SKINVISIBLE INC
Form 10QSB
May 15, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-QSB

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

For the quarterly period ended March 31, 2007

[ ] 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	88-0344219
(State or other jurisdiction of incorporation or organization)	(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)

_____
(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 [X] Yes [ ] No

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: 64,711,248 common shares as of March 31, 2007.

Transitional Small Business Disclosure Format (check one): Yes [ ] No [X]

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

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-QSB. 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, 2007 are not necessarily indicative of the results that can be expected for the full year.

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SKINVISIBLE, INC.
CONSOLIDATED BALANCE SHEET

ASSETS	March 31, 2007
Current assets	
Cash	$ 4,116
Accounts receivable	48,536
Inventory	33,141
Due from related party	1,119
Prepaid expense and other current assets	25,486
Total current assets	112,398
Fixed assets, net	27,538
Intangible and other assets	
Patents and trademarks, net	43,273
License and distributor rights	50,000
Prepaid royalty fees	600,000
Total assets	$ 833,209
LIABILITIES AND STOCKHOLDERS' DEFICIT	
Current liabilities	
Accounts payable and accrued liabilities	$ 440,020
Loans from related party	95,976
Unearned revenue	750,000
Total current liabilities	1,285,996
Long-term liabilities	--
Total liabilities	1,285,996
Commitments and contingencies	--
Stockholders' deficit	

Common stock; $0.001 par value; 100,000,000 shares 64,711,248 shares issued and outstanding	64,711
Additional paid-in capital	13,411,094
Stock subscription receivable	35,000
Accumulated other comprehensive loss	(909)
Accumulated deficit	(13,962,683)
Total stockholders' deficit	(452,787)
Total liabilities and stockholders' equity	$ 833,209

See Accompanying Report of Independent Registered Public Accounting Firm and Notes in Consolidated Financial Statements

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SKINVISIBLE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the three months ended March 31, 2007	For the three months ended March 31, 2006 (Restated)
Revenues	$ 183,316	$ 235,167
Cost of revenues	10,154	21,321
Gross profit	173,162	213,846
Operating expenses		
Depreciation and amortization	64,671	66,692
Selling general and administrative	381,248	1,237,040
Total operating expenses	445,919	1,303,732
Loss before provision for income taxes	(272,757)	(1,089,886)
Other income (expense)	--	--
Total other income (expense)	--	--
Provision for income taxes	--	--
Net loss	$ (272,757)	$ (1,089,886)
Other comprehensive income (loss)		
Foreign currency translation adjustment	(237)	--
Comprehensive loss	$ (272,994)	$ (1,089,886)
Basic income (loss) per common share	$ (0.00)	$ (0.02)
Diluted income (loss) per common share	$ (0.00)	$ (0.02)
Basic weighted	64,711,248	59,141,998

average common
shares outstanding

See Accompanying Report of Independent Registered Public Accounting Firm and Notes in Consolidated Financial Statements

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SKINVISIBLE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the three months ended March 31, 2007	For the three months ended March 31, 2006 (Restated)
Cash flows from operating activities:		
Net loss	$ (272,757)	$ (1,089,886)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation and amortization	64,671	66,393
Stock based compensation	49,475	839,141
Changes in operating assets and liabilities:		
Change in inventory	(10,239)	13,923
Change in accounts receivable	(43,655)	(51,159)
Change in prepaid expenses and other current assets	475	382
Change in related party receivable	--	4,551
Change in accounts payable and accrued liabilities	140,727	65,669
Change in unearned revenue	(100,000)	58,000
Net cash provided (used) by operating activities	(171,303)	(92,986)
Cash flows from investing activities:		
Purchase of fixed assets and untangible assets	(4,662)	--
Net cash used by investing activities	(4,662)	--
Cash flows from financing activities:		
	70,248	-

Proceeds from related party loans		
Proceeds from stock subscription receivable	35,000	4,500
Purchase of treasury stock	--	
Proceeds from issuance of common stock	25,000	137,750
Net cash provided by financing activities	130,248	142,250
Efect of exchange rate changes on cash and assets	(237)	-
Net change in cash	(45,954)	49,264
Cash, beginning of period	50,070	30,729
Cash, end of period	$ 4,116	$ 79,993

See Accompanying Report of Independent Registered Public Accounting Firm and Notes in Consolidated Financial Statements

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SKINVISIBLE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The accompanying unaudited financial statements have been prepared in accordance with Securities and Exchange Commission requirements for interim financial statements. Therefore, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. The financial statements should be read in conjunction with the Form 10-KSB for the year ended December 31, 2006 of Skinvisible, Inc. (the "Company").

