

SKINVISIBLE INC  
Form 10-Q  
May 13, 2008  
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 March 31, 2008

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

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

Commission File Number: 000-25911

Skinvisible, Inc.

(Exact name of small business issuer 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, Nevada 89120  
(Address of principal executive offices)

702-433-7154  
(Issuer's telephone number)

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

Check whether the issuer (1) 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 issuer 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 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  
 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: 75,487,238 Common Shares as of March 31, 2008.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

(a) Unaudited Consolidated Balance Sheet as of March 31, 2008;

(b) Unaudited Consolidated Statements of Operations for the three months ended March 31, 2008 and 2007;

(c) Unaudited Consolidated Statements of Cash Flow for the three months ended March 31, 2008 and 2007;

(d) Notes to Unaudited Consolidated Financial Statements.

These unaudited 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 March 31, 2008 are not necessarily indicative of the results that can be expected for the full year.

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SKINVISIBLE, INC.

CONSOLIDATED BALANCE SHEET

(UNAUDITED)

ASSETS	March 31, 2008	
Current assets		
Cash	\$	5,785
Accounts receivable		11,062
Inventory		35,462
Due from related party		1,196
Financing cost, net of accumulated amortization of \$867		17,752
Prepaid royalty fees - current portion		240,000
Prepaid expense and other current assets		4,660
Total current assets		315,917
Fixed assets, net of accumulated depreciation of \$320,128		
		19,969
Intangible and other assets		
Patents and trademarks, net of accumulated amortization of \$42,906		31,988
License and distributor rights		50,000
Prepaid royalty fees - long term portion		120,000
Total assets	\$	537,874
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$	479,253
Accrued interest payable		13,606
Loans from related party		22,968
Loans payable		3,500
Convertible notes payable, net of unamortized debt discount of \$34,914		55,086
Unearned revenue		350,000
Total current liabilities		924,413
Total liabilities		924,413
Commitments and contingencies		--

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Stockholders' deficit		
Common stock; \$0.001 par value; 100,000,000 shares 75,487,238 shares issued and outstanding		75,486
Additional paid-in capital		15,507,876
Accumulated deficit		(15,969,902)
Total stockholders' deficit		(386,539)
Total liabilities and stockholders' deficit		
	\$	537,874

See Accompanying Notes to Consolidated Financial Statements

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SKINVISIBLE, INC.

## CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	For the three months ended March 31, 2008	For the three months ended March 31, 2007
Revenues	\$ 149,411	\$ 183,316
Cost of revenues	10,131	10,154
Gross profit	139,280	173,162
Operating expenses		
Depreciation and amortization	5,356	4,671
Stock based compensation	248,442	49,475
Selling general and administrative	396,113	368,993
Total operating expenses	649,911	423,139
Loss before provision for income taxes	(510,631)	(249,977)
Other income (expense)		
Interest expense	(162,423)	(23,017)
Total other income (expense)	(162,423)	(23,017)
Provision for income taxes	--	--
Net loss	\$ (673,054)	\$ (272,994)
Basic loss per common share	\$ (0.01)	\$ (0.00)
Basic weighted average common		
shares outstanding	75,487,238	64,711,248

See Accompanying Notes to Consolidated Financial Statements

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SKINVISIBLE, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	For the three months ended March 31, 2008	For the three months ended March 31, 2007
Cash flows from operating activities:		
Net loss	\$ (673,054)	\$ (272,994)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	5,356	4,671
Stock based compensation	248,442	49,475
Stock issued for donation	--	--
Interest expense related to beneficial conversion feature	151,613	--
Changes in operating assets and liabilities:		
(Increase) in inventory	(15,007)	(10,239)
Increase (Decrease) in accounts receivable	31,026	(43,655)
Decrease in prepaid expenses and other current assets	477	475
Decrease in prepaid royalty fees	60,000	60,000
Increase in accounts payable and accrued liabilities	139,299	140,727
Increase in accrued interest	6,658	--
Decrease in unearned revenue	(100,000)	(100,000)
Net cash used in operating activities	(145,190)	(171,540)
Cash flows from investing activities:		
Purchase of fixed assets and intangible assets	--	(4,662)
Net cash used in investing activities	--	(4,662)
Cash flows from financing activities:		
Proceeds from (Payments to) related party loans	(30,892)	70,248
Proceeds from convertible notes payable	115,199	--
Proceeds from loan payable	3,500	--
Proceeds from stock subscription receivable	--	35,000
Proceeds from issuance of common stock	--	25,000
Net cash provided by financing activities	87,807	130,248
Net change in cash	(57,383)	(45,954)
Cash, beginning of period	63,168	50,070

