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

Date of Report: January 30, 2013

VISUALANT, INCORPORATED
(Exact name of Registrant as specified in its charter)

Nevada	**0-25541**	**91-1948357**
(State or jurisdiction of incorporation)	(Commission File No.)	(IRS Employer Identification No.)

500 Union Street, Suite 420
Seattle, Washington 98101
(206) 903-1351
(Address of Registrant's principal executive office and telephone number)

Section 1 - Registrant's Business and Operations

Item 1.01. Entry into a Material Definitive Agreement.

Agreements with Gemini Master Fund, Ltd. and Ascendiant Capital Partners, LLC ("Investors")

On May 19, 2011, Visualant, Inc. ("Visualant" or the "Company") entered into a Securities Purchase Agreement ("Agreement") with Gemini Master Fund, Inc. ("Gemini") and Ascendiant Capital Partners, LLC ("Ascendiant") (Gemini and Ascendiant collectively, the "Investors") pursuant to which the Company issued $1.2 million of 10% convertible debentures (the "Debentures") due May 1, 2012 and 5-year warrants for a total of 2.4 million shares (the "Gemini Warrant" and "Ascendiant Warrant"), exercisable at a price of $0.50 per share, subject to adjustment. The Agreement subsequently was amended on August 16, 2012 to extend the maturity date of the Debentures from September 30, 2012 to September 30, 2013. In addition, the additional investment and participation rights of Gemini and Ascendiant as defined in the Agreement were extended from September 30, 2012 to September 30, 2013.

On August 28, 2012, the Company entered into a Warrant Purchase Agreement with Gemini pursuant to which the Company repurchased the Gemini Warrant for the sum of $500,000 payable in two installments of $250,000 each due on August 28, 2012 and November 30, 2012. The Company paid the first installment of $250,000 on August 28, 2012, but did not pay the second $250,000 installment due on November 30, 2012.

On January 30, 2013, the Company and the Investors entered into the following additional agreements dated January 23, 2013 but made effective as of the date of their execution by the parties:

(1) Warrant Purchase Agreement between the Company and Ascendiant pursuant to which the Company repurchased the Ascendiant Warrant for a purchase price of $300,000, which amount is due in full on March 31, 2013.

(2) Amendment to Warrant Purchase Agreement between the Company and Gemini extending the due date for payment of the balance of the purchase price, including accrued interest thereon, from November 30, 2012 to March 31, 2013.

(3) AIR Termination Agreement between the Company and Gemini pursuant to which the Company acquired all additional investment rights ("AIR") of Gemini and Ascendiant under the Securities Purchase Agreement for the sum of $850,000, to be paid pursuant to the terms of a promissory note executed by the Company for the principal amount of $850,000. The promissory note is payable in two installments of $425,000 each, together with accrued interest thereon at the rate of 5% per annum, due on June 30, 2013 and September 30, 2013.

The above description is intended only as a summary of such agreements. The above agreements are filed as Exhibits 10.1-10.4 and are hereby incorporated by reference.

Conversion of Existing Convertible Debentures

On January 24, 2013, Gemini converted $300,000 of principal and $50,630 of accrued interest on its Debenture into 7,012,603 shares of common stock at a conversion price of $.05 per share.

On January 24, 2013, Ascendiant converted $50,000 of principal and $8,438 of accrued interest on its Debenture into 1,168,767 shares of common stock at a conversion price of $.05 per share.

On January 28, 2013, Gemini converted $300,000 of principal and $50,959 of accrued interest on its Debenture into 7,019,178 shares of common stock at a conversion price of $.05 per share.

Following these conversions, as of January 28, 2013, the outstanding principal amounts and all accrued interest on the Debentures of both Gemini and Ascendiant have been fully converted.

Upon the occurrence of these conversions and the issuance of the common stock attendant thereto, the majority of the shares were acquired by a group of investors whose members included Company insiders and affiliates.

Section 9 – Financial Statements and Exhibits.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits –

Exhibit No.	Description
10.1	Warrant Purchase Agreement dated January 23, 2013 by and between Visualant, Inc. and Ascendiant Capital Partners LLC.
10.2	Amendment to Warrant Purchase Agreement dated January 23, 2013 by and between Visualant, Inc. and Gemini Master Fund Ltd.
10.3	AIR Termination Agreement dated January 23, 2013 by and between Visualant, Inc. and Gemini Master Fund Ltd.
10.4	$850,000 Term Note of Visualant, Inc. dated January 23, 2013.