The interim financial statements present the balance sheet, statements of operations and cash flows of the Company. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States.

The interim financial information is unaudited. In the opinion of management, all adjustments necessary to present fairly the financial position as of March 31, 2007 and the results of operations and cash flows presented herein have been included in the financial statements. Interim results are not necessarily indicative of results of operations for the full year.

The preparation of 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 financial statements and 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 subsidiaries 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 approximately $13,962,000 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 the 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.

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

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SKINVISIBLE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 - 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.

Inventory - Substantially all inventory consist 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.

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.

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SKINVISIBLE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Comprehensive income (loss) - The Company has no components of other comprehensive income. Accordingly, net loss equals comprehensive loss for all periods.

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.

Advertising costs - Advertising costs incurred in the normal course of operations are expensed as incurred. During the quarters ended March 31, 2007 and 2006, the Company incurred advertising costs totaling $4,261 and $15,860, 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.

Expenses of offering - The Company accounts for specific incremental costs directly to a proposed or actual offering of securities as a direct charge against the gross proceeds of the offering.

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.

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 period ended March 31, 2007 reflect the impact of SFAS No. 123(R). Stock based compensation expense recognized under SFAS No. 123(R) for the periods ended March 31, 2007 and 2006 totaled $44,377and $839,171 respectively.

Earnings (loss) per share -Basic earnings (loss) per share exclude any dilutive effects of options, warrants and convertible securities. Basic earnings (loss) per share is computed using the weighted-average number of outstanding common stocks during the applicable period. Diluted earnings per share is computed using the weighted-average number of common stock equivalent shares outstanding during the period. Common stock equivalent shares are excluded from the computation if their effect is antidilutive.

Recent accounting pronouncements - In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" (FIN 48), which clarifies the accounting for uncertainty in tax positions. This Interpretation requires that we recognize in our financial statements the benefit of a tax position if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The provisions of FIN 48 become effective as of the beginning of our 2008 fiscal year, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. We are currently evaluating the impact that FIN 48 will have on our financial statements.

In September 2006, the FASB issued Statement No. 157, "Fair Value Measurements" (FAS 157), which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The provisions of FAS 157 become effective as of the beginning of our 2009 fiscal year. We are currently evaluating the impact that FAS 157 will have on our financial statements.

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SKINVISIBLE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

In September 2006, the FASB issued Statement No. 158 “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans (“SFAS 158”). SFAS 158 requires companies to recognize the over funded or under funded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. SFAS 158 requires companies to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions. The Company adopted SFAS 158 effective for the fiscal year ending December 31, 2006. Adoption of this statement had no impact on the Company’s financial position or results of operations.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" (SAB 108), which addresses how to quantify the effect of financial statement errors. The provisions of SAB 108 become effective as of the end of our 2007 fiscal year. We do not expect the adoption of SAB 108 to have a significant impact on our financial statements.

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.

2. FIXED ASSETS

Fixed assets consist of the following as of March 31, 2007:

Machinery and equipment	$ 55,463
Furniture and fixtures	113,635
Computers, equipment and software	41,880
Leasehold improvements	12,569
Lab equipment	115,946
	339,493
Less: accumulated depreciation	311,955
Fixed assets, net	$ 27,538

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SKINVISIBLE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2007, patents and trademarks total $74,894, net of accumulated amortization of $31,621.

License and distributor rights (“agreement”) was acquired by the Company in January 1999 and provides exclusive use distribution of polymers and polymer based products. The Company has a non-expiring term on the license and distribution rights. Accordingly, the Company annually assesses this license and distribution rights for impairment and has determined that no impairment write-down is considered necessary as of March 31, 2007.

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 royalty fees are to be paid at the 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 annual basis calculated within 60 days of each anniversary date of the agreement. As of March 31, 2007, the Company has paid a total of $1,848,000 and accrued a total of $24,000 in accounts payable of which a total of $1,248,000 has been expensed and $600,000 has been recorded as prepaid royalties which will be expensed in the future in accordance to the terms of the agreement. The remaining future royalty payments related to the agreement approximates $152,000.

4. LOAN PAYABLE TO RELATED PARTIES

Loans payable to related parties consist of the following at March 31, 2007:

Loan payable due to a officer, bearing no interest, due on demand and unsecured.	$ 85,975
Loan payable due to a officer, bearing no interest, due on demand and unsecured.	$ 10,000
	$ 95,975

5. UNEARNED REVENUE

Unearned revenue totaling $725,000 as of March 31, 2007, relates to two marketing and distribution rights agreements entered into during 2004 for which monies were received and not considered earned, see Note 6 for further discussion.

6. STOCK OPTIONS AND WARRANTS

Stock options employees and directors - During the periods ended March 31, 2007 and 2006, the Company granted stock options to employees and directors totaling -0- and 650,000 shares of its common stock with a weighted average strike price of $0.00 and $0 .21 per share, respectively. Certain stock options were exercisable upon grant and have a life ranging from 3 months to 5 years. The Company has recorded an expense of $13,475 for the period ended March 31, 2007 based upon the vested portion of employee stock options relating to options issued in 2006.

Stock options non-employees - During the periods ended March 31, 2007 and 2006, the Company granted stock options for services totaling -0- and 395,000 and shares of its common stock with a weighted average strike price of $0.00 and $0 .19 per share, respectively. Certain stock options were exercisable upon grant and have a life ranging from 3 months to 5 years.

As of March 31, 2007 stock options outstanding totaled 4,050,000 with a weighted average strike price of $0.12

Stock warrants - During the year period ended March 31, 2007, the Company granted stock warrants related to common stock issued through a private placement totaling 37,500 with a strike price of $0.30 per share. As of March 31, 2007 stock warrants outstanding totaled 3,067,500 with a weighted average strike price of $0.11 per share.

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SKINVISIBLE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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. The $1 million fee will be recognized as revenue ratably over a five year period. As of March 31, 2007, the Company has received $1,000,000 and has reflected $350,000 as unearned revenue and $650,000 as revenue in the accompanying consolidated financial statements. 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 April 2005 Dermal Defense sold their exclusive marketing and distribution rights for North America to JD Nelson and Associates, LLC. Under the terms of the agreement JD Nelson purchase polymer from the Company and pay the 5% royalty on product sales of the Antimicrobial Hand Sanitizer to the Company.

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 required Cross Global to pay a fee of $1 million over a defined time period..The $1 million fee will be recognized as revenue ratably over a five year period. As of March 31, 2007, the Company has received $1,000,000 and has reflected $400,000 as unearned revenue and $600,000 as revenue in the accompanying consolidated financial statements. 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.

8. COMMITMENTS AND CONTINGENCIES

Lease obligations - The Company has operating leases for its offices. Future minimum lease payments under the operating leases for the facilities as of March 31, 2007 are as follows:

2007	$ $69,249
2008	97,028
2009	98,622

Rental expense, resulting from operating lease agreements, approximated $26,215 for the period ended March 31, 2007.

9. STOCK SUBSCRIPTIONS RECEIVABLE

During March 2007, the Company received $35,000 for shares issued in the period ending June 30, 2007.

10. SUBSEQUENT EVENTS

On April 11, 2007, the company entered into a Licensing Agreement (“Agreement”) with DRJ Group, Inc. (“DRJ”), a California corporation. Under the terms of this Agreement, they granted DRJ the exclusive right to distribute, market, sell, and promote a formula specific topical analgesic that incorporates the company’s 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 polymer sales to DRJ and be entitled to receive royalties from all product sales generated by DRJ.

11. RESTATEMENTS

For the period ended March 31, 2006, the Company did not properly account for stock options granted to its consultants, the valuation resulted in an additional expense of $115,742 to operations. The change in value was included in the previously filed December 31, 2006 statements.

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Item 2. Management's Discussion and Analysis

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. W 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.

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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.

Description of Current Products and Agreements

Cosmetics and Personal Care Markets

On October 7, 2005, we entered into a Master Sales, Collaboration and Distribution Agreement ("Agreement") with EMD Chemicals Inc. ("EMD"), a New York corporation and affiliate of Merck KGaA of Darmstadt, Germany. Under the terms of this Agreement, we granted EMD the exclusive right to distribute and sell our patented polymer delivery system, Invisicare, for the cosmetics and personal care markets in the entire world. EMD will be entitled to commission income based upon the gross revenues from the sale of sublicensing agreements as well as the polymers. The initial term of this Agreement is until December 31, 2008 and this Agreement will automatically renew for successive three year terms unless either party provides fourteen months advance notice of its intention to terminate or not renew the Agreement.

