be grid connected if the customer wishes. Our first utility customer connected its EV ARC™ units to the grid in 2015. The EV ARC™ products provide solar powered EV charging, but they also serve as grid stability tools. During times of low energy use the utility will charge the EV ARC™ on board batteries. During times of grid stress, the utility takes energy from EV ARC™ batteries thus reducing stress on their generation assets and grid infrastructure. We believe that "Grid Balancing" offers a potentially significant market opportunity for Envision's products as electrical grids become increasingly unstable due to increased demand, aging infrastructure, and extreme weather events. Experts from utilities such as San Diego Gas & Electric have told us that this is the case and that distributed storage is an important part of their future plans.

We believe these factors make our products a 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 our products use 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.

EV ARC™:

EV ARC™ is a transportable, but essentially permanent EV charging infrastructure product which supports Level I, Level II and DC Fast Charging (which requires 4 to 7 interconnected units). EV ARC™ products can charge between one and six EVs simultaneously and a single unit can provide EV charging in as many as 10 parking spaces. We have observed that the EV ARC™ can solve many problems associated with electric vehicle charging infrastructure deployments. Until the introduction of the EV ARC™, the deployment of EV chargers could be hindered by complications in site acquisition caused by the challenging and invasive requirements of the installation. Typical competing EV charger installations require a pedestal which is usually mounted on a poured concrete foundation which requires excavation. Fixed chargers also typically require a trench to deliver grid connected electricity, and often require transformers and other local electrical equipment upgrades. Additional entitlements, easements, leases, and other site acquisition requirements of fixed chargers can be environmentally impactful and expensive, and may slow, or prevent entirely, the deployment of large numbers of typical fixed format chargers. California's Department of General Services has informed us that it takes an average of 18 months to go through the process of installing a utility grid-tied EV charger. New York City, currently our largest customer, experiences similar and sometimes longer delays because of the complexities of extending the electrical grid to locations where EVs need to charge. Because the EV ARC™ has its own ballast and traction pad, it does not require a foundation. Because it is entirely powered by locally generated and stored renewable energy, it does not require a grid connection. These innovations allow us to completely avoid any on-site construction or electrical work which, in turn, allows us to avoid the design, engineering and entitlement/planning processes typical of grid-tied installations. We have demonstrated that we are able to deploy EV chargers attached to our EV ARC™ product in as little as four minutes (rather than 18 months).

We believe EV ARC™ changes the paradigm of installing EV charging infrastructure completely because it is entirely self-contained and is delivered to the site ready to operate. It requires no foundation, trenching, concrete, electrical or civil works, and can be deployed in minutes. Its high-traction ballasted base pad creates a structurally sound platform that supports the rest of the structure. The solar array is connected via our EnvisionTrak™ tracking solution to a column which is mounted to the ballasted pad. An electrical cabinet integrated into the unit houses various components enabling the conversion of sunlight to electricity, which is stored in on-board batteries, and delivers that electricity to the EV charging station. Incorporating battery storage means that an EV ARC™ operates day and night, as well as during grid interruptions such as blackouts. An EV ARC™ can deliver a clean source of power to any model of EV charger that is integrated into the structure. Further, the EV ARC™ can be remotely monitored through a cellular data connection for energy production and the state of health of its vital components. EV ARC™ products fit in a standard legal-sized parking space but they do not render that parking space unusable because vehicles, EV or otherwise, can park on the high-traction ballasted pad. This is a significant differentiator for our product as most commercial and government owned parking lots have a minimum number of parking spaces which they must provide, according to local codes, to support their tenants, employees and visitors. Reducing, even by one, the number of available parking spaces might place the building out of compliance with local and perhaps other codes. We believe that the fact that EV ARC™ does not reduce parking spaces creates a significant barrier to entry for our competition as our high-traction ballasted pad forms part of our patent. EV ARC™ products are delivered to our customers' sites ready to operate.

In some instances, we have integrated a digital, static, or scrolling advertising screen onto the EV ARC™ creating the EV ARC™ Media. These advertising screens are resistant to weather, theft, and vandalism and are powered entirely by the EV ARC™. The introduction of the advertising screen creates new potential revenue streams for the owner of the EV ARC™ and we believe this makes an EV ARC™ a more attractive product for certain prospective customers. This advancement could lead to multiple other similar uses of our products. Because the EV ARC™ product delivers valuable services such as solar powered EV charging and a secure energy source which can be used by first responders during grid failures, management believes that the signage, promotion, and advertising may be eligible for permitting where other advertising platforms would be prohibited.

"Digital Out of Home Advertising" is the third fastest growing advertising medium. Double digit growth with billions of dollars per year in national and global spending make outdoor advertising an attractive opportunity. There are, however, significant barriers to making it work. In general, in the United States, it is becoming harder to deploy outdoor advertising in most places where it is of value. Similar to the EV charging vertical, the outdoor advertising industry seeks new solutions to overcome the significant barriers to entry such as planning, permission, entitlement, electrical circuitry, and civil engineering. Industry veterans spend a good deal of time looking for the "new new" in advertising, a solution that is environmentally friendly, cost effective, and most importantly, can make its way through the significant hurdles of permitting and zoning. We believe that our products are ideally suited to reduce many of the barriers to entry for outdoor advertising, and as such, we believe that significant opportunities may present themselves to us as we continue to address this market.

EV ARC™ products also provide a highly reliable source of energy that is not susceptible to grid interruptions. Because an EV ARC™ generates and stores all of its own energy, it will continue to charge EVs even during grid outages and failures such as those caused by hurricanes, earthquakes, flooding or heavy snow, or by terrorists and in the future, outages that might be precipitated by nefarious nation states. Government fleet operators, in particular, recognize the importance of having a hedge against such grid interruptions. Many of their fleet vehicles provide essential services and cannot be grounded for several days during a prolonged black-out such as the one that occurred as a result of Hurricane Sandy. Grid tied EV chargers will not operate during black-outs. EV ARC™ supported EV chargers are immune to grid failure and as such provide a vital hedge against the loss of fleet electric vehicles. We believe that as larger segments of the total vehicle fleet (government, private sector, and consumer) electrify, the necessity of a large proportion of EV chargers which are powered by locally generated and stored electricity will create a significant opportunity for our first mover status with our EV ARC™ and other products.

