SKINVISIBLE INC
Form 10-Q
November 17, 2016
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended **September 30, 2016**

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

For the transition period from __________ to __________

Commission File Number: **000-25911**

Skinvisible, Inc.

(Exact name of Registrant as specified in its charter)

Nevada	**88-0344219**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

6320 South Sandhill Road, Suite 10, Las Vegas, NV 89120
(Address of principal executive offices)

702.433.7154
(Registrant's telephone number)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days

[X] Yes [ ] No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

[ ] Large accelerated filer [ ] Accelerated filer
[ ] Non-accelerated filer [X] Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

[ ] Yes [X] No

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 123,835,319 common shares as of November 2, 2016

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

F-1 Consolidated Balance Sheets as of September 30, 2016 and December 31, 2015 (unaudited);

F-2 Consolidated Statements of Operations for the three and nine months ended September 30, 2016 and 2015 (unaudited);

F-3 Consolidated Statements of Cash Flow for the nine months ended September 30, 2016 and 2015 (unaudited);

F-4 Notes to Consolidated Financial Statements.

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the SEC instructions to Form 10-Q. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the interim period ended September 30, 2016 are not necessarily indicative of the results that can be expected for the full year.

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SKINVISIBLE, INC.

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	September 30, 2016	December 31, 2015
ASSETS		
Current assets		
Cash	$—	$—
Accounts receivable	7,723	5,000
Inventory	81,752	90,972
Due from related party	1,145	1,145
Prepaid expense and other current assets	—	—
Total current assets	90,620	97,117
Fixed assets, net of accumulated depreciation of $326,786 and $325,855, respectively	764	1,695
Intangible and other assets:		
Patents and trademarks, net of accumulated amortization of $386,851 and $344,451, respectively	259,318	301,718
Total assets	$350,702	$400,530
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Accounts payable and accrued liabilities	$934,720	$529,245
Bank overdraw	2,886	1,340
Accrued interest payable	722,917	539,247
Loans from related party	28,469	9,769
Loans payable	2,322,900	1,845,500
Convertible notes payable, net of unamortized debt discount of $122,477 and $141,510, respectively	1,278,513	1,205,576
Convertible notes payable related party, net of unamortized discount of $640,995 and $895,079, respectively	1,984,982	1,495,948
Total current liabilities	7,275,387	5,626,625
Loans payable	—	436,000
Total liabilities	7,275,387	6,062,625
Stockholders' deficit		
Common stock; $0.001 par value; 200,000,000 shares authorized; 119,573,969 and 115,701,969 shares issued and outstanding at September 30, 2016 and December 31, 2015, respectively	119,574	115,702

Additional paid-in capital	22,364,366	22,053,555
Accumulated deficit	(29,408,625)	(27,831,352)
Total stockholders' deficit	(6,924,685)	(5,662,095)
Total liabilities and stockholders' deficit	$350,702	$400,530

See Accompanying Notes to Consolidated Financial Statements.

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SKINVISIBLE, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	Three months ending September 30, 2016	Three months ending September 30, 2015	Nine months ending September 30, 2016	Nine months ending September 30, 2015
Revenues	$16,807	$30,377	$83,258	$158,428
Cost of revenues	32,583	9,859	46,595	56,047
Gross profit	(15,776)	20,518	36,663	102,381
Operating expenses				
Depreciation and amortization	14,378	14,631	43,331	43,377
Selling general and administrative	171,574	255,436	681,917	900,605
Total Operating Expenses	185,952	270,067	725,248	943,982
Loss from operations	(201,728)	(249,549)	(688,585)	(841,601)
Other income and (expense)				
Other income	—	—	2	26
Interest expense	(282,262)	(232,107)	(891,282)	(650,079)
Gain (loss) on extinguishment of debt	—	400	2,592	1,840
Total other expense	(282,262)	(231,707)	(888,688)	(648,213)
Net loss	$(483,990)	$(481,256)	$(1,577,273)	$(1,489,814)
Basic loss per common share	$(0.00)	$(0.00)	$(0.01)	$(0.01)
Basic weighted average common shares outstanding	117,919,353	113,957,969	118,180,911	113,957,969