As part of the consideration of the Agreement, we granted EMD options to purchase shares of our common stock. We executed a stock option agreement on February 27, 2006 where we granted EMD the option to purchase 5,817,525 shares of common stock at the exercise price of $0.172 per share exercisable until December 31, 2006. These options expired and were not exercised.

Antibacterial/Antimicrobial Hand Sanitizer Lotion

On February 21, 2005, we entered into a definitive distribution agreement with Dermal Defense, Inc. ("Dermal Defense"). Pursuant to this agreement, Dermal Defense acquired the exclusive marketing and distribution rights in the United States of America, Canada and Mexico for our antimicrobial hand sanitizer lotion composition which utilizes the active ingredient Triclosan 1% and incorporates our patented Invisicare® polymer delivery system (the "Product").

Dermal Defense acquired these rights for the purchase price of $1,000,000 which has been paid in full. Under the terms of this agreement, Dermal Defense is obligated to pay us a royalty fee quarterly in the amount of $20,000 or 5% of gross revenues generated by Dermal Defense from sales of the product in the quarter, whichever is greater.

During the second quarter of 2005 and with our approval, Dermal Defense entered into an exclusive sub-distribution agreement with JD Nelson & Associates of Columbus Ohio ("JD Nelson") and transferred all of its rights to distribute, market, and sell our antimicrobial hand sanitizer lotion in the United States of America, Canada and Mexico. Under the terms of the sub- distribution agreement, JD Nelson will pay a license fee and royalty on product sales to Dermal Defense and Dermal Defense will continue to pay us as agreed in the Distribution Agreement of

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February 21, 2005. As a result, the fees and royalties that we are due under this agreement remain unchanged. Currently, all required fees and royalties due in accordance with this agreement are paid and current. Dermal Defense and JD Nelson & Associates are prohibited under this agreement from manufacturing, marketing, distributing, or selling any competing product while the Distribution Agreement is in full force and effect.

In December 2006, we entered into an Amended Distribution Agreement to revise the terms of the marketing and distribution rights granted to Dermal Defense and those rights provided to JD Nelson as a sub-distributor. In the Amended Distribution Agreement, we expanded the product for which rights were conferred to include our antimicrobial hand sanitizer lotion composition which utilizes the active ingredient Triclosan 1% and any other active ingredients included in the FDA Monograph exclusive of Chlorhexidine, Chlorhexidine gluconate or iodine or any combinations of iodine or Chlorhexidine gluconate or Chlorhexidine. In accordance with the Amended Distribution Agreement, JD Nelson must now pay all royalties under this arrangement directly to us.

In May 2005, we entered into a Distribution Agreement (“Agreement”) with Safe4Hours, Inc. (“Safe4Hours”), a Nevada corporation. Under the terms of this Agreement, we granted Safe4Hours the exclusive right to distribute, market, sell, and promote our antimicrobial hand sanitizer lotion that utilizes the active ingredient Triclosan 1% in every country in the world except Canada, the United States, and Mexico. The Agreement prohibited Safe4Hours from manufacturing, marketing, distributing, or selling any competing product while the Agreement was in full force and effect. Safe4Hours acquired these rights for an up-front fee of $1,000,000, of which only $100,000 was received. The remaining $900,000 balance was to be paid in quarterly installments based upon a predetermined formula until the remaining balance is received, and a royalty fee of no less than 5% of gross revenue of all sales. Safe4Hours did not pay any quarterly installments under the terms of the Agreement and we were negotiating with Safe4Hours to revise the payment terms for the remaining $900,000 due under this Agreement. Following these negotiations, we were unable to reach an agreement and terminated the Agreement as a result of Safe4Hours’ failure to materially perform its obligations under the Agreement.

We are currently negotiating with JD Nelson to acquire these rights. We offered to JD Nelson these acquisition rights in exchange for $500,000 and a 10% royalty payment. We further extended the termination date of our offer to JD Nelson to acquire these rights to August 31, 2007. We can provide no assurance that we will execute an agreement with JD Nelson for these rights.

