

U.S. SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

AMENDMENT NO. 1 TO

FORM SB-2

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Commission File No. 0-25541

VISUALANT, INCORPORATED

(Name of Small Business Issuer in its charter)

Nevada

7373

91-1948357

(State or jurisdiction of incorporation or organization) (Primary Standard Industrial Classification Code Number) (I.R.S. Employer Identification No.)

500 Union Street, Suite 406, Seattle, Washington 98101  
(206) 903-1351

(Address and telephone number of Registrant's principal executive offices and place of business)

Nevada Agency & Trust Company  
50 W. Liberty Street, Suite 880, Reno, NV 89501  
(775) 322-0626

(Name, Address and Telephone Number of Agent for Service)

Copies to: James F. Biagi, Jr., Monahan & Biagi, PLLC  
701 Fifth Avenue, Suite 2800, Seattle, WA 98104  
(206) 587-5700

Approximate Date of Proposed Sale to the Public: As soon as practicable from time to time after this registration statement becomes effective.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box. [X]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

1

<TABLE>  
<CAPTION>

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Number of shares to be registered	Proposed maximum offering price per share	Proposed maximum aggregate offering price (1)	Amount of registration fee
<S> Common Stock	<C> 14,498,375	<C> \$0.75	<C> \$10,873,781	<C> \$1,294.70

</TABLE>

(1) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457 under the Securities Act.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

2

VISUALANT, INCORPORATED  
500 Union Street, Suite 406  
Seattle, WA 98101  
(206) 903-1351

Securities Offered: A maximum of 14,498,375 shares of Common Stock of Visualant, Incorporated (the "Company") offered at a price of \$0.75 per share (the "Shares"). The sellers of 13,498,375 of the Shares are the current shareholders of the Company. The balance of 1,000,000 Shares is being offered by the Company. The Shares being offered do not include any shares owned by the officers, directors and beneficial owners of more than 5% of the Common Stock of the Company.

This registration statement is being filed by the Company pursuant to a contractual obligation with one or more of its shareholders to provide for such registration. Except for the shares owned by the officers, directors and owners of more than 5% of the Common Stock, which are excluded from this registration statement, all the other issued and outstanding shares of Common Stock of the Company are included in this offering.

The Shares are not listed on any national securities exchange or the NASDAQ Stock Market.

Investing in these Shares involves a high degree of risk. The Shares offered should not be purchased by any investor who cannot afford to sustain a total loss of his or her investment. (See "RISK FACTORS" on page 7).

These securities have not been approved by the United States Securities and Exchange Commission ("SEC") or any state securities agency. Neither the SEC nor any state securities agency has passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The securities are being offered on a best efforts basis and there are no minimum purchase requirements. The Shares may be offered and sold by broker-dealers from time to time, and such broker-dealers may be paid normal and customary commissions with respect to such sales. It is anticipated that this offering will continue until such time as all or substantially all of the shares held by the selling shareholders are eligible for sale under Rule 144 under the Securities Act of 1933 (the "Act"). There are not arrangements for the placement

of funds in an escrow, trust or similar account.

The information in this prospectus is not complete and may be changed. The Shares may not be sold until the registration statement filed with the SEC is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

The date of this Prospectus is July 28, 2005.

3

TABLE OF CONTENTS

OVERVIEW OF BUSINESS .....	5
RISK FACTORS .....	7
USE OF PROCEEDS .....	13
DETERMINATION OF OFFERING PRICE .....	13
DILUTION .....	14
SELLING SHAREHOLDERS .....	14
PLAN OF DISTRIBUTION .....	14
LEGAL PROCEEDINGS .....	14
DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS .....	15
SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT .....	16
DESCRIPTION OF SECURITIES .....	18
INTERESTS OF NAMED EXPERTS AND COUNSEL .....	18
DISCLOSURE OF COMMISSION POSITION ON INDEMNIFICATION FOR SECURITIES ACT LIABILITIES .....	18
ORGANIZATION WITHIN LAST FIVE YEARS .....	19
DESCRIPTION OF BUSINESS .....	19
MANAGEMENT'S PLAN OF OPERATION .....	21
DESCRIPTION OF PROPERTY .....	22
CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS .....	22
MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS .....	23
EXECUTIVE COMPENSATION .....	24
FINANCIAL STATEMENTS .....	26
CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE .....	44
INDEMNIFICATION OF DIRECTORS AND OFFICERS .....	45
OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION .....	45
RECENT SALES OF UNREGISTERED SECURITIES .....	47
EXHIBITS .....	48
UNDERTAKINGS .....	49

4

FORWARD-LOOKING STATEMENTS

Statements contained in this report, which are not historical in nature, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include statements in the sections entitled Description of Business, Market for Common Equity and Related Stockholder Matters, and Management's Plan of Operation,

which can be identified by the use of forward-looking terminology such as believes, expects, plans, estimates, predicts, potential, continue, may, will, should, or anticipates or the negative thereof, or other variations thereon or comparable terminology, or by discussions of strategy. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled "Risk Factors" that may cause the Company's or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Such forward-looking statements involve certain risks and uncertainties that could cause actual results to differ materially from anticipated results. These risks and uncertainties include regulatory constraints, changes in laws or regulations governing the Company's products and international trade, the ability of the Company to successfully market its products in an increasingly competitive worldwide market, changes in the Company's operating or expansion strategy, failure to consummate or successfully integrate proposed product developments, the ability of the Company to manage growth, the general economy of the United States and the specific global markets in which the Company competes, the availability of financing from internal and external sources, and other factors as may be identified from time to time in the Company's filings with the Securities and Exchange Commission or in the Company's press releases.

## OVERVIEW OF BUSINESS

The Company is in the business of researching, developing, acquiring, and commercializing products and services related to color technology outside the visible spectrum, using specialized narrow and N-IR and N-UV sensors and spatial analysis software modeling which translate the invisible into the visible. The Company owns or has obtained an exclusive license to use this specialized and proprietary color technology.

On June 16, 2004, the Company entered into a contract for the development of its color technology providing 3D spectral-based pattern file creation and matching. Color pattern files can be created from any digital photograph or scan, without having to reprint, recreate, recall or modify existing digital source of documents. Those pattern files can then be matched against existing databases to detect and identify crime, forgery, counterfeiting and other frauds. The Company believes that its technology will provide a new, accurate and fast detection tool for critical applications such as national security, forgery/fraud prevention, brand protection, and product tampering. The Company intends to position its technology as both a revolutionary as well as a practical solution for security and fraud prevention applications and markets. The Company's current focus is to capitalize upon the potential business opportunities in the areas of national security, document forgery/fraud, brand protection, label fraud and product tampering.

## 5

### Background

Visualant, Incorporated (formerly known as Starberrys Corporation) was incorporated on October 8, 1998 as a Nevada corporation. The Company has no subsidiaries and no affiliated companies. The Company's executive offices are located at 500 Union Street, Suite 406, Seattle, Washington 98101.

Under the Company's Articles of Incorporation, the Company is authorized to issue 200,000,000 shares of Common Stock, par value \$0.001 per share, and 50,000,000 Preferred Shares. As of June 30, 2005, there were 16,059,349 shares of Common Stock issued and outstanding. No shares of Preferred Stock have been issued.

On November 24, 1998 the Company acquired the exclusive rights to market high quality cigars through a climate-controlled kiosk merchandise display case, known as the King Climate Control, at a cost of \$50,000. The Company did not proceed with this new business and in 2000 abandoned the activity.

In November 2002, the Company signed a Letter of Intent with eVision Technologies Corporation and its founder, Ken Turpin, to acquire 100% of the assets related to the business of Colour By Number ("CBN"). The CBN System is a digital color management system providing one color language across industries and materials, empowering architects, designers, contractors, retailers and consumers to take full control of their choice and use of color.

Unfortunately, the Company was unsuccessful in raising the financing needed to complete this acquisition, and the acquisition ultimately was abandoned.

On January 19, 2003, the Company signed a Letter of Intent with Malaremastarnas

Riksförening, the sole shareholder of Skandinaviska Farinstituter AB ("SCI" or the Scandinavian Color Institute), for the acquisition by the Company of all of the shares of SCI. SCI owns the Scandinavian Color School and the color notation system Natural Color Systems ("NCS"), which is the leading color notation system in Europe. On April 9, 2003, the Company entered into a Purchase Agreement to complete the acquisition of SCI for a purchase price of SEK 35,000,000. The acquisition was scheduled to close on November 30, 2003 subject, however, to the satisfaction of certain conditions prior to closing. The Company, however, was unsuccessful in raising the necessary funds to complete this acquisition, and the transaction was abandoned.

On June 16, 2004, the Company entered into an independent contractor agreement with eVision Technologies pursuant to which eVision Technologies is to provide research and development services to the Company for its color technology outside the visible spectrum.

On August 18, 2004, the Company changed its name to Visualant, Incorporated to reflect its new business pursuits.

On April 21, 2005, the Company entered into an exclusive, worldwide licensing agreement with eVision Technologies Inc., pursuant to which the Company has been granted exclusive rights to the CBN coding system, which identifies colors and uses the identification for the purpose of formulating colors. As consideration for this license, the Company granted and issued 10,000 shares of its Common Stock to eVision Technologies.

To date, the Company has no revenues from its operations, and its ability to implement its business plans for the future will depend on the availability of financing. Such financing also will be required to enable the Company to acquire new businesses. The Company anticipates obtaining such funds from its officers and directors, financial institutions, or from the sale of its capital stock

6

OVERVIEW OF BUSINESS - continued

through private placements. There can be no assurance, however, that the Company will be successful in obtaining additional capital from the sale of its capital stock, or in otherwise raising substantial capital.

Presently, the Company does not have its own website. During the past fiscal year, the Company has filed various periodic reports with the SEC, including Forms 10-KSB, 10-QSB, and 8-K. These documents may be reviewed and copied at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C., 20549. In addition, the SEC maintains an Internet website that contains reports, proxy and information statements, and other information which the Company has filed electronically with the SEC. Interested parties can review these filings by accessing the SEC's website using the following address: <http://www.sec.gov>.

RISK FACTORS

Investment in early-stage companies is highly risky. An investor must be mindful of the fact that loss of all or part of the investor's monetary investment is possible. While opportunity for substantial returns exists, so does substantial risk. The investment is only suitable for qualified investors who have no immediate need for liquidity in their investment and who can bear the risk of potential total loss.

The Company is an early stage development company without revenues or a proven track record in achieving the objectives outlined in the Company's business plan. Readers should carefully consider the risks described below before deciding whether to invest in shares of the Company's Common Stock.

If the Company does not successfully address any of the risks described below, there could be a material adverse effect on the Company's business, financial condition and/or results of operations, and the price of the Company's common stock may decline and investors may lose all or part of their investment.

The Company cannot assure any investor that it will successfully address these risks.

SUMMARY: Potential risk factors include but are not limited to failure to raise sufficient capital, failure to complete product development, changes in government regulations, non-acceptance of products in the marketplace, death or disability of key employees, unforeseen radical changes in the underlying technologies, and failure to properly engage strategic and channel partners. The following provides more detail concerning some of the risks.

A. Risks Related to the Business and Operations of the Company

Possible Loss of Entire Investment

Given the Company's continued need for additional capital, the Company's stock involves a high degree of risk, and should not be purchased by any person who cannot afford the loss of their entire investment. A purchase of the Company's stock is currently unsuitable for a person who cannot afford to lose his or her entire investment.

The Company has incurred a cumulative net loss of \$2,642,951 for the period from October 8, 1998 (the date of inception) to June 30, 2005. It is very possible that the Company will continue to incur significant operating losses and generate negative cash flow from operating activities during the next few years

7

#### RISK FACTORS - continued

while it develops its color technologies and applications. The Company currently has sufficient funds to cover existing operations for approximately seventeen (17) months. There is no assurance that the Company will be able to obtain sufficient additional debt or equity financing or achieve or sustain profitability or positive cash flow from operating activities in the future or that it will generate sufficient cash flow to service any debt requirements.

#### Need for Additional Capital

As of June 30, 2005, the Company has incurred a cumulative net loss of \$2,642,951. As a result of these losses and negative cash flows from operations, the Company's ability to continue operations and to achieve its objectives will be dependent upon obtaining substantial additional funding. No assurance can be given that such funding will be obtained, and the Company's auditors, in the audited financial statements as at September 30, 2004, have indicated a concern as to whether the Company will be able to raise sufficient funds to complete its objectives and, if not, the Company may not be able to continue as a going concern. If the Company cannot obtain such financing, it is possible that the Company will be unable to successfully commercialize and market its products, ultimately resulting in a failure of the Company.

#### Lack of Operating History and Experience

The Company has no revenues from operations, has no significant tangible assets, and has incurred a cumulative net loss in excess of \$2.5 million through the second quarter of 2005. Accordingly, there can be no assurance that the Company will operate at a profitable level. The Company's business involves the research, development and commercialization of applications for its color technology. Future development and operating results will depend on many factors, including the completion of developed applications or products, demand for the Company's products, level of product and price competition, success in setting up and expanding distribution channels, and whether the Company can develop and market new products and control costs. In addition, the Company's future prospects must be considered in light of the risks, expenses and difficulties frequently encountered in establishing a new business in the software industry, which is characterized by intense competition and rapid technological change. There can be no assurance that the Company's future financial forecasts will be met.

#### Uncertainty of New Product Development

The Company is still in the development phase for its technology and products. Substantial additional efforts and expenditures to enhance their capabilities are critical to commercial viability.

#### Acceptance of Company's Products; Change in Regulatory Situation

The market place for the Company's products is a dynamic and evolving sector, and there is no guarantee that the approach outlined in this prospectus will be readily accepted. Additionally, future regulatory compliance may be altered based upon changes in the political landscape.

There can be no assurance that the Company will successfully develop any products or applications, or that its products/applications will be adopted, or that its products/applications will be marketed successfully. In addition, there

8

#### RISK FACTORS - continued

can be no assurance that the Company's products/applications will be widely adopted as an industry standard, even if similar products have been introduced successfully to the marketplace.

The markets for the Company's products have only recently begun to develop. As

is typical in the case of a new and rapidly evolving industry, demand and market acceptance for recently introduced products and services are subject to a high level of uncertainty and risk. Because the markets for the Company's products are new and evolving, it is difficult to predict the future growth rate, if any, and size of this market. There is no assurance either that the markets for the Company's products will emerge or become sustainable. If markets fail to develop, develop more slowly than expected or become saturated with competitors, or if the Company's products do not achieve or sustain market acceptance, the Company's business, results of operations and financial condition will be materially and adversely affected.

#### Need for Full-Time, Experienced Management and Key Employees

The Company is a growing company dependent upon the services of certain management and technical personnel, particularly Ralph Brier (CEO and Director), Ronald Erickson (Chairman of the Board and Director) and Ken Turpin (Chief Science Officer). At present, the Company has only one full-time employee, Ralph Brier. The other officers and directors devote such time to the activities of the Company as are required from time to time. The loss of the services of any one of these persons, or an inability to recruit and retain additional qualified personnel, could have a material adverse effect on the Company. The Company carries no key-man life insurance for any of these individuals.

#### Conflicts of Interest

Some of the Directors are also directors and/or officers of other companies, and conflicts of interest may arise between their duties as directors of the Company and as directors and officers of other companies. Where possible, these conflicts will be disclosed and appropriately managed.

#### Concentration of Ownership by Management

The management of the Company, either directly or indirectly, owns 1,150,000 shares. Even though this represents only 7% of the issued and outstanding shares, it may be difficult for any one shareholder to solicit sufficient votes to replace the existing management. Therefore, any one shareholder may not have an effectual voice in the direction of the Company.

#### Substantial Competition

The security, document forgery and fraud detection industry is characterized by rapidly evolving technology and potentially intense competition. The Company will be at a disadvantage with other companies having larger technical staffs, established market shares and greater financial and operational resources than the Company. There can be no assurance that the Company will be able to successfully compete. There can be no assurance that the Company's competitors will not succeed in developing applications, products or competing technologies that are more effective or more effectively marketed than products marketed by the Company, or that render the Company's technology obsolete. Earlier entrants

#### RISK FACTORS - continued

into a market often obtain and maintain significant market share relative to later entrants. The Company believes that an increasing number of applications and products in the market and the desire of other companies to obtain market share will result in increased price competition. Price reductions by the Company in response to competitive pressure could have a material, adverse effect on the Company's business, financial condition, and results of operations.

#### Protection of Proprietary Technology

The Company's success will depend in part on its ability to preserve and protect its trade secrets and proprietary technology, and to operate without infringing upon the patents or proprietary rights of third parties in both the United States and other countries. At this time, the Company has filed one patent application in the United States. The Company currently seeks to protect its proprietary technology through its patents and agreements with employees and others requiring that such information be kept confidential and that software code not be reverse engineered. There can be no assurance that such protection will be sufficient or that patent and/or copyright claims will not be challenged. Furthermore, the possibility exists that the Company could be found to be infringing on patents or copyrights held by others. The Company may have to sue to defend its intellectual property, to prosecute infringers, or to defend itself from infringement claims by others. Intellectual property litigation is expensive and time-consuming, and can be used by well-funded adversaries as a strategy for depleting the resources of a small company such as

the Company. There is no assurance that the Company will have sufficient resources to successfully prosecute its interests in any patent-related or copyright infringement litigation that may be brought.

The Company is not aware of any disputes with respect to any of its intellectual property at this time. The possibility exists, however, that the Company could be found to infringe on patents, service marks, trade marks or copyrights held by others. The use of trade marks, service marks, trade names, slogans, phrases and other expressions in the course of the business of the Company may be the subject of dispute and possible litigation.

#### Dependence on Third Parties

The Company is a small enterprise and has yet to establish substantial internal management, personnel and other resources. The Company depends substantially upon third parties for several critical elements of its business including, among other things, product research and technology development.

#### Need for Future Strategic Partnerships

The successful execution of the Company's business strategy is dependent upon enlisting key strategic partners in order to assist in product research and development, commercialization of the Company's applications and products, and to provide financial support or strength. There is no assurance that the Company will be successful in developing such strategic partnerships on a timely basis or in developing enough strategic partnerships to successfully market the Company's technologies and products domestically and globally.

10

#### RISK FACTORS - continued

##### Failure to Maintain Technological Advantages/Risk of Obsolescence

The Company will be dependent upon what it perceives as performance and usefulness advantages of its applications and its ability to maintain trade secret protection for its products. There can be no assurance that the Company will be able to obtain or maintain such advantages; failure to do so would have substantial adverse consequences to the business of the Company.

Technological obsolescence of the Company's applications and products remains a possibility. There is no assurance that the competitors of the Company will not succeed in developing related applications or products using similar processes and marketing strategies before the Company, or that they will not develop products that are more effective than any which have been or are being developed by the Company. Accordingly, the Company's ability to compete will be dependent on timely enhancement and development of its applications and products, as well as the development and enhancement of future products. There is no assurance that the Company will be able to keep pace with technological developments or that its products will not become obsolete.

##### Recently Enacted and Proposed Regulatory Changes

Recently enacted and proposed changes in the laws and regulations affecting public and reporting companies, including the provisions of the Sarbanes-Oxley Act of 2002 and rules proposed by the SEC and NASDAQ, could cause the Company to incur increased costs as it evaluates the implications of new rules and responds to new requirements. The new rules will make it more difficult for the Company to obtain certain types of insurance, including directors and officers liability insurance, and the Company may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. The impact of these events could also make it more difficult for the Company to attract and retain qualified persons to serve on the Company's board of directors, or as executive officers. The Company is presently evaluating and monitoring developments with respect to these new and proposed rules, and it cannot predict or estimate the amount of the additional costs it may incur or the timing of such costs.

#### B. Risks Relating to the Common Stock of the Company

##### Limited Public Market for Common Stock

The Company's common stock is not quoted or listed on any national securities exchange or the NASDAQ Stock Market. Although management's strategy is to develop a public market for the Company's common stock, there can be no assurance that the Company will be successful in soliciting brokers to become market makers of the stock, or that a stable market for the Company's common stock will ever develop or, if it should develop, be sustained. It should be assumed that any market for the Company's common stock will be highly illiquid, sporadic and volatile. The Company's stock should not be purchased by anyone who cannot afford the loss of their entire investment.



The Company is required to maintain status as a "reporting" issuer under the Securities Exchange Act of 1934 (the "Exchange Act"), in order to be traded by broker-dealers regulated by the National Association of Securities Dealers ("NASD"). If the Company fails to continue to be a reporting issuer, management may encounter difficulty in maintaining or expanding a trading market in the near term, if at all, and shareholders may not be able to sell their shares in the public market. While management currently intends to maintain status as a

11

#### RISK FACTORS - continued

reporting issuer under the Exchange Act, there can be no assurance that the Company can or will maintain such status.

#### Penny Stock Regulation

The SEC has adopted rules that regulate broker-dealer practices in connection with transactions in "penny stocks." Penny stocks generally are equity securities with a price of less than \$5.00 per share (other than securities registered on certain national securities exchanges or quoted on the NASDAQ National Market System, if current price and volume information with respect to transactions in such securities is provided by the exchange or system). The penny stock rules require a broker-dealer, before consummation of a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document prepared by the SEC that provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with bid and ask quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction, and monthly account statements showing the market value of each penny stock held in the customer's account. In addition, the penny stock rules require that, before consummation of a transaction in a penny stock not otherwise exempt from such rules, the broker-dealer must make a special written determination that a penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements often have the effect of reducing the level of trading activity in any secondary market for a stock that becomes subject to the penny stock rules. The Company's stock is currently subject to the penny stock rules, and accordingly, investors may find it difficult to sell their shares, if at all.

#### Possible Issuance of Additional Shares in the Future

The Company's Certificate of Incorporation authorizes the issuance of 200,000,000 shares of common stock and 50,000,000 shares of preferred stock. The Company's Board of Directors may issue all such shares that are not yet issued, without stockholder approval. The Company's Board of Directors may choose to issue some or all of such shares to acquire one or more businesses or other types of property, or to provide additional financing in the future. The issuance of any such shares may result in a reduction of the book value or market price of the outstanding shares of the Company's common stock. If the Company does issue any such additional shares, such issuance also will cause a reduction in the proportionate ownership and voting power of all other shareholders. Further, any such issuance may result in a change of control of the Company.

#### Absence of Dividends; Dividend Policy

The Company has never paid dividends on its common stock and does not anticipate paying any dividends on its common stock in the foreseeable future. The declaration and payment of dividends by the Company are subject to the discretion of the Company's Board of Directors. Any determination as to the payment of dividends in the future will depend upon results of operations, capital requirements, and restrictions in loan agreements, if any, and such other factors as the Board of Directors may deem relevant.

#### Present Shareholders Have Acquired Shares At Lower Prices

Some of the present shareholders have acquired their shares at prices ranging from \$0.001 to \$0.25 per share, while other, more recent shareholders have

12

#### RISK FACTORS - continued

purchased their shares at \$0.50 and \$0.75 per share. In addition, the Company has issued to a related party options for 300,000 shares of common stock at an exercise price of \$0.10 per share (see section below entitled "Stock Options").

#### Stock Options

In June 2005 the Company adopted a combined incentive and non-qualified stock

option plan authorizing the issuance of up to 2,000,000 shares of its common stock. Some options may be granted under certain circumstances at exercise prices below market at the time of grant. In any event, if the price of the Company's common stock should increase, the difference between the current market stock price and the exercise prices of outstanding options will increase.

As of June 30, 2005, no options have been granted under the Company's 2005 stock option plan; however, the following options to purchase common stock of the Company were granted prior to the adoption of the stock option plan: (i) 25,000 shares at an exercise price of \$1.00 per share, which options will expire on December 31, 2006; (ii) 300,000 shares at \$0.10 per share, which options will expire on August 15, 2009; and (iii) 210,000 shares at \$1.00 per share, which options will expire on June 6, 2006. As of the date hereof, none of the granted options have been exercised.

The existence of below-market options could adversely affect the market price of the Company's common stock and impair the Company's ability to raise additional capital through the sale of its equity securities or debt financing.

Exercise of any such options will result in dilution of the proportional interests of shareholders of the Company at the time of exercise, and, to the extent that the exercise price is less than the book value of the common stock at that time, to the book value per share of the common stock.

#### USE OF PROCEEDS

Existing shareholders, and not the Company, will receive the proceeds from the sale of up to 13,498,375 of the Shares. None of the proceeds from shareholder sales will be used to fund the Company's operations.

If the Company sells all of the 1,000,000 shares it is offering at \$0.75 per share, after offering related costs and broker commissions, the Company would anticipate having net proceeds available for Company operations of approximately \$675,000. The Company will use any net proceeds to fund on-going business development efforts as described in DESCRIPTION OF BUSINESS and MANAGEMENT'S PLAN OF OPERATION below.

As of June 30, 2005, the Company had \$650,779 in cash on hand and \$61,054 of short-term liabilities. The Company is consuming approximately \$38,000 per month for its current level of operations and product development.

#### DETERMINATION OF OFFERING PRICE

There is no established public market for the Shares being registered. The offering price for these Shares was determined by the Company, and no independent appraisal was done to determine this price. Although the price is "arbitrary", it does reflect the offering price for the Company's Common Stock in the most recent private offering undertaken by the Company in the first quarter of 2005.

13

#### DETERMINATION OF OFFERING PRICE - continued

Each prospective investor will need to make an independent evaluation of whether or not the price per Share is reasonable.

#### DILUTION

The net tangible book value of the Company on June 30, 2005 was \$615,116, yielding a per share net tangible book value of \$0.038 per share. If you purchase Shares in this offering from selling shareholders, the net tangible book value of the Company will remain the same, and you will suffer immediate and substantial dilution of approximately \$0.71 per Share or 95% (assuming the Shares are purchased for \$0.75 per share).

If you purchase Shares from the Company, assuming all 1,000,000 Shares are purchased for \$0.75 per share, after expenses, the net tangible book value of the Company will change from approximately \$0.038 per share as of June 30, 2005 to approximately \$0.075 per share. Therefore, a purchaser of such Shares will suffer immediate and substantial dilution of approximately \$0.675 per Share or 90%.

#### SELLING SHAREHOLDERS

The Company's participation in this offering is limited to the 1,000,000 new Shares being offered by the Company. The remainder of the Shares being offered are owned by the current shareholders of the Company. None of the selling shareholders are officers, directors, or owners of more than 5% of the common stock of the Company. The amount of Shares owned by the Company's officers and directors, including their respective ownership percentages, are reflected on

All of the shares of all shareholders who are not officers, directors or owners of more than 5% of the common stock of the Company are being registered for sale under this offering. The Company is doing so to meet certain obligations to some or all of these shareholders. Although they will have the right to sell their shares under this offering, such sales will be at their discretion and the Company does not know if such shareholders will, in fact, sell their shares under this offering. The Company intends to keep this offering open until all or substantially all of such shares are eligible for sale under Rule 144 under the Act.

#### PLAN OF DISTRIBUTION

The Shares will be offered and sold on a best efforts basis by the existing shareholders of the Company and by the Company from time to time through broker-dealers, and such broker-dealers may be paid normal and customary commissions with respect to such sales.

#### LEGAL PROCEEDINGS

There are no legal proceedings pending against the Company.

#### 14

#### DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS

The following table sets forth, as of June 30, 2005, the name, age and position of each executive officer and director, and the term of office of each director of the Company. Each member of the Board of Directors of the Company serves for a term of one year and until his successor is elected at the Company's annual shareholders' meeting and is qualified. Each officer is appointed by the Board of Directors, serves at the pleasure of the Board, and holds office until his/her earlier death, retirement, resignation or removal.

There are no agreements for any officer or director to resign at the request of any other person, and none of the officers or directors named below is acting on behalf of, or at the direction of, any other person.

Name	Age	Position	Year first elected
Ronald P. Erickson	60	Chairman of the Board	2003
Ralph Brier	53	Chief Executive Officer and Director	2004
Terry H. McKay	55	Director	2002
Mary Hethey	55	Secretary-Treasurer and Chief Financial Officer	2003
Ken Turpin	58	Chief Science Officer	2004

RONALD P. ERICKSON has been a director and officer of the Company since April 24, 2003. He was appointed President and Chief Executive Officer of the Company on September 29, 2003, and resigned from this position on August 31, 2004, at which time he was appointed Chairman of the Board. Resident in Seattle, he is a seasoned executive with more than 20 years of expertise in the high technology, telecommunications and microcomputer industries. Mr. Erickson is also Chairman of Intrinsyc Software Inc., a Vancouver-based publicly-traded company providing proprietary software and solutions which enable the development and networking of intelligent devices such as PDA's. Mr. Erickson is the current Chair and former CEO of eCharge, an electronic payment systems developer, where he played a major role in raising approximately USD \$100 million in equity capital from major international investors. Mr. Erickson previously was co-founder, Chairman, President and CEO of GlobalTel Resources, Inc., a provider of telecommunication services, messaging and intranet solutions. During his career, Mr. Erickson has also held executive positions at Egghead Software Inc, NBI Inc and MicroRim, Inc. With a law degree from the University of California, Davis, he maintains an active license to practice law in the State of Washington and the District of Columbia.

RALPH BRIER was appointed CEO, President and Director of the Company on August 31, 2004. He has over 25 years of diverse experience in marketing, sales, business development and strategic planning, with a focus in the security and biometrics sector. Ralph was Executive Vice President of Strategic Sales with Applied DNA Sciences, a Los Angeles based biotechnology security firm. He was previously employed by Sagem Morpho, a division of Groupe SAGEM in France, a global leader in the provisioning of biometric solutions for business and government. During his tenure there, he doubled commercial sales revenues,

serving as the senior commercial, channel and OEM business executive of biometric software, smart card implementation and hardware.

DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS - continued

TERRY H. MCKAY has been a director since June 6, 2002. Dr. McKay currently practices Dentistry in North Vancouver, BC. Since 1999 he has been a director of Swident, a Swiss dental insurance company, and serves on its Financial Audit Committee. Dr. McKay is past Clinical Director for Knowell Technology and a past Board member of longevitystore.com. Dr. McKay graduated from the University of British Columbia with a B.A. and D.M.D. in 1975. He has practiced Dentistry in British Columbia and in Seattle, Washington. Dr. McKay's professional memberships include the Canadian Dental Association, B.C. College of Dental Surgeons, Washington State Dental Association, American Academy of Gold Foil Operations and the American Academy of Operative Dentists.

MARY M. HETHEY, C.A., was appointed Chief Financial Officer, Chief Accounting Officer and Secretary of the Company on November 3, 2003. Ms. Hethey graduated with a B.A. in Economics from the University of Toronto in 1973. She moved to Vancouver and started to article with Clarkson Gordon Chartered Accountants in 1975, and transferred to Collins Barrow in 1978, where she performed both audits and non-audit engagements. In 1979 she obtained her Chartered Accountant designation. Since 1985, Mrs. Hethey has been a senior executive with various public companies listed both on the Canadian and US stock exchanges. She has continued to work as a Chartered Accountant since 1979.

KEN TURPIN was appointed Chief Science Officer on August 31, 2004. He has worked with the visual world of color as it applies to building materials for the past 15 years. His most recent business success was the founding, development, and sale of Fire Stop Systems, which was acquired and renamed to PFP Partners by Johns Manville in 1998. Throughout his career in manufacturing building products, Ken often dealt with the world of color, where he observed how people viewed and used color. In 1999, he began to allocate significant human, technical and financial resources to the world of visual color. The result of this research and development is CBN Systems. While doing the research on this project, he identified many other opportunities in the "non-visual to humans" spectrum of color.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information concerning the ownership of the Company's common stock as of June 30, 2005, with respect to: (i) each person known to the Company to be the beneficial owner of more than five percent of the Company's common stock; (ii) all directors; and (iii) all directors and executive officers of the Company as a group. The notes accompanying the information in the table below are necessary for a complete understanding of the figures provided below.

As of June 30, 2005, the Company had in place its 2005 Stock Option Plan authorizing the issuance of up to 2,000,000 shares of the Company's common stock. As of June 30, 2005, there were no options issued or outstanding under the Plan.

