UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-KSB /A
FIRST AMENDMENT

☒ ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)

For the fiscal year ended September 30, 2008

☐ TRANSACTION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the transaction period from ________ to ________

Commission File number 0-25541

VISUALANT, INCORPORATED

(Name of small business issuer in its charter)

Nevada	**91-1948357**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
500 Union Street, Suite 406 **Seattle, Washington**	**98101**
(Address of principal executive offices)	(Zip Code)

Issuer's telephone number, including area code 206-903-1351

Securities registered pursuant to Section 12 (b) of the Exchange Act:

Common	**OTCBB**
(Title of each class)	(Name of each exchange on which registered)

Securities registered pursuant to Section 12 (g) of the Exchange Act:

None
(Title of Class)

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

(1) Yes ☒ No ☐ (2) Yes ☒ No ☐

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes☐ No ☒

State issuer's revenues for its most recent fiscal year: $ -0-

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked prices of such common equity, as of a specific date within the past 60 days.

As of December 30, 2008, based upon the last reported trade on December 30, 2008, the aggregate market value of the voting and non-voting common equity held by non-affiliates (for this purpose, all outstanding and issued common stock minus stock held by the officers, directors and known holders of 10% or more of the Company's common stock) was $755,197.

(ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Check whether the issuer has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court.

Not applicable

(APPLICABLE ONLY TO CORPORATE REGISTRANTS)

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date.

As of January 13, 2009, the Company had 27,742,901 shares of common stock issued

DOCUMENTS INCORPORATED BY REFERENCE

Exhibits incorporated by reference are referred to under Part IV

Transitional Small Business Disclosure Format (Check one): Yes ☐ No ☒

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PART I

ITEM 1. DESCRIPTION OF BUSINESS

History and Organization

Visualant, Incorporated (formerly Starberrys Corporation), a Nevada corporation (the "Company"), was incorporated on October 8, 1998. The Company has no subsidiaries or affiliated companies. The Company's executive offices are located in Seattle, Washington.

The Company's Articles of Incorporation currently provide that 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 at September 30, 2008 there were 18,353,891 Common Shares and no Preferred Shares outstanding. As of the date of this annual report on Form 10-KSB, 9,389,010 additional shares have been issued for conversion of debt and payment for services, resulting in 27,742,901 shares of common stock issued and outstanding.

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, by the payment 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 (“eVision”) and Ken Turpin (founder / inventor) 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. The Company was unsuccessful in raising the financing to complete this acquisition and negotiations were terminated.

The Company signed a Letter of Intent on 19 January 2003 with Malaremastarnas Riksforening, the owner of all the shares of Skandinaviska Farinstituter AB ("SCI" or the Scandinavian Color Institute) which owns both the color notation system Natural Color Systems ("NCS") and the Scandinavian Color School, outlining the general terms of a proposed acquisition by the Company of all of the shares of SCI. NCS is the leading color notation system in Europe and is also highly regarded around the world. It is the national standard for color in Sweden, Norway, Spain and South Africa. On April 9, 2003 the Company signed a Definitive Purchase Agreement to complete the acquisition, subject to certain conditions, of all the shares of SCI for a price of SEK 35,000,000. Subsequent to June 30, 2003 that Agreement was amended to change the Closing Date from August 31, 2003 to November 30, 2003. However, the Company was unsuccessful in raising the financing to complete this acquisition, and negotiations were terminated.

On June 16, 2004, the Company entered into a research and development contract with eVision 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 are then matched against existing databases to detect and identify crime, forgery, counterfeiting and other frauds. It is the intent of the Company to develop this technology to provide a new, accurate and fast detection tool for critical applications such as national security, forgery/fraud prevention, brand protection, and product tampering. As of the time of this filing, no commercial products have been developed using this technology and no significant progress has been made in such development. On February 22, 2006, the Company terminated its contract with eVision in order to concentrate its resources on its primary research and development relationship with RatLab LLC.

For more information on RatLab LLC, please see ITEM 6, MANAGEMENT’S PLAN OF OPERATION.

The Company changed its name to Visualant, Incorporated on August 18, 2004.

The Company has no revenue to date from its operations, and its ability to effect its plans for the future will depend on the availability of financing. Such financing will be required to enable the Company to develop its technology. The Company anticipates obtaining such funds from its officers and directors, financial institutions or by way of the sale of its capital stock through private offerings. However, there can be no assurance that the Company will be successful in obtaining additional capital from the sale of its capital stock, or in otherwise raising substantial capital.

ITEM 1. DESCRIPTION OF BUSINESS - *continued*

History and Organization - *continued*

During the fiscal year ended September 30, 2008, the Company filed with the SEC various documents such as Forms 10-KSB, 10-QSB and 8-K. The Company does not intend to distribute an annual report to its shareholders for the fiscal year ended September 30, 2008.

The shareholders may read and copy any materials filed by the Company with the SEC at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C., 20549. The shareholders may obtain information on the operations of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site that contains reports, proxy and information statements, and other information which the Company has filed electronically with the SEC, by accessing the website using the following address: http://www.sec.gov. The Company is prepared to distribute, upon request from shareholders, any of the material previously filed with the SEC. The Company also has a website at www.visualant.net from which additional information about the Company can be obtained.

Special Note Regarding Forward-Looking Statements

This Form 10-KSB contains forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. These statements relate to future events or the Company's future financial performance. In some cases, the reader can identify forward-looking statements by terminology such as "may", "will", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of these terms or other comparable terminology. 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 or its 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 the Company believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, the Company does not intend to update any of the forward-looking statements to conform these statements to actual results.

The Company's financial statements are stated in United States Dollars and are prepared in accordance with United States Generally Accepted Accounting Principles. In this annual report, unless otherwise specified, all dollar amounts are expressed in United States Dollars.

RISK FACTORS

There are certain inherent risks which will have an effect on the Company's development in the future and some of these risk factors are noted below but are not all encompassing since there may be others unknown to management at the present time which might have an impact in the future on the development of the Company.

1. **The Company is uncertain if it will be able to obtain additional capital necessary to continue development of its technology.**

The Company has incurred a cumulative net loss for the period from October 8, 1998 (date of inception) to September 30, 2008 of $6,674,748. As a result of these losses and negative cash flows from operations, the Company's ability to continue operations will be dependent upon the availability of capital from outside sources unless and until it achieves profitability.

ITEM 1. DESCRIPTION OF BUSINESS - *continued*

RISK FACTORS - *continued*

2. Whether the Company will continue to be a going concern

The Company's auditors' concern in the audit opinion with regard to the Company's financial statements as at September 30, 2008 as to whether the Company will be able to raise sufficient funds to complete its objectives indicates that the Company might not be able to continue as a going concern. Without adequate future financing, the Company might cease to operate and the existing shareholders and any future shareholders will lose their entire investment.

3. Some of the present shareholders have acquired shares at extremely low prices

Some of the present shareholders have acquired shares at prices as low as $0.001 per share, whereas other shareholders have purchased their shares at prices ranging from $0.25 to $0.75 per share.

4. Future issuance of stock options, warrants and/or rights will have a diluting factor on existing and future shareholders

The grant and exercise of stock options, warrants or rights to be issued in the future will likely result in a dilution of the value of the Company's common shares for all shareholders. The Company has established a Combined Incentive and Non-Qualified Stock Option Plan and may in the future issue further stock options to officers, directors and consultants which will dilute the interest of the existing and future shareholders. Moreover, the Company may seek authorization to increase the number of its authorized shares and sell additional securities and/or rights to purchase such securities at any time in the future. Dilution of the value of the common shares will likely result from such sales.

5. The Company does not expect to declare or pay any dividends

The Company has not declared or paid any dividends on its common stock since its inception, and it does not anticipate paying any such dividends for the foreseeable future.

6. Conflict of interest

Some of the Directors of the Company are also directors and 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.

7. Concentration of ownership by management.

The management of the Company and their immediate family members, either directly or indirectly, own or control 4,581,875 shares as of the filing date. Even though this represents only 16.5% of the issued and outstanding shares, it might be difficult for any one shareholder to solicit sufficient votes to replace the existing management. Therefore, any given shareholder may never have a voice in the direction of the Company.

8. Key-man insurance

The Company carries no key-man insurance. In the event that any of the Company's senior executive officers departed the Company or passed away, the Company may not have the available funds to attract an individual of similar experience. Management is considering obtaining key-man insurance once it has sufficient funds to do so.

9. Limited full time employees

The only employee who worked full time for the Company was its Chief Executive Officer and President, Bradley E. Sparks. The other directors will devote time to the activities of the Company as required from time to time. At the present time, other than Mr. Sparks, the Company has no full-time employees.

10. Trading in the Company's stock is restricted by the SEC's Penny Stock Regulations which limit a stockholder's ability to buy and sell the Company's shares.