Because EV ARC™ can be deployed with an optional emergency power (E Power) panel, it can also be used as a reliable source of energy in times of disaster, emergency, or grid failure caused by hurricanes, terrorism, cascading blackouts or other grid vulnerabilities. EV ARC™ can be configured to allow a select group, such as first responders, to access the solar generated and stored energy. A fireman or police officer will be able to safely connect to the EV ARC™ and power any devices that would typically require a gasoline or diesel generator. We believe that the EV ARC™ will be a much more reliable, and a cleaner source of energy than the electric grid or other traditional back up energy sources. The EV ARC™ does not require the level of ongoing maintenance that a diesel or gasoline generator requires, and there is less chance that it will be inoperable in times of emergency since first responders are not required to start it or fill it with fuel. We are currently selling EV ARC™ products equipped with E Power panels to New York City, Caltrans, and many other entities. In the summer of 2017 the EV ARC™ product deployed for the government of the US Virgin Islands was subjected to category five, 185 mph, winds which it survived. Our customer informed us, in writing, that while most other infrastructure had been damaged or destroyed by the storm, our EV ARC™ product not only survived, but was still in excellent condition. The EV ARC™ product is independently certified to withstand winds of 110mph by a licensed structural engineering firm. We and our customers have observed that in practice, it can withstand hurricane force winds.

While the EV ARC™ and Solar Tree® products are designed to be grid independent, they can also be connected to the utility grid at the customer's request. In one instance we have a utility company customer which is using the EV ARC™ product to charge EVs, and also as a grid balancing tool. The utility has connected the EV ARC™ to the grid and is able to use the internal batteries as a buffer during times of grid instability. Industry experts predict that there will be a significant increase in the amount of deployed energy storage connected to the grid to provide stability in the future. We believe that the EV ARC™ products' ability to act as a grid buffering solution, as well as a rapidly deployed EV charging solution, is another differentiator and a potentially significant value proposition.

We believe, and we have been told by our customers and prospects, that the triple use of EV charging, digital outdoor advertising, and emergency energy production make the EV ARC™ an extremely valuable product for our customers.

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

For our EV ARC product, direct labor and material costs are lower than the selling price at the individual product level. However, when all of our overhead cost allocations such as rent, indirect labor, and other allocated costs have been spread across the low volume of units we have annually produced, we have historically recognized gross losses on sales rather than gross profits. We continually endeavor to make production improvements in both our products and our processes to reduce our manufacturing costs while maintaining the high quality for which we strive. As unit sales and production continue to increase to become sufficient to overcome overhead costs shared amongst all of our production, and we trend toward reducing our cost base through improved economies of scale, production process improvements, and component cost reductions, management believes that gross profits will be realized and consistently maintained in the future.

Solar Tree® Products:

Our patented Solar Tree® product has been in deployment and continued improvement for several years. We believe the resulting product has become the standard of quality in larger scale solar powered EV charging, energy security, and media and branding. We understand the Solar Tree® product to be the only single column, sun tracking, and architectural solar support structure with integrated energy storage, EV charging and media platforms available today. We believe that Solar Tree® products with integrated battery storage will become important contributors to the growing EV charging infrastructure requirements in California and the rest of the world. Because our products do not require a connection to the electrical grid, they can be rapidly deployed and enable EV charging in locations where it would otherwise be impossible or economically infeasible. For example, rest areas and park and ride locations which might have sufficient energy for lights and vending machines, but do not have sufficient power for EV charging, can be served by our Solar Tree® products which can be optimized for direct current ("DC") fast charging. The costs and environmental impact associated with delivering a 50kW or greater circuit to a remote rest area may be prohibitive, whereas a Solar Tree® DCFC can be deployed with minimal site disturbance. In November 2017, we received an order from the Fresno County Rural Transit Authority to provide Solar Tree® DCFC products which will be used to charge electric buses from BYD Company Ltd. ("BYD"). The growth in electric bus adoption is happening at a greater pace than EVs at time of writing. BYD is the biggest electric bus company in the world. We believe that the successful deployment of these Solar Tree® DCFC products for Fresno and with BYD may create significant opportunities for further deployments of electric bus charging infrastructure and DC fast charging infrastructure for EVs both in the U.S. and internationally. We further believe that success of the sort that we currently have with Caltrans may be leveraged with other departments of transportation across the United States and the rest of the world.

We believe Solar Tree® products with on-board battery storage can provide a highly reliable source of energy to be used in the event of a failure of the grid. We have seen data suggesting that grid failures cost businesses in the United States approximately $200 billion per year and when those failures impact vital services such as hospitals, they have been responsible for loss of life. We believe that a hospital equipped with Solar Tree® energy security products could benefit both economically and from a life safety point of view. We believe that there are many other such instances where the reliable combination of renewable energy and energy storage can deliver value which exceeds simply competing with the utility. This will become particularly true when larger segments of transportation become electrified and grid interruptions mean the "grounding" of EVs which rely solely on the utility grid to re-fuel.

We also believe that Solar Tree® products optimized for branding can create visually stunning platforms for the delivery of a business' brand message with a less onerous planning and entitlement process than that experienced with traditional signage.

We have invented and incorporated EnvisionTrak™, our patented and proprietary tracking solution, onto all of our products, furthering the unique nature of our products and, we believe, increasing our technological leadership within the industry. EnvisionTrak™ is a complex integration of high quality gearing, electrical motors, and controls which are combined in a robust, highly engineered, and reliable manner. While there are many tracking solutions available to the solar industry, we believe EnvisionTrak™ 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. We have received a patent on our claims of these attributes. We believe this is a vital attribute in solar generators in parking environments, since any swinging or rotating 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 significantly increase electrical production. An additional value is derived from the high visual appeal created by EV ARC™ or Solar Tree® structures which are tracking the sun in perfect synchronicity. Solar Tree® products incorporate our latest engineering and fabrication improvements. This has allowed us to reduce costs and time to deploy Solar Tree® structures, and we have seen improvements in the fabrication processes. We anticipate further improvements in future deployments of the product as we incorporate more smart technology and storage capabilities.

