

SKINVISIBLE INC  
Form 10-Q  
August 16, 2010

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-Q

Quarterly Report pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2010

Transition Report pursuant to 13 or 15(d) of the  
Securities Exchange Act of 1934

For the transition period from \_\_\_\_\_  
to \_\_\_\_\_

Commission File Number: 000-25911

Skinvisible, Inc.  
(Exact name of Registrant as specified in its charter)

Nevada 88-0344219  
(State or other jurisdiction of incorporation (IRS Employer Identification No.)  
or organization)

6320 South Sandhill Road, Suite 10, Las Vegas, NV 89120  
(Address of principal executive offices)

702.433.7154  
(Registrant's telephone number)

\_\_\_\_\_  
(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer  Accelerated filer  Non-accelerated filer

Edgar Filing: SKINVISIBLE INC - Form 10-Q

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

95,734,509 common shares as of July 1, 2010.

---

Table of Contents

TABLE OF CONTENTS

	Page
PART I – FINANCIAL INFORMATION	
<u>Item 1:</u>	<u>Financial Statements</u> <span style="float: right;"><u>3</u></span>
<u>Item 2:</u>	<u>Management’s Discussion and</u> <span style="float: right;"><u>4</u></span> <u>Analysis of Financial Condition and</u> <u>Results of Operations</u>
<u>Item 3:</u>	<u>Quantitative and Qualitative</u> <span style="float: right;"><u>10</u></span> <u>Disclosures About Market Risk</u>
<u>Item 4T:</u>	<u>Controls and Procedures</u> <span style="float: right;"><u>10</u></span>
PART II – OTHER INFORMATION	
<u>Item 1:</u>	<u>Legal Proceedings</u> <span style="float: right;"><u>11</u></span>
<u>Item 1A:</u>	<u>Risk Factors</u> <span style="float: right;"><u>11</u></span>
<u>Item 2:</u>	<u>Unregistered Sales of Equity</u> <span style="float: right;"><u>11</u></span> <u>Securities and Use of Proceeds</u>
<u>Item 3:</u>	<u>Defaults Upon Senior Securities</u> <span style="float: right;"><u>11</u></span>
<u>Item 4:</u>	<u>Removed and Reserved</u> <span style="float: right;"><u>11</u></span>
<u>Item 5:</u>	<u>Other Information</u> <span style="float: right;"><u>11</u></span>
<u>Item 6:</u>	<u>Exhibits</u> <span style="float: right;"><u>11</u></span>

Table of Contents

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Our consolidated financial statements included in this Form 10-Q are as follows:

F-1 Consolidated Balance Sheets as of June 30, 2010 (unaudited) and December 31, 2009 (audited);

F-2 Consolidated Statements of Operations for the three and six months ended June 30, 2010 and 2009 (unaudited);

F-3 Consolidated Statement of Stockholders' Deficit for the six months ended June 30, 2010 (unaudited);

F-4 Consolidated Statements of Cash Flow for the six months ended June 30, 2010 and 2009 (unaudited);

F-5 Notes to Consolidated Financial Statements.

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the SEC instructions to Form 10-Q. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the interim period ended June 30, 2010 are not necessarily indicative of the results that can be expected for the full year.

Table of Contents

SKINVISIBLE, INC.  
CONSOLIDATED BALANCE SHEETS  
(UNAUDITED)

ASSETS	June 30, 2010 (Unaudited)	December 31, 2009 (Audited)
Current assets		
Cash	\$ 23,692	\$ 25,868
Accounts receivable	250,395	468
Inventory	15,011	17,629
Due from related party	1,145	4,206
Prepaid expense and other current assets	10,598	4,212
Total current assets	300,841	52,383
Fixed assets, net of accumulated depreciation of \$328,700 and \$326,202, respectively		
	7,018	9,516
Intangible and other assets		
Patents and trademarks, net of accumulated amortization of \$87,988 and \$71,922, respectively	203,796	132,508
License and distributor rights	50,000	50,000
Total assets	\$ 561,655	\$ 244,407
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Accounts payable and accrued liabilities	\$ 934,379	\$ 741,716
Accrued interest payable	45,135	17,099
Loans from related party	219,112	214,112
Convertible notes payable, net of unamortized debt discount of \$-0- and \$3,750, respectively	144,635	71,250
Unearned revenue	285,315	49,792
Total current liabilities	1,628,576	1,093,969
Total liabilities	1,628,576	1,093,969
Commitments and contingencies	--	--
Stockholders' deficit	95,736	94,945

Edgar Filing: SKINVISIBLE INC - Form 10-Q

Common stock; \$0.001 par  
value; 100,000,000 shares  
authorized 95,734,509  
and 94,943,509 shares issued  
and outstanding at June 30, 2010  
and December 31, 2009,  
respectively

Additional paid-in capital	17,869,776	17,740,914
Accumulated deficit	(19,032,433)	(18,685,421)
Total stockholders' deficit	(1,066,921 )	(849,562)

Total liabilities and stockholders' deficit	\$ 561,655	\$ 244,407
--	------------	------------

See Accompanying Notes to Consolidated Financial Statements

F-1

---

Table of Contents  
SKINVISIBLE, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS  
(UNAUDITED)