The SEC has adopted regulations which generally define "penny stock" to be any equity security that has a market price (as defined) less than $5.00 per share or an exercise price of less than $5.00 per share, subject to certain exceptions. Under the penny stock rules, additional sales practice requirements are imposed on broker-dealers who sell to persons other than established customers and "accredited investors." The term "accredited investor" refers generally to institutions with assets in excess of $5,000,000 or individuals with a net worth in excess of $1,000,000 or annual income exceeding $200,000 or $300,000 jointly with their spouse. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document in a form prepared by the SEC which 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 current bid and offer 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. The bid and offer quotations, and the broker-dealer and salesperson compensation information, must be given to the customer orally or in writing prior to effecting the transaction and must be given to the customer in writing before or with the customer's confirmation. In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from these rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for the stock that is subject to broker-dealers to trade in the Company's securities. The penny stock rules may discourage investor interest in and limit the marketability of, the Company's common stock.

11. Recently Enacted and Proposed Regulatory Changes

Recently enacted and proposed changes in the laws and regulations affecting public 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.

ITEM 2. DESCRIPTION OF PROPERTY

Offices

The Company's executive offices are located at 500 Union Street, Suite 406, Seattle, Washington, USA, 98101. The office is located in premises which are also used by the Chairman of the Board of the Company for other business interests. The Company pays rent of $400.00 per month for using this office.

Other Property

The only property owned by the Company is its intellectual property. During 2007, the Company filed additional patents covering work that the RatLab performed. The patents focus on using photonics to establish a unique identifier for objects, on communicating that identifier, and on comparing it against a template. The Company has received notification from the U.S. Patent and Trademark Office that the original patent filed was denied. It was determined by the Company that it was not economically feasible to contest the finding. As of the report date, the Company has not received any notification from the U.S. Patent and Trademark Office as to whether any of the patents filed in 2007 will be granted.

ITEM 3. LEGAL PROCEEDINGS

There are no legal proceedings to which the Company is a party or to which its property is subject, nor to the best of management's knowledge are any material legal proceedings contemplated.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The last annual shareholders' meeting was held on August 7, 2002. No matters have been submitted to a vote of securities holders in the most recent fiscal year.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's common stock currently is quoted on the OTCBB. During the past year, however, there has been a very limited trading market for the Company's common stock. Since its inception, the Company has not paid any dividends on its common stock, and the Company does not anticipate that it will pay dividends in the foreseeable future. As at September 30, 2008 the Company had 18,353,891 shares of common stock issued and outstanding held by 99 active shareholders of record. In addition, the Company had outstanding options to purchase 1,485,000 shares of common stock at exercise prices ranging from $0.10 to $0.75 per share.

ITEM 6. MANAGEMENT'S PLAN OF OPERATION

Overview

The Company was incorporated on October 8, 1998 under the laws of the State of Nevada. The Company's Articles of Incorporation currently provide that the Company is authorized to issue 200,000,000 shares of Common Stock, par value $0.001 per share, and 50,000,000 shares of Preferred Stock with such terms as will be specified by the Board of Directors at the time it acts to create a specific series of the Preferred Stock to be issued. As at September 30, 2008 there were 18,353,891 Common Shares and no Preferred Shares outstanding.

On June 16, 2004, the Company entered into a contract with eVision Technologies Corporation for the development of its color technology providing 3D spectral-based pattern file creation and matching. Color pattern files can be created from any object. 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 has the potential to provide a new, accurate and fast detection tool for critical applications such as national security, forgery/fraud prevention, process control, quality monitoring, brand protection, and product tampering. Although progress has been made towards such development, the company has no current commercial product. On February 22, 2006, the Company terminated its contract with eVision in order to concentrate its resources on its primary research and development relationship with RatLab LLC.

On December 16, 2005 the Company entered into a research and development contract with RatLab LLC, a privately-owned research laboratory in Seattle, Washington. On March 15, 2006, the contract was extended for Phase 1 and 2 research. Under the contract, RatLab performed research and development using the Company's existing intellectual property, as well as newly developed research and technologies in order to assist the Company with the commercialization of its core technologies in the areas of brand and forgery protection, homeland security, medical diagnostics, and color-based file creation and matching. As of July 12, 2007, this Research and Development Contract under which RATLab LLC had been providing research and development services to the Company was suspended due to lack of funding, and Dr. Thomas Furness, President of RATLab LLC, resigned as Senior Scientific Advisor to the Company on August 8, 2007. As of September 30, 2008, the Company owes RATLab LLC and Dr. Furness approximately $65,000 and $36,000, respectively, for past services. Amounts owed are planned to be paid when funds are available and when additional services, including delivery of additional prototypes and transfer of source documentation regarding intellectual property, are provided.

ITEM 6. MANAGEMENT'S PLAN OF OPERATION - *continued*

Overview - *continued*

In May 2007, the Company entered into a Letter of Intent with RATLab LLC pursuant to which the Company proposed to acquire RATLab LLC as part of a share exchange transaction. The parties, however, had not entered into a Share Exchange Agreement as of June 30, 2007, the date the Letter of Intent expired.

During 2007, the Company filed additional patents covering work that the RatLab performed. The patents focus on using photonics to establish a unique identifier for objects, on communicating that identifier, and on comparing it against a template. During the year, the Company received notification from the U.S. Patent and Trademark Office that the original patent filed was denied. It was determined by the Company that it was not economically feasible to contest the finding. As of the report date, the Company has not received any notification from the U.S. Patent and Trademark Office as to whether any of the other patents applied for will be granted.

RatLab LLC is a research laboratory formed primarily by Dr. Thomas Furness, founder and former director of the Human Interface Technology Lab (HitLab) at the University of Washington, and one of the leading researchers in the world in the area of human interface technology. Dr. Furness also is the founder of the Virtual World Consortium, an organization of more than fifty leading technology companies and enterprises dedicated to sharing and advancing research in many scientific research areas important to the Company. RatLab LLC also employs other leading scientists and research associates in the areas of computer science, imaging technology, and light sensing technology, who have been part of the team conducting research on behalf of the Company.

The Company intends to position its technology as 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.

On April 17, 2008 the Company announced the formation of a majority owned Japanese subsidiary, Visualant Kabushiki Kaisha (“KK”) headquartered in Tokyo, Japan. The Chairman of Visualant KK is Dr. Masahiro Kawahata, who also serves as a member of the Board of Directors for Visualant, Inc. For 100,000 shares of its common stock, Visualant, Inc. plans to purchase 66% of an existing entity of which Dr. Kawahata and Ron Erickson previously owned, and of which they will continue to own, 17% each. As of September 30, 2008, the purchase of the existing entity shares has not closed and the 100,000 Visualant shares have been issued, but still remain in the custody of the Company. The closing is expected to occur within the first half of calendar year 2009. Visualant KK was formed to facilitate the development of business relationships with Japanese license partners and to help build strong relationships between Visualant and the Japanese marketplace. The Company sees the expansion of Visualant into the Japanese market place as a key strategic move which will allow it to closely align with manufacturers and systems suppliers who can integrate the Visualant technology into solutions for their global customer base.

Liquidity and Capital Resources

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 further develop its spectral signature technology and continue its operations. The Company intends to raise further funds through private placements of the Company's common stock and through short term borrowing. The financing activities of the Company are current and ongoing, and it will expand and accelerate its development 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 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 $42,000 per month, and the Company does not have sufficient funds to cover existing operations. The Company needs to raise additional funds in order to continue its existing operations, to resume its research and development activities, and 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 year, operating funds were advanced to the Company by its Chairman, Ronald P. Erickson and salaries were deferred. If the Company is successful in raising additional funds, the Company’s research and development efforts will continue and expand, and overdue accounts payable will be satisfied.

During the first quarter 2009, the Company converted $482,095 of its outstanding indebtedness and accrued interest owed to Coventry Capital into 3,213,967 shares of the Company’s common stock. Also occurring in the first quarter of 2009, in satisfaction of outstanding matters with the RatLab LLC, a total of 1,850,000 shares of the Company’s common stock was issued, subject to certain restrictions, to current and former RatLab LLC employees and consultants, in settlement of outstanding matters with the RatLab LLC.

ITEM 6. MANAGEMENT'S PLAN OF OPERATION - *continued*

Results of Operations

The Company has had no revenues from operations since its inception.

Plan of Operation.

The Company is a development stage company engaged in the business of commercializing products and services based upon our spectral signature technology as reflected in our recently filed patent applications. These patent applications pertain to the use of controlled illumination with specific bands of electromagnetic radiation, detection of returned electromagnetic radiation and data management in an innovative manner enabling our devices to establish a unique spectral signature for both individual and classes of items. The unique spectral signature data can potentially be used in a variety of applications in areas such as brand protection, forgery detection, homeland security, medical diagnostics, quality control, fluids monitoring, metal stress analysis, and many others. As of September 30, 2008, the Company has six utility patent applications with the U.S. Patent Office.