<TABLE>  
<CAPTION>

-----						
Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent Class	of	Number or % Shares Being Offered	of % after Offering (if all offered Shares are sold)
-----						
<S> Common	<C> FIRST EQUITY CAPITAL GROUP, INC. 1556 Demsey Road North Vancouver, BC Canada V7K 1T1	<C> 1,420,974 Direct	<C> 8.84 %		<C> 0%	<C> 8.33%
-----						
Common	RALPH BRIER 13112 Muir Drive NW Gig Harbor, WA 98332	300,000 (1) Direct	1.86 %		0%	1.76 %
-----						
Common	RONALD P. ERICKSON 500 Union Street	600,000	3.73 %		0%	3.51%

	Suite 406 Seattle, WA 98101	Direct			
Common	TERRY H. MCKAY 132 East 14th Street North Vancouver, BC Canada V7L 3N3	40,000 Direct	0.25 %	0%	0.23%
Common	MARY HETHEY 397 Ventura Crescent North Vancouver, BC Canada V7N 3G7	25,000 (2) Direct	0.15 %	0%	0.15%
Common	KEN TURPIN 7333 River Road Delta, BC Canada V4G 1B1	500,000 Direct 10,000 Indirect	3.17 %	0%	2.99%
	All Directors and Officers as a group (5 persons)	1,465,000	9.16 %	0%	8.64%

</TABLE>

- (1) Brier has been granted options for 300,000 shares of common stock at an exercise price of \$0.10 per share, which options expire on August 19, 2009
- (2) Hethey has been granted options for 25,000 shares of common stock at an exercise price of \$1.00 per share, which options expire on December 31, 2006.

17

#### DESCRIPTION OF SECURITIES

##### General Provisions of Common Stock

All outstanding shares of common stock are duly authorized, validly issued, fully paid and non-assessable. Upon liquidation, dissolution or winding up of the Company, the holders of common stock are entitled to share ratably in all net assets available for distribution to stockholders after payment to creditors and holders of preferred stock, if any. The common stock is not convertible or redeemable and has no preemptive, subscription or conversion rights.

Each outstanding share of common stock is entitled to one vote on all matters submitted to a vote of shareholders. There are no cumulative voting rights.

The holders of outstanding shares of common stock are entitled to receive dividends out of assets legally available therefor at such times and in such amounts as the Board of Directors may from time to time determine. Holders of common stock will share equally on a per share basis in any dividend declared by the Board of Directors. The Company has not paid any dividends on its common stock and does not anticipate paying any cash dividends on such stock in the foreseeable future.

In the event of a merger or consolidation, the holders of common stock will be entitled to receive the same per share consideration.

##### General Provisions of Preferred Stock

The Board of Directors is authorized by the Certificate of Incorporation of the Company to issue up to 50,000,000 shares of preferred stock. No such stock has been issued to date. The preferred shares could, in certain instances, render more difficult or discourage a merger, tender offer, or proxy contest, and thus potentially have an "anti-takeover" effect, especially if preferred shares were issued in response to a potential takeover. In addition, issuances of authorized preferred shares can be implemented, and have been implemented by some companies in recent years, with voting or conversion privileges intended to make acquisition of the Company more difficult or more costly. Such an issuance could deter the types of transactions which may be proposed or could discourage or limit the shareholders' participation in certain types of transactions that might be proposed (such as a tender offer), whether or not such transactions were favored by the majority of the shareholders, and could enhance the ability of officers and directors to retain their positions.

#### INTERESTS OF NAMED EXPERTS AND COUNSEL

No expert or legal counsel has been retained with respect to this prospectus on

a contingent basis or who will receive a direct or indirect interest in the Company or who was a promoter, underwriter, voting trustee, director, officer or employee of the Company.

#### DISCLOSURE OF THE SEC'S POSITION ON INDEMNIFICATION FOR SECURITIES ACT LIABILITIES

The Company's Articles of Incorporation and Bylaws provide that directors and officers shall be indemnified by the Company to the fullest extent authorized by applicable law, against all expenses and liabilities reasonably incurred in connection with services for or on behalf of the Company. The Articles of Incorporation and Bylaws also authorize the Board of Directors to indemnify any other person who the Company has the power to indemnify under applicable law,

18

#### DISCLOSURE OF THE SEC'S POSITION ON INDEMNIFICATION FOR SECURITIES ACT LIABILITIES - continued

and indemnification for such a person may be greater or different from that provided in the Bylaws.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the "Act") may be permitted for directors, officers and controlling persons of the Company pursuant to the foregoing provisions, or otherwise, the Company has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable.

#### ORGANIZATION WITHIN LAST FIVE YEARS

On May 28, 2002, the Company signed an agreement with First Equity Capital Group Inc. for the assignment of the "Starberrys" name and business system from First Equity Capital Group to the Company. The consideration was 2,500,000 shares of common stock plus \$50,000. The 2,500,000 shares were delivered by the Company to First Equity on June 6, 2002.

On June 16, 2004, the Company executed an Intellectual Property Agreement with Ken Turpin, the Company's Chief Science Officer, to confirm the Company's ownership of the business of researching, developing, acquiring and commercializing products and services related to color technology outside the visible spectrum, using specialized narrow band N-IR and N-UV sensors and special analysis software modeling. As part of this Agreement, Turpin acknowledged and agreed that all work product was made for the Company and that the Company is the exclusive owner of all right, title and interest in and to the work product and all intellectual property rights therein. As consideration for this Agreement, Ken Turpin received 500,000 shares of common stock. Except as indicated above, there were no other transactions, or series of similar transactions, since inception of the Company and during its current fiscal period, or any currently proposed transactions, or series of similar transactions, to which the Company was or is to become a party, in which the amount involved exceeded \$60,000, and in which any director or executive officer, or any security holder who is known by the Company to own of record or beneficially more than 5% of the Company's common stock, or any member of the immediate family of any of the foregoing persons, has an interest.

#### DESCRIPTION OF BUSINESS

The Company (formerly named Starberrys Corporation) was incorporated as a Nevada corporation on October 8, 1998. The Company has no subsidiaries and no affiliated companies.

The Company's executive offices are located in Seattle, Washington. On June 16, 2004, the Company entered into a contract with eVision Technologies Inc. to conduct further research on and development of the Company's color technology. The terms of the contract require the Company to pay eVision CDN \$18,600 per month (approximately USD \$15,500) for such research and development services, which are provided by Kenneth Turpin, a principal of eVision. The Company's technology involves providing 3D spectral-based pattern file creation and matching. Color pattern files can be created from any digital photograph or scan, without having to reprint, recreate, recall or modify existing digital source of documents. Those pattern files can then be matched against existing databases to detect and identify crime, forgery, counterfeiting and other frauds. The Company believes that this technology will provide a new, accurate and fast detection tool for critical applications such as national security, forgery/fraud prevention, brand protection, and product tampering.

19

#### DESCRIPTION OF BUSINESS - continued

The Company changed its name to Visualant, Incorporated on August 18, 2004 to reflect its new business pursuits.

On April 21, 2005, the Company entered into a licensing agreement with eVision Technologies Inc. pursuant to which eVision Technologies, as licensor, agreed to grant the Company exclusive licensing rights to its technology. This technology, the CBN coding system, identifies colors and uses the identification for the purpose of formulating colors. This system has been licensed to the Company on an exclusive worldwide basis for all purposes, except for the purpose of formulating colors. As consideration for this license, the Company has agreed to grant eVision Technologies 10,000 shares of common stock of the Company.

The focus of the Company is to capitalize upon the business opportunities in national security, document forgery/fraud, brand protection, label fraud and product tampering. The Company intends to position its technology as both a revolutionary and practical solution for security and fraud/forgery prevention markets and applications. The Company's plans include:

- (i) Building awareness and acceptance among systems integrators in selected markets;
- (ii) Targeting and supporting market-specific software developers and providing them with software development kits (SDKs) specific to their market/application needs;
- (iii) Pursuing strategic and business partnerships with known leaders in selected markets while developing high visibility and contact with designers and system integrators within their organizations;
- (iv) Developing a visual presentation that captures the revolutionary nature of the Company's technology, so that any audience can easily grasp the significance of this new technology;
- (v) Developing a complete marketing and sales plan with objectives, strategies, sales goals, and measurement tools;
- (vi) Developing white papers and technical briefs specific to selected markets;
- (vii) Developing and placing a series of feature articles for the technical press;
- (viii) Targeting market-specific trade journals, and trade shows/conferences with press releases and corporate presence; and
- (ix) Deploying a market-specific sales team with expertise and existing relationships within their respective industries/market segments.

The Company intends to raise further funds through private placements of the Company's common stock. The financing activities of the Company are current and ongoing, and it will expand and accelerate its marketing program as the timing and amount of financing allow.

To date the Company has no revenues from operations. The Company has one full-time employee and intends to hire additional personnel in the near future, depending on its success in raising funds to accelerate its research and development program and marketing plans.

20

#### DESCRIPTION OF BUSINESS - continued

The Company files various periodic reports with the SEC, including Forms 10-KSB, 10-QSB, and 8-K. These documents may be reviewed and copied at the SEC's Public Reference Room at 450 Fifth Street N.W., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet website that contains reports, proxy and information statements, and other information which the Company has filed electronically with the SEC. Interested parties can review these filings by accessing the SEC's website using the following address: <http://www.sec.gov>.

#### MANAGEMENT'S PLAN OF OPERATION

The Company has no revenue to date from its operations, and its ability to implement its plans for the future will depend on the future availability of financing. Such financing will be required to enable the Company to develop its technology and acquire new businesses. The Company intends to raise further funds through private placements of the Company's common stock. The financing activities of the Company are current and ongoing, and it will expand and accelerate its marketing program as the timing and amount of financing allow. However, there can be no assurance that the Company will be successful in obtaining additional capital for such technology development and/or business acquisitions from the sale of its capital stock, or in otherwise raising substantial capital.

The Company's cost to continue operations as they are now conducted is

approximately \$38,000 per month, and the Company has sufficient funds to cover existing operations for approximately seventeen (17) months. However, the Company will need to raise additional funds in order to finance its plans to expand its operations for the next year. The Company intends to raise the required funds by obtaining share capital from outside sources. During the three months ended December 31, 2004, the Company raised \$212,000 in additional share capital through the sale of common shares. In January through June 2005, an additional \$952,500 was raised through the sale of common shares. The Company plans in the months from July 2005 to December 2005 to raise a minimum of \$500,000 and a maximum of \$1,300,000 through the sale of common shares. If the Company is successful in raising additional funds, the Company's research and development efforts will be increased.

There is no plan to purchase or sell any equipment, other than the \$12,308 paid for research and development equipment in October 2004.

If the Company is successful in raising additional funds, it intends to hire two to three programmers and/or software engineers to accelerate its research and development program and complete the development of its technology, as well as file patents and initiate marketing of the technology. With the hiring of additional personnel, the Company expects to have a product available for demonstration within the next six months. The Company's software currently is in modular form, and eventually will be developed into software development kits specific to market/application needs.

In addition to securing the necessary funds, commercialization of the Company's technology and the availability of a marketable product are dependent upon a number of factors including:

(i) Securing patent protection for the Company's intellectual property. The Company has filed a patent application on its core technology, and expects to receive notification from the U.S. Patent and Trademark Office before the end of 2005 as to whether a patent will be granted.

21

#### MANAGEMENT'S PLAN OF OPERATION - continued

(ii) Development of new applications for the Company's technology and pursuit of new markets and market segments that will utilize the technology.

(iii) Ongoing patent research and writing relating to the evolution of the Company's technology and its product application(s) as the Company's technology is tested and refined.

The Company recently became a member of the University of Washington HIT Lab Consortium. The Lab is supported in part by the Virtual Worlds Consortium, a group of over 45 companies or organizations that provide funding and direction to the Lab. These companies include: Advanced Telecommunications Research (ATR), Alias/Wavefront, American Express Company, Armstrong Aeromedical Research Laboratory (AAMRL), Battelle, The Broken Hill Proprietary Company (BHP), Boeing, Chevron Petroleum Technology Company, Change Tools, Eastman Kodak Company, Fluke, Ford Motor Company, Franz, Fujitsu, Hewlett Packard, Hughes, Industrial Technology Research Institute, Intel Corporation, Institute for Information Industry, Kopin Corporation, Lockheed-Martin, Marconi Aerospace Systems Inc., Microsoft, Microvision Inc., Museum of Flight, NBBJ, NEC Corporation, Nike, Omron Corporation, Pentax Corporation, Philips, Reachin Technologies, Rockwell Science Center Inc., Samsung, SensAble Technologies, Sense8/EAI, Sharp Corporation, Stratos, Sun Microsystems, Tektronix, Telecom Italia, Texas Instruments, U.S. Navy, U.S. West Communications, VisionGate, and Virtual Vision.

Membership in the HIT Lab Consortium enables the Company to conduct specific testing and research projects at the HIT Lab involving its color screening technology. Other potential benefits of membership in the Consortium include academic testing, validation and certification of the Company's technology, recommendations for technology investments and additional applications for the Company's technology, and introductions to strategic partners and prospective customers in the industry.

#### DESCRIPTION OF PROPERTY

The Company's executive offices are located at 500 Union Street in Seattle, Washington, in space that is leased from another company, Blue Frog Mobile Inc. The Company's Chairman is the CEO of Blue Frog Mobile. The Company pays rent of \$200 per month.

#### CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Ronald Erickson, Chairman of the Company, is the CEO and a shareholder of Blue Frog Mobile Inc. The Company leases space from Blue Frog Mobile as described above under "Description of Properties."



On June 16, 2004, the Company entered into a contract with eVision Technologies Inc. to conduct research and development of the Company's color technology. The Company pays eVision CDN \$18,600 per month for such research and development services, which are provided by Kenneth Turpin, a principal of eVision. In addition, on April 21, 2005, the Company entered into an exclusive licensing agreement with eVision Technologies for the exclusive licensing rights to eVision's CBN coding system technology. eVision received 10,000 shares of common stock of the Company as consideration for the license. Ken Turpin, the Company's Chief Science Officer, owns 100% of eVision Technologies.

22

#### MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

At present there is no established public trading market for the Company's Common Stock.

#### Holders

As of June 30, 2005, there were approximately 91 shareholders of record of the Company's outstanding 16,059,349 shares of Common Stock. There are no additional shareholders through nominee or street name accounts with brokers. In addition to the outstanding shares, there are outstanding options to purchase 535,000 shares of Common Stock at exercise prices ranging from \$0.10 per share to \$1.00 per share.

#### Dividends

The Company has not declared or paid dividends on its Common Stock since its formation, and the Company does not anticipate paying dividends in the foreseeable future. Although the Company does not currently have a credit facility, future credit facilities, if any, are likely to prohibit the payment of dividends. Declaration or payment of dividends, if any, in the future, will be at the discretion of the Board of Directors and will depend on the Company's then current financial condition, results of operations, capital requirements and other factors deemed relevant by the Board of Directors.

#### Equity Compensation Plan Information

<TABLE>

<CAPTION>

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
<S>	<C>	<C>	<C>
2005 Stock Option Plan (approved by shareholders)	0 shares of common stock	n/a	2,000,000 shares of common stock
Equity Compensation Plans not approved by shareholders	None	n/a	None
Total	0	n/a	2,000,000 shares of common stock

</TABLE>

23

#### EXECUTIVE COMPENSATION

##### Summary Compensation Table

The following table sets forth compensation paid or accrued by the Company to its executive officers and directors. Other than the CEO, the table does not include any executive officer whose total annual salary and bonus does not exceed \$100,000 during the fiscal year ended September 30, 2004.

The Company's Board of Directors and Shareholders have adopted the 2005 Stock Option Plan for our officers, key employees, directors, agents, advisors and

consultants, which could result in additional compensation. Under this plan, the Company may issue up to 2,000,000 shares of its Common Stock. As of the date of this prospectus, no options have been granted under this Plan.

<TABLE>  
<CAPTION>

<S> Name and Other Principal Position sation (a)	Annual Compensation				Long-Term Compensation			
	<C> Year (b)	<C> Salary (\$) (c)	<C> Bonus (\$) (d)	<C> Other Annual Compensation (\$) (e)	<C> Restricted Stock Awards (f)	<C> Securities Underlying Options/ SARs (#) (g)	<C> LTIP Payouts (\$) (h)	<C> All Compen- (\$) (i)
Ralph Brier CEO, President and Director	2004 2003 2002	\$60,000				300,000 (1)		

(1) In August 2004, Ralph Brier was granted options to purchase 300,000 shares of common stock at an exercise price of \$0.10 per share. The options vest at a rate of 25,000 shares per quarter commencing August 15, 2004. The options will expire on August 15, 2009.

Table of Option/SAR Grants in Last Fiscal Year  
<TABLE>  
<CAPTION>

Name (a)	Number of Securities Underlying Options/SARs Granted (#) (b)	Percent of Total Options/SARs granted to employees in Fiscal Year (c)	Exercise or Base Price (\$/Share) (d)	Expiration Date (e)
<S> None	<C> n/a	<C> n/a	<C> n/a	<C> n/a

24

#### EXECUTIVE COMPENSATION - continued

##### Compensation of Directors

Standard Arrangements. Directors are not paid any compensation for their services as directors. All directors are reimbursed for their out-of-pocket expenses incurred in connection with work performed on behalf of the Company.

Other Arrangements. None

Employment Contracts. The Company has an employment agreement with Ralph Brier, as CEO of the Company, pursuant to which he was paid \$5,000 per month commencing August 15, 2004 through April 15, 2005. From April 16, 2005 through June 15, 2005, his compensation was increased to \$9,000 per month. Commencing June 16, 2005, his compensation has been increased to \$15,420 per month.

25

#### FINANCIAL STATEMENTS

The Company's fiscal year end is September 30. The Company's audited financial statements for the fiscal years ended September 30, 2004 and September 30, 2003 and its unaudited financial statements for three and nine month interim periods ended June 30, 2005 immediately follow:

FINANCIAL STATEMENTS Table of Contents	Page
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS .....	27
BALANCE SHEET September 30, 2004 .....	28
STATEMENT OF OPERATIONS - For the Years Ended September 30, 2004 and 2003 and Period October 8, 1998 (Date of Inception) to September 30, 2004 .....	29
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY - For the period October 8, 1998 (Date of Inception) to September 30, 2004 .....	30
STATEMENT OF CASH FLOWS - For the year ended September 30, 2004 and 2003 and the Period October 8, 1998 (Date of Inception) to September 30, 2004 .....	31
NOTES TO FINANCIAL STATEMENTS - September 30, 2004 .....	32
BALANCE SHEET - June 30, 2005 and September 30, 2004 (Unaudited) .....	36
STATEMENT OF OPERATIONS - For the Three and Nine Months Ended June 30, 2005 and 2004 and Period October 8, 1998 (Date of Inception) to June 30, 2005 (Unaudited) .....	37
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY - For the period October 8, 1998 (Date of Inception) to June 30, 2005 (Unaudited) .....	38
STATEMENT OF CASH FLOWS - For the nine months ended June 30, 2005 and 2004 and the Period October 8, 1998 (Date of Inception) to June 30, 2005 (Unaudited) .....	39
NOTES TO FINANCIAL STATEMENTS - June 30, 2005 .....	40

MADSEN & ASSOCIATES CPA's INC.	684 East Vine Street #3,
Certified Public Accountants and	Murray, Utah 84107
Business Consultants	Telephone 801-268-2632
Member SEC Practice Section of the AICPA	Fax 801-268-3978

Board of Directors  
Visualant, Incorporated  
Vancouver, B.C., Canada

#### REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We have audited the accompanying balance sheet of Visualant, Incorporated (development stage company) at September 30, 2004, and the related statements of operations, stockholders' equity, and cash flows for the years ended September 30, 2004 and 2003 and the period October 8, 1998 (date of inception) to September 30, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall balance sheet presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Visualant, Incorporated at September 30, 2004, and the results of operations, and cash flows for the years ended September 30, 2004 and 2003 and the period October 8, 1998 (date of inception) to September 30, 2004 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company does not have the necessary working capital to service its debt and for its planned activity, which raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are described in Note 9. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

VISUALANT, INCORPORATED  
(Development Stage Company)  
BALANCE SHEET  
September 30, 2004

## ASSETS

## CURRENT ASSETS

Cash	\$ 12,832
	-----
TOTAL CURRENT ASSETS	12,832
	-----
TOTAL ASSETS	\$ 12,832
	=====

## LIABILITIES AND STOCKHOLDERS' EQUITY

## CURRENT LIABILITIES

Note payable & accrued interest - related party	\$ 593,750
Accounts payable - related parties	645,652
Accounts payable	248,092
	-----
TOTAL CURRENT LIABILITIES	1,487,494
	-----

## STOCKHOLDERS' EQUITY

Common stock 200,000,000 shares authorized, at \$0.001 par value; 11,689,848 (2003 - 11,489,848) shares issued and outstanding	\$ 11,690
Capital in excess of par value	709,626
Deficit accumulated during the development stage	(2,195,978)
	-----
TOTAL STOCKHOLDERS' DEFICIENCY	(1,474,662)
	-----
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	\$ 12,832
	=====

The accompanying notes are an integral part of these financial statements

VISUALANT, INCORPORATED  
(Development Stage Company)

## STATEMENT OF OPERATIONS

For the Years Ended September 30, 2004 and 2003 and Period  
October 8, 1998 (Date of Inception) to September 30, 2004

	Sept 30 2004	Sept 30 2003	Oct 8, 1998 to Sept 30, 2004
	-----	-----	-----
REVENUES	\$ --	\$ --	\$ --
	-----	-----	-----
EXPENSES			
Administrative	146,515	646,321	1,006,181
	-----	-----	-----
NET LOSS - before other losses	(146,515)	(646,321)	(1,006,181)
OTHER EXPENSES AND LOSSES (RECOVERIES)			
Interest	(75,000)	(18,750)	(93,750)
Loss of deposit - note 7	--	(1,154,327)	(1,154,327)
Recovery of prior year's expense	58,280	--	58,280
	-----	-----	-----

NET LOSS	\$ (163,235)	\$ (1,819,398)	\$ (2,195,978)
	=====	=====	=====
NET LOSS PER COMMON SHARE	\$ (.01)	\$ (.17)	
	=====	=====	
AVERAGE OUTSTANDING SHARES			
Basic (stated in 1,000's)	11,506	10,535	
	=====	=====	

The accompanying notes are an integral part of these financial statements

29

VISUALANT, INCORPORATED  
(Development Stage Company)  
STATEMENT OF CHANGES IN  
STOCKHOLDERS' EQUITY For the period October 8,  
1998 (Date of Inception) to September 30, 2004

<TABLE>  
<CAPTION>

	Common Shares	Stock Amount	Capital in Excess of Par Value	Accumulated Deficit
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Balance, October 8, 1998 (date of inception)	--	\$ --	\$ --	\$ --
Issuance of common stock for cash at \$.002 - November 20, 1998	4,500,000	4,500	4,500	--
Issuance of common stock for cash at \$.01 - November 25, 1998	6,000,000	6,000	54,000	--
Issuance of common stock for cash at \$.25 - December 4, 1998	35,000	35	8,715	--
Capital contributions - expenses	--	--	3,650	--
Net operating loss for the period October 8, 1998 to September 30, 1999	--	--	--	(27,748)
Capital contributions - expenses	--	--	3,650	--
Net operating loss for the year ended September 30, 2000	--	--	--	(64,537)
Capital contributions - expenses	--	--	3,650	--
Net operating loss for the year ended September 30, 2001	--	--	--	(7,585)
Issuance of common stock for cash at \$.50 - July 5, 2002	26,200	26	13,116	--
Net operating loss for the year ended September 30, 2002	--	--	--	(113,475)
Issuance of common stock as bonus at \$.001 - July 1, 2003	150,000	150	--	--
Issuance of common shares for cash at \$.50 per share - July 4, 2003	100,000	100	49,900	--
Issuance of common stock for debt at \$.50 - July 30, 2003	184,848	185	92,239	--
Issuance of common shares for cash at \$.75 per share - September 30, 2003	520,000	520	389,480	--
Refund and return of common shares at \$.50 per share	(26,200)	(26)	(13,074)	--
Net operating loss for the year ended September 30, 2003	--	--	--	(1,819,398)
	-----	-----	-----	-----
Balance, September 30, 2003	11,489,848	11,490	609,826	(2,032,743)
Issuance of common stock for cash at \$.50 per share - August 2004	200,000	200	99,800	--
Net operating loss for the year ended September 30, 2004	--	--	--	(163,235)
	-----	-----	-----	-----
Balance, September 30, 2004	11,689,848	\$ 11,690	\$ 709,626	\$ (2,195,978)
	=====	=====	=====	=====

</TABLE>

The accompanying notes are an integral part of these financial statements

30

VISUALANT, INCORPORATED  
(Development Stage Company)  
STATEMENT OF CASH FLOWS  
For the year ended September 30, 2004 and the Period  
October 8, 1998 (Date of Inception) to September 30, 2004

<TABLE>  
<CAPTION>

	Sept 30 2004	Sept 30 2003	Oct 8, 1998 to Sept 30, 2004
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	\$ (163,235)	\$ (1,819,398)	\$ (2,195,978)
Adjustments to reconcile net loss to net cash provided by operating activities			
Issuance of capital stock for expenses	--	150	150
Changes in accounts and notes Payable	75,687	1,392,175	1,579,918
Capital contributions - expenses	--	--	10,950
Loss of deposit	--	1,154,327	1,154,327
Net Cash Used in Operations	(87,548)	727,254	549,367
CASH FLOWS FROM INVESTING ACTIVITIES			
Deposits Pursuant to Letters of Intent and Purchase Agreement	--	(1,154,327)	(1,154,327)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net - proceeds from issuance of common stock	100,000	426,900	617,792
Net Increase (Decrease) in Cash	12,452	(173)	12,832
Cash at Beginning of Period	380	553	--
Cash at End of Period	\$ 12,832	\$ 380	\$ 12,832

#### SCHEDULE OF NONCASH FLOWS FROM OPERATING AND FINANCING ACTIVITIES

Issuance of 150,000 common shares for services	\$ 150
Issuance of 184,848 common shares for payment of debt	92,424
Capital contributions - expenses	10,950

</TABLE>

The accompanying notes are an integral part of these financial statements

31

VISUALANT, INCORPORATED  
(Development Stage Company)

#### NOTES TO FINANCIAL STATEMENTS

September 30, 2004

#### 1. ORGANIZATION

The Company was incorporated under the laws of the State of Nevada on October 8, 1998 under the name of "Cigar King Corporation" with authorized common stock of 200,000,000 shares at \$0.001 par value. On September 13, 2002 the name was changed to "Starberrys Corporation" and the authorized capital stock was changed by the addition of 50,000,000 shares of preferred stock with a par value of \$0.001. On August 18, 2004, the Company changed its name a second time, to Visualant, Incorporated. There are no preferred shares issued and the terms have not been determined.

The Company was originally organized for the purpose of engaging in quality cigar sales. During 1998 the Company purchased the right to use the name "Cigar King" to market high quality cigars and during 2000 the activity was abandoned.

During 2002, the Company entered into a contract of purchase of all assets and intellectual property related to the "Colour by Numbers" business and system and on April 9, 2003 the Company signed a Purchase Agreement for the Acquisition of all shares of the Company which owns design, paint and building products. The contract was subsequently rescinded.

In June 2004, the Company entered into a contract for the development of its color technology providing 3D spectral-based pattern file creation and matching.

The Company is in the development stage.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Accounting Methods

The Company recognizes income and expenses based on the accrual method of accounting.

### Dividend Policy

The Company has not adopted a policy regarding payment of dividends.

### Income Taxes

The Company utilizes the liability method of accounting for income taxes. Under the liability method deferred tax assets and liabilities are determined on the differences between financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws that will be in effect, when the differences are expected to reverse. An allowance against deferred tax assets is recorded, when it is more likely than not, that such tax benefits will not be realized.

32

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

### Income Taxes - continued

On September 30, 2004 the Company had a net operating loss carry forward of \$ 2,195,978. The tax benefit of approximately \$ 659,000 from the loss carry forward has been fully offset by a valuation reserve because the use of the future tax benefit is doubtful since the Company has no operations. The loss carryforward will expire in 2024.

### Basic and Diluted Net Income (Loss) Per Share

Basic net income (loss) per share amounts are computed based on the weighted average number of shares actually outstanding. Diluted net income (loss) per share amounts are computed using the weighted average number of common shares and common equivalent shares outstanding as if shares had been issued on the exercise of the common share rights unless the exercise becomes antidilutive and then only if the basic per share amounts are shown in the report.

### Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with a maturity, at the time of purchase, of less than three months, to be cash equivalents.

### Financial Instruments

The carrying amounts of financial instruments, including cash and accounts payable, are considered by management to be their estimated fair values.

### Financial and Concentrations Risk

The Company does not have any concentration or related financial credit risk.

### Revenue Recognition

Revenue will be recognized on the sale and delivery of a product or the completion of a service provided.

### Advertising and Market Development

The Company will expense advertising and market development costs as incurred.

### Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of the assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing these financial statements.

### Foreign Currency Translation

Part of the transactions of the Company were completed in Canadian dollars and have been translated to US dollars as incurred, at the exchange rate in effect at the time, and therefore, no gain or loss from the translations is recognized. US dollars are considered to be the functional currency.

33

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

### Recent Accounting Pronouncements

The Company does not expect that the adoption of other recent accounting pronouncements will have a material impact on its financial statements.

### 3. NOTE PAYABLE - RELATED PARTY

The Company has a note payable of \$500,000 due July 31, 2004, including interest of 15%. The note is secured by common shares of the Company owned by officers-directors.

### 4. COMMON CAPITAL STOCK

Since its inception, the Company has completed private placements of 11,355,000 of its common capital stock for \$ 617,792 and has issued 150,000 shares for services and 184,848 shares for payment of debt.

### 5. COMMON CAPITAL STOCK OPTIONS

During 2003 the Company granted stock options to a related party of 300,000 shares of common stock at \$.10 per share, which will expire August 15, 2009. Stock options of 187,500 shares of common stock were cancelled during the year.

There are stock options outstanding to a related party of 25,000 shares of common stock at \$1.00 per share, which will expire on December 31, 2006.

On the date of the grant the fair value of outstanding shares of the Company was less than \$1.00 and therefore no value was recorded.

Officers, directors and key consultants have acquired 56% of the outstanding common stock and have received the stock options as outlined in Note 5.

### 8. SUBSEQUENT EVENTS

### 9. GOING CONCERN

The Company does not have the working capital to service its debt and for any future planned activity which raises substantial doubt about its ability to continue as a going concern.

Continuation of the company as a going concern is dependant upon obtaining additional working capital and the management of the Company has developed a strategy, which it believes will accomplish this objective through additional funding, long term debt, and contributions to capital by officers, which will enable the Company to conduct operations for the coming year.

## VISUALANT, INCORPORATED

### FINANCIAL STATEMENTS (UNAUDITED)

The accompanying balance sheet of Visualant, Incorporated (development stage company) at June 30, 2005 and September 30, 2004 and the statement of operations for the three and nine months ended June 30, 2005 and 2004 and statement of cash flow for the nine months ended June 30, 2005 and 2004 and for the period from October 8, 1998 (date of incorporation) to June 30, 2005, have been prepared by the Company's management, in conformity with principles generally accepted in the United States of America. In the opinion of management, all adjustments considered necessary for a fair presentation of the results of operations and financial position have been included and all such adjustments are of a normal recurring nature.

Operating results for the quarter ended June 30, 2005 are not necessarily indicative of the results that can be expected for the year ending September 30, 2005.