EV-Standard™ Product:

We have invented and are in the late stages of product development on, our patent pending EV-Standard product which is, in our belief, the ideal curb side charging solution. We believe this is another area in the developing charging ecosystem which provides major opportunities and challenges within the "curbside" or "on street" sector. Because so many owners of vehicles and even fleet operators (in cities like New York and San Francisco) park their vehicles on street, there is a significant need for curb side charging. In fact, the CEC has publicly stated that only one in seven Californians are able to park their car close enough to a circuit to charge at home. Their conclusion is that curb side, on street charging will be an important contributor to the successful electrification of transportation in the State. Many other jurisdictions such as New York City have made the same statements.

We believe our EV-Standard™ product is a solution to solve this problem. EV-Standard™ is a streetlamp replacement which incorporates renewable energy and on-board energy storage, and which provides a meaningful EV charging experience without significant infrastructure or construction requirements. The EV-Standard™ design includes a light-wind generator fixed atop a new streetlamp standard. Also integrated is a tracking solar panel and on-board battery storage. The EV-Standard™ product design takes power from the existing streetlamp grid connection and uses it to charge the on-board batteries. The streetlamp's circuit is available 24 hours per day but is only in use during the hours of darkness. As a result, EV-Standard™ is able to use the full capacity of the grid connection to charge its batteries during the day time. A further advantage of the EV-Standard is that it is delivered with a low energy, high lumens, LED light fixture which reduces the energy required for street lighting during the hours of darkness. This makes the street light more efficient and, crucially, the EV-Standard™ can use the unused capacity of night-time operations to further charge its on-board batteries. The additional renewable energy generated by both the tracking solar array and the light-wind generator supplies more energy to EV-Standards' batteries. The energy from the batteries is then delivered to a Level II EV charger which is mounted to the EV-Standard™ products' column. The combination of the three sources of capacity, when delivered at once through our on-board batteries, allows us to deliver a much more powerful and therefore more meaningful EV charging experience than would be available simply through connecting to the existing street lamps' utility grid connection as some of our competitors currently offer.

We believe that the improved EV charging experience offered by the EV-Standard™ design will be a differentiator for our company in a potentially large market. We currently provide work-place charging to the State of California through our EV ARC™ product. We believe that EV-Standard will become an excellent choice for California, New York and many other jurisdictions across the U.S., and the world, as a viable and reliable on-street EV charging solution. Accordingly, we believe that EV-Standard™ represents an important opportunity for future growth. Like the EV ARC™ and Solar Tree® products, the EV-Standard™ will not rely upon a grid connection and as such will be able to continue to charge EVs during black-outs or other grid interruptions.

The UAV ARC™ Product:

We filed a patent application for our new UAV ARC™ product which is currently in the advanced stage of product development. The UAV ARC™ is a rapidly deployable, highly scalable, range extending drone recharging network. It does not require any fueling or grid connection because it generates and stores all of its own energy from renewable sources. UAV ARC™ is self-ballasted and leveling and does not require any planning or construction for its installation. UAV ARC™ has a hardened exterior and countermeasures designed to protect it from vandalism, theft or other nefarious activities. Each UAV ARC™ forms part of a broader network which fuels drones and gathers and shares information about their health and flight plans as part of the Internet of Things ("IoT"). UAV ARC™ units can be deployed on flat roofs in cities or on any terrain in remote locations. The maritime version can be deployed at sea to extend UAV missions in a maritime environment. The planned networks of UAV ARC™ units will be designed to be open to any operator of unmanned aerial vehicles as part of a subscription or individual usage plan.

Operations

We are headquartered in San Diego, California in a leased 50,000 square foot building professionally equipped to handle the significant growth possibilities we believe are in front of us. The building houses our corporate operations, sales, design, engineering and product manufacturing.

The EV ARC™ and Solar Tree® structures are currently fabricated in this facility. We intend to fabricate EV-Standard™ and UAV ARC™ in the same facility. We have reduced certain direct costs associated with individual products as a result of insourcing fabrication. We believe we have been better able to control quality as a result of our own in-house manufacturing processes as opposed to outsourcing this activity as we did in the past. We have made improvements to existing products and are able to introduce new products in a much more timely and efficient manner. Management believes that the product development process is significantly faster and less expensive when carried out by an in-house fabrication facility. We sell our Solar Tree® products as an engineered kit of parts to be installed by third parties employed by the buyer of the Solar Tree® kit. We will continue to deliver our EV ARC™ product, using the specialized and proprietary ARC Mobility™ trailer, within an approximate 1,500-mile range of our fabrication facility, and use third party transportation solutions and Transformer ARC™ for greater distances.

Management believes that the continuation of our strategy to create highly engineered, highly scalable products which are delivered complete or as a kit of parts to the customer site, and which require minimal planning, entitlement, or field labor activities, is further positioning us as a leader in the provision of unique and highly scalable solutions to the market verticals we target. Our products are complex but standardized, readily deployable, and reduce the exposure of the Company and our customers to the risks and inherent margin erosion that are incumbent in field deployments. We are no longer directly involved in the field installation of our Solar Tree® products, instead selling them as a kit to be installed by others. Wherever possible, the components of the Solar Tree® structures are factory integrated and assembled such that complete assemblies are delivered to customer sites so that they may be erected and installed by readily available local labor contracted directly by the site host without our involvement. As part of the delivery of the latest units of Solar Tree structures to our customers, our design and engineering team has created a detailed, step by step, installation manual that can be used by any competent construction firm to seamlessly erect and install our structures. With this manual, we believe the ease of installation can be directly communicated to minimize installation costs and thereby reduce sales hurdles, resulting in increased sales.