Sunless Tanning Spray Product

On June 9, 2004, our wholly-owned subsidiary, Skinvisible Pharmaceuticals, Inc., entered into a Trademark License Agreement and Distribution Agreement ("Distribution Agreement") with Cross Global, Inc. ("Cross Global"), a Delaware corporation, to grant Cross Global the exclusive right to distribute, market, sell, and promote our proprietary sunless tanning spray products in Canada, the United States, Mexico, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom, and

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Israel. Cross Global is also utilizing our proprietary polymer formula to manufacture nine additional sun care related products.

Pursuant to the terms of the Distribution Agreement, Cross Global paid us the license fee of $1,000,000. Under the terms of this agreement, we are to receive a minimum royalty fee quarterly of not less than 5% of gross revenue of all sales of our proprietary sunless tanning spray products or $25,000, whichever is greater. We extended the minimum royalty payments terms on 3 different occasions in an effort to accommodate and assist Cross Global in the early stage of their operations. Despite our efforts, Cross Global remains delinquent for the minimum payments due at the present time in the amount of $120,000. We have the ability to terminate the Distribution Agreement as a result of this material breach upon providing notice to Cross Global. Cross Global is prohibited under this agreement from manufacturing, marketing, distributing, or selling any competing product while the Distribution Agreement is in full force and effect.

We are negotiating with Cross Global regarding this matter. We have offered to release and forever discharge Cross Global from the $120,000 delinquency and requirement to pay a minimum royalty payment monthly in exchange for Cross Global relinquishing its exclusivity to utilize our proprietary polymer formula in connection with the distribution, marketing, and sale of sunless tanning products in the applicable territory with the exception of the mit-tan product. Cross Global has verbally agreed to these terms and we are in the process of memorializing this agreement in writing. There can be no assurance that we will successfully be able to execute a written agreement with these terms.

Sunscreen and Skin Care Products

We developed and successfully tested the application of Invisicare in sunscreen products with SPF 15 and SPF 30, sunless tanning lotions, moisturizing creams, aloe after-sun products, and other skin care products. We currently offer Invisicare for incorporation into these products on a private label basis and have multiple agreements in place.

During the reporting period, we developed two additional sunscreen products. One of the products utilizes the active ingredient Parsol 1789. The other product utilizes the active ingredient Tinasorb which has been approved for distribution in Europe, Japan, Australia and recently Canada. Tinasorb has not yet have approval in the US. Tinasorb is a broad spectrum UVA/UVB ingredient. The manufacturer of Tinasorb is Ciba Chemicals. It is our intention to license out the distribution of both of these formulas where approved.

Topical Analgesic

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, we will generate

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revenues from product sales to DRJ and be entitled to receive royalties from all product sales generated by DRJ.

Status of Research and Development for New Applications

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:

- Insect repellent
- Sunscreens
- Antifungal
- Acne
- Atopic dermatitis
- Antimicrobial hand sanitizer

Insect Repellents

We are in the process of developing an insect repellent with an active ingredient that incorporates our topical polymer-based delivery systems and are presently undergoing in-house research. We anticipate that our research will be completed during the second quarter of 2007. Our current research efforts are being devoted to producing a stick application for this product. In the event that we are successful in developing an effective insect repellent that incorporates our topical polymer-based delivery systems, the rights to distribute and sell the developed product will be subject to the terms of an Agreement with EMD Chemicals, the owner of the active ingredient. There can be no assurance that we will be successful in developing a viable insect repellent that incorporates our topical polymer-based delivery systems and the active ingredient.

Sunscreen

We developed and successfully tested the application of our polymer delivery vehicles in sunscreen products with SPF 15 and SPF 30, sunless tanning lotions, moisturizing creams, aloe after-sun products, and other skin care products. We currently offer Invisicare for incorporation into these products on a private label basis and have multiple agreements in place.

During the reporting period, we developed two additional sunscreen products. One of the products utilizes the active ingredient Parsol 1789. The other product utilizes the active ingredient Tinasorb which has been approved for distribution in Europe, Japan, Australia and recently Canada. Tinasorb has not yet have approval in the US. Tinasorb is a broad spectrum UVA/UVB ingredient. The manufacturer of Tinasorb is Ciba Chemicals. It is our intention to license out the distribution of both of these formulas.