SIGNATURES

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 hereunto duly authorized.

Registrant: VISUALANT, INCORPORATED

January 30, 2013

By: /s/ Ronald P. Erickson
Ronald P. Erickson
Chief Executive Officer

EXHIBIT INDEX

Exhibit No.	Description
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10.2	Amendment to Warrant Purchase Agreement dated January 23, 2013 by and between Visualant, Inc. and Gemini Master Fund Ltd.
10.3	AIR Termination Agreement dated January 23, 2013 by and between Visualant, Inc. and Gemini Master Fund Ltd.
10.4	$850,000 Term Note of Visualant, Inc. dated January 23, 2013.

EXHIBIT 10.1

WARRANT PURCHASE AGREEMENT

This **WARRANT PURCHASE AGREEMENT** (this "Agreement") dated as of January 23, 2013 is made by and between Visualant, Incorporated, a Nevada corporation ("Buyer"), and Ascendiant Capital Partners, LLC ("Seller").

W I T N E S S E T H:

WHEREAS, on or about May 19, 2011 the Buyer issued to the Seller those certain Common Stock Purchase Warrants entitling the Buyer to purchase in the aggregate up to 792,000 shares of Common Stock of the Buyer ("Warrants"); and

WHEREAS, the Buyer desires to purchase, and the Seller desires to sell, all of the Seller's right, title and interest in and to the Warrants, all on the terms set forth below;

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1. Sale and Purchase of Warrants; Closing.

1.1 Subject to the terms and conditions hereof and effective as of the date hereof ("Closing Date"), the Seller hereby irrevocably sells, assigns, transfers and conveys to the Buyer, and the Buyer hereby accepts, all of Seller's rights, title and interest in and to the Warrants, for an aggregate purchase price equal to $300,000 (the "Purchase Price").

1.2 On or prior to March 31, 2013 (the "Payment Date"), the Buyer shall deliver the Purchase Price by wire transfer to the bank account designated by the Seller. To the extent the Purchase Price is not paid in full on or before the Payment Date, such unpaid amount shall accrue default interest, commencing as of the Closing Date, at a rate per annum equal to eighteen percent (18%) per annum. The Buyer shall be liable for any and all costs and expenses, including reasonable attorney's fees, in connection with the Seller's enforcement of the Buyer's payment obligations hereunder. The Buyer hereby grants a security interest in the Warrants to the Seller to secure the Buyer's obligation to pay all amounts due hereunder in full, and the Seller may retain the Warrants in its possession in order to perfect such security interest. Within ten (10) business days following the date on which all amounts due from the Buyer hereunder are paid in full, the Seller shall deliver the original Warrants to the Buyer. Notwithstanding anything herein to the contrary, if all amounts due from the Buyer hereunder have not been paid in full to Seller, inclusive of all accrued default interest, on or before April 1, 2013, this Agreement shall be null and void and of no further force or effect as if this Agreement was never entered into, and all rights, title and interest in and to the Warrants shall remain with Ascendiant Capital Partners, LLC.

SECTION 2. Representations and Warranties of Buyer. The Buyer represents and warrants to the Seller, as of the date hereof and as of the Closing, as follows:

2.1 Organization; Authority. The Buyer is an entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization with full right, corporate power and authority to enter into and to consummate the transactions contemplated hereby and otherwise to carry out its obligations hereunder, and the execution, delivery and performance by the Buyer of the transactions contemplated hereby have been duly authorized by all necessary corporate or similar action on the part of the Buyer. This Agreement, when executed and delivered by the Buyer, will constitute a valid and legally binding obligation of the Buyer, enforceable against the Buyer in accordance with its terms.

2.2 Consents. No authorization, consent, approval or other order of, or declaration to or filing with, any governmental agency or body or other person or entity is required for the valid authorization, execution, delivery and performance by the Buyer of this Agreement and the consummation of the transactions contemplated hereby.