See Accompanying Notes to Consolidated Financial Statements

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SKINVISIBLE, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Nine Months Ended	
	September 30, 2016	September 30, 2015
Cash flows from operating activities:		
Net loss	$(1,577,273)	$(1,489,814)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	43,331	43,377
Stock-based compensation	133,445	8,800
Book overdraw	1,546	32,787
Amortization of debt discount	428,347	327,478
Gain on extinguishment of debt	(2,592)	(1,840)
Changes in operating assets and liabilities:		
Increase in inventory	9,220	(6,596)
Decrease in accounts receivable	(2,723)	2,624
Increase in accounts payable and accrued liabilities	644,025	321,020
Increase in accrued interest	187,074	149,788
Net cash used in operating activities	(135,600)	(612,376)
Cash flows from investing activities:		
Purchase of fixed and intangible assets	—	(5,726)
Net cash used in investing activities	—	(5,726)
Cash flows from financing activities:		
Proceeds from sale of common stock	25,000	80,000
Proceeds from related party loans, net of payments	18,700	—
Payments on notes payable	(25,600)	(89,500)
Proceeds from notes payable	67,000	431,000
Proceeds from convertible notes payable	98,000	—
Payments on convertible notes payable	(47,500)	—
Net cash provided by (used in) financing activities	135,600	421,500
Net change in cash	—	(196,602)
Cash, beginning of period	—	196,602
Cash, end of period	$—	$—

Supplemental disclosure of cash flow information:		
Cash paid for interest	$17,589	$211,564
Cash paid for tax	$—	$—
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Non-cash investing and financing activities:		
Accrued expenses convereted to notes	$232,950	$118,126
Benefitial conversion feature	$155,230	$—
Common stock issued on extiguishment of debts	$1,008	$5,760

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 and sales of innovative topical, transdermal and mucosal polymer-based delivery system technologies and formulations incorporating its patent-pending formula/process for combining hydrophilic and hydrophobic polymer emulsions. The technologies and formulations have broad industry applications within the pharmaceutical, over-the-counter, personal skincare and cosmetic arenas. Additionally, the Company's non-dermatological formulations, offer solutions for a broad spectrum of markets women's health, pain management, and others. The Company maintains executive and sales offices in Las Vegas, Nevada.

History – The Company was incorporated in Nevada on March 6, 1998, under the name of Microbial Solutions, Inc. The Company underwent a name change on February 26, 1999, when it changed its name to Skinvisible, Inc. The Company's subsidiary's name of Manloe Labs, Inc. was also changed to Skinvisible Pharmaceuticals, Inc.

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

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

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 $29,408,625 since its inception and requires capital for its contemplated operational and marketing activities to take place. The Company's ability to raise additional capital through the future issuances of common stock is unknown. The obtainment of additional financing, the successful development of the Company's contemplated plan of operations, and its transition, ultimately, to the attainment of profitable operations are necessary for the Company to continue operations. The ability to successfully resolve these factors raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements of the Company do not include any adjustments that may result from the outcome of these aforementioned uncertainties.

Principles of consolidation – The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated.

Use of estimates – The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments and short-term debt instruments with original maturities of three months or less to be cash equivalents. There are $0 and $0 in cash and cash equivalents as of September 30, 2016 and December 31, 2015, respectively.

Fair Value of Financial Instruments

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

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

SKINVISIBLE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

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

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

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

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

Revenue recognition

Product sales – Revenues from the sale of products (Invisicare® polymers) are recognized when title to the products are transferred to the customer and only when no further contingencies or material performance obligations are warranted, and thereby have earned the right to receive reasonably assured payments for products sold and delivered.

Royalty sales – The Company also recognizes royalty revenue from licensing its patented product formulations only when earned, when no further contingencies or material performance obligations are warranted, and thereby have earned the right to receive and retain reasonably assured payments.

Distribution and license rights sales – The Company also recognizes revenue from distribution and license rights only when earned (and are amortized over a five year period), when no further contingencies or material performance obligations are warranted, and thereby have earned the right to receive and retain reasonably assured payments.

Costs of Revenue – Cost of revenue includes raw materials, component parts, and shipping supplies. Shipping and handling costs is not a significant portion of the cost of revenue.