VISUALANT, INCORPORATED  
 (Development Stage Company)  
 BALANCE SHEET  
 June 30, 2005 and September 30, 2004

<TABLE>  
 <CAPTION>

	June 30, 2005	September 30, 2004
	-----	-----
	<C>	<C>
<S>		
ASSETS		
CURRENT ASSETS		
Cash	\$ 650,779	\$ 12,831
Accounts receivable - related party	7,587	--
	-----	-----
Total Current Assets	658,336	12,831
	-----	-----
EQUIPMENT - net of accumulated depreciation	10,554	--
	-----	-----
LICENSE - net of amortization	7,250	--
	-----	-----
	\$ 676,170	\$ 12,831
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
(DEFICIENCY)		
CURRENT LIABILITIES		
Note payable - related party	\$ --	\$ 500,000
Accrued interest payable - related party	--	93,750
Accounts payable - related parties	10,750	83,237
Accounts payable	50,304	794,538
	-----	-----
Total Current Liabilities	61,054	1,471,525
	-----	-----
STOCKHOLDERS' EQUITY (DEFICIENCY)		
Preferred stock		
50,000,000 shares authorized, at \$0.001 per share;		
none outstanding		
Common stock		
200,000,000 shares authorized, at \$0.001 par value;		
16,059,349 shares issued and outstanding on June		
30, 2005; 11,689,848 on September 30, 2004	16,059	11,690
Capital in excess of par value	3,242,008	723,626
Deficit accumulated during the development stage	(2,642,951)	(2,194,010)
	-----	-----
Total Stockholders' Equity (Deficiency)	615,116	(1,458,694)
	-----	-----
	\$ 676,170	\$ 12,831
	=====	=====

</TABLE>

The accompanying notes are an integral part of these financial statements

For the Three and Nine Months Ended June 30, 2005 and 2004 and Period  
October 8, 1998 (Date of Inception) to June 30, 2005

<TABLE>  
<CAPTION>

	Three Months Ended June 30, 2005	Three Months Ended June 30, 2004	Nine Months Ended June 30, 2005	Nine Months Ended June 30, 2004	October 8, 1998 to June 30, 2005
<S>	<C>	<C>	<C>	<C>	<C>
REVENUES	\$ --	\$ --	\$ --	\$ --	\$ --
EXPENSES					
Research and development	51,911	--	145,533	--	210,632
Administrative	186,820	8,778	290,908	49,517	1,215,142
NET LOSS - before other Income & expenses	(238,731)	(8,778)	(436,441)	(49,517)	(1,425,774)
OTHER INCOME and EXPENSES					
Settlement of debt	--	--	--	--	43,400
Interest	--	(18,750)	(12,500)	(56,250)	(106,250)
Loss of deposit - note 7	--	--	--	--	(1,154,327)
NET LOSS	\$ (238,731)	\$ (27,528)	\$ (448,941)	\$ (105,767)	\$ (2,642,951)
NET LOSS PER COMMON SHARE					
Basic and diluted	\$ (.02)	\$ --	\$ (.03)	\$ (.01)	
AVERAGE OUTSTANDING SHARES (stated in 1000,s)					
Basic	13,332	11,490	12,692	11,490	
Diluted	13,657		13,017		

</TABLE>

The accompanying notes are an integral part of these financial statements

VISUALANT, INCORPORATED  
(Development Stage Company)  
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY  
For the period October 8,  
1998 (Date of Inception) to June 30, 2005

<TABLE>  
<CAPTION>

	Common Shares	Stock Amount	Capital in Excess of Par Value	Accumulated Deficit
<S>	<C>	<C>	<C>	<C>
Balance, October 8, 1998 (date of inception)	--	\$ --	\$ --	\$ --
Issuance of common stock for cash at \$.002 - November 20, 1998	4,500,000	4,500	4,500	--
Issuance of common stock for cash at \$.01 - November 25, 1998	6,000,000	6,000	54,000	--
Issuance of common stock for cash at \$.25 - December 4, 1998	35,000	35	8,715	--
Capital contributions - expenses	--	--	3,650	--
Net operating loss for the period October 8, 1998 to September 30, 1999	--	--	--	(27,748)
Capital contributions - expenses	--	--	3,650	--
Net operating loss for the year ended September 30, 2000	--	--	--	(64,537)
Capital contributions - expenses	--	--	3,650	--
Net operating loss for the year ended September 30, 2001	--	--	--	(7,585)
Issuance of common stock for cash at \$.50 - July 5, 2002	26,200	26	13,116	--
Net operating loss for the year ended September 30, 2002	--	--	--	(113,475)

Issuance of common stock as bonus at \$.001 - July 1, 2003	150,000	150	--	--
Issuance of common shares for cash at \$.50 per share - July 4, 2003	100,000	100	49,900	--
Issuance of common stock for debt at \$.50 - July 30, 2003	184,848	185	92,239	--
Issuance of common shares for cash at \$.75 per share - September 30, 2003	520,000	520	389,480	--
Refund and return of common shares at \$.50 per share	(26,200)	(26)	(13,074)	--
Net operating loss for the year ended September 30, 2003	--	--	--	(1,819,398)
Issuance of common stock for cash at \$.50 per share - net of issuance costs - August 2004	200,000	200	89,800	--
Compensation - incentive stock options	--	--	24,000	--
Net operating loss for the year ended September 30, 2004	--	--	--	(161,267)
	-----	-----	-----	-----
Balance, September 30, 2004	11,689,848	11,690	723,626	(2,194,010)
Issuance of common stock for cash at \$.50 per share - October - December 2004	424,000	424	211,576	--
Issuance of common stock for debt at \$.50 per share - December 2004	2,665,502	2,665	1,330,086	--
Issuance of common stock for license at \$.75 per share - April 2005	10,000	10	7,490	--
Issuance of common shares for cash at \$.75 per share - May to June 2005	1,269,999	1,270	951,230	--
Compensation - incentive stock options	--	--	18,000	--
Net operating loss for the nine months ended June 30, 2005	--	--	--	(448,941)
	-----	-----	-----	-----
Balance, June 30, 2005	16,059,349	\$ 16,059	\$ 3,242,008	\$ (2,642,951)
	=====	=====	=====	=====

</TABLE>

The accompanying notes are an integral part of these financial statements

VISUALANT, INCORPORATED  
(Development Stage Company)  
STATEMENT OF CASH FLOWS

For the nine months ended June 30, 2005 and 2004 and the Period  
October 8, 1998 (Date of Inception) to June 30, 2005

	June 30, 2005	June 30, 2004	Oct 8, 1998 to June 30, 2005
	-----	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	\$ (448,941)	\$ (105,767)	\$ (2,642,951)
	-----	-----	-----
Adjustments to reconcile net loss to net cash provided by operating activities			
Depreciation of equipment	2,003	--	2,003
Issuance of common stock for expenses	--	--	150
Change in accounts receivable	(7,587)	--	(7,587)
Changes in accounts and notes payable	(77,719)	105,426	1,476,230
Capital contributions - expenses	--	--	10,950
Incentive stock options	18,000	--	42,000
Loss of deposit	--	--	1,154,327
	-----	-----	-----
Net Cash Used in Operations	(514,244)	(341)	35,122
	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equipment	(12,308)	--	(12,308)
Purchase of investment - deposit	--	--	(1,154,327)
	-----	-----	-----
	(12,308)	--	(1,166,635)
	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issuance of			

common stock	1,164,500	--	1,782,292
	-----	-----	-----
	1,164,500	--	1,782,292
	-----	-----	-----
Net Increase (Decrease) in Cash	637,948	(341)	650,779
Cash at Beginning of Period	12,831	380	--
	-----	-----	-----
Cash at End of Period	\$ 650,779	\$ 39	\$ 650,779
	=====	=====	=====

#### SCHEDULE OF NONCASH FLOWS FROM OPERATING ACTIVITIES

Issuance of 150,000 common shares for services - 2003	\$ 150
	=====
Capital contributions - expenses - 1999 - 2000	10,950
	=====
Incentive stock options - 2004 - 2005	42,000
	=====

The accompanying notes are an integral part of these financial statements

39

VISUALANT, INCORPORATED  
(Development Stage Company)

#### NOTES TO FINANCIAL STATEMENTS

June 30, 2005

#### 1. ORGANIZATION

The Company was incorporated under the laws of the State of Nevada on October 8, 1998 under the name of "Cigar King Corporation" with authorized common stock of 200,000,000 shares at \$0.001 par value. On September 13, 2002 the name was changed to "Starberrys Corporation" as part of a change in the authorized capital stock by the addition of 50,000,000 shares of preferred stock with a par value of \$0.001 and on August 18, 2004, the name was changed to "Visualant, Incorporated". There are no preferred shares issued and the terms have not been determined.

The Company was originally organized for the purpose of engaging in quality cigar sales. During 1998 the Company purchased the right to use the name "Cigar King" to market high quality cigars and during 2000 the activity was abandoned.

During 2002, the Company entered into a contract of purchase of all assets and intellectual property related to the "Color by Numbers" business and system and on April 9, 2003 the Company signed a Purchase Agreement for the Acquisition of all shares of CBN which owns design, paint and building products. The contract was subsequently rescinded.

During June 2004, the Company entered into a contract for the further development of a color technology, providing 3D spectral-based pattern file creation and matching.

The Company has not started any operations and is in the development stage.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Accounting Methods - -----

The Company recognizes income and expenses based on the accrual method of accounting.

##### Dividend Policy - -----

The Company has not adopted a policy regarding payment of dividends.

##### Basic and Diluted Net Income (Loss) Per Share - -----

Basic net income (loss) per share amounts are computed based on the weighted average number of shares actually outstanding. Diluted net income (loss) per share amounts are computed using the weighted average number of common shares and common equivalent shares outstanding as if shares had been issued on the exercise of the common share rights unless the exercise becomes antidilutive and then only if the basic per share amounts are shown in the report.

40

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

## Income Taxes

- -----

The Company utilizes the liability method of accounting for income taxes. Under the liability method deferred tax assets and liabilities are determined on the differences between financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws that will be in effect, when the differences are expected to reverse. An allowance against deferred tax assets is recognized, when it is more likely than not, that such tax benefits will not be realized.

On June 30, 2005 the Company had a net operating loss carry forward of \$ 2,642,951. The tax benefit of approximately \$ 793,000 from the loss carry forward has been fully offset by a valuation reserve because the use of the future tax benefit is doubtful since the Company has no operations. The loss carryforward will expire in 2024.

## Equipment

- -----

Equipment consists of computers used in research and development and are depreciated over five years.

Equipment	\$ 12,207
Accumulated depreciation	(1,753)
	-----
Net equipment	\$ 10,554
	=====

## Key Employee Incentive Stock Option Plan

- -----

SFAS No.123, "Accounting for Stock-Based Compensation", establishes accounting and reporting standards for stock-based employee compensation plans. As permitted by SFAS No. 123, the Company accounts for such arrangements under APB Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations.

## Cash and Cash Equivalents

- -----

The Company considers all highly liquid instruments purchased with a maturity, at the time of purchase, of less than three months, to be cash equivalents.

## Financial Instruments

- -----

The carrying amounts of financial instruments, including cash and accounts payable, are considered by management to be their estimated fair values due to their short term maturities.

41

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

### Financial and Concentrations Risk

- -----

The Company does not have any concentration or related financial credit risk.

### Research and Development Costs

- -----

Research and development costs, including wages, supplies, depreciation of equipment used in the research activity, and any assigned overhead expenses, are expensed as incurred.

### Revenue Recognition

- -----

Revenue will be recognized on the sale and delivery of a product or the completion of a service provided.

### Advertising and Market Development

- -----

The Company will expense advertising and market development costs as incurred.

### Estimates and Assumptions

- -----

Management uses estimates and assumptions in preparing financial statements in

accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of the assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing these financial statements.

#### Foreign Currency Translation - -----

Part of the transactions of the Company were completed in Canadian dollars and have been translated to US dollars as incurred, at the exchange rate in effect at the time, and therefore, no gain or loss from the translations is recognized. US dollars are considered to be the functional currency.

#### Recent Accounting Pronouncements - -----

The Company does not expect that the adoption of other recent accounting pronouncements will have a material impact on its financial statements.

### 3. LICENSE

The Company acquired a world wide license for the use of technology to further develop its interest, as outlined in note 4, from a related party for \$7,500 by the issuance of 10,000 common shares. The license is being amortized over five years, its estimated useful life.

42

### 4. DEVELOPMENT OF TECHNOLOGIES OWNED BY THE COMPANY

The Company is in the business of researching, developing, acquiring, and commercializing products and services related to color technology outside the visible spectrum, using specialized narrow and N-IR and N-UV sensors and spatial analysis software modeling which translate the invisible into the visible and involving specialized and proprietary information and trade secrets which the Company owns, which is considered to be among its most sensitive, confidential, and proprietary information.

The Company has a working agreement with an independent contractor to further develop the technology in which the Company has agreed to pay development costs incurred semi monthly.

### 5. COMMON CAPITAL STOCK

Since its inception, the Company has completed private placements of 13,058,999 of its common capital stock for \$ 1,782,292, 10,000 shares for a license outlined in note 3, 150,000 shares for services and 2,850,350 shares for payment of debt of \$1,425,175.

### 6. SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

Officers, directors and key consultants have acquired 7% of the outstanding common stock and have received the stock options as outlined in Note 8.

### 7. CANCELLATION OF AGREEMENT TO PURCHASE SHARES OF SCI

On April 9, 2003, the Company signed a Purchase Agreement with Malaremastastarnas Riksforening, the owner of all the shares of Skandinaviska Farginstitutet AB ( the Scandinavian Colour Institute or "SCI") which owns the color notation system Natural Color Systems ("NCS"), containing the terms of an acquisition by the Company or its assigns for a price of SEK 35,000,000 of all shares of SCI. Pursuant to the terms of the agreements the Company made payments of \$1,154,327 into an escrow account as part payment toward the purchase price. The Company subsequently failed to make further payments on the contracts and by mutual agreement the contracts were cancelled and the moneys paid were expensed.

### 8. INCENTIVE STOCK OPTIONS

During 2002 the Company granted stock options, to a related party of 25,000 shares of common stock at \$1.00 per share, which will expire December 31, 2006. On the date of grant the fair market value of the shares was \$.50.

On August 15, 2004 the Company granted incentive stock options to a related party, to purchase 300,000 common shares at \$.10 per share, which will expire August 15, 2009. The options will vest at 25,000 shares each quarter starting on August 15, 2004. On the date of grant the fair market value of the shares was \$.50.

On March 22, 2005, the Company granted stock options to a former key consultant of the Company of 210,000 common shares at \$1.00 per share to expire on June 6, 2006.

## 8. INCENTIVE STOCK OPTIONS - continued

None of the options had been exercised by the report date.

During June 2005 the Company established a stock option plan and reserved 2,000,000 common shares under the plan. The terms of the options have not been established and no options have been issued.

SFAS No. 123, "Accounting for Stock-Based Compensation", establishes accounting and reporting standards for stock-based employee compensation plans. As permitted by SFAS No. 123, the Company accounts for such arrangements under the intrinsic value method as provided in APB Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations.

The Company applies the intrinsic value method in accounting for its compensation based stock options. If the Company had measured the options under the fair value based method the net pro- forma operating loss and loss per share amounts for the period ended June 30, 2005 would have been unchanged.

## CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

On February 5, 2004, the Company dismissed Sellers & Andersen, LLC as the Company's independent accountants. This action was approved by the Board of Directors of the Company. The Company, with the approval of its Board of Directors, engaged the services of Madsen & Associates CPA's Inc. as the Company's new independent accountants on February 5, 2004.

The reports of Madsen & Associates CPA's Inc. for the financial statements as at September 30, 2003 and September 30, 2004, and through the subsequent interim periods ended December 31, 2004, March 31, 2005 and June 30, 2005 contain no adverse opinions or disclaimers of opinion and were not modified or qualified as to audit scope or accounting principles, but did contain modifications as to the Company's ability to continue as a going concern.

During the fiscal years ended September 30, 2003 and September 30, 2004, and through the subsequent interim periods ended December 31, 2004, March 31, 2005 and June 30, 2005, there have been no disagreements with the Company's independent accountants on any matters of accounting principles or practices, financial statement disclosure, or audit scope or procedures, which disagreement if not resolved to the satisfaction of such accountants, would have caused them to make reference in connection with their report on the financial statements of the Company for such years.

END OF PROSPECTUS

## PART II -- INFORMATION NOT REQUIRED IN THE PROSPECTUS

## INDEMNIFICATION OF OFFICERS AND DIRECTORS

The Company's Articles of Incorporation and Bylaws provide that directors and officers shall be indemnified by the Company to the fullest extent authorized by applicable law, against all expenses and liabilities reasonably incurred in connection with services for or on behalf of the Company. The Articles of Incorporation and Bylaws also authorize the Board of Directors to indemnify any other person who the Company has the power to indemnify under applicable law, and indemnification for such a person may be greater or different from that provided in the bylaws.

## OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

Estimated expenses over twelve months and required funds:

Expenditures	Requirements for twelve months
- - - - -	- - - - -
Accounting and audit	(1) \$ 36,255
Bank charges	1,500
Consulting	(2) 185,000
Filing fees	(3) 400
Legal fees	(4) 20,000
Office	(5) 12,000
Rent	(6) 2,400
Research and development	(7) 186,000
Telephone	(8) 3,600
Transfer agent's fees	(9) 2,150

Travel and promotion	(10)	10,000
Website and logo design	(11)	2,000
		-----

Estimated expenses		\$ 461,305
		=====

(1) Accounting and auditing expense has been projected as follows:

Filing by Public Accountants	Cost
-----	-----
Form 10-KSB - Sept. 30, 2005	4,500
Form 10-QSB - Dec. 31, 2005	585
Form 10-QSB - March 31, 2006	585
Form 10-QSB - June 30, 2005	585
	-----
In-house accounting	30,000*
	-----
Total	\$ 36,255
	=====

\* The Company anticipates hiring a CFO during the third calendar quarter, and expects to incur an accounting expense of approximately \$2,500 per month as the monthly salary to be paid to the CFO.

(2) Consulting fees of \$15,420 per month are paid to the CEO of the Company, Ralph Brier. The consulting fees increased from \$9,000 per month to \$15,420 per month in June 2005.

45

#### OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION - continued

- (3) The Company will incur a cost for filing the Annual List of Directors and Officers to the State of Nevada to maintain the Company in good standing for the next twelve months. The annual charge for filing this form is \$400. Fees for filing the financial statements on Edgar are included in accounting costs.
- (4) Legal fees are estimated based on the business transacted with the Company's lawyers in the first quarter of the 2005 fiscal year. The costs are estimates for preparing a provisional patent application, and for other Company business.
- (5) Relates to photocopying, faxing and courier, in addition to miscellaneous expenses incurred by the directors. The estimate of these charges is approximately \$750 per month for 12 months. Printing costs of \$3,000 are included in this amount.
- (6) Rent expenses are payable at \$200 per month for 12 months.
- (7) Research and development is paid to Kenneth Turpin at a rate of \$18,600 Canadian (\$15,500 US) per month for twelve months.
- (8) The estimate of telephone expenses to conduct Company business is approximately \$300 per month for 12 months.
- (9) The Company is charged \$600 per annum by Empire Stock Transfer Inc. Additional stock transfer and original issue fees of \$1,300 are estimated. The Company has calculated \$250 in late interest charges for the next year.
- (10) Travel and promotion expenses have been estimated at \$10,000. These expenses may be incurred by the directors and key consultants who may incur travel expenses to obtain financing for the Company or to do other Company business.
- (11) The estimate for website and logo design for the Company is \$2,000.

As mentioned previously, the Company does not have sufficient funds to pay all of the above noted expenses other than if its directors and officers continue to contribute funds to the Company.

At the present time, the Company has leased premises at Suite 406, 500 Union Street, Seattle, Washington, for \$200 per month.

At present, the directors devote time to the affairs of the Company as required. There are no plans to hire any additional employees at this time. The Company will continue to use the services of consultants in the furtherance of the Company's goals.

46

#### OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION - continued



The following table sets forth the estimated costs and expenses, other than underwriting discounts (if any), payable by the Company in connection with the offering of the securities being registered.

SEC registration fee.....	\$ 1,295
Printing expenses.....	\$ 1,000
Transfer Agent and registrar fee.....	\$ 2,000
Legal fees and expenses.....	\$25,000
Accounting fees and expenses.....	\$ 4,000
EDGAR filing fees.....	\$ 3,000

Total..... \$36,295

#### RECENT SALES OF UNREGISTERED SECURITIES

In July 2003, the Company issued 150,000 shares of its common stock to Glencoe Capital, Inc., a British Columbia corporation, as payment of a loan fee in connection with a loan made by Glencoe Capital, Inc. to the Company in the amount of \$500,000. These shares were issued in reliance upon Section 4(2) of the Securities Act of 1933 (the "Securities Act").

In July 2003, the Company also issued 25,700 shares of its common stock to Lars Gunnar Karlero in exchange for and in satisfaction of outstanding debt of the Company owed to Mr. Karlero. The debt was converted into equity at a rate of \$0.50 per share. These shares were issued in reliance upon Section 4(2) of the Securities Act.

During 2004, the Company issued a total of 2,809,502 shares of its common stock to various creditors in settlement and satisfaction of outstanding debts of the Company. The debt was converted into equity at a rate of \$0.50 per share. These shares were issued in reliance upon Section 4(2) of the Securities Act.

During 2003 and 2004, the Company undertook several private placements of its common stock, all pursuant to and in reliance upon exemptions from registration under Rule 506 of Regulation D and Regulation S. The offering price for the stock ranged from \$0.50 to \$0.75 per share, the Company received gross proceeds in the aggregate amount of \$680,000 from these offerings, and resulted in the issuance of a total of 1,100,000 shares of the Company's common stock.

During the first six months of 2005, the Company undertook a private placement of its common stock, pursuant to and in reliance upon exemptions from registration under Rule 506 of Regulation D and Regulation S. The offering price for the stock was \$0.75 per share, the Company received gross proceeds in the aggregate amount of \$952,500 from this offering, and resulted in the issuance of a total of 1,269,999 shares of the Company's common stock.

47

#### EXHIBITS

The following exhibits are filed as part of this Registration Statement pursuant to Item 601 of Regulation S-B. All exhibits have been included unless otherwise noted as being incorporated herein by reference.

##### (a) Exhibits

- 3.1 Articles of Incorporation incorporated herein by reference to the Company's Registration Statement on Form 10-KSB filed on March 9, 1999.
- 3.2 Bylaws incorporated herein by reference to the Company's Registration Statement on Form 10-KSB filed on March 9, 1999.
- 4.1 2005 Combined Incentive and Non-Qualified Stock Option Plan of the Company.
- 10.1 Intellectual Property Agreement dated June 16, 2004 between the Company and Kenneth Turpin.
- 10.2 Independent Contractor Agreement dated June 16, 2004 between the Company and eVision Technologies Inc. to provide research and development services with respect to the Company's color technology.
- 10.3 Worldwide Licensing Agreement dated April 21, 2005 between the Company and eVision Technologies Inc. granting the Company exclusive rights to the CBN coding system.
- 10.4 Letter Agreement dated August 26, 2004 between the Company and Ralph Brier, CEO, regarding CEO compensation package.
- 23.1 Consent of independent accountants to incorporation of auditor's report dated December 20, 2004 in the SB-2 Registration Statement.

(b) Reports on Form 8-K

- (i) Form 8-K filed on February 5, 2004 and incorporated herein by reference, regarding the Company's change of certifying accountants from Sellers & Andersen LLC to Madsen & Associates CPA's Inc.
- (ii) Form 8-K filed on September 13, 2004 and incorporated herein by reference, announcing the Intellectual Property Agreement between Kenneth Turpin and the Company signed on June 16, 2004. Also included in that Form 8-K were the resignations of Hans Nasholm as a director and Ronald Erickson as Chief Executive Officer and President of the Company. On August 31, 2004, Ralph Brier was appointed Chief Executive Officer, President and a Director of the Company, Kenneth Turpin was appointed as Chief Science Officer and Chair of the Research and Development Committee, and Zack Wickes was appointed Chief Technical Officer. The Form 8-K also announced that the name of the Company was changed to Visualant, Incorporated and was registered with the Secretary of State of Nevada.

48

UNDERTAKINGS

Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the "Act") may be permitted to directors, officers and controlling persons of the Company pursuant to the foregoing provisions, or otherwise, the Company has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Company of expenses incurred or paid by a director, officer or controlling person of the Company in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Company will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The Company undertakes:

- (1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:
  - (i) To include any prospectus required by section 10(a)(3) of the Securities Act;
  - (ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement;
  - (iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;
- (2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.
- (3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

49

SIGNATURES

In accordance with the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing this Amendment No. 1 to the Form SB-2 Registration Statement and has caused this Amended Registration Statement to be signed on its behalf by the undersigned duly authorized officer of the Company in the city of Seattle, State of Washington, on August 12,, 2005.

Registrant: VISUALANT, INCORPORATED

By: Ralph Brier

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Ralph Brier  
Title: Chief Executive Officer,  
President and Director

In accordance with the requirements of the Securities Act of 1933, this amended registration statement has been signed by the following persons in the capacities and on the dates stated.

Date: August 12, 2005

By: Mary Hethey

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Mary Hethey  
Title: Chief Financial Officer and  
Secretary-Treasurer

Date: August 12, 2005

By: Ronald P. Erickson

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Ronald P. Erickson  
Title: Chairman of the Board and Director

VISUALANT, INCORPORATED 2005 COMBINED INCENTIVE AND  
NON-QUALIFIED STOCK OPTION PLAN

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This Combined Incentive and Non-Qualified Stock Option Plan (the "Plan") is designed to retain directors, executives and selected employees and consultants and reward them for making major contributions to the success of the Company. These objectives are accomplished by making long-term incentive awards under the Plan thereby providing Participants with a proprietary interest in the growth and performance of the Company.

1. Definitions.

- (a) "Board" - The Board of Directors of the Company.
- (b) "Code" - The Internal Revenue Code of 1986, as amended from time to time.
- (c) "Committee" - The Compensation Committee of the Company's Board, or such other committee of the Board that is designated by the Board to administer the Plan, composed of not less than two members of the Board who are disinterested persons, as contemplated by Rule 16b-3 ("Rule 16b-3") promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act").
- (d) "Company" - VISUALANT, INCORPORATED and its subsidiaries including subsidiaries of subsidiaries.
- (e) "Exchange Act" - The Securities Exchange Act of 1934, as amended from time to time.
- (f) "Fair Market Value" - The fair market value of the Company's issued and outstanding Stock as determined in good faith by the Board or Committee.
- (g) "Grant" - The grant of any form of stock option, stock award, or stock purchase offer, whether granted singly, in combination or in tandem, to a Participant pursuant to such terms, conditions and limitations as the Committee may establish in order to fulfill the objectives of the Plan.
- (h) "Grant Agreement" - An agreement between the Company and a Participant that sets forth the terms, conditions and limitations applicable to a Grant.
- (i) "Option" - Either an Incentive Stock Option, in accordance with Section 422 of Code, or a Nonstatutory Option, to purchase the Company's Stock that may be awarded to a Participant under the Plan. A Participant who receives an award of an Option shall be referred to as an "Optionee."
- (j) "Participant" - A director, officer, employee or consultant of the Company to whom an Award has been made under the Plan.
- (k) "Restricted Stock Purchase Offer" - A Grant of the right to purchase a specified number of shares of Stock pursuant to a written agreement issued under the Plan.

1

1. Definitions - continued

- (l) "Securities Act" - The Securities Act of 1933, as amended from time to time.
- (m) "Stock" - Authorized and issued or unissued shares of common stock of the Company.
- (n) "Stock Award" - A Grant made under the Plan in stock or denominated in units of stock for which the Participant is not obligated to pay additional consideration.

2. Administration. The Plan shall be administered by the Board, provided however, that the Board may delegate such administration to the Committee. Subject to the provisions of the Plan, the Board and/or the Committee shall have authority to (a) grant, in its discretion, Incentive Stock Options in accordance with Section 422 of the Code, or Nonstatutory Options, Stock Awards or Restricted Stock Purchase Offers; (b) determine in good faith the fair market value of the Stock covered by any Grant; (c) determine which eligible persons shall receive Grants and the number of shares, restrictions, terms and conditions to be included in such Grants; (d) construe and interpret the Plan; (e) promulgate, amend and rescind rules

and regulations relating to its administration, and correct defects, omissions and inconsistencies in the Plan or any Grant; (f) consistent with the Plan and with the consent of the Participant, as appropriate, amend any outstanding Grant or amend the exercise date or dates thereof; (g) determine the duration and purpose of leaves of absence which may be granted to Participants without constituting termination of their employment for the purpose of the Plan or any Grant; and (h) make all other determinations necessary or advisable for the Plan's administration. The interpretation and construction by the Board of any provisions of the Plan or selection of Participants shall be conclusive and final. No member of the Board or the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any Grant made thereunder.

### 3. Eligibility.

- (a) General: The persons who shall be eligible to receive Grants shall be directors, officers, employees or consultants to the Company. The term consultant shall mean any person, other than an employee, who is engaged by the Company to render services and is compensated for such services. An Optionee may hold more than one Option. Any issuance of a Grant to an officer or director of the Company subsequent to the first registration of any of the securities of the Company under the Exchange Act shall comply with the requirements of Rule 16b-3.
- (b) Incentive Stock Options: Incentive Stock Options may only be issued to employees of the Company. Incentive Stock Options may be granted to officers or directors, provided they are also employees of the Company. Payment of a director's fee shall not be sufficient to constitute employment by the Company.

The Company shall not grant an Incentive Stock Option under the Plan to any employee if such Grant would result in such employee holding the right to exercise for the first time in any one calendar year, under all Incentive Stock Options granted under the Plan or any other plan maintained by the Company, with respect to shares of Stock having an aggregate fair market value, determined as of the date of the Option is granted, in excess of \$100,000. Should it be determined that an Incentive Stock Option granted under the Plan exceeds such maximum for any reason other than a failure in

2

### 3. Eligibility - continued

good faith to value the Stock subject to such option, the excess portion of such option shall be considered a Nonstatutory Option. To the extent the employee holds two (2) or more such Options which become exercisable for the first time in the same calendar year, the foregoing limitation on the exercisability of such Option as Incentive Stock Options under the Federal tax laws shall be applied on the basis of the order in which such Options are granted. If, for any reason, an entire Option does not qualify as an Incentive Stock Option by reason of exceeding such maximum, such Option shall be considered a Nonstatutory Option.

- (c) Nonstatutory Option: The provisions of the foregoing Section 3(b) shall not apply to any Option designated as a "Nonstatutory Option" or which sets forth the intention of the parties that the Option be a Nonstatutory Option.
- (d) Stock Awards and Restricted Stock Purchase Offers: The provisions of this Section 3 shall not apply to any Stock Award or Restricted Stock Purchase Offer under the Plan.

### 4. Stock.

- (a) Authorized Stock: Stock subject to Grants may be either unissued or reacquired Stock.
- (b) Number of Shares: Subject to adjustment as provided in Section 5(i) of the Plan, the total number of shares of Stock which may be purchased or granted directly by Options, Stock Awards or Restricted Stock Purchase Offers, or purchased indirectly through exercise of Options granted under the Plan shall not exceed Two Million (2,000,000). If any Grant shall for any reason terminate or expire, any shares allocated thereto but remaining unpurchased upon such expiration or termination shall again be available for Grants with respect thereto under the Plan as though no Grant had previously occurred with respect to such shares. Any shares of Stock issued pursuant to a Grant and repurchased pursuant to the terms thereof shall be available for future Grants as though not previously covered by a Grant.
- (c) Reservation of Shares: The Company shall reserve and keep available at all times during the term of the Plan such number of shares as shall be sufficient to satisfy the requirements of the Plan. If, after reasonable efforts, which efforts shall not include the registration

of the Plan or Grants under the Securities Act, the Company is unable to obtain authority from any applicable regulatory body, which authorization is deemed necessary by legal counsel for the Company for the lawful issuance of shares hereunder, the Company shall be relieved of any liability with respect to its failure to issue and sell the shares for which such requisite authority was so deemed necessary unless and until such authority is obtained.

- (d) Application of Funds: The proceeds received by the Company from the sale of Stock pursuant to the exercise of Options or rights under Stock Purchase Agreements will be used for general corporate purposes.
- (e) No Obligation to Exercise: The issuance of a Grant shall impose no obligation upon the Participant to exercise any rights under such Grant.

3

- 5. Terms and Conditions of Options. Options granted hereunder shall be evidenced by agreements between the Company and the respective Optionees, in such form and substance as the Board or Committee shall from time to time approve. The form of Incentive Stock Option Agreement attached hereto as Exhibit A and the three forms of a Nonstatutory Stock Option Agreement for employees, for directors and for consultants, attached hereto as Exhibit B-1, Exhibit B-2 and Exhibit B-3, respectively, shall be deemed to be approved by the Board. Option agreements need not be identical, and in each case may include such provisions as the Board or Committee may determine, but all such agreements shall be subject to and limited by the following terms and conditions:

- (a) Number of Shares: Each Option shall state the number of shares to which it pertains.
- (b) Exercise Price: Each Option shall state the exercise price, which shall be determined as follows:
  - (i) Any Incentive Stock Option granted to a person who at the time the Option is granted owns (or is deemed to own pursuant to Section 424(d) of the Code) stock possessing more than ten percent (10%) of the total combined voting power or value of all classes of stock of the Company ("Ten Percent Holder") shall have an exercise price of no less than 110% of the Fair Market Value of the Stock as of the date of grant; and
  - (ii) Incentive Stock Options granted to a person who at the time the Option is granted is not a Ten Percent Holder shall have an exercise price of no less than 100% of the Fair Market Value of the Stock as of the date of grant.

For the purposes of this Section 5(b), the Fair Market Value shall be as determined by the Board in good faith, which determination shall be conclusive and binding; provided however, that if there is a public market for such Stock, the Fair Market Value per share shall be the average of the bid and asked prices (or the closing price if such stock is listed on the NASDAQ National Market System or Small Cap Issue Market) on the date of grant of the Option, or if listed on a stock exchange, the closing price on such exchange on such date of grant.

- (c) Medium and Time of Payment: The exercise price shall become immediately due upon exercise of the Option and shall be paid in cash or check made payable to the Company. Should the Company's outstanding Stock be registered under Section 12(g) of the Exchange Act at the time the Option is exercised, then the exercise price may also be paid as follows:
  - (i) in shares of Stock held by the Optionee for the requisite period necessary to avoid a charge to the Company's earnings for financial reporting purposes and valued at Fair Market Value on the exercise date, or
  - (ii) through a special sale and remittance procedure pursuant to which the Optionee shall concurrently provide irrevocable written instructions (a) to a Company designated brokerage firm to effect the immediate sale of the purchased shares and remit to the Company, out of the sale proceeds available on the settlement date, sufficient funds to cover the aggregate exercise price payable for the purchased shares plus all applicable Federal,

4

- 5. Terms and Conditions of Options - continued

state and local income and employment taxes required to be

withheld by the Company by reason of such purchase and (b) to the Company to deliver the certificates for the purchased shares directly to such brokerage firm in order to complete the sale transaction.

At the discretion of the Board, exercisable either at the time of Option grant or of Option exercise, the exercise price may also be paid (i) by Optionee's delivery of a promissory note in form and substance satisfactory to the Company and permissible under the Securities Rules of the State of Nevada and bearing interest at a rate determined by the Board in its sole discretion, but in no event less than the minimum rate of interest required to avoid the imputation of compensation income to the Optionee under the Federal tax laws, or (ii) in such other form of consideration permitted by the Nevada corporations law as may be acceptable to the Board.

- (d) Term and Exercise of Options: Any Option granted to an employee of the Company shall become exercisable over a period of no longer than five (5) years. In no event shall any Option be exercisable after the expiration of ten (10) years from the date it is granted, and no Incentive Stock Option granted to a Ten Percent Holder shall, by its terms, be exercisable after the expiration of five (5) years from the date of the Option. Unless otherwise specified by the Board or the Committee in the resolution authorizing such Option, the date of grant of an Option shall be deemed to be the date upon which the Board or the Committee authorizes the granting of such Option.

Each Option shall be exercisable to the nearest whole share, in installments or otherwise, as the respective Option agreements may provide. During the lifetime of an Optionee, the Option shall be exercisable only by the Optionee and shall not be assignable or transferable by the Optionee, and no other person shall acquire any rights therein. To the extent not exercised, installments (if more than one) shall accumulate, but shall be exercisable, in whole or in part, only during the period for exercise as stated in the Option agreement, whether or not other installments are then exercisable.

- (e) Termination of Status as Employee, Consultant or Director: If Optionee's status as an employee shall terminate for any reason other than Optionee's disability or death, then Optionee (or if the Optionee shall die after such termination, but prior to exercise, Optionee's personal representative or the person entitled to succeed to the Option) shall have the right to exercise the portions of any of Optionee's Incentive Stock Options which were exercisable as of the date of such termination, in whole or in part, not less than 30 days nor more than three (3) months after such termination (or, in the event of "termination for good cause" as that term is defined in Nevada case law related thereto, or by the terms of the Plan or the Option Agreement or an employment agreement, the Option shall automatically terminate as of the termination of employment as to all shares covered by the Option).

With respect to Nonstatutory Options granted to employees, directors or consultants, the Board may specify such period for exercise, not less than 30 days (except that in the case of "termination for cause" or removal of a director, the Option shall

## 5. Terms and Conditions of Options - continue

automatically terminate as of the termination of employment or services as to shares covered by the Option), following termination of employment or services as the Board deems reasonable and appropriate. The Option may be exercised only with respect to installments that the Optionee could have exercised at the date of termination of employment or services. Nothing contained herein or in any Option granted pursuant hereto shall be construed to affect or restrict in any way the right of the Company to terminate the employment or services of an Optionee with or without cause.

- (f) Disability of Optionee: If an Optionee is disabled (within the meaning of Section 22(e)(3) of the Code) at the time of termination, the three (3) month period set forth in Section 5(e) shall be a period, as determined by the Board and set forth in the Option, of not less than six months nor more than one year after such termination.
- (g) Death of Optionee: If an Optionee dies while employed by, engaged as a consultant to, or serving as a Director of the Company, the portion of such Optionee's Option which was exercisable at the date of death may be exercised, in whole or in part, by the estate of the decedent or by a person succeeding to the right to exercise such Option at any time within (i) a period, as determined by the Board and set forth in the

Option, of not less than six (6) months nor more than one (1) year after Optionee's death, which period shall not be more, in the case of a Nonstatutory Option, than the period for exercise following termination of employment or services, or (ii) during the remaining term of the Option, whichever is the lesser. The Option may be so exercised only with respect to installments exercisable at the time of Optionee's death and not previously exercised by the Optionee.

- (h) Nontransferability of Option: No Option shall be transferable by the Optionee, except by will or by the laws of descent and distribution.
- (i) Recapitalization: Subject to any required action of shareholders, the number of shares of Stock covered by each outstanding Option, and the exercise price per share thereof set forth in each such Option, shall be proportionately adjusted for any increase or decrease in the number of issued shares of Stock of the Company resulting from a stock split, stock dividend, combination, subdivision or reclassification of shares, or the payment of a stock dividend, or any other increase or decrease in the number of such shares affected without receipt of consideration by the Company; provided, however, the conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration" by the Company.

In the event of a proposed dissolution or liquidation of the Company, a merger or consolidation in which the Company is not the surviving entity, or a sale of all or substantially all of the assets or capital stock of the Company (collectively, a "Reorganization"), unless otherwise provided by the Board, this Option shall terminate immediately prior to such date as is determined by the Board, which date shall be no later than the consummation of such Reorganization. In such event, if the entity which shall be the surviving entity does not tender to Optionee an offer, for which it has no obligation to do so, to substitute for any unexercised Option a stock option or capital stock of such surviving entity, as applicable, which on an equitable basis shall provide the Optionee with substantially the same economic benefit as such unexercised Option, then the Board may grant to such

#### 5. Terms and Conditions of Options - continued

Optionee, in its sole and absolute discretion and without obligation, the right for a period commencing thirty (30) days prior to and ending immediately prior to the date determined by the Board pursuant hereto for termination of the Option or during the remaining term of the Option, whichever is the lesser, to exercise any unexpired Option or Options without regard to the installment provisions of Paragraph 5(d) of the Plan; provided, that any such right granted shall be granted to all Optionees not receiving an offer to receive substitute options on a consistent basis, and provided further, that any such exercise shall be subject to the consummation of such Reorganization.

Subject to any required action of shareholders, if the Company shall be the surviving entity in any merger or consolidation, each outstanding Option thereafter shall pertain to and apply to the securities to which a holder of shares of Stock equal to the shares subject to the Option would have been entitled by reason of such merger or consolidation.

In the event of a change in the Stock of the Company as presently constituted, which is limited to a change of all of its authorized shares without par value into the same number of shares with a par value, the shares resulting from any such change shall be deemed to be the Stock within the meaning of the Plan.

To the extent that the foregoing adjustments relate to stock or securities of the Company, such adjustments shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided in this Section 5(i), the Optionee shall have no rights by reason of any subdivision or consolidation of shares of stock of any class or the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class, and the number or price of shares of Stock subject to any Option shall not be affected by, and no adjustment shall be made by reason of, any dissolution, liquidation, merger, consolidation or sale of assets or capital stock, or any issue by the Company of shares of stock of any class or securities convertible into shares of stock of any class.

The Grant of an Option pursuant to the Plan shall not affect in any way the right or power of the Company to make any adjustments, reclassifications, reorganizations or changes in its capital or business structure or to merge, consolidate, dissolve, or liquidate or to sell or transfer all or any part of its business or assets.



- (j) Rights as a Shareholder: An Optionee shall have no rights as a shareholder with respect to any shares covered by an Option until the effective date of the issuance of the shares following exercise of such Option by Optionee. No adjustment shall be made for dividends (ordinary or extraordinary, whether in cash, securities or other property) or distributions or other rights for which the record date is prior to the date such stock certificate is issued, except as expressly provided in Section 5(i) hereof.
- (k) Modification, Acceleration, Extension, and Renewal of Options: Subject to the terms and conditions and within the limitations of the Plan, the Board may modify an Option, or, once an Option is exercisable, accelerate the rate at which it may be exercised, and may extend or renew outstanding Options granted under the Plan or accept the

7

5. Terms and Conditions of Options - continued

surrender of outstanding Options (to the extent not theretofore exercised) and authorize the granting of new Options in substitution for such Options, provided such action is permissible under Section 422 of the Code and the Nevada Securities Rules. Notwithstanding the provisions of this Section 5(k), however, no modification of an Option shall, without the consent of the Optionee, alter to the Optionee's detriment or impair any rights or obligations under any Option theretofore granted under the Plan.

- (l) Exercise Before Exercise Date: At the discretion of the Board, the Option may, but need not, include a provision whereby the Optionee may elect to exercise all or any portion of the Option prior to the stated exercise date of the Option or any installment thereof. Any shares so purchased prior to the stated exercise date shall be subject to repurchase by the Company upon termination of Optionee's employment as contemplated by Section 5(n) hereof prior to the exercise date stated in the Option and such other restrictions and conditions as the Board or Committee may deem advisable.
- (m) Other Provisions: The Option agreements authorized under the Plan shall contain such other provisions, including, without limitation, restrictions upon the exercise of the Options, as the Board or the Committee shall deem advisable. Shares shall not be issued pursuant to the exercise of an Option, if the exercise of such Option or the issuance of shares thereunder would violate, in the opinion of legal counsel for the Company, the provisions of any applicable law or the rules or regulations of any applicable governmental or administrative agency or body, such as the Code, the Securities Act, the Exchange Act, the Nevada Securities Rules, Nevada corporation law, and the rules promulgated under the foregoing or the rules and regulations of any exchange upon which the shares of the Company are listed. Without limiting the generality of the foregoing, the exercise of each Option shall be subject to the condition that if at any time the Company shall determine that (i) the satisfaction of withholding tax or other similar liabilities, or (ii) the listing, registration or qualification of any shares covered by such exercise upon any securities exchange or under any state or federal law, or (iii) the consent or approval of any regulatory body, or (iv) the perfection of any exemption from any such withholding, listing, registration, qualification, consent or approval is necessary or desirable in connection with such exercise or the issuance of shares thereunder, then in any such event, such exercise shall not be effective unless such withholding, listing registration, qualification, consent, approval or exemption shall have been effected, obtained or perfected free of any conditions not acceptable to the Company.
- (n) Repurchase Agreement: The Board may, in its discretion, require as a condition to the Grant of an Option hereunder, that an Optionee execute an agreement with the Company, in form and substance satisfactory to the Board in its discretion ("Repurchase Agreement"), (i) restricting the Optionee's right to transfer shares purchased under such Option without first offering such shares to the Company or another shareholder of the Company upon the same terms and conditions as provided therein; and (ii) providing that upon termination of Optionee's employment with the Company, for any reason, the Company (or another shareholder of the Company, as provided in the Repurchase Agreement) shall have the right at its discretion (or the discretion of such other shareholders) to purchase and/or redeem all such shares

8

5. Terms and Conditions of Options - continued

owned by the Optionee on the date of termination of his or her employment at a price equal to: (A) the fair value of such shares as of such date of termination; or (B) if such repurchase right lapses at 20% of the number of shares per year, the original purchase price of such shares, and upon terms of payment permissible under the Nevada Securities Rules; provided that in the case of Options or Stock Awards granted to officers, directors, consultants or affiliates of the Company, such repurchase provisions may be subject to additional or greater restrictions as determined by the Board or Committee.

6. Stock Awards and Restricted Stock Purchase Offers.

(a) Types of Grants.

(i) Stock Award. All or part of any Stock Award under the Plan may be subject to conditions established by the Board or the Committee, and set forth in the Stock Award Agreement, which may include, but are not limited to, continuous service with the Company, achievement of specific business objectives, increases in specified indices, attaining growth rates and other comparable measurements of Company performance. Such Awards may be based on Fair Market Value or other specified valuation. All Stock Awards will be made pursuant to the execution of a Stock Award Agreement substantially in the form attached hereto as Exhibit C.

(ii) Restricted Stock Purchase Offer. A Grant of a Restricted Stock Purchase Offer under the Plan shall be subject to such (i) vesting contingencies related to the Participant's continued association with the Company for a specified time and (ii) other specified conditions as the Board or Committee shall determine, in their sole discretion, consistent with the provisions of the Plan. All Restricted Stock Purchase Offers shall be made pursuant to a Restricted Stock Purchase Offer substantially in the form attached hereto as Exhibit D.

(b) Conditions and Restrictions. Shares of Stock which Participants may receive as a Stock Award under a Stock Award Agreement or Restricted Stock Purchase Offer under a Restricted Stock Purchase Offer may include such restrictions as the Board or Committee, as applicable, shall determine, including restrictions on transfer, repurchase rights, right of first refusal, and forfeiture provisions. When transfer of Stock is so restricted or subject to forfeiture provisions it is referred to as "Restricted Stock". Further, with Board or Committee approval, Stock Awards or Restricted Stock Purchase Offers may be deferred, either in the form of installments or a future lump sum distribution. The Board or Committee may permit selected Participants to elect to defer distributions of Stock Awards or Restricted Stock Purchase Offers in accordance with procedures established by the Board or Committee to assure that such deferrals comply with applicable requirements of the Code including, at the choice of Participants, the capability to make further deferrals for distribution after retirement. Any deferred distribution, whether elected by the Participant or specified by the Stock Award Agreement, Restricted Stock Purchase Offers or by the Board or Committee, may require the payment be forfeited in accordance with the provisions of Section 6(c). Dividends or dividend equivalent rights may be extended to and made part of any Stock Award or Restricted Stock Purchase

6. Stock Awards and Restricted Stock Purchase Offers - continued

Offers denominated in Stock or units of Stock, subject to such terms, conditions and restrictions as the Board or Committee may establish.

(c) Cancellation and Rescission of Grants. Unless the Stock Award Agreement or Restricted Stock Purchase Offer specifies otherwise, the Board or Committee, as applicable, may cancel any unexpired, unpaid, or deferred Grants at any time if the Participant is not in compliance with all other applicable provisions of the Stock Award Agreement or Restricted Stock Purchase Offer, the Plan and with the following conditions:

(i) A Participant shall not render services for any organization or engage directly or indirectly in any business which, in the judgment of the chief executive officer of the Company or other senior officer designated by the Board or Committee, is or becomes competitive with the Company, or which organization or business, or the rendering of services to such organization or business, is or becomes otherwise prejudicial to or in conflict with the interests of the Company. For Participants whose employment has terminated, the judgment of the chief executive officer shall be based on the Participant's position and responsibilities while employed by the Company, the Participant's

post-employment responsibilities and position with the other organization or business, the extent of past, current and potential competition or conflict between the Company and the other organization or business, the effect on the Company's customers, suppliers and competitors and such other considerations as are deemed relevant given the applicable facts and circumstances. A Participant who has retired shall be free, however, to purchase as an investment or otherwise, stock or other securities of such organization or business so long as they are listed upon a recognized securities exchange or traded over-the-counter, and such investment does not represent a substantial investment to the Participant or a greater than ten percent (10%) equity interest in the organization or business.

- (ii) A Participant shall not, without prior written authorization from the Company, disclose to anyone outside the Company, or use in other than the Company's business, any confidential information or material, as defined in the Company's Proprietary Information and Invention Agreement or similar agreement regarding confidential information and intellectual property, relating to the business of the Company, acquired by the Participant either during or after employment with the Company.
- (iii) A Participant, pursuant to the Company's Proprietary Information and Invention Agreement, shall disclose promptly and assign to the Company all right, title and interest in any invention or idea, patentable or not, made or conceived by the Participant during employment by the Company, relating in any manner to the actual or anticipated business, research or development work of the Company and shall do anything reasonably necessary to enable the Company to secure a patent where appropriate in the United States and in foreign countries.
- (iv) Upon exercise, payment or delivery pursuant to a Grant, the Participant shall certify on a form acceptable to the Committee that he or she is in compliance with the terms and conditions of

10

#### 6. Stock Awards and Restricted Stock Purchase Offers - continued

the Plan. Failure to comply with all of the provisions of this Section 6(c) prior to, or during the six months after, any exercise, payment or delivery pursuant to a Grant shall cause such exercise, payment or delivery to be rescinded. The Company shall notify the Participant in writing of any such rescission within two years after such exercise, payment or delivery. Within ten days after receiving such a notice from the Company, the Participant shall pay to the Company the amount of any gain realized or payment received as a result of the rescinded exercise, payment or delivery pursuant to a Grant. Such payment shall be made either in cash or by returning to the Company the number of shares of Stock that the Participant received in connection with the rescinded exercise, payment or delivery.

#### (d) Non-assignability.

- (i) Except pursuant to Section 6(e)(iii) and except as set forth in Section 6(d)(ii), no Grant or any other benefit under the Plan shall be assignable or transferable, or payable to or exercisable by, anyone other than the Participant to whom it was granted.
- (ii) Where a Participant terminates employment and retains a Grant pursuant to Section 6(e)(ii) in order to assume a position with a governmental, charitable or educational institution, the Board or Committee, in its discretion and to the extent permitted by law, may authorize a third party (including but not limited to the trustee of a "blind" trust), acceptable to the applicable governmental or institutional authorities, the Participant and the Board or Committee, to act on behalf of the Participant with regard to such Awards.

#### (e) Termination of Employment. If the employment or service to the Company of a Participant terminates, other than pursuant to any of the following provisions under this Section 6(e), all unexercised, deferred and unpaid Stock Awards or Restricted Stock Purchase Offers shall be cancelled immediately, unless the Stock Award Agreement or Restricted Stock Purchase Offer provides otherwise:

- (i) Retirement Under a Company Retirement Plan. When a Participant's employment terminates as a result of retirement in accordance with the terms of a Company retirement plan, the Board or Committee may permit Stock Awards or Restricted Stock Purchase Offers to continue in effect beyond the date of retirement in

accordance with the applicable Grant Agreement and the exercisability and vesting of any such Grants may be accelerated.

- (ii) Rights in the Best Interests of the Company. When a Participant resigns from the Company and, in the judgment of the Board or Committee, the acceleration and/or continuation of outstanding Stock Awards or Restricted Stock Purchase Offers would be in the best interests of the Company, the Board or Committee may (i) authorize, where appropriate, the acceleration and/or continuation of all or any part of Grants issued prior to such termination and (ii) permit the exercise, vesting and payment of such Grants for such period as may be set forth in the applicable Grant Agreement, subject to earlier cancellation pursuant to Section 9 or at such time as the Board or Committee shall deem

11

6. Stock Awards and Restricted Stock Purchase Offers - continued

the continuation of all or any part of the Participant's Grants are not in the Company's best interest.

- (iii) Death or Disability of a Participant.

- (1) In the event of a Participant's death, the Participant's estate or beneficiaries shall have a period up to the expiration date specified in the Grant Agreement within which to receive or exercise any outstanding Grant held by the Participant under such terms as may be specified in the applicable Grant Agreement. Rights to any such outstanding Grants shall pass by will or the laws of descent and distribution in the following order: (a) to beneficiaries so designated by the Participant; if none, then (b) to a legal representative of the Participant; if none, then (c) to the persons entitled thereto as determined by a court of competent jurisdiction. Grants so passing shall be made at such times and in such manner as if the Participant were living.
- (2) In the event a Participant is deemed by the Board or Committee to be unable to perform his or her usual duties by reason of mental disorder or medical condition which does not result from facts which would be grounds for termination for cause, Grants and rights to any such Grants may be paid to or exercised by the Participant, if legally competent, or a committee or other legally designated guardian or representative if the Participant is legally incompetent by virtue of such disability.
- (3) After the death or disability of a Participant, the Board or Committee may in its sole discretion at any time (1) terminate restrictions in Grant Agreements; (2) accelerate any or all installments and rights; and (3) instruct the Company to pay the total of any accelerated payments in a lump sum to the Participant, the Participant's estate, beneficiaries or representative; notwithstanding that, in the absence of such termination of restrictions or acceleration of payments, any or all of the payments due under the Grant might ultimately have become payable to other beneficiaries.
- (4) In the event of uncertainty as to interpretation of or controversies concerning this Section 6, the determinations of the Board or Committee, as applicable, shall be binding and conclusive.

7. Investment Intent. All Grants under the Plan are intended to be exempt from registration under the Securities Act provided by Rule 701 thereunder. Unless and until the granting of Options or sale and issuance of Stock subject to the Plan are registered under the Securities Act or shall be exempt pursuant to the rules promulgated thereunder, each Grant under the Plan shall provide that the purchases or other acquisitions of Stock thereunder shall be for investment purposes and not with a view to, or for resale in connection with, any distribution thereof. Further, unless the issuance and sale of the Stock have been registered under the Securities Act, each Grant shall provide that no shares shall be purchased upon the exercise of the rights under such Grant unless and until (i) all then

12

7. Investment Intent - continued

applicable requirements of state and federal laws and regulatory agencies

shall have been fully complied with to the satisfaction of the Company and its counsel, and (ii) if requested to do so by the Company, the person exercising the rights under the Grant shall (i) give written assurances as to knowledge and experience of such person (or a representative employed by such person) in financial and business matters and the ability of such person (or representative) to evaluate the merits and risks of exercising the Option, and (ii) execute and deliver to the Company a letter of investment intent and/or such other form related to applicable exemptions from registration, all in such form and substance as the Company may require. If shares are issued upon exercise of any rights under a Grant without registration under the Securities Act, subsequent registration of such shares shall relieve the purchaser thereof of any investment restrictions or representations made upon the exercise of such rights.

8. Amendment, Modification, Suspension or Discontinuance of the Plan. The Board may, insofar as permitted by law, from time to time, with respect to any shares at the time not subject to outstanding Grants, suspend or terminate the Plan or revise or amend it in any respect whatsoever, except that without the approval of the shareholders of the Company, no such revision or amendment shall (i) increase the number of shares subject to the Plan, (ii) decrease the price at which Grants may be granted, (iii) materially increase the benefits to Participants, or (iv) change the class of persons eligible to receive Grants under the Plan; provided, however, no such action shall alter or impair the rights and obligations under any Option, or Stock Award, or Restricted Stock Purchase Offer outstanding as of the date thereof without the written consent of the Participant thereunder. No Grant may be issued while the Plan is suspended or after it is terminated, but the rights and obligations under any Grant issued while the Plan is in effect shall not be impaired by suspension or termination of the Plan.

In the event of any change in the outstanding Stock by reason of a stock split, stock dividend, combination or reclassification of shares, recapitalization, merger, or similar event, the Board or the Committee may adjust proportionally (a) the number of shares of Stock (i) reserved under the Plan, (ii) available for Incentive Stock Options and Nonstatutory Options and (iii) covered by outstanding Stock Awards or Restricted Stock Purchase Offers; (b) the Stock prices related to outstanding Grants; and (c) the appropriate Fair Market Value and other price determinations for such Grants. In the event of any other change affecting the Stock or any distribution (other than normal cash dividends) to holders of Stock, such adjustments as may be deemed equitable by the Board or the Committee, including adjustments to avoid fractional shares, shall be made to give proper effect to such event. In the event of a corporate merger, consolidation, acquisition of property or stock, separation, reorganization or liquidation, the Board or the Committee shall be authorized to issue or assume stock options, whether or not in a transaction to which Section 424(a) of the Code applies, and other Grants by means of substitution of new Grant Agreements for previously issued Grants or an assumption of previously issued Grants.

9. Tax Withholding. The Company shall have the right to deduct applicable taxes from any Grant payment and withhold, at the time of delivery or exercise of Options, Stock Awards or Restricted Stock Purchase Offers or vesting of shares under such Grants, an appropriate number of shares for payment of taxes required by law or to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for

13

9. Tax Withholding - continued

withholding of such taxes. If Stock is used to satisfy tax withholding, such stock shall be valued based on the Fair Market Value when the tax withholding is required to be made.

10. Availability of Information. During the term of the Plan and any additional period during which a Grant granted pursuant to the Plan shall be exercisable, the Company shall make available, not later than one hundred and twenty (120) days following the close of each of its fiscal years, such financial and other information regarding the Company as is required by the bylaws of the Company and applicable law to be furnished in an annual report to the shareholders of the Company.
11. Notice. Any written notice to the Company required by any of the provisions of the Plan shall be addressed to the chief personnel officer or to the chief executive officer of the Company, and shall become effective when it is received by the office of the chief personnel officer or the chief executive officer.
12. Indemnification of Board. In addition to such other rights or indemnifications as they may have as directors or otherwise, and to the extent allowed by applicable law, the members of the Board and the Committee shall be indemnified by the Company against the reasonable

expenses, including attorneys' fees, actually and necessarily incurred in connection with the defense of any claim, action, suit or proceeding, or in connection with any appeal thereof, to which they or any of them may be a party by reason of any action taken, or failure to act, under or in connection with the Plan or any Grant granted thereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any such claim, action, suit or proceeding, except in any case in relation to matters as to which it shall be adjudged in such claim, action, suit or proceeding that such Board or Committee member is liable for negligence or misconduct in the performance of his or her duties; provided that within sixty (60) days after institution of any such action, suit or Board proceeding the member involved shall offer the Company, in writing, the opportunity, at its own expense, to handle and defend the same.

13. Governing Law. The Plan and all determinations made and actions taken pursuant hereto, to the extent not otherwise governed by the Code or the securities laws of the United States, shall be governed by the laws of the State of Nevada and construed accordingly.

14. Effective and Termination Dates. The Plan shall become effective on the date it is approved by the holders of a majority of the shares of Stock then outstanding. The Plan shall terminate ten years later, subject to earlier termination by the Board pursuant to Section 8.

The foregoing Combined Incentive and Non-Qualified Stock Plan was duly adopted and approved by the Board of Directors on June 28, 2005.

VISUALANT, INCORPORATED

/s/ Ronald P. Erickson  
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By: Ronald P. Erickson  
Chair man of the Board

14

EXHIBIT A

VISUALANT, INCORPORATED  
INCENTIVE STOCK OPTION AGREEMENT

=====

This Incentive Stock Option Agreement ("Agreement") is made and entered into as of the date set forth below, by and between VISUALANT, INCORPORATED, a Nevada corporation (the "Company"), and the employee of the Company named in Section 1(b). ("Optionee"):

In consideration of the covenants herein set forth, the parties hereto agree as follows:

1. Option Information.

- (a) Date of Option: \_\_\_\_\_
- (b) Optionee: \_\_\_\_\_
- (c) Number of Shares: \_\_\_\_\_
- (d) Exercise Price: \_\_\_\_\_

2. Acknowledgements.

(a) Optionee is an employee of the Company.

(b) The Board of Directors (the "Board" which term shall include an authorized committee of the Board of Directors) and shareholders of the Company have heretofore adopted a 2005 Incentive Stock Plan (the "Plan"), pursuant to which this Option is being granted.

(c) The Board has authorized the granting to Optionee of an incentive stock option ("Option") as defined in Section 422 of the Internal Revenue Code of 1986, as amended, (the "Code") to purchase shares of common stock of the Company ("Stock") upon the terms and conditions hereinafter stated and pursuant to an exemption from registration under the Securities Act of 1933, as amended (the "Securities Act") provided by Rule 701 thereunder.

3. Shares; Price. The Company hereby grants to Optionee the right to purchase, upon and subject to the terms and conditions herein stated, the number of shares of Stock set forth in Section 1(c) above (the "Shares") for cash (or other consideration as is authorized under the Plan and acceptable to the Board, in their sole and absolute discretion) at the price per Share set forth in Section

1(d) above (the "Exercise Price"), such price being not less than the fair market value per share of the Shares covered by this Option as of the date hereof (unless Optionee is the owner of Stock possessing ten percent or more of the total voting power or value of all outstanding Stock of the Company, in which case the Exercise Price shall be no less than 110% of the fair market value of such Stock).

4. Term of Option; Continuation of Employment. This Option shall expire, and all rights hereunder to purchase the Shares shall terminate five (5) years from the date hereof. This Option shall earlier terminate subject to Sections 7 and 8 hereof upon, and as of the date of, the termination of Optionee's employment if such termination occurs prior to the end of such five (5) year period. Nothing contained herein shall confer upon Optionee the right to the continuation of his or her employment by the Company or to interfere with the right of the Company

15

## 2. Acknowledgements - continued

to terminate such employment or to increase or decrease the compensation of Optionee from the rate in existence at the date hereof.

5. Vesting of Option. Subject to the provisions of Sections 7 and 8 hereof, this Option shall become exercisable during the term of Optionee's employment in four (4) equal annual installments of twenty-five percent (25%) of the Shares covered by this Option, the first installment to be exercisable on the six (6) month anniversary of the date of this Option (the "Initial Vesting Date"), with an additional twenty-five percent (25%) of such Shares becoming exercisable on each of the three (3) successive twelve (12) month periods following the Initial Vesting Date. The installments shall be cumulative (i.e., this option may be exercised, as to any or all Shares covered by an installment, at any time or times after an installment becomes exercisable and until expiration or termination of this option)].

6. Exercise. This Option shall be exercised by delivery to the Company of (a) written notice of exercise stating the number of Shares being purchased (in whole shares only) and such other information set forth on the form of Notice of Exercise attached hereto as Appendix A, (b) a check or cash in the amount of the Exercise Price of the Shares covered by the notice (or such other consideration as has been approved by the Board of Directors consistent with the Plan) and (c) a written investment representation as provided for in Section 13 hereof. This Option shall not be assignable or transferable, except by will or by the laws of descent and distribution, and shall be exercisable only by Optionee during his or her lifetime, except as provided in Section 8 hereof.

7. Termination of Employment. If Optionee shall cease to be employed by the Company for any reason, whether voluntarily or involuntarily, other than by his or her death, Optionee (or if the Optionee shall die after such termination, but prior to such exercise date, Optionee's personal representative or the person entitled to succeed to the Option) shall have the right at any time within three (3) months following such termination of employment or the remaining term of this Option, whichever is the lesser, to exercise in whole or in part this Option to the extent, but only to the extent, that this Option was exercisable as of the date of termination of employment and had not previously been exercised; provided, however: (i) if Optionee is permanently disabled (within the meaning of Section 22(e)(3) of the Code) at the time of termination, the foregoing three (3) month period shall be extended to six (6) months; or (ii) if Optionee is terminated "for cause" as that term is defined under the Nevada Labor Code and case law related thereto, or by the terms of the Plan or this Option Agreement or by any employment agreement between the Optionee and the Company, this Option shall automatically terminate as to all Shares covered by this Option not exercised prior to termination. Unless earlier terminated, all rights under this Option shall terminate in any event on the expiration date of this Option as defined in Section 4 hereof.

8. Death of Optionee. If the Optionee shall die while in the employ of the Company, Optionee's personal representative or the person entitled to Optionee's rights hereunder may at any time within six (6) months after the date of Optionee's death, or during the remaining term of this Option, whichever is the lesser, exercise this Option and purchase Shares to the extent, but only to the extent, that Optionee could have exercised this Option as of the date of Optionee's death; provided, in any case, that this Option may be so exercised only to the extent that this Option has not previously been exercised by Optionee.