2.3 Sophisticated Buyer. The Buyer is a sophisticated buyer with respect to the Warrants, has adequate information concerning the Warrants to make an informed decision regarding the purchase of the Warrants, and has independently and without reliance upon the Seller made its own analysis and decision to enter into this Agreement and purchase the Warrants. The Buyer has been given the opportunity to obtain such information necessary to make an informed decision regarding the purchase of the Warrants and to evaluate the merits and risks of the purchase of the Warrants. The Buyer is not relying on any representation, warranty, covenant or statement made by the Seller in connection with the purchase of the Warrants except as contained herein.

SECTION 3. Representations and Warranties of the Seller. The Seller represents and warrants to the Buyer, as of the date hereof and as of the Closing, as follows:

3.1 Authorization of Agreement. The Seller is an entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization with full right, corporate power and authority to enter into and to consummate the transactions contemplated hereby and otherwise to carry out its obligations hereunder, and the execution, delivery and performance by the Seller of the transactions contemplated hereby have been duly authorized by all necessary corporate or similar action on the part of such Seller. This Agreement, when executed and delivered by the Seller, will constitute a valid and legally binding obligation of the Seller, enforceable against the Seller in accordance with its terms.

3.2 Title to the Securities. The Seller has not previously assigned or transferred the Warrants to any third party, is the legal, record and beneficial owner of the Warrants with good title thereto, and has the absolute right to sell, assign, convey and transfer the Warrants to the Buyer pursuant to this Agreement, free and clear of any and all liens, claims and encumbrances (except for the security interest contained herein). Except for the Warrants which are being sold hereunder, the Seller has no other warrants or rights to acquire any other securities, whether debt or equity, of or from the Buyer.

3.3 Consents. No authorization, consent, approval or other order of, or declaration to or filing with, any governmental agency or body or other person or entity is required for the valid authorization, execution, delivery and performance by the Seller of this Agreement and the consummation of the transactions contemplated hereby.

3.4 Sophisticated Seller. The Seller is a sophisticated seller with respect to the Warrants, has adequate information concerning the Warrants to make an informed decision regarding the sale of the Warrants, and has independently and without reliance upon the Buyer made its own analysis and decision to enter into this Agreement and sell the Warrants. The Seller has been given the opportunity to obtain such information necessary to make an informed decision regarding the sale of the Warrants and to evaluate the merits and risks of the sale of the Warrants. The Seller is not relying on any representation, warranty, covenant or statement made by the Buyer in connection with the sale of the Warrants except as contained herein.

SECTION 4. Successors and Assigns. This Agreement shall be binding on and inure to the benefit of the parties hereto and their respective successors, heirs, personal representatives, and permitted assigns.

SECTION 5. Counterparts. This Agreement may be executed via facsimile or email of a PDF of the signature page hereto in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

SECTION 6. Severability. If any provision of this Agreement is held to be invalid or unenforceable in any respect, the validity and enforceability of the remaining terms and provisions of this Agreement shall not in any way be affected or impaired thereby and the parties will attempt to agree upon a valid and enforceable provision that is a reasonable substitute therefore, and upon so agreeing, shall incorporate such substitute provision in this Agreement.

SECTION 7. Further Assurances. Each of the Buyer and the Seller hereby agrees and provides further assurances that it will, in the future, execute and deliver any and all further agreements, certificates, instruments and documents and do and perform or cause to be done and performed, all acts and things as may be necessary or appropriate to carry out the intent and accomplish the purposes of this Agreement.

SECTION 8. Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of California without regard to the conflicts of laws principles thereof. The parties hereto hereby irrevocably agree that any suit or proceeding arising directly and/or indirectly pursuant to or under this Agreement shall be brought solely in a federal or state court located in the County of Orange, State of California. By its execution hereof, the parties hereby covenant and irrevocably submit to the in personam jurisdiction of the federal and state courts located in the County of Orange, State of California and agree that any process in any such action may be served upon any of them personally, or by certified mail or registered mail upon them or their agent, return receipt requested, with the same full force and effect as if personally served upon them. The parties hereto waive any claim that any such jurisdiction is not a convenient forum for any such suit or proceeding and any defense or lack of in personam jurisdiction with respect thereto. To the fullest extent permitted by law, each of the parties hereto hereby knowingly, voluntarily and intentionally waives its respective rights to a jury trial of any claim or cause of action based upon or arising out of this Agreement or any other document or any dealings between them relating to the subject matter of this Agreement and other documents. In addition to any and all other remedies that may be available at law, in the event of any breach of this Agreement, each of parties hereto shall be entitled to specific performance of the agreements and obligations hereunder and to such other injunctive or other equitable relief as may be granted by a court of competent jurisdiction.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the date first written above.

VISUALANT, INCORPORATED

By: /s/ Ronald Erickson
Name: Ronald Erickson
Title: CEO

ASCENDIANT CAPITAL PARTNERS LLC

By: /s/ Bradley J. Wilhite
Name: Bradley J. Wilhite
Title: Managing Member

EXHIBIT 10.2

AMENDMENT TO

WARRANT PURCHASE AGREEMENT

This **AMENDMENT TO WARRANT PURCHASE AGREEMENT** (this "Agreement") dated as of January 23, 2013 is made by and between Visualant, Incorporated, a Nevada corporation ("Buyer"), and Gemini Master Fund, Ltd., a Cayman Islands corporation ("Seller").

W I T N E S S E T H:

WHEREAS, on or about May 19, 2011 the Buyer issued to the Seller that certain Common Stock Purchase Warrant to purchase up to 1,800,000 shares of Common Stock of the Buyer ("Warrant");

WHEREAS, the Buyer agreed to repurchase the Warrant from the Seller pursuant to that certain Warrant Purchase Agreement dated on or about August 28, 2012 (" WPA") for a Purchase Price of $500,000, with half of such Purchase Price paid promptly following execution thereof and the Balance payable by the Balance Date of November 30, 2012; initially capitalized terms used herein and not otherwise defined shall have the meanings set forth in the WPA;

WHEREAS, the Buyer has failed to pay such Balance due on the Balance Date, and as a result thereof interest has accrued on the Balance equal to $15,410.96 ("Interest Amount") as of December 31, 2012; and

WHEREAS, the parties wish to extend the Balance Date on terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1. Amendment.

1.1 The Balance Date under the WPA is hereby amended to be March 31, 2013. The Balance (as amended below), together with any accrued and unpaid interest thereon, shall be due and payable on the Balance Date.

1.2 The Balance is hereby amended as of December 31, 2012 to add on the Interest Amount, such that the Balance as of December 31, 2012 shall be $265,410.96.

1.3 The Balance (as amended) shall accrue interest daily, commencing as of December 31, 2012, at a rate per annum equal to 18% per annum.

SECTION 2. Miscellaneous. Except as otherwise expressly provided herein, the WPA shall remain in full force and effect. Except for the waiver and modification contained herein, this Amendment shall not in any way waive or prejudice any of the rights or obligations of the Seller or the Buyer under the WPA under any law, in equity or otherwise, and such waiver and modification shall not constitute a waiver or modification of any other provision of the WPA nor a waiver or modification of any subsequent default or breach of any obligation of the Buyer or of any subsequent right of the Seller. This Agreement may be executed via facsimile or email of a PDF of the signature page hereto in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York without regard to the conflicts of laws principles thereof.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the date first written above.

VISUALANT, INCORPORATED

By: /s/ Ronald Erickson
Name: Ronald Erickson
Title: CEO

GEMINI MASTER FUND, LTD.
By: GEMINI STRATEGIES LLC, INC., as investment manager

By: /s/ Steven Winters
Name: Steven Winters
Title: President

EXHIBIT 10.3

AIR TERMINATION AGREEMENT

This AIR Termination Agreement ("**Agreement**") is entered into as of January 23, 2013 by and between Gemini Master Fund, Ltd., a Cayman Islands corporation ("**Gemini**"), and Visualant, Incorporated, a Nevada corporation ("**Company**", and together with Gemini, the "**Parties**").

W I T N E S S E T H:

WHEREAS, the Company and Gemini, together with Ascendiant Capital Partners, LLC ("**Ascendiant**", and together with Gemini, the "**Purchasers**"), are parties to that certain Securities Purchase Agreement dated as of May 19, 2011 ("**Purchase Agreement**"); initially capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Purchase Agreement;

WHEREAS, pursuant to Section 2.4 of the Purchase Agreement (as amended through the date hereof), the Purchasers are entitled to purchase additional Debentures and Warrants from the Company on the terms and conditions set forth therein ("**Additional Investment Right**");

WHEREAS, immediately prior hereto pursuant to a separate agreement, Gemini has purchased from Ascendiant all of Ascendiant's right, title and interest in and to the Additional Investment Right; and