Accounts Receivable – Accounts receivable is comprised of uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. The carrying amount of accounts receivable is reviewed periodically for collectability. If management determines that collection is unlikely, an allowance that reflects management’s best estimate of the amounts that will not be collected is recorded. Management reviews each accounts receivable balance that exceeds 30 days from the invoice date and, based on an assessment of creditworthiness, estimates the portion, if any, of the balance that will not be collected. As of September 30, 2016, the Company had not recorded a reserve for doubtful accounts. The Company has $1,135,000 in convertible notes payable which are secured by the accounts receivable of a license agreement the Company has with Women's Choice Pharmaceuticals, LLC on its proprietary prescription product, ProCort®.

Inventory – Substantially all inventory consists of finished goods and are valued based upon first-in first-out ("FIFO") cost, not in excess of market. The determination of whether the carrying amount of inventory requires a write-down is based on an evaluation of inventory.

Goodwill and intangible assets – The Company follows Financial Accounting Standard Board’s (FASB) Codification Topic 350-10 (“ASC 350-10”), “*Intangibles – Goodwill and Other*”. According to this statement, goodwill and intangible assets with indefinite lives are no longer subject to amortization, but rather an annual assessment of impairment by applying a fair-value based test. Fair value for goodwill is based on discounted cash flows, market multiples and/or appraised values as appropriate. Under ASC 350-10, the carrying value of assets are calculated at the lowest level for which there are identifiable cash flows.

Income taxes – The Company accounts for its income taxes in accordance with FASB Codification Topic ASC 740-10, “*Income Taxes*”, which requires recognition of deferred tax assets and liabilities for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

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SKINVISIBLE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

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Stock-based compensation – The Company follows the guidelines in FASB Codification Topic ASC 718-10 "*Compensation-Stock Compensation*", which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors including employee stock options and employee stock purchases related to an Employee Stock Purchase Plan based on the estimated fair values.

Stock based compensation expense recognized under ASC 718-10 for the nine months ended September 30, 2016 and 2015 totaled $133,445 and $8,800, respectively.

Earnings (loss) per share – The Company reports earnings (loss) per share in accordance with FASB Codification Topic ASC 260-10 "*Earnings Per Share*", Basic earnings (loss) per share is computed by dividing income (loss) available to common shareholders by the weighted average number of common shares available. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. Diluted earnings (loss) per share has not been presented since the effect of the assumed exercise of options and warrants to purchase common shares (common stock equivalents) would have an anti-dilutive effect.

2. FIXED ASSETS

Fixed assets consist of the following as of September 30, 2016 and December 31, 2015:

	September 30, 2016	December 31, 2015
Machinery and equipment	$ 48,163	$ 48,163
Furniture and fixtures	113,635	113,635
Computers, equipment and software	39,722	39,722
Leasehold improvements	12,569	12,569
Lab equipment	113,461	113,461
Total	327,550	327,550
Less: accumulated depreciation	(326,786)	(325,855)
Fixed assets, net of accumulated depreciation	$764	$1,695

Depreciation expense for the nine months ended September 30, 2016 and 2015 was $931 and $1,185, respectively.

3. INVENTORY

Inventory consist of the following as of September 30, 2016 and December 31, 2015:

	September 30, 2016	December 31, 2015
Shipping and Packing materials	$10,392	$11,651
Marketing Supplies	17,322	19,346
Finished Goods	34,227	19,082
Raw Materials	19,811	40,893
Total	$81,752	$90,972

4. INTANGIBLE AND OTHER ASSETS

Patents and trademarks are capitalized at their historical cost and are amortized over their estimated useful lives. As of September 30, 2016, patents and trademarks total $646,169, net of $386,851 of accumulated amortization. Amortization expense for the nine months ended September 30, 2016 and 2015 was $42,400 and $42,192, respectively.

License and distributor rights (“agreement”) were acquired by the Company in January 1999 and provide exclusive use distribution of polymers and polymer based products. The Company has a non-expiring term on the license and distribution rights. Accordingly, the Company annually assesses this license and distribution rights for impairment and has determined that no impairment write-down is considered necessary as of September 30, 2016.

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SKINVISIBLE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

5. STOCK OPTIONS AND WARRANTS

The following is a summary of option activity during the nine months ended September 30, 2016.

	Number of Shares	Weighted Average Exercise Price
Balance, December 31, 2015	8.450.000	$ 0.05
Options granted and assumed	4,150,000	$ 0.02
Options expired	1,350,000	$ 0.04
Options canceled	—	—
Options exercised	—	—
Balance, September 30, 2016	11,250,000	$ 0.03

As of September 30, 2016, all stock options outstanding are exercisable.