The Company purchases its research and development services from outside third party sources. On March 15, 2006, the Company entered into a research and development contract with RATLab LLC, a privately-owned research laboratory in Seattle, Washington. Under the contract, RATLab performs research and development using the Company's existing intellectual property, as well as newly developed research and technologies in order to assist the Company with the commercialization of its core spectral signature technologies. During the three and twelve-month periods ended September 30, 2008, the Company made no payments for research and development fees to RATLab LLC. RATLab LLC is a research laboratory formed primarily by Dr. Thomas Furness, founder and former director of the Human Interface Technology Lab (HIT Lab) at the University of Washington, and one of the leading researchers in the world in the area of human interface technology. RATLab LLC also employs other leading scientists and research associates in the areas of computer science, imaging technology, and light sensing technology, who are part of the team conducting research on behalf of the Company.

The Company's research and development activities under its Research and Development Contract with RATLab LLC, however, were suspended on July 12, 2007 due to lack of funds. During the three and twelve-month periods ended September 30, 2008, the Company made no payments for research and development fees to RATLab LLC. Developmental activities, however, will resume with the RATLab under the terms of the new licensing agreement with the RatLab, which are set forth below.

On August 20, 2008, the Company entered into a letter of intent with the RatLab LLC. The purpose of the agreement contemplated by the letter of the intent was to achieve resolution of the relationship between the RatLab LLC and the Company and provide a means for a mutually beneficial on-going relationship. On October 23, 2008, the Company and the RatLab LLC entered into definitive agreements which provide for a non-commercial non-exclusive license of the Company's technology to the RatLab LLC for the purpose of continuing research and development with a license back to the Company for enhancements that are developed. Further, an exclusive license was entered into between the Company and the RatLab LLC for four fields of use: medical, agricultural, environmental and jewelry. This exclusive license provides for certain performance milestones, a market-rate royalty to the Company and an equity participation in an entity to be formed by the RatLab LLC to commercialize the Company's technology in the enumerated fields of use.

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 secure customers for its spectral signature technology and to capitalize upon the potential business opportunities in the areas of national security, document forgery/fraud, brand protection, label fraud and product tampering. However, the broad scope of the applications covered by the Company's patent applications may result in new opportunities surfacing from customers desiring prototypes designed to satisfy their specific technology needs. As of September 30, 2008, the Company had no customers.

The Company has developed prototypes which capture the spectral signatures of items and manage the data gathered. These prototypes are being shown to potential customers and funding sources to demonstrate the potential and capabilities of our devices. It is envisioned that once the Company has secured a customer or customers, it will collaborate with the customer to develop devices and specific applications of the Company's technology that are designed to address the customer's unique concerns. The Company will then hire new personnel sufficient to fulfill its development obligations under any contract entered into. In lieu of such hiring, the Company may contract with certain research organizations to perform development activities on behalf of the Company.

Through the formation and development of its Japanese division, the Company plans to facilitate the development of business relationships with Japanese license partners and to help build strong relationships between Visualant and the Japanese marketplace. The Company sees the expansion of Visualant into the Japanese market place as a key strategic move which will allow it to closely align with manufacturers and systems suppliers who can integrate the Visualant technology into their product offerings.

ITEM 6. MANAGEMENT'S PLAN OF OPERATION - *continued*

Plan of Operation - *continued*

This Report on Form 10-KSB contains certain forward-looking statements that are based on current expectations. When used in this discussion, the words "believe", "anticipates", "expects" and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks and uncertainties, which could cause actual results to differ materially from those projected, and should not be regarded as a representation by the Company or any other person that the objectives or plans of the Company will be achieved. The Company may encounter competitive, technological, financial and business challenges making it more difficult than expected to continue to develop and market its products; the market may not accept the Company's future products; the Company may not be able to retain existing key management personnel; and there may be other material adverse changes in the Company's operations or business. Assumptions relating to budgeting, marketing, and other management decisions are subjective in many respects and thus susceptible to interpretations and periodic revisions based on actual experience and business developments, the impact of which may cause the Company to alter its marketing or other budgets, which may in turn affect the Company's financial position and results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to republish revised forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Readers are also urged to carefully review and consider the other risk factors relating to the Company and the various disclosures made by the Company that attempt to advise interested parties of factors which affect the Company's business, in the Company's Annual Report on Form 10-KSB for the year ended September 30, 2007 as well as in the Company's periodic reports on Forms 10-QSB and 8-K filed with the Securities and Exchange Commission (the "SEC"). The Company's financial statements are stated in United States Dollars and are prepared in accordance with United States Generally Accepted Accounting Principles.

ITEM 7. FINANCIAL STATEMENTS

The financial statements of the Company are included following the signature page to this Form 10-KSB.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

The reports of the Company's independent accountants, Madsen & Associates, CPA's Inc., for the financial statements as of September 30, 2007 and 2008 are included herein. To the Company's knowledge, there are no disputes with our auditors.

ITEM 8A. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the Company's controls and procedures (as defined in the Securities Act of 1934 Rule 13a-15(e) or Rule 15d-15(e)) as of the end of the period covered by this report, have concluded that the Company's disclosure controls and procedures are not effective.

(b) Changes in Internal Control Over Financial Reporting

There were no significant changes in the Company's internal control over financial reporting that occurred during the Company's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's disclosure controls and procedures subsequent to the Evaluation Date, nor any significant deficiencies or material weaknesses in such disclosure controls and procedures requiring corrective actions.

(c) Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. The Chief Executive Officer/Chief Financial Officer conducted an evaluation of the effectiveness of our internal control over financial reporting as of September 30, 2008, based on the framework and criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on this evaluation, it was concluded that our internal control over financial reporting was not effective as of September 30, 2008. This conclusion was based on the company's having limited staff and on the failure to file Management's Annual Report on Internal Control Over Financial Reporting, a material weakness, with the Form 10K for the Fiscal Year Ended September 30, 2008 filed January 13, 2009. Improved training for the financial staff should preclude this oversight from occurring in future filings.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

ITEM 8B. OTHER INFORMATION

There is no additional information that was not disclosed by the Company through 8K filings throughout the fiscal year.

PART III

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS, PROMOTERS, AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16 (a) OF THE EXCHANGE ACT

The following table sets forth as of September 30, 2008, the name, age, and position of each executive officer and director and the term of office of each director of the Company.

Name	Age	Position Held	Term as Director Since
Ronald P. Erickson	64	Chairman of the Board and Director	April 24, 2003
Bradley E. Sparks	61	Chief Executive Officer, President and Director	November 10, 2006
Jon Pepper	58	Director	April 19, 2006
Dr. Masahiro Kawahata	70	Director	April 19, 2006
Marco Hegyi	51	Director	February 14, 2008

Each director 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, subject to removal by the Company's shareholders. Each officer serves, at the pleasure of the Board of Directors, for a term of one year and until his successor is elected at the Annual General Meeting of the Board of Directors.

Set forth below is certain biographical information regarding each of the Company's executive officers and directors.

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 a co-founder of Blue Frog Mobile, a Seattle mobile media entertainment company. Mr. Erickson was formerly 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 US $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.

JON PEPPER is the co-founder of Pepcom, an industry leader in producing press-only technology showcase events around the country. Prior to that, Pepper started the DigitalFocus newsletter, a ground-breaking newsletter on digital imaging that was distributed to industry leaders and opinion makers worldwide. Mr. Pepper has been closely involved with the high technology revolution since the beginning of the personal computer era. He was a well-regarded former journalist and columnist, and his work on technology subjects appeared in *The New York Times, Fortune, PC Magazine, Men's Journal, Working Woman, PC Week, Popular Science*, and many other well known publications. Mr. Pepper was educated at Union College in Schenectady, New York and the Royal Academy of Fine Arts in Copenhagen.

DR. MASAHIRO KAWAHATA is the former Director of the Fujitsu Research Institute. Dr. Kawahata has taught at Tokai University, is a Consulting Professor at Stanford University, Provost's Distinguished Professor at the University of Southern California and Visiting Professor at the University of Washington. He is known in Japan as "the father of multimedia" for his work as National Program Director in developing the nationwide fiber optic network. Early in 2005, the U.S. government officially acknowledged him as "Non-U.S. Scientist of Extraordinary Ability." He has served as a Director of numerous technology companies, and has received several prestigious awards in the United States and Japan.

BRADLEY E. SPARKS currently serves as the Chief Executive Officer, President and a Director of Visualant, Inc. Before joining Visualant, he was the Chief Financial Officer of WatchGuard Technologies, Inc. from 2005-2006. Before joining WatchGuard, he was the founder and managing director of Sunburst Growth Ventures, LLC, a private investment firm specializing in emerging-growth companies. Previously, he founded Pointer Communications and served as Chief Financial Officer for several telecommunications companies, including eSpire Communications, Inc., Digex, Inc., Omnipoint Corporation, and WAM!NET. He also served as Vice President and Treasurer of MCI Communications from 1988-1993 and as Vice President and Controller from 1993-1995. Before his tenure at MCI, Mr. Sparks held various financial management positions at Ryder System, Inc. Mr. Sparks currently serves on the Board of Directors of software company iCIMS. Mr. Sparks graduated from the United States Military Academy at West Point and is a former Army Captain in the Signal Corps. He has an MS in Management from the Sloan School of Management at MIT and is a licensed CPA in Florida.

