

Grand Canyon Education, Inc.
Form 8-K
February 06, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

January 31, 2019

Date of Report (Date of earliest event reported)

Grand Canyon Education, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other Jurisdiction of
Incorporation)

001-34211
(Commission File Number)

20-3356009
(IRS Employer Identification No.)

2600 W. Camelback Road
Phoenix, Arizona
(Address of Principal Executive Offices)

85017
(Zip Code)

Registrant's telephone number, including area code: **(602) 247-4400**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

- o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

- o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

- o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 1.01. Entry into a Material Definitive Agreement.

On January 31, 2019, Grand Canyon Education, Inc., a Delaware corporation ("GCE"), its wholly owned subsidiary, Orbis Education Services, LLC, a Delaware limited liability company ("Orbis Education"), as guarantor, and Bank of America, N.A., as administrative agent, entered into a First Amendment (the "First Amendment") to the Amended and Restated Credit Agreement, dated as of January 22, 2019, among GCE, Orbis Education, as guarantor, Bank of America, N.A. as administrative agent, swing line lender and letter of credit issuer, and the other lenders named therein (as amended, the "Credit Agreement").

Under Section 2.16 of the Credit Agreement, GCE had the right, during the period from January 22, 2019 to March 31, 2019 (or such later date \$ 0 2.02 D

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|--|---------------|-----------|---------|-------|
| | Director | 10% Owner | Officer | Other |
| STONE HEISZ LESLIE 875 THIRD AVENUE 16TH FLOOR NEW YORK, NY 10022 | X | | | |

Signatures

/s/ Neil Falis, attorney-in-fact for Ms. Heisz 04/17/2014

Signature of Reporting Person Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
 - (1) Represents dividends accrued on RSUs granted to the directors as part of their annual grant under the Towers Watson & Co Amended Compensation Plan for Non-Employee Directors (the "Plan"). The dividends on the annual grant vest quarterly beginning on October 1, 2013.
 - (2) Represents dividends accrued on the quarterly record date that have now vested, in connection with the annual grant of RSUs to the directors under the Plan (dividends on which vest quarterly beginning October 1, 2013).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.

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

GRAND CANYON EDUCATION, INC.

Date: February 6, 2019

By: /s/ Daniel E. Bachus

Daniel E. Bachus
Chief Financial Officer
(Principal Financial and Principal Accounting
Officer)

>

F-3

Unaudited Consolidated Statements of Cash Flows for the six months ended June 30, 2007 and 2006:

F-4

Notes to Unaudited Consolidated Financial Statements:

These unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the SEC instructions to Form 10-QSB. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the interim period ended June 30, 2007 are not necessarily indicative of the results that can be expected for the full year.

Table of Contents

SKINVISIBLE, INC.
CONSOLIDATED BALANCE SHEET

| ASSETS | June 30, 2007 |
|---|-------------------|
| Current assets | |
| Cash | \$ 8,381 |
| Accounts receivable | 38,644 |
| Inventory | 30,202 |
| Due from related party | 1,141 |
| Prepaid expense and other current assets | 10,459 |
| Total current assets | 88,827 |
| Fixed assets, net | 25,763 |
| Intangible and other assets | |
| Patents and trademarks, net | 40,493 |
| License and distributor rights | 50,000 |
| Prepaid royalty fees | 540,000 |
| Total assets | \$ 745,083 |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | |
| Current liabilities | |
| Accounts payable and accrued liabilities | \$ 489,609 |
| Accrued interest payable | 1,973 |
| Loans from related party | 97,460 |
| Convertible notes payable | 225,000 |
| Unamortized debt discount | (95,167) |
| Unearned revenue | 650,000 |
| Total current liabilities | 1,368,875 |
| Long-term liabilities | -- |
| Total liabilities | 1,368,875 |
| Commitments and contingencies | |
| -- | |
| Stockholders' deficit | |
| Common stock; \$0.001 par value; 100,000,000 shares 65,081,248 shares issued and outstanding | 65,081 |
| Additional paid-in capital | 13,700,769 |
| Accumulated other comprehensive loss | 916 |