Antifungal

We have an oral agreement with a pharmaceutical company relating to the development of an antifungal product that incorporates Invisicare with the active ingredient Clotrimazole. We have

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completed our initial research and development of this product and are awaiting the results of this study. If this pharmaceutical company is satisfied with the study, we would expect to execute a licensing agreement with this company. A definitive licensing agreement would require the company to pay us an upfront license fee plus ongoing royalty payments based on territorial sales of the product. There can be no assurance that we will be successful in executing a license agreement for this product.

Acne

We have an oral agreement with a pharmaceutical company relating to the development of an acne product that incorporates Invisicare with the active ingredient retinoic acid. We have completed our initial research and development of this product and are waiting the results of this study. If this pharmaceutical company is satisfied with the study, we would expect to execute a licensing agreement with this company. A definitive licensing agreement would require the company to pay us an upfront license fee plus ongoing royalty payments based on territorial sales of the product. There can be no assurance that we will be successful in executing a license agreement for this product.

Non-steroidal atopic dermatitis

During the three months ended June 30, 2006, we developed a non-steroidal atopic dermatitis product, also referred to as hydro-gel, for atopic dermatitis that incorporates Invisicare for a pharmaceutical company. In July 2006, we were notified of a change in the FDA's approval process and the pharmaceutical company declined to proceed forward following this change. We are now seeking to make this product available to a pharmaceutical company that can successfully secure FDA approval for the marketing and distribution of this product. There can be no assurance that this product will receive FDA approval. We are presently working with a pharmaceutical company in Canada to obtain approval to market and distribute this product in Canada.

Antimicrobial Hand Sanitizer Lotion

We have developed and are currently testing a new antimicrobial hand sanitizer lotion that utilizes the active ingredient Chlorhexidine ("Chlorhexidine antimicrobial hand sanitizer"). Chlorhexidine is the active agent in scrub soaps currently used in the operating rooms of most hospitals worldwide.

As a part our development efforts to develop the Chlorhexidine antimicrobial hand sanitizer lotion, we developed a research plan that comprises of several studies. The first and second studies were in-vitro tests designed to gauge the effectiveness of the Chlorhexidine antimicrobial hand sanitizer lotion when exposed to certain bacteria. We received positive results from the first study. The results of the second study indicated that further strengthening of the product could improve the product's effectiveness. Our research department implemented the appropriate improvements and commenced a third study on viruses during the fourth quarter. The third study was conducted by Retroscreen Virology Ltd. ("RVL"), a research company that is a division of St. Bartholomew's Hospital and the Royal London Hospital based in London,

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England, and designed to test the effectiveness of the Chlorhexidine antimicrobial hand sanitizer lotion in killing the H5N1 virus also known as the bird flu virus or avian flu. In-vitro testing conducted by RVL confirmed that the Chlorhexidine antimicrobial hand sanitizer lotion got a greater than 99.9% inactivation/kill on the H5N1 virus at the following four points: 15 seconds, 30 seconds, 1 minute, and 5 minutes following contact. This in-vitro study was conducted by placing the Chlorhexidine antimicrobial hand sanitizer lotion in a dish and then exposing the H5N1 virus at the forgoing time intervals. Based upon these positive results, we retained RVL to conduct a further ex-vivo study to provide data on the effectiveness of the Chlorhexidine antimicrobial hand sanitizer when exposed to the H5N1 virus over an extended period of time. This ex-vitro study was conducted by applying the Chlorhexidine antimicrobial hand sanitizer lotion to dead skin specimens, simulating normal conditions of wash-off and skin perspiration, and then exposing the H5N1 virus to the skin specimen at various extended time intervals.

This ex-vivo study confirmed that the Chlorhexidine antimicrobial hand sanitizer lotion got a greater than 98% inactivation/kill on the H5N1 virus at various intervals following application up to four hours. This study verifies that the patented polymer delivery system Invisicare® successfully holds the active ingredient Chlorhexidine on the skin for extended periods of time. Additional in-vitro studies performed by RVL using the Chlorhexidine antimicrobial hand sanitizer lotion confirmed a greater than 99.9% inactivation/kill on the seasonal flu virus Influenza A (H1 and H3) as well as Influenza B. We have suspended further studies until such time that we are able to enter into an agreement with a potential licensee for this product.