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Cash, end of period	\$	5,785	\$	4,116
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Schedule of non-cash financing and investing activities:

Issuance of 2,000,000 shares of common stock for conversion of loan at \$0.075 per share	\$	150,000	\$	--
Issuance of 248,000 shares of common stock for payment of accounts payable at \$0.10 per share	\$	24,800	\$	--
Issuance of 251,990 shares of common stock for conversion of loan at \$0.10 per share	\$	25,199	\$	--
Issuance of 1,200,000 shares of common stock for salaries owed at \$0.05 per share	\$	60,000	\$	--
Issuance of 500,000 shares of common stock in lieu of debt at \$0.05 per share	\$	25,000	\$	--
Issuance of 548,000 shares of common stock for salaries owed at \$0.10 per share	\$	54,800	\$	--

See Accompanying Notes to Consolidated Financial Statements

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SKINVISIBLE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

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

Basis of presentation – The accompanying unaudited Consolidated Financial Statements of Skinvisible, Inc. (the “Company”) have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-QSB. The financial statements reflect all adjustments consisting of normal recurring adjustments which, in the opinion of management, are necessary for a fair presentation of the results for the periods shown. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles (GAAP) for complete financial statements.

These Consolidated Financial Statements should be read in conjunction with the audited financial statements and footnotes included in Skinvisible, Inc.’s Form 10-KSB for the year ended December 31, 2007, as filed with the Securities and Exchange Commission.

The preparation of financial statements in conformity with generally accepted accounting principles 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 financial statements and that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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 \$15,969,902 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.

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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.

Definition of fiscal year - The Company's fiscal year end is December 31.

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1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT POLICIES (continued)

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.

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. At March 31, 2008, 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.

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).

The Company periodically evaluates 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. The Company uses an estimate of the related undiscounted cash flows over the remaining life of the fixed assets in measuring their recoverability.

Advertising costs - Advertising costs incurred in the normal course of operations are expensed as incurred. During the three months ended March 31, 2008 and 2007, the Company incurred advertising costs totaling \$2,650 and \$3,040,

respectively.

Research and development costs - Research and development costs are charged to expense when incurred. Costs incurred to internally develop the product, including costs incurred during all phases of development, are charged to expense as incurred.

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

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT POLICIES (continued)

Goodwill and intangible assets - Beginning January 1, 2002, the Company 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 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. Upon adoption and during 2002, 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.

Fair value of financial instruments - Financial accounting standards Statement No. 107, "Disclosure About Fair Value of Financial Instruments", requires the Company to disclose, when reasonably attainable, the fair market values of its assets and liabilities which are deemed to be financial instruments. The carrying amounts and estimated fair values of the Company's financial instruments approximate their fair value due to the short-term nature.

Income taxes - The Company accounts for its income taxes in accordance with Statement of Financial Accounting Standards No. 109, 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.

Segment information - The Company discloses segment information in accordance with Statements of Financial Accounting Standards (SFAS) No. 131, "Disclosures about Segments of an Enterprise and Related Information," which uses the Management approach to determine reportable segments. The Company operates under one segment.

Stock-based compensation - On January 1, 2005, the Company adopted SFAS No. 123 (R) "Share-Based Payment" 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.

