SKINVISIBLE INC
Form 10QSB
November 14, 2006

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 September 30, 2006

[ ] 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: 63,027,748 common shares as of September 30, 2006.

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 September 30, 2006 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)

	September 30, 2006
ASSETS	
Current assets	
Accounts receivable, net	$ 71,919
Inventory	47,114
Due from related party	88
Prepaid expense and other current assets	4,985
Total current assets	124,106
Fixed assets, net	30,599
Intangible and other assets	
Patents and trademarks, net	43,750
License and distributor rights	50,000
Prepaid royalty fees	720,000
Total assets	$ 968,455
LIABILITIES AND STOCKHOLDERS' DEFICIT	
Current liabilities	
Accounts payable and accrued liabilities	338,917
Bank draft	6,303
Unearned revenue	868,000
Total current liabilities	1,213,220
Long-term liabilities	-
Total liabilities	1,213,220
Commitments and contingencies	-
Stockholders' deficit	

Common stock; $0.001 par value; 100,000,000 shares 63,027,748 shares issued and outstanding	63,028
Additional paid-in capital	12,941,971
Stock subscription payable	14,000
Accumulated deficit	(13,263,764)
Total stockholders' deficit	(244,765)
Total liabilities and stockholders' deficit	$ 968,455

See Accompanying Notes to Consolidated Financial Statements

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SKINVISIBLE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the three months ended September 30, 2006	For the three months ended September 30, 2005	For the nine months ended September 30, 2006	For the nine months ended September 30, 2005
Revenues	$ 172,934	$ 156,093	$ 649,378	$ 644,231
Cost of revenues	38,726	2,993	73,218	122,985
Gross profit	134,208	153,100	576,160	521,246
Operating expenses				
Depreciation and amortization	64,799	68,924	196,395	206,657
Selling general and administrative	455,131	297,804	2,051,399	1,102,149
Total operating expenses	519,930	366,728	2,247,794	1,308,806
Loss before provision for income taxes	(385,722)	(213,628)	(1,671,634)	(787,560)
Other income (expense)	-	2,107	192	2,107
Total other income (expense)	-	2,107	192	2,107
Provision for income taxes	-	-	-	-
Net loss	$ (385,722)	$ (211,521)	$ (1,671,442)	$ (785,453)
Basic income (loss) per common share	$ (0.00)	$ (0.00)	$ (0.03)	$ (0.01)
Diluted income (loss) per common share	$ (0.00)	$ (0.00)	$ (0.03)	$ (0.01)
Basic weighted average common shares outstanding	61,495,449	57,725,248	61,495,449	57,725,248

See Accompanying Notes to Consolidated Financial Statements

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

	For the nine months ended September 30, 2006	For the nine months ended September 30, 2005
Cash flows from operating activities:		
Net loss	$ (1,671,442)	$ (785,453)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	196,395	206,657
Stock based compensation	725,899	198,000
Changes in operating assets and liabilities:		
Change in inventory	26,680	36,228
Change in accounts receivable	56,069	(23,481)
Change in prepaid expenses and other current assets	1,359	1,467
Change in related party receivable	4,677	(36,707)
Change in bank draft	6,303	12,287
Change in accounts payable and accrued liabilities	132,201	(73,105)
Change in unearned revenue	(110,000)	232,000
Net cash used by operating activities	(631,859)	(232,107)
Cash flows from investing activities:		
Purchase of fixed assets and untangible assets	(12,870)	(4,077)
Net cash used by investing activities	(12,870)	(4,077)
Cash flows from financing activities:		
Proceeds from stock subscription payable	14,000	-
Proceeds from issuance of common stock	600,000	143,750
Net cash provided by financing activities	614,000	143,750
Net change in cash	(30,729)	(92,434)
Cash, beginning of period	30,729	92,434
Cash, end of period	$ -	$ -
Supplemental disclosure of cash flow information:		

Cash paid for interest	$	-	$	-
Stocks issued for stock subscription receivable	$	-	$	10,000

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

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.

During 1999, the Company also formed a subsidiary titled Skinvisible International, Inc. and Skinvisible Pharmaceuticals (Canada), Inc. On January 1, 2000, the Company decided to discontinue operations of its subsidiary, Skinvisible International, 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 $13,264,000 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.