WHEREAS, the Company wishes to terminate the Additional Investment Right, and Gemini is willing to accept such termination on the terms and conditions set forth herein;

NOW THEREFORE, in consideration of the foregoing premises and the covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Termination. The Parties hereby agree that the Additional Investment Right shall be terminated in consideration for $850,000 from the Company, which shall be payable by the Company issuing to Gemini a promissory note in the form of Exhibit A attached hereto ("Term Note"). Effective upon Gemini's receipt of the original Term Note, the Additional Investment Right shall be terminated such that Section 2.4 of the Purchase Agreement shall be of no further force or effect and Section 4.13 of the Purchase Agreement shall be of no further force or effect (notwithstanding any continued holding of Securities by Gemini). The original Term Note shall be delivered to Gemini within three (3) business days following the date hereof; if such original Term Note is not delivered to Gemini within five (5) business days following the date hereof, this Agreement shall be null and void and of no further force or effect as if this Agreement were never entered into. The Term Note shall constitute a Transaction Document under the Purchase Agreement.

2. Miscellaneous.

(a) *Applicable Law*. This Agreement shall be deemed to have been executed and delivered within the State of New York, and the laws of the State of New York shall apply to the interpretation and enforcement of this Agreement.

(b) *Counterparts*. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument. This Agreement may be executed and delivered by facsimile transmission or by email of a digital image format file.

[*Signature Page Follows*]

IN WITNESS WHEREOF, as of the date first written above, the parties hereto have duly executed, or caused their authorized officers to duly execute, this Agreement.

VISUALANT, INCORPORATED	GEMINI MASTER FUND, LTD. By: GEMINI STRATEGIES LLC, INC., as investment manager
By: /s/ Ronald P. Erickson Name: Ronald Erickson Title: CEO	By: /s/ Steven Winters Name: Steven Winters Title: President

EXHIBIT A

Term Note

(see attached)

Exhibit 10.4

Issue Date: January 23, 2013 **$850,000**

VISUALANT, INCORPORATED

5% TERM NOTE ("Note")

FOR VALUE RECEIVED, Visualant, Incorporated, a Nevada corporation (the "Company"), promises to pay to the order of GEMINI MASTER FUND, LTD. or its registered assigns (the "Holder"), or shall have paid pursuant to the terms hereunder, the principal sum of $850,000 on September 30, 2013 (the "Maturity Date") or such earlier date as this Note is required or permitted to be repaid as provided hereunder, and to pay interest to the Holder on the aggregate then outstanding principal amount of this Note in accordance with the provisions hereof. This Note is subject to the following additional provisions:

Section 1. Definitions. For the purposes hereof, in addition to the terms defined elsewhere in this Note, (a) capitalized terms not otherwise defined herein shall have the meanings set forth in that certain AIR Termination Agreement entered into between the Holder and the Company on or about the date hereof or the Purchase Agreement (as defined in such AIR Termination Agreement), and (b) the following terms shall have the following meanings:

"Bankruptcy Event" means any of the following events: (a) the Company or any Subsidiary (as such term is defined in Rule 1-02(w) of Regulation S-X) thereof commences a case or other proceeding under any bankruptcy, reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction relating to the Company or any Subsidiary thereof; (b) there is commenced against the Company or any Subsidiary thereof any such case or proceeding that is not dismissed within 60 days after commencement; (c) the Company or any Subsidiary thereof is adjudicated insolvent or bankrupt or any order of relief or other order approving any such case or proceeding is entered; (d) the Company or any Subsidiary thereof suffers any appointment of any custodian or the like for it or any substantial part of its property that is not discharged or stayed within 60 calendar days after such appointment; (e) the Company or any Subsidiary thereof makes a general assignment for the benefit of creditors; (f) the Company or any Subsidiary thereof calls a meeting of its creditors with a view to arranging a composition, adjustment or restructuring of its debts; or (g) the Company or any Subsidiary thereof, by any act or failure to act, expressly indicates its consent to, approval of or acquiescence in any of the foregoing or takes any corporate or other action for the purpose of effecting any of the foregoing.

"Business Day" means any day except any Saturday, any Sunday, any day which shall be a federal legal holiday in the United States or any day on which banking institutions in the State of New York are authorized or required by law or other governmental action to close.

"Change of Control" means the occurrence after the date hereof of any of the following: (i) an acquisition after the date hereof by an individual or legal entity or "group" (as described in Rule 13d-5(b)(1) promulgated under the Exchange Act) of effective control (whether through legal or beneficial ownership of capital stock of the Company, by contract or otherwise) of in excess of 51% of the voting securities of the Company (other than by means of conversion or exercise of the Notes and the Securities issued together with the Notes), or (ii) the Company merges into or consolidates with any other Person, or any Person merges into or consolidates with the Company and, after giving effect to such transaction, the stockholders of the Company immediately prior to such transaction own less than 51% of the aggregate voting power of the Company or the successor entity of such transaction, or (iii) the Company sells or transfers all or substantially all of its assets to another Person and the stockholders of the Company immediately prior to such transaction own less than 51% of the aggregate voting power of the acquiring entity immediately after the transaction, or (iv) a replacement at one time or within a three year period of more than one-half of the members of the Company's board of directors which is not approved by a majority of those individuals who are members of the board of directors on the date hereof (or by those individuals who are serving as members of the board of directors on any date whose nomination to the board of directors was approved by a majority of the members of the board of directors who are members on the date hereof), or (v) the execution by the Company of an agreement to which the Company is a party or by which it is bound, providing for any of the events set forth in clauses (i) through (iv) above.

"Mandatory Default Amount" means the sum of (i) 120% of the outstanding principal amount of this Note, plus 100% of accrued and unpaid interest hereon, and (ii) all other amounts, costs, expenses and liquidated damages due in respect of this Note.

"Payment Date" means each of June 30, 2013 and the Maturity Date.

Section 2. Interest.

a) Interest Rate. Interest shall accrue daily on the outstanding principal amount of this Note at a rate per annum equal to 5%, provided that the interest rate hereunder shall automatically increase following an Event of Default as provided in Section 5(b) below. The Company shall pay all accrued and unpaid interest to date on each Payment Date.

b) Interest Calculations. Interest shall be calculated on the basis of a 365-day year and actual days elapsed and shall accrue daily commencing on the issuance hereof until payment in full of the outstanding principal, together with all accrued and unpaid interest and other amounts which may become due hereunder, has been made.

Section 3. Repayments.

a) Voluntary. The Company may prepay all or any portion of this Note at any time.

b) Installment Payments. On each Payment Date, the Company shall repay to the Holder $425,000 of the original principal amount hereunder.

c) Change of Control. Upon any Change of Control, this Note shall become immediately due and payable in full.

Section 4. Negative Covenants. As long as any portion of this Note remains outstanding, unless the Holder has otherwise given prior written consent, the Company shall not, and shall not permit any of its subsidiaries (whether or not a Subsidiary on the date hereof) to, directly or indirectly:

a) repay, repurchase or offer to repay, repurchase or otherwise acquire more than a de minimis number of shares of its Common Stock or Common Stock Equivalents, other than as to repurchases of Common Stock or Common Stock Equivalents of departing employees of the Company, provided that such repurchases shall not exceed an aggregate of $100,000 for all officers and directors during the term of this Note;

b) repay, repurchase or offer to repay, repurchase or otherwise acquire any Indebtedness, other than regularly scheduled principal and interest payments as such terms are in effect as of the date hereof, except as to any current existing indebtedness payable to Jim Gingo related to the acquisition of TransTech Systems, Inc.;

c) repay, repurchase or offer to repay, repurchase or otherwise acquire any indebtedness to any current or former employees, officers or directors of the Company, except as to any current existing indebtedness payable to Jim Gingo related to the acquisition of TransTech Systems, Inc.; or

d) pay cash dividends or cash distributions on any equity securities of the Company.

Section 5. Events of Default.

a) "Event of Default" means, wherever used herein, any of the following events (whatever the reason for such event and whether such event shall be voluntary or involuntary or effected by operation of law or pursuant to any judgment, decree or order of any court, or any order, rule or regulation of any administrative or governmental body):

i. any default in the payment of (A) the principal amount of this Note or (B) interest and other amounts owing to the Holder, as and when the same shall become due and payable, which default is not cured within 3 Business Days;

ii. the Company shall fail to observe or perform any other covenant or agreement contained in this Note or the Purchase Agreement which failure is not cured, if possible to cure, within the earlier to occur of (A) 5 Trading Days after notice of such failure sent by the Holder, and (B) 10 Trading Days after the Company has become or should have become aware of such failure;

iii. a default or event of default (subject to any grace or cure period provided in the applicable agreement, document or instrument) shall occur under any material agreement, lease, document or instrument to which the Company or any Subsidiary is obligated (and not covered by clause (vi) below);

iv. any representation or warranty made in this Note, the Purchase Agreement, any written statement pursuant hereto or thereto or any other report, financial statement or certificate made or delivered to the Holder or any other Holder shall be untrue or incorrect in any material respect as of the date when made or deemed made;

v. the Company or any Subsidiary shall be subject to a Bankruptcy Event;

vi. except as to any existing indebtedness payable to Jim Gingo related to the acquisition of TransTech Systems, Inc., the Company or any Subsidiary shall default on any of its obligations under any mortgage, credit agreement or other facility, indenture agreement, factoring agreement or other instrument under which there may be issued, or by which there may be secured or evidenced, any indebtedness for borrowed money or money due under any long term leasing or factoring arrangement that (a) involves an obligation greater than $100,000, whether such indebtedness now exists or shall hereafter be created, and (b) results in such indebtedness becoming or being declared due and payable prior to the date on which it would otherwise become due and payable; or

vii. any monetary judgment, writ or similar final judicial or arbitration process shall be entered or filed against the Company, any subsidiary or any of their respective property or other assets for more than $100,000, and such judgment, writ or similar final process shall remain unvacated, unbonded or unstayed for a period of 45 calendar days.

b) Remedies Upon Event of Default. If any Event of Default occurs, the outstanding principal amount of this Note, plus accrued but unpaid interest and other amounts owing in respect thereof through the date of acceleration, shall become, at the Holder's election, immediately due and payable in cash at the Mandatory Default Amount. After the occurrence of any Event of Default, the interest rate on this Note shall accrue at an interest rate equal to the lesser of eighteen percent (18%) per annum (compounded quarterly) or the maximum rate permitted under applicable law. In connection with such acceleration described herein, the Holder need not provide, and the Company hereby waives, any presentment, demand, protest or other notice of any kind, and the Holder may immediately and without expiration of any grace period enforce any and all of its rights and remedies hereunder and all other remedies available to it under applicable law.

Section 6. Miscellaneous.

a) Notices. Any and all notices or other communications or deliveries to be provided hereunder, shall be in writing and delivered personally, by facsimile, by email, or sent by a nationally recognized overnight courier service, addressed to the recipient, at the recipient's principal address, or such other facsimile number, email address or mailing address as such recipient may have previously specified for such purpose by notice to the other party delivered in accordance with this Section 6(a). Except as may otherwise be provided herein, any notice or other communication or deliveries hereunder shall be deemed given and effective on the earliest of (i) the date of transmission, if such notice or communication is delivered via facsimile or by email prior to 5:30 p.m. (New York City time) on a Business Day, with electronic confirmation of such delivery, (ii) the first Trading Day immediately following the date of transmission, if such notice or communication is delivered via facsimile or by email not on a Business Day or between 5:30 p.m. (New York City time) and 11:59 p.m. (New York City time) on any date, with electronic confirmation of such delivery, (iii) the second Business Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service, or (iv) upon actual receipt by the party to whom such notice is required to be given.

b) Currency. All payments of principal and interest on this Note shall be made in lawful money of the United States of America by wire transfer of immediately available funds to such account as the Holder may from time to time designate by written notice in accordance with the provisions of this Note or by Company check.

c) Lost or Mutilated Note. If this Note shall be mutilated, lost, stolen or destroyed, the Company shall execute and deliver, in exchange and substitution for and upon cancellation of a mutilated Note, or in lieu of or in substitution for a lost, stolen or destroyed Note, a new Note for the principal amount of this Note so mutilated, lost, stolen or destroyed, but only upon receipt of evidence of such loss, theft or destruction of such Note, and of the ownership hereof, reasonably satisfactory to the Company.

d) Governing Law. All questions concerning the construction, validity, enforcement and interpretation of this Note shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflict of laws thereof. Each party agrees that all legal proceedings concerning the interpretation, enforcement and defense of the transactions contemplated by this Note or the AIR Termination Agreement (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, employees or agents) shall be commenced in the state and federal courts sitting in the City of New York, Borough of Manhattan (the "New York Courts "). Each party hereto hereby irrevocably submits to the exclusive jurisdiction of the New York Courts for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of such New York Courts, or such New York Courts are improper or inconvenient venue for such proceeding. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Note and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by applicable law. Each party hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Note or the transactions contemplated hereby. If either party shall commence an action or proceeding to enforce any provisions of this Note, then the prevailing party in such action or proceeding shall be reimbursed by the other party for its reasonable attorney's fees and other costs and expenses reasonably incurred in the investigation, preparation and prosecution of such action or proceeding.

e) Waiver. Any waiver by the Company or the Holder of a breach of any provision of this Note shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Note. The failure of the Company or the Holder to insist upon strict adherence to any term of this Note on one or more occasions shall not be considered a waiver or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Note. Any waiver by the Company or the Holder must be in writing.

f) Severability. If any provision of this Note is determined to be invalid, illegal or unenforceable, the balance of this Note shall remain in effect, and if any provision is inapplicable to any Person or circumstance, it shall nevertheless remain applicable to all other Persons and circumstances. If it shall be found that any interest or other amount deemed interest due hereunder violates the applicable law governing usury, the applicable rate of interest due hereunder shall automatically be lowered to equal the maximum rate of interest permitted under applicable law. The Company covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner

whatsoever claim or take the benefit or advantage of, any stay, extension or usury law or other law which would prohibit or forgive the Company from paying all or any portion of the principal of or interest on this Note as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this indenture, and the Company (to the extent it may lawfully do so) hereby expressly waives all benefits or advantage of any such law, and covenants that it will not, by resort to any such law, hinder, delay or impeded the execution of any power herein granted to the Holder, but will suffer and permit the execution of every such as though no such law has been enacted.

g) Next Business Day. Whenever any payment or other obligation hereunder shall be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day.

h) Assumption. Any successor to the Company or any surviving entity in a Change of Control transaction shall (i) assume, prior to such Change of Control, all of the obligations of the Company under this Note pursuant to written agreements in form and substance satisfactory to the Holder (such approval not to be unreasonably withheld or delayed) and (ii) issue to the Holder a new Note of such successor entity evidenced by a written instrument substantially similar in form and substance to this Note, including, without limitation, having a principal amount and interest rate equal to the principal amount and the interest rate of this Note and having similar ranking to this Note, which shall be satisfactory to the Holder (any such approval not to be unreasonably withheld or delayed). The provisions of this Section 6(h) shall apply similarly and equally to successive Change of Control transactions and shall be applied without regard to any limitations of this Note.

i) Usury. To the fullest extent permitted by law, the Company agrees not to insist upon or plead or in any manner whatsoever claim, and shall resist any and all efforts to be compelled to take the benefit or advantage of, usury laws wherever enacted, in force at the time of execution of this Note or hereafter, in connection with any action that may be brought by the Holder in order to enforce any right or remedy under this Note. Notwithstanding any provision to the contrary contained herein, it is expressly agreed and provided that the total liability of the Company under this Note for payments in the nature of interest shall not exceed the maximum lawful interest rate authorized under applicable law. If the effective interest rate otherwise applicable under this Note exceeds such maximum lawful interest rate, then such applicable interest rate shall be reduced so as not to exceed such maximum lawful interest rate.

j) New York Civil Procedure Law and Rules Section 3213 . This Note shall be deemed an unconditional obligation of the Company for the payment of money and, without limitation to any other remedies of Holder, may be enforced against Company by summary proceeding pursuant to New York Civil Procedure Law and Rules Section 3213 or any similar rule or statute in the jurisdiction where enforcement is sought. For purposes of such rule or statute, any other document or agreement to which Holder and the Company are parties or which Company delivered to Holder, which may be convenient or necessary to determine Holder's rights hereunder or Company's obligations to Holder are deemed a part of this Note, whether or not such other document or agreement was delivered together herewith or was executed apart from this Note.

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IN WITNESS WHEREOF, the Company has caused this Note to be duly executed by a duly authorized officer as of the date first above indicated.

VISUALANT, INCORPORATED

By: /s/ Ronald Erickson
Name: Ronald Erickson
Title: CEO