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Revenues	\$ 28,984	\$ 69,023	\$ 187,214	\$ 146,976
Cost of revenues	12,662	14,139	16,859	15,560
Gross profit	16,322	54,884	170,355	131,416
Operating expenses				
Depreciation and amortization	15,529	4,003	22,315	8,007
Selling general and administrative	\$ 199,104	450,881	398,717	827,132
Total operating expenses	214,633	454,884	421,031	835,139
Income (loss) from operations	(198,311 )	(400,000 )	(250,676 )	(703,723)
Other income (expense)				
Interest income	--	--	--	17
Other income	--	5,570	--	5,570
Interest expense	(25,993 )	(119,133 )	(96,336 )	(181,487)
Total other income (expense)	(25,993 )	(113,563 )	(96,336 )	(175,899)
Provision for income taxes	--	--	--	--
Net income (loss)	\$ (224,304 )	\$ (513,563 )	\$ (347,012 )	\$ (879,621)
Basic loss per common share	\$ (0.00 )	\$ (0.01 )	\$ (0.00 )	\$ (0.01)
Basic weighted average common shares outstanding	95,723,157	89,289,899	89,487,069	86,846,882

See Accompanying Notes to Consolidated Financial Statements

Table of Contents

SKINVISIBLE, INC.  
CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT  
(UNAUDITED)

	Common Stock		Additional	Accumulated	Total
	Shares	Amount	Paid-in Capital	Deficit	Stockholders' Deficit
Balance, Decemer 31, 2009	94,943,509	94,944	17,740,914	(18,685,421)	(849,562)
Issaunce of stock for services	241,000	242	24,649		24,891
Issuance of stock for conversion of debts	550,000	550	68,450		69,000
Issuance of stock options/warrants for services			35,763		35,762
Net loss				(347,012)	(347,012)
Balance, June 30, 2010	95,734,509	95,736	17,869,776	(19,032,433)	(1,066,921)

See Accompanying Notes to Consolidated Financial Statements



Table of Contents  
SKINVISIBLE, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

	Six months ended	
	June 30, 2010	June 30, 2009
Cash flows from operating activities:		
Net loss	\$ (347,012)	\$ (879,621)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	22,315	8,008
Loss on disposal of assets	--	1,682
Stock based compensation	60,653	354,881
Interest expense paid with common stock	69,000	292,657
Changes in operating assets and liabilities:		
(Increase) decrease in inventory	2,618	(5,268)
(Increase) decrease in accounts receivable	(249,927)	7,428
Decrease in prepaid expenses and other current assets	(6,386 )	(9,398)
(Increase) decrease in related party receivable	3,061	(10,315)
Decrease in prepaid royalty fees	--	120,000
Increase in accounts payable and accrued liabilities	192,663	91,093
Increase (decrease) in accrued interest	28,036	(1,648)
(Decrease) in unearned revenue	235,523	(50,000)
Net cash provided by (used) in operating activities	10,544	(80,501)

Edgar Filing: SKINVISIBLE INC - Form 10-Q

Cash flows from investing activities:		
Purchase of fixed assets and intangible assets	(91,105 )	--
Net cash used in investing activities	(91,105 )	--
Cash flows from financing activities:		
Proceeds from, net of payments to, related parties for loans	73,000	864
Proceeds from convertible notes payable	5,385	59,051
Proceeds from issuance of stock	--	15,000
Net cash provided by financing activities	78,385	74,915
Net change in cash	(2,176 )	(5,586)
Cash, beginning of period	25,868	6,062
Cash, end of period	\$ 23,692	\$ 476

See Accompanying Notes to Consolidated Financial Statements

Table of Contents

SKINVISIBLE, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

1. DESCRIPTION OF BUSINESS, HISTORY AND SUMMARY OF SIGNIFICANT POLICIES

Description of business - Skinvisible, Inc., (referred to as the “Company”) is focused on the development and manufacture of innovative topical polymer-based delivery system technologies and formulations incorporating its patent-pending formula/process for combining hydrophilic and hydrophobic polymer emulsions. The technologies and formulations have broad industry applications within the pharmaceutical, over-the-counter, personal skincare and cosmetic arenas. The Company’s antibacterial/antimicrobial hand sanitizer formulations, available for private label commercialization opportunities, offer skincare solutions for the healthcare, food service, industrial, cosmetic and salon industries, as well as for personal use in the retail marketplace. The Company maintains manufacturing, executive and sales offices in Las Vegas, Nevada.

History - Skinvisible, Inc. ( referred to as the “Company”) was incorporated in Nevada on March 6, 1998 under the name of Microbial Solutions, Inc. The Company underwent a name change on February 26, 1999, when it changed its name to Skinvisible, Inc. The Company’s subsidiary’s name of Manloe Labs, Inc. was also changed to Skinvisible Pharmaceuticals, Inc.

Skinvisible, Inc. together with its subsidiary shall herein be collectively referred to as the “Company”.

Going concern - The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has incurred cumulative net losses of \$19,032,433 since its inception and requires capital for its contemplated operational and marketing activities to take place. The Company’s ability to raise additional capital through the future issuances of common stock is unknown. The obtainment of additional financing, the successful development of the Company’s contemplated plan of operations, and its transition, ultimately, to the attainment of profitable operations are necessary for the Company to continue operations. The ability to successfully resolve these factors raise substantial doubt about the Company’s ability to continue as a going concern. The consolidated financial statements of the Company do not include any adjustments that may result from the outcome of these aforementioned uncertainties.

Principles of consolidation - The consolidated financial statements include the accounts of the Company and its subsidiary. All significant intercompany balances and transactions have been eliminated.

Use of estimates - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition

Product sales - Revenues from the sale of products are recognized when title to the products are transferred to the customer and only when no further contingencies or material performance obligations are warranted, and thereby have earned the right to receive reasonably assured payments for products sold and delivered.

Royalty sales – The Company also recognizes royalty revenue from licensing its patent and trademarks, only when earned, with no further contingencies or material performance obligations are warranted, and thereby have earned the right to receive and retain reasonably assured payments.

Distribution and license rights sales – The Company also recognizes revenue from distribution and license rights only when earned, with no further contingencies or material performance obligations are warranted, and thereby have earned the right to receive and retain reasonably assured payments.

Costs of Revenue – Cost of revenue includes raw materials, component parts, and shipping supplies. Shipping and handling costs is not a significant portion of the cost of revenue.

F-5

---

Table of Contents

SKINVISIBLE, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

Accounts Receivable – Accounts receivable is comprised of uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. The carrying amount of accounts receivable is reviewed periodically for collectability. If management determines that collection is unlikely, an allowance that reflects management’s best estimate of the amounts that will not be collected is recorded. Management reviews each accounts receivable balance that exceeds 30 days from the invoice date and, based on an assessment of creditworthiness, estimates the portion, if any, of the balance that will not be collected. As of June 30, 2010, the Company had not recorded a reserve for doubtful accounts.

Inventory - Substantially all inventory consists of finished goods and are valued based upon first-in first-out ("FIFO") cost, not in excess of market. The determination of whether the carrying amount of inventory requires a write-down is based on an evaluation of inventory.

Goodwill and intangible assets - The Company follows Financial Accounting Standard Board’s (FASB) Codification Topic 350-10 (“ASC 350-10”), “Intangibles – Goodwill and Other”. According to this statement, goodwill and intangible assets with indefinite lives are no longer subject to amortization, but rather an annual assessment of impairment by applying a fair-value based test. Fair value for goodwill is based on discounted cash flows, market multiples and/or appraised values as appropriate. Under ASC 350-10, the carrying value of assets are calculated at the lowest level for which there are identifiable cash flows.

ASC 350-10 requires the Company to compare the fair value of the reporting unit to its carrying amount on an annual basis to determine if there is potential impairment. If the fair value of the reporting unit is less than its carrying value, an impairment loss is recorded to the extent that the fair value of the goodwill within the reporting unit is less than its carrying value. During 2009, the Company completed an impairment review and did not recognize any impairment of goodwill and other intangible assets already included in the financial statements. The Company expects to receive future benefits from previously acquired goodwill over an indefinite period of time. Accordingly, beginning January 1, 2002, the Company has foregone all related amortization expense. Prior to January 1, 2002, the Company amortized goodwill over an estimated useful life ranging from 3 to 15 years using the straight-line method.

Income taxes - The Company accounts for its income taxes in accordance with FASB Codification Topic ASC 740-10, “Income Taxes”, which requires recognition of deferred tax assets and liabilities for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Stock-based compensation – The Company follows the guidelines in FASB Codification Topic ASC 718-10 “Compensation-Stock Compensation”, which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors including employee stock options and employee stock purchases related to a Employee Stock Purchase Plan based on the estimated fair values.

Earnings (loss) per share - The Company reports earnings (loss) per share in accordance with FASB Codification Topic ASC 260-10 “Earnings Per Share”, Basic earnings (loss) per share is computed by dividing income (loss) available to common shareholders by the weighted average number of common shares available. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had

been issued and if the additional common shares were dilutive. Diluted earnings (loss) per share has not been presented since the effect of the assumed exercise of options and warrants to purchase common shares (common stock equivalents) would have an anti-dilutive effect.

Reclassification – The financial statements from 2008 reflect certain reclassifications, which will have no effect on net income, to conform to classifications in the current year.

F-6

---

Table of Contents

SKINVISIBLE, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

Recent Accounting Pronouncements –

In June 2009, the FASB issued FASB ASC 105-10, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, which establishes the FASB Accounting Standards Codification™ (the Codification) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with generally accepted accounting principles (GAAP), aside from those issued by the SEC. The Codification became effective for interim and annual periods ending after September 15, 2009. The Company adopted the Codification when referring to GAAP for the fiscal period ending September 30, 2009. The adoption of the Codification did not have an impact on the Company's financial position or results of operations.

In January 2010, the FASB issued Accounting Standards Update 2010-01, "Equity (Topic 505): Accounting for Distributions to Shareholders with Components of Stock and Cash (A Consensus of the FASB Emerging Issues Task Force)". This amendment to Topic 505 clarifies the stock portion of a distribution to shareholders that allows them to elect to receive cash or stock with a limit on the amount of cash that will be distributed is not a stock dividend for purposes of applying Topics 505 and 260. Effective for interim and annual periods ending on or after December 15, 2009, and would be applied on a retrospective basis. The Company does not expect the provisions of ASU 2010-01 to have a material effect on the financial position, results of operations or cash flows of the Company.

In January 2010, the FASB issued Accounting Standards Update 2010-02, Consolidation (Topic 810): Accounting and Reporting for Decreases in Ownership of a Subsidiary. This amendment to Topic 810 clarifies, but does not change, the scope of current US GAAP. It clarifies the decrease in ownership provisions of Subtopic 810-10 and removes the potential conflict between guidance in that Subtopic and asset derecognition and gain or loss recognition guidance that may exist in other US GAAP. An entity will be required to follow the amended guidance beginning in the period that it first adopts FAS 160 (now included in Subtopic 810-10). For those entities that have already adopted FAS 160, the amendments are effective at the beginning of the first interim or annual reporting period ending on or after December 15, 2009. The amendments should be applied retrospectively to the first period that an entity adopted FAS 160. The Company does not expect the provisions of ASU 2010-02 to have a material effect on the financial position, results of operations or cash flows of the Company.

In January 2010, the FASB (Financial Accounting Standards Board) issued Accounting Standards Update 2010-03 (ASU 2010-03), Extractive Activities—Oil and Gas (Topic 932): Oil and Gas Reserve Estimation and Disclosures. This amendment to Topic 932 has improved the reserve estimation and disclosure requirements by (1) updating the reserve estimation requirements for changes in practice and technology that have occurred over the last several decades and (2) expanding the disclosure requirements for equity method investments. This is effective for annual reporting periods ending on or after December 31, 2009. However, an entity that becomes subject to the disclosures because of the change to the definition oil- and gas- producing activities may elect to provide those disclosures in annual periods beginning after December 31, 2009. Early adoption is not permitted. The Company does not expect the provisions of ASU 2010-03 to have a material effect on the financial position, results of operations or cash flows of the Company.