The EV ARC™ product family requires no field installation work and is typically delivered to the customer site by us or by a third-party transportation company for a fee.

We continue to bring engineering improvements to our products that are designed to increase the level of standardization and reduce the field labor and effort required for product deployment. The EV ARC™ is the embodiment of this strategy in that it requires almost no field activity beyond "parking" it in a space. We have invented and produced the ARC Mobility™ trailer which is a hydraulically enabled delivery trailer that can lower an EV ARC™ product to the ground in its final location in less than eight minutes.

We strive to benefit by the deliberate continued utilization of certain outsourced resources. While we develop all intellectual property in-house, product designs are vetted by third-party structural and electrical engineering firms to ensure that the designs meet the local jurisdictional requirements and codifications for the deployment locations. We believe this further helps dissipate potential liabilities for the structural and electrical elements by providing additionally insured experts with partial responsibility for the designs.

Sales and Marketing

Envision Solar uses research to identify potential customers utilizing the following list of titles: Fleet Managers, Facilities Mangers, Parking Managers, Public Works, Equipment Managers, City Planners, Acquisitions, Transportation Managers, Sustainability Managers, Environmental Services, Energy Managers, Engineering and Energy Consultants. This is straight forward in the government space, however, reaching persons responsible for adopting and implementing EV charging infrastructure in the enterprise space can be challenging and resource intensive. The marketing and sales team endeavors to reach customers early when they have the initial need and before they choose a more difficult and costly method of installing EV charging infrastructure.

Management of Envision's product portfolio will remain in a direct sales and marketing channel, pairing customers with sales specialists to ensure their needs are met with the right equipment. Envision Solar has employed a General Services Administration ("GSA") consultant (FedShed) to assist Envision in the procurement of a GSA title 52 schedule. In this case federal and some state agencies will be able to select products from the GSA catalog. Federal sales and marketing campaigns will continue direct distribution or organizations will have the option to order indirectly through the catalog. This Federal selling process will be similar to those we already have in place with the State of California and the City of New York.

Envision Solar uses a layered approach to marketing in support of direct sales, involving a combination of regional and industry focused campaigns, nurturing campaigns, tradeshows, speaking opportunities, product demonstrations, press releases and social media (Facebook, Instagram, Twitter and LinkedIn). We are rebranding and updating our website which will serve as a foundation to connect with our customers, influencers, investors and enthusiasts. Envision Solar is, we believe, an industry leader in the EV charging infrastructure space and the website will be used to highlight that with webinars and industry news to automate the education of our markets helping them confidently make an informed decision about the purchase of our products. Presentation and execution will continue to remain a priority and we will keep sales and marketing materials updated to ensure messaging is on point and consistent with our product offering, customer's needs and industry standards.

Envision solar products can have a long sales cycle. This is a sophisticated sale and often a large capital expense for our customers. Sales often hinge on bureaucratic processes and funding approval. Political mandates do not always equal availability of resources to execute policy into action. We will continue to strive to increase conversion rates by providing a “boutique like” sales experience. The sales team uses *Salesforce* to track and maintain contact with customers and *Salesloft* to increase the efficiency of campaigns and measure effectiveness. Data metrics and a rigorous evaluation of budgets will be used to maximize the impact of resources. Our sales team personnel are experts on our products and make sure our products are selected and designed to exceed our customer's needs.

Historically, we concentrated a sizeable portion of our resources on product development and engineering. We now have a reproducible suite of products which address the three market verticals in which we operate (EV charging infrastructure; out of home advertising infrastructure; and energy security). As a result, we have increased our focus on sales and marketing and intend to continue to grow this focus in 2018. In 2016, we hired employees to form a sales team to sell our products directly through telephone and emailing campaigns. Our sales team has created a significant pipeline of prospective customers and has already converted such efforts into contracted sales. Our current sales activities are undertaken in the following manner: direct sales efforts undertaken by our “in-house” sales team, direct sales efforts undertaken by other independent contractors, direct sales efforts as a result of management relationships, and follow-on sales to existing customers.

Our marketing efforts are responsible for the generation of many of our sales leads and have consisted of the following: attendance at trade shows and conferences, often with live demonstrations of EV ARC™, deliveries of a demonstration EV ARC™ unit to potential customer sites so the customer can directly experience the benefits of the product, web site and limited search engine optimization, direct electronic mailings to prospects within our target markets, social media outreach on Facebook, Instagram, Twitter, and LinkedIn, video postings on YouTube and Vimeo, distribution of printed materials promoting our products, industry speaking engagements and subject matter expertise panel participation across the United States, and media interviews in print, radio and television. Currently we are targeting Corporations, outdoor advertising companies, automotive related companies, municipalities, state and federal government entities, utilities and commercial real estate.

We also have independently contracted sales resources that are paid based upon performance. They are paid a percentage of revenue only when we actually receive payment from our customers. Our team will assist such contractors in the creation of proposal documents when the prospective sale appears to warrant the commitment of resources to such an activity. These contractors are responsible for their own costs except in some instances where the Company’s management pre-approves an expenditure aimed at winning a sales contract.

We continue to explore the use of sales channels to communicate the value of and sell our products. Examples of the types of channels we seek are: upstream vendors such as solar module manufacturers, inverter manufacturers, EVSE manufactures, EV charging service providers, Outdoor advertising companies, General contractors, Architects, and Engineers and consultants.