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.

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

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

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.

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 and common stock equivalent shares outstanding during the period. Common stock equivalent shares are excluded from the computation if their effect is antidilutive.

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.

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

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

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

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 years ended September 30, 2006 and 2005, the Company incurred advertising costs totaling $35,946 and $16,240, 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 - The Company applies Accounting Principles Board (“APB”) Opinion No. 25, Accounting for Stock Issued to Employees, and Related Interpretations, in accounting for stock options issued to employees. Under APB No. 25, employee compensation cost is recognized when estimated fair value of the underlying stock on date of the grant exceeds exercise price of the stock option. For stock options and warrants issued to non-employees, the Company applies SFAS No. 123, Accounting for Stock-Based Compensation, which requires the recognition of compensation cost based upon the fair value of stock options at the grant date using the Black-Scholes option pricing model.

The following table represents the effect on net loss and loss per share if the Company had applied the fair value based method and recognition provisions of Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation", to stock-based employee compensation:

	September 30, 2006	September 30, 2005
Net loss, as reported	$ (1,576,442)	$ (785,453)
Add: Stock-based employee compensation expense included in reported loss, net of related tax effects	-0-	-0-
Deduct: Total stock-based employee compensation expense determined under	-0-	-0-

fair value based methods for all awards, net of related tax effects				
Pro forma net loss	$	(1,576,442)	$	(785,453)
Net loss per common share				
Basic and diluted loss, as reported	$	(0.02)	$	(0.01)
Basic and diluted loss, pro forma	$	(0.02)	$	(0.01)

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

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

As required, the pro forma disclosures above include options granted for periods ended September 30, 2006 and 2005. Consequently, the effects of applying SFAS 123 for providing pro forma disclosures may not be representative of the effects on reported net income for future years until all options outstanding are included in the pro forma disclosures.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections" ("SFAS 154"). SFAS 154 replaces Accounting Principles Board Opinion No. 20 "Accounting Changes" and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements-An Amendment of APB Opinion No. 28." SFAS 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. SFAS 154 requires "retrospective application" of the direct effect of a voluntary change in accounting principle to prior periods' financial statements where it is practicable to do so. SFAS 154 also redefines the term "restatement" to mean the correction of an error by revising previously issued financial statements. SFAS 154 is effective for accounting changes and error corrections made in fiscal years beginning after December 15, 2005 unless adopted early. We do not expect the adoption of SFAS 154 to have a material impact on its consolidated financial position, results of operations or cash flows, except to the extent that the statement subsequently requires retrospective application of a future item.

In February 2006, the FASB issued Statement of Financial Accounting Standards No. 155, *Accounting for Certain Hybrid Financial Instruments* ("SFAS No. 155"), which amends Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("SFAS No. 133") and Statement of Financial Accounting Standards No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* ("SFAS No. 140"). SFAS No. 155 permits fair value measurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation, establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or hybrid financial instruments containing embedded derivatives. We expect the adoption of SFAS 155 to have a material impact on its consolidated financial position, results of operations or cash flows.

In March 2006, the FASB issued Statement of Financial Accounting Standards No. 156, *Accounting for Servicing of Financial Assets* ("SFAS No. 156"), which amends FASB Statement No. 140 ("SFAS No. 140"). SFAS 156 may be adopted as early as January 1, 2006, for calendar year-end entities, provided that no interim financial statements have been issued. Those not choosing to early adopt are required to apply the provisions as of the beginning of the first fiscal year that begins after September 15, 2006 (e.g., January 1, 2007, for calendar year-end entities). The intention of the new statement is to simplify accounting for separately recognized servicing assets and liabilities, such as those common with mortgage securitization activities, as well as to simplify efforts to obtain hedge-like accounting. Specifically, the FASB said FAS No. 156 permits a service using derivative financial instruments to report both the derivative financial instrument and related servicing asset or liability by using a consistent measurement attribute, or fair value. We do not expect the adoption of SFAS 155 to have a material impact on its consolidated financial position, results of operations or cash flows.