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT POLICIES (continued)

Stock-based compensation (continued)

The Company adopted SFAS No. 123(R) using the modified prospective transition method, which required the application of the accounting standard as of January 1, 2005. The accompanying consolidated financial statements as of and for the three months ended March 31, 2008 reflect the impact of SFAS No. 123(R). In accordance with the modified prospective transition method, the Company's accompanying consolidated financial statements for the prior periods have not been restated, and do not include the impact of SFAS No. 123(R). Stock based compensation expense

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

recognized under SFAS No. 123(R) for the three months ended March 31, 2008 and 2007 totaled \$248,442 and \$49,475, respectively.

Earnings (loss) per share - The Company reports earnings (loss) per share in accordance with SFAS No. 128, "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. For the three months ended March 31, 2008 and 2007, common stock equivalent shares excluded from the earnings (loss) per share calculations totaled 8,472,500 and 7,230,000, respectively.

Recent 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 March 31, 2008, the Company did not have any derivative instruments or hedging activities. Management is aware of the requirements of SFAS 161 and will disclose when appropriate.

Reclassification – The financial statements from 2007 reflect certain reclassifications, which will have no effect on net income, to conform to classifications in the current year.

## 2. FIXED ASSETS

Fixed assets consist of the following as of March 31, 2008:

Machinery and equipment	\$ 55,463
Furniture and fixtures	113,635
Computers, equipment and software	42,484
Leasehold improvements	12,569
Lab equipment	115,946

	340,097
Less: accumulated depreciation	320,128
Fixed assets, net of accumulated depreciation	\$ 19,969

Depreciation expense for the three months ending March 31, 2008 and 2007 was \$2,471 and \$2,108, respectively.

### 3. INTANGIBLE AND OTHER ASSETS

Patents and trademarks are capitalized at its historical cost and are amortized over their useful lives. As of March 31, 2008, patents and trademarks total \$74,894, and amortization expense for the three months ended March 31, 2008 and 2007 were \$2,885 and \$2,563, 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

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SKINVISIBLE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

has determined that no impairment write-down is considered necessary as of March 31, 2008.

Future amortization expense for patents and trademarks as of March 31, 2008 are as follows:

	2008	\$ 8,442
	2009	11,256
	2010	3,223
	2011	3,223
	2012	3,223

Prepaid royalties fees are amounts prepaid by the Company related to the license and distributor rights. The future royalties payments required by the Company total \$2,000,000. The royalties fees are to be paid in an amount equal to the greater of (a) \$6,000 per month; or (b) 1.5% of net revenues realized by the sale of the associated polymer products subject to a cap of \$2,000,000. The Company will make payments of \$6,000 per month, and by a payment on any royalties in excess of \$72,000 in each year payable on an annual basis calculated within 60 days of each anniversary date of the agreement. The future royalties payments are to be amortized over eight years, which is the life of the agreement. As of March 31, 2008, the Company has paid a total of \$1,880,000 of which \$1,280,000 has been expensed and \$360,000 has been recorded as prepaid royalties. The Company will expense the prepayment in the future in accordance to the terms of the agreement. The remaining future royalties payments related to the agreement approximates \$120,000.

#### 4. UNEARNED REVENUE

Unearned revenue totaling \$350,000 as of March 31, 2008 relates to two marketing and distribution rights agreements entered into during 2004 for which monies were received and not considered earned. (See Note 7 for further discussion.)

#### 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following as of March 31, 2008:

Accounts payable	\$ 299,646
Credit card payable	119,299
Accrued officers salary payables	55,693
Accrued payroll taxes	4,038
Other accrued expenses	577

\$ 479,253

6.

#### STOCK OPTIONS AND WARRANTS

Stock options employees and directors – During the three months ended March 31, 2008 and 2007, the Company granted stock options to employees and directors totaling 925,000 and -0- shares of its common stock with a weighted average strike price of \$0.12 and \$-0- per share, respectively. Certain stock options were exercisable upon grant and have a life ranging from 3 months to 5 years. The stock options have been valued at \$221,867 using the Black-Scholes option pricing model based upon the following assumptions: term of 5 years, risk free interest rates ranging from 3.5% to 4.5%, a dividend yield of 0% and volatility rates ranging from 109 % to 110%. All stock options were exercisable

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SKINVISIBLE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

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upon grant. The Company has recorded an expense of \$128,356 and \$13,475 for the three months ended March 31, 2008 and 2007, respectively.

Stock options non-employees and directors – During the three months ended March 31, 2008 and 2007, the Company granted stock options for services totaling 875,000 and -0- shares of its common stock with a weighted average strike price of \$0.13 and \$-0- per share, respectively. All stock options were exercisable upon grant. The stock options have been valued at \$120,086 using the Black-Scholes option pricing model based upon the following assumptions: term of 5 years, risk free interest rates ranging from 3.5% to 4.5%, a dividend yield of 0% and volatility rates ranging from 109% to 112%.

The following is a summary of option activity during the three months ended March 31, 2008 and for the year ended December 31, 2007:

	Number Of Shares	Weighted Average Exercise Price
Balance, December 31, 2006	4,200,000	\$ 0.11
Options granted and assumed	2,075,000	0.24
Options expired	--	--
Options canceled	--	--
Options exercised	760,000	0.05
Balance, December 31, 2007	5,515,000	\$ 0.17
Options granted and assumed	1,800,000	0.24
Options expired	100,000	0.18
Options	--	--

canceled		
Options exercised	1,200,000	0.05
Balance, March 31, 2008	6,015,000	\$ .17

As of March 31, 2008, 5,856,667 stock options are exercisable.

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SKINVISIBLE, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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## 6. STOCK OPTIONS AND WARRANTS (continued)

Stock warrants -

The following is a summary of warrants activity during the three months ended March 31, 2008 and for the year ended December 31, 2007:

	Number Of Shares	Weighted Average Exercise Price
Balance, December 31, 2006	3,030,000	\$ 0.11
Warrants granted and assumed	1,911,500	0.25
Warrants expired	--	--
Warrants canceled	--	--
Warrants exercised	710,000	0.05
Balance, December 31, 2007	4,231,500	\$ 0.15
Warrants granted and assumed	1,125,000	--
Warrants expired	--	--
Warrants canceled	--	--
Warrants exercised	500,000	0.05
Balance, March 31, 2008	4,856,500	\$ 0.16

All warrants outstanding as of March 31, 2008 are exercisable.

## 7. LETTER OF INTENT AND DEFINITIVE AGREEMENT

In March 2004, the Company entered into a letter of intent (“LOI”) with Dermal Defense, Inc. for the exclusive marketing and distribution rights to its patented Antimicrobial Hand Sanitizer product for North America. Terms of the LOI require Dermal Defense, Inc. to pay a fee of \$1 million comprising of a non-refundable deposit of \$250,000

with the balance of \$750,000 payable as to \$75,000 per calendar quarter or 5% of product sales (whichever is greater) until the entire \$750,000 is received. The \$1 million fee will be recognized as revenue ratably over a five year period. As of March 31, 2008, the Company has received \$1,000,000 and has reflected \$150,000 as unearned revenue and \$850,000 as revenue on cumulative basis of which \$50,000 has been recorded as revenue for both three months ended March 31, 2008 and 2007. In addition and further to the payment fee of \$1 million, Dermal Defense, Inc. agrees to pay a royalty fee of 5% on product sales of the Antimicrobial Hand Sanitizer.

In June 2004, the Company entered into a definitive agreement with Cross Global, Inc. ("Cross Global") whereby, the Company would provide exclusive marketing and distribution rights to its proprietary "Sunless Tanning Spray Formulation" for Canada, the United States, Mexico, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom and Israel. In addition CGI is granted the right to use the name "Solerra(TM)" within the territory. Terms of the agreement require Cross Global to pay a fee of \$1 million comprising of a non-refundable deposit of \$200,000 with the balance of \$800,000 payable as \$200,000 due August 30, 2004, November 30, 2004, February 28, 2005 and May 30, 2005. The \$1 million fee will be recognized as revenue ratably over a five year period. As of March 31, 2008, the Company has received \$1,000,000 and has reflected \$200,000 as unearned revenue and \$800,000 as revenue on a cumulative basis of which \$50,000 has been recorded as revenue for both three months ended March 31, 2008 and 2007. In addition and further to the payment fee of \$1 million, Cross Global agrees to pay a royalty fee of 5% on product sales of the Sunless Tanning Spray Formulation.