MARCO HEGYI currently provides growth management advisory services to companies of all sizes and works at the board of directors, CEO and senior management levels to form and deploy technology-based growth strategies. Previously, Mr. Hegyi worked at Yahoo, where he served as Senior Director, Global Product Management/Search Marketing. Prior to Yahoo, Mr. Hegyi was at Microsoft, leading program management for Microsoft Windows and Office beta releases aimed at software developers in the Platform, Products and Services Division. While at Microsoft, he formed new service concepts and created operating programs to extend the depth and breadth of the company's unparalleled developer eco-system, including managing offshore, outsource teams in China and India. He was the named inventor of a filed Microsoft patent for a business process in service delivery. Before Microsoft, Mr. Hegyi served in a number of senior management and board positions with technology companies, where he led strategic growth and facilitated company mergers and acquisitions. Mr. Hegyi began his career as a system software engineer developing operating systems and communication protocols.

On October 8, 2008 the Board elected Mr. Yoshitami Arai to its Board of Directors. Mr. Arai is a prominent businessman, having served in many professional and civic capacities in Japan and abroad. He has served as a Director and Senior Executive of companies as diverse as 7-Eleven, Tokyu Hotels, Systems International, Catalina Marketing and Sony.

To the knowledge of management, during the past five years, no present or former director, executive officer or person nominated to become a director or an executive officer of the Company:

(1) filed a petition under the federal bankruptcy laws or any state insolvency law, nor had a receiver, fiscal agent or similar officer appointed by the court for the business or property of such person, or any partnership in which he was a general partner at or within two years before the time of such filings;

(2) was convicted in a criminal proceeding or named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses);

(3) was the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him from or otherwise limiting, the following activities:

(i) acting as a futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker, leverage transaction merchant, associated person of any of the foregoing, or as an investment advisor, underwriter, broker or dealer in securities, or as an affiliate person, director or employee of any investment company, or engaging in or continuing any conduct or practice in connection with such activity;

(ii) engaging in any type of business practice; or

(iii) engaging in any activities in connection with the purchase or sale of any security or commodity or in connection with any violation of federal or state securities laws or federal commodities laws;

(4) was the subject of any order, judgment, or decree, not subsequently reversed, suspended, or vacated, of any federal or state authority barring, suspending or otherwise limiting for more than 60 days the right of such person to engage in any activity described above under this Item, or to be associated with persons engaged in any such activities;

(5) was found by a court of competent jurisdiction in a civil action or by the Securities and Exchange Commission to have violated any federal or state securities law, and the judgment in such civil action or finding by the Securities and Exchange Commission has not been subsequently reversed, suspended, or vacated;

(6) was found by a court of competent jurisdiction in a civil action or by the Commodity Futures Trading Commission to have violated any federal commodities law, and the judgment in such civil action or finding by the Commodity Futures Trading Commission has not been subsequently reversed, suspended or vacated.

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS, PROMOTERS, AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16 (a) OF THE EXCHANGE ACT - *continued*

Audit Committee Financial Expert

Until August 2007 when he resigned from the board, William E. Gordon III served as the Audit Committee chairman. The Company has replaced Mr. Gordon with Marco Hegyi as audit chair.

Compliance with Section 16 (a) of the Exchange Act

The Company knows of no director, officer, beneficial owner of more than ten percent of any class of equity securities of the registrant registered pursuant to Section 12 ("Reporting Person") that failed to file any reports required to be furnished pursuant to Section 16(a). Other than those disclosed below, the registrant knows of no Reporting Person that failed to file the required reports during the most recent fiscal year.

The following table sets forth as at September 30, 2008, the name and position of each Reporting Person that failed to file on a timely basis any reports required pursuant to Section 16 (a) during the most recent fiscal year.

Name	Position	Report to be Filed
Ron Erickson	Chairman	Form 4
Marco Hegyi	Director	Form 3
Dr. Masahiro Kawahata	Director	Form 3
Jon Pepper	Director	Form 3

Code of Ethics

The Company's Code of Ethics is attached as Exhibit 14.1 to this Form 10-KSB.

ITEM 10. EXECUTIVE COMPENSATION

Compensation Summary for Executive Officers

The following table sets forth compensation paid or accrued by the Company for the last two years ended September 30, 2007 and 2008 with regard to individuals who served as the Principal Executive Officer and for executive officers receiving compensation in excess of $100,000 during these fiscal periods.

Summary Compensation Table

(a) Name and Principal Position	(b) Year	(c) Salary (3) ($)	(f) Option Awards(2) ($)	(i) All other compensation ($)	(j) Total ($)
Ralph Brier Former CEO, President and Director	2007	20,486	36,619	46,251(1)	103,356
Bradley E. Sparks	2007	213,333	194,106	-0-	407,439
CEO, President and Director	2008	240,000	139,786	-0-	379,786

ITEM 10. EXECUTIVE COMPENSATION - *continued*

Compensation Summary for Executive Officers - *continued*

(1) Mr. Brier resigned as Chief Executive Officer, President and Director on November 10, 2006 and entered into a Severance and Settlement Agreement and Release. Salary and amounts owed under the agreement have been accrued and were converted to common stock as of the date of this filing.

(2) Presentation includes amounts accrued for financial statement purposes under FAS 123R.

(3) The salary amounts summarized for Bradley E. Sparks are all accrued, but unpaid.

CEO Compensation and Termination of Employment Provision

Pursuant to a letter agreement between us and Mr. Sparks, we agreed to pay Mr. Sparks an annual base salary of $240,000. We also granted to Mr. Sparks an option to purchase 1,000,000 shares of our common stock, which option vests and becomes exercisable during the term of employment in four equal annual installments of twenty-five percent of the total number of shares subject to such option, the first installment exercisable on the six month anniversary (May 10, 2007), with a an additional twenty-five percent of such Shares becoming exercisable on each of the three successive twelve month periods following May 10, 2007 If Mr. Sparks is terminated by us without "Cause" (as such term is defined in the letter agreement) or if Mr. Sparks terminates his employment with us for "Good Reason" (as such term is defined in the letter agreement), we will pay severance to Mr. Sparks equal to 100% of his then-current annualized base salary, paid out on a pro rata basis over our regular payroll schedule over the year following the effective date of such termination, and receipt from Mr. Sparks of an executed copy of our standard form of release. In addition, pursuant to a change in control severance agreement between us and Mr. Sparks, if Mr. Sparks is terminated by us within 18 months following a change in control of Visualant without Cause (as such term is defined in the change in control agreement) or if Mr. Sparks terminates his employment with us for "Good Reason" (as such term is defined in the change in control agreement), he will be entitled to receipt of 100% of his annual base salary and all of his unvested options will become fully vested and exercisable. Such amount will be paid in one lump sum not later than seven business days after our receipt of an executed copy of a severance agreement that includes a release of claims and a covenant not to sue. In addition, Mr. Sparks will continue to receive all applicable benefits under our standard benefits plans currently available to other senior executives, for a period not to exceed 12 months following the effective date of our receipt of his release and, if Mr. Sparks elects continued group medical insurance coverage pursuant to COBRA, we will reimburse him for the applicable premiums for himself and his eligible dependents for the first 12 months of such coverage, up to a maximum of $10,000.

Outstanding equity awards

Outstanding Equity Option awards as of September 30, 2008

(a) Name and Principle Position	(b) Number of Securities Underlying Unexercised Options Exercisable	(c) Number of Securities Underlying Unexercised Options Unexercisable	(e) Option Exercise Price ($)	(f) Option Expiration Date
Bradley E. Sparks CEO, President and Director	500,000	500,000(1)	0.75	Nov. 9, 2011
Ralph Brier Former CEO, President and Director	250,000(2)	0	0.10	Aug. 15, 2009

(1) The remaining unvested options held by Mr. Sparks become exercisable in two equal installments of 250,000 shares each effective on the two successive twelve month periods following May 10, 2008

(2) On August 15, 2004 the Company granted stock options to Ralph Brier, its then President and a Director, of 300,000 common shares at $.10 per share, which will expire August 15, 2009. On the date of the grant, the fair market value of the shares was $0.50 per share. Mr. Brier resigned as an officer and director effective November 10, 2006. As of the date of his resignation, options for 250,000 shares had vested and were not subject to forfeiture.