2. FIXED ASSETS

Fixed assets consist of the following as of September 30, 2006:

Machinery and equipment	$ 55,463

Furniture and fixtures		113,635
Computers, equipment and software		40,620
Leasehold improvements		12,569
Lab equipment		115,946
		338,233
Less: accumulated depreciation		307,634
Fixed assets, net	$	30,599

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

3. INTANGIBLE AND OTHER ASSETS

Patents and trademarks are capitalized at its historical cost and are amortized over their useful lives. As of September 30, 2006, patents and trademarks total $70,232, net of accumulated amortization of $26,482.

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 September 30, 2006.

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 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 September 30, 2006, the Company has paid a total of $1,610,000 of which $890,000 has been expensed and $720,000 has been recorded as prepaid royalties which will expense in the future in accordance to the terms of the agreement. The remaining future royalties payments related to the agreement approximates $300,000.

4. STOCK OPTIONS AND WARRANTS

Stock options - During the periods ended September 30, 2006 and 2005, the Company granted stock options totaling -0- and -0- shares of its common stock with a weighted average strike price of $-0- and $-0- per share, respectively. Certain stock options were exercisable upon grant and have a life ranging from 3 months to 5 years. As of September 30, 2006, stock options outstanding totaled 9,587,525 with a weighted average strike price of $0.11 per share.

Stock warrants - During the periods ended September 30, 2006 and 2005, the Company granted stock warrants totaling -0- and -0- shares of its common stock with a weighted average strike price of $-0- and $-0- per share, respectively. As of September 30, 2006, stock warrants outstanding totaled 2,610,000 with a weighted average strike price of $0.11 per share.

5. MARKETING AND DISTRIBUTION AGREEMENTS

In February 2005, the Company entered into an agreement with Dermal Defense, Inc. for the exclusive marketing and distribution rights to its patented Antimicrobial Hand Sanitizer product for North America. Terms of the agreement 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 September 30, 2006, the Company has received $918,000 and has reflected $368,000 as unearned revenue and $150,000 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 June 2004, the Company entered into an 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 September 30, 2006, the Company has received $1,000,000 and has reflected $500,000 as unearned revenue and $150,000 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.

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

5. MARKETING AND DISTRIBUTION AGREEMENTS (continued)

In May 2005, the Company entered into a distribution agreement with Safe4Hours, Inc. ("Safe4Hours") whereby, the Company would provide exclusive marketing and distribution rights to its proprietary antimicrobial hand sanitizer for all countries of the world except Canada, United States, and Mexico. Terms of the agreement require Safe4Hours to pay a fee of $1 million comprising of a non-refundable deposit of $25,000 with the balance of $975,000 payable as recognized as revenue ratably over a five year period. As of September 30, 2006, the Company has received $110,000 and has reflected $50,000 as revenue in the accompanying consolidated financial statements. The Company has yet to receive $110,000 as reflected under the contract. This amount that is due to the Company has been record as an accounts receivable. In addition and further to the payment fee of $1 million Safe4Hours, Inc. agrees to pay a royalty fee of 5% on product sales of the antimicrobial hand sanitizer beginning in the 3rd quarter of 2005. In June 2006, the Company decided to terminate the relationship due to lack of payment under the terms of the distribution agreement.

In October 2005, the Company entered into a distribution agreement with EMD Chemicals Inc. ("EMD") whereby, the Company would provide exclusive marketing and distribution rights to its proprietary polymer delivery system "Invisicare" for all countries of the world. Terms of the agreement states that the Company would grant EMD options to purchase shares of their common stock. A stock option agreement was executed on February 27, 2006, where the Company granted EMD the option to purchase 5,817,525 shares of common stock at the exercise price of $0.172 per share until December 31, 2006.

6. 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 September 30, 2006 are as follows:

2006	$ $23,205

Rental expense, resulting from operating lease agreements, approximated $70,632 for the period ended September 30, 2006.

7. STOCK SUBSCRIPTION PAYABLE

During September 2006, the Company entered into an agreement to convert debt of $14,000 for the shares issued in the year ending December 31, 2006.

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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 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 our polymer delivery vehicles 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 our polymer delivery vehicles to established brand

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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 our polymers 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.

Part of the consideration of the Agreement is that we would grant EMD options to purchase shares of our common stock. The terms for the issuance of options were established and 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.

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 February 21, 2005. As a result, the fees and royalties that we are due under this agreement remain

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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 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. Negotiations on ongoing with a party that is seeking to acquire these rights, but can provide no assurance that these negotiations will result in an agreement.

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 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. At the present time, Cross Global is delinquent in making its royalty payments. We are negotiating with Cross Global regarding this matter. 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.

Sunscreen and Skin Care Products

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 our polymer delivery

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vehicles for incorporation into these products on a private label basis and have multiple agreements in place.

Status of Research and Development for New Applications

We are continuing our research and development toward developing additional applications for our polymer delivery vehicles. We are currently researching whether the following potential applications are suitable to incorporate our polymer delivery vehicles:

- Insect repellents
- Anti-fungal
- Hydro-gels
- New antibacterial/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. 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 the Agreement with EMD entered into on October 7, 2005. 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.

Anti-fungal

We have an oral agreement with a pharmaceutical company relating to the research and development of an anti-fungal product that incorporates our topical polymer-based delivery systems with an active compound they provided. This company paid for our research and development activities as it relates to this product in exchange for the ability to acquire the exclusive worldwide licensing rights to distribute and sell the product should our research and development prove successful. We have completed our initial research and development, but further testing remains to be conducted. The company is presently conducting certain skin sensitivity testing. In the event that the skin study is successfully completed and we execute a licensing agreement with the company, the company agreed to commence a filing with the FDA for a new drug approval in the United States. A definitive licensing agreement would require the company to pay us an upfront license fee plus ongoing royalty payments based on worldwide sales of the anti-fungal product. There can be no assurance that we will successfully complete the research and development of this product or that this product will receive FDA approval to market and sell this potential product in the United States.

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Hydro-Gel

During the three months ended June 30, 2006, we developed a hydro-gel product that incorporates our topical polymer-based delivery system 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.

New Antibacterial/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, 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

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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 foreign jurisdiction.

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.

Results of Operations for the three and nine months ended September 30, 2006 and 2005

Revenues

Our total revenue reported for the three months ended September 30, 2006 was $172,934, a 10% increase from $156,093 for the three months ended September 30, 2005. During the three months ended September 30, 2006, $120,000 of the revenue generated was attributable to payments for royalties and distribution and licensing rights of our products and $52,935 of the revenue generated was attributable to product sales. For the three months ended September 30, 2005, we generated revenue of $6,093 from product sales and $150,000 from royalty and licensing fees. The increase in our total revenue for the three months ended September 30, 2006 from the same reporting period in the prior year is primarily attributable to increase product sales.

Our total revenue reported for the nine months ended September 30, 2006 was $649,378, a 1% increase from $644,231 for the nine months ended September 30, 2005. During the nine months ended September 30, 2006, $415,000 of the revenue generated was attributable to payments for royalties and distribution and licensing rights of our products, $24,000 was attributable to product development fees, and $210,378 of the revenue generated was attributable to product sales. During the nine months ended September 30, 2005, $406,000 of the revenue generated was attributable to payments for royalties and distribution and licensing rights of our products and $234,809 of the revenue generated was attributable to product sales.

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Cost of Revenues

Our cost of revenues for the three months ended September 30, 2006 increased to $38,726 from the same reporting period in the prior year when cost of revenues was $2,993. The increase in cost of revenues for the for the three months ended September 30, 2006 from the same reporting period in the prior year is attributable to increased product sales.

Our cost of revenues for the nine months ended September 30, 2006 decreased to $73,218 from the same reporting period in the prior year when cost of revenues was $122,985. The decrease in our cost of revenues is attributable to a shift in our business during fiscal 2006 where we primarily sold our polymers and not packaged products that incorporate our polymers. The cost to produce our polymers is significantly less than the costs associated with producing packaged products that incorporate our polymers.

Gross Profit

Gross profit increased to $134,208, or approximately 77% of sales, for the three months ended September 30, 2006. This is a decrease from a gross profit of $153,100, or approximately 98% of sales for the three months ended September 30, 2005. The decrease in gross profit for the for the three months ended September 30, 2006 from the same reporting period in the prior year is attributable to increased product sales and less revenue generated from royalties and distribution and licensing rights which have no associated cost of revenues.

Gross profit increased to $576,160, or approximately 88% of sales, for the nine months ended September 30, 2006. This is an increase from a gross profit of $521,246, or approximately 81% of sales for the nine months ended September 30, 2005. The increase in gross profit for the nine months ended September 30, 2006 is primarily attributable increased sales of our polymers that have higher profit margins. In prior reporting periods, our product sales consisted primary of packaged products that incorporate our polymers which have lower profit margins.

Operating Expenses

Operating expenses increased to $519,930 for the three months ended September 30, 2006 from $366,728 for the three months ended September 30, 2005. Our operating expenses for the three months ended September 30, 2006 consisted of depreciation and amortization expenses of $64,799 and selling, general and administrative expenses of $455,131. Our operating expenses for the three months ended September 30, 2005 consisted of depreciation and amortization expenses of $68,924 and selling, general and administrative expenses of $297,804. The increase in operating expenses for the three months ended September 30, 2006 from the prior year is primarily attributable to expenditures associated with the research and development of the Chlorhexidine antimicrobial hand sanitizer lotion.

Operating expenses increased to $2,152,794 for the nine months ended September 30, 2006 from $1,308,806 for the nine months ended September 30, 2005. Our operating expenses for the nine months ended September 30, 2006 consisted of depreciation and amortization expenses of

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$196,395 and selling, general and administrative expenses of $1,956,399. Stock-based compensation of $725,899 was a significant component of our general and administrative expenses for the three months ended September 30, 2006. Our operating expenses for the nine months ended September 30, 2005 consisted of depreciation and amortization expenses of $206,657 and selling, general and administrative expenses of $1,102,149. Stock-based compensation accounted for $198,000 of our general and administrative expenses for the three months ended September 30, 2006. The increase in operating expenses for the nine months ended September 30, 2006 from the prior year is primarily attributable to expenditures associated with the research and development of the Chlorhexidine antimicrobial hand sanitizer lotion and stock based compensation related to the stock options issued to EMD during the first quarter of 2006.

Net Loss

Net loss for the three months ended September 30, 2006 was $385,722, compared to net loss of $211,521 for the three months ended September 30, 2005. Net loss for the nine months ended September 30, 2006 was $1,576,442, compared to a net loss of $785,453 for the nine months ended September 30, 2005. The increase in our net loss was primarily attributable to increased expenditures for research and product development.

Our loss per common share for the three months ended September 30, 2006 was $0.00, compared to a loss per common share of $0.00 for the three months ended September 30, 2005. Our loss per common share for the nine months ended September 30, 2006 was $0.03, compared to a loss per common share of $0.01 for the nine months ended September 30, 2005.

Liquidity and Capital Resources

As of September 30, 2006, we had total current assets of $219,106 and total assets in the amount of $1,063,455. Our total current liabilities as of September 30, 2006 were $1,213,220. Included in our current liabilities is $868,000 in unearned revenue due from our distribution agreements entered into with Dermal Defense, Inc., Cross Global, Inc., and Safe4Hours, Inc. We had a working capital deficit of $994,114 as of September 30, 2006.

Operating activities used $631,859 in cash for the nine months ended September 30, 2006. Our net loss of $1,576,442 was the primary component of our negative operating cash flow. There were no investing activities during the nine months ended September 30, 2006. Cash flows provided by financing activities during the nine months ended September 30, 2006 consisted of $600,000 as proceeds from the issuance of common stock and $14,000 for proceeds from stock subscriptions receivable.

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

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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 September 30, 2006, there were no off balance sheet arrangements.

Going Concern

We have incurred cumulative net losses of approximately $13,264,000 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.

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.

Recently Issued Accounting Pronouncements

In May 2005, the FASB issued SFAS No. 154, “Accounting Changes and Error Corrections” (“SFAS 154”). SFAS 154 replaces Accounting Principles Board Opinion No. 20 “Accounting Changes” and SFAS No. 3, “Reporting Accounting Changes in Interim Financial Statements-An Amendment of APB Opinion No. 28.” SFAS 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. SFAS 154 requires “retrospective application” of the direct effect of a voluntary change in accounting principle to prior periods’ financial statements where it is practicable to do so. SFAS 154 also redefines the term

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"restatement" to mean the correction of an error by revising previously issued financial statements. SFAS 154 is effective for accounting changes and error corrections made in fiscal years beginning after December 15, 2005 unless adopted early. We do not expect the adoption of SFAS 154 to have a material impact on our consolidated financial position, results of operations or cash flows, except to the extent that the statement subsequently requires retrospective application of a future item.

In February 2006, the FASB issued Statement of Financial Accounting Standards No. 155, *Accounting for Certain Hybrid Financial Instruments* ("SFAS No. 155"), which amends Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("SFAS No. 133") and Statement of Financial Accounting Standards No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* ("SFAS No. 140"). SFAS No. 155 permits fair value measurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation, establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or hybrid financial instruments containing embedded derivatives. We expect the adoption of SFAS 155 to have a material impact on our consolidated financial position, results of operations or cash flows.

In March 2006, the FASB issued Statement of Financial Accounting Standards No. 156, *Accounting for Servicing of Financial Assets* ("SFAS No. 156"), which amends FASB Statement No. 140 ("SFAS No. 140"). SFAS 156 may be adopted as early as January 1, 2006, for calendar year-end entities, provided that no interim financial statements have been issued. Those not choosing to early adopt are required to apply the provisions as of the beginning of the first fiscal year that begins after September 15, 2006 (e.g., January 1, 2007, for calendar year-end entities). The intention of the new statement is to simplify accounting for separately recognized servicing assets and liabilities, such as those common with mortgage securitization activities, as well as to simplify efforts to obtain hedge-like accounting. Specifically, the FASB said FAS No. 156 permits a service using derivative financial instruments to report both the derivative financial instrument and related servicing asset or liability by using a consistent measurement attribute, or fair value. We do not expect the adoption of SFAS 155 to have a material impact on our consolidated financial position, results of operations or cash flows.

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 September 30, 2006. 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 September 30, 2006, our disclosure controls and procedures are effective. There have been no changes in our internal controls over financial reporting during the quarter ended September 30, 2006.

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

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

Limitations on the Effectiveness of Internal Controls

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

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PART II - OTHER INFORMATION

Item 1. Legal Proceedings

There have been no material developments in the ongoing legal proceedings previously reported in which we are a party. A complete discussion of our ongoing legal proceedings is discussed in our annual report on Form 10-KSB for the year ended December 31, 2005.

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

None

Item 3. Defaults upon Senior Securities

None

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

During the reporting period on August 31, 2006, we held the annual meeting of our security holders. The meeting was called for the purpose of electing directors, confirming the appointment of Sarna & Company as the company's independent certified public accountant for the fiscal year ended December 31, 2006, and for approval of the adoption of the 2006 Skinvisible, Inc. Stock Incentive Plan. The total number of shares of common stock outstanding on the record date, July 17, 2006, was 63,027,748 shares. The number of votes represented at the meeting was 39,405,374 shares, or 62.5% of the shares eligible to vote.

The following individuals were elected as directors with the votes being as follows:

Nominee	Votes Cast For	Votes Cast Against	Votes Withheld
Terry Howlett	32,269,375	1,018,219	100
Jost Steinbruchel	33,259,294	27,300	100
Greg McCartney	33,259,294	27,300	100

The appointment of Sarna & Company as the Company's independent certified public accountant for the fiscal year ended December 31, 2006 was confirmed, with the votes cast being as follows:

Votes Cast For	Votes Cast Against	Votes Withheld
33,909,994	29,800	7,200

With respect to the approval of the adoption of the 2006 Skinvisible, Inc. Stock Incentive Plan,

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votes were cast for confirmation as follows:

Votes Cast For	Votes Cast Against	Votes Withheld	Not Voted
2,615,100	1,142,619	314,700	35,332,955

No other matters were acted upon by our security holders at our annual meeting.

Item 5. Other Information

None

Item 6. Exhibits

Exhibit Number	Description of Exhibit
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: November 14, 2006

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