#### 7. LETTER OF INTENT AND DEFINITIVE AGREEMENT (continued)

On April 11, 2007, we entered into a Licensing Agreement ("Agreement") with DRJ Group, Inc. ("DRJ"), a California corporation. Under the terms of this Agreement, we granted DRJ the exclusive right to distribute, market, sell, and promote a topical analgesic that incorporates our proprietary and patented Invisicare polymer in North America. DRJ manufactures STOPAIN®, a cream product topically applied which is designed to provide relief to people suffering from muscle stiffness, arthritis or muscle strains. Under the terms of the Agreement, the Company will generate revenues from product sales of Invisicare to DRJ and be entitled to receive royalties

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SKINVISIBLE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

from all product sales generated by DRJ. For the three months ended March 31, 2008, the Company has received \$3,303 in royalties from DRJ.

8. CONVERTIBLE NOTES PAYABLE

During 2008, the Company issued an aggregate of \$115,000 consisting of promissory convertible notes to three individuals. Two of the notes are due by May 5, 2008 and one note is due by May 29, 2008, accruing interest at 10% per annum. At the investor's option until the repayment date, and 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 \$0.25 per share if exercised in year one and \$0.30 per share if exercised in year two and available only upon conversion of the note payable. As of March 31, 2008, \$90,000 convertible notes payable remains outstanding while \$25,000 plus accrued interest of \$199 were converted into 251,990 shares.

In accordance with EITF 00-27, the Company has determined the value associated with the conversion feature and detachable warrants issued in connection with these convertible notes payable. The Company has determined the debentures to have a beneficial conversion feature totaling \$34,914. The beneficial conversion feature has been recorded as a debt discount which will be amortized over the life of the loan. The beneficial conversion feature is valued under the intrinsic value method and warrants were valued under the Black-Scholes option pricing model using the following assumptions: a stock price of \$0.12, life of 3 years, a dividend yield of 0%, volatility ranging from 111% to 112%, and a debt discount rate of 4.50%. The investor shall have three years from February 5, 2008 and February 29, 2008 to exercise 450,000 warrants. The warrant strike price shall be \$0.12 per share. The Company has determined the warrants to have a value of \$18,619 which has been reflected as a financing cost and will be amortized over the life of the loan. As of March 31, 2008, financing costs totaled \$17,752, net of accumulated amortization of \$867.

9. RELATED PARTY TRANSACTIONS

As of March 31, 2008, the Company had an unsecured loan payable due to the CEO with an interest rate of 10% per annum, due on demand totaling \$22,968.

As of March 31, 2008, the Company had a receivable due to them from a shareholder totaling \$1,196.

10. COMMITMENTS AND CONTINGENCIES

Lease obligations – The Company has operating leases for its offices. The lease for its offices expires on December 29, 2009. Future minimum lease payments under the operating leases for the facilities as of March 31, 2008 are as follows:

2008	\$	70,375
2009		98,622

Rental expense, resulting from operating lease agreements for the three months ended March 31, 2008 and 2007, was \$26,653 and \$26,215, respectively.

11. SUBSEQUENT EVENTS

Subsequent to March 31, 2008, the Company issued 152,000 shares of common stock for payment on accounts payable at \$0.10 per share totaling \$15,200.

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Item 2. Plan of Operation

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.

Overview

We develop innovative polymer delivery vehicles and related compositions that hold active ingredients on the skin for up to four hours 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.

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.

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### Developments in our Current Products and Agreements

Aside from disclosures provided below, we have no developments to report in our current product line or distribution agreements in place for those products.