ITEM 10. EXECUTIVE COMPENSATION - *continued*

Compensation Pursuant to Plans

None

Pension Table

None

Director Compensation

Director Compensation Table

(a) Name	(c) Stock Awards (1) ($)	(d) Option Awards ($)	(g) All other compensation ($)	(j) Total (6) ($)
Ronald P. Erickson, Chairman	45,000	-0-	-0-	45,000
Marco Hegyi	22,500	-0-	-0-	22,500
Dr. Masahiro Kawahata	18,000	7,051(2)	22,500(3)	47,551
Jon Pepper (5)	18,000	-0-	-0-	18,000

(1) Directors other than Bradley E. Sparks, Chief Executive Officer and President, receive annual common stock grants for their participation on the Board of Directors; no directors receive fees for board participation. On December 14, 2007, the board granted Ron Erickson 500,000 shares of common stock, Dr. Masahiro Kawahata 200,000 shares of common stock, and Jon Pepper 200,000 shares of common stock. On February 14, 2008, when Marco Hegyi joined the board, he was granted 200,000 shares of common stock. Amounts shown reflect the closing stock price on the date the grant became effective.

(2) In June 2005, the Company granted to Dr. Kawahata options for 100,000 shares of common stock at $0.75 per share; 25,000 of the options vested immediately with the remainder vesting at the rate of 25,000 each year thereafter. The final 25,000 unvested options vested on June 1, 2008. In September 2006, the Company granted Dr. Kawahata an additional 100,000 shares of common stock at $0.75 per share. These options are fully vested.

(3) Dr. Kawahata serves as Senior Scientific Advisor to the Company and received $2,500 per month in consulting fees for his services through June 30, 2008.

(5) In June 2006, the Company granted to Jon Pepper options for 35,000 shares of common stock at $0.75 per share, which options are fully vested and expire June 15, 2011

(6) Amounts due have been accrued but not paid as of the date of this filing.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth as of the date of the filing of this Form 10K-SB, the name and address and the number of shares of the Company's common stock, with a par value of $0.001 per share, held of record or beneficially by each person who held of record, or was known by the Company to own beneficially, more than 5% of the issued and outstanding shares of the Company's common stock, and the name and shareholdings of each director and of all officers and directors as a group.

Name and Address of Beneficial Owner	Nature of Ownership(1)	Amount of Beneficial Ownership	Percent of Class
Coventry Capital, LLC 320-1100 Melville Street Vancouver, British Columbia Canada	Direct	3,413,967	12.3%
DIRECTORS and OFFICERS:			
Ronald P. Erickson c/o 500 Union Street, Suite 406 Seattle, WA 98101	Direct	1,620,000(2)(6)(7)	5.8%
Bradley E. Sparks c/o 500 Union Street, Suite 406 Seattle, WA 98101	Direct	500,000(3)	1.8%
Dr. Masahiro Kawahata Tokyo, Japan	Direct	651,875(4)(6)(7)	2.3%
Jon Pepper c/o 500 Union Street, Suite 406 Seattle, WA 98101	Direct	285,000(5)(6)(7)	1.0%
Marco Hegyi c/o 500 union Street; Suite 406 Seattle, WA 98101	Direct	250,000(6)(7)	0.9%
Yoshitami Arai Tokyo, Japan	Direct	100,000(7)	0.4%
All Directors and Officers as a Group (6 persons)		3,406,875	12.3%

(1) All shares owned directly are owned beneficially and of record, and such shareholder has sole voting, investment and dispositive power, unless otherwise noted.

(2) In addition to these shares, Mr. Erickson's adult children own 1,300,000 shares. Mr. Erickson disclaims any beneficial ownership or control of such shares. One million common shares are held by Juliz I Limited Partnership, a family limited partnership.

(3) Stock options for 1,000,000 shares of common stock at $0.75 per share of which 500,000 shares are available for exercise within 60 days. The options expire on November 10, 2011.

(4) This figure includes stock options for vested stock options for 100,000 shares of common stock exercisable at $0.75 per share on or before June 15, 2011. In addition to these shares, Dr. Kawahata's adult child owns 10,000 shares. Dr. Kawahata disclaims any beneficial ownership or control of such shares.

(5) Vested stock options for 35,000 shares of common stock exercisable at $0.75 per share expiring on June 15, 2011.

(6) On December 14, 2007, the board granted Ron Erickson 500,000 shares of common stock, Dr. Masahiro Kawahata 200,000 shares of common stock, and Jon Pepper 200,000 shares of common stock. On February 14, 2008, Marco Hegyi was granted 200,000 shares of common stock upon joining the board.

(7) On October 8, 2008, the board granted to Ron Erickson 500,000 shares of common stock, Dr. Masahiro Kawahata 300,000 shares of common stock, and John Pepper, Marco Hegyi and Yoshitami Arai 50,000 shares of common stock. The shares of common stock were issued for past services performed and board participation.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions with Management and Others

Except as indicated below, there were no material transactions, or series of similar transactions, during the Company's last two fiscal years ended September 30, 2008, or any currently proposed transactions, or series of similar transactions, to which the Company was or is to be a party, in which the amount involved exceeds $30,000,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 any class of the Company's common stock, or any member of the immediate family of any of the foregoing persons, has an interest.

On August 20, 2008, the Company entered into a letter of intent with the RatLab LLC. The purpose of the agreement contemplated by the letter of the intent was to achieve resolution of the relationship between the RatLab LLC and the Company and provide a means for a mutually beneficial on-going relationship. On October 23, 2008, the Company and the RatLab LLC entered into definitive agreements which provide for a non-commercial non-exclusive license of the Company's technology to the RatLab LLC for the purpose of continuing research and development with a license back to the Company for enhancements that are developed. Further, an exclusive license was entered into between the Company and the RatLab LLC for four fields of use: medical, agricultural, environmental and jewelry. This exclusive license provides for certain performance milestones, a market-rate royalty to the Company and an equity participation in an entity to be formed by the RatLab LLC to commercialize the Company's technology in the enumerated fields of use. Officers and employees of RATLab LLC own collectively 6.7% of the outstanding common stock of Visualant, Inc. as of the date of this filing.

In February 2007, the Company entered into a demand note with CEO and President, Bradley E. Sparks totaling $50,000 plus loan fees of $750. As of September 30, 2008, the outstanding notes payable totaled $50,750 consisting of the note payable to Sparks. Interest expense accrues on the notes at a rate of 18% per annum and interest on late interest payments accrues at a rate of 30% per year. Accrued interest on the notes payable is recorded in the balance sheet in accrued expenses and other liabilities.

During the 2007 fiscal year, Mr. Erickson advanced $49,256 of cash and incurred $549 of expense in behalf of Visualant. During the 2008 fiscal year, Mr. Erickson advanced $44,900.00 of cash and incurred **$**107.46 of expense in behalf of Visualant. .In addition, an affiliate of Mr. Erickson's Juliz I Limited Partnership, loaned the Company $12,000 on December 10, 2008.

PART IV

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

(a) (1) **Financial Statements.**

The following financial statements are included in this report:

(a) (2) **Financial Statement Schedules**

The following financial statement schedules are included as part of this report:

None.

(a) (3) **Exhibits**

The exhibits required to be filed herewith by Item 601 of Regulation S-B, as described in the following index of exhibits, are attached hereto unless otherwise indicated as being incorporated herein by reference, as follows:

3.1 Amended and Restated Articles of Incorporation, filed as an exhibit to the Company’s annual report on Form 10-KSB filed on February 9, 2006, and incorporated herein by reference.

3.2 Bylaws incorporated herein by reference to the Company's Registration Statement on Form 10-SB filed on March 11, 1999.

4.1 2005 Combined Incentive and Non-Qualified Stock Option Plan of the Company, filed as an exhibit to the Company’s Registration Statement on Form SB-2 filed on August 1, 2005, File No. 333-127100, and incorporated herein by reference.

10.1 Intellectual Property Agreement dated June 16, 2004 between the Company and Kenneth Turpin, filed as an exhibit to the Company’s Registration Statement on Form SB-2 filed on August 1, 2005, File No. 333-127100, and incorporated herein by reference.

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K - *continued*

(a) (3) **Exhibits** - *continued*

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, filed as an exhibit to the Company's Registration Statement on Form SB-2 filed on August 1, 2005, File No. 333-127100, and incorporated herein by reference.

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, filed as an exhibit to the Company's Registration Statement on Form SB-2 filed on August 1, 2005, File No. 333-127100, and incorporated herein by reference.

10.4 Letter Agreement dated August 26, 2004 between the Company and Ralph Brier, CEO, regarding CEO compensation package, filed as an exhibit to the Company's Registration Statement on Form SB-2 filed on August 1, 2005, File No. 333-127100, and incorporated herein by reference.

10.5 Letter Agreement dated August 28, 2005 between the Company and Jerry Goldberg regarding CFO compensation package, filed as an exhibit to Post-Effective Amendment No. 1 to the Company's Registration Statement on Form SB-2 filed on December 12, 2005, File No. 333-127100, and incorporated herein by reference.