During 2016, we added multiple members to be a part of our national sales team, including a new director of sales and business development who is a former Navy Seal Intelligence Officer, as well as developed national sales strategies. We continue to pursue and make progress on promising sales opportunities. Leveraging our contracts with the State of California and the City of New York, we continue to garner sales and add new government customers. We have received follow on orders from New York City, Caltrans and others and added new California ordering departments. We believe we are close to securing orders from other agencies. We continue to have discussions with other governmental and private sector organizations which management believes will result in near term future orders. Additionally, we have been delivering our EV ARC™ on our ARC Mobility™ trailer to a variety of locations during a “Guerilla” marketing road show. The EV ARC™ is being delivered to corporate campuses in major California metropolitan areas such as San Diego, Los Angeles, San Francisco and Silicon Valley. We pre-announce the free availability of solar powered EV charging – “Driving on Sunshine” – through the human resource and marketing departments of the host companies. It is hoped that the host companies and their employees will see the ease of deployment and the value of highly visible solar powered EV charging, and as a result, buy our products. We believe that this has been a good way to raise awareness about the unique values that our products deliver.

Critical Accounting Policies

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

Revenue and Cost Recognition. As of January 1, 2018, Envision adopted the revenue standards of Financial Accounting Standards Board Update No. 2014-09: "Revenue from Contracts with Customers (Topic 606)." The core principle of this Topic is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognized in accordance with that core principle by applying the following five steps: 1) identify the contracts with a customer; 2) identify the performance obligations in the contract; 3) determine the transaction price; 4) allocate the transaction price to the performance obligations; and 5) recognize revenue when (or as) we satisfy a performance obligation.

Revenues are primarily derived from the direct sales of manufactured products. Revenues may also consist of maintenance fees for the maintenance of previously sold products, and revenues from sales of professional services.

Revenues from inventoried product sales are recognized upon the final delivery of such product to the customer or when legal transfer of ownership takes place. Revenue values are fixed price arrangements determined at the time an order is placed or a contract is entered into. The customer is typically obligated to make payment for such products within a 15-45 day period after delivery.

Revenues from maintenance fees are recognized equally over the period of the maintenance term. Revenue values are fixed price arrangements determined at the time an order is placed or a contract is entered into. The customer is typically obligated to make payment for the service in advance of the maintenance period.

Revenues from professional services are recognized as services are performed. Revenue values are based upon fixed fee arrangements or hourly fee-based arrangements with agreed to hourly rates of service categories in line with expertise requirements. These services are billed to a customer as such services are provided and the customer will be obligated to make payments for such services typically within a 15-45 day period.

Any deposits received from a customer prior to delivery of the purchased product or monies paid prior to the period for which a service is provided are accounted for as deferred revenue on the balance sheet.

Sales tax is recorded on a net basis and excluded from revenue.

The Company generally provides a standard one year warranty on its products for materials and workmanship but will pass on the warranties from its vendors, if any, which generally cover at least such period.

Cost of Revenues: The Company records direct material and component costs, direct labor and associated benefits, and manufacturing overhead costs such as supervision, manufacturing equipment depreciation, rent, and utility costs as costs of revenues. The Company further includes shipping and handling fees billed to customers as revenues, and shipping and handling costs as cost of revenues.

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. We estimate the fair value of each stock option at the grant date by using the Black-Scholes option pricing model. Equity instruments granted to non-employees are accounted for under ASC 505-50 "Equity Based Payments to Non-Employees."

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 may become 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.

Fair Value of Financial Instruments. We measure our financial assets and liabilities in accordance with generally accepted accounting principles. For certain of our financial instruments, including cash, accounts receivable, accounts payable, accrued expenses and short-term loans, the carrying amounts approximate fair value due to their short maturities. Further, amounts recorded as long-term notes payable, net of discount, also approximate fair value because current interest rates for debt that are available to us with similar terms and maturities are substantially the same.

Inventory. Inventories are valued at the lower of cost or net realizable value and consist of certain purchased or manufactured components of our overall product offering. Cost is determined using the first-in, first-out (FIFO) method, and includes material and labor costs. If the Company determines that the carrying value of an item may not be realizable, an impairment reserve is recorded to adjust such items to their realizable value.

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 of a note where the embedded conversion option has been bifurcated and accounted for as a derivative liability, the Company records the shares at fair value, relieves all related notes, derivatives and debt discounts, and recognizes a net gain or loss on extinguishment. 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.

Changes in Accounting Principles. No significant changes in accounting principles were adopted during the three months ended June 30, 2018.

<u>Results of Operations</u>

Results of Operations for the Three Months Ended June 30, 2018 Compared to the Three Months Ended June 30, 2017

Revenue. For the three months ended June 30, 2018, our revenues were $844,495 compared to $507,730 for the three months ended June 30, 2017, a 66% increase. For the three months ended June 30, 2018, revenues were primarily derived from the delivery of thirteen EV ARC™ units. For the three months ended June 30, 2017, revenues were primarily derived from the delivery of seven EV ARC™ units coupled with the customer requested modification and upgrade of two additional units that had been previously deployed. As of June 30, 2018, our contracted backlog was approximately $2.7 million.

Gross Profit (Loss). For the three months ended June 30, 2018, we had a gross profit of $18,734 compared to a gross loss of $13,106 for the period ended June 30, 2017, a 243% increase. Every unit sold during the period ended June 30, 2018 had a direct positive gross margin associated with the sale and inclusive of standard overhead allocations. Management believes, as long as we can continue to increase our sales and production volumes, that such margins will continue to improve over the remainder of the year and beyond. In 2017, multiple EV ARC ™ units had a direct cost positive margin associated with the sale but were offset by gross losses on other EVARC™ unit sales. In both of these periods, margins were offset by certain other expenses such as delivery equipment depreciation expense and warranty costs. Warranty costs remain di minimis at a few hundred dollars.

Operating Expenses. Total operating expenses were $573,151 for the three months ended June 30, 2018 compared to $545,292 for the same period in 2017, a 5.1 % increase. Administrative labor costs increased in 2018 by approximately $65,000 primarily due to the timing of payroll but also with modest payroll increases year to year. Sales expenses increased by $26,000 during 2018 primarily as a result of direct sales expenses and commissions on our increased sales base. Stock option expense decreased by approximately $35,000 due to prior issued stock options. Consulting fees decreased by $46,153 for the three months ended June 30, 2018 compared to the three-month period ended June 30, 2017 as a result of decreased financial consulting provided to the Company offset by a small increase in accounting fees recorded in the period. Marketing expenses increased approximately $11,000 in 2018 as the Company attended more trade shows and other marketing events and spent more on various marketing collateral associated with increased outreach. All other costs remained generally consistent between the periods.