In January 2010, the FASB (Financial Accounting Standards Board) issued Accounting Standards Update 2010-04 (ASU 2010-04), Accounting for Various Topics—Technical Corrections to SEC Paragraphs.

In January 2010, the FASB (Financial Accounting Standards Board) issued Accounting Standards Update 2010-05 (ASU 2010-05), Compensation – Stock Compensation (Topic 718). This standard codifies EITF Topic D-110 Escrowed Share Arrangements and the Presumption of Compensation.

In January 2010, the FASB (Financial Accounting Standards Board) issued Accounting Standards Update 2010-06 (ASU 2010-06), Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements. This amendment to Topic 820 has improved disclosures about fair value measurements on the basis of input received from the users of financial statements. This is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. Early adoption is permitted. The Company does not expect the provisions of ASU 2010-06 to have a material effect on the financial position, results of operations or cash flows of the Company.

F-7

---



Table of Contents

SKINVISIBLE, INC.  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 (UNAUDITED)

In January 2010, the FASB (Financial Accounting Standards Board) issued Accounting Standards Update 2010-07 (ASU 2010-07), Not-for-Profit Entities (Topic 958): Not-for-Profit Entities: Mergers and Acquisitions. This amendment to Topic 958 has occurred as a result of the issuance of FAS 164. The Company does not expect the provisions of ASU 2010-07 to have a material effect on the financial position, results of operations or cash flows of the Company.

In February 2010, the FASB (Financial Accounting Standards Board) issued Accounting Standards Update 2010-08 (ASU 2010-08), Technical Corrections to Various Topics. This amendment eliminated inconsistencies and outdated provisions and provided the needed clarifications to various topics within Topic 815. The amendments are effective for the first reporting period (including interim periods) beginning after issuance (February 2, 2010), except for certain amendments. The amendments to the guidance on accounting for income taxes in reorganization (Subtopic 852-740) should be applied to reorganizations for which the date of the reorganization is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. For those reorganizations reflected in interim financial statements issued before the amendments in this Update are effective, retrospective application is required. The clarifications of the guidance on the embedded derivatives and hedging (Subtopic 815-15) are effective for fiscal years beginning after December 15, 2009, and should be applied to existing contracts (hybrid instruments) containing embedded derivative features at the date of adoption. The Company does not expect the provisions of ASU 2010-08 to have a material effect on the financial position, results of operations or cash flows of the Company.

In February 2010, the FASB issued Accounting Standards Update 2010-09 (ASU 2010-09), Subsequent Events (Topic 855), amending guidance on subsequent events to alleviate potential conflicts between FASB guidance and SEC requirements. Under this amended guidance, SEC filers are no longer required to disclose the date through which subsequent events have been evaluated in originally issued and revised financial statements. This guidance was effective immediately and we adopted these new requirements for the period ended May 31, 2010. The adoption of this guidance did not have a material impact on our financial statements.

In April 2010, the FASB issued ASU No. 2010-17, "Revenue Recognition - Milestone Method (Topic 605): Milestone Method of Revenue Recognition" (codified within ASC 605 - Revenue Recognition). ASU 2010-17 provides guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition for research or development transactions. ASU 2010-17 is effective for interim and annual periods beginning after June 15, 2010. The adoption of ASU 2010-17 is not expected to have any material impact on our financial position, results of operations or cash flows.

## 2. FIXED ASSETS

Fixed assets consist of the following as of June 30, 2010:

Machinery and equipment	\$55,463
Furniture and fixtures	113,635
Computers, equipment and software	38,105
Leasehold improvements	12,569

Edgar Filing: SKINVISIBLE INC - Form 10-Q

Lab equipment	115,946
	335,718
Less:	
accumulated depreciation	328,700
Fixed assets, net of accumulated depreciation	\$7,018

Depreciation expense for the six months ended June 30, 2010 and 2009 was \$2,499 and \$2,238, respectively.

F-8

---

Table of Contents

SKINVISIBLE, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

3. INTANGIBLE AND OTHER ASSETS

Patents and trademarks are capitalized at its historical cost and are amortized over their useful lives. As of June 30, 2010, patents and trademarks total \$203,796, net of \$87,988 of accumulated amortization. Amortization expense for the six months ended June 30, 2010 and 2009 were \$19,816 and \$8,008, respectively.

License and distributor rights (“agreement”) was acquired by the Company in January 1999 and provides exclusive use distribution of polymers and polymer based products. The Company has a non-expiring term on the license and distribution rights. Accordingly, the Company annually assesses this license and distribution rights for impairment and has determined that no impairment write-down is considered necessary as of June 30, 2010.

4. UNEARNED REVENUE

Unearned revenue totaling \$285,315 as of June 30, 2010 relates to a marketing and distribution rights agreement entered into during 2009 and 2010 for which monies were received and not considered earned. See note 8.

5. STOCK OPTIONS AND WARRANTS

Stock options employees and directors – The Company did not issue any options to employees or directors during the six months ended June 30, 2010.

Stock options non-employees – During the six months ended June 30, 2010, the Company did not issue any options.

The following is a summary of option activity during six months ended June 30, 2010:

Balance, December 31, 2009	9,020,000	0.05	
Options granted and assumed	-		
Options expired	100,000	0.04	
Options canceled	-		
Options exercised	-		
Balance, June 30, 2010	8,920,000	0.05	

As of June 30, 2010, all 8,920,000 stock options are exercisable.