14.1 Code of Ethics for Employees and Directors, filed as an exhibit to Form 10-KSB filed on January 16, 2007, and incorporated herein by reference.

31.1 Certification by Chief Executive Officer pursuant to Rule 13a-14(a).

31.2 Certification by Chief Financial Officer pursuant to Rule 13a-14(a).

32.1 Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification by Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K

(i) Form 8-K filed on September 21, 2006 and incorporated herein by reference, announcing the resignation of Robert Dougherty as a director of the Company.

(ii) Form 8-K filed on October 10, 2006 and incorporated herein by reference, announcing the Company's signing of a Memorandum of Understanding with Branded Asset Management Group LLC to form a joint venture.

(iii) Form 8-K filed on November 15, 2006 and incorporated herein by reference, announcing the resignation of Ralph Brier as Chief Executive Officer, President, and a director of the Company, and announcing the appointment of Bradley Sparks as the new Chief Executive Officer and President as well as a director of the Company.

(iv) Form 8-K filed on January 3, 2007 and incorporated herein by reference, announcing the resignation of Jerry Goldberg as Chief Financial Officer, Secretary and Treasurer of the Company, and announcing the appointment of Bradley Sparks as the Chief Financial Officer, Secretary and Treasurer of the Company.

(v) Form 8-K filed April 16, 2007 and incorporated herein by reference, announcing the selection of Kaufman Bros., L.P. (KBRO) to act as Visualant's exclusive financial advisor and placement agent to assist the Company with execution of strategic business and corporate development strategies.

(vi) Form 8-K filed May 9, 2007 and incorporated herein by reference announcing securing a $3 million convertible line of credit with Coventry Capital LLC., a Delaware investment banking firm.

(vii) Form 8-K filed May 15, 2007 and incorporated herein by reference announcing the completion by the product team has of an enhanced prototype utilizing the core Visualant patent-pending technology. The enhanced prototype, named Cyclops™, applies the Company's spectral data-based security and quality control solution. A number of potential marketplace applications are now being tested in the Company's laboratory.

(viii) Form 8-K filed May 23, 2007 and incorporated herein by reference announcing letter of intent between Visualant and The RATLab pursuant to which the Company intends to acquire all of the outstanding stock of The RATLab in exchange for four million shares of common stock of the Company. Upon closing of the acquisition, Dr. Furness will become a member of the Company's Board of Directors, and Dr. Schowengerdt will become the Company's Chief Technology Officer.

(ix) Form 8-K filed August 10, 2007 and incorporated herein by reference announces that Effective August 8, 2007 William E. Gordon, III resigned from the Board of Directors. Mr. Gordon's resignation is not related to any disagreement with the Company or with the Company's operations, policies or practices.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

(1) Audit Fees

The aggregate fees billed by the independent accountants for the last two fiscal years for professional services for the audit of the Company's annual financial statements and the review included in the Company's Form 10-QSB and services that are normally provided by the accountants in connection with statutory and regulatory filings or engagements for those fiscal years were $7,400.

(2) Audit-Related Fees

The aggregate fees billed in each of the last two fiscal years for assurance and related services by the principal accountants that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported under Item 9 (e)(1) of Schedule 14A was NIL.

(3) Tax Fees

The aggregate fees billed in each of the last two fiscal years for professional services rendered by the principal accountants for tax compliance, tax advice, and tax planning was NIL.

(4) All Other Fees

During the last two fiscal years there were no other fees charged by the principal accountants other than those disclosed in (1) and (2) above.

(5) Audit Committee's Pre-approval Policies and Procedures

At the present time, there are not sufficient directors, officers and employees involved with the Company to make any pre-approval policies meaningful. Once the Company has elected more directors and appointed directors and non-directors to the Audit Committee it will have meetings and function in a meaningful manner.

(6) Audit hours incurred

The principal accountants spent approximately 50 percent of the total hours expended on auditing the Company's financial statements for the most recent fiscal year. The hours were about equal to the hours spent by the Company's internal accountant.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

VISUALANT, INCORPORATED
(the "Registrant")

Date: May 26, 2009

By: /s/ Bradley E. Sparks
Bradley E. Sparks
Chief Executive Officer and President

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: May 26, 2009

By: /s/ Ronald P. Erickson
Ronald P. Erickson
Chairman of the Board and Director

Date: May 26, 2009

By: /s/ Bradley E. Sparks
Bradley E. Sparks
Chief Financial Officer and Secretary-Treasurer

MADSEN & ASSOCIATES, CPA's INC.
Certified Public Accountants and Business Consultants

684 East Vine St. #3
Murray, Utah 84107
Telephone 801-268-2632

Board of Directors
Visualant Incorporated
Seattle, Washington

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have audited the accompanying balance sheet of Visualant Incorporated (development stage company) at September 30, 2008 and the related statements of operations, stockholders' equity, and cash flows for the years ended September 30, 2008 and 2007 and the period October 8, 1998 (date of inception) to September 30, 2008. 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 audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiven ess for the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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, 2008 and the results of operations, and cash flows for the years ended September 30, 2008 and 2007 and the period October 8, 1998 (date of inception) to September 30, 2008 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 will need additional working capital for its planned activity and to service its debt, which raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are described in the notes to the financial statements. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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

Salt Lake City, Utah,
January 13, 2009

VISUALANT, INCORPORATED
(Development Stage Company)
BALANCE SHEET
September 30, 2008

	September 30, 2008	September 30, 2007
ASSETS		
CURRENT ASSETS		
Cash	$ 255	$ 91
Prepaid Expenses	1,766	5,537
Deferred Financing Costs, net	-	83,156
TOTAL ASSETS	$ 2,021	$ 88,784
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Notes payable	$ 50,750	$ 50,750
Accrued expenses and other liabilities	615,224	297,842
Accounts payable	1,045,341	793,185
Total Current Liabilities	1,711,315	1,141,777
Long Term Notes Payable	425,340	425,340
Total Liabilities	2,136,655	1,567,117
Commitments and Contingencies	-	-
STOCKHOLDERS' DEFICIT		
Preferred stock - $0.001 par value, 50,000,000 shares authorized, no shares issued and outstanding		
Common stock - $0.001 par value, 200,000,000 shares authorized, 18,353,891 and 16,853,891 shares issued and outstanding	18,354	16,854
Additional paid in capital	4,521,760	4,234,495
Deficit accumulated during the development stage	(6,674,748)	(5,729,682)
Total Stockholders' Equity (Deficiency)	(2,134,634)	(1,478,333)
TOTAL LIABILITIES & EQUITY	$ 2,021	$ 88,784

The accompanying notes are an integral part of these financial statements

VISUALANT, INCORPORATED
(Development Stage Company)

STATEMENTS OF OPERATIONS

Periods Ended September 30, 2008 and 2007 and the Period October 8,1998 (Date of Inception) to September 30, 2008

	Year Ended September 30, 2007	Year Ended September 30, 2008	Period from Inception from October 8, 1998 to September 30, 2008
Revenues	$ -	$ -	$ -
Expenses			
Research and development	550,008	-	1,237,417
Administrative	1,015,513	791,962	3,989,289
Total Operating Expense	1,565,521	791,962	5,226,706
Loss from Operations	(1,565,521)	(791,962)	(5,226,706)
Other Income (Expense)			
Settlement of debt	-	-	43,400
Interest expense	(69,472)	(153,104)	(337,115)
Loss of deposit	-	-	(1,154,327)
Net Loss	$ (1,634,993)	$ (945,066)	$ (6,674,748)
Net Loss Applicable to Common Stockholders			
Basic and diluted	$ (0.10)	$ (0.05)	
Weighted Average Shares used in computing basic and diluted net loss per share	16,667,453	18,029,095	

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 September 30, 2008

	Common Stock		Capital in Excess of	Accumulated
	Shares	Amount	Par Value	Deficit
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 for cash at $.50 - July 2003	100,000	100	49,900	-
Issuance of common stock for services at $.001- June 2003	150,000	150	-	-
Issuance of common stock as payment of debt at $.50 - July 2003	184,848	185	92,239	-
Refund and return of common shares at $.50 - August 2003	(26,200)	(26	(13,074)	-
Issuance of common stock for cash at $.75 - September 2003	520,000	520	389,480	-
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 - net of issuance costs - Aug 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 - October to December 2004	424,000	424	211,576	-
Issuance of common stock for debt at $.50 -	2,665,502	2,665	1,330,086	-
Issuance of common stock for license at $.75 - April 2005	10,000	10	7,490	
Issuance of common stock for cash at $.75 - May and June 2005	1,269,999	1,270	951,230	-
Issuance of common stock for services at $.75 - August 2005	77,875	78	58,328	-
Issuance of common stock for cash at $.75 - August 2005	170,000	170	127,330	-
Compensation - incentive stock options	-	-	24,000	-
Net operating loss for the year ended September 30, 2005	-	-	-	(868,643)
Balance September 30, 2005	16,307,224	$ 16,307	$ 3,433,666	$ (3,062,653)
Issuance of common stock for cash at $0.75 - October 2005 to Sep-06	146,667	147	109,853	-
Issuance of common stock for services at $.75 - May 2006	50,000	50	37,450	-
Compensation - incentive stock options	-	-	24,000	-
Net operating loss for the year ended September 30, 2006	-	-	-	(1,032,036)
Balance September 30, 2006	16,503,891	$ 16,504	$ 3,604,969	$ (4,094,689)