Interest Expense. Interest expense was $220,468 for the three months ended June 30, 2018 compared to $47,625 for the same period in 2017, a 363% increase. This increase in 2018 primarily related to $182,000 of amortized value associated with common stock purchase warrants provided to our lender at the onset of the financings of the current debt facilities entered into in September 2017.

Net Loss. We had a net loss of $774,271 for the three months ended June 30, 2018 compared to net loss of $604,332 for the same period in 2017, an increase of 28%. Significant elements deriving these losses have been discussed above.

Results of Operations for the Six Months Ended June 30, 2018 Compared to the Six Months Ended June 30, 2017

Revenue. For the six months ended June 30, 2018, our revenues were $3,720,467 compared to $878,419 for the same period in 2017, an increase of 324%. During the six months ended June 30, 2018, we delivered fifty-five EV ARC™ units compared to the delivery of twelve EVARC™ units and an ARC Mobility Trailer.

Gross Profit. For the six months ended June 30, 2018, we had a gross profit of $53,034 compared to a gross loss of $16,960 for the same period in 2017, a 413% increase. Significant gross losses were recognized, primarily in December 2017, related to the 2018 deliveries of 30 EVARCs™ to the city of New York, but every other unit delivered in the six months ended June 30, 2018 had a direct positive gross margin associated with the sale and inclusive of standard overhead allocations. Management believes, as long as we can continue to increase our sales and production volumes, that such margins will continue to improve over the remainder of the year and beyond. In 2017, the majority of the EV ARC ™ units had a modest direct cost positive margin associated with the sale, but these margins were offset by certain other expenses such as delivery equipment depreciation expense and warranty costs. Additionally, we recorded a loss on a specific individual unit that required additional expense to ensure the unit met our current quality standards and provided a customer incentive as the unit was originally built in a prior year for a different customer that upgraded its purchase to an enhanced model after the unit had been manufactured.

Operating Expenses. Total operating expenses were $1,182,320 for the six months ended June 30, 2018 compared to $1,214,281 for the six months ended June 30, 2017, a 3% decrease. Sales costs increased in 2018 by approximately $33,000 directly related to increased sales costs and commissions related to increased sales in 2018. Stock option expense decreased by approximately $70,000 in 2018 while marketing expenses increased by approximately $38,000 as the Company attended more trade shows and other marketing events and spent more on various marketing collateral associated with increased outreach. Utilities expenses decreased by approximately $27,000 primarily related to a back-charge received from our landlord in 2017 for prior year's utilities costs. Other expenses remained relatively consistent between the years.

Interest Expense. Interest expense was $658,014 for the six months ended June 30, 2018 compared to $101,606 for the same period in 2017, a 548% increase. Total debt between the periods remained consistent as did the coupon interest for these debts. This increase in 2018 primarily related to $560,900 of amortized value associated with common stock purchase warrants provided to our lender at the onset of the financings of the current debt facilities entered into in September 2017.

Gain on Debt Extinguishment. We recorded a gain of $107,081 during the six months ended June 30, 2017. There was no gain in the six months ended June 30, 2018 as the debt associated with this liability was converted into equity in 2017 and thus had been previously eliminated.

Net Loss. We had a net loss of $1,785,878 for the six months ended June 30, 2018 compared to net loss of $1,223,905 for the same period in 2017. Significant elements deriving these losses have been discussed above.

Liquidity and Capital Resource

At June 30, 2018, we had cash of $128,675. We have historically met our cash needs through a combination of proceeds from private placements of our securities, and from loans. Our cash requirements are generally for operating activities.

Our operating activities resulted in cash provided by operations of $354,925 for the six months ended June 30, 2018, compared to cash used in operations of $452,742 for the same period in 2017, a 178% improvement. The primary driver of this improvement was related to the decrease in inventory value amounting to $1,468,797 related to 30 EVARC units that were built in 2017, but not delivered until January 2018. Other principal elements of cash flow for the six months ended June 30, 2018 include the net loss of the Company offset by depreciation and amortization of $36,355, $168,750 of common stock share value issued for director services, and $560,900 of the amortization of debt discount to interest expense associated with common stock purchase warrants provided to our lender at the onset of the financings of the current debt facilities entered into in September 2017. Further, cash from operations for the period included of a net increase in accounts receivable of $683,413 directly related to the increase in revenue in the period; a use of cash of $52,001 related to the increase in prepaid expenses primarily for the funding of annual business insurance policies; a generation of cash associated with reduction of deposits which was used to offset a monthly rent payment per the terms of our lease, a generation of cash of $485,973 related to the increase in accounts payable mainly due to the timing of purchases, and a generation of cash amounting to $53,195 related to the increase in sales tax payable associated with certain sales made during the period for which such sales tax had not been due to be submitted to the state.

Cash used in investing activities was $44,858 and $5,057 for the six months ended June 30, 2018 and 2017, respectively, an 787% increase. In 2018, all of the monies were used to fund patent related costs.

Cash used in our financing activities was $584,867 for the six months ended June 30, 2018 compared to cash received of $721,137 for the same period in 2017, a 181% decrease. In 2018 the cash used was primarily cash used to pay back our convertible line of credit offset by $290,000 invested into the Company through private placements of our common stock.

As of June 30, 2018, current liabilities exceeded current assets by $1,765,422. In 2018, current assets decreased by approximately $997,000 resulting primarily from the increase in accounts receivable associated with the increased amount of revenues in the period offset by a decrease of $1,427,510 in inventory related to this same revenue increase in the period. In 2018, current liabilities decreased by approximately $18,000 primarily as a result of the paydown of the convertible line of credit offset by increases in accounts payable balances and other accrued expenses.

While the Company has been attempting to grow market awareness and focusing on the generation of sales to get our product out into the marketplace, the Company has not generally earned a gross profit on its sales of products and services. It has been pricing its products and services in an attempt to forge durable long-term customer relationships, to gain market share, and to establish its brand. Management believes that with increased production volumes that we believe are forthcoming in the current year, efficiencies will continue to improve, and total per unit production costs will decrease, thus allowing for consistent gross profits on the EV ARC ™ product as we move forward. The Company will continue to rely on capital infusions from the private or public placement of its securities as well as initiating future debt instruments until it achieves positive cash flow from its business, which is predicated on increasing sales volumes and the continuation of production cost reduction measures. Management cannot currently predict when or if it will achieve positive cash flow.

Management believes that evolution in the operations of the Company may allow it to execute on its strategic plan and enable it to experience profitable growth in the future. This evolution is anticipated to include the following continual steps: addition of sales personnel and independent sales channels, continued management of overhead costs, process improvements leading to cost reductions, increased public awareness of the Company and its products, and the maturation of certain long sales cycle opportunities. Management believes that these steps, if successful, may enable the Company to generate sufficient revenue and raise additional growth capital to allow the Company to manage its debt burden appropriately and to continue operations. There is no assurance, however, as to if or when the Company will be able to achieve those investment and operating objectives. The Company does not have sufficient capital to meet its current cash needs, which include the costs of compliance with the continuing reporting requirements of the Securities Exchange Act of 1934, as amended. The Company is also in the process of seeking additional capital and long and short-term debt financing to attempt to overcome its working capital deficiencies. The Company is currently seeking financing, but there is no assurance that the Company can raise sufficient capital or obtain sufficient financing to enable it to sustain monthly operations. The Company will attempt to renegotiate the maturity dates of its current debt financings as needed and as it has done successfully in the past, but there is no assurance that these efforts will be successful. In order to address its working capital deficit, the Company is also seeking 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.

Capitalization

On July 2, 2018, we filed with the Securities and Exchange Commission a Registration Statement on Form S-1 to raise equity capital through the offer and sale of units consisting of shares of our common stock and warrants to purchase additional shares of common stock. The Company is also applying to list its common stock for trading on the NASDAQ Capital Market upon the closing of the offering, if it closes. The public offering is expected to be made through a firm underwriting conducted by Maxim Capital Group, Inc., a registered member of the Financial Industry Regulatory Authority ("FINRA"). The amount of the offering has not yet been finalized. See our filing at www.sec.gov for a copy of the registration statement.

Going Concern Qualification

As reflected in the accompanying unaudited condensed consolidated financial statements for the six months ended June 30, 2018, the Company had a net loss of $1,785,878. Additionally, at June 30, 2018, the Company had a working capital deficit of $1,765,422, an accumulated deficit of $40,062,757 and a stockholders' deficit of $1,436,325. It is management's opinion that these factors raise substantial doubt about the Company's ability to continue as a going concern for a period of twelve months from the issuance date of this report.

The Company has incurred significant losses from operations, and such losses are expected to continue. In addition, the Company has limited working capital. In the upcoming months, management's plans include seeking additional operating and working capital through a combination of financings. 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. Further, the Company continues to seek sales contracts for new projects and product sales that should provide additional revenues and, gross profits. Additionally, Envision intends to renegotiate the debt instruments that become due later in 2018. All such actions and funds, if successful, may not be sufficient to cover monthly operating expenses or meet minimum payments with respect to the Company's liabilities over the next twelve months.

The Company's Independent Registered Public Accounting Firm has included a "Going Concern Qualification" in their report for the years ended December 31, 2017 and 2016. The condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. The "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, that are material to investors.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not Applicable.

Item 4. 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.

During the period covered by this filing, we conducted a continued 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 June 30, 2018, the disclosure controls and procedures of our Company were not effective in ensuring that the information required to be disclosed in our Exchange Act reports was recorded, processed, summarized and reported on a timely basis.

The Company will look to improve its internal control over financial reporting and improve its disclosure controls and procedures as it is able to add administrative support staff and overcome the financial constraints of the Company as to be able to invest in these areas. Although not a comprehensive listing, as of December 31, 2017, we had identified the following material weaknesses which still exist as of June 30, 2018 and through the date of this report:

- We did not maintain effective controls over the control environment. Specifically, among other things, 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.

- Because of the size of the Company and the Company's administrative staff, as well as other reasons, controls related to the segregation of certain duties, and additionally, controls and processes involving the communication, dissemination and disclosure of information, have not been developed and the Company has not been able to adhere to them.

Since these entity level controls have a pervasive effect across the organization, management has determined that these circumstances constitute a material weakness.

Changes in Internal Control Over Financial Reporting

There were no changes in internal controls over financial reporting that occurred during the quarter ended June 30, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. 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 the date of this report, there are no ongoing or pending legal claims or proceedings of which management is aware.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the three months ended June 30, 2018, the Company issued 187,500 shares of common stock pursuant to Rule 506 (b) of Regulation D of the Securities Act of 1933, as amended (the "Securities Act") with a per share value of $0.15 and a total value of $28,125 for director services to three of the Company's directors. The shares are fully vested. The issuance derived from the partial scheduled vesting of previously granted restricted stock awards to our independent directors for their service to the Company.