On February 10, 2016, the Company granted stock options for 4,150,000 options to purchase shares of its common stock to its officers and directors. The options have a strike price of $0.02. The stock options were exercisable upon grant and have a life of 3 years. The stock options were valued at $99,167 using the Black-Scholes option pricing model. The Company recorded an expense of $99,197 for the nine months ended September 30, 2016.

Stock warrants -

The following is a summary of warrants activity during the nine months ended September 30, 2016.

	Number of Shares	Weighted Average Exercise Price
Balance, December 31, 2015	2,969,750	$ 0.06
Warrants granted and assumed	1,661,000	0.02
Warrants expired	1,344,750	0.06
Warrants canceled	—	—
Warrants exercised	—	—
Balance, September 30, 2016	3,286,000	$ 0.04

All warrants outstanding as of September 30, 2016 are exercisable.

6. NOTES PAYABLE

On May 22, 2013, the Company approved a financing plan to offer accredited investors up to $1,000,000 in secured promissory notes. During the year ended December 31, 2013, the Company entered into twenty-four 9% notes payable to investors and received total proceeds of $1,000,000. The notes are due two years from the anniversary date of execution. The Notes are secured by the US Patent rights granted for the Company's Sunscreen Products: US patent number #8,128,913: "Sunscreen Composition with Enhanced UV-A Absorber Stability and Methods.” During nine months ending September 30, 2016 the Company made principal payments of $nil.

SKINVISIBLE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

On May 19, 2014, the Company approved a financing plan to offer accredited investors up to an additional $1,000,000 in secured promissory notes. For the period from May 19, 2014 to March 31, 2015 the Company entered into twenty-seven 9% notes payable to investors and received total proceeds of $1,000,000. The notes are due two years from the anniversary date of execution. The Notes are secured by the US Patent rights granted for the Company's Sunscreen Products: US patent number #8,128,913: "Sunscreen Composition with Enhanced UV-A Absorber Stability and Methods." As of September 30, 2016, $980,000 in notes have reached their initial maturity date. Note holders of $20,000 in debt executed agreements extending their notes for an additional 12 months upon the same terms. The extended note will fully mature on November 6, 2016.

During the period from April 1, 2015 and September 30, 2015, the Company entered into thirteen additional 9% notes payable to investors and received total proceeds of $326,000. The notes are due two years from the anniversary date of execution. The Notes are secured by the US Patent rights granted for the Company's Sunscreen Products: US patent number #8,128,913: "Sunscreen Composition with Enhanced UV-A Absorber Stability and Methods".

On January 27, 2016, the Company entered into a 12% unsecured note payable to an investor and received total proceeds of $33,000. The note was due on May 30, 2016.

On January 27, 2016, we entered into a promissory note pursuant to which we borrowed $24,000. Interest under the note is at 10% per annum, and the principal and all accrued but unpaid interest was due on February 15, 2016.

As of September 30, 2016, $2,322,900 of the Notes were due in less than 12 months and have been classified as current notes payable.

7. RELATED PARTY TRANSACTIONS

During the nine months ended 2016, an officer advanced $18,700 to support the daily operations of the company. The advance is due on demand and bears no interest.

As of September 30, 2016, $28,469 remained due to related parties as repayment for advanced monies, all related other party notes have been extinguished or re-negotiated as convertible notes. See note 10.

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SKINVISIBLE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

8. CONVERTIBLE NOTES PAYABLE

Convertible Notes Payable at consists of the following:	September 30, 2016	December 31, 2015
$52,476 face value,10% unsecured note payable to an investor, note interest and principal are due on demand. The note could be converted to option rights for the Company's shares at ten cents per share ($0.10), these rights expired on January 12, 2010. The note is currently in default, but no penalties occur due to default.	$28,476	$28,476
Unamortized debt discount	-	-
Total, net of unamortized discount	28,476	28,476