We also commissioned another study referred to as a human repeat insult patch test (HRIPT). This study exposes a minimum of 100 persons to the Chlorhexidine antimicrobial hand sanitizer to determine if continued use and exposure to the product will result in skin complications or sensitivities. This study was completed and indicated that 5 people out of the 100 tested experienced a mild sensitization to the product. This study used a method that kept the product moist and occluded which was inconsistent with the product's intended use. We are preparing a further study to test the product under normal use conditions.

In the event that the Chlorhexidine antimicrobial hand sanitizer lotion proves to be a viable product, we may be required to file a New Drug Application with the US FDA because the drug Chlorhexidine is not presently an approved drug under the FDA Tentative Final Monograph (TFM) for Hand Sanitizers. We may also be required to seek similar regulatory approvals in other foreign jurisdictions. If we are required to file a New Drug Application with the US FDA, further development of this product may be both time and cost prohibitive for us. It is our intention to seek a pharmaceutical partner to fund there additional studies required to obtain FDA approval. There can be no assurance that we will successfully complete the research and development of this product and/or receive approval to make the Chlorhexidine antimicrobial hand sanitizer lotion available for sale in the United States or other foreign jurisdictions.

We filed a patent application on the Chlorhexidine Hand Sanitizer Lotion formula with the United States Patent and Trademark Office. We can provide no assurance that we will receive patent approval for the Chlorhexidine Hand Sanitizer Lotion formula.

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We have retained a consultant in China to assist us in securing regulatory approval for this product within China. Our efforts to secure regulatory approval for this product in China are ongoing and we can provide no assurance that we will successfully receive the required approval to market and distribute this product within China.

In December 2006, the Chlorhexidine antimicrobial hand sanitizer has received approval for marketing in Canada.

We have reached a verbal agreement with EMD Chemicals of Hawthorne, NY, an affiliate of Merck KGaA of Darmstadt, Germany, to joint venture the distribution of this product in Southeast Asia and are presently seeking to memorialize this agreement in a written contract.

Results of Operations for the three months ended March 31, 2007 and 2006

Revenues

Our total revenue reported for the three months ended March 31, 2007 was $183,316, a 22% decrease from $235,167 for the three months ended March 31, 2006. During the three months ended March 31, 2007, $101,193 of the revenue generated was attributable to payments for royalties and distribution and licensing rights of our products, $56,465 of the revenue generated was attributable to product sales, and we received fees of $25,657 in connection with product research we conducted. For the three months ended March 31, 2006, we generated revenue of $35,511 from product sales and $175,000 from distribution and licensing rights. The decrease in revenues for the three months ended March 31, 2007 as compared to the same reporting period in the prior year is attributable to lower revenues from distribution and licensing rights of our products.

Cost of Revenues

Our cost of revenues for the three months ended March 31, 2007 decreased to $10,154 from the prior three months when cost of revenues was $21,231. The decrease in our cost of revenues for the three months ended March 31, 2007 as compared to the same reporting period in the prior year is attributable to a shift in our business during the reporting period where we primarily sold Invisicare and not completed/packaged products that incorporate Invisicare. Subsequent to the first quarter in 2006, we granted our 2 major licensees the rights to manufacture the finished product formulations themselves. This resulted in a significant decrease in our cost of revenues.

Gross Profit

Gross profit for the three months ended March 31, 2007 was $173,162, or approximately 94% of sales. Gross profit for the three months ended March 31, 2006 was $213,846, or approximately 91% of sales. The increase in total gross profit for the for the three months ended March 31, 2007 from the prior three months is attributable to sales of Invisicare which have a higher associated gross profit margin as opposed to sales of completed/packaged products that incorporate Invisicare which carry a loss gross profit margin.

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Operating Expenses

Operating expenses decreased to $445,919 for the three months ended March 31, 2007 from $1,303,040 for the three months ended March 31, 2006. Our operating expenses for the three months ended March 31, 2007 consisted of depreciation and amortization expenses of $64,671 and selling, general and administrative expenses of $381,248. Our operating expenses for the three months ended March 31, 2006 consisted of depreciation and amortization expenses of $66,692 and selling, operating expenses of $1,237,040. The decrease in operating expenses for the three months ended March 31, 2007 as compared to the three months ended March 31, 2006 is primarily attributable to stock based compensation related to the stock options issued to EMD during the first quarter of 2006. We incurred stock based compensation expenses of $723,399 for the three months ended March 31, 2006.