16

9. No Rights as Shareholder. Optionee shall have no rights as a shareholder with respect to the Shares covered by any installment of this Option until the effective date of issuance of Shares following exercise of this Option, and no adjustment will be made for dividends or other rights for which the record date is prior to the date such stock certificate or certificates are issued except as provided in Section 10 hereof.

10. Recapitalization. Subject to any required action by the shareholders of the Company, the number of Shares covered by this Option, and the Exercise Price thereof, shall be proportionately adjusted for any increase or decrease in the number of issued shares resulting from a subdivision or consolidation of shares or the payment of a stock dividend, or any other increase or decrease in the number of such shares effected without receipt of consideration by the Company; provided however that the conversion of any convertible securities of the Company shall not be deemed having been "effected without receipt of consideration by the Company".

In the event of a proposed dissolution or liquidation of the Company, a merger or consolidation in which the Company is not the surviving entity, or a sale of all or substantially all of the assets or capital stock of the Company (collectively, a "Reorganization"), unless otherwise provided by the Board, this Option shall terminate immediately prior to such date as is determined by the Board, which date shall be no later than the consummation of such Reorganization. In such event, if the entity which shall be the surviving entity does not tender to Optionee an offer, for which it has no obligation to do so, to substitute for any unexercised Option a stock option or capital stock of such surviving entity, as applicable, which on an equitable basis shall provide the Optionee with substantially the same economic benefit as such unexercised Option, then the Board may grant to such Optionee, in its sole and absolute discretion and without obligation, the right for a period commencing thirty (30) days prior to and ending immediately prior to the date determined by the Board pursuant hereto for termination of the Option or during the remaining term of the Option, whichever is the lesser, to exercise any unexpired Option or Options without regard to the installment provisions of Section 5; provided, however, that such exercise shall be subject to the consummation of such Reorganization.

Subject to any required action by the shareholders of the Company, if the Company shall be the surviving entity in any merger or consolidation, this Option thereafter shall pertain to and apply to the securities to which a holder of Shares equal to the Shares subject to this Option would have been entitled by reason of such merger or consolidation, and the installment provisions of Section 5 shall continue to apply.

In the event of a change in the shares of the Company as presently constituted, which is limited to a change of all of its authorized Stock without par value into the same number of shares of Stock with a par value, the shares resulting from any such change shall be deemed to be the Shares within the meaning of this Option.

To the extent that the foregoing adjustments relate to shares or securities of the Company, such adjustments shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as hereinbefore expressly provided, Optionee shall have no rights by reason of any subdivision or consolidation of shares of Stock of any class or the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class, and the number and price of Shares subject to this Option shall not be affected by, and no adjustments shall be made by reason of, any dissolution, liquidation, merger, consolidation or sale of assets or capital stock, or any issue by the Company of shares of stock of any class or securities convertible into shares of stock of any class.

17

#### 10. Recapitalization - continued

The grant of this Option shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations or changes in its capital or business structure or to merge, consolidate, dissolve or liquidate or to sell or transfer all or any part of its business or assets.

11. Additional Consideration. Should the Internal Revenue Service determine that the Exercise Price established by the Board as the fair market value per Share is less than the fair market value per Share as of the date of Option grant, Optionee hereby agrees to tender such additional consideration, or agrees to tender upon exercise of all or a portion of this Option, such fair market value per Share as is determined by the Internal Revenue Service.

12. Modifications, Extension and Renewal of Options. The Board or Committee, as described in the Plan, may modify, extend or renew this Option or accept the surrender thereof (to the extent not theretofore exercised) and authorize the granting of a new option in substitution therefore (to the extent not theretofore exercised), subject at all times to the Plan, and Section 422 of the Code. Notwithstanding the foregoing provisions of this Section 12, no modification shall, without the consent of the Optionee, alter to the Optionee's detriment or impair any rights of Optionee hereunder.

#### 13. Investment Intent; Restrictions on Transfer.

(a) Optionee represents and agrees that if Optionee exercises this Option in whole or in part, Optionee will in each case acquire the Shares upon such exercise for the purpose of investment and not with a view to, or for resale in connection with, any distribution thereof; and that upon such



exercise of this Option in whole or in part, Optionee (or any person or persons entitled to exercise this Option under the provisions of Sections 7 and 8 hereof) shall furnish to the Company a written statement to such effect, satisfactory to the Company in form and substance. If the Shares represented by this Option are registered under the Securities Act, either before or after the exercise of this Option in whole or in part, the Optionee shall be relieved of the foregoing investment representation and agreement and shall not be required to furnish the Company with the foregoing written statement.

(b) Optionee further represents that Optionee has had access to the financial statements or books and records of the Company, has had the opportunity to ask questions of the Company concerning its business, operations and financial condition, and to obtain additional information reasonably necessary to verify the accuracy of such information.

(c) Unless and until the Shares represented by this Option are registered under the Securities Act, all certificates representing the Shares and any certificates subsequently issued in substitution therefor and any certificate for any securities issued pursuant to any stock split, share reclassification, stock dividend or other similar capital event shall bear legends in substantially the following form:

THESE SECURITIES HAVE NOT BEEN REGISTERED OR OTHERWISE QUALIFIED UNDER THE SECURITIES ACT OF 1933 (THE 'SECURITIES ACT') OR UNDER THE APPLICABLE SECURITIES LAWS OF ANY STATE. NEITHER THESE SECURITIES NOR ANY INTEREST THEREIN MAY BE SOLD, TRANSFERRED, PLEDGED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF REGISTRATION UNDER THE SECURITIES ACT OR ANY APPLICABLE SECURITIES LAWS OF ANY STATE, UNLESS PURSUANT TO EXEMPTIONS THEREFROM.

18

#### 13. Investment Intent; Restrictions on Transfer - continued

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ISSUED PURSUANT TO THAT CERTAIN INCENTIVE STOCK OPTION AGREEMENT DATED \_\_\_\_\_ BETWEEN THE COMPANY AND THE ISSUER WHICH RESTRICTS THE TRANSFER OF THESE SHARES WHICH ARE SUBJECT TO REPURCHASE BY THE COMPANY UNDER CERTAIN CONDITIONS.

such other legend or legends as the Company and its counsel deem necessary or appropriate. Appropriate stop transfer instructions with respect to the Shares have been placed with the Company's transfer agent.

14. Effects of Early Disposition. Optionee understands that if an Optionee disposes of shares acquired hereunder within two (2) years after the date of this Option or within one (1) year after the date of issuance of such shares to Optionee, such Optionee will be treated for income tax purposes as having received ordinary income at the time of such disposition of an amount generally measured by the difference between the purchase price and the fair market value of such stock on the date of exercise, subject to adjustment for any tax previously paid, in addition to any tax on the difference between the sales price and Optionee's adjusted cost basis in such shares. The foregoing amount may be measured differently if Optionee is an officer, director or ten percent holder of the Company. Optionee agrees to notify the Company within ten (10) working days of any such disposition.

15. Stand-off Agreement. Optionee agrees that in connection with any registration of the Company's securities under the Securities Act, and upon the request of the Company or any underwriter managing an underwritten offering of the Company's securities, Optionee shall not sell, short any sale of, loan, grant an option for, or otherwise dispose of any of the Shares (other than Shares included in the offering) without the prior written consent of the Company or such managing underwriter, as applicable, for a period of at least one year following the effective date of registration of such offering.

16. Restriction Upon Transfer. The Shares may not be sold, transferred or otherwise disposed of and shall not be pledged or otherwise hypothecated by the Optionee except as hereinafter provided.

(a) Repurchase Right on Termination Other Than for Cause. For the purposes of this Section, a "Repurchase Event" shall mean an occurrence of one of (i) termination of Optionee's employment by the Company, voluntary or involuntary and with or without cause; (ii) retirement or death of Optionee; (iii) bankruptcy of Optionee, which shall be deemed to have occurred as of the date on which a voluntary or involuntary petition in bankruptcy is filed with a court of competent jurisdiction; (iv) dissolution of the marriage of Optionee, to the extent that any of the Shares are allocated as the sole and separate property of Optionee's spouse pursuant thereto (in which case this Section shall only apply to the Shares so affected); or (v) any attempted transfer by the Optionee of Shares, or any interest therein, in violation of this Agreement. Upon the occurrence of a Repurchase Event, the Company shall have the right (but not an obligation) to repurchase all or any portion of the Shares of Optionee at a price equal to the fair value of the Shares as of the date of the Repurchase Event.

(b) Repurchase Right on Termination for Cause. In the event Optionee's employment is terminated by the Company "for cause", then the Company shall have the right (but not an obligation) to repurchase Shares of Optionee at a price equal to the Exercise Price. Such right of the Company to repurchase Shares shall apply to 100% of the Shares for one (1) year from the date of this Agreement; and shall thereafter lapse at the rate of

19

16. Restriction Upon Transfer - continued

twenty percent (20%) of the Shares on each anniversary of the date of this Agreement. In addition, the Company shall have the right, in the sole discretion of the Board and without obligation, to repurchase upon termination for cause all or any portion of the Shares of Optionee, at a price equal to the fair value of the Shares as of the date of termination, which right is not subject to the foregoing lapsing of rights. In the event the Company elects to repurchase the Shares, the stock certificates representing the same shall forthwith be returned to the Company for cancellation.

(c) Exercise of Repurchase Right. Any Repurchase Right under Paragraphs 16(a) or 16(b) shall be exercised by giving notice of exercise as provided herein to Optionee or the estate of Optionee, as applicable. Such right shall be exercised, and the repurchase price thereunder shall be paid, by the Company within a ninety (90) day period beginning on the date of notice to the Company of the occurrence of such Repurchase Event (except in the case of termination of employment or retirement, where such option period shall begin upon the occurrence of the Repurchase Event). Such repurchase price shall be payable only in the form of cash (including a check drafted on immediately available funds) or cancellation of purchase money indebtedness of the Optionee for the Shares. If the Company can not purchase all such Shares because it is unable to meet the financial tests set forth in Nevada and/or Nevada corporation law, the Company shall have the right to purchase as many Shares as it is permitted to purchase under such sections. Any Shares not purchased by the Company hereunder shall no longer be subject to the provisions of this Section 16.

(d) Right of First Refusal. In the event Optionee desires to transfer any Shares during his or her lifetime, Optionee shall first offer to sell such Shares to the Company. Optionee shall deliver to the Company written notice of the intended sale, such notice to specify the number of Shares to be sold, the proposed purchase price and terms of payment, and grant the Company an option for a period of thirty days following receipt of such notice to purchase the offered Shares upon the same terms and conditions. To exercise such option, the Company shall give notice of that fact to Optionee within the thirty (30) day notice period and agree to pay the purchase price in the manner provided in the notice. If the Company does not purchase all of the Shares so offered during foregoing option period, Optionee shall be under no obligation to sell any of the offered Shares to the Company, but may dispose of such Shares in any lawful manner during a period of one hundred and eighty (180) days following the end of such notice period, except that Optionee shall not sell any such Shares to any other person at a lower price or upon more favorable terms than those offered to the Company.

(e) Acceptance of Restrictions. Acceptance of the Shares shall constitute the Optionee's agreement to such restrictions and the legending of his certificates with respect thereto. Notwithstanding such restrictions, however, so long as the Optionee is the holder of the Shares, or any portion thereof, he shall be entitled to receive all dividends declared on and to vote the Shares and to all other rights of a shareholder with respect thereto.

(f) Permitted Transfers. Notwithstanding any provisions in this Section 16 to the contrary, the Optionee may transfer Shares subject to this Agreement to his or her parents, spouse, children, or grandchildren, or a trust for the benefit of the Optionee or any such transferee(s); provided, that such permitted transferee(s) shall hold the Shares subject to all the provisions

20

16. Restriction Upon Transfer - continued

of this Agreement (all references to the Optionee herein shall in such cases refer mutatis mutandis to the permitted transferee, except in the case of clause (iv) of Section 16(a) wherein the permitted transfer shall be deemed to be rescinded); and provided further, that notwithstanding any other provisions in this Agreement, a permitted transferee may not, in turn, make permitted transfers without the written consent of the Optionee and the Company.

(g) Release of Restrictions on Shares. All other restrictions under this Section 16 shall terminate five (5) years following the date of this Agreement, or when the Company's securities are publicly traded, whichever occurs earlier.

17. Notices. Any notice required to be given pursuant to this Option or the Plan shall be in writing and shall be deemed to be delivered upon receipt or, in the case of notices by the Company, five (5) days after deposit in the U.S. mail, postage prepaid, addressed to Optionee at the address last provided to the Company by Optionee for his or her employee records.

18. Agreement Subject to Plan; Applicable Law. This Option is made pursuant to the Plan and shall be interpreted to comply therewith. A copy of such Plan is available to Optionee, at no charge, at the principal office of the Company. Any provision of this Option inconsistent with the Plan shall be considered void and replaced with the applicable provision of the Plan. This Option has been granted, executed and delivered in the State of Nevada, and the interpretation and enforcement shall be governed by the laws thereof and subject to the exclusive jurisdiction of the courts therein.

In Witness Whereof, the parties hereto have executed this Option as of the date first above written.

COMPANY: VISUALANT, INCORPORATED

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

OPTIONEE:

By: \_\_\_\_\_  
(signature)  
Name: \_\_\_\_\_

(one of the following, as appropriate, shall be signed)

I certify that as of the date hereof I  
am unmarried

By his or her signature, the spouse  
of Optionee hereby agrees to be bound  
by the provisions of the foregoing  
INCENTIVE STOCK OPTION AGREEMENT

\_\_\_\_\_  
Optionee

\_\_\_\_\_  
Spouse of Optionee

21

Appendix A

NOTICE OF EXERCISE

VISUALANT, INCORPORATED

Re: Incentive Stock Option

Notice is hereby given pursuant to Section 6 of my Incentive Stock Option Agreement that I elect to purchase the number of shares set forth below at the exercise price set forth in my option agreement:

Incentive Stock Option Agreement dated: \_\_\_\_\_

Number of shares being purchased: \_\_\_\_\_

Exercise Price: \$ \_\_\_\_\_

A check in the amount of the aggregate price of the shares being purchased is attached.

I hereby confirm that such shares are being acquired by me for my own account for investment purposes, and not with a view to, or for resale in connection with, any distribution thereof. I will not sell or dispose of my Shares in violation of the Securities Act of 1933, as amended, or any applicable federal or state securities laws. Further, I understand that the exemption from taxable income at the time of exercise is dependent upon my holding such stock for a period of at least one year from the date of exercise and two years from the date of grant of the Option.

I understand that the certificate representing the Option Shares will bear a restrictive legend within the contemplation of the Securities Act and as

required by such other state or federal law or regulation applicable to the issuance or delivery of the Option Shares.

I agree to provide to the Company such additional documents or information as may be required pursuant to the Company's 2005 Incentive Stock Plan.

By: \_\_\_\_\_  
(signature)  
Name: \_\_\_\_\_

22

EXHIBIT B-1

-----  
VISUALANT, INCORPORATED  
EMPLOYEE NONSTATUTORY STOCK OPTION AGREEMENT

=====

This Employee Nonstatutory Stock Option Agreement ("Agreement") is made and entered into as of the date set forth below, by and between VISUALANT, INCORPORATED ("Company"), and the following employee of the Company ("Optionee"):

In consideration of the covenants herein set forth, the parties hereto agree as follows:

1. Option Information.

(a) Date of Option: \_\_\_\_\_  
(b) Optionee: \_\_\_\_\_  
(c) Number of Shares: \_\_\_\_\_  
(d) Exercise Price: \_\_\_\_\_

2. Acknowledgements.

(a) Optionee is an employee of the Company.

(b) The Board of Directors (the "Board" which term shall include an authorized committee of the Board of Directors) and shareholders of the Company have heretofore adopted a 2005 Incentive Stock Plan (the "Plan"), pursuant to which this Option is being granted; and

(c) The Board has authorized the granting to Optionee of a nonstatutory stock option ("Option") to purchase shares of common stock of the Company ("Stock") upon the terms and conditions hereinafter stated and pursuant to an exemption from registration under the Securities Act of 1933, as amended (the "Securities Act") provided by Rule 701 thereunder.

3. Shares; Price. Company hereby grants to Optionee the right to purchase, upon and subject to the terms and conditions herein stated, the number of shares of Stock set forth in Section 1(c) above (the "Shares") for cash (or other consideration as is authorized under the Plan and acceptable to the Board of Directors of the Company, in their sole and absolute discretion) at the price per Share set forth in Section 1(d) above (the "Exercise Price"), such price being not less than eighty-five percent (85%) of the fair market value per share of the Shares covered by this Option as of the date hereof.

4. Term of Option; Continuation of Service. This Option shall expire, and all rights hereunder to purchase the Shares shall terminate, five (5) years from the date hereof. This Option shall earlier terminate subject to Sections 7 and 8 hereof upon, and as of the date of, the termination of Optionee's employment if such termination occurs prior to the end of such five (5) year period. Nothing contained herein shall confer upon Optionee the right to the continuation of his or her employment by the Company or to interfere with the right of the Company to terminate such employment or to increase or decrease the compensation of Optionee from the rate in existence at the date hereof.

5. Vesting of Option. Subject to the provisions of Sections 7 and 8 hereof, this Option shall become exercisable during the term of Optionee's employment in [five (5) equal annual installments of twenty percent (20%) of the Shares

23

5. Vesting of Option - continued

covered by this Option, the first installment to be exercisable on the first anniversary of the date of this Option, with an additional twenty percent (20%) of such Shares becoming exercisable on each of the four (4) successive

anniversary dates. The installments shall be cumulative (i.e., this option may be exercised, as to any or all shares covered by an installment, at any time or times after an installment becomes exercisable and until expiration or termination of this option)].

6. Exercise. This Option shall be exercised by delivery to the Company of (a) written notice of exercise stating the number of Shares being purchased (in whole shares only) and such other information set forth on the form of Notice of Exercise attached hereto as Appendix A, (b) a check or cash in the amount of the Exercise Price of the Shares covered by the notice (or such other consideration as has been approved by the Board of Directors consistent with the Plan) and (c) a written investment representation as provided for in Section 13 hereof. This Option shall not be assignable or transferable, except by will or by the laws of descent and distribution, and shall be exercisable only by Optionee during his or her lifetime, except as provided in Section 8 hereof.

7. Termination of Employment. If Optionee shall cease to be employed by the Company for any reason, whether voluntarily or involuntarily, other than by his or her death, Optionee (or if the Optionee shall die after such termination, but prior to such exercise date, Optionee's personal representative or the person entitled to succeed to the Option) shall have the right at any time within three (3) months following such termination of employment or the remaining term of this Option, whichever is the lesser, to exercise in whole or in part this Option to the extent, but only to the extent, that this Option was exercisable as of the date of termination of employment and had not previously been exercised; provided, however: (i) if Optionee is permanently disabled (within the meaning of Section 22(e)(3) of the Code) at the time of termination, the foregoing three (3) month period shall be extended to six (6) months; or (ii) if Optionee is terminated "for cause" as that term is defined under the Nevada Labor Code and case law related thereto, or by the terms of the Plan or this Option Agreement or by any employment agreement between the Optionee and the Company, this Option shall automatically terminate as to all Shares covered by this Option not exercised prior to termination. Unless earlier terminated, all rights under this Option shall terminate in any event on the expiration date of this Option as defined in Section 4 hereof.

8. Death of Optionee. If the Optionee shall die while in the employ of the Company, Optionee's personal representative or the person entitled to Optionee's rights hereunder may at any time within six (6) months after the date of Optionee's death, or during the remaining term of this Option, whichever is the lesser, exercise this Option and purchase Shares to the extent, but only to the extent, that Optionee could have exercised this Option as of the date of Optionee's death; provided, in any case, that this Option may be so exercised only to the extent that this Option has not previously been exercised by Optionee.

9. No Rights as Shareholder. Optionee shall have no rights as a shareholder with respect to the Shares covered by any installment of this Option until the effective date of issuance of the Shares following exercise of this Option, and no adjustment will be made for dividends or other rights for which the record date is prior to the date such stock certificate or certificates are issued except as provided in Section 10 hereof.

24

10. Recapitalization. Subject to any required action by the shareholders of the Company, the number of Shares covered by this Option, and the Exercise Price thereof, shall be proportionately adjusted for any increase or decrease in the number of issued shares resulting from a subdivision or consolidation of shares or the payment of a stock dividend, or any other increase or decrease in the number of such shares effected without receipt of consideration by the Company; provided however that the conversion of any convertible securities of the Company shall not be deemed having been "effected without receipt of consideration by the Company".

In the event of a proposed dissolution or liquidation of the Company, a merger or consolidation in which the Company is not the surviving entity, or a sale of all or substantially all of the assets or capital stock of the Company (collectively, a "Reorganization"), unless otherwise provided by the Board, this Option shall terminate immediately prior to such date as is determined by the Board, which date shall be no later than the consummation of such Reorganization. In such event, if the entity which shall be the surviving entity does not tender to Optionee an offer, for which it has no obligation to do so, to substitute for any unexercised Option a stock option or capital stock of such surviving entity, as applicable, which on an equitable basis shall provide the Optionee with substantially the same economic benefit as such unexercised Option, then the Board may grant to such Optionee, in its sole and absolute discretion and without obligation, the right for a period commencing thirty (30) days prior to and ending immediately prior to the date determined by the Board pursuant hereto for termination of the Option or during the remaining term of the Option, whichever is the lesser, to exercise any unexpired Option or Options without regard to the installment provisions of Section 5; provided, however, that such exercise shall be subject to the consummation of such Reorganization.

Subject to any required action by the shareholders of the Company, if the

Company shall be the surviving entity in any merger or consolidation, this Option thereafter shall pertain to and apply to the securities to which a holder of Shares equal to the Shares subject to this Option would have been entitled by reason of such merger or consolidation, and the installment provisions of Section 5 shall continue to apply.

In the event of a change in the shares of the Company as presently constituted, which is limited to a change of all of its authorized Stock without par value into the same number of shares of Stock with a par value, the shares resulting from any such change shall be deemed to be the Shares within the meaning of this Option.

To the extent that the foregoing adjustments relate to shares or securities of the Company, such adjustments shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as hereinbefore expressly provided, Optionee shall have no rights by reason of any subdivision or consolidation of shares of Stock of any class or the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class, and the number and price of Shares subject to this Option shall not be affected by, and no adjustments shall be made by reason of, any dissolution, liquidation, merger, consolidation or sale of assets or capital stock, or any issue by the Company of shares of stock of any class or securities convertible into shares of stock of any class.

The grant of this Option shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations or changes in its capital or business structure or to merge, consolidate, dissolve or liquidate or to sell or transfer all or any part of its business or assets.

25

11. Taxation upon Exercise of Option. Optionee understands that, upon exercise of this Option, Optionee will recognize income, for Federal and state income tax purposes, in an amount equal to the amount by which the fair market value of the Shares, determined as of the date of exercise, exceeds the Exercise Price. The acceptance of the Shares by Optionee shall constitute an agreement by Optionee to report such income in accordance with then applicable law and to cooperate with Company in establishing the amount of such income and corresponding deduction to the Company for its income tax purposes. Withholding for federal or state income and employment tax purposes will be made, if and as required by law, from Optionee's then current compensation, or, if such current compensation is insufficient to satisfy withholding tax liability, the Company may require Optionee to make a cash payment to cover such liability as a condition of the exercise of this Option.

12. Modification, Extension and Renewal of Options. The Board or Committee, as described in the Plan, may modify, extend or renew this Option or accept the surrender thereof (to the extent not theretofore exercised) and authorize the granting of a new option in substitution therefore (to the extent not theretofore exercised), subject at all times to the Plan, the Code and the Nevada Securities Rules. Notwithstanding the foregoing provisions of this Section 12, no modification shall, without the consent of the Optionee, alter to the Optionee's detriment or impair any rights of Optionee hereunder.

13. Investment Intent; Restrictions on Transfer.

(a) Optionee represents and agrees that if Optionee exercises this Option in whole or in part, Optionee will in each case acquire the Shares upon such exercise for the purpose of investment and not with a view to, or for resale in connection with, any distribution thereof; and that upon such exercise of this Option in whole or in part, Optionee (or any person or persons entitled to exercise this Option under the provisions of Sections 7 and 8 hereof) shall furnish to the Company a written statement to such effect, satisfactory to the Company in form and substance. If the Shares represented by this Option are registered under the Securities Act, either before or after the exercise of this Option in whole or in part, the Optionee shall be relieved of the foregoing investment representation and agreement and shall not be required to furnish the Company with the foregoing written statement.

(b) Optionee further represents that Optionee has had access to the financial statements or books and records of the Company, has had the opportunity to ask questions of the Company concerning its business, operations and financial condition, and to obtain additional information reasonably necessary to verify the accuracy of such information

(c) Unless and until the Shares represented by this Option are registered under the Securities Act, all certificates representing the Shares and any certificates subsequently issued in substitution therefor and any certificate for any securities issued pursuant to any stock split, share reclassification, stock dividend or other similar capital event shall bear legends in substantially the following form:

THESE SECURITIES HAVE NOT BEEN REGISTERED OR OTHERWISE QUALIFIED UNDER THE SECURITIES ACT OF 1933 (THE 'SECURITIES ACT') OR UNDER THE APPLICABLE

SECURITIES LAWS OF ANY STATE. NEITHER THESE SECURITIES NOR ANY INTEREST THEREIN MAY BE SOLD, TRANSFERRED, PLEDGED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF REGISTRATION UNDER THE SECURITIES ACT OR ANY APPLICABLE SECURITIES LAWS OF ANY STATE, UNLESS PURSUANT TO EXEMPTIONS THEREFROM.

26

13. Investment Intent; Restrictions on Transfer - continued

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ISSUED PURSUANT TO THAT CERTAIN NONSTATUTORY STOCK OPTION AGREEMENT DATED \_\_\_\_\_ BETWEEN THE COMPANY AND THE ISSUER WHICH RESTRICTS THE TRANSFER OF THESE SHARES WHICH ARE SUBJECT TO REPURCHASE BY THE COMPANY UNDER CERTAIN CONDITIONS.

and/or such other legend or legends as the Company and its counsel deem necessary or appropriate. Appropriate stop transfer instructions with respect to the Shares have been placed with the Company's transfer agent.

14. Stand-off Agreement. Optionee agrees that, in connection with any registration of the Company's securities under the Securities Act, and upon the request of the Company or any underwriter managing an underwritten offering of the Company's securities, Optionee shall not sell, short any sale of, loan, grant an option for, or otherwise dispose of any of the Shares (other than Shares included in the offering) without the prior written consent of the Company or such managing underwriter, as applicable, for a period of at least one year following the effective date of registration of such offering.

15. Restriction Upon Transfer. The Shares may not be sold, transferred or otherwise disposed of and shall not be pledged or otherwise hypothecated by the Optionee except as hereinafter provided.

(a) Repurchase Right on Termination Other Than for Cause. For the purposes of this Section, a "Repurchase Event" shall mean an occurrence of one of (i) termination of Optionee's employment by the Company, voluntary or involuntary and with or without cause; (ii) retirement or death of Optionee; (iii) bankruptcy of Optionee, which shall be deemed to have occurred as of the date on which a voluntary or involuntary petition in bankruptcy is filed with a court of competent jurisdiction; (iv) dissolution of the marriage of Optionee, to the extent that any of the Shares are allocated as the sole and separate property of Optionee's spouse pursuant thereto (in which case, this Section shall only apply to the Shares so affected); or (v) any attempted transfer by the Optionee of Shares, or any interest therein, in violation of this Agreement. Upon the occurrence of a Repurchase Event, the Company shall have the right (but not an obligation) to repurchase all or any portion of the Shares of Optionee at a price equal to the fair value of the Shares as of the date of the Repurchase Event.

(b) Repurchase Right on Termination for Cause. In the event Optionee's employment is terminated by the Company "for cause", then the Company shall have the right (but not an obligation) to repurchase Shares of Optionee at a price equal to the Exercise Price. Such right of the Company to repurchase Shares shall apply to 100% of the Shares for one (1) year from the date of this Agreement; and shall thereafter lapse at the rate of twenty percent (20%) of the Shares on each anniversary of the date of this Agreement. In addition, the Company shall have the right, in the sole discretion of the Board and without obligation, to repurchase upon termination for cause all or any portion of the Shares of Optionee, at a price equal to the fair value of the Shares as of the date of termination, which right is not subject to the foregoing lapsing of rights. In the event the Company elects to repurchase the Shares, the stock certificates representing the same shall forthwith be returned to the Company for cancellation.

(c) Exercise of Repurchase Right. Any Repurchase Right under Paragraphs 15(a) or 15(b) shall be exercised by giving notice of exercise as provided herein to Optionee or the estate of Optionee, as applicable. Such right

27

15. Restriction Upon Transfer - continued

shall be exercised, and the repurchase price thereunder shall be paid, by the Company within a ninety (90) day period beginning on the date of notice to the Company of the occurrence of such Repurchase Event (except in the case of termination of employment or retirement, where such option period shall begin upon the occurrence of the Repurchase Event). Such repurchase price shall be payable only in the form of cash (including a check drafted on immediately available funds) or cancellation of purchase money indebtedness of the Optionee for the Shares. If the Company can not purchase all such Shares because it is unable to meet the financial tests set forth in the Nevada and/or Nevada corporation law, the Company shall have the right to purchase as many Shares as it is permitted to purchase under such sections. Any Shares not purchased by the Company hereunder

shall no longer be subject to the provisions of this Section 15.

(d) Right of First Refusal. In the event Optionee desires to transfer any Shares during his or her lifetime, Optionee shall first offer to sell such Shares to the Company. Optionee shall deliver to the Company written notice of the intended sale, such notice to specify the number of Shares to be sold, the proposed purchase price and terms of payment, and grant the Company an option for a period of thirty days following receipt of such notice to purchase the offered Shares upon the same terms and conditions. To exercise such option, the Company shall give notice of that fact to Optionee within the thirty (30) day notice period and agree to pay the purchase price in the manner provided in the notice. If the Company does not purchase all of the Shares so offered during foregoing option period, Optionee shall be under no obligation to sell any of the offered Shares to the Company, but may dispose of such Shares in any lawful manner during a period of one hundred and eighty (180) days following the end of such notice period, except that Optionee shall not sell any such Shares to any other person at a lower price or upon more favorable terms than those offered to the Company.

(e) Acceptance of Restrictions. Acceptance of the Shares shall constitute the Optionee's agreement to such restrictions and the legend of his certificates with respect thereto. Notwithstanding such restrictions, however, so long as the Optionee is the holder of the Shares, or any portion thereof, he shall be entitled to receive all dividends declared on and to vote the Shares and to all other rights of a shareholder with respect thereto.

(f) Permitted Transfers. Notwithstanding any provisions in this Section 15 to the contrary, the Optionee may transfer Shares subject to this Agreement to his or her parents, spouse, children, or grandchildren, or a trust for the benefit of the Optionee or any such transferee(s); provided, that such permitted transferee(s) shall hold the Shares subject to all the provisions of this Agreement (all references to the Optionee herein shall in such cases refer mutatis mutandis to the permitted transferee, except in the case of clause (iv) of Section 15(a) wherein the permitted transfer shall be deemed to be rescinded); and provided further, that notwithstanding any other provisions in this Agreement, a permitted transferee may not, in turn, make permitted transfers without the written consent of the Optionee and the Company.

(g) Release of Restrictions on Shares. All other restrictions under this Section 15 shall terminate five (5) years following the date of this Agreement, or when the Company's securities are publicly traded, whichever occurs earlier.

28

16. Notices. Any notice required to be given pursuant to this Option or the Plan shall be in writing and shall be deemed to be delivered upon receipt or, in the case of notices by the Company, five (5) days after deposit in the U.S. mail, postage prepaid, addressed to Optionee at the address last provided by Optionee for his or her employee records.

17. Agreement Subject to Plan; Applicable Law. This Option is made pursuant to the Plan and shall be interpreted to comply therewith. A copy of such Plan is available to Optionee, at no charge, at the principal office of the Company. Any provision of this Option inconsistent with the Plan shall be considered void and replaced with the applicable provision of the Plan. This Option has been granted, executed and delivered in the State of Nevada, and the interpretation and enforcement shall be governed by the laws thereof and subject to the exclusive jurisdiction of the courts therein.

In Witness Whereof, the parties hereto have executed this Option as of the date first above written.

COMPANY: VISUALANT, INCORPORATED

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

OPTIONEE:

By: \_\_\_\_\_  
(signature)  
Name: \_\_\_\_\_

(one of the following, as appropriate, shall be signed)

I certify that as of the date hereof I  
am unmarried

By his or her signature, the spouse  
of Optionee hereby agrees to be bound  
by the provisions of the foregoing  
INCENTIVE STOCK OPTION AGREEMENT



## Appendix A

## NOTICE OF EXERCISE

VISUALANT, INCORPORATED

Re: Nonstatutory Stock Option

Notice is hereby given pursuant to Section 6 of my Nonstatutory Stock Option Agreement that I elect to purchase the number of shares set forth below at the exercise price set forth in my option agreement:

Nonstatutory Stock Option Agreement dated: \_\_\_\_\_

Number of shares being purchased: \_\_\_\_\_

Exercise Price: \$ \_\_\_\_\_

A check in the amount of the aggregate price of the shares being purchased is attached.

I hereby confirm that such shares are being acquired by me for my own account for investment purposes, and not with a view to, or for resale in connection with, any distribution thereof. I will not sell or dispose of my Shares in violation of the Securities Act of 1933, as amended, or any applicable federal or state securities laws. Further, I understand that the exemption from taxable income at the time of exercise is dependent upon my holding such stock for a period of at least one year from the date of exercise and two years from the date of grant of the Option.

I understand that the certificate representing the Option Shares will bear a restrictive legend within the contemplation of the Securities Act and as required by such other state or federal law or regulation applicable to the issuance or delivery of the Option Shares.

I agree to provide to the Company such additional documents or information as may be required pursuant to the Company's 2005 Incentive Stock Plan.

By: \_\_\_\_\_  
(signature)

Name: \_\_\_\_\_

## EXHIBIT B-2

VISUALANT, INCORPORATED  
NONSTATUTORY STOCK OPTION AGREEMENT

This Nonstatutory Stock Option Agreement ("Agreement") is made and entered into as of the date set forth below, by and between VISUALANT, INCORPORATED, a Nevada corporation (the "Company"), and the following Director of the Company ("Optionee"):

In consideration of the covenants herein set forth, the parties hereto agree as follows:

## 1. Option Information.

- (a) Date of Option: \_\_\_\_\_
- (b) Optionee: \_\_\_\_\_
- (c) Number of Shares: \_\_\_\_\_
- (d) Exercise Price: \_\_\_\_\_

## 2. Acknowledgements.

- (a) Optionee is a member of the Board of Directors of the Company.
- (b) The Board of Directors (the "Board" which term shall include an

authorized committee of the Board of Directors) and shareholders of the Company have heretofore adopted a 2005 Incentive Stock Plan (the "Plan"), pursuant to which this Option is being granted; and

(c) The Board has authorized the granting to Optionee of a nonstatutory stock option ("Option") to purchase shares of common stock of the Company ("Stock") upon the terms and conditions hereinafter stated and pursuant to an exemption from registration under the Securities Act of 1933, as amended (the "Securities Act") provided by Rule 701 thereunder.

3. Shares; Price. Company hereby grants to Optionee the right to purchase, upon and subject to the terms and conditions herein stated, the number of shares of Stock set forth in Section 1(c) above (the "Shares") for cash (or other consideration as is authorized under the Plan and acceptable to the Board of Directors of the Company, in their sole and absolute discretion) at the price per Share set forth in Section 1(d) above (the "Exercise Price"), such price being not less than eighty-five percent (85%) of the fair market value per share of the Shares covered by this Option as of the date hereof.

4. Term of Option; Continuation of Service. This Option shall expire, and all rights hereunder to purchase the Shares shall terminate, five (5) years from the date hereof. This Option shall earlier terminate subject to Sections 7 and 8 hereof upon, and as of the date of, the termination of Optionee's service as a Director if such termination occurs prior to the end of such five (5) year period. Nothing contained herein shall confer upon Optionee the right to continue as a Director of the Company or to interfere with the right of the Company to terminate the service of such Director.

31

5. Vesting of Option. Subject to the provisions of Sections 7 and 8 hereof, this Option shall become exercisable during the term that Optionee serves as a Director of the Company in [three (3) equal annual installments of thirty-three and one-third percent (33 1/3%) of the Shares covered by this Option, the first installment to be exercisable on the first anniversary of the date of this Option, with an additional thirty-three and one-third percent (33 1/3%) of such Shares becoming exercisable on each of the two (2) successive anniversary dates. The installments shall be cumulative (i.e., this option may be exercised, as to any or all shares covered by an installment, at any time or times after an installment becomes exercisable and until expiration or termination of this Option)].

6. Exercise. This Option shall be exercised by delivery to the Company of (a) written notice of exercise stating the number of Shares being purchased (in whole shares only) and such other information set forth on the form of Notice of Exercise attached hereto as Appendix A, (b) a check or cash in the amount of the Exercise Price of the Shares covered by the notice (or such other consideration as has been approved by the Board of Directors consistent with the Plan) and (c) a written investment representation as provided for in Section 13 hereof. This Option shall not be assignable or transferable, except by will or by the laws of descent and distribution, and shall be exercisable only by Optionee during his or her lifetime, except as provided in Section 8 hereof.

7. Termination of Service. If Optionee shall cease to serve as a Director of the Company for any reason, no further installments shall vest pursuant to Section 5, and the maximum number of Shares that Optionee may purchase pursuant hereto shall be limited to the number of Shares that were vested as of the date Optionee ceases to be a Director (to the nearest whole Share). Thereupon, Optionee shall have the right to exercise this Option, at any time during the remaining term hereof, to the extent, but only to the extent, that this Option was exercisable as of the date Optionee ceases to be a Director; provided, however, if Optionee is removed as a Director pursuant to the Nevada corporation law, the foregoing right to exercise shall automatically terminate on the date Optionee ceases to be a Director as to all Shares covered by this Option not exercised prior to termination. Unless earlier terminated, all rights under this Option shall terminate in any event on the expiration date of this Option as defined in Section 4 hereof.

8. Death of Optionee. If the Optionee shall die while in the employ of the Company, Optionee's personal representative or the person entitled to Optionee's rights hereunder may at any time within six (6) months after the date of Optionee's death, or during the remaining term of this Option, whichever is the lesser, exercise this Option and purchase Shares to the extent, but only to the extent, that Optionee could have exercised this Option as of the date of Optionee's death; provided, in any case, that this Option may be so exercised only to the extent that this Option has not previously been exercised by Optionee.

9. No Rights as Shareholder. Optionee shall have no rights as a shareholder with respect to the Shares covered by any installment of this Option until the effective date of issuance of the Shares following exercise of this Option, and no adjustment will be made for dividends or other rights for which the record date is prior to the date such stock certificate or certificates are issued except as provided in Section 10 hereof.

10. Recapitalization. Subject to any required action by the shareholders of the Company, the number of Shares covered by this Option, and the Exercise Price thereof, shall be proportionately adjusted for any increase or decrease in the number of issued shares resulting from a subdivision or consolidation of shares or the payment of a stock dividend, or any other increase or decrease in the

32

10. Recapitalization - continued

number of such shares effected without receipt of consideration by the Company; provided however that the conversion of any convertible securities of the Company shall not be deemed having been "effected without receipt of consideration by the Company".

In the event of a proposed dissolution or liquidation of the Company, a merger or consolidation in which the Company is not the surviving entity, or a sale of all or substantially all of the assets or capital stock of the Company (collectively, a "Reorganization"), unless otherwise provided by the Board, this Option shall terminate immediately prior to such date as is determined by the Board, which date shall be no later than the consummation of such Reorganization. In such event, if the entity which shall be the surviving entity does not tender to Optionee an offer, for which it has no obligation to do so, to substitute for any unexercised Option a stock option or capital stock of such surviving entity, as applicable, which on an equitable basis shall provide the Optionee with substantially the same economic benefit as such unexercised Option, then the Board may grant to such Optionee, in its sole and absolute discretion and without obligation, the right for a period commencing thirty (30) days prior to and ending immediately prior to the date determined by the Board pursuant hereto for termination of the Option or during the remaining term of the Option, whichever is the lesser, to exercise any unexpired Option or Options without regard to the installment provisions of Section 5; provided, however, that such exercise shall be subject to the consummation of such Reorganization.

Subject to any required action by the shareholders of the Company, if the Company shall be the surviving entity in any merger or consolidation, this Option thereafter shall pertain to and apply to the securities to which a holder of Shares equal to the Shares subject to this Option would have been entitled by reason of such merger or consolidation, and the installment provisions of Section 5 shall continue to apply.

In the event of a change in the shares of the Company as presently constituted, which is limited to a change of all of its authorized Stock without par value into the same number of shares of Stock with a par value, the shares resulting from any such change shall be deemed to be the Shares within the meaning of this Option.

To the extent that the foregoing adjustments relate to shares or securities of the Company, such adjustments shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as hereinbefore expressly provided, Optionee shall have no rights by reason of any subdivision or consolidation of shares of Stock of any class or the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class, and the number and price of Shares subject to this Option shall not be affected by, and no adjustments shall be made by reason of, any dissolution, liquidation, merger, consolidation or sale of assets or capital stock, or any issue by the Company of shares of stock of any class or securities convertible into shares of stock of any class.

The grant of this Option shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations or changes in its capital or business structure or to merge, consolidate, dissolve or liquidate or to sell or transfer all or any part of its business or assets.

11. Taxation upon Exercise of Option. Optionee understands that, upon exercise of this Option, Optionee will recognize income, for Federal and state income tax purposes, in an amount equal to the amount by which the fair market value of the

33

11. Taxation upon Exercise of Option - continued

Shares, determined as of the date of exercise, exceeds the Exercise Price. The acceptance of the Shares by Optionee shall constitute an agreement by Optionee to report such income in accordance with then applicable law and to cooperate with Company in establishing the amount of such income and corresponding deduction to the Company for its income tax purposes. Withholding for federal or state income and employment tax purposes will be made, if and as required by law, from Optionee's then current compensation, or, if such current compensation is insufficient to satisfy withholding tax liability, the Company may require Optionee to make a cash payment to cover such liability as a condition of the exercise of this Option.

12. Modification, Extension and Renewal of Options. The Board or Committee, as described in the Plan, may modify, extend or renew this Option or accept the surrender thereof (to the extent not theretofore exercised) and authorize the granting of a new option in substitution therefore (to the extent not theretofore exercised), subject at all times to the Plan, the Code and the Nevada Securities Rules. Notwithstanding the foregoing provisions of this Section 12, no modification shall, without the consent of the Optionee, alter to the Optionee's detriment or impair any rights of Optionee hereunder.

13. Investment Intent; Restrictions on Transfer.

(a) Optionee represents and agrees that if Optionee exercises this Option in whole or in part, Optionee will in each case acquire the Shares upon such exercise for the purpose of investment and not with a view to, or for resale in connection with, any distribution thereof; and that upon such exercise of this Option in whole or in part, Optionee (or any person or persons entitled to exercise this Option under the provisions of Sections 7 and 8 hereof) shall furnish to the Company a written statement to such effect, satisfactory to the Company in form and substance. If the Shares represented by this Option are registered under the Securities Act, either before or after the exercise of this Option in whole or in part, the Optionee shall be relieved of the foregoing investment representation and agreement and shall not be required to furnish the Company with the foregoing written statement.

(b) Optionee further represents that Optionee has had access to the financial statements or books and records of the Company, has had the opportunity to ask questions of the Company concerning its business, operations and financial condition, and to obtain additional information reasonably necessary to verify the accuracy of such information

(c) Unless and until the Shares represented by this Option are registered under the Securities Act, all certificates representing the Shares and any certificates subsequently issued in substitution therefor and any certificate for any securities issued pursuant to any stock split, share reclassification, stock dividend or other similar capital event shall bear legends in substantially the following form:

THESE SECURITIES HAVE NOT BEEN REGISTERED OR OTHERWISE QUALIFIED UNDER THE SECURITIES ACT OF 1933 (THE 'SECURITIES ACT') OR UNDER THE APPLICABLE SECURITIES LAWS OF ANY STATE. NEITHER THESE SECURITIES NOR ANY INTEREST THEREIN MAY BE SOLD, TRANSFERRED, PLEDGED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF REGISTRATION UNDER THE SECURITIES ACT OR ANY APPLICABLE SECURITIES LAWS OF ANY STATE, UNLESS PURSUANT TO EXEMPTIONS THEREFROM.

34

13. Investment Intent; Restrictions on Transfer - continued

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ISSUED PURSUANT TO THAT CERTAIN NONSTATUTORY STOCK OPTION AGREEMENT DATED \_\_\_\_\_ BETWEEN THE COMPANY AND THE ISSUER WHICH RESTRICTS THE TRANSFER OF THESE SHARES WHICH ARE SUBJECT TO REPURCHASE BY THE COMPANY UNDER CERTAIN CONDITIONS.

and/or such other legend or legends as the Company and its counsel deem necessary or appropriate. Appropriate stop transfer instructions with respect to the Shares have been placed with the Company's transfer agent.

14. Stand-off Agreement. Optionee agrees that, in connection with any registration of the Company's securities under the Securities Act, and upon the request of the Company or any underwriter managing an underwritten offering of the Company's securities, Optionee shall not sell, short any sale of, loan, grant an option for, or otherwise dispose of any of the Shares (other than Shares included in the offering) without the prior written consent of the Company or such managing underwriter, as applicable, for a period of at least one year following the effective date of registration of such offering.

15. Restriction Upon Transfer. The Shares may not be sold, transferred or otherwise disposed of and shall not be pledged or otherwise hypothecated by the Optionee except as hereinafter provided.

(a) Repurchase Right on Termination Other Than by Removal. For the purposes of this Section, a "Repurchase Event" shall mean an occurrence of one of (i) termination of Optionee's service as a director; (ii) death of Optionee; (iii) bankruptcy of Optionee, which shall be deemed to have occurred as of the date on which a voluntary or involuntary petition in bankruptcy is filed with a court of competent jurisdiction; (iv) dissolution of the marriage of Optionee, to the extent that any of the Shares are allocated as the sole and separate property of Optionee's spouse pursuant thereto (in which case, this Section shall only apply to the Shares so affected); or (v) any attempted transfer by the Optionee of Shares, or any interest therein, in violation of this Agreement. Upon the occurrence of a Repurchase Event, and upon mutual agreement of the Company and Optionee, the Company may repurchase all or any portion of the Shares

of Optionee at a price equal to the fair value of the Shares as of the date of the Repurchase Event.

(b) Repurchase Right on Removal. In the event Optionee is removed as a director pursuant to the Nevada General Corporation Law, or Optionee voluntarily resigns as a director prior to the date upon which the last installment of Shares becomes exercisable pursuant to Section 5, then the Company shall have the right (but not an obligation) to repurchase Shares of Optionee at a price equal to the Exercise Price. Such right of the Company to repurchase Shares shall apply to 100% of the Shares for one (1) year from the date of this Agreement; and shall thereafter lapse ratably in equal annual increments on each anniversary of the date of this Agreement over the term of this Option specified in Section 4. In addition, the Company shall have the right, in the sole discretion of the Board and without obligation, to repurchase upon removal or resignation all or any portion of the Shares of Optionee, at a price equal to the fair value of the Shares as of the date of such removal or resignation, which right is not subject to the foregoing lapsing of rights. In the event the Company elects to repurchase the Shares, the stock certificates representing the same shall forthwith be returned to the Company for cancellation.

(c) Exercise of Repurchase Right. Any Repurchase Right under Paragraphs 15(a) or 15(b) shall be exercised by giving notice of exercise as provided

35

15. Restriction Upon Transfer - continued

herein to Optionee or the estate of Optionee, as applicable. Such right shall be exercised, and the repurchase price thereunder shall be paid, by the Company within a ninety (90) day period beginning on the date of notice to the Company of the occurrence of such Repurchase Event (except in the case of termination or cessation of services as director, where such option period shall begin upon the occurrence of the Repurchase Event). Such repurchase price shall be payable only in the form of cash (including a check drafted on immediately available funds) or cancellation of purchase money indebtedness of the Optionee for the Shares. If the Company can not purchase all such Shares because it is unable to meet the financial tests set forth in the Nevada corporation law, the Company shall have the right to purchase as many Shares as it is permitted to purchase under such sections. Any Shares not purchased by the Company hereunder shall no longer be subject to the provisions of this Section 15.

(d) Right of First Refusal. In the event Optionee desires to transfer any Shares during his or her lifetime, Optionee shall first offer to sell such Shares to the Company. Optionee shall deliver to the Company written notice of the intended sale, such notice to specify the number of Shares to be sold, the proposed purchase price and terms of payment, and grant the Company an option for a period of thirty days following receipt of such notice to purchase the offered Shares upon the same terms and conditions. To exercise such option, the Company shall give notice of that fact to Optionee within the thirty (30) day notice period and agree to pay the purchase price in the manner provided in the notice. If the Company does not purchase all of the Shares so offered during foregoing option period, Optionee shall be under no obligation to sell any of the offered Shares to the Company, but may dispose of such Shares in any lawful manner during a period of one hundred and eighty (180) days following the end of such notice period, except that Optionee shall not sell any such Shares to any other person at a lower price or upon more favorable terms than those offered to the Company.

(e) Acceptance of Restrictions. Acceptance of the Shares shall constitute the Optionee's agreement to such restrictions and the legending of his certificates with respect thereto. Notwithstanding such restrictions, however, so long as the Optionee is the holder of the Shares, or any portion thereof, he shall be entitled to receive all dividends declared on and to vote the Shares and to all other rights of a shareholder with respect thereto.

(f) Permitted Transfers. Notwithstanding any provisions in this Section 15 to the contrary, the Optionee may transfer Shares subject to this Agreement to his or her parents, spouse, children, or grandchildren, or a trust for the benefit of the Optionee or any such transferee(s); provided, that such permitted transferee(s) shall hold the Shares subject to all the provisions of this Agreement (all references to the Optionee herein shall in such cases refer mutatis mutandis to the permitted transferee, except in the case of clause (iv) of Section 15(a) wherein the permitted transfer shall be deemed to be rescinded); and provided further, that notwithstanding any other provisions in this Agreement, a permitted transferee may not, in turn, make permitted transfers without the written consent of the Optionee and the Company.

(g) Release of Restrictions on Shares. All other restrictions under this Section 15 shall terminate five (5) years following the date of this

Agreement, or when the Company's securities are publicly traded, whichever occurs earlier.

36

16. Notices. Any notice required to be given pursuant to this Option or the Plan shall be in writing and shall be deemed to be delivered upon receipt or, in the case of notices by the Company, five (5) days after deposit in the U.S. mail, postage prepaid, addressed to Optionee at the address last provided by Optionee for use in Company records related to Optionee.

17. Agreement Subject to Plan; Applicable Law. This Option is made pursuant to the Plan and shall be interpreted to comply therewith. A copy of such Plan is available to Optionee, at no charge, at the principal office of the Company. Any provision of this Option inconsistent with the Plan shall be considered void and replaced with the applicable provision of the Plan. This Option has been granted, executed and delivered in the State of Nevada, and the interpretation and enforcement shall be governed by the laws thereof and subject to the exclusive jurisdiction of the courts therein.

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

COMPANY: VISUALANT, INCORPORATED

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

OPTIONEE:

By: \_\_\_\_\_  
(signature)  
Name: \_\_\_\_\_

(one of the following, as appropriate, shall be signed)

I certify that as of the date hereof I am unmarried

By his or her signature, the spouse of Optionee hereby agrees to be bound by the provisions of the foregoing

INCENTIVE STOCK OPTION AGREEMENT

\_\_\_\_\_  
Optionee

\_\_\_\_\_  
Spouse of Optionee

37

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Appendix A

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NOTICE OF EXERCISE

VISUALANT, INCORPORATED

Re: Nonstatutory Stock Option

Notice is hereby given pursuant to Section 6 of my Nonstatutory Stock Option Agreement that I elect to purchase the number of shares set forth below at the exercise price set forth in my option agreement:

Nonstatutory Stock Option Agreement dated: \_\_\_\_\_

Number of shares being purchased: \_\_\_\_\_

Exercise Price: \$ \_\_\_\_\_

A check in the amount of the aggregate price of the shares being purchased is attached.

I hereby confirm that such shares are being acquired by me for my own account for investment purposes, and not with a view to, or for resale in connection with, any distribution thereof. I will not sell or dispose of my Shares in violation of the Securities Act of 1933, as amended, or any applicable federal or state securities laws. Further, I understand that the exemption from taxable income at the time of exercise is dependent upon my holding such stock for a period of at least one year from the date of exercise and two years from the date of grant of the Option.

I understand that the certificate representing the Option Shares will bear a restrictive legend within the contemplation of the Securities Act and as required by such other state or federal law or regulation applicable to the issuance or delivery of the Option Shares.

I agree to provide to the Company such additional documents or information as may be required pursuant to the Company's 2005 Incentive Stock Plan.

By: \_\_\_\_\_  
(signature)  
Name: \_\_\_\_\_

38

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EXHIBIT B-3

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VISUALANT, INCORPORATED  
CONSULTANT NONSTATUTORY STOCK OPTION AGREEMENT

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This Consultant Nonstatutory Stock Option Agreement ("Agreement") is made and entered into as of the date set forth below, by and between VISUALANT, INCORPORATED, a Nevada corporation (the "Company"), and the following consultant to the Company (herein, the "Optionee"):

In consideration of the covenants herein set forth, the parties hereto agree as follows:

1. Option Information.

(a) Date of Option: \_\_\_\_\_  
(b) Optionee: \_\_\_\_\_  
(c) Number of Shares: \_\_\_\_\_  
(d) Exercise Price: \_\_\_\_\_

2. Acknowledgements.

(a) Optionee is an independent consultant to the Company, not an employee;

(b) The Board of Directors (the "Board" which term shall include an authorized committee of the Board of Directors) and shareholders of the Company have heretofore adopted a 2005 Incentive Stock Plan (the "Plan"), pursuant to which this Option is being granted; and

(c) The Board has authorized the granting to Optionee of a nonstatutory stock option ("Option") to purchase shares of common stock of the Company ("Stock") upon the terms and conditions hereinafter stated and pursuant to an exemption from registration under the Securities Act of 1933, as amended (the "Securities Act") provided by Rule 701 thereunder.

3. Shares; Price. The Company hereby grants to Optionee the right to purchase, upon and subject to the terms and conditions herein stated, the number of shares of Stock set forth in Section 1(c) above (the "Shares") for cash (or other consideration as is authorized under the Plan and acceptable to the Board, in their sole and absolute discretion) at the price per Share set forth in Section 1(d) above (the "Exercise Price"), such price being not less than eighty-five 85% of the fair market value per share of the Shares covered by this Option as of the date hereof.

4. Term of Option. This Option shall expire, and all rights hereunder to purchase the Shares, shall terminate five (5) years from the date hereof. Nothing contained herein shall be construed to interfere in any way with the right of the Company to terminate Optionee as a consultant to the Company, or to increase or decrease the compensation paid to Optionee from the rate in effect as of the date hereof.

5. Vesting of Option. Subject to the provisions of Sections 7 and 8 hereof, this Option shall become exercisable during the period that Optionee serves as a consultant of the Company in equal annual installments, each installment covering a fraction of the Shares, the numerator of which is one (1) and the denominator of which is the number of years in the term of this Option (not to

39

5. Vesting of Option - continued

exceed 5). The first installment shall become exercisable on the first anniversary of the date of this Option, and an additional installment shall become exercisable on each successive anniversary date during the term of this Option, except the last such anniversary date. The final installment shall become exercisable ninety days prior to the expiration of the term of this Option. The installments shall be cumulative (i.e., this option may be

exercised, as to any or all shares covered by an installment, at any time or times after an installment becomes exercisable and until expiration or termination of this option).

6. Exercise. This Option shall be exercised by delivery to the Company of (a) written notice of exercise stating the number of Shares being purchased (in whole shares only) and such other information set forth on the form of Notice of Exercise attached hereto as Appendix A, (b) a check or cash in the amount of the Exercise Price of the Shares covered by the notice (or such other consideration as has been approved by the Board of Directors consistent with the Plan) and (c) a written investment representation as provided for in Section 13 hereof. This Option shall not be assignable or transferable, except by will or by the laws of descent and distribution, and shall be exercisable only by Optionee during his or her lifetime.

7. Termination of Service. If Optionee's service as a consultant to the Company terminates for any reason, no further installments shall vest pursuant to Section 5, and Optionee shall have the right at any time within thirty (30) days following such termination of services or the remaining term of this Option, whichever is the lesser, to exercise in whole or in part this Option to the extent, but only to the extent, that this Option was exercisable as of the date Optionee ceased to be a consultant to the Company; provided, however, if Optionee is terminated for reasons that would justify a termination of employment "for cause" as contemplated by the Nevada Labor Code and case law related thereto, the foregoing right to exercise shall automatically terminate on the date Optionee ceases to be a consultant to the Company as to all Shares covered by this Option not exercised prior to termination. Unless earlier terminated, all rights under this Option shall terminate in any event on the expiration date of this Option as defined in Section 4 hereof.

8. Death of Optionee. If the Optionee shall die while serving as a consultant to the Company, Optionee's personal representative or the person entitled to Optionee's rights hereunder may at any time within ninety (90) days after the date of Optionee's death, or during the remaining term of this Option, whichever is the lesser, exercise this Option and purchase Shares to the extent, but only to the extent, that Optionee could have exercised this Option as of the date of Optionee's death; provided, in any case, that this Option may be so exercised only to the extent that this Option has not previously been exercised by Optionee.

9. No Rights as Shareholder. Optionee shall have no rights as a shareholder with respect to the Shares covered by any installment of this Option until the effective date of the issuance of shares following exercise of this to Option, and no adjustment will be made for dividends or other rights for which the record date is prior to the date such stock certificate or certificates are issued except as provided in Section 10 hereof.

10. Recapitalization. Subject to any required action by the shareholders of the Company, the number of Shares covered by this Option, and the Exercise Price thereof, shall be proportionately adjusted for any increase or decrease in the number of issued shares resulting from a subdivision or consolidation of shares or the payment of a stock dividend, or any other increase or decrease in the

40

#### 10. Recapitalization - continued

number of such shares effected without receipt of consideration by the Company; provided however that the conversion of any convertible securities of the Company shall not be deemed having been "effected without receipt of consideration by the Company."

In the event of a proposed dissolution or liquidation of the Company, a merger or consolidation in which the Company is not the surviving entity, or a sale of all or substantially all of the assets or capital stock of the Company (collectively, a "Reorganization"), this Option shall terminate immediately prior to the consummation of such proposed action, unless otherwise provided by the Board; provided, however, if Optionee shall be a consultant at the time such Reorganization is approved by the stockholders, Optionee shall have the right to exercise this Option as to all or any part of the Shares, without regard to the installment provisions of Section 5, for a period beginning 30 days prior to the consummation of such Reorganization and ending as of the Reorganization or the expiration of this Option, whichever is earlier, subject to the consummation of the Reorganization. In any event, the Company shall notify Optionee, at least 30 days prior to the consummation of such Reorganization, of his exercise rights, if any, and that the Option shall terminate upon the consummation of the Reorganization.

Subject to any required action by the shareholders of the Company, if the Company shall be the surviving entity in any merger or consolidation, this Option thereafter shall pertain to and apply to the securities to which a holder of Shares equal to the Shares subject to this Option would have been entitled by reason of such merger or consolidation, and the installment provisions of Section 5 shall continue to apply.



In the event of a change in the shares of the Company as presently constituted, which is limited to a change of all of its authorized Stock without par value into the same number of shares of Stock with a par value, the shares resulting from any such change shall be deemed to be the Shares within the meaning of this Option.

To the extent that the foregoing adjustments relate to shares or securities of the Company, such adjustments shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as hereinbefore expressly provided, Optionee shall have no rights by reason of any subdivision or consolidation of shares of Stock of any class or the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class, and the number and price of Shares subject to this Option shall not be affected by, and no adjustments shall be made by reason of, any dissolution, liquidation, merger, consolidation or sale of assets or capital stock, or any issue by the Company of shares of stock of any class or securities convertible into shares of stock of any class.

The grant of this Option shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations or changes in its capital or business structure or to merge, consolidate, dissolve or liquidate or to sell or transfer all or any part of its business or assets.

11. Taxation upon Exercise of Option. Optionee understands that, upon exercise of this Option, Optionee will recognize income, for Federal and state income tax purposes, in an amount equal to the amount by which the fair market value of the Shares, determined as of the date of exercise, exceeds the Exercise Price. The acceptance of the Shares by Optionee shall constitute an agreement by Optionee to report such income in accordance with then applicable law and to cooperate with Company in establishing the amount of such income and corresponding

41

11. Taxation upon Exercise of Option - continued

deduction to the Company for its income tax purposes. Withholding for federal or state income and employment tax purposes will be made, if and as required by law, from Optionee's then current compensation, or, if such current compensation is insufficient to satisfy withholding tax liability, the Company may require Optionee to make a cash payment to cover such liability as a condition of the exercise of this Option.

12. Modification, Extension and Renewal of Options. The Board or Committee, as described in the Plan, may modify, extend or renew this Option or accept the surrender thereof (to the extent not theretofore exercised) and authorize the granting of a new option in substitution therefore (to the extent not theretofore exercised), subject at all times to the Plan, the Code. Notwithstanding the foregoing provisions of this Section 12, no modification shall, without the consent of the Optionee, alter to the Optionee's detriment or impair any rights of Optionee hereunder.

13. Investment Intent; Restrictions on Transfer.

(a) Optionee represents and agrees that if Optionee exercises this Option in whole or in part, Optionee will in each case acquire the Shares upon such exercise for the purpose of investment and not with a view to, or for resale in connection with, any distribution thereof; and that upon such exercise of this Option in whole or in part, Optionee (or any person or persons entitled to exercise this Option under the provisions of Sections 7 and 8 hereof) shall furnish to the Company a written statement to such effect, satisfactory to the Company in form and substance. If the Shares represented by this Option are registered under the Securities Act, either before or after the exercise of this Option in whole or in part, the Optionee shall be relieved of the foregoing investment representation and agreement and shall not be required to furnish the Company with the foregoing written statement.

(b) Optionee further represents that Optionee has had access to the financial statements or books and records of the Company, has had the opportunity to ask questions of the Company concerning its business, operations and financial condition, and to obtain additional information reasonably necessary to verify the accuracy of such information.

(c) Unless and until the Shares represented by this Option are registered under the Securities Act, all certificates representing the Shares and any certificates subsequently issued in substitution therefor and any certificate for any securities issued pursuant to any stock split, share reclassification, stock dividend or other similar capital event shall bear legends in substantially the following form:

THESE SECURITIES HAVE NOT BEEN REGISTERED OR OTHERWISE QUALIFIED UNDER THE SECURITIES ACT OF 1933 (THE 'SECURITIES ACT') OR UNDER THE APPLICABLE SECURITIES LAWS OF ANY STATE. NEITHER THESE SECURITIES NOR ANY INTEREST

THEREIN MAY BE SOLD, TRANSFERRED, PLEDGED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF REGISTRATION UNDER THE SECURITIES ACT OR ANY APPLICABLE SECURITIES LAWS OF ANY STATE, UNLESS PURSUANT TO EXEMPTIONS THEREFROM.

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ISSUED PURSUANT TO THAT CERTAIN NONSTATUTORY STOCK OPTION AGREEMENT DATED \_\_\_\_\_ BETWEEN THE COMPANY AND THE ISSUER WHICH RESTRICTS THE TRANSFER OF THESE SHARES WHICH ARE SUBJECT TO REPURCHASE BY THE COMPANY UNDER CERTAIN CONDITIONS.

42

13. Investment Intent; Restrictions on Transfer - continued

and/or such other legend or legends as the Company and its counsel deem necessary or appropriate. Appropriate stop transfer instructions with respect to the Shares have been placed with the Company's transfer agent.

14. Stand-off Agreement. Optionee agrees that, in connection with any registration of the Company's securities under the Securities Act, and upon the request of the Company or any underwriter managing an underwritten offering of the Company's securities, Optionee shall not sell, short any sale of, loan, grant an option for, or otherwise dispose of any of the Shares (other than Shares included in the offering) without the prior written consent of the Company or such managing underwriter, as applicable, for a period of up to one year following the effective date of registration of such offering.

15. Restriction Upon Transfer. The Shares may not be sold, transferred or otherwise disposed of and shall not be pledged or otherwise hypothecated by the Optionee except as hereinafter provided.

(a) Repurchase Right on Termination Other Than for Cause. For the purposes of this Section, a "Repurchase Event" shall mean an occurrence of one of (i) termination of Optionee's service as a consultant, voluntary or involuntary and with or without cause; (ii) retirement or death of Optionee; (iii) bankruptcy of Optionee, which shall be deemed to have occurred as of the date on which a voluntary or involuntary petition in bankruptcy is filed with a court of competent jurisdiction; (iv) dissolution of the marriage of Optionee, to the extent that any of the Shares are allocated as the sole and separate property of Optionee's spouse pursuant thereto (in which case, this Section shall only apply to the Shares so affected); or (v) any attempted transfer by the Optionee of Shares, or any interest therein, in violation of this Agreement. Upon the occurrence of a Repurchase Event, the Company shall have the right (but not an obligation) to repurchase all or any portion of the Shares of Optionee at a price equal to the fair value of the Shares as of the date of the Repurchase Event.

(b) Repurchase Right on Termination for Cause. In the event Optionee's service as a consultant is terminated by the Company "for cause" (as contemplated by Section 7), then the Company shall have the right (but not an obligation) to repurchase Shares of Optionee at a price equal to the Exercise Price. Such right of the Company to repurchase Shares shall apply to 100% of the Shares for one (1) year from the date of this Agreement; and shall thereafter lapse ratably in equal annual increments on each anniversary of the date of this Agreement over the term of this Option specified in Section 4. In addition, the Company shall have the right, in the sole discretion of the Board and without obligation, to repurchase upon any such termination of service for cause all or any portion of the Shares of Optionee, at a price equal to the fair value of the Shares as of the date of termination, which right is not subject to the foregoing lapsing of rights. In the event the Company elects to repurchase the Shares, the stock certificates representing the same shall forthwith be returned to the Company for cancellation.

(c) Exercise of Repurchase Right. Any repurchase right under Paragraphs 15(a) or 15(b) shall be exercised by giving notice of exercise as provided herein to Optionee or the estate of Optionee, as applicable. Such right shall be exercised, and the repurchase price thereunder shall be paid, by the Company within a ninety (90) day period beginning on the date of notice to the Company of the occurrence of such Repurchase Event (except in the case of termination of employment or retirement, where such option period

43

15. Restriction Upon Transfer - continued

shall begin upon the occurrence of the Repurchase Event). Such repurchase price shall be payable only in the form of cash (including a check drafted on immediately available funds) or cancellation of purchase money indebtedness of the Optionee for the Shares. If the Company can not purchase all such Shares because it is unable to meet the financial tests set forth in the Nevada corporation law, the Company shall have the right to purchase as many Shares as it is permitted to purchase under such sections. Any Shares not purchased by the Company hereunder shall no longer

be subject to the provisions of this Section 15.

(d) Right of First Refusal. In the event Optionee desires to transfer any Shares during his or her lifetime, Optionee shall first offer to sell such Shares to the Company. Optionee shall deliver to the Company written notice of the intended sale, such notice to specify the number of Shares to be sold, the proposed purchase price and terms of payment, and grant the Company an option for a period of thirty days following receipt of such notice to purchase the offered Shares upon the same terms and conditions. To exercise such option, the Company shall give notice of that fact to Optionee within the thirty (30) day notice period and agree to pay the purchase price in the manner provided in the notice. If the Company does not purchase all of the Shares so offered during foregoing option period, Optionee shall be under no obligation to sell any of the offered Shares to the Company, but may dispose of such Shares in any lawful manner during a period of one hundred and eighty (180) days following the end of such notice period, except that Optionee shall not sell any such Shares to any other person at a lower price or upon more favorable terms than those offered to the Company.

(e) Acceptance of Restrictions. Acceptance of the Shares shall constitute the Optionee's agreement to such restrictions and the legend of his certificates with respect thereto. Notwithstanding such restrictions, however, so long as the Optionee is the holder of the Shares, or any portion thereof, he shall be entitled to receive all dividends declared on and to vote the Shares and to all other rights of a shareholder with respect thereto.

(f) Permitted Transfers. Notwithstanding any provisions in this Section 15 to the contrary, the Optionee may transfer Shares subject to this Agreement to his or her parents, spouse, children, or grandchildren, or a trust for the benefit of the Optionee or any such transferee(s); provided, that such permitted transferee(s) shall hold the Shares subject to all the provisions of this Agreement (all references to the Optionee herein shall in such cases refer mutatis mutandis to the permitted transferee, except in the case of clause (iv) of Section 15(a) wherein the permitted transfer shall be deemed to be rescinded); and provided further, that notwithstanding any other provisions in this Agreement, a permitted transferee may not, in turn, make permitted transfers without the written consent of the Optionee and the Company.

(g) Release of Restrictions on Shares. All rights and restrictions under this Section 15 shall terminate five (5) years following the date of this Agreement, or when the Company's securities are publicly traded, whichever occurs earlier.

16. Notices. Any notice required to be given pursuant to this Option or the Plan shall be in writing and shall be deemed to be delivered upon receipt or, in the case of notices by the Company, five (5) days after deposit in the U.S. mail, postage prepaid, addressed to Optionee at the address last provided by Optionee for use in Company records related to Optionee.

44

17. Agreement Subject to Plan; Applicable Law. This Option is made pursuant to the Plan and shall be interpreted to comply therewith. A copy of such Plan is available to Optionee, at no charge, at the principal office of the Company. Any provision of this Option inconsistent with the Plan shall be considered void and replaced with the applicable provision of the Plan. This Option has been granted, executed and delivered in the State of Nevada, and the interpretation and enforcement shall be governed by the laws thereof and subject to the exclusive jurisdiction of the courts therein.

In Witness Whereof, the parties hereto have executed this Option as of the date first above written.

COMPANY: VISUALANT, INCORPORATED

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

OPTIONEE:

By: \_\_\_\_\_  
(signature)  
Name: \_\_\_\_\_

(one of the following, as appropriate, shall be signed)

I certify that as of the date hereof I  
am unmarried

By his or her signature, the spouse  
of Optionee hereby agrees to be bound  
by the provisions of the foregoing

INCENTIVE STOCK OPTION AGREEMENT

\_\_\_\_\_  
Optionee

\_\_\_\_\_  
Spouse of Optionee

45

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Appendix A

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NOTICE OF EXERCISE

VISUALANT, INCORPORATED

Re: Nonstatutory Stock Option

Notice is hereby given pursuant to Section 6 of my Nonstatutory Stock Option Agreement that I elect to purchase the number of shares set forth below at the exercise price set forth in my option agreement:

Nonstatutory Stock Option Agreement dated: \_\_\_\_\_

Number of shares being purchased: \_\_\_\_\_

Exercise Price: \$\_\_\_\_\_

A check in the amount of the aggregate price of the shares being purchased is attached.

I hereby confirm that such shares are being acquired by me for my own account for investment purposes, and not with a view to, or for resale in connection with, any distribution thereof. I will not sell or dispose of my Shares in violation of the Securities Act of 1933, as amended, or any applicable federal or state securities laws. Further, I understand that the exemption from taxable income at the time of exercise is dependent upon my holding such stock for a period of at least one year from the date of exercise and two years from the date of grant of the Option.

I understand that the certificate representing the Option Shares will bear a restrictive legend within the contemplation of the Securities Act and as required by such other state or federal law or regulation applicable to the issuance or delivery of the Option Shares.

I agree to provide to the Company such additional documents or information as may be required pursuant to the Company's 2005 Incentive Stock Plan.

By: \_\_\_\_\_  
(signature)

Name: \_\_\_\_\_

46

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EXHIBIT C

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VISUALANT, INCORPORATED  
STOCK AWARD AGREEMENT

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This Stock Award Agreement ("Agreement") is made and entered into as of the date set forth below, by and between VISUALANT, INCORPORATED, a Nevada corporation ("Company"), and the employee, director or consultant of the Company named in Section 1(b). ("Grantee"):

In consideration of the covenants herein set forth, the parties hereto agree as follows:

1. Stock Award Information.

- (a) Date of Award: \_\_\_\_\_  
(b) Grantee: \_\_\_\_\_  
(c) Number of Shares: \_\_\_\_\_  
(d) Original Value: \_\_\_\_\_

2. Acknowledgements.

(a) Grantee is a [employee/director/consultant] of the Company.

(b) The Company has adopted a 2005 Incentive Stock Plan (the "Plan") under which the Company's common stock ("Stock") may be offered to directors, officers, employees and consultants pursuant to an exemption from registration under the Securities Act of 1933, as amended (the "Securities Act") provided by Rule 701 thereunder.

3. Shares; Value. The Company hereby grants to Grantee, upon and subject to the terms and conditions herein stated, the number of shares of Stock set forth in Section 1(c) (the "Shares"), which Shares have a fair value per share ("Original Value") equal to the amount set forth in Section 1(d). For the purpose of this Agreement, the terms "Share" or "Shares" shall include the original Shares plus any shares derived therefrom, regardless of the fact that the number, attributes or par value of such Shares may have been altered by reason of any recapitalization, subdivision, consolidation, stock dividend or amendment of the corporate charter of the Company. The number of Shares covered by this Agreement and the Original Value thereof shall be proportionately adjusted for any increase or decrease in the number of issued shares resulting from a recapitalization, subdivision or consolidation of shares or the payment of a stock dividend, or any other increase or decrease in the number of such shares effected without receipt of consideration by the Company.

4. Investment Intent. Grantee represents and agrees that Grantee is accepting the Shares for the purpose of investment and not with a view to, or for resale in connection with, any distribution thereof; and that, if requested, Grantee shall furnish to the Company a written statement to such effect, satisfactory to the Company in form and substance. If the Shares are registered under the Securities Act, Grantee shall be relieved of the foregoing investment representation and agreement and shall not be required to furnish the Company with the foregoing written statement.

47

5. Restriction Upon Transfer. The Shares may not be sold, transferred or otherwise disposed of and shall not be pledged or otherwise hypothecated by the Grantee except as hereinafter provided.

(a) Repurchase Right on Termination Other Than for Cause. For the purposes of this Section, a "Repurchase Event" shall mean an occurrence of one of (i) termination of Grantee's employment [or service as a director/consultant] by the Company, voluntary or involuntary and with or without cause; (ii) retirement or death of Grantee; (iii) bankruptcy of Grantee, which shall be deemed to have occurred as of the date on which a voluntary or involuntary petition in bankruptcy is filed with a court of competent jurisdiction; (iv) dissolution of the marriage of Grantee, to the extent that any of the Shares are allocated as the sole and separate property of Grantee's spouse pursuant thereto (in which case, this Section shall only apply to the Shares so affected); or (v) any attempted transfer by the Grantee of Shares, or any interest therein, in violation of this Agreement. Upon the occurrence of a Repurchase Event, the Company shall have the right (but not an obligation) to purchase all or any portion of the Shares of Grantee, at a price equal to the fair value of the Shares as of the date of the Repurchase Event.

(b) Repurchase Right on Termination for Cause. In the event Grantee's employment [or service as a director/consultant] is terminated by the Company "for cause" (as defined below), then the Company shall have the right (but not an obligation) to purchase Shares of Grantee at a price equal to the Original Value. Such right of the Company to purchase Shares shall apply to 100% of the Shares for one (1) year from the date of this Agreement; and shall thereafter lapse at the rate of twenty percent (20%) of the Shares on each anniversary of the date of this Agreement. In addition, the Company shall have the right, in the sole discretion of the Board and without obligation, to repurchase upon termination for cause all or any portion of the Shares of Grantee, at a price equal to the fair value of the Shares as of the date of termination, which right is not subject to the foregoing lapsing of rights. Termination of employment [or service as a director/consultant] "for cause" means (i) as to employees or consultants, termination for cause as contemplated by the Nevada Labor Code and case law related thereto, or as defined in the Plan, this Agreement or in any employment [or consulting] agreement between the Company and Grantee, or (ii) as to directors, removal pursuant to the Nevada corporation law. In the event the Company elects to purchase the Shares, the stock certificates representing the same shall forthwith be returned to the Company for cancellation.

(c) Exercise of Repurchase Right. Any Repurchase Right under Paragraphs 4(a) or 4(b) shall be exercised by giving notice of exercise as provided herein to Grantee or the estate of Grantee, as applicable. Such right shall be exercised, and the repurchase price thereunder shall be paid, by the Company within a ninety (90) day period beginning on the date of notice to the Company of the occurrence of such Repurchase Event (except in the case of termination or cessation of services as director, where such option period shall begin upon the occurrence of the Repurchase Event). Such

repurchase price shall be payable only in the form of cash (including a check drafted on immediately available funds) or cancellation of purchase money indebtedness of the Grantee for the Shares. If the Company can not purchase all such Shares because it is unable to meet the financial tests set forth in the Nevada corporation law, the Company shall have the right to purchase as many Shares as it is permitted to purchase under such sections. Any Shares not purchased by the Company hereunder shall no longer be subject to the provisions of this Section 5.

48

5. Restriction Upon Transfer - continued

(d) Right of First Refusal. In the event Grantee desires to transfer any Shares during his or her lifetime, Grantee shall first offer to sell such Shares to the Company. Grantee shall deliver to the Company written notice of the intended sale, such notice to specify the number of Shares to be sold, the proposed purchase price and terms of payment, and grant the Company an option for a period of thirty days following receipt of such notice to purchase the offered Shares upon the same terms and conditions. To exercise such option, the Company shall give notice of that fact to Grantee within the thirty (30) day notice period and agree to pay the purchase price in the manner provided in the notice. If the Company does not purchase all of the Shares so offered during foregoing option period, Grantee shall be under no obligation to sell any of the offered Shares to the Company, but may dispose of such Shares in any lawful manner during a period of one hundred and eighty (180) days following the end of such notice period, except that Grantee shall not sell any such Shares to any other person at a lower price or upon more favorable terms than those offered to the Company.

(e) Acceptance of Restrictions. Acceptance of the Shares shall constitute the Grantee's agreement to such restrictions and the legending of his certificates with respect thereto. Notwithstanding such restrictions, however, so long as the Grantee is the holder of the Shares, or any portion thereof, he shall be entitled to receive all dividends declared on and to vote the Shares and to all other rights of a shareholder with respect thereto.

(f) Permitted Transfers. Notwithstanding any provisions in this Section 5 to the contrary, the Grantee may transfer Shares subject to this Agreement to his or her parents, spouse, children, or grandchildren, or a trust for the benefit of the Grantee or any such transferee(s); provided, that such permitted transferee(s) shall hold the Shares subject to all the provisions of this Agreement (all references to the Grantee herein shall in such cases refer mutatis mutandis to the permitted transferee, except in the case of clause (iv) of Section 5(a) wherein the permitted transfer shall be deemed to be rescinded); and provided further, that notwithstanding any other provisions in this Agreement, a permitted transferee may not, in turn, make permitted transfers without the written consent of the Grantee and the Company.

(g) Release of Restrictions on Shares. All rights and restrictions under this Section 5 shall terminate five (5) years following the date of this Agreement, or when the Company's securities are publicly traded, whichever occurs earlier.

6. Representations and Warranties of the Grantee. This Agreement and the issuance and grant of the Shares hereunder are made by the Company in reliance upon the express representations and warranties of the Grantee, which by acceptance hereof the Grantee confirms that:

(a) The Shares granted to him pursuant to this Agreement are being acquired by him for his own account, for investment purposes, and not with a view to, or for sale in connection with, any distribution of the Shares. It is understood that the Shares have not been registered under the Act by reason of a specific exemption from the registration provisions of the Act which depends, among other things, upon the bona fide nature of his representations as expressed herein;

49

6. Representations and Warranties of the Grantee - continued

(b) The Shares must be held by him indefinitely unless they are subsequently registered under the Act and any applicable state securities laws, or an exemption from such registration is available. The Company is under no obligation to register the Shares or to make available any such exemption; and

(c) Grantee further represents that Grantee has had access to the financial statements or books and records of the Company, has had the opportunity to ask questions of the Company concerning its business, operations and financial condition and to obtain additional information reasonably necessary to verify the accuracy of such information,

(d) Unless and until the Shares represented by this Grant are registered under the Securities Act, all certificates representing the Shares and any certificates subsequently issued in substitution therefor and any certificate for any securities issued pursuant to any stock split, share reclassification, stock dividend or other similar capital event shall bear legends in substantially the following form:

THESE SECURITIES HAVE NOT BEEN REGISTERED OR OTHERWISE QUALIFIED UNDER THE SECURITIES ACT OF 1933 (THE 'SECURITIES ACT') OR UNDER THE APPLICABLE SECURITIES LAWS OF ANY STATE. NEITHER THESE SECURITIES NOR ANY INTEREST THEREIN MAY BE SOLD, TRANSFERRED, PLEDGED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF REGISTRATION UNDER THE SECURITIES ACT OR ANY APPLICABLE SECURITIES LAWS OF ANY STATE, UNLESS PURSUANT TO EXEMPTIONS THEREFROM.

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ISSUED PURSUANT TO THAT CERTAIN STOCK AWARD AGREEMENT DATED \_\_\_\_\_ BETWEEN THE COMPANY AND THE ISSUER WHICH RESTRICTS THE TRANSFER OF THESE SHARES WHICH ARE SUBJECT TO REPURCHASE BY THE COMPANY UNDER CERTAIN CONDITIONS.

and/or such other legend or legends as the Company and its counsel deem necessary or appropriate. Appropriate stop transfer instructions with respect to the Shares have been placed with the Company's transfer agent.

(e) Grantee understands that he or she will recognize income, for Federal and state income tax purposes, in an amount equal to the amount by which the fair market value of the Shares, as of the date of grant, exceeds the price paid by Grantee, if any. The acceptance of the Shares by Grantee shall constitute an agreement by Grantee to report such income in accordance with then applicable law. Withholding for federal or state income and employment tax purposes will be made, if and as required by law, from Grantee's then current compensation, or, if such current compensation is insufficient to satisfy withholding tax liability, the Company may require Grantee to make a cash payment to cover such liability.

7. Stand-off Agreement. Grantee agrees that, in connection with any registration of the Company's securities under the Securities Act, and upon the request of the Company or any underwriter managing an underwritten offering of the Company's securities, Grantee shall not sell, short any sale of, loan, grant an option for, or otherwise dispose of any of the Shares (other than Shares included in the offering) without the prior written consent of the Company or such managing underwriter, as applicable, for a period of at least one year following the effective date of registration of such offering. This Section 7 shall survive any termination of this Agreement.

50

8. Termination of Agreement. This Agreement shall terminate on the occurrence of any one of the following events: (a) written agreement of all parties to that effect; (b) a proposed dissolution or liquidation of the Company, a merger or consolidation in which the Company is not the surviving entity, or a sale of all or substantially all of the assets of the Company; (c) the closing of any public offering of common stock of the Company pursuant to an effective registration statement under the Securities Act; or (d) dissolution, bankruptcy, or insolvency of the Company.

9. Agreement Subject to Plan; Applicable Law. This Grant is made pursuant to the Plan and shall be interpreted to comply therewith. A copy of such Plan is available to Grantee, at no charge, at the principal office of the Company. Any provision of this Agreement inconsistent with the Plan shall be considered void and replaced with the applicable provision of the Plan. This Grant shall be governed by the laws of the State of Nevada.

10. Miscellaneous.

(a) Notices. Any notice required to be given pursuant to this Agreement or the Plan shall be in writing and shall be deemed to have been duly delivered upon receipt or, in the case of notices by the Company, five (5) days after deposit in the U.S. mail, postage prepaid, addressed to Grantee at the last address provided by Grantee for use in the Company's records.

(b) Entire Agreement. This instrument constitutes the sole agreement of the parties hereto with respect to the Shares. Any prior agreements, promises or representations concerning the Shares not included or reference herein shall be of no force or effect. This Agreement shall be binding on, and shall inure to the benefit of, the Parties hereto and their respective transferees, heirs, legal representatives, successors, and assigns.

(c) Enforcement. This Agreement shall be construed in accordance with, and governed by, the laws of the State of Nevada. If Grantee attempts to transfer any of the Shares subject to this Agreement, or any interest in them in violation of the terms of this Agreement, the Company may apply to any court having jurisdiction thereof for an injunctive order prohibiting such proposed transaction, and the Company may institute and maintain proceedings against Grantee to compel specific performance of this

Agreement without the necessity of proving the existence or extent of any damages to the Company. Any such attempted transaction shares in violation of this Agreement shall be null and void.

(d) Validity of Agreement. The provisions of this Agreement may be waived, altered, amended, or repealed, in whole or in part, only on the written consent of all parties hereto. It is intended that each Section of this Agreement shall be viewed as separate and divisible, and in the event that any Section shall be held to be invalid, the remaining Sections shall continue to be in full force and effect.

51

In Witness Whereof, the parties have executed this Agreement as of the date first above written.

COMPANY: VISUALANT, INCORPORATED

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

GRANTEE:

By: \_\_\_\_\_  
(signature)  
Name: \_\_\_\_\_

(one of the following, as appropriate, shall be signed)

I certify that as of the date hereof I  
am unmarried

By his or her signature, the spouse  
of Grantee hereby agrees to be bound  
by the provisions of the foregoing  
STOCK AWARD AGREEMENT

\_\_\_\_\_  
Grantee

\_\_\_\_\_  
Spouse of Grantee

52

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EXHIBIT D

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VISUALANT, INCORPORATED  
RESTRICTED STOCK PURCHASE AGREEMENT

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This Restricted Stock Purchase Agreement ("Agreement") is made and entered into as of the date set forth below, by and between VISUALANT, INCORPORATED, a Nevada corporation ("Company"), and the employee, director or consultant of the Company named in Section 1(b). ("Grantee"):

In consideration of the covenants herein set forth, the parties hereto agree as follows:

1. Stock Purchase Information.

- (a) Date of Agreement: \_\_\_\_\_  
(b) Grantee: \_\_\_\_\_  
(c) Number of Shares: \_\_\_\_\_  
(d) Purchase Price: \_\_\_\_\_

2. Acknowledgements.

(a) Grantee is a [employee/director/consultant] of the Company.

(b) The Company has adopted a 2005 Incentive Stock Plan (the "Plan") under which the Company's common stock ("Stock") may be offered to officers, employees, directors and consultants pursuant to an exemption from registration under the Securities Act of 1933, as amended (the "Securities Act") provided by Rule 701 thereunder.

(c) The Grantee desires to purchase shares of the Company's common stock on the terms and conditions set forth herein.

3. Purchase of Shares. The Company hereby agrees to sell and Grantee hereby agrees to purchase, upon and subject to the terms and conditions herein stated, the number of shares of Stock set forth in Section 1(c) (the "Shares"), at the



price per Share set forth in Section 1(d) (the "Price"). For the purpose of this Agreement, the terms "Share" or "Shares" shall include the original Shares plus any shares derived therefrom, regardless of the fact that the number, attributes or par value of such Shares may have been altered by reason of any recapitalization, subdivision, consolidation, stock dividend or amendment of the corporate charter of the Company. The number of Shares covered by this Agreement shall be proportionately adjusted for any increase or decrease in the number of issued shares resulting from a recapitalization, subdivision or consolidation of shares or the payment of a stock dividend, or any other increase or decrease in the number of such shares affected without receipt of consideration by the Company.

4. Investment Intent. Grantee represents and agrees that Grantee is accepting the Shares for the purpose of investment and not with a view to, or for resale in connection with, any distribution thereof; and that, if requested, Grantee shall furnish to the Company a written statement to such effect, satisfactory to the Company in form and substance. If the Shares are registered under the Securities Act, Grantee shall be relieved of the foregoing investment representation and agreement and shall not be required to furnish the Company with the foregoing written statement.

53

5. Restriction Upon Transfer. The Shares may not be sold, transferred or otherwise disposed of and shall not be pledged or otherwise hypothecated by the Grantee except as hereinafter provided.

(a) Repurchase Right on Termination Other Than for Cause. For the purposes of this Section, a "Repurchase Event" shall mean an occurrence of one of (i) termination of Grantee's employment [or service as a director/consultant] by the Company, voluntary or involuntary and with or without cause; (ii) retirement or death of Grantee; (iii) bankruptcy of Grantee, which shall be deemed to have occurred as of the date on which a voluntary or involuntary petition in bankruptcy is filed with a court of competent jurisdiction; (iv) dissolution of the marriage of Grantee, to the extent that any of the Shares are allocated as the sole and separate property of Grantee's spouse pursuant thereto (in which case, this Section shall only apply to the Shares so affected); or (v) any attempted transfer by the Grantee of Shares, or any interest therein, in violation of this Agreement. Upon the occurrence of a Repurchase Event, the Company shall have the right (but not an obligation) to repurchase all or any portion of the Shares of Grantee at a price equal to the fair value of the Shares as of the date of the Repurchase Event.

(b) Repurchase Right on Termination for Cause. In the event Grantee's employment [or service as a director/consultant] is terminated by the Company "for cause" (as defined below), then the Company shall have the right (but not an obligation) to repurchase Shares of Grantee at a price equal to the Price. Such right of the Company to repurchase Shares shall apply to 100% of the Shares for one (1) year from the date of this Agreement; and shall thereafter lapse at the rate of twenty percent (20%) of the Shares on each anniversary of the date of this Agreement. In addition, the Company shall have the right, in the sole discretion of the Board and without obligation, to repurchase upon termination for cause all or any portion of the Shares of Grantee, at a price equal to the fair value of the Shares as of the date of termination, which right is not subject to the foregoing lapsing of rights. Termination of employment [or service as a director/consultant] "for cause" means (i) as to employees and consultants, termination for cause as contemplated by the Nevada Labor Code and case law related thereto, or as defined in the Plan, this Agreement or in any employment [or consulting] agreement between the Company and Grantee, or (ii) as to directors, removal pursuant to the Nevada corporation law. In the event the Company elects to repurchase the Shares, the stock certificates representing the same shall forthwith be returned to the Company for cancellation.

(c) Exercise of Repurchase Right. Any Repurchase Right under Paragraphs 4(a) or 4(b) shall be exercised by giving notice of exercise as provided herein to Grantee or the estate of Grantee, as applicable. Such right shall be exercised, and the repurchase price thereunder shall be paid, by the Company within a ninety (90) day period beginning on the date of notice to the Company of the occurrence of such Repurchase Event (except in the case of termination of employment or retirement, where such option period shall begin upon the occurrence of the Repurchase Event). Such repurchase price shall be payable only in the form of cash (including a check drafted on immediately available funds) or cancellation of purchase money indebtedness of the Grantee for the Shares. If the Company can not purchase all such Shares because it is unable to meet the financial tests set forth in the Nevada corporation law, the Company shall have the right to purchase as many Shares as it is permitted to purchase under such sections. Any Shares not purchased by the Company hereunder shall no longer be subject to the provisions of this Section 5.

54

5. Restriction Upon Transfer - continued

(d) Right of First Refusal. In the event Grantee desires to transfer any Shares during his or her lifetime, Grantee shall first offer to sell such Shares to the Company. Grantee shall deliver to the Company written notice of the intended sale, such notice to specify the number of Shares to be sold, the proposed purchase price and terms of payment, and grant the Company an option for a period of thirty days following receipt of such notice to purchase the offered Shares upon the same terms and conditions. To exercise such option, the Company shall give notice of that fact to Grantee within the thirty (30) day notice period and agree to pay the purchase price in the manner provided in the notice. If the Company does not purchase all of the Shares so offered during foregoing option period, Grantee shall be under no obligation to sell any of the offered Shares to the Company, but may dispose of such Shares in any lawful manner during a period of one hundred and eighty (180) days following the end of such notice period, except that Grantee shall not sell any such Shares to any other person at a lower price or upon more favorable terms than those offered to the Company.

(e) Acceptance of Restrictions. Acceptance of the Shares shall constitute the Grantee's agreement to such restrictions and the legending of his certificates with respect thereto. Notwithstanding such restrictions, however, so long as the Grantee is the holder of the Shares, or any portion thereof, he shall be entitled to receive all dividends declared on and to vote the Shares and to all other rights of a shareholder with respect thereto.

(f) Permitted Transfers. Notwithstanding any provisions in this Section 5 to the contrary, the Grantee may transfer Shares subject to this Agreement to his or her parents, spouse, children, or grandchildren, or a trust for the benefit of the Grantee or any such transferee(s); provided, that such permitted transferee(s) shall hold the Shares subject to all the provisions of this Agreement (all references to the Grantee herein shall in such cases refer mutatis mutandis to the permitted transferee, except in the case of clause (iv) of Section 5(a) wherein the permitted transfer shall be deemed to be rescinded); and provided further, that notwithstanding any other provisions in this Agreement, a permitted transferee may not, in turn, make permitted transfers without the written consent of the Grantee and the Company.

(g) Release of Restrictions on Shares. All rights and restrictions under this Section 5 shall terminate five (5) years following the date upon which the Company receives the full Price as set forth in Section 3, or when the Company's securities are publicly traded, whichever occurs earlier.

6. Representations and Warranties of the Grantee. This Agreement and the issuance and grant of the Shares hereunder are made by the Company in reliance upon the express representations and warranties of the Grantee, which by acceptance hereof the Grantee confirms that:

(a) The Shares granted to him pursuant to this Agreement are being acquired by him for his own account, for investment purposes, and not with a view to, or for sale in connection with, any distribution of the Shares. It is understood that the Shares have not been registered under the Act by reason of a specific exemption from the registration provisions of the Act which depends, among other things, upon the bona fide nature of his representations as expressed herein;

55

6. Representations and Warranties of the Grantee - continued

(b) The Shares must be held by him indefinitely unless they are subsequently registered under the Act and any applicable state securities laws, or an exemption from such registration is available. The Company is under no obligation to register the Shares or to make available any such exemption; and

(c) Grantee further represents that Grantee has had access to the financial statements or books and records of the Company, has had the opportunity to ask questions of the Company concerning its business, operations and financial condition and to obtain additional information reasonably necessary to verify the accuracy of such information;

(d) Unless and until the Shares represented by this Grant are registered under the Securities Act, all certificates representing the Shares and any certificates subsequently issued in substitution therefor and any certificate for any securities issued pursuant to any stock split, share reclassification, stock dividend or other similar capital event shall bear legends in substantially the following form:

THESE SECURITIES HAVE NOT BEEN REGISTERED OR OTHERWISE QUALIFIED UNDER THE SECURITIES ACT OF 1933 (THE 'SECURITIES ACT') OR UNDER THE APPLICABLE SECURITIES LAWS OF ANY STATE. NEITHER THESE SECURITIES NOR ANY INTEREST

THEREIN MAY BE SOLD, TRANSFERRED, PLEDGED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF REGISTRATION UNDER THE SECURITIES ACT OR ANY APPLICABLE SECURITIES LAWS OF ANY STATE, UNLESS PURSUANT TO EXEMPTIONS THEREFROM.

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ISSUED PURSUANT TO THAT CERTAIN RESTRICTED STOCK PURCHASE AGREEMENT DATED \_\_\_\_\_ BETWEEN THE COMPANY AND THE ISSUER WHICH RESTRICTS THE TRANSFER OF THESE SHARES WHICH ARE SUBJECT TO REPURCHASE BY THE COMPANY UNDER CERTAIN CONDITIONS.

and/or such other legend or legends as the Company and its counsel deem necessary or appropriate. Appropriate stop transfer instructions with respect to the Shares have been placed with the Company's transfer agent.

(e) Grantee understands that he or she will recognize income, for Federal and state income tax purposes, in an amount equal to the amount by which the fair market value of the Shares, as of the date of Grant, exceeds the price paid by Grantee. The acceptance of the Shares by Grantee shall constitute an agreement by Grantee to report such income in accordance with then applicable law. Withholding for federal or state income and employment tax purposes will be made, if and as required by law, from Grantee's then current compensation, or, if such current compensation is insufficient to satisfy withholding tax liability, the Company may require Grantee to make a cash payment to cover such liability.