$1,000,000 face value 9% secured notes payable to investors, due in 2015. At the investor's option until the repayment date, the note and related interest may be converted to shares of the Company's common stock a discount of 90% of the current share price after the first anniversary of the note. The notes are secured by the accounts receivable of a license agreement the Company has with Womens Choice Pharmaceuticals, LLC on its proprietary prescription product, ProCort®. The Company has determined the value associated with the beneficial conversion feature in connection with the notes and interest to be $111,110. The aggregate original issue discount feature has been accreted and charged to interest expenses as a financing expense. The original issue discount feature is valued under the intrinsic value method. The notes have reach maturity and are now in default, under the notes default provisions the entire balance is now due upon demand.	1,000,000	1,000,000
Original issue discount	111,110	111,110
Unamortized debt discount	-	-
Total, net of unamortized discount	1,111,110	1,111,110

On July 28, 2015, the Company entered into a convertible promissory note pursuant to which it borrowed $47,500. Interest under the convertible promissory note is 8% per annum, and the principal and all accrued but unpaid interest is due on April 30, 2016. The note is convertible at any time following 180 days after the issuance date at noteholders option into shares of our common stock at a variable conversion price of 58% of the lowest average three day market price of our common stock during the 10 trading days prior to the notice of conversion, subject to adjustment as described in the note. The holder's ability to convert the note, however, is limited in that it will not be permitted to convert any portion of the note if the number of shares of our common stock beneficially owned by the holder and its affiliates, together with the number of shares of our common stock issuable upon any full or partial conversion, would exceed 9.99% of the Company's outstanding shares of common stock. The Company has determined the value associated with the beneficial conversion feature in connection with the notes negotiated on July 28, 2015 to be $44,634. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of $19,497 during the nine months ending September 30, 2016. The beneficial conversion feature is valued under the intrinsic value method During the nine months ending September 30, 2016, the Company paid $72,458 to the note holder to settle the note in full. The payment included interest and prepayment penalties of $24,958.	-	47,500
Unamortized debt discount	-	(19,497)
Total, net of unamortized discount	-	28,003
$135,000 face value 9% unsecured notes payable to investors, due October 26, 2017. At the investor's option until the repayment date, the note and related interest may be converted to shares of the Company's common stock a discount of 90% of the current share price after the first anniversary of the note. The notes are secured by the accounts receivable of a license agreement the Company has with Womens Choice Pharmaceuticals, LLC on its proprietary prescription product, ProCort®. The Company has determined the value associated with the beneficial conversion feature in connection with the notes and interest to be $117,535. The aggregate original issue discount feature has been accreted and charged to interest expenses as a financing expense in the amount of $44,115 during the nine months ended September 30, 2016. The original issue discount feature is valued under the intrinsic value method.	135,000	135,000
Unamortized debt discount	(62,793)	(106,908)
Total, net of unamortized discount	72,207	28,092
On December 17, 2015, the Company entered into a convertible promissory note pursuant to which it borrowed $25,000. Interest under the convertible promissory note is 10% per annum, and the principal and all accrued but unpaid interest is due on May 17, 2016. The note is convertible into 1,250,000 shares of the Company's common stock at a price of $0.02 per share and 625,000 warrants exercisable at $0.04 per share.	-	25,000

The Company has determined the value associated with the beneficial conversion feature in connection with the notes negotiated on December 17, 2015 to be $16,648. The aggregate original issue discount feature has been accreted and charged to interest expenses as a financing expense in the amount of $16,648 during the nine months ended September 30, 2016. The beneficial conversion feature is valued under the intrinsic value method		
The Note and all accrued interest was paid in full through the issuance of a new convertible note on August 31, 2016.		
Unamortized debt discount	-	(15,104)
Total, net of unamortized discount	-	9,896
On February 1, 2016, the Company entered into a convertible promissory note pursuant to which it borrowed $25,000. Interest under the convertible promissory note is 10% per annum, and the principal and all accrued but unpaid interest is due on July 25, 2016. The note is convertible into 1,250,000 shares of the Company's common stock at a price of $0.02 per share and 625,000 warrants exercisable at $0.02 per share.		
The Company has determined the value associated with the beneficial conversion feature in connection with the notes negotiated on February 1, 2016 to be $21,819. The aggregate original issue discount feature has been accreted and charged to interest expenses as a financing expense in the amount of $21,819 during the nine months ended September 30, 2016. The beneficial conversion feature is valued under the intrinsic value method	-	-
The Note and all accrued interest was paid in full through the issuance of a new convertible note on August 31, 2016.		
Unamortized debt discount	-	-
Total, net of unamortized discount	-	-
On February 1, 2016, the Company entered into a convertible promissory note pursuant to which it borrowed $38,000. Interest under the convertible promissory note is 10% per annum, and the principal and all accrued but unpaid interest is due on February 15, 2017. The note is convertible into 1,900,000 shares of the Company's common stock at a price of $0.02 per share and 950,000 warrants exercisable at $0.02 per share.	38,000	-
The Company has determined the value associated with the beneficial conversion feature in connection with the notes negotiated on February 1, 2016 to be $33,164. The aggregate original issue discount feature has been accreted and charged to interest expenses as a		