Net Loss

Net loss for the three months ended March 31, 2007 was $272,757, compared to net loss of $1,089,886 for the three months ended March 31, 2006. The decrease in our net loss was primarily attributable to significantly lower expenditures incurred on stock based compensation during the reporting period.

Liquidity and Capital Resources

As of March 31, 2007, we had total current assets of $112,398 and total assets in the amount of $833,209. Our total current liabilities as of March 31, 2007 were $1,285,996. We had a working capital deficit of $1,173,598 as of March 31, 2007.

Operating activities used $171,303 in cash for the three months ended March 31, 2007. Our net loss of $272,757 was the primary component of our negative operating cash flow. Cash flows used by investing activities during the three months ended March 31, 2007 was $4,662 for the purchase of fixed assets and intangible assets. Cash flows provided by financing activities during the three months ended March 31, 2007 was $130,248. We received $70,248 as proceeds from related party loans and $25,000 as proceeds from the issuance of common stock during the three months ended March 31, 2007.

Based upon our current financial condition, we have insufficient 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.

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Off Balance Sheet Arrangements

As of March 31, 2007, 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 $13,957,000 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 most “critical accounting polices” in the Management Discussion and Analysis. The SEC indicated that a “critical accounting policy” is one which is both important to the portrayal of a company’s financial condition and results, and requires management’s most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. 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.

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,

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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.

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.

Recently Issued Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" (FIN 48), which clarifies the accounting for uncertainty in tax positions. This Interpretation requires that we recognize in our financial statements the benefit of a tax position if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The provisions of FIN 48 become effective as of the beginning of our 2008 fiscal year, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. We are currently evaluating the impact that FIN 48 will have on our financial statements.

In September 2006, the FASB issued Statement No. 157, "Fair Value Measurements" (FAS 157), which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The provisions of FAS 157 become effective as of the beginning of our 2009 fiscal year. We are currently evaluating the impact that FAS 157 will have on our financial statements.

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. Based on the funded status of our plans as of the date of our most recent actuarial valuation, we expect the adoption of FAS 158 to reduce reported stockholders' equity by approximately $100 million. However, the actual impact of adopting FAS 158 is highly dependent on a number of factors, including the discount rates in effect at the next measurement date, and the actual rate of return on pension assets during fiscal 2007. These factors could significantly increase or decrease the expected impact of adopting FAS 158.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements

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when Quantifying Misstatements in Current Year Financial Statements" (SAB 108), which addresses how to quantify the effect of financial statement errors. The provisions of SAB 108 become effective as of the end of our 2007 fiscal year. We do not expect the adoption of SAB 108 to have a significant impact on our financial statements.

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.

Item 3. 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, 2007. 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, 2007, our disclosure controls and procedures are effective. There have been no changes in our internal controls over financial reporting during the quarter ended March 31, 2007.

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

Limitations on the Effectiveness of Internal Controls

Our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will necessarily prevent all fraud and material error. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving our objectives and our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective at that reasonable assurance level. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be

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circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the internal control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

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 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, 2007, we issued 92,500 restricted shares of our common stock as a result of entering into debt conversion agreements with two lenders to convert total principal balances of $21,000 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, 2007, we issued 75,000 shares of our common stock, par value $0.001, at $0.20 per share. The gross proceeds we received from this offering were $15,000. We completed this offering pursuant to Regulation S of the Securities Act. Each investor represented to us that he was a non-US person as defined in Regulation S. We did not engage in a distribution of this offering in the United States. Each investor represented his intention to acquire the securities for investment only and not with a view toward distribution. We requested our stock transfer agent to affix appropriate legends to the stock certificate issued to each investor in accordance with Regulation S and the transfer agent affixed the appropriate legends. Each investor was given adequate access to sufficient information about us to make an informed investment decision.

Item 3. Defaults upon Senior Securities

None

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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, 2007.

Item 5. Other Information

None

Item 6. Exhibits

Exhibit Number	**Description of Exhibit**
10.1	Licensing Agreement with DRJ Group, Inc. [(1)]
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

[(1)] Previously filed an an exhibit to the Amended Current Report on Form 8-K/A filed on May 8, 2007

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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 14, 2007

By: /s/ Terry Howlett
Terry Howlett
Title: **Chief Executive Officer and Director**