7. Stand-off Agreement. Grantee agrees that, in connection with any registration of the Company's securities under the Securities Act, and upon the request of the Company or any underwriter managing an underwritten offering of the Company's securities, Grantee shall not sell, short any sale of, loan, grant an option for, or otherwise dispose of any of the Shares (other than Shares included in the offering) without the prior written consent of the Company or such managing underwriter, as applicable, for a period of at least one year following the effective date of registration of such offering. This Section 7 shall survive any termination of this Agreement.

56

8. Termination of Agreement. This Agreement shall terminate on the occurrence of any one of the following events: (a) written agreement of all parties to that effect; (b) a proposed dissolution or liquidation of the Company, a merger or consolidation in which the Company is not the surviving entity, or a sale of all or substantially all of the assets of the Company; (c) the closing of any public offering of common stock of the Company pursuant to an effective registration statement under the Act; or (d) dissolution, bankruptcy, or insolvency of the Company.

9. Agreement Subject to Plan; Applicable Law. This Grant is made pursuant to the Plan and shall be interpreted to comply therewith. A copy of such Plan is available to Grantee, at no charge, at the principal office of the Company. Any provision of this Agreement inconsistent with the Plan shall be considered void and replaced with the applicable provision of the Plan. This Grant shall be governed by the laws of the State of Nevada.

10. Miscellaneous.

(a) Notices. Any notice required to be given pursuant to this Agreement or the Plan shall be in writing and shall be deemed to have been duly delivered upon receipt or, in the case of notices by the Company, five (5) days after deposit in the U.S. mail, postage prepaid, addressed to Grantee at the last address provided by Grantee for use in the Company's records.

(b) Entire Agreement. This instrument constitutes the sole agreement of the parties hereto with respect to the Shares. Any prior agreements, promises or representations concerning the Shares not included or reference herein shall be of no force or effect. This Agreement shall be binding on, and shall inure to the benefit of, the Parties hereto and their respective transferees, heirs, legal representatives, successors, and assigns.

(c) Enforcement. This Agreement shall be construed in accordance with, and governed by, the laws of the State of Nevada. If Grantee attempts to transfer any of the Shares subject to this Agreement, or any interest in them in violation of the terms of this Agreement, the Company may apply to any court having jurisdiction thereof for an injunctive order prohibiting such proposed transaction, and the Company may institute and maintain proceedings against Grantee to compel specific performance of this Agreement without the necessity of proving the existence or extent of any damages to the Company. Any such attempted transaction shares in violation of this Agreement shall be null and void.

(d) Validity of Agreement. The provisions of this Agreement may be waived, altered, amended, or repealed, in whole or in part, only on the written consent of all parties hereto. It is intended that each Section of this Agreement shall be viewed as separate and divisible, and in the event that any Section shall be held to be invalid, the remaining Sections shall continue to be in full force and effect.

In Witness Whereof, the parties have executed this Agreement as of the date first above written.

COMPANY: VISUALANT, INCORPORATED

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

GRANTEE:

By: \_\_\_\_\_  
(signature)  
Name: \_\_\_\_\_

INTELLECTUAL PROPERTY AGREEMENT

THIS AGREEMENT (the "Agreement"), dated June 16, 2004, is made and entered into by and between VISUALANT INCORPORATED, a Nevada corporation (the "Company") and KENNETH TURPIN ("Turpin"),

WHEREAS, the Company is in the business of researching, developing, acquiring, and commercializing products and services related to color technology outside the visible spectrum, using specialized narrow band N-IR and N-UV sensors and spatial analysis software modeling which translate the invisible into the visible (the "Business"), and involving specialized and proprietary information and trade secrets which the Company considers to be amongst its most sensitive, confidential, and proprietary information;

WHEREAS, Turpin has identified, researched and is developing the Business for and on behalf of the Company;

NOW THEREFORE, in consideration of the sum of \$10.00 paid by each party to the other, and the representations, warranties and covenants contained herein, the sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Definitions. In this Agreement, the following words and phrases shall have the following meanings:

- (a) "Affiliate" shall have the same meaning as contained in the Canada Business Corporations Act; "Company Affiliate" shall mean any Affiliate of the Company;
- (b) "Company Property" means any and all information, equipment, hardware, components, documents and other property of the Company or any Company Affiliate provided to or used by Turpin, including all computers, monitors, laptops, personal digital assistants, mobile computing devices, computer peripherals, cell phones and other telephones, pagers, storage media, security cards, keys, calling cards, charge cards, reference materials, designs, specifications, schematics, drawings, diagrams, pictures, notes, memoranda, papers, manuals, records, and the like;
- (c) "Intellectual Property Rights" means any and all copyrights, design rights, trade-marks, trade secrets and confidential information, patent rights, and all other proprietary rights, which may subsist anywhere in the world, whether registered or unregistered, including all applications for registration or issuance of any of the foregoing, all priority and convention rights in any of the foregoing, and all rights to file any such applications;
- (d) "Research and Development" means information pertaining to any research, development, investigation, study, analysis, experiment or test carried on or proposed to be carried on by the Company or any Company Affiliate;
- (e) "Software" means any and all algorithms, data structures, code, instructions, scripts, tables, data, and other information used by a computer or processor to process information, such Software including, without limitation, (i) all source code, object code and executable code, and (ii) all routines, subroutines, program material, computer files, system architectures, models, flowcharts, requirements, specifications, notes, outlines, papers, descriptions and other

1

documents created or developed in connection with any of the foregoing, the resulting screen formats and other visual effects of the Software, and any formulae, processes, or ideas, whether or not protected by copyright;

- (f) "Work" means, with respect to the Business, any and all inventions, discoveries, designs, developments, modifications, improvements, products, methods, trade secrets, mid know-how that Turpin, solely or with others, conceives of, modifies, develops, contributes to, or reduces to practice, including without limitation Software, records, documents, photographs, video recordings, sound recordings, images, designs, animations, drawings, sketches, diagrams, plans, compilations, and analyses, and all parts, elements, combinations and derivative works thereof, and
- (g) "Work Product" means any and all Work and other items in any form that Turpin, solely or with others, conceives of, modifies, develops, contributes to, or reduces to practice during the period of Turpin's employment with the Company and which:

(i) relate, directly or indirectly, to the Company's present or future foreseeable Business or Research and Development; or

(ii) result from any work performed by Turpin for the Company;

whether or not such are made during or after working hours, on or off the Company's premises.

2. Ownership by the Company. Turpin acknowledges and agrees that all Work Product have been made for the Company and that the Company shall be the exclusive owner of all right, title, and interest in and to the Work Product and all Intellectual Property Rights therein. Turpin does hereby assign and transfer to the Company, effective upon creation, all right, title, and interest that Turpin may have in and to the Work Product and all Intellectual Property Rights therein and does hereby assign all of Turpin's future right, title, and interest that Turpin may have in and to each of the Work Product and Intellectual Property Rights therein, effective at the time each is created. Turpin hereby irrevocably and expressly waives as against any person all moral rights Turpin may have in any and all Work Product.
3. Disclosure of Work Product. Turpin agrees to maintain at all times adequate and current records relating to the creation and development of the Work Product and Intellectual Property Rights therein, which records and all copies thereof shall be and shall remain the exclusive property of the Company, and to disclose all such records and copies to the Company promptly.
4. Assistance. Turpin shall, at the Company's request, assist with, execute and deliver all further documents, applications, declarations, verifications, submissions, transfers and assignments and do all other things requested by the Company, acting reasonably, during the term hereof and thereafter, at the expense of the Company, but without additional compensation, to enable the Company or its nominees to apply for, acquire, prosecute, perfect, enforce and/or maintain any and all right, title and interest, in any country, in and to the Confidential Information, the Work Product and the Intellectual Property Rights in same.

2

5. Protection of Work Product. Turpin covenants that Turpin shall not at any time directly or indirectly contest or assist any third party in contesting the Company's right, title, and interest in and to the Work Product or any Intellectual Property Rights therein. Turpin shall not, directly or indirectly, apply for or seek registration of any Intellectual Property Rights in any Work Product in any jurisdiction without the express written approval of the Company. Turpin waives any and all existing and future moral rights with respect to the Work Product and all Intellectual Property Rights therein.
6. Return of Company Property. Turpin shall deliver to the Company all Work Product and Company Property, including all originals and copies thereof, in Turpin's possession and/or control, at the request of the Company, or, in the absence of such a request, upon the termination of Turpin's employment with the Company.
7. Term and Termination. This Agreement shall continue until terminated as provided herein. This Agreement may, with written notice, be terminated by either party should Turpin's employment with the Company terminate for any reason. Termination under this Section 12 shall be effective from the date written notice is delivered or the date specified in the written notice, whichever is later.
8. Injunctive Relief. Turpin acknowledges that monetary damages would be inadequate to compensate the Company for any breach by Turpin of this Agreement and that any such breach would constitute irreparable harm to the Company. Accordingly, Turpin agrees that upon the breach or threatened breach of any terms of this Agreement, the Company shall, in addition to all other remedies, be entitled to an immediate injunction enjoining any breach of this Agreement or a decree for specific performance.
9. Amendment. Waiver. Variation. No amendment, waiver, or variation of the terms, conditions, warranties, covenants, agreements or undertakings set out herein shall be of any force or effect unless reduced to writing duly executed by all parties hereto in the same manner and with the same formality as this Agreement is executed.
10. Successors and Assigns. This Agreement shall be binding upon Turpin and the heirs and legal representatives of Turpin, and shall be binding upon and ensure to the benefit of the Company and its successors and assigns, including any corporation with which or into which the Company or its successors may be merged or which may succeed, to its assets or business.
11. Employment by Affiliates. Turpin acknowledges and agrees that Turpin's employment with the Company may be succeeded by employment with a Company

Affiliate, in which case the terms of this Agreement shall continue in effect with respect to such employment until an agreement relating to this subject matter is signed between Turpin and the Company Affiliate.

12. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Province of British Columbia (without regard to its conflict of laws provisions) which shall be deemed to be the proper law thereof. All disputes or claims arising out of or in relation to the Agreement may be submitted to and resolved by the Courts of the Province of British Columbia (including the Supreme Court of Canada). The parties hereby irrevocably submit and attorn to the non-exclusive jurisdiction of such Courts to finally adjudicate or determine any suit, action, or proceeding arising out of or in relation to this Agreement.

3

13. Terms Paramount. The terms of this Agreement are in addition to any other existing terms (the "Existing Terms") between the Company and Turpin. In the event of any inconsistency or conflict between the terms of this Agreement and any Existing Terms, the terms of this Agreement shall be paramount and shall supersede the Existing Terms to the extent of the inconsistency or conflict.
14. Time. Time shall be of the essence for each and every term and condition hereof.
15. Severability. The provisions of this Agreement, whether or not contained in the same section, are independent and separable. If any of the provisions of this Agreement shall be invalid or unenforceable under the laws of the jurisdiction where enforcement is sought, such invalidity or unenforceability shall not invalidate or render unenforceable the entire Agreement but rather the entire Agreement shall be construed as if not containing the particular invalid or unenforceable provision or provisions and the rights and obligations of the parties shall be construed and enforced accordingly, with the invalid or unenforceable provision modified so as to be limited and enforced to the fullest extent possible under the laws of that jurisdiction, with retroactive effect to the date of this Agreement.
16. Interpretation. The language in all parts of this Agreement shall be in all cases construed simply according to its fair meaning and not strictly for or against any of the parties hereto. Any rule of construction that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement. Each of the terms "including", "include" and "includes", when used in this Agreement, is not limiting whether or not non-limiting language (such as "without limitation" or "but not limited to" or words of similar import) is used with reference thereto.
17. Headings and Gender. The headings and subheadings contained in this Agreement are used solely for convenience and do not constitute a part of the Agreement, nor should they be used to aid in any manner in the construction or interpretation of this Agreement. Unless the context requires otherwise, words importing the singular include the plural and vice versa and words importing gender include all genders.
18. Counterparts and Execution by Fax. This Agreement may be executed in any number of counterparts with the same effect as if all the parties have signed the same document. All counterparts shall be construed together and shall constitute one agreement. This Agreement may be validly executed by means of transmission of signed facsimile.
19. Acknowledgement. Turpin has carefully read and considered the terms of this Agreement and, having done so, understands the terms and agrees that the terms herein are fair and reasonable and are reasonably required for the protection of the interests of the Company.

IN WITNESS WHEREOF the parties have duly executed this Agreement on the date first above written.

VISUALANT INCORPORATED

PER /s/ RONALD P. ERICKSON  
-----  
RONALD P. ERICKSON

Authorized Signatory

/s/ KENNETH TURPIN  
-----  
KENNETH TURPIN

INDEPENDENT CONTRACTOR AGREEMENT

THIS AGREEMENT (the "Agreement"), dated June 16, 2004, is made and entered into by and between VISUALANT INCORPORATED, a Nevada corporation (the "Company") and E-VISION TECHNOLOGIES INC., a British Columbia company (the "Contractor").

WHEREAS, the Company is in the business of researching, developing, acquiring, and commercializing products and services related to color technology outside the visible spectrum, using specialized narrow band N-IR and N-UV sensors and spatial analysis software modeling which translate the invisible into the visible (the "Business"), and involving specialized and proprietary information and trade secrets which the Company considers to be amongst its most sensitive, confidential, and proprietary information;

WHEREAS, the Contractor has resources and staff to research and develop the Business for and on behalf of the Company;

NOW THEREFORE in consideration of the sum of \$10.00 paid by each party to the other, and the representations, warranties and covenants contained herein, the sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Definitions. In this Agreement, the following words and phrases shall have the following meanings:

- (a) "Affiliate" shall have the same meaning as contained in the Canada Business Corporations Act; "Company Affiliate" shall mean any Affiliate of the Company;
- (b) "Company Property" means any and all information, equipment, hardware, components, documents and other property of the Company or any Company Affiliate provided to or used by the Contractor, including all computers, monitors, laptops, personal digital assistants, mobile computing devices, computer peripherals, cell phones and other telephones, pagers, storage media, security cards, keys, calling cards, charge cards, reference materials, designs, specifications, schematics, drawings, diagrams, pictures, notes, memoranda, papers, manuals, records, and the like;
- (c) "Intellectual Property Rights" means any and all copyrights, design rights, trade-marks, trade secrets and confidential information, patent rights, and all other proprietary rights, which may subsist anywhere in the world, whether registered or unregistered, including all applications for registration or issuance of any of the foregoing, all priority and convention rights in any of the foregoing, and all rights to file any such applications;
- (d) "Research and Development" means information pertaining to any research, development, investigation, study, analysis, experiment or test carried on or proposed to be carried on by the Company or any Company Affiliate;
- (e) "Software" means any and all algorithms, data structures, code, instructions, scripts, tables, data, and other information used by a computer or processor to process information, such Software including, without limitation, (i) all source code, object code and executable code, and (ii) all routines, subroutines, program material, computer files, system architectures, models, flowcharts, requirements, specifications, notes, outlines, papers, descriptions and other documents created or developed in connection with any of the

1

foregoing, the resulting screen formats and other visual effects of the Software, and any formulae, processes, or ideas, whether or not protected by copyright;

- (f) "Work" means, with respect to the Business, any and all inventions, discoveries, designs, developments, modifications, improvements, products, methods, trade secrets, and know-how that the Contractor, solely or with others, conceives of, modifies, develops, contributes to, or reduces to practice, including without limitation Software, records, documents, photographs, video recordings, sound recordings, images, designs, animations, drawings, sketches, diagrams, plans, compilations, and analyses, and all parts, elements, combinations and derivative works thereof; and
- (g) "Work Product" means any and all Work and other items in any form that the Contractor, solely or with others, conceives of, modifies, develops, contributes to, or reduces to practice during the period of the Contractor's engagement under this Agreement and which:



(i) related directly to the Company's present or future foreseeable Business or Research and Development, or

(ii) result from any work performed by the Contractor for the Company.

2. Duties. Subject to the terms and conditions of this Agreement, the Company hereby engages the Contractor as an independent contractor to conduct Research and Development in respect of the Business for and on behalf of the Company, and the Contractor hereby accepts such engagement. The parties will discuss, define and document the scope of the Contractor's duties from time to time during the term of this engagement.
3. Compensation. As full compensation for the services rendered under this Agreement the Contractor shall forward an estimated monthly budget to the Company. The budgeted funds will be progress billed and paid to the Contractor at least two weeks in advance of any work being performed. Full reconciliation of actual hours worked versus budget estimates will be performed every quarter.
4. Expenses. During the term of this Agreement, the Contractor shall further bill and the Company shall reimburse the Contractor for all reasonable and approved out-of-pocket expenses which are incurred in connection with the performance of the duties hereunder.
5. Ownership by the Company. The Contractor acknowledges and agrees that all Work Product have been made for the Company and that the Company shall be the exclusive owner of all right, title, and interest in and to the Work Product and all intellectual Property Rights therein. The Contractor does hereby assign and transfer to the Company, effective upon creation, all right, title, and interest that the Contractor may have in and to the Work Product and all Intellectual Property Rights therein and does hereby assign all of the Contractor's future right, title, and interest that the Contractor may have in and to each of the Work Product and Intellectual Property Rights therein, effective at the time each is created. The Contractor hereby irrevocably and expressly waives as against any person all moral rights the Contractor may have in any and all Work Product.

2

6. Disclosure of Work Product. The Contractor agrees to maintain at all times adequate and current records relating to the creation and development of the Work Product and Intellectual Property Rights therein, which records and all copies thereof shall be and shall remain the exclusive property of the Company, and to disclose all such records and copies to the Company promptly.
7. Assistance. The Contractor shall, at the Company's request, assist with, execute and deliver all further documents, applications, declarations, verifications, submissions, transfers and assignments and do all other things requested by the Company, acting reasonably, during the term hereof and thereafter, to enable the Company or its nominees to apply for, acquire, prosecute, perfect, enforce and/or maintain any and all right, title and interest, in any country, in and to the Work Product and the Intellectual Property Rights in same.
8. Protection of Work Product. The Contractor covenants that the Contractor shall not at any time directly or indirectly contest or assist any third party in contesting the Company's right, title, and interest in and to the Work Product or any intellectual Property Rights therein. The Contractor shall not, directly or indirectly, apply for or seek registration of any Intellectual Property Rights in any Work Product in any jurisdiction without the express written approval of the Company. The Contractor waives any and all existing and future moral rights with respect to the Work Product and all Intellectual Property Rights therein.
9. Return of Company Property. The Contractor shall deliver to the Company all Work Product and Company Property, including all originals and copies thereof, in the Contractor's possession and/or control, at the request of the Company, or, in the absence of such a request, upon the termination of the Contractor's engagement under this Agreement.
10. Confidentiality. The Contractor acknowledges that during the engagement it will have access to and become acquainted with various trade secrets, inventions, innovations, processes, information, records and specifications owned or licensed by the Company and/or used by the Company in connection with the operation of its business including, without limitation, the Company's business and product processes, methods, customer lists, accounts and procedures. The Contractor agrees that it will not disclose any of the aforesaid, directly or indirectly, or use any of them in any manner, either during the term of this Agreement or at any time thereafter, except as required in the course of this engagement with the Company. All files, records, documents, blueprints, specifications, information, letters, notes, media lists, original artwork/creative, notebooks, and similar items relating to the business of the Company, whether prepared by the Contractor or otherwise coming into its possession, shall remain the exclusive

property of the Company. The Contractor shall not retain any copies of the foregoing without the Company's prior written permission. Upon the expiration or earlier termination of this Agreement, or whenever requested by the Company, the Contractor shall immediately deliver to the Company all such files, records, documents, specifications, information, and other items in its possession or under its control. The Contractor further agrees that it will not disclose its retention as an independent contractor or the terms of this Agreement to any person without the prior written consent of the Company and shall at all times preserve the confidential nature of its relationship to the Company and of the services hereunder.

3

11. Term and Termination. This Agreement shall continue until terminated as provided herein. This Agreement may be terminated by either party for any reason. Termination shall be effective from the date written notice is delivered or the date specified in the written notice, whichever is later.
12. Amendment. Waiver, Variation. No amendment, waiver, or variation of the terms, conditions, warranties, covenants, agreements or undertakings set out herein shall be of any force or effect unless reduced to writing duly executed by all parties hereto in the same manner and with the same formality as this Agreement is executed.
13. Conflicts of Interest. The Contractor represents that it is free to enter into this Agreement, and that this engagement does not violate the terms of any agreement between the Contractor and any third party. Further, the Contractor, in rendering its duties shall not utilize any invention, discovery, development, improvement, innovation, or trade Secret in which it does not have a proprietary interest. During the term of this agreement, the Contractor shall devote as much of its productive time, energy and abilities to the performance of its duties hereunder as is necessary to perform the required duties in a timely and productive manner. The Contractor is expressly free to perform services for other parties while performing services for the Company.
14. Independent Contractor. This Agreement shall not render the Contractor an employee, partner, agent of, or joint venturer with the Company for any purpose. The Contractor is and will remain an independent contractor in its relationship to the Company. The Contractor shall have no claim against the Company hereunder or otherwise for vacation pay, sick leave, retirement benefits, social security, worker's compensation, health or disability benefits, unemployment insurance benefits, or employee benefits of any kind.
15. Assignment. The Contractor shall not assign any of its rights under this Agreement, or delegate the performance of any of its duties hereunder, without the prior written consent of the Company.
16. Successors and Assigns. All of the provisions of this Agreement shall be binding upon and enure to the benefit of the parties hereto and their respective heirs, if any, Successors and assigns
17. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Province of British Columbia (without regard to its conflict of laws provisions) which shall be deemed to be the proper law thereof. All disputes or claims arising out of or in relation to the Agreement may be submitted to and resolved by the Courts of the Province of British Columbia (including the Supreme Court of Canada). The parties hereby irrevocably submit and attorn to the non-exclusive jurisdiction of such Courts to finally adjudicate or determine any suit, action, or proceeding arising out of or in relation to this Agreement.
18. Terms Paramount. The terms of this Agreement are in addition to any other existing terms (the "Existing Terms") between the Company and the Contractor. In the event of any inconsistency or conflict between the terms of this Agreement and any Existing Terms, the terms of this Agreement shall be paramount and shall supersede the Existing Terms to the extent of the inconsistency or conflict.
19. Time. Time shall be of the essence for each and every term and condition hereof.

4

20. Severability. The provisions of this Agreement, whether or not contained in the same section, are independent and separable. If any of the provisions of this Agreement shall be invalid or unenforceable under the laws of the jurisdiction where enforcement is sought, such invalidity or unenforceability shall not invalidate or render unenforceable the entire Agreement but rather the entire Agreement shall be construed as if not containing the particular invalid or unenforceable provision or provisions and the rights and obligations of the parties shall be construed and enforced accordingly, with the invalid or unenforceable provision modified so as to be limited and enforced to the fullest extent possible under the

laws of that jurisdiction, with retroactive effect to the date of this Agreement.

21. Interpretation. The language in all parts of this Agreement shall be in all cases construed simply according to its fair meaning and not strictly for or against any of the parties hereto. Any rule of Construction that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement. Each of the terms "including", "include" and "includes", when used in this Agreement, is not limiting whether or not non-limiting language (such as "without limitation" or "but not limited to" or words of similar import) is used with reference thereto.
22. Headings and Gender. The headings and subheadings contained in this Agreement are used solely for convenience and do not constitute a part of the Agreement, nor should they be used to aid in any manner in the construction or interpretation of this Agreement. Unless the context requires otherwise, words importing the singular include the plural and vice versa and words importing gender include all genders.
23. Counterparts and Execution by Fax. This Agreement may be executed in any number of counterparts with the same effect as if all the parties have signed the same document. All counterparts shall be construed together and shall constitute one agreement. This Agreement may be validly executed by means of transmission of signed facsimile.
24. Acknowledgement. The Contractor has carefully read and considered the terms of this Agreement and, having done so, understands the terms and agrees that the terms herein are fair and reasonable and are reasonably required for the protection of the interests of the Company.

IN WITNESS WHEREOF the parties have duly executed this Agreement on the date first above Written.

VISULANT INCORPORATED

Per: /s/ Ronald P. Erickson  
- -----  
Authorized Signatory

E-VISION TECHNOLOGIES INC.

/s/ Kenneth Turpin  
- -----  
Authorized Signature

WORLDWIDE LICENSING AGREEMENT

THIS AGREEMENT is dated April 21, 2005.

BETWEEN:

E-VISION TECHNOLOGIES INC., a British Columbia company, having its place of business at 7333 River Road, Delta, BC V4G 1B1;

(the "Licensor")

AND:

VISUALANT, INCORPORATED, a Nevada corporation, having its place of business at Suite 406, 500 Union Street, Seattle, WA 98101;

(the "Licensee")

WHEREAS:

- A. The Licensor is the developer, owner and patent applicant for use of the technology described in Schedule "A" attached to this Agreement (the "Technology");
- B. The Licensor has agreed, on the terms of this Agreement, to grant unto the Licensee the sole right and capacity to employ the Technology on a worldwide basis (such geographical jurisdictions hereinafter referred to as the "Territory"), subject only to the exclusion described in Schedule "A" attached to this Agreement.

NOW THEREFORE THIS AGREEMENT WITNESSES THAT in consideration of the mutual covenants and agreements herein contained, the parties hereto agree as follows:

ARTICLE I  
GRANT

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- 1.1 Grant of License. The Licensor hereby grants unto the Licensee a license to employ the Technology in the Territory for all purposes including, without limitation, all currently known or to be discovered applications of the Technology, subject only to the exclusion described in Schedule "A" attached to this Agreement.
- 1.2 Technical Assistance. The Licensor will, at cost, provide to the Licensee all necessary technical assistance as may be required by the Licensee to employ the Technology.

ARTICLE II  
FEES AND COSTS

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- 2.1 License Fee. As consideration for the grant of the license herein for the Territory, the Licensee will pay to the Licensor a fee of 10,000 Common shares of the Licensee.
- 2.2 Costs. The Licensee shall bear all costs of employing the Technology, and shall bear all legal costs and transactional costs.

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ARTICLE III  
TRADEMARKS AND PATENTS

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- 3.1 Trademarks and Patents. The Licensee agrees that all trademarks, patents and other intellectual property and proprietary information of the Technology and all improvements, derivatives or successors belong to and shall belong to the Licensor, and that the fee for the trademarks, patents and proprietary information for use by the Licensee is acknowledged to be included in the fee paid by the Licensee to the Licensor.

ARTICLE IV  
RELATIONSHIP OF PARTIES

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- 4.1 independent Contractor. The relationship between the Licensee and the Licensor is that of independent contractors. The parties to this Agreement are not partners, nor shall they be construed as the same, nor, except as specifically permitted from time to time, shall either party hold itself out as the agent or representative of the other party.

ARTICLE V  
TERM  
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5.1 Term. This Agreement shall be effective commencing the date of execution herein below stated, and shall continue for a term of Five (5) years and be automatically renewed, subject to termination in accordance with this Agreement.

ARTICLE VI  
NO RESTRICTION TO TERRITORY  
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6.1 No Restriction to Territory. The Licensee covenants, agrees and warrants with the Licensor that the license is extended on a worldwide basis for the term of this agreement.

ARTICLE VII  
PROPRIETARY INDEMNITY  
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7.1 Protection. The Licensor and the Licensee covenant and agree to use their best efforts to protect the Technology from any infringement by other parties.

ARTICLE VIII  
ASSIGNMENT  
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8.1 Assignment. This Agreement and any rights or interests hereunder may be assigned by the Licensee, with the prior written permission of the Licensor to all of the terms and conditions of an assignment or sublicense, which permission shall not be unreasonably withheld.

2

ARTICLE IX  
DEFAULT AND TERMINATION  
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9.1 Default. In the event that a party hereof breaches a term of this Agreement, the injured party may terminate the Agreement if the defaulting party has not remedied the default within sixty (60) days of notice of the default. If the injured party does not wish to terminate the Agreement for default, it may instead insist and enforce specific performance.

9.2 Termination. In the event that this Agreement is terminated, the Licensee shall return to the Licensor all information and documents it may have in respect to the Technology, return all Technology in its possession, and cease employing the Technology.

ARTICLE X  
MISCELLANEOUS  
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10.1 Notices. All notices, directions, or payments required to be given hereunder shall be made at the addresses first herein set forth, or at such other addresses as may be notified by the parties hereto. Any notice, if sent by mail, shall be deemed delivered on the third business day following mailing, absent postal disruption, and if delivered or sent by facsimile transmission, shall be deemed to be given or made on the business day following such delivery or facsimile transmission.

10.2 Time of the Essence. Time shall be of the essence of this Agreement.

10.3 Enforcement. This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

10.4 Jurisdiction. This Agreement shall be governed in accordance with the laws of British Columbia.

IN WITNESS WHEREOF the parties hereto have executed this Agreement on the date first above Written.

E-VISION TECHNOLOGIES INC.

Per: /s/ Kenneth Turpin  
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Authorized Signature

VISUALANT INCORPORATED

Per: /s/ Ronald P. Erickson

SCHEDULE "A"

The Technology:

The CBN alpha-numeric coding system is designed to identify, communicate and formulate color information for a color within one of the color spaces well known in the art, or any other color space as yet un-invented which can be expressed relative to any other known color space, such as for example but not by way of limitation, RGB, CMYK, HAV, HSB, HTML, LUV, LAB, SCF, XYZ, and Bradford-RGB color spaces, into one standardized code which is comprised of encrypted data that is indicative of the color. The code provides highly accurate color information which can be then be used for identification, communication and formualtion purposes. Colorant combinations for coloring one or more colorable products, such as paint, caulk, cement, cosmetics, textiles, or the like can be mathematically quantified and formulated with a high degree of accuracy and repeatability from many sensing sources across many industries or color spaces. The code can be used in a method for directing consumers, as qualified customers, to product providers within an affiliation.

The affiliation includes one or more product providers, such as retailers, wholesalers, or the like. The product providers are capable of receiving the code and producing or providing the colorable product having the color represented by the code. Examples of typical product providers include paint stores, home improvement centers, and department stores.

A consumer is provided with a color specification system such as a computer and software. The color specification system allows the consumer, e.g. an individual or architect, to specify or generate a desired color for the colorable product and thereby supply color information about the desired color to the color specification system. The color specification system converts the color information into the code and provides the code to the consumer. For example, the code can be printed or displayed. Once the consumer has received the code, the consumer is directed to communicate the code to a product provider within the affiliation who has the capability of decoding the code through the use of a formation system, such as a computer and software. Once the product provider receives the code from the consumer, the product provider supplies the code to the formulation system which then decodes the code to obtain the color information contained within the code.

The Exclusion:

The Licensee shall not use the Technology for the purpose of formulating colors.

Exhibit 10.4

Ralph Brier  
Gig Harbor. WA

Dear Ralph:

Re: Compensation Package

As we discussed. Visualant would like you to be its CEO for which it can offer the following compensation package.

- o 300,000 options to purchase stock at US \$0.10 per share until August 15, 2009, vesting at the rate of 25,000 options at the beginning of each quarter commencing August 15, 2004.
- o 200,000 options to purchase stock at US \$0.10 per share which will be granted upon the successful achievement of mutually acceptable, to be determined, management objectives.
- o US\$5,000.00 per month from August 15, 2004 to November 15, 2004, payable as a retainer in advance.
- o US\$4,000.00 per month incentive to be paid in arrears between August 15, 2004 and November 15, 2004, upon the achievement of mutually agreed upon management objectives.
- o US\$12,500.00 per month once the major financing has been secured.
- o Cash bonus to be negotiated based upon performance targets.
- o Benefits which are appropriate for the position.

Please sign and return a copy of this letter to acknowledge your agreement.

Yours very truly,

/s/ Ronald P. Erickson  
- -----  
Ronald P. Erickson  
Chairman

Accepted and agreed.

/s/ Ralph Brier  
- -----  
Ralph Brier

MADSEN & ASSOCIATED, CPA'S INC.  
Certified Public Accountants and Business  
Consultant Board

684 East Vine Street, #3  
Murray, Utah, 84107  
Telephone 801-268-2632  
Fax: 801-262-3978

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

We have issued our report dated December 20, 2004, accompanying the audited financial statements of Visualant, Incorporated at September 30, 2004, and the related statements of operations, stockholders' equity, and cash flows for the years ended September 30, 2004 and 2003 and hereby consent to the incorporation by reference to such report in a Registration Statement on Form SB-2.

July 27, 2005

/s/ Madsen & Associates, CPA's Inc.  
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Madsen & Associates, CPA's Inc.