

SKINVISIBLE INC  
Form 10-Q  
August 14, 2015

**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, 2015**
- 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**

(State or other jurisdiction of incorporation or organization)

**88-0344219**

(IRS Employer Identification No.)

**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 (§

Edgar Filing: SKINVISIBLE INC - Form 10-Q

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 [X] 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 [X] 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 [X] No

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:  
113,885,969 common shares as of July 22, 2015

Table of Contents

TABLE OF CONTENTS

Page

PART I – FINANCIAL INFORMATION

Item 1: <u>Financial Statements</u>	3
Item 2: <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	4
Item 3: <u>Quantitative and Qualitative Disclosures About Market Risk</u>	10
Item 4: <u>Controls and Procedures</u>	11

PART II – OTHER INFORMATION

Item 1: <u>Legal Proceedings</u>	12
Item 1A: <u>Risk Factors</u>	12
Item 2: <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	12
Item 3: <u>Defaults Upon Senior Securities</u>	12
Item 4: <u>Mine Safety Disclosure</u>	12
Item 5: <u>Other Information</u>	12
Item 6: <u>Exhibits</u>	12

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, 2015 and December 31, 2014 (unaudited);

F-2 Consolidated Statements of Operations for the three and six months ended June 30, 2015 and 2014 (unaudited);

F-3 Consolidated Statements of Cash Flow for the six months ended June 30, 2015 and 2014 (unaudited);

F-4 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, 2015 are not necessarily indicative of the results that can be expected for the full year.

Table of ContentsSKINVISIBLE, INC.  
CONSOLIDATED BALANCE SHEETS  
(UNAUDITED)

	June 30, 2015	December 31, 2014
<b>ASSETS</b>		
Current assets		
Cash	\$41,561	\$ 196,602
Accounts receivable	6,139	9,457
Inventory	92,420	83,155
Due from related party	1,145	1,145
Prepaid expense and other current assets	—	—
Total current assets	141,265	290,359
Fixed assets, net of accumulated depreciation of \$325,065 and \$324,275, respectively	2,485	3,275
Intangible and other assets:		
Patents and trademarks, net of accumulated amortization of \$315,979 and \$288,203, respectively	330,190	352,420
Total assets	\$473,940	\$646,054
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$618,290	\$420,762
Accrued interest payable	446,049	348,111
Loans from related party	1,910	1,910
Loans payable	1,021,000	—
Convertible notes payable, net of unamortized debt discount of \$11,881 and \$26,822, respectively	1,127,708	1,112,764
Convertible notes payable related party, net of unamortized discount of \$715,088 and \$874,163, respectively	1,332,253	1,173,178
Total current liabilities	4,547,210	3,056,725
Loans payable	1,187,000	1,940,000
Total liabilities	5,734,210	4,996,725
Stockholders' deficit		
Common stock; \$0.001 par value; 200,000,000 shares authorized; 113,957,969 and 111,813,969 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively	113,958	111,814
Additional paid-in capital	21,475,471	21,378,656
Stock payable	—	—
Accumulated deficit	(26,849,699)	(25,841,141)
Total stockholders' deficit	(5,260,270 )	(4,350,671 )
Total liabilities and stockholders' deficit	\$473,940	\$646,054

See Accompanying Notes to Consolidated Financial Statements.

Table of Contents

SKINVISIBLE, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	Three months ending		Six months ending	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Revenues	\$54,676	\$8,935	\$128,051	\$18,973
Cost of revenues	41,235	912	46,188	3,233
Gross profit	13,441	8,023	81,863	15,740
Operating expenses				
Depreciation and amortization	14,477	9,501	28,746	18,347
Selling general and administrative	292,944	212,785	645,169	385,896
Total operating expenses	307,421	222,286	673,915	404,243
Loss from operations	(293,980 )	(214,263 )	(592,052 )	(388,503 )
Other income and (expense)				
Other income	—	63	26	188
Interest expense	(212,307 )	(181,594 )	(417,972 )	(350,928 )
Gain on extinguishment of debt	1,440	810	1,440	(990 )
Total other expense	(210,867 )	(180,721 )	(416,506 )	(351,730 )
Net loss	\$(504,847 )	\$(394,984 )	\$(1,008,558 )	\$(740,233 )
Basic loss per common share	\$(0.00 )	\$(0.00 )	\$(0.01 )	\$(0.01 )
Basic weighted average common shares outstanding	113,885,969	111,264,035	113,850,168	111,170,521

See Accompanying Notes to Consolidated Financial Statements.