financing expense in the amount of $21,120 during the nine months ended September 30, 2016. The beneficial conversion feature is valued under the intrinsic value method		
Unamortized debt discount	(12,044)	-
Total, net of unamortized discount	25,956	-
On February 17, 2016, the Company entered into a convertible promissory note pursuant to which it borrowed $20,000. Interest under the convertible promissory note is 9% per annum, and the principal and all accrued but unpaid interest is due on February 17, 2018. The note is convertible at any time following 90 days after the issuance date at noteholders option into shares of our common stock at a variable conversion price of 90% of the average five day market price of our common stock during the 5 trading days prior to the notice of conversion, subject to adjustment as described in the note. The holder's ability to convert the note, however, is limited in that it will not be permitted to convert any portion of the note if the number of shares of our common stock beneficially owned by the holder and its affiliates, together with the number of shares of our common stock issuable upon any full or partial conversion, would exceed 4.99% of the Company's outstanding shares of common stock.	20,000	-
The Company has determined the value associated with the beneficial conversion feature in connection with the notes negotiated on February 27, 2016 to be $14,049. The aggregate original issue discount feature has been accreted and charged to interest expenses as a financing expense in the amount of $4,349 during the nine months ended September 30, 2016. The beneficial conversion feature is valued under the intrinsic value method		
Unamortized debt discount	(9,699)	-
Total, net of unamortized discount	10,301	-
On August 11, 2016, the Company entered into a convertible promissory note pursuant to which it borrowed $15,000. Interest under the convertible promissory note is 9% per annum, and the principal and all accrued but unpaid interest is due on August 11, 2018. The note is convertible into shares of our common stock at a variable conversion price of 90% of the average market price of our common stock during the 5 trading days prior to the notice of conversion, subject to adjustment as described in the note.	15,000	-
The Company has determined the value associated with the beneficial conversion feature in connection with the notes negotiated on August 11, 2016 to be $14,728. The aggregate original issue discount feature has been accreted and charged to interest expenses as a financing expense in the amount of $1,009 during the nine months ended September 30, 2016. The beneficial conversion feature is valued under the intrinsic value method		
Unamortized debt discount	(13,719)	-
Total, net of unamortized discount	1,281	-
	53,404	-

On August 31, 2016, the Company entered into a convertible promissory note pursuant to which it settled $50,000 in convertible notes and accrued interest of $3,404. Interest under the convertible promissory note is 10% per annum, and the principal and all accrued but unpaid interest is due on December 31, 2016. The note is convertible into 5,340,283 shares of the Company's common stock at a price of $0.01 per share and 2,670,142 warrants exercisable at $0.02 per share.

The Company has determined the value associated with the beneficial conversion feature in connection with the notes negotiated on August 31, 2016 to be $32,121. The aggregate original issue discount feature has been accreted and charged to interest expenses as a financing expense in the amount of $7,899 during the nine months ended September 30, 2016. The beneficial conversion feature is valued under the intrinsic value method

Unamortized debt discount	(24,222)	-
Total, net of unamortized discount	29,182	-
	$1,278,813	$1,205,576

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SKINVISIBLE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

9. CONVERTIBLE NOTES PAYABLE RELATED PARTY

Convertible Notes Payable Related Party at consists of the following:	September 30, 2016	December 31, 2015
On December 31, 2011, the Company re-negotiated accrued salaries and interest for three employees. Under the terms of the agreements, the notes dated before December 31, 2010, and all salaries not previously converted were converted to promissory notes convertible into common stock with a warrant feature. The promissory notes are unsecured, due five years from issuance, and bear an interest rate of 10%. At the investor's option until the repayment date, the note may be converted to shares of the Company's common stock at a fixed price of $0.04 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of $0.06 per share for three years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes negotiated on December 31, 2011 to be $1,123,078. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of $125,048 during the nine months ending September 30, 2016. The beneficial conversion feature is valued under the intrinsic value method. In the year ending December 2013, the Company made $51,485 in cash payments to reduce the note balance.	1,071,593	1,071,593
Unamortized debt discount	(41,921)	(166,969)
On June 30, 2012, the Company re-negotiated accrued salaries and interest for three employees. Under the terms of the agreements, the notes dated before July 1, 2011, and all salaries not previously converted were converted to promissory notes convertible into common stock with a warrant feature. The promissory notes are unsecured, due five years from issuance, and bear an interest rate of 10%. At the investor's option until the repayment date, the note may be converted to shares of the Company's common stock at a fixed price of $0.04 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of $0.06 per share for three years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be $209,809. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of $31,212 during the nine months ending September 30, 2016. The beneficial conversion feature is valued under the intrinsic value method. On January 18, 2013, the Company made a $3,990 cash payment to reduce the note balance.	321,032	321,032
Unamortized debt discount	(31,098)	(62,310)
	182,083	182,083

On December 30 and 31, 2012, the Company re-negotiated accrued salaries and interest for three employees. Under the terms of the agreements, $182,083 of related party notes accrued interest and salaries not previously converted were converted to promissory notes convertible into common stock with a warrant feature. The $182,083 face value promissory notes are unsecured, due five years from issuance, and bear an interest rate of 10%. At the investor's option until the repayment date, the note may be converted to shares of the Company's common stock at a fixed price of $0.03 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of $0.04 per share for three years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be $182,083. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of $27,323 during the nine months ending September 30, 2016. The beneficial conversion feature is valued under the intrinsic value method.		
Unamortized debt discount	(45,558)	(72,881)
On June 30, 2013, the Company re-negotiated accrued salaries and interest for two employees. Under the terms of the agreements, $106,153 of accrued interest and salaries were converted to promissory notes convertible into common stock with a warrant feature. The $106,153 face value promissory notes are unsecured, due five years from issuance, and bear an interest rate of 10%. At the investor's option until the repayment date, the note may be converted to shares of the Company's common stock at a fixed price of $0.03 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of $0.04 per share for three years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be $70,768. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of $10,619 during the nine months ending September 30, 2016. The beneficial conversion feature is valued under the intrinsic value method.	106,152	106,152
Unamortized debt discount	(24,726)	(35,345)
On December 31, 2013, the Company re-negotiated accrued salaries and interest for three employees. Under the terms of the agreements, $142,501 of accrued interest and salaries not previously converted were converted to promissory notes convertible into common stock with a warrant feature. The $142,501 face value promissory notes are unsecured, due five years from issuance, and bear an interest rate of 10%. At the investor's option until the repayment date, the note may be converted to shares of the Company's common stock at a fixed price of $0.03 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of $0.04 per share for three years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be $94,909. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of $14,241 during nine months ending September 30, 2016. The beneficial conversion feature is valued under the intrinsic value method.	142,501	142,501
Unamortized debt discount	(42,725)	(56,966)
	118,126	118,126
On June 30, 2014, the Company re-negotiated accrued salaries and interest for three employees. Under the terms of the agreements, $118,126 of accrued salaries not previously converted were converted to promissory notes convertible into common stock with a warrant feature. The $118,126 face value promissory notes are unsecured, due five years from		

issuance, and bear an interest rate of 10%. At the investor's option until the repayment date, the note may be converted to shares of the Company's common stock at a fixed price of $0.025 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of $0.03 per share for three years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be $118,126. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of $17,725 during the nine months ending September 30, 2016. The beneficial conversion feature is valued under the intrinsic value method.		
Unamortized debt discount	(64,885)	(82,610)
On September 30, 2014, the Company re-negotiated accrued salaries and interest for two employees. Under the terms of the agreements, $40,558 of accrued salaries not previously converted were converted to promissory notes convertible into common stock with a warrant feature. The $40,558 face value promissory notes are unsecured, due five years from issuance, and bear an interest rate of 10%. At the investor's option until the repayment date, the note may be converted to shares of the Company's common stock at a fixed price of $0.04 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of $0.05 per share for three years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be $40,466. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of $6,072 during nine months ending September 30, 2016. The beneficial conversion feature is valued under the intrinsic value method.	40,558	40,558
Unamortized debt discount	(24,266)	(30,338)
On December 31, 2014, the Company re-negotiated accrued salaries and interest for two employees. Under the terms of the agreements, $65,295 of accrued salaries not previously converted were converted to promissory notes convertible into common stock with a warrant feature. The $65,295 face value promissory notes are unsecured, due five years from issuance, and bear an interest rate of 10%. At the investor's option until the repayment date, the note may be converted to shares of the Company's common stock at a fixed price of $0.04 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of $0.05 per share for three years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be $57,439. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of $8,619 during the nine months ending September 30, 2016. The beneficial conversion feature is valued under the intrinsic value method.	65,295	65,295
Unamortized debt discount	(37,338)	(45,957)
On December 31, 2015, the Company re-negotiated accrued salaries and interest for three employees and a director. Under the terms of the agreements, $343,687 of accrued salaries and director fees not previously converted were converted to promissory notes convertible into common stock with a warrant feature. The $343,687 face value promissory notes are unsecured, due five years from issuance, and bear an interest rate of 10%. At the investor's option until the repayment date, the note may be converted to shares of the Company's common stock at a fixed price of $0.02 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of $0.02 per share for three years	343,687	343,687

after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be $341,703. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of $51,247 during the nine months ending September 30, 2016. The beneficial conversion feature is valued under the intrinsic value method.		
Unamortized debt discount	(290,456)	(341,703)
On March 30, 2016, the Company re-negotiated accrued directors fees of 3,600. Under the terms of the agreements, $3,600 of accrued director fees not previously converted were converted to promissory notes convertible into common stock with a warrant feature. The $3,600 face value promissory notes are unsecured, due five years from issuance, and bear an interest rate of 10%. At the investor's option until the repayment date, the note may be converted to shares of the Company's common stock at a fixed price of $0.02 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of $0.02 per share for three years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be $864. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of $110 during the nine months ending September 30, 2016. The beneficial conversion feature is valued under the intrinsic value method.	3,600	-
Unamortized debt discount	(764)	-
On April 30, 2016, the Company re-negotiated accrued salaries and interest for an employee. Under the terms of the agreements, $33,333 of accrued salaries were converted to promissory notes convertible into common stock with a warrant feature. The $33,333 face value promissory notes are unsecured, due five years from issuance, and bear an interest rate of 10%. At the investor's option until the repayment date, the note may be converted to shares of the Company's common stock at a fixed price of $0.02 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of $0.02 per share for three years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be $8,401. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of $620 during the nine months ending September 30, 2016. The beneficial conversion feature is valued under the intrinsic value method.	33,333	-
Unamortized debt discount	(7,781)	-
On June 30, 2016, the Company re-negotiated accrued salaries and interest for three employees. Under the terms of the agreements, $192,417 of accrued salaries not previously converted were converted to promissory notes convertible into common stock with a warrant feature. The $192,417 face value promissory notes are unsecured, due five years from issuance, and bear an interest rate of 10%. At the investor's option until the repayment date, the note may be converted to shares of the Company's common stock at a fixed price of $0.02 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of $0.02 per share for three years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the	192,417	-

notes to be $28,365. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of $1,429 during the nine months ending September 30, 2016. The beneficial conversion feature is valued under the intrinsic value method.		
Unamortized debt discount	(26,936)	-
On July 8, 2016, the Company re-negotiated accrued salaries and interest for one employee. Under the terms of the agreement, $2,000 of accrued salaries not previously converted were converted to promissory notes convertible into common stock with a warrant feature. The $2,000 face value promissory notes are unsecured, due on December 31, 2021, and bear an interest rate of 10%. At the investor's option until the repayment date, the note may be converted to shares of the Company's common stock at a fixed price of $0.01 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of $0.02 per share for three years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be $1,012. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of $42 during the nine months ending September 30, 2016. The beneficial conversion feature is valued under the intrinsic value method.	2000	-
Unamortized debt discount	(970)	-

On September 30, 2016, the Company re-negotiated accrued directors fees of 3,600. Under the terms of the agreements, $3,600 of accrued director fees not previously converted were converted to promissory notes convertible into common stock with a warrant feature. The $3,600 face value promissory notes are unsecured, due five years from issuance, and bear an interest rate of 10%. At the investor's option unti