Stock warrants -

During the six months ended June 30, 2010, the Company issued 275,000 warrants as part of the issuance of common stock for the payment of short term loans to the Company. These warrants had exercise prices of \$0.10 and \$0.12, and were all exercisable upon grant. The warrants were valued at \$35,763 using the Black-Scholes option pricing model based upon the following assumptions: term of 3 years, risk free interest rate of 1.33% , a dividend yield of 0% and a volatility rate of 171%

The following is a summary of warrants activity during six months ended June 30, 2010:

Balance, December 31, 2009	8,286,847	0.10
Warrants granted and assumed	275,000	0.12
Warrants expired	1,500,000	0.15
Warrants canceled	-	
Warrants exercised	-	
Balance, June 30, 2010	7,031,847	0.09

All warrants outstanding as of June 30, 2010 are exercisable.

Table of Contents

SKINVISIBLE, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

6. RELATED PARTY TRANSACTIONS

As of December 31, 2009, the Company had an unsecured loan payable due to an employee with an interest rate of 10% per annum, due on demand totaling \$214,112.

As of June 30, 2010, the Company had unsecured loans payable due to employees with an interest rate of 10% per annum, due on demand totaling \$219,112. As of June 30, 2010, \$68,000 of liabilities previously classified as related party liabilities were reclassified as convertible notes payable as it came to the Company's knowledge that these amounts were no longer due to related parties.

7. CONVERTIBLE NOTES PAYABLE

During 2009, the Company issued an aggregate of \$382,500 consisting of promissory convertible notes to eight individuals. One of the notes is due by January 12, 2010, accruing interest at 10% per annum. At the investor's option until the repayment date, the note can be converted to shares of the Company's common stock at a fixed price of \$0.10 per share along with additional warrants to purchase one share per every two shares issued at the exercise price of \$0.15 per share for two years after the conversion date. As of December 31, 2009, all but one of the notes, with a total face value of \$307,500, were converted into 7,613,692 shares.

The Company has determined the value associated with the conversion feature in connection with the remaining convertible note payable. The Company has determined the note, with a face value of \$75,000, to have a beneficial conversion feature totaling \$22,500. The beneficial conversion feature has been accreted and charged to interest expense in the amount of \$18,750 as of December 31, 2009. The beneficial conversion feature is valued under the intrinsic value method.

8. COMMITMENTS AND CONTINGENCIES

Lease obligations – The Company has operating leases for its offices. Future minimum lease payments under the operating leases for the facilities as of June 30, 2010 are as follows:

2010	\$34,591
2011	57,606
2012	57,606

Rental expense, resulting from operating lease agreements, approximated \$33,013 for the six months ended June 30, 2010.

Lawsuit – The Company is the defendant in a lawsuit brought by a former member of the Board of Directors. The lawsuit claims that certain expenses and a loan in the amount of \$20,000 were not repaid to the plaintiff. The Company is disputing these allegations. It is not possible to determine a probable outcome at this time, and since Company management feels a material loss from this suit to be remote, the Company has not accrued any related expenses.

9. DEFINITIVE AGREEMENTS

In June 2010, the Company entered into two license agreements with RHEI Pharmaceuticals HK Ltd. The first agreement is for the exclusive manufacturing, marketing and distribution rights to three topical healthcare products for Europe, China and the US. Terms of the agreement are for a license fee of \$750,000 split as to \$250,000 for the rights for Europe and China which the Company has received and \$500,000 for the US. The US rights are payable on product launch which must be no later than June 30, 2011. The second agreement is for the exclusive manufacturing, marketing and distribution rights to the Companies patent pending hand sanitizer using Chlorhexidine Gluconate as the active ingredient and trademarked DermSafe for Europe and China. Terms of this agreement are for a license fee of \$750,000 with \$500,000 for the rights for Europe and \$250,000 for the rights for China. The license fees are payable on product launch in each country however no later than June 30, 2011. The license fee of \$250,000 in the first agreement is to be recognized over a period of 5 years, leaving the unrecognized balance classified as unearned revenue. As of June 30, 2010, \$12,500 has been recognized as revenue leaving a balance of \$237,500 as unearned.

F-10

---

Table of Contents

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

Certain statements, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives, and expected operating results, and the assumptions upon which those statements are based, are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements generally are identified by the words “believes,” “project,” “expects,” “anticipates,” “estimate,” “intends,” “strategy,” “plan,” “may,” “will,” “would,” “will be,” “will continue,” “will likely result,” and similar expressions. We intend such forward-looking statements to be covered by the safe-harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and are including this statement for purposes of complying with those safe-harbor provisions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse affect on our operations and future prospects on a consolidated basis include, but are not limited to: changes in economic conditions, legislative/regulatory changes, availability of capital, interest rates, competition, and generally accepted accounting principles. These risks and uncertainties should also be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise. Further information concerning our business, including additional factors that could materially affect our financial results, is included herein and in our other filings with the SEC.

Overview

We develop innovative polymer delivery vehicles and related compositions that hold active ingredients on the skin for extended periods of time when applied topically. We designed a process for combining water soluble and insoluble polymers that is specifically formulated to carry water insoluble active ingredients in water-based products without the use of alcohol, silicones, waxes, or other organic solvents. This enables active agents the ability to perform their intended functions for an extended period of time. Our polymer delivery vehicles, trademarked Invisicare®, allow normal skin respiration and perspiration. The polymer compositions we develop wear off as part of the natural exfoliation process of the skin's outer layer cells.

We believe Invisicare® offers the following benefits:

§ Displays superior skin adherence for extended time periods

§ Non-occlusive yet resists water wash-off, respiration and perspiration

Table of Contents

- § Increased efficacy of active ingredients
  - § Allows for lower use levels of actives with increased persistence of effect
    - § Offers advantage of controlled and/or sustained time-release
      - § Highly compatible with a variety of actives and bases
        - § Easy to emulsify
          - § Formulates well at a cream, lotion, or spray viscosity
            - § Non-irritating emulsion dries quickly with no greasy after-feel
  - § Non-occlusive film forms protective barrier against environmental irritants
    - § Broad polymer selection to meet application requirements
- § Offers “Life Cycle” management to core products with potential for new patent
  - § Simplified manufacturing process

Products that successfully incorporate Invisicare to date include antimicrobial hand sanitizer lotions, suncare products, skincare moisturizers, sunless tanning products as well as various dermatology products for various skin disorders. On an ongoing basis, we are seeking to develop polymer formulations that can successfully be incorporated into other products.

Our primary objective is to license Invisicare to established brand manufacturers and marketers of prescription and over-the-counter products in the dermatological, medical, cosmetic, and skincare markets. With the exception of sales to one vendor, our management’s policy is to only sell Invisicare to vendors that have executed a license agreement with us. We conduct our research and development in-house. We engage an outside party that currently handles all of our manufacturing and distribution needs.

Recent Developments

During the current reporting period, we entered into an exclusive license agreement with RHEI Pharmaceuticals HK, Ltd. (“RHEI”), a Hong Kong-based pharmaceutical company and a subsidiary of the Luxembourg-based Leeward Ventures SICAR SCA. Under the agreement, we granted to RHEI the exclusive rights to three of our formulations developed using the Invisicare polymer delivery system. The agreement specifies exclusivity for products in the institutional / healthcare market and includes an adult incontinence cream, skin barrier cream and super moisturizer. The agreement specifies upfront license fees for the territories of Europe and China and milestone payments based on approvals and launch dates for the United States. In addition, we will receive royalties on sales of the products. RHEI will be responsible for regulatory filings, manufacturing and commercialization of the products.



## Table of Contents

RHEI will leverage its affiliate BeoCare Group, a leading medical consumables manufacturer with facilities in the United States, Europe and China, to provide access to the institutional / healthcare markets through its established network of multi-national clients. Additionally, RHEI will also sell to its affiliate, Senior Assist NV, one of the largest assisted living providers in Belgium, with a chain of thirty-three seniors' homes.

We have also entered into an exclusive licensing agreement with RHEI for the commercial/institutional rights for DermSafe(R) Hand Sanitizer for Europe and China. This agreement includes licensing fees payable in milestones based on regulatory approval in Europe and China, anticipated to occur within twelve months or less. RHEI will pay us a royalty on product sales and be responsible for seeking regulatory approval, manufacturing, and commercialization. We retain rights to DermSafe for the retail/consumer markets within Europe and China. This agreement also provides us with all data generated by RHEI to pursue regulatory approvals within the U.S. and internationally.

These two new agreements with RHEI will pay us \$1.5 million in licensing fees if all milestones are met and no later than June 30, 2011. In addition we will receive royalties on their product sales plus revenue from the Invisicare polymer required to make the products. To date the company has received \$250,000 for the rights for the 3 products for China and Europe. The \$250,000 the company has received to date is to be recognized over a period of 5 years, leaving the unrecognized balance classified as unearned revenue. As of June 30, 2010, \$12,500 has been recognized as revenue leaving a balance of \$237,500 as unearned but set to be recognized in the future.

### Results of Operations for the Three and Six Months Ended June 30, 2010 and 2009

#### Revenues

Our total revenue reported for the three months ended June 30, 2010 was \$28,984, a decrease from \$69,023 for the same period ended June 30, 2009. Our total revenue reported for the six months ended June 30, 2010 was \$187,214, an increase from \$146,976 for the same period ended June 30, 2009. The decrease in revenues for the three months ended June 30, 2010 is the result of recognizing the \$250,000 the company received to date from our new license agreements with RHEI over a period of 5 years, with only \$12,500 recognized as revenue as of June 30, 2010 and leaving the unrecognized balance of \$237,500 classified as unearned revenue but set to be recognized in the future. The increase in revenues for the six months ended June 30, 2010 from the prior period is attributable to our new license agreements with RHEI and increased income on polymers sales plus royalty income.

#### Cost of Revenues

Our cost of revenues for the three months ended June 30, 2010 decreased to \$12,662 from the same period ended June 30, 2009, when cost of revenues was \$14,139. Our cost of revenues for the six months ended June 30, 2010 increased to \$16,856 from the same period ended June 30, 2009, when cost of revenues was \$15,560. The change in our cost of revenues for the three and six months ended June 30, 2010 from the prior periods is minimal and attributable to sales of polymers.

#### Gross Profit

Gross profit for the three months ended June 30, 2010 was \$16,322 a decrease from the gross profit of \$54,884 for three months ended June 30, 2009. Gross profit for the six months ended June 30, 2010 was \$170,355. Gross profit for six months ended June 30, 2009 was \$131,416. The decrease in gross profits for the three months ended June 30, 2010 is the result of recognizing the \$250,000 the company received to date from our new license agreements with RHEI over a period of 5 years, with only \$12,500 recognized as revenue as of June 30, 2010 and leaving the unrecognized balance of \$237,500 classified as unearned revenue but set to be recognized in the future. The increase

in revenues for the six months ended June 30, 2010 from the prior period is attributable to our new license agreements with RHEI plus royalty income that do not have associated cost of revenues.

Table of Contents

Operating Expenses

Operating expenses decreased to \$214,633 for the three months ended June 30, 2010 from \$454,884 for the same period ended June 30, 2009. Our operating expenses for the three months ended June 30, 2010 consisted of depreciation and amortization expenses of \$15,529 and selling, general and administrative expenses of \$199,104. Our operating expenses for the three months ended June 30, 2009 consisted of depreciation and amortization expenses of \$4,003, and selling, general and administrative expenses of \$450,881. Operating expenses during the three months ended June 30, 2010 were significantly lower as compared to the three months ended June 30, 2009 primarily due to the cost of additional interest expense recorded as part of using the Black Scholes method of valuing warrants issued as part of loan conversion agreements during 2009 (See Note 5).

Operating expenses decreased to \$421,031 for the six months ended June 30, 2010 from \$835,139 for the same period ended June 30, 2009. Our operating expenses for the six months ended June 30, 2010 consisted of depreciation and amortization expenses of \$22,315 and selling, general and administrative expenses of \$398,717. Our operating expenses for the six months ended June 30, 2009 consisted of depreciation and amortization expenses of \$8,007, and selling, general and administrative expenses of \$827,132. Operating expenses during the six months ended June 30, 2010 were significantly lower as compared to the six months ended June 30, 2009 primarily due to the cost of additional interest expense recorded as part of using the Black Scholes method of valuing warrants issued as part of loan conversion agreements during 2009 (See Note 5).

Other Expenses

We paid less in interest expenses for the three months ended June 30, 2010 than in the prior period ended 2009, resulting in total other expenses of \$25,993 as compared with \$113,563 for the prior period.

We paid less in interest expenses for the six months ended June 30, 2010 than in the prior period ended 2009, resulting in total other expenses of \$96,336 as compared with \$175,899 for the prior period.

Net Income (Loss)

We recorded net loss of \$224,304 for the three months ended June 30, 2010, as compared with a net loss of \$513,563 for the three months ended June 30, 2009. We recorded a net loss for the six months ended June 30, 2010 of \$347,012 compared to net loss of \$879,621 for the same period ended June 30, 2009.

Table of Contents

Liquidity and Capital Resources

As of June 30, 2010, we had total current assets of \$300,841 and total assets in the amount of \$561,655. Our total current liabilities as of June 30, 2010 were \$1,628,576. We had a working capital deficit of \$1,327,735 as of June 30, 2010.

Operating activities provided \$10,544 in cash for the six months ended June 30, 2010. An increase in accounts payable and accrued liabilities of \$192,663, stock based compensation of \$60,653, interest expenses paid with common stock of \$69,000, an increase in accrued interest of \$28,036 and depreciation and amortization of \$22,315 are the primary components of our positive operating cash flow, offset mainly by our net loss of \$347,012, and a increase in accounts receivable of \$249,927.

Cash flows used by investing activities during the six months ended June 30, 2010 was \$91,105 as a result of the purchase of fixed and intangible assets.

Cash flows provided by financing activities during the six months ended June 30, 2010 amounted to \$78,385 and consisted primarily of \$73,000 in related party loans and \$5,385 as proceeds from the issuance of convertible notes payable.

Based upon our current financial condition, we do not have sufficient cash to operate our business at the current level for the next twelve months. We intend to fund operations through increased sales and debt and/or equity financing arrangements, which may be insufficient to fund expenditures or other cash requirements. We plan to seek additional financing in a private equity offering to secure funding for operations. There can be no assurance that we will be successful in raising additional funding. If we are not able to secure additional funding, the implementation of our business plan will be impaired. There can be no assurance that such additional financing will be available to us on acceptable terms or at all.

Going Concern

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. We have incurred cumulative net losses of approximately \$19,032,433 since our inception and require capital for our contemplated operational and marketing activities to take place. Our ability to raise additional capital through the future issuances of the common stock is unknown. The obtainment of additional financing, the successful development of our contemplated plan of operations, and our transition, ultimately, to the attainment of profitable operations are necessary for us to continue operations. The ability to successfully resolve these factors raise substantial doubt about our ability to continue as a going concern. Our consolidated financial statements do not include any adjustments that may result from the outcome of these

Off Balance Sheet Arrangements

As of June 30, 2010, there were no off balance sheet arrangements.

Table of Contents

Critical Accounting Policies

In December 2001, the SEC requested that all registrants list their most “critical accounting polices” in the Management Discussion and Analysis. The SEC indicated that a “critical accounting policy” is one which is both important to the portrayal of a company’s financial condition and results, and requires management’s most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

Revenue Recognition

Revenues are recognized during the period in which the revenues are earned. Costs and expenses are recognized during the period in which they are incurred.

Product sales - Revenues from the sale of products are recognized when title to the products are transferred to the customer and only when no further contingencies or material performance obligations are warranted, and thereby have earned the right to receive reasonably assured payments for products sold and delivered.

Royalty sales – The Company also recognizes royalty revenue from licensing its patent and trademarks, only when earned, with no further contingencies or material performance obligations are warranted, and thereby have earned the right to receive and retain reasonably assured payments.

Distribution and license rights sales – The Company also recognizes revenue from distribution and license rights only when earned, with no further contingencies or material performance obligations are warranted, and thereby have earned the right to receive and retain reasonably assured payments.

Costs of Revenue – Cost of revenue includes raw materials, component parts, and shipping supplies. Shipping and handling costs is not a significant portion of the cost of revenue.

Fixed Assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation is provided principally on the straight-line method over the estimated useful lives of the assets, which are generally 3 to 10 years. The cost of repairs and maintenance is charged to expense as incurred. Expenditures for property betterments and renewals are capitalized. Upon sale or other disposition of a depreciable asset, cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in other income (expense).

We periodically evaluate whether events and circumstances have occurred that may warrant revision of the estimated useful life of fixed assets or whether the remaining balance of fixed assets should be evaluated for possible impairment. We use an estimate of the related undiscounted cash flows over the remaining life of the fixed assets in measuring their recoverability.

## Table of Contents

### Goodwill and Intangible Assets

Beginning January 1, 2002, we adopted Statement of Financial Accounting Standards (“SFAS”) No. 142, “Goodwill and Other Intangible Assets”. According to this statement, goodwill and intangible assets with indefinite lives are no longer subject to amortization, but rather an annual assessment of impairment by applying a fair-value based test. Fair value for goodwill is based on discounted cash flows, market multiples and/or appraised values as appropriate. Under SFAS No. 142, the carrying value of assets are calculated at the lowest level for which there are identifiable cash flows.

SFAS 142 requires us to compare the fair value of the reporting unit to its carrying amount on an annual basis to determine if there is potential impairment. If the fair value of the reporting unit is less than its carrying value, an impairment loss is recorded to the extent that the fair value of the goodwill within the reporting unit is less than its carrying value. Upon adoption and during 2002, we completed an impairment review and did not recognize any impairment of goodwill and other intangible assets already included in the financial statements. We expect to receive future benefits from previously acquired goodwill over an indefinite period of time. Accordingly, beginning January 1, 2002, we have foregone all related amortization expense. Prior to January 1, 2002, we amortized goodwill over an estimated useful life ranging from 3 to 15 years using the straight-line method.

### Recently Issued Accounting Pronouncements

In March 2008, the FASB issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133,” (SFAS “161”) as amended and interpreted, which requires enhanced disclosures about an entity’s derivative and hedging activities and thereby improves the transparency of financial reporting. Disclosing the fair values of derivative instruments and their gains and losses in a tabular format provides a more complete picture of the location in an entity’s financial statements of both the derivative positions existing at period end and the effect of using derivatives during the reporting period. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity’s financial position, financial performance, and cash flows. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. Early adoption is permitted.

At September 30, 2008, we did not have any derivative instruments or hedging activities. Management is aware of the requirements of SFAS 161 and will disclose when appropriate.

In May 2008, the FASB issued SFAS No. 162, “The Hierarchy of Generally Accepted Accounting Principles.” SFAS 162 will provide framework for selecting accounting principles to be used in preparing financial statements that are presented in conformity with U.S. generally accepted accounting principles (GAAP) for nongovernmental entities. SFAS 162 will be effective 60 days following the Securities and Exchange Commission’s approval of the Public Company Accounting Oversight Board (“PCAOB”) amendments to AU Section 411. We do not expect the adoption of SFAS 162 will have a material impact on our financial condition or results of operation.

In May 2008, the FASB issued SFAS No. 163, “Accounting for Financial Guarantee Insurance Contracts – an interpretation of FASB Statement No. 60.” SFAS 163 requires that an insurance enterprise recognize a claim liability prior to an event of default (insured event) when there is evidence that credit deterioration has occurred in an insured financial obligation. This Statement also clarifies how Statement 60 applies to financial guarantee insurance contracts, including the recognition and measurement to be used to account for premium revenue and claim liabilities. Those clarifications will increase comparability in financial reporting of financial guarantee insurance contracts by insurance enterprises. This Statement requires expanded disclosures about financial guarantee insurance contracts. The accounting and disclosure requirements of the Statement will improve the quality of information provided to users of

financial statements. SFAS 163 will be effective for financial statements issued for fiscal years beginning after December 15, 2008. We do not expect the adoption of SFAS 163 will have a material impact on our financial condition or results of operation.

Table of Contents

Item 3. Quantitative and Qualitative Disclosures About Market Risk

A smaller reporting company is not required to provide the information required by this Item.

Item 4T. Controls and Procedures

We carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of June 30, 2010. This evaluation was carried out under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, Terry Howlett. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2010, our disclosure controls and procedures are effective. There have been no changes in our internal controls over financial reporting during the quarter ended June 30, 2010.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act are recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Limitations on the Effectiveness of Internal Controls

Our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will necessarily prevent all fraud and material error. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving our objectives and our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective at that reasonable assurance level. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the internal control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.



Table of Contents

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

Jost Steinbrhchel and Monique Steinbruchel v. Skinvisible, Case No. 09A588041 in the District Court, Clark County Nevada.

Plaintiffs allege that we have not reimbursed Jost Steinbruchel for his expenses when he was a member of our board of directors and that Monica Steinbruchel loaned us \$20,000 that has not been repaid. We are disputing these allegations through arbitration.

While Jost & Skinvisible have agreed to settle by email our attorney Neil Beller needs to fashion a settlement agreement that both the Steinbruchels will need to sign. This has not as yet been done.

Aside from the above, we are not a party to any pending legal proceeding. We are not aware of any pending legal proceeding to which any of our officers, directors, or any beneficial holders of 5% or more of our voting securities are adverse to us or have a material interest adverse to us.

Item 1A: Risk Factors

A smaller reporting company is not required to provide the information required by this Item.

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

During the six months ended June 30, 2010, we issued 125,500 restricted shares of our common stock as a result of entering into debt conversion agreements with lenders to convert total principal balances and interest of \$13,400 into equity.

These securities were issued pursuant to Section 4(2) of the Securities Act and/or Rule 506 promulgated thereunder. The holders represented their intention to acquire the securities for investment only and not with a view towards distribution. The investors were given adequate information about us to make an informed investment decision. We did not engage in any general solicitation or advertising. We directed our transfer agent to issue the stock certificates with the appropriate restrictive legend affixed to the restricted stock.

Item 3. Defaults upon Senior Securities

None

Item 4. Removed and Reserved

Item 5. Other Information

None

Item 6. Exhibits

Exhibit Description of Exhibit  
Number

31.1

Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Table of Contents

SIGNATURES

In accordance with the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Skinvisible, Inc.

Date: August 16, 2010

By: /s/ Terry Howlett

Terry Howlett

Title: Chief Executive Officer and Director