Edgar Filing: Grand Canyon Education, Inc. - Form 8-K

| | |
|-------------------------------------|--------------|
| Accumulated deficit | (14,390,558) |
| Total stockholders' deficit | (623,792) |
| Total liabilities and stockholders' | |
| equity | \$ 745,083 |

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

F-1

Table of Contents

SKINVISIBLE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

| | For the three months ended June 30, 2007 | For the three months ended June 30, 2006 | For the six months ended June 30, 2007 | For the six months ended June 30, 2006 (Restated) |
|---|--|--|--|--|
| Revenues | \$ 194,692 | \$ 238,167 | \$ 378,007 | \$ 473,334 |
| Cost of revenues | 41,139 | 13,171 | 51,293 | 34,492 |
| Gross profit | 153,553 | 224,996 | 326,714 | 438,842 |
| Operating expenses | | | | |
| Depreciation and amortization | 64,782 | 64,904 | 129,471 | 131,596 |
| Selling general and administrative | 515,567 | 455,026 | 897,875 | 1,691,883 |
| Total operating expenses | 580,349 | 519,930 | 1,027,346 | 1,823,479 |
| Loss before provision for income taxes | (426,796) | (294,934) | (700,632) | (1,384,637) |
| Other income (expense) | -- | 192 | -- | 192 |
| Total other income (expense) | -- | 192 | -- | 192 |
| Provision for income taxes | -- | -- | -- | -- |
| Net loss | \$ (426,796) | \$ (294,742) | \$ (700,632) | \$ (1,384,445) |
| Other comprehensive income (loss) | | | | |
| Foreign currency translation adjustment | 1,315 | | 1,588 | -- |
| Comprehensive loss | \$ (425,481) | \$ (294,742) | \$ (699,044) | \$ (1,384,445) |
| Basic income (loss) per common share | \$ (0.01) | \$ (0.00) | \$ (0.01) | \$ (0.02) |
| Diluted income (loss) per common share | \$ (0.01) | \$ (0.00) | \$ (0.01) | \$ (0.02) |
| Basic weighted average common shares outstanding | 64,870,259 | 60,726,546 | 64,684,245 | 60,726,546 |

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

Table of Contents

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

| | For the six months ended June 30, 2007 | For the six months ended June 30, 2006 (Restated) |
|--|--|--|
| Cash flows from operating activities: | | |
| Net loss | \$ (699,044) | \$ (1,384,445) |
| Adjustments to reconcile net loss to net cash provided (used) by operating activities: | | |
| Depreciation and amortization | 129,471 | 131,297 |
| Stock based compensation | 97,950 | 839,141 |
| Interest expense related to beneficial conversion feature | 107,403 | -- |
| Changes in operating assets and liabilities: | | |
| Change in inventory | (7,300) | 5,122 |
| Change in accounts receivable | (33,763) | (76,193) |
| Change in prepaid expenses and other current assets | (502) | 871 |
| Change in related party receivable | (22) | 4,102 |
| Change in accounts payable and accrued liabilities | 203,308 | (388) |
| Change in accrued interest | 1,973 | -- |
| Change in unearned revenue | (200,000) | (85,000) |
| Net cash provided (used) by operating activities | (400,526) | (565,493) |
| Cash flows from investing activities: | | |
| Purchase of fixed assets and intangible assets | (4,662) | -- |
| Net cash used by investing activities | (4,662) | -- |
| Cash flows from financing activities: | | |
| Proceeds from related party loans | 71,732 | - |
| Proceeds from convertible notes payable | 225,000 | 17,500 |
| Proceeds from issuance of common stock | 65,000 | 582,500 |
| Net cash provided by financing activities | 361,732 | 600,000 |
| Effect of exchange rate changes on cash and assets | 1,767 | - |

| | | |
|--|-----------|-----------|
| Net change in cash | (41,689) | 34,507 |
| Cash, beginning of period | 50,070 | 30,729 |
| Cash, end of period | \$ 8,381 | \$ 65,236 |
| Schedule of non-cash financing and investing activities: | | |
| Issuance of 37,500 shares of common stock for consulting fees at \$0.20 per share, \$7,500 remaining in prepaid expenses | \$ 37,500 | \$ -- |
| Issuance of 70,000 shares of common stock for payment of accounts payable at \$0.20 per share | \$ 14,000 | \$ - |
| Receipt of 150,000 shares of common stock in exchange for accounts receivable at \$0.25 per share | \$ 48,931 | \$ - |

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

F-3

Table of Contents

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 June 30, 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 \$14,390,558 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.

F-4

Table of Contents

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.

F-5

Table of Contents

SKINVISIBLE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Comprehensive income (loss) - The company's accumulated other comprehensive loss consists of the accumulated foreign currency translation adjustments

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 June 30, 2007 and 2006, the Company incurred advertising costs totaling \$12,563 and \$35,708, 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 June 30, 2007 reflect the impact of SFAS No. 123(R). Stock based compensation expense recognized under SFAS No. 123(R) for the periods ended June 30, 2007 and 2006 totaled \$97,950 and \$839,141 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.

F-6

Table of Contents

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
June 30, 2007:

| | |
|-----------------------------------|-----------|
| Machinery and equipment | \$ 55,463 |
| Furniture and fixtures | 113,635 |
| Computers, equipment and software | 42,294 |
| Leasehold improvements | 12,569 |
| Lab equipment | 115,946 |
| | 339,907 |
| Less: accumulated depreciation | 314,144 |
| Fixed assets, net \$ | 25,763 |

F-7

Table of Contents

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 June 30, 2007, patents and trademarks total \$74,894, net of accumulated amortization of \$34,401.

License and distributor rights (“agreement”) was acquired by the Company in January 1999 and provides exclusive use distribution of polymers and polymer based products. The Company has a non-expiring term on the license and distribution rights. Accordingly, the Company annually assesses this license and distribution rights for impairment and has determined that no impairment write-down is considered necessary as of June 30, 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 June 30, 2007, the Company has paid a total of \$1,836,000, and accrued total of \$30,000 in accounts payable, of which a total of \$1,326,000 has been expensed and \$540,000 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 \$134,000.

4. LOAN PAYABLE TO RELATED PARTIES

Loans payable to related parties consist of the following at June 30, 2007:

| | |
|--|-----------|
| Loan payable due to a officer, bearing no interest, due on demand and unsecured. | \$ 87,460 |
|--|-----------|

| | |
|--|-----------|
| Loan payable due to a officer, bearing no interest, due on demand and unsecured. | \$ 10,000 |
| | \$ 97,460 |

5. NOTES PAYABLE - CONVERTIBLE DEBT

Convertible notes payable as of June 30, 2007 of \$225,000 consists of promissory convertible notes to six individuals. The notes are due by August 30, 2007, one note due June 30, 2007, accruing interest at 10% per annum, which at the investors option until the repayment date, August 30, 2007, can be converted to shares of the company’s common stock at a set price of \$0.20 per share along with additional warrants to purchase one share per every two shares purchased at the exercise price of \$0.25 per share if exercised in year one and \$0.30 per share if exercised in year two and available only upon conversion of the note payable.

In accordance with EITF 00-27, the Company has determined value associated with the conversion feature and detachable warrants issued in connection with these convertible notes payable. The estimated value of the warrants of \$202,570 was determined using the Black-Scholes option pricing model under the following assumptions: life of 3

years, risk free interest rate of 5.00%, a dividend yield of 0% and volatility of 127%. The face amount of these convertible notes payable of \$225,500 was proportionately allocated to the convertible notes and the warrants in the amounts of \$151,821 and \$73,179, respectively. These convertible notes were then allocated between the notes and the beneficial conversion feature, which attributed to \$22,430 and \$129,391, respectively. The combined total discount is \$202,570, which is being amortized over the term of the convertible notes. For the six months ended June 30, 2007, the Company has amortized a total of \$107,403.

F-8

Table of Contents

SKINVISIBLE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. UNEARNED REVENUE

Unearned revenue totaling \$650,000 as of June 30, 2007, relates to two marketing and distribution rights agreements entered into during 2004 for which monies were received and not considered earned, see Note 7 for further discussion.

7. STOCK OPTIONS AND WARRANTS

Stock options employees and directors - During the periods ended June 30, 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 \$26,950 for the period ended June 30, 2007 based upon the vested portion of employee stock options relating to options issued in 2006.

Stock options non-employees - During the periods ended June 30, 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 June 30, 2007 stock options outstanding totaled 4,050,000 with a weighted average strike price of \$0.12

Stock warrants - During the year period ended June 30, 2007, the Company granted stock warrants related to common stock issued through a private placement totaling 137,500 with a strike price of \$0.26 per share. As of June 30, 2007 stock warrants outstanding totaled 3,167,500 with a weighted average strike price of \$0.11 per share.

8. LETTER OF INTENT AND DEFINITIVE AGREEMENT

In March 2004, the Company entered into a letter of intent (“LOI”) with Dermal Defense, Inc. for the exclusive marketing and distribution rights to its patented Antimicrobial Hand Sanitizer product for North America. Terms of the LOI require Dermal Defense, Inc. to pay a fee of \$1 million comprising of a non-refundable deposit of \$250,000 with the balance of \$750,000 payable as to \$75,000 per calendar quarter or 5% of product sales (whichever is greater) until the entire \$750,000 is received. The \$1 million fee will be recognized as revenue ratably over a five year period. As of June 30, 2007, the Company has received \$1,000,000 and has reflected \$300,000 as unearned revenue and \$700,000 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 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 June 30, 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 Cross Global agrees to pay a royalty fee of 5% on product sales of the Sunless Tanning Spray Formulation. Currently Cross Global is in default on the minimum royalties due and both Cross Global and Skinvisible have verbally agreed to discontinue the minimum royalties with the understanding that Cross Global will relinquish the exclusive rights to the spray tanning formulation except where the spray solution is incorporated into delivery methods similar to the MitTan.

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

F-9

Table of Contents

SKINVISIBLE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. COMMITMENTS AND CONTINGENCIES

Lease obligations - The Company has operating leases for its offices. Future minimum lease payments under the operating leases for the facilities as of June 30, 2007 are as follows:

| | |
|------|-----------|
| 2007 | \$ 44,808 |
| 2008 | 97,028 |
| 2009 | 98,622 |

Rental expense, resulting from operating lease agreements, approximated \$51,656 for the period ended June 30, 2007.

10. SUBSEQUENT EVENTS

There have been no subsequent events after the end of the period, June 30, 2007 which are material to the financial statements.

11. RESTATEMENTS

For the period ended June 30, 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.

F-10

Table of Contents

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. V 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.

Table of Contents

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.

Developments in our Current Products and Agreements

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

Antibacterial/Antimicrobial Hand Sanitizer Lotion

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. (JD Nelson currently has rights to market and distribute our antimicrobial hand sanitizer lotion composition in the United States of America, Canada and Mexico.) 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

Table of Contents

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. Further information on Cross Global dba Sunless Beauty and the sunless tanning products can be obtained at www.solerra.com.

Status of Research and Development for New Applications

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

Table of Contents**Skinvisible's Formulas with Invisicare:**

| ACTIVE INGREDIENT | Rx/OTC/Cosmetic | Availability | Patent Status |
|--|------------------------|---------------------|----------------------|
| Acne | | | |
| Retinoic Acid Cream (0.1%) | Rx | yes | pending |
| Clindamycin Hydrochloride Cream (1.0%) | Rx | yes | pending |
| Retinoic Acid Gel (0.1%) | Rx | yes | pending |
| Salicylic Acid Lotion (20%) | OTC | in-progress | pending |
| Analgesics | | | |
| Topical Spray with Menthol (8.0%) | OTC | in-progress | applying |
| Topical Roll-On with Menthol (8.0%) | OTC | in-progress | applying |
| Topical Cream with Salicylate (10.0%) | OTC | yes | applying |
| Anti-Aging | | | |
| Retinol (0.15%) | Cosmetic | in-progress | applying |
| Dipalmitoyl Hydroxyproline (1.0%) | Cosmetic | yes | applying |
| Anti-Fungal | | | |
| Terbinafine Cream, Gel (10%) | Rx | yes | pending |
| Naftifine Cream (1.0%) | Rx | yes | pending |
| Clotrimazole Cream (1.0%) | OTC | yes | pending |
| Tolnaftate Cream (1.0%) | OTC | yes | pending |
| Miconazole Nitrate Lotion (2.0%) | OTC | in-progress | pending |
| Miconazole Nitrate Lotion (2.0%) with Retinol | OTC | in-progress | pending |
| Anti-Inflammatory | | | |
| Hydrocortisone Lotion, Cream, Gel (1.0%) | OTC | yes | applying |
| Triamcinolone(1.0%) | Rx | in-progress | applying |
| Triamcinolone Acetonide (1.0%) | Rx | in-progress | applying |
| Clobetasole Propionate (0.3%) | Rx | in-progress | applying |
| Betamethasone (1.0%) | Rx | in-progress | applying |
| Antimicrobial Hand Sanitizing Lotion | | | |
| | OTC | yes* | granted |

Explanation of Responses:

Edgar Filing: Grand Canyon Education, Inc. - Form 8-K

| | | | | |
|---|-------------------|-------------|----------|--|
| Triclosan Lotion (1 %) with Nonoxynol-9 | | | | |
| Triclosan Lotion (1%) with Tomadol901 | OTC | yes* | granted | |
| Benzalkonium Chloride Lotion (0.13%) | | | | |
| Chlorhexidine Gluconate Lotion (4.0%) | OTC (US NDA req.) | in-progress | pending | |
| Bed Sores/Incontinence | | | | |
| Dipalmitoyl Hydroxyproline (1.0%) | Cosmetic | yes | applying | |
| Bug Repellent | | | | |
| IR3535 | OTC | in-progress | applying | |
| Moisturizers | | | | |
| Non-Steroid Atopic Dermatitis Cream | Rx/Cosmetic | yes | pending | |
| Skin Protectant Lotion with Allantoin (0.5%) | OTC | yes | applying | |
| Moisturizer with Ectoin | Cosmetic | in-progress | applying | |
| Skin Whitening Hyperpigmentation | | | | |
| Emblica | Cosmetic | in-progress | applying | |
| UVA Sunscreen | | | | |
| Parsol 1789 Lotion, Gel - SPF 15/30 | OTC | yes | applying | |
| Tinosorb S - SPF 15/30 Lotion, Cream, Gel | OTC | yes | applying | |

7

Table of Contents

Results of Operations for the three and six months ended June 30, 2007 and 2006

Revenues

Our total revenue reported for the three months ended June 30, 2007 was \$194,692, an 18% decrease from \$238,167 for the three months ended June 30, 2006. During the three months ended June 30, 2007, \$104,839 of the revenue generated was attributable to payments for royalties and distribution and licensing rights of our products and \$89,852 of the revenue generated was attributable to product sales. During the three months ended June 30, 2006, \$120,000 of the revenue generated was attributable to payments for royalties and distribution and licensing rights of our products and \$118,167 of the revenue generated was attributable to product sales. The decrease in revenues for the three months ended June 30, 2007 as compared to the same reporting period in the prior year is attributable to lower revenues from royalties and distribution and licensing rights of our products and product sales.

Our total revenue reported for the six months ended June 30, 2007 was \$378,007, a 20% decrease from \$473,334 for the six months ended June 30, 2006. During the six months ended June 30, 2007, \$206,033 of the revenue generated was attributable to payments for royalties and distribution and licensing rights of our products and \$171,974 of the revenue generated was attributable to product sales. During the six months ended June 30, 2006, \$295,000 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 \$154,334 of the revenue generated was attributable to product sales. The decrease in revenues for the six months ended June 30, 2007 as compared to the same reporting period in the prior year is largely attributable to lower revenues from royalties and distribution and licensing rights of our products and no product development fees.

Cost of Revenues

Our cost of revenues for the three months ended June 30, 2007 increased to \$41,139 from the same reporting period in the prior year when cost of revenues was \$13,171. Our cost of revenues for the six months ended June 30, 2007 increased to \$51,293 from the same reporting period in the prior year when cost of revenues was \$34,492. The increase in our cost of revenues for the three and six months ended June 30, 2007 as compared to the same reporting periods in the prior year is largely attributable to increased costs associated with finished product formulas added to the costs of our Invisicare product whereas in the prior periods our cost of revenues was mainly attributable to costs associated with our Invisicare product alone.

Gross Profit

Gross profit for the three months ended June 30, 2007 was \$153,553, or approximately 78% of sales. Gross profit for the three months ended June 30, 2006 was \$224,996, or approximately 94% of sales. The decrease in total gross profit for the for the three months ended June 30, 2007 from same reporting period in the prior year is attributable to a decrease in revenues and an increase in the costs of revenues. Gross profit for the six months ended June 30, 2007 was \$326,714, or approximately 86% of sales. Gross profit for the six months ended June 30, 2006

Table of Contents

was \$438,842, or approximately 92% of sales. The decrease in total gross profit for the for the six months ended June 30, 2007 from same reporting period in the prior year is attributable to a decrease in revenues and an increase in the costs of revenues.

Operating Expenses

Operating expenses increased to \$580,349 for the three months ended June 30, 2007 from \$519,930 for the three months ended June 30, 2006. Our operating expenses for the three months ended June 30, 2007 consisted of depreciation and amortization expenses of \$64,782 and selling, general and administrative expenses of \$515,567. Our operating expenses for the three months ended June 30, 2006 consisted of depreciation and amortization expenses of \$64,904 and selling, operating expenses of \$455,026. Operating expenses decreased to \$1,027,346 for the six months ended June 30, 2007 from \$1,823,479 for the six months ended June 30, 2006. Our operating expenses for the six months ended June 30, 2007 consisted of depreciation and amortization expenses of \$129,471 and selling, general and administrative expenses of \$897,875. Our operating expenses for the six months ended June 30, 2006 consisted of depreciation and amortization expenses of \$131,596 and selling, operating expenses of \$1,691,883.

Net Loss

Net loss for the three months ended June 30, 2007 was \$426,796, compared to net loss of \$294,550 for the three months ended June 30, 2006. Net loss for the six months ended June 30, 2007 was \$700,632, compared to net loss of \$1,384,445 for the six months ended June 30, 2006.

Liquidity and Capital Resources

As of June 30, 2007, we had total current assets of \$88,827 and total assets in the amount of \$745,083. Our total current liabilities as of June 30, 2007 were \$1,366,875. We had a working capital deficit of \$1,278,048 as of June 30, 2007.

Operating activities used \$400,526 in cash for the six months ended June 30, 2007. Our net loss of \$699,044 was the primary component of our negative operating cash flow. Cash flows used by investing activities during the six months ended June 30, 2007 was \$4,662 for the purchase of fixed assets and intangible assets. Cash flows provided by financing activities during the six months ended June 30, 2007 was \$351,732. We received \$71,732 as proceeds from related party loans, \$225,000 as proceeds from convertible notes payable, and \$65,000 as proceeds from the issuance of common stock during the six months ended June 30, 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.

Table of Contents

Off Balance Sheet Arrangements

As of June 30, 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 \$13,439,000 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,

Table of Contents

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 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.

11

Table of Contents

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 June 30, 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 June 30, 2007, our disclosure controls and procedures are effective. There have been no changes in our internal controls over financial reporting during the quarter ended June 30, 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 circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the internal control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

Table of Contents

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

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 June 30, 2007, we issued 170,000 restricted shares of our common stock as a result of entering into debt conversion agreements with two lenders to convert total principal balances of \$34,000 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 June 30, 2007, we issued 200,000 shares of our common stock, par value \$0.001, at \$0.20 per share, with warrants to purchase 100,000 shares of our common stock at an exercise price of \$0.25 per share. The gross proceeds we received from this offering were \$40,000. 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

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 June 30, 2007.

Item 5. Other Information

None

Item 6. Exhibits

| <u>Exhibit</u> | <u>Description of Exhibit</u> |
|----------------|-------------------------------|
| <u>Number</u> | |
| <u>31.1</u> | |

Explanation of Responses:

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

13

Table of Contents

SIGNATURES

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

Skinvisible, Inc.

Date: August 14, 2007

By: /s/ Terry Howlett

Terry Howlett

Title: **Chief Executive Officer
and Director**