Table of Contents

SKINVISIBLE, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

	Six Month Ended	
	June 30, 2015	June 30, 2014
Cash flows from operating activities:		
Net loss	\$(1,008,558)	\$(740,233)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	28,746	18,347
Stock-based compensation	—	4,600
Amortization of debt discount	187,218	161,589
Gain on extinguishment of debt	(1,440)	990
Changes in operating assets and liabilities:		
Increase in inventory	(9,265)	(13,251)
Decrease in accounts receivable	3,318	4,094
Decrease in prepaid assets	—	1
Increase in accounts payable and accrued liabilities	204,728	82,434
Increase in accrued interest	97,938	75,345
Net cash used in operating activities	(497,315)	(406,084)
Cash flows from investing activities:		
Purchase of fixed and intangible assets	(5,726)	(12,923)
Net cash used in investing activities	(5,726)	(12,923)
Cash flows from financing activities:		
Proceeds from sale of common stock	80,000	—
Proceeds from related party loans, net of payments	—	78
Payments on notes payable	(32,000)	—
Proceeds from notes payable	300,000	43,000
Payments on convertible notes payable	—	(10,000)
Net cash provided by (used in) financing activities	348,000	33,078
Net change in cash	(155,041)	(385,929)
Cash, beginning of period	196,602	513,420
Cash, end of period	\$41,561	\$127,491
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$135,267	\$92,377
Cash paid for tax	\$—	\$—
Non-cash investing and financing activities:		
Accrued expenses converted to notes	\$118,126	\$—
Common stock issued on extinguishment of debts	\$5,760	\$5,400

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 and sales of innovative topical, transdermal and mucosal 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. Additionally, the Company’s non-dermatological formulations, offer solutions for a broad spectrum of markets women’s health, pain management, and others. The Company maintains 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.

On September 9, 2014, the Company formed Kinatri USA Inc., a new wholly-owned subsidiary, to market a premium line of scientifically formulated skincare products powered by our patented Invisicare® technology. As part of our strategic focus on revenue generation and creating shareholder value, Kintari USA Inc. products will be sold via network marketing.

The Kintari product portfolio consists of anti-aging products to help fight the signs of aging. These products have been developed using proven anti-aging ingredients with scientific evidence of their effectiveness at reducing the look of fine lines and wrinkles resulting in youthful looking skin. These potent ingredients will be powered by patented Invisicare technology, providing consumers with unique, effective products which we believe cannot be duplicated. Additional products will be added to enhance this product line as the company grows and expands.

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 \$26,849,699 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 subsidiaries. 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.

#### Cash and cash equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments and short-term debt instruments with original maturities of three months or less to be cash equivalents. There are \$41,561 and \$196,602 in cash and cash equivalents as of June 30, 2015 and December 31, 2014, respectively.

Table of Contents

SKINVISIBLE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Fair Value of Financial Instruments

The carrying amounts reflected in the balance sheets for cash, accounts payable and accrued expenses approximate the respective fair values due to the short maturities of these items.

As required by the Fair Value Measurements and Disclosures Topic of the FASB ASC, fair value is measured based on a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows: (Level 1) observable inputs such as quoted prices in active markets; (Level 2) inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and (Level 3) unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2: Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

Revenue recognition

Product sales – Revenues from the sale of products (Invisicare® polymers) 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 patented product formulations only when earned, when 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 (and are amortized over a five year period), when 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.

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, 2015, the Company had not recorded a reserve for doubtful accounts. The Company has \$1,000,000 in convertible notes payable which are secured by the accounts receivable of a license agreement the Company has with Women's Choice Pharmaceuticals, LLC on its proprietary prescription product, ProCort®.

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.

Table of Contents

SKINVISIBLE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

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.

Stock based compensation expense recognized under ASC 718-10 for the period ended June 30, 2015 and December 31, 2014 totaled \$0 and \$54,450, respectively.

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.

## 2. FIXED ASSETS

Fixed assets consist of the following as of June 30, 2015 and December 31, 2014:

Edgar Filing: SKINVISIBLE INC - Form 10-Q

	June 30, 2015	December 31, 2014
Machinery and equipment	\$48,163	\$48,163
Furniture and fixtures	113,635	113,635
Computers, equipment and software	39,722	39,722
Leasehold improvements	12,569	12,569
Lab equipment	113,461	113,461
Total	327,550	327,550
Less: accumulated depreciation	(325,065)	(324,275)
Fixed assets, net of accumulated depreciation	\$2,485	\$3,275

Depreciation expense for the six months ended June 30, 2015 and 2014 was \$790 and \$672, respectively.

### 3. INVENTORY

Inventory consist of the following as of June 30, 2015 and December 31, 2014

	June 30, 2015	December 31, 2014
Shipping and Packing materials	\$20,119	\$ 14,758
Marketing Supplies	13,151	—
Finished Goods	9,277	\$51,756
Raw Materials	49,873	16,641
Total	92,420	83,155

Table of Contents

SKINVISIBLE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

## 4. INTANGIBLE AND OTHER ASSETS

Patents and trademarks are capitalized at their historical cost and are amortized over their estimated useful lives. As of June 30, 2015, patents and trademarks total \$646,169, net of \$315,979 of accumulated amortization. Amortization expense for the six months ended June 30, 2015 and 2014 was \$27,956 and \$17,675 respectively.

License and distributor rights (“agreement”) were acquired by the Company in January 1999 and provide 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, 2015.

## 5. STOCK OPTIONS AND WARRANTS

The following is a summary of option activity during the three months ended June 30, 2015.

	Number of Shares	Weighted Average Exercise Price
Balance, December 31, 2014	9,750,000	\$ 0.05
Options granted and assumed	200,000	0.05
Options expired	200,000	0.05
Options canceled	—	—
Options exercised	—	—
Balance, June 30, 2015	9,750,000	\$ 0.05

As of June 30, 2015, 9,750,000 stock options are exercisable.

On March 31, 2015, the Company granted stock options for 200,000 shares of its common stock with a strike price of \$0.05. The stock options were exercisable upon grant and have a life of 5 years. The stock options were valued at \$8,800 using the Black-Scholes option pricing model based upon the following assumptions: term of 5 years, risk free interest rate of 1.37%, a dividend yield of 0% and volatility rates of 483%. The Company recorded an expense of \$8,800 for the six months ended June 30, 2015.

Stock warrants -

The following is a summary of warrants activity during the six months ended June 30, 2015.

	Number of Shares	Weighted Average Exercise Price
Balance, December 31, 2014	2,541,030	\$ 0.05
Warrants granted and assumed	1,000,000	0.07
Warrants expired	471,280	0.05
Warrants canceled	—	—
Warrants exercised	—	—
Balance, June 30, 2015	3,119,750	\$ 0.06

All warrants outstanding as of June 30, 2015 are exercisable.

F-7

Table of Contents

SKINVISIBLE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

6. NOTES PAYABLE

On May 22, 2013 the Company approved a financing plan to offer accredited investors up to \$1,000,000 in secured promissory notes. During the year ended December 31, 2013 the Company entered into twenty-four 9% notes payable to investors and received total proceeds of \$1,000,000. The notes are due two years from the anniversary date of execution. The Notes are secured by the US Patent rights granted for the Company's Sunscreen Products: US patent number #8,128,913: "Sunscreen Composition with Enhanced UV-A Absorber Stability and Methods". As of June 30, 2015 several notes had reached their initial maturity date, all note holders executed agreements extending the note for an additional 12 months upon the same terms.

On May 19, 2014 the Company approved a financing plan to offer accredited investors up to an additional \$1,000,000 in secured promissory notes. For the period from May 19, 2014 to March 31, 2015 the Company entered into twenty-seven 9% notes payable to investors and received total proceeds of \$1,000,000. The notes are due two years from the anniversary date of execution. The Notes are secured by the US Patent rights granted for the Company's Sunscreen Products: US patent number #8,128,913: "Sunscreen Composition with Enhanced UV-A Absorber Stability and Methods".

During the three months ended June 30, 2015 the Company entered into eight additional 9% notes payable to investors and received total proceeds of \$208,000. The notes are due two years from the anniversary date of execution. The Notes are secured by the US Patent rights granted for the Company's Sunscreen Products: US patent number #8,128,913: "Sunscreen Composition with Enhanced UV-A Absorber Stability and Methods".

As of June 30, 2015 \$1,021,000 of the Notes were due in less than 12 months and have been classified as Current notes payable.

7. RELATED PARTY TRANSACTIONS

During the year ended 2013 various officers advanced funds to support the daily operations of the company. As of June 30, 2015, \$1,145 remained due to related parties as repayment for advanced monies, all related other party notes



have been extinguished or re-negotiated as convertible notes. See note 10.

8. CONVERTIBLE NOTES PAYABLE

Convertible Notes Payable at consists of the following:	June 30, 2015	December 31, 2014
<p>\$52,476 face value, 10% unsecured note payable to an investor, note interest and payment are due on demand. The note could be converted to option rights for Skinvisible, Inc. shares at ten cents per share (\$0.10), these rights expired January 12, 2010. The Note is currently in default, no penalties occur due to default.</p>	\$28,476	\$28,476
<p>\$1,000,000 face value 9% unsecured notes payable to investors, due in 2015. At the investor's option until the repayment date, the note and related interest may be converted to shares of the Company's common stock a discount of 90% of the current share price after the first anniversary of the note. The Notes are secured by the accounts receivable of a license agreement the Company has with Womens Choice Pharmaceuticals, LLC on its proprietary prescription product, ProCort®. The Company has determined the value associated with the beneficial conversion feature in connection with the notes and interest to be \$111,110. The aggregate original issue discount feature has been accreted and charged to interest expenses as a financing expense in the amount of \$20,689 during the six months ended June 30, 2015. The original issue discount feature is valued under the intrinsic value method.</p>	1,000,000	1,000,000
<p>On the Company executed extension agreements with several note holder who's note had reached maturity. The notes were extended for an additional 12 months..</p>		
<p>Original issue discount</p>	111,110	111,110
<p>Unamortized debt discount</p>	(11,878 )	(26,822 )
	\$1,127,708	\$1,112,764

Table of Contents

## 9. CONVERTIBLE NOTES PAYABLE RELATED PARTY

Convertible Notes Payable Related Party at consists of the following:	June 30, 2015	December 31, 2014
On December 31, 2011, the Company re-negotiated accrued salaries and interest for three employees. Under the terms of the agreements, the notes dated before December 31, 2010, and all salaries not previously converted were converted to promissory notes convertible into common stock with a warrant feature. The promissory notes are unsecured, due five years from issuance, and bear an interest rate of 10%. At the investor's option until the repayment date, the note may be converted to shares of the Company's common stock at a fixed price of \$0.04 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of \$0.06 per share for three years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes negotiated on December 31, 2011 to be \$1,123,078. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of \$82,573 during the six months ending June 30, 2015. The beneficial conversion feature is valued under the intrinsic value method. In the year ending December 2013, the Company made \$51,485 in cash payments to reduce the note balance.	1,071,593	1,071,593
Unamortized debt discount	(250,910 )	(333,483 )
On June 30, 2012, the Company re-negotiated accrued salaries and interest for three employees. Under the terms of the agreements, the notes dated before July 1, 2011, and all salaries not previously converted were converted to promissory notes convertible into common stock with a warrant feature. The promissory notes are unsecured, due five years from issuance, and bear an interest rate of 10%. At the investor's option until the repayment date, the note may be converted to shares of the Company's common stock at a fixed price of \$0.04 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of \$0.06 per share for three years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be \$209,809. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of \$20,617 during the six months ending June 30, 2015. The beneficial conversion feature is valued under the intrinsic value method. On January 18, 2013, the Company made a \$3,990 cash payment to reduce the note balance.	321,032	321,032
Unamortized debt discount	(83,269 )	(103,886 )
On December 30 and 31, 2012, the Company re-negotiated accrued salaries and interest for three employees. Under the terms of the agreements, \$182,083 of related party notes accrued interest and salaries not previously converted were converted to promissory notes convertible into common stock with a warrant feature. The \$182,083 face value promissory notes are unsecured, due five years from issuance, and bear an interest rate of 10%. At the investor's option until the repayment date, the note may be converted to shares of the Company's common stock at a fixed price of \$0.03 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of \$0.04 per share for three years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be \$182,083. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a	182,083	182,083

Edgar Filing: SKINVISIBLE INC - Form 10-Q

financing expense in the amount of \$18,049 during the six months ending June 30, 2015.

The beneficial conversion feature is valued under the intrinsic value method.

Unamortized debt discount	(91,228 )	(109,277 )
---------------------------	-----------	------------

On June 30, 2013, the Company re-negotiated accrued salaries and interest for two employees. Under the terms of the agreements, \$106,153 of accrued interest and salaries were converted to promissory notes convertible into common stock with a warrant feature. The \$106,153 face value promissory notes are unsecured, due five years from issuance, and bear an interest rate of 10%. At the investor's option until the repayment date, the note may be converted to shares of the Company's common stock at a fixed price of \$0.03 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of \$0.04 per share for three years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be \$70,768. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of \$7,015 during the six months ending June 30, 2015. The beneficial conversion feature is valued under the intrinsic value method.

Unamortized debt discount	106,152	106,152
	(42,476 )	(49,491 )

Table of Contents

SKINVISIBLE, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

On December 31, 2013, the Company re-negotiated accrued salaries and interest for three employees. Under the terms of the agreements, \$142,501 of accrued interest and salaries not previously converted were converted to promissory notes convertible into common stock with a warrant feature. The \$142,501 face value promissory notes are unsecured, due five years from issuance, and bear an interest rate of 10%. At the investor's option until the repayment date, the note may be converted to shares of the Company's common stock at a fixed price of \$0.03 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of \$0.04 per share for three years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be \$94,909. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of \$9,407 during the six months ending June 30, 2015. The beneficial conversion feature is valued under the intrinsic value method.

142,501 142,501

Unamortized debt discount

(66,530 ) (75,937 )

On June 30, 2014, the Company re-negotiated accrued salaries and interest for three employees. Under the terms of the agreements, \$118,126 of accrued salaries not previously converted were converted to promissory notes convertible into common stock with a warrant feature. The \$118,126 face value promissory notes are unsecured, due five years from issuance, and bear an interest rate of 10%. At the investor's option until the repayment date, the note may be converted to shares of the Company's common stock at a fixed price of \$0.025 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of \$0.03 per share for three years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be \$118,126. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of \$11,709 during the six months ending June 30, 2015. The beneficial conversion feature is valued under the intrinsic value method.

118,126 118,126

Unamortized debt discount

(94,514 ) (106,223 )

On September 30, 2014, the Company re-negotiated accrued salaries and interest for two employees. Under the terms of the agreements, \$40,558 of accrued salaries not previously converted were converted to promissory notes convertible into common stock with a warrant feature. The \$40,558 face value promissory notes are unsecured, due five years from issuance, and bear an interest rate of 10%. At the investor's option until the repayment date, the note may be converted to shares of the Company's common stock at a fixed price of \$0.04 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of \$0.05 per share for three years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be \$40,466. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of \$4,011 during the six months ending June 30, 2015. The beneficial conversion feature is valued under the intrinsic value method.

40,558 40,558

Edgar Filing: SKINVISIBLE INC - Form 10-Q

Unamortized debt discount	(34,416 )	(38,427 )
<p>On December 31, 2014, the Company re-negotiated accrued salaries and interest for two employees. Under the terms of the agreements, \$65,295 of accrued salaries not previously converted were converted to promissory notes convertible into common stock with a warrant feature. The \$65,295 face value promissory notes are unsecured, due five years from issuance, and bear an interest rate of 10%. At the investor's option until the repayment date, the note may be converted to shares of the Company's common stock at a fixed price of \$0.04 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of \$0.05 per share for three years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be \$57,439. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of \$5,694 during the six months ending June 30, 2015. The beneficial conversion feature is valued under the intrinsic value method.</p>		
	65,295	65,295
Unamortized debt discount	(51,744 )	(57,438 )
	\$1,332,253	\$1,173.178

F-10

Table of Contents

SKINVISIBLE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

10. STOCKHOLDERS' DEFICIT

The Company is authorized to issue 200,000,000 shares of \$0.001 par value common stock. The Company had 113,957,969 and 111,813,969 issued and outstanding shares of common stock as of June 30, 2015 and December 31, 2014, respectively.

On January 26, 2015 the Company received \$50,000 pursuant to a private placement agreement with an investor to purchase 1,250,000 shares of Skinvisible Inc. \$0.001 par value common stock and 625,000 warrants. The warrants allow the holder to purchase shares of the Company's common stock at \$0.07 on or before January 21, 2016.

On January 27, 2015 the Company received \$30,000 pursuant to a private placement agreement with an investor to purchase 750,000 shares of Skinvisible Inc. \$0.001 par value common stock and 375,000 warrants. The warrants allow the holder to purchase shares of the Company's common stock at \$0.07 on or before January 21, 2016.

11. 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, 2015, are as follows:

2015J4,084

2016 5,717

Rental expense, resulting from operating lease agreements, approximated \$21,832 and \$20,867 for the six months ended June 30, 2015 and 2014, respectively.

12. SUBSEQUENT EVENTS

The Company has evaluated events subsequent to the balance sheet through the issuance date of these financial statements in accordance with FASB ASC 855 and has determined that there are no such events that would require adjustment to, or disclosure in, the financial statements.

F-11

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,” “estimates,” “intends,” “strategy,” “plan,” “may,” “will,” “would,” “will be,” “will continue,” “will likely result,” and similar expressions. 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.

**Company Overview**

We, through our wholly owned subsidiary Skinvisible Pharmaceuticals Inc., are a pharmaceutical research and development (“R&D”) company that has developed and patented an innovative polymer delivery system, Invisicare® and formulated over forty topical skin products, which we out-license globally. We were incorporated in 1998, and target an estimated \$80 billion global skincare and dermatology market and a \$30 billion global over-the-counter market as well as other healthcare / medical and consumer goods markets.

With the research and development complete on forty products and numerous patents issued (technology and product patents), we are ready to monetize our investment. Our business model will continue to be to out-license our patented prescription and over-the-counter (“OTC”) products featuring Invisicare to established manufacturers and marketers of brands internationally and to maximize profits from the products we have already out-licensed. We have also formed a commercial subsidiary, Kintari USA Inc., in order to take our cosmeceutical and select OTC products with Invisicare to market.



Edgar Filing: SKINVISIBLE INC - Form 10-Q

The opportunity for us to license our products continues to be a viable model as the need for pharmaceutical companies to access external R&D companies for new products due to their own down-sizing or elimination of internal R&D departments. The demand for our products is enhanced due to the granting of key US and international patents and the completed development of a number of unique products.

Table of Contents

Our Plan for the Next Twelve Months

Our growth strategy is to:

1. Generate revenue from direct sales of our cosmeceutical/OTC product line;
2. Capitalize on the success of current licensees;
3. Increase the value of our current pipeline; and
4. Boost licensing revenues by securing additional licensees globally and develop a robust royalty revenue stream that will finance our future growth.

• **Launch Kintari USA Inc.:**

On September 9, 2014, we formed Kinatri USA Inc., a new wholly-owned subsidiary of Kintari International Inc., wholly-owned subsidiary of Skinvisible Inc., to market a premium line of scientifically formulated skincare products powered by our patented Invisicare® technology. As part of our strategic focus on revenue generation and creating shareholder value, Kintari USA Inc. products will be sold via network marketing. The products will be sold initially in the US and then in Canada in Q3, 2015.

The Kintari product portfolio consists of 2 anti-aging products to help fight the signs of aging. These products have been developed using proven anti-aging ingredients with scientific evidence of their effectiveness at reducing the look of fine lines and wrinkles resulting in youthful looking skin. These potent ingredients will be powered by patented Invisicare technology, providing consumers with unique, effective products which we believe cannot be duplicated. Additional products will be added to enhance this product line as the company grows and expands with our Skinbrella® SPF 30 sunscreen launched in April 2015.

Table of Contents

• **Capitalize On Current Licensees:**

We have licensees around the globe. Two of these licensees are currently in the marketplace: Avon Products globally and Women's Choice Pharmaceuticals in the United States.

We continue to work diligently with our licensees to ensure they have a smooth manufacturing process, ongoing R&D support and marketing feedback.

**Avon Products, Inc:**

Product: We have a long-term contract with Avon globally for over ten years to provide Invisicare polymer for their long-lasting lipsticks.

Sales: Invisicare polymers are purchased directly from Skinvisible.

**Women's Choice Pharmaceuticals:**

Product: ProCort®, long lasting prescription hemorrhoid cream launched in the United States August 2011.

Sales and Royalties: Skinvisible receives a royalty based on net sales of ProCort. This past year Women's Choice Pharmaceuticals LLC partnered with Advanced Medical Enterprises, LLC to market ProCort® in Puerto Rico. With over thirty pharmaceutical sales reps calling on OBGYNs in the US, Women's Choice has been successfully growing their sales of ProCort® and we look forward to increased growth in 2015. Women's Choice is seeking to form other strategic alliances in order to increase its sales efforts by targeting new territories and targeting medical specialists which previously were not called upon.

*Product Updates:*

We have additional information on specific products which add value to Skinvisible's product pipeline.

### **DermSafe® Hand Sanitizer**

Skinvisible's hand sanitizer formulated with Invisicare® and chlorhexidine gluconate has received registration in Belgium on behalf of Skinvisible. This registration allows Skinvisible to make DermSafe® available in most of Europe through a simple registration process. The Company is currently seeking licensees and/or distributors to begin the sale of DermSafe in the EU. This registration has recently been granted for a ten year term to expire in 2024. The product will be sold through Kintari Canada Inc. when it launches in Q3 2015.

**Sunless Tanning Products:** We have developed a new sunless tanning mousse / foam which uses a unique foam with Invisicare®, developed specifically for its foaming properties. This adds to Skinvisible's line of sunless tanning products which includes sunless tanning lotions (light, medium and dark), pre-sun moisturizer and after-sun moisturizer along with sunless tanning spray products for commercial use. The addition of a sunless tanning mousse enhances this line of products which will be available through Kintari both in Canada and the US in 2016.

**Sunscreen Products:** We have developed 3 broad spectrum sunscreens, with SPF 15, 30 and 50 (the highest SPF allowed by the FDA). All are formulated with Avobenzone, the only UVA sun filter allowed under the US FDA monograph. This UVA/UVB sunscreen was granted a patent from the United States patent office in 2013. Avobenzone is known for breaking down in the sun after only two hours – thus the requirement to reapply every 2 hours. Skinvisible's patent was granted based on Invisicare's® minimum 8 hour photo stability. For countries outside the United States, Skinvisible has additionally patented UVA/UVB sunscreens formulated with Tinosorb S.

In March 25, 2014, we announced that we have successfully completed independent testing to validate our broad spectrum sunscreen claims according to new labeling guidelines by the FDA which are designed to help reduce the incidents of skin cancer in the U.S.

Table of Contents

Skinvisible sunscreens can be labeled with the following claims:

Claim # 1 – Broad-Spectrum: According to the FDA, in order for a sunscreen to be labeled “broad spectrum” it must prove it protects against both UVA and UVB rays by having an SPF (Sun Protection Factor) of at least 15 and a critical wave length of at least 370 nm. Skinvisible’s sunscreen has surpassed both of these criteria, allowing Skinvisible’s broad spectrum sunscreen label to also state “prevents sunburn, skin cancer and aging due to the sun.”

Claim # 2 – Water-Resistant 80 Minutes: The FDA sunscreen water resistant claim requires that a sunscreen must have the same SPF after being in water or sweating for 40 or 80 minutes. Skinvisible’s testing was conducted at an independent laboratory specializing in sunscreen testing. The test involved human subjects that applied sunscreen to their arm, followed by the immersion of the arm into a Jacuzzi for 80 minutes (10 minutes in / 10 minutes out). Skinvisible’s sunscreen successfully completed this testing and is allowed to use “Water-resistant for 80 Minutes” on its sunscreen label, the longest length of time allowed by the FDA.

Claim # 3 – Unique Patented Technology / Eight-Hour Photostability: As previously announced, Skinvisible was granted a patent from the United States Patent and Trademark Office entitled “Sunscreen Composition with Enhanced UVA Absorber Stability and Methods”, which provides protection until November 2029. Skinvisible successfully formulated a unique Invisicare® delivery system specifically for stabilizing avobenzone; the key sunscreen used in the USA. Data submitted to the US patent office proved that Skinvisible’s sunscreen provides a minimum of eight hours of photostability.

- **Increasing The Value Of Skinvisible’s Pipeline: Clinical Enhancement Of Pipeline**

We have a pipeline of over forty products which are available for licensing. Testing is conducted in-house generating proof of concept including release of the active ingredient as well as long term shelf life (stability). Additional studies conducted on specific products including skin sensitivity, toxicity and product efficacy are outsourced to FDA compliant laboratories. These studies are critical in attracting potential licensees. Our clinical strategy is to:

- Add new studies for our prescription products. Our clinical strategy is to increase the amount of outsourced studies, specifically for our prescription products. Additional studies including skin penetration and skin irritation studies will add to the integrity and value of our products available for licensing.
- Add new long-term efficacy studies for our DermSafe® hand sanitizer. In 2013, we commissioned an independent laboratory to further analyze the long-term effectiveness of DermSafe® when put in contact with two bacteria; the “super bug” MRSA and E. coli, the “restaurant bug” since it is often transmitted by food and food handlers. The long-term effectiveness of two bacteria; Methicillin-resistant Staphylococcus aureus or

MRSA (ATCC #33591) and Escherichia coli or E. coli (ATCC #43888") were tested up to four hours after application. The results showed that the individual arms of subjects which had DermSafe® applied and were even rinsed prior to each bacteria challenge, showed a 95.83% reduction at the 4 hour time point for MRSA and 99.38% for E. coli. In 2013, we obtained the registration rights for DermSafe® in Belgium. This designation allows for the sale and/ or registration of DermSafe in most EU countries. A strategy is being developed along with a larger global strategy to bring DermSafe to the EU and Asia in 2015. Skinvisible has also commissioned further testing of DermSafe against the (Middle East Respiratory Syndrome Coronavirus (MERS-CoV); a SARS-like virus and the avian influenza A virus, H7N9 which is presently a major health issue in China.

- We continue to look for avenues to obtain orphan drug status for our Netherton syndrome product. Netherton syndrome is a disease caused by a genetic defect which causes the skin to continually exfoliate, never forming a skin bond. This leaves the patient highly susceptible to infection and dealing with a life-long condition that has no cure. Our product has shown excellent results in lab studies blocking the enzyme that breaks down the skin and we are seeking "Orphan Drug" designation in both the US (FDA) and Europe (EMA).

The advantages of obtaining Orphan Drug designation is that it provides various incentives including a reduction or elimination of registration and market authorization fees, protocol assistance, and seven years of market exclusivity for the product in the US and ten years in Europe. There can be no assurances that our project will be successful.

Table of Contents

• **Secure Additional Licensees:**

We are in discussions and undergoing internal discussions with various pharmaceutical companies for licenses.

To facilitate further expansion, we are seeking an exclusive license with a proven US or global based Pharmaceutical Company for our existing Rx product formulations. The licensee would be expected to pay all costs in getting FDA approval. The licensee would pay Skinvisible for the license in milestone payments as Clinical Phases are proven.

**Results of Operations for the Three and Six Months Ended June 30, 2015 and 2014**

***Revenues***

Our revenue from product sales, royalties on patent licenses and license fees for the three months ended June 30, 2015 was \$54,676, an increase from \$8,935 for the same period ended June 30, 2014. Our revenue from product sales, royalties on patent licenses and license fees for the six months ended June 30, 2015 was \$128,051, an increase from \$18,973 for the same period ended June 30, 2014.

The increase in revenue for the three and six months ended June 30, 2015 was mainly due to an increase in product sales. With the launch of Kintari USA Inc., we expect increased revenue from our line of anti-aging products and select over-the-counter products.

***Cost of Revenues***

Our cost of revenues for the three months ended June 30, 2015 increased to \$41,235 from the prior year period when cost of revenues was \$912. Our cost of revenues for the six months ended June 30, 2015 increased to \$46,188 from the prior year period when cost of revenues was \$3,233. Our cost of revenues increased for the three and six months ended June 30, 2015 over the prior year period as a result of increased product sales. We expect this trend to continue with sales from Kintari USA Inc.

***Gross Profit***

Gross profit for the three months ended June 30, 2015 was \$13,441, or approximately 25% of sales. Gross profit for the three months ended June 30, 2014 was \$8,023, or approximately 89% of sales. Gross profit for the six months ended June 30, 2015 was \$81,863, or approximately 64% of sales. Gross profit for the six months ended June 30, 2014 was \$15,740, or approximately 82% of sales.

### *Operating Expenses*

Operating expenses increased to 307,421 for the three months ended June 30, 2015 from \$222,286 for the same period ended June 30, 2014. Operating expenses increased to \$673,915 for the six months ended June 30, 2015 from \$404,243 for the same period ended June 30, 2014.

Our operating expenses for the six months ended June 30, 2015 consisted mainly of salaries and wages of \$121,790, accrued salaries and wages of \$143,869, commissions of \$91,090, consulting fees of \$88,206, research and development of \$30,217, depreciation and amortization expenses of \$28,746, accounting and audit expenses of \$21,092 and rent of \$21,832.. In comparison, our operating expenses for the six months ended June 30, 2014 consisted mainly of salaries and wages of \$70,805, accrued salaries and wages of \$118,126, consulting fees of \$38,300, research and development of \$30,217, accounting and audit expenses of \$23,069, rent of \$20,867 and depreciation and amortization expenses of \$18,347.



Table of Contents

*Other Expenses*

We had other expenses of \$210,867 for the three months ended June 30, 2015, compared with other expenses of \$180,721 for the three months ended June 30, 2014. This was largely the result of \$212,307 in interest expenses for the three months ended June 30, 2015 from \$181,594 in the prior period ended June 30, 2014.

We had other expenses of \$416,506 for the six months ended June 30, 2015, compared with other expenses of \$351,730 for the six months ended June 30, 2014. This was largely the result of \$417,972 in interest expenses for the six months ended June 30, 2015 from \$350,928 in the prior period ended June 30, 2014.

We expect to continue to experience high interest payments in the future as a result of our outstanding liabilities. If we are unable to generate sufficient revenues and/or additional financing to service this debt, there is a risk the lenders will call the notes and we will be unable to repay the loans. If this happens, we could go out of business.

*Net Loss*

We recorded a net loss of \$504,847 for the three months ended June 30, 2015, as compared with a net loss of \$394,984 for the three months ended June 30, 2014. We recorded a net loss of \$1,008,558 for the six months ended June 30, 2015, as compared with a net loss of \$740,233 for the six months ended June 30, 2014.

**Liquidity and Capital Resources**

As of June 30, 2015, we had total current assets of \$141,265 and total assets in the amount of \$473,940. Our total current liabilities as of June 30, 2015 were \$4,547,210. We had a working capital deficit of \$4,405,945 as of June 30, 2015.

Operating activities used \$497,315 in cash for the six months ended June 30, 2015. Our net loss of \$1,008,558 was the main component of our negative operating cash flow, offset mainly by amortization of debt discount of \$187,218, an increase in accounts payable and accrued liabilities of \$204,728 and an increase of accrued interest of \$97,938.

Cash flows used by investing activities during the six months ended June 30, 2015 was \$5,726 as a result of the purchase of fixed and intangible assets.

Cash flows provided by financing activities during the six months ended June 30, 2015 amounted to \$348,000 and consisted of \$80,000 in proceeds from the sale of our common stock and 300,000 in proceeds from notes payable, offset by \$32,000 in payments on notes payable.

During the three months ended June 30, 2015, we entered into eight 9% notes payable to investors and received total proceeds of \$208,000. The notes are due two years from the anniversary date of execution. The Notes are secured by the US Patent rights granted for the Company's Sunscreen Products: US patent number #8,128,913: "Sunscreen Composition with Enhanced UV-A Absorber Stability and Methods."

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.

#### **Off Balance Sheet Arrangements**

As of June 30, 2015, 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 policies” 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.

*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 \$26,849,699 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 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. These consolidated financial statements do not include any adjustments that may result from the outcome of these aforementioned uncertainties.

*Product sales* – Revenues from the sale of products (Invisicare® polymers) 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* – We also recognize royalty revenue from licensing our patented product formulations 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* – We also recognize revenue from distribution and license rights only when earned (and are amortized over a five year period), 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.

*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, 2015, the Company had not recorded a reserve for doubtful accounts. The Company has \$1,000,000 in convertible notes payable which are secured by the accounts receivable of a license agreement the Company has with Women's Choice Pharmaceuticals, LLC on its proprietary prescription product, ProCort®.

### **Recently Issued Accounting Pronouncements**

We do not expect the adoption of recently issued accounting pronouncements to have a significant impact on our results of operations, financial position or cash flow.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

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

Table of Contents

**Item 4. Controls and Procedures**

**Disclosure 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, 2015. This evaluation was carried out under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2015, our disclosure controls and procedures were not effective due to the presence of material weaknesses in internal control over financial reporting.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. Management has identified the following material weaknesses which have caused management to conclude that, as of June 30, 2015, our disclosure controls and procedures were not effective: (i) inadequate segregation of duties and effective risk assessment; and (ii) insufficient written policies and procedures for accounting and financial reporting with respect to the requirements and application of both US GAAP and SEC guidelines.

**Remediation Plan to Address the Material Weaknesses in Internal Control over Financial Reporting**

Our company plans to take steps to enhance and improve the design of our internal controls over financial reporting. During the period covered by this quarterly report on Form 10-Q, we have not been able to remediate the material weaknesses identified above. To remediate such weaknesses, we plan to implement the following changes during our fiscal year ending December 31, 2015: (i) appoint additional qualified personnel to address inadequate segregation of duties and ineffective risk management; and (ii) adopt sufficient written policies and procedures for accounting and financial reporting. The remediation efforts set out are largely dependent upon our securing additional financing to cover the costs of implementing the changes required. If we are unsuccessful in securing such funds, remediation efforts may be adversely affected in a material manner.

**Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting during the three months ended June 30, 2015 that have materially affected, or are reasonable likely to materially affect, our internal control over financial reporting.

Table of Contents

**PART II – OTHER INFORMATION**

**Item 1. Legal Proceedings**

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**

None

**Item 3. Defaults upon Senior Securities**

None

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None

**Item 6. Exhibits**

<b><u>Exhibit Number</u></b>	<b><u>Description of Exhibit</u></b>
31.1	<u>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</u>
31.2	<u>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</u>
32.1	<u>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</u>
101**	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 formatted in Extensible Business Reporting Language (XBRL).

\*\*Provided  
herewith



Table of Contents

**SIGNATURES**

Pursuant to the requirements of the Securities 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 14, 2015

By: /s/ Terry Howlett

Terry Howlett

Title: Chief Executive Officer, Chief Financial Officer and Director