#### Acne Formulations

On January 30, 2008, our wholly-owned subsidiary, Skinvisible Pharmaceuticals, Inc., entered into a Trademark License Agreement and Distribution Agreement ("Distribution Agreement") with Panalab Internacional S.A. ("Panalab"). The Agreement is for the right to develop and commercialize Skinvisible's prescription anti-acne products formulated with adapalene and Invisicare® in Argentina, Brazil and Chile.

Under the terms of the agreement Panalab, a multi-national dermatology company headquartered in Panama with subsidiaries and partners in most Latin American countries, will be responsible for filing and obtaining marketing approval in the countries they have licensed. Skinvisible will receive a research and development fee plus a licensing fee allocated as an upfront fee plus milestone payments. In addition the Company will receive royalties based on revenues generated by the sale of the products. According to the agreement, Panalab will have the right to manufacture, distribute, market, sell and promote the Adapalene formulations in the specified territory.

On May 9, 2008, our wholly-owned subsidiary, Skinvisible Pharmaceuticals, Inc., entered into a Trademark License Agreement and Distribution Agreement ("Distribution Agreement") with Embil Pharmaceutical Co. Ltd. ("Embil"). The Agreement is for the right to develop and commercialize two of Skinvisible's prescription anti-acne products formulated with Invisicare® and the active ingredients Clindamycine HCL and Retinoic Acid in Turkey, Azerbaijan, Kazakhstan, Kyrgyzstan, Turkmenistan, and Uzbekistan as well as 3 countries in S.E. Asia, Indonesia, Malaysia and the Philippines.

Under the terms of the agreement Embil, a multi-national dermatology company headquartered in Istanbul, Turkey with subsidiaries and partners in S.E. Asia, will be responsible for filing and obtaining marketing approval in the countries they have licensed. Skinvisible will receive a research and development fee plus a licensing fee allocated as an upfront fee plus milestone payments. In addition the Company will receive royalties based on revenues generated by the sale of the products. According to the agreement, Embil will have the right to manufacture, distribute, market, sell and promote the Clindamycin HCL and Retinoic Acid formulations for acne in the specified territory.

#### Status of Research and Development for New Applications

We believe that the enhancement and extension of our existing products and the development of new product categories have contributed significantly to our growth to date and are necessary for our continued growth. Our management evaluates new ideas and seeks to develop new products and improvements to existing products to satisfy industry requirements and changing consumer preferences. We seek to identify trends in consumer preferences and to generate new product ideas. Specific to the objective of generating new products, we are continuing our research and development toward developing additional applications with Invisicare. We are currently at various development stages for the following potential applications using Invisicare:

Skinvisible's Formulas with Invisicare:

ACTIVE INGREDIENT	TYPE	Availability	Patent
Acne			
Adapalene Cream (0.1% & 0.3%)	Rx	yes	pending
Adapalene Gel (0.1% & 0.3%)	Rx	yes	pending
Clindamycin Hydrochloride Cream (1%)	Rx	yes	pending
Retinoic Acid Cream (0.1%)	Rx	yes	pending

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Analgesics				
Topical Spray with Menthol (6% & 8%)	OTC		yes	technology
Topical Roll-On with Menthol (6% & 8%)	OTC		yes	technology
Topical Cream with Salicylate (10%)	OTC		yes	technology
Anti-Aging				
Retinol Cream & Lotion (0.15% )	Cosmetic		yes	technology
Retinol Cream (0.3%)	Cosmetic		yes	technology
Anti-Fungal				
Terbinafine Cream, Gel (1%)	OTC		yes	pending
Naftifine Cream (1%)	Rx		yes	pending
Clotrimazole Cream (1%)	OTC		yes	pending
Anti-Inflammatory				
Hydrocortisone Cream (1%)	OTC		yes	technology
Triamcinolone (1%)	Rx		yes	technology
Triamcinolone Acetonide (1%)	Rx		yes	technology
Clobetasole Propionate (0.3%)	Rx	in-progress		technology
Betamethasone (1%)	Rx		yes	technology
Antimicrobial Hand Sanitizing Lotion				
Triclosan Lotion (1%) with Nonoxynol-9	OTC		yes*	granted
Triclosan Lotion (1%) with Tomadol 901	OTC		yes*	granted
Benzalkonium Chloride Lotion (0.13%)	OTC		yes*	granted
Chlorhexidine Gluconate Lotion (4%)	OTC / NDA	in-progress		pending
Moisturizers				
Non-Steroidal Atopic Dermatitis Cream	Rx / Cosmetic		yes	technology
Skin Protectant Lotion with Allantoin (0.5%)	OTC		yes	technology
Super Moisturizer with Ectoin	Cosmetic		yes	technology
U V A / UVB Sunscreen				
Parsol 1789 - SPF 30 Lotion	OTC	in-progress		pending

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Tinosorb S – SPF 30 Lotion	OTC	in-progress	pending
Other Skin / Hair			
Skin Whitening, Hyperpigmentation, Scar Lotion with Onion Bulb	Cosmetic	in-progress	technology
Glycolic Acid Cream (5% & 10%)	Cosmetic	yes	technology
Fragrance – Long Lasting Gel	Cosmetic	yes	technology

\*excludes North America

Results of Operations for the Three Months Ended March 31, 2008 and 2007

Revenues

Our total revenue reported for the three months ended March 31, 2008 was \$149,411, a decrease from \$183,316 for the three months ended March 31, 2007. The decrease in revenues for the three months ended March 31, 2008 from the same period in the prior year is attributable to decreased sales of polymers to our licensees.

Cost of Revenues

Our cost of revenues for the three months ended March 31, 2008 decreased to \$10,131 from the prior period when cost of revenues was \$10,154. Our cost of revenues remained roughly equal in both periods despite an increase in revenues for the three months ended March 31, 2007 as a result of sales of finished formulas versus polymer sales only in this quarter.

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### Gross Profit

Gross profit for the three months ended March 31, 2008 was \$139,280, or approximately 93% of sales. Gross profit for the three months ended March 31, 2007 was \$173,162, or approximately 94% of sales. The decrease in total gross profit for the three months ended March 31, 2008 from the prior period is largely attributable to lower sales of polymers the three months ended in March 31, 2008 compared with March 31, 2007.

### Operating Expenses

Operating expenses increased to \$649,911 for the three months ended March 31, 2008 from \$423,139 for the three months ended March 31, 2007. Our operating expenses for the three months ended March 31, 2008 consisted of depreciation and amortization expenses of \$5,356, stock based compensation of \$248,442, and selling, general and administrative expenses of \$396,113. Our operating expenses for the three months ended March 31, 2007 consisted of depreciation and amortization expenses of \$4,671, stock based compensation of \$49,475, and selling, general and administrative expenses of \$368,993. The increase in operating expenses for the three months ended March 31, 2008 from the prior period is primarily attributable to higher stock based compensation expenses associated with the issuance of stock options and warrants.

### Other Expenses

We recorded other expenses of \$162,423 for the three months ended March 31, 2008 compared with \$23,017 for the same period ended March 31, 2007. For both periods, the other expenses consisted entirely of interest expenses. The increase in interest expenses for the three months ended March 31, 2008 compared to the same period in the prior is associated with the valuation of convertible debts.

### Net Loss

Net loss for the three months ended March 31, 2008 was \$673,054, compared to net loss of \$272,994 for the three months ended March 31, 2007. The increase in net loss was attributable to decreased revenues and increased operating expenses.

### Liquidity and Capital Resources

As of March 31, 2008, we had total current assets of \$315,917 and total assets in the amount of \$537,874. Our total current liabilities as of March 31, 2008 were \$924,413. We had a working capital deficit of \$608,496 as of March 31, 2008.

Operating activities used \$145,000 in cash for three months ended March 31, 2008. Our net loss of \$673,054 was the primary component of our negative operating cash flow. Cash flows provided by financing activities during the three months ended March 31, 2008 was \$87,807 consisting of \$115,199 as proceeds from the issuance of convertible notes payable, and \$3,500 as proceeds from the issuance of loans payable offset by \$30,892 paid on related party loans.

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



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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 March 31, 2008, there were no off balance sheet arrangements.

### 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 \$15,969,902 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 aforementioned uncertainties.

### Critical Accounting Policies

In December 2001, the SEC requested that all registrants list their three to five 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. We believe that the following accounting policies fit this definition.

#### 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.

#### 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.

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### 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 September 2006, the FASB issued SFAS No. 157 “Fair Value Measurements”. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosure about fair values. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Management believes that the adoption of SFAS No. 157 will not have a material impact on our consolidated financial results.

In September 2006, the FASB issued Statement No. 158, "Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R)" (FAS 158). FAS 158 requires that employers recognize the funded status of their defined benefit pension and other postretirement plans on the balance sheet and recognize as a component of other comprehensive income, net of tax, the plan-related gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost. We will prospectively adopt FAS 158 on April 30, 2007. Management believes that the adoption of SFAS No. 158 will not have a material impact on the consolidated financial results of the Company.

In February 2007, the FASB issued Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115" (FAS 159). FAS 159 permits companies to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. The provisions of FAS 159 become effective as of the beginning of our 2009 fiscal year. We are currently evaluating the impact that FAS 159 will have on our financial statements.

In December 2007, the FASB issued SFAS 160, Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51 which applies to all entities that prepare consolidated financial statements, except not-for-profit organizations, but will affect only those entities that have an outstanding noncontrolling interest in one or more subsidiaries or that deconsolidate a subsidiary. The statement is effective for annual periods beginning after December 15, 2008.

At December 31, 2007, the Company did not have any derivative instruments or hedging activities. Management is aware of the requirements of SFAS 161 and will disclose when appropriate.



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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.

### 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 March 31, 2008. This evaluation was carried out under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, Mr. Terry Howlett. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2008, our disclosure controls and procedures are effective. There have been no significant changes in our internal controls over financial reporting during the quarter ended March 31, 2008 that have materially affected or are reasonably likely to materially affect such controls.

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. An internal control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. 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



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may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

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

The information set forth below relates to our issuances of securities without registration under the Securities Act during the reporting period which were not previously included in a Current Report on Form 8-K.

During the three months ended March 31, 2008, we issued 248,000 restricted shares of our common stock as a result of entering into debt conversion agreements with three lenders to convert total principal balances of \$24,800 into equity. These shares were issued pursuant to Section 4(2) of the Securities Act. The lenders represented their intention to acquire the securities for investment only and not with a view towards distribution. The lenders 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.

During the three months ended March 31, 2008, we issued 2,799,990 restricted shares of our common stock as a result of entering into loan conversion agreements with lenders to convert total principal balances and interest of \$227,599 into equity. These shares were issued pursuant to Section 4(2) of the Securities Act. The lenders represented their intention to acquire the securities for investment only and not with a view towards distribution. The lenders 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.

During the three months ended March 31, 2008, we issued 1,200,000 shares of our common stock in exchange for the exercise of options previously issued to Mr. Terry Howlett. We received gross proceeds of \$60,000 upon the exercise of these options. These securities were issued pursuant to an effective registration statement on Form S-8.

During the three months ended March 31, 2008, we issued 500,000 shares of our common stock in exchange for the exercise of warrants previously issued. We received gross proceeds of \$25,000 upon the exercise of these warrants. These securities were issued pursuant to Section 4(2) of the Securities Act of 1933. We did not engage in any general solicitation or advertising. We issued the stock certificates and affixed the appropriate legends to the restricted stock.

During the three months ended March 31, 2008, we issued options to purchase 1,800,000 shares of our common stock at \$0.10 per share under our 2006 Stock Option Plan to employees and consultants.



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During the three months ended March 31, 2008, we issued warrants to purchase 2,399,000 shares of our common stock at strike prices ranging from \$0.12 to \$0.15 per share.

Item 3. Defaults upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

No matters have been submitted to our security holders for a vote, through the solicitation of proxies or otherwise, during the quarterly period ended March 31, 2008.

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

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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: May 13, 2008

By: /s/Terry Howlett

Terry Howlett

Title: Chief Executive Officer, Chief Financial Officer, and Director