Subsequent to June 30, and effective July 19, 2018, Mr. Jay S. Potter resigned as a director of Envision Solar International, and the Company accepted Mr. Potter's resignation effective on the same date. In recognition of Mr. Potter's long and valuable service to the Company, the Board of Directors authorized the immediate vesting and issuance to Mr. Potter of the balance of the nonperformance restricted stock award scheduled to be issued to him through December 31, 2018. As such, the Company issued 125,000 shares of common stock pursuant to Rule 506 (b) of Regulation D of the Securities Act of 1933, as amended (the "Securities Act") with a per share value of $0.15 and a total value of $18,750 for director services to Mr. Potter. The shares are fully vested.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. 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)
3.3	Amendment to Bylaws (5)
4.1	Form of Warrant (11)
10.1	2011 Stock Option Plan of Envision Solar International, Inc., dated as of August 10, 2011 (3)
10.3	10% Subordinated Convertible Promissory Note, dated December 17, 2009, issued to Mark Mandell, William Griffith, and Pegasus Enterprises, LP (1)
10.4	Amended and Restated 10% Subordinated Convertible Promissory Note, dated as of December 31, 2010, issued to John Evey (1)
10.5	Consulting Agreement with GreenCore Capital LLC, dated March 28, 2014 (4)
10.6	Loan and Security Agreement by and among Silicon Valley Bank, Envision Solar International, Inc., and Envision Construction, Inc., dated October 30, 2015 (6)
10.7	Supplement to Master Unconditional Limited Guarantee for the benefit of Silicon Valley Bank by Keshif Ventures, LLC, dated October 30, 2015 (6)
10.8	Subordination Agreement by and between Keshif Ventures, LLC and Silicon Valley Bank, dated October 30, 2015 (6)
10.9	Stock Purchase Agreement by and between Envision Solar International, Inc. and Keshif Ventures, LLC, dated October 30, 2015 (6)
10.10	Loan Guaranty Side Letter by Envision Solar International, Inc. to Keshif Ventures, LLC, dated October 30, 2015 (6)
10.11	Note Settlement and General Release Agreement, by and between Envision Solar International, Inc. and Robert Noble, dated January 20, 2016 (7)
10.12	Restricted Stock Grant Agreement by and between Envision Solar International, Inc. and Peter Davidson, dated September 8, 2016 (8)
10.13	Employment Agreement by and between Envision Solar International, Inc. and Desmond Wheatley, effective as of January 1, 2016 (9)
10.14	Amendment to Restricted Stock Agreement between the Company and Jay S. Potter, dated December 31, 2016 (10)
10.15	Restricted Stock Agreement between the Company and Jay S. Potter, dated December 31, 2016 (10)
10.16	Amendment to Restricted Stock Agreement between the Company and Anthony Posawatz, dated December 31, 2016 (10)
10.17	Restricted Stock Agreement between the Company and Anthony Posawatz, dated December 31, 2016 (10)
10.18	Amendment to Restricted Stock Agreement between the Company and Peter Davidson, dated December 31, 2016 (10)
10.19	Restricted Stock Agreement between the Company and Peter Davidson, dated December 31, 2016 (10)
10.20	Revolving Convertible Promissory Note, dated September 18, 2017 (11)
10.21	Convertible Secured Promissory Note, dated September 18, 2017 (11)
10.22	Security Agreement -Purchase Order Financing, dated September 18, 2017 (11)
10.23	Security Agreement – Convertible Secured Promissory Note, dated September 18, 2017 (11)
10.24	Amendment to the Subordinated Convertible Promissory Note, dated June 13, 2018, issued to Mark Mandell, William Griffith, and Pegasus Enterprises, LP (12)
10.25	Amendment to Convertible Promissory Note payable to John Evey, dated June 27, 2018 (13)
10.26	Resignation of Jay Potter as a director and acceleration of compensation for director services (14)
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act
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 Labels Linkbase Document
101.PRE	XBRL Presentation Linkbase Document

(1) Incorporated by reference to the Form 8-K 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 10-Q filed with the Securities and Exchange Commission, dated August 15, 2011.

(4) Incorporated by reference to the Annual Report on Form 10-K filed with the Securities and Exchange Commission, dated March 31, 2014.

(5) Incorporated by reference to the Form 8-K filed with the Securities and Exchange Commission, dated July 16, 2014.

(6) Incorporated by reference to the Form 8-K filed with the Securities and Exchange Commission, dated November 5, 2015.

(7) Incorporated by reference to the Form 8-K filed with the Securities and Exchange Commission, dated January 26, 2016.

(8) Incorporated by reference to the Form 8-K filed with the Securities and Exchange Commission, dated September 14, 2016.

(9) Incorporated by reference to the Form 8-K filed with the Securities and Exchange Commission, dated October 20, 2016.

(10) Incorporated by reference to the Form 8-K filed with the Securities and Exchange Commission, dated January 6, 2017.

(11) Incorporated by reference to the Form 8-K filed with the Securities and Exchange Commission, dated September 18, 2017.

(12) Incorporated by reference to the Form 8-K filed with the Securities and Exchange Commission, dated June 18, 2018.

(13) Incorporated by reference to the Form 8-K filed with the Securities and Exchange Commission, dated June 28, 2018.

(14) Incorporated by reference to the Form 8-K fled with the Securities and Exchange Commission, dated July 25, 2018

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.

Dated: *August 14, 2018*

Envision Solar International, Inc.

By: *<u>/s/ Desmond Wheatley</u>*
Desmond Wheatley, Chairman and Chief Executive Officer,
(Principal Executive Officer)

By: *<u>/s/ Chris Caulson</u>*
Chris Caulson, Chief Financial Officer,
(Principal Financial/Accounting 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: *<u>/s/ Anthony Posawatz</u>*
Anthony Posawatz, Director

Dated: August 14, 2018

By: *<u>/s/ Peter Davidson</u>*
Peter Davidson, Director

Dated: August 14, 2018

EXHIBIT 31.1
CERTIFICATION

I, Desmond Wheatley, certify that:

1. I have reviewed this report on Form 10-Q 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: *August 14, 2018*

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

EXHIBIT 31.2
CERTIFICATION

I, Chris Caulson, certify that:

1. I have reviewed this report on Form 10-Q 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: *August 14, 2018*

/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 Quarterly Report of Envision Solar International, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2018 (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
Desmond Wheatley, Chief Executive Officer,
(Principal Executive Officer)

Date: *August 14, 2018*

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 Quarterly Report of Envision Solar International, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2018 (the "Report") I, Chris Caulson, Chief Financial Officer (Principal Financial/Accounting 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: *August 14, 2018*
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.