Issuance of common stock for services	150,000	150	74,850	-
Issuance of common stock for deferred financing total	200,000	200	95,800	-
Issuance of options for services			228,152	
Stock compensation expense	-	-	230,724	-
Net operating loss for the year ended September 30, 2007	-	-	-	(1,634,993)
Balance September 30, 2007	16,853,891	$ 16,854	$ 4,234,495	$ (5,729,682)
Issuance of stock for services	1,500,000	1,500	$ 139,000	
Stock compensation expense			148,265	
Net operating loss for the year ended September 30, 2008				(945,066)
Balance at September 30, 2008	18,353,891	18,354	4,521,760	(6,674,748)

The accompanying notes are an integral part of these financial statements

VISUALANT, INCORPORATED
(Development Stage Company)
STATEMENT OF CASH FLOWS
For the periods ended September 30, 2008 and 2007 and the Period
October 8, 1998 (Date of Inception) to September 30, 2008

	September 30, 2008	September 30, 2007	October 8, 1998 to September 30, 2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	$ (945,066)	$ (1,634,993)	$ (6,674,748)
Reconciliation of net loss to net cash used in operating activities:			
Depreciation, amortization and tangible and intangible asset impairments	-		19,808
Issuance of capital stock for services	140,500	75,000	298,456
Stock based compensation	139,786	230,724	442,510
Stock options issued for services	8,479	228,152	236,631
Amortization of deferred financing costs	83,156	12,844	96,000
Loss of deposit	-		1,154,327
Capital contributions - expenses	-	-	10,950
Increase (decrease) in cash resulting from changes in assets and liabilities:			
Prepaid expenses	3,771	(5,537)	(1,766)
Accounts payable and accrued expenses	569,538	776,356	3,085,740
Net Cash Provided By (Used in) Operating Activities	164	(317,454)	(1,332,092)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	-	-	(12,308)
Purchase of investment - deposit	-	-	(1,154,327)
Net Cash Used in Investing Activities	-	-	(1,166,635)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of common stock	-	-	2,022,892
Proceeds from issuance of convertible debt	-	425,340	425,340
Repayment of notes payable	-	(250,201)	(250,201)
Proceeds from issuance of notes payable -related party	-	-	-
Proceeds from issuance of notes payable	-	135,246	300,951
Net Cash Provided by Financing Activities	-	310,385	2,498,982
Net Changes in Cash	164	(7,069)	255
Cash at Beginning of Period	91	7,160	-
Cash at End of Period	$ 255	$ 91	$ 255
Supplemental disclosure of cash flow information			
Cash paid during the period for interest	-	35,139	141,413

The accompanying notes are an integral part of these financial statements

1. ORGANIZATION

The Company was incorporated under the laws of the State of Nevada on October 8, 1998 with the name of "Cigar King Corporation" with authorized common stock of 200,000,000 shares at $.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 $.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 has not started any operations and is in the development stage.

2. GOING CONCERN

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. We have incurred net losses of approximately $950,000 and $1.6 million for the years ended September 30, 2008 and 2007, respectively. Our current liabilities exceeded our current assets by approximately $1.7 million as of September 30, 2008. Our net cash provided by operating activities approximated $164 for the year ended September 30, 2008.

As of September 30, 2008, the Company had minimal cash. The Company is considered illiquid as this cash is not considered sufficient to fund the recurring operating and associated financing costs. The Company needs to raise additional funding to continue its operations. However, there can be no assurance that financing or additional funding will be available to the Company on favorable terms or at all. If the Company raises additional capital through the sale of equity or convertible debt securities, the issuance of such securities may result in dilution to existing stockholders.

We anticipate that we will generate significant losses from operations for the foreseeable future. As of September 30, 2008, our accumulated deficit was $6,674,748. We have limited capital resources, and operations to date have been funded with the proceeds from private equity and debt financings. These conditions raise substantial doubt about our ability to continue as a going concern. The audit report prepared by our independent registered public accounting firm relating to our financial statements for the year ended September 30, 2008 includes an explanatory paragraph expressing the substantial doubt about our 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 equity funding, payment of debt by the issuance of common stock, and advances of short term debt by officers and directors, which will enable the Company to continue to conduct operations. The financial statements do not include any adjustments that might be necessary if we are unable to continue as a going concern.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Principles

The Company's financial statements and accompanying notes are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates are used in accounting for revenue recognition, reserves for doubtful accounts, product returns, obsolete and excess inventory, warranties, valuation allowances on deferred tax assets and purchase price allocations. Actual results could differ from those estimates.

Foreign Currency Translation

Parts of the transactions of the Company were completed in Canadian dollars. Foreign currency transaction gains and losses are a result of the effect of exchange rate changes on transactions denominated in currencies other than the functional currency. Gains and losses on those foreign currency transactions are included in determining net income or loss for the period in which exchange rates change. US dollars are considered to be the functional currency.

Financial Instruments

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

Financial and Concentration 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 expense, 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Cash and Cash Equivalents

The Company considers all highly liquid investments with purchased maturities of three months or less to be cash equivalents.

Dividend Policy

The Company has not adopted a policy regarding payment of dividends

Accounting for Income Taxes

In June 2006, the FASB issued FASB Interpretation No. 48 (FIN 48), "Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109, Accounting for Income Taxes," which clarifies the accounting for uncertainty in income taxes. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The interpretation requires that we recognize in the financial statements, the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods and disclosure. The provisions of FIN 48 are effective beginning January 1, 2007 with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. The Company adopted FIN 48 effective January 1, 2007 and there was no impact on the Company's financial statements.

Stock-based Compensation

For fiscal year 2007, we adopted SFAS No. 123R, "Accounting for Stock-Based Compensation," which establishes accounting and reporting standards for stock-based employee and director compensation plans. SFAS No 123R requires the recognition of compensation cost using a fair value based method whereby compensation cost is measured at the grant date based on the value of the award and is recognized over the service period, which is usually the vesting period

Basic and Diluted Net Income (Loss) Per Share

Net loss per common share excludes any dilutive effects of options, warrants and convertible securities. Net earnings (loss) per share is computed using the weighted-average number of outstanding common shares and common stock equivalent shares during the applicable period. Common stock equivalent shares, which include options warrants and convertible securities, are excluded from the computation if their effect is anti-dilutive. There were no dilutive instruments for the year ended September 30, 2008.

Recent Accounting Pronouncements

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements but does not require any new fair value measurements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We see no impact of SFAS 157 on the financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, The Fair Value Option for Financial Assets and Financial Liabilities, ("SFAS 159"). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. We have not yet determined the impact of adopting SFAS 159 on our financial position.

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 illumination and detection of electromagnetic energy, typically in the visible and near-visible portions of the electromagnetic spectrum, using specialized illumination and sensing systems and spatial analysis software modeling which allow for pattern recognition. This technology involves specialized and proprietary information and trade secrets, which the Company considers to be among its most sensitive, confidential, and proprietary information.

5. NOTES PAYABLE

During the year ended September 30, 2006, the Company entered into agreements with Coach Capital, LLC for three demand notes payable to Coach Capital, LLC totaling $165,705 including related loan fees for purposes of financing ongoing operations.

During the first quarter of 2007, the Company entered into an additional demand note with Coach Capital, LLC totaling $56,016 including loan fees. In February 2007, the Company entered into a demand note with CEO and President, Bradley E. Sparks totaling $50,000 plus loan fees of $750. In addition, the Company entered into another demand note with Coach Capital, LLC during the quarter totaling $28,480 including loan fees. During the third quarter, all of the notes and interest payable to Coach Capital, LLC were paid in full with funds borrowed under the Company's new convertible line of credit (see Note 6). As of September 30, 2007, the outstanding notes payable totaled $50,750 consisting of the note payable to Sparks. Interest expense accrues on all of the notes at a rate of 18% per annum. Accrued interest on the notes payable is recorded in the balance sheet in accrued expenses and other liabilities.

Any delays in repayment of the principal and accrued interest on the notes payable upon demand will result in a penalty interest rate of 30% per annum.

6. LINE OF CREDIT

On May 7, 2007, the Company entered into a Convertible Line of Credit Agreement with Coventry Capital LLC., a Delaware company, pursuant to which Coventry Capital will provide the Company with a convertible line of credit of up to $1 million. The line of credit may be increased up to $3 million in the event the Company achieves certain performance criteria. The borrowed funds will bear interest at the rate of 10% per annum, and are due in full on May 7, 2010. Coventry Capital, however, has the right to convert all or part of the indebtedness into common stock of the Company at a fixed conversion rate of $0.50 per share. As of September 30, 2008 the principal balance outstanding on this convertible line of credit was $425,340. The Company currently is unable to borrow any additional funds under this line of credit due to its failure to meet certain financial covenants or conditions required by Coventry Capital. The Company has attributed no value to the conversion rights. The total outstanding with Coventry $482,095, was converted into 3,213,967 shares of common stock at $0.15 per share during first quarter 2009.

In connection with the Coventry Capital convertible line of credit, the Company issued 200,000 shares of common stock to the placement agent for arranging the financing in 2007. The $96,000 value of the common stock upon issuance was recorded as deferred financing costs and has been fully amortized as of September 30, 2008.

7. COMMON CAPITAL STOCK

During the second quarter of fiscal year 2007, the Company issued 150,000 common shares in satisfaction of $75,000 owed for legal services. During the third quarter of fiscal year 2007, the Company issued 200,000 common shares as a fee to the placement agent for the Coventry Capital Convertible Line of Credit Agreement described in Note 6. No stock was issued in the fourth quarter of fiscal year 2007.

During fiscal year 2008, the Company issued 1,500,000 common shares to its board of directors and to consultants in recognition of past services.

During the first quarter of fiscal year 2009, the company issued 6,039,010 shares of common stock in satisfaction of $906,823 of outstanding indebtedness, including the debt due to Coventry Capital, 950,000 shares of common stock as grants to directors, 550,000 shares of common stock as grants to consultants, and 1,850,000 shares in resolution of certain outstanding matters with the RatLab LLC.

8. STOCK OPTIONS

Description of Stock Option Plan

In 2005, our Board of Directors adopted a combined incentive and nonqualified stock option plan for our employees and consultants ("2005 Stock Option Plan"). On October 9, 2006 the Board of Directors authorized an increase in shares available for grant from 2 million to 4 million, subject to stockholder approval.

Determining Fair Value Under SFAS No. 123R

Effective October 1, 2006, we began recording compensation expense associated with stock options and other equity-based compensation in accordance with SFAS No. 123 (revised 2004), "Share-Based Payment". We adopted FAS 123(R) using the modified prospective method. Share-based compensation recognized in fiscal 2007 as a result of the adoption of SFAS No. 123R use the Black-Scholes-Merton option valuation model for estimating fair value of stock options granted under our plan. We amortize the fair value of stock options on a ratable basis over the requisite service periods, which are generally the vesting periods. The expected life of awards granted represents the period of time that they are expected to be outstanding. We estimate the volatility of our common stock based on the historical volatility of our own common stock over the most recent period corresponding with the estimated expected life of the award. We base the risk-free interest rate used in the Black-Scholes-Merton option valuation model on the implied yield currently available on U.S. Treasury zero-coupon issues with an equivalent remaining term equal to the expected life of the award. We have not paid any cash dividends on our common stock and do not anticipate paying any cash dividends in the foreseeable future. Consequently, we use an expected dividend yield of zero in the Black-Scholes-Merton option valuation model. In accordance with SFAS No. 123R, we adjust share-based compensation for changes to the estimate of expected equity award forfeitures based on actual forfeiture experience. The effect of adjusting the forfeiture rate for all expense amortization after October 1, 2006 is recognized in the period the forfeiture estimate is changed.

There were no options issued during fiscal year 2008.

Stock Option Activity

A summary of activity relating to our stock option plan is as follows:

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term
Outstanding as of September 30, 2007	1,897,500		
Granted	-		
Exercised	-		
Expired	(412,500)		
Forfeited	-		
Outstanding as of September 30, 2008	1,485,000	$ 0.60	2.91

Total compensation cost recognized for fair value options issued to employees and directors was approximately $231,000 and $147,000 for the years ended September 30, 2007 and 2008, respectively.

Options have also been granted to consultants for services. Total cost recognized for the fair value of options issued for services was approximately $228,000 and $1,500 for the years ended September 30, 2007 and 2008, respectively.

9. SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

See Note 5 for discussion of notes payable issued to the Company's CEO and President during the quarter ended March 31, 2007. During the 2007 fiscal year, Mr. Erickson advanced $49,256 of cash and incurred $549 of expense in behalf of Visualant. During the 2008 fiscal year, Mr. Erickson advanced $44,900 of cash and incurred $107 of expense in behalf of Visualant. In addition, an affiliate of Mr. Erickson's Juliz 1 Limited Partnership, loaned the Company $12,000 on December 10, 2008. In addition to the note payable transaction, Mr. Sparks has advanced $15,000 of cash and incurred $10,800 of expense in behalf of the Company. Other than the note payable, all amounts are recorded in the accounts payable balance. See Item 11 for stock and vested option ownership detail for Mr Erickson, Mr. Sparks and the three other members of the Board of Directors for the Company. As of the filing date for this report, the directors and officers of the Company and their immediate families beneficially own an aggregate 4,581,875 shares of common stock or 16.5% of the Company.

10. 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 Farginstituter 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.

11. SUBSEQUENT EVENTS

On August 20, 2008, the Company entered into a letter of intent with the RatLab LLC. The purpose of the agreement contemplated by the letter of the intent was to achieve resolution of the relationship between the RatLab LLC and the Company and provide a means for a mutually beneficial on-going relationship. On October 23, 2008, the Company and the RatLab LLC entered into definitive agreements which provide for a non-commercial non-exclusive license of the Company's technology to the RatLab LLC for the purpose of continuing research and development with a license back to the Company for enhancements that are developed. Further, an exclusive license was entered into between the Company and the RatLab LLC for four fields of use: medical, agricultural, environmental and jewelry. This exclusive license provides for certain performance milestones, a market-rate royalty to the Company and an equity participation in an entity to be formed by the RatLab LLC to commercialize the Company's technology in the enumerated fields of use. Finally, in satisfaction of outstanding matters, a total of 1,850,000 shares of the Company's common stock was issued, subject to certain restrictions, to current and former RatLab LLC employees and consultants.

During first quarter of 2009, the Company converted $906,822.68 of its outstanding indebtedness into 6,039,010 shares of the Company's common stock.

On October 8, 2008 the board of directors granted Ron Erickson 500,000 shares of common stock, Lynn Felsinger 300,000 shares of common stock, Dr. Masahiro Kawahata 300,000 shares of common stock, and Jon Pepper, Marco Hegyi, and Yoshitami Arai 50,000 shares of common stock. The shares of common stock were issued for past services performed and board grants.

Exhibit 31.1

CHIEF EXECUTIVE OFFICER
CERTIFICATION PURSUANT TO RULE 13a-14

I, Bradley E. Sparks, President and Chief Executive Officer of Visualant, Incorporated, certify that:

1. I have reviewed this Annual Report on Form 10-KSB /A, First Amendment, for the year ended September 30, 2008 of Visualant, Incorporated, the registrant;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other than financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including any of its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal controls over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal controls over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee (if any) of registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Dated: May 26, 2009

By: /s/ Bradley E. Sparks
Bradley E. Sparks
President and Chief Executive Officer

Exhibit 31.2

CHIEF FINANCIAL OFFICER
CERTIFICATION PURSUANT TO RULE 13a-14

I, Bradley E. Sparks, Chief Financial Officer of Visualant, Incorporated, certify that:

1. I have reviewed this Annual Report on Form 10-KSB /A, First Amendment, for the year ended September 30, 2008 of Visualant, Incorporated, the registrant;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other than financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including any of its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal controls over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal controls over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee (if any) of registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Dated: May 26, 2009

By: /s/ Bradley E. Sparks
Bradley E. Sparks
Chief Financial Officer and Secretary-Treasurer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-KSB /A, First Amendment, of Visualant, Incorporated (the “Company”) for the year ended September 30, 2008 as filed with the Securities and Exchange Commission on the date hereof, I, Bradley E. Sparks, Chief Executive Officer, President and Director, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

1. The Annual Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934, as amended; and

2. The information contained in this Annual Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Dated: May 26, 2009

By: /s/ Bradley E. Sparks
Bradley E. Sparks
Chief Executive Officer, President and Director

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-KSB /A, First Amendment, of Visualant, Incorporated (the "Company") for the year ended September 30, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bradley E. Sparks, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

1. The Annual Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934, as amended; and

2. The information contained in this Annual Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Dated: May 26, 2009

By: /s/ Bradley E. Sparks
Bradley E. Sparks
Chief Financial Officer and Secretary-Treasurer

Visualant, Incorporated
500 Union Street, Suite 406
Seattle, Washington 98101

May 26, 2009

Mr. Eric Atallah
Reviewing Accountant
U.S. Securities and Exchange Commission
Division of Corporate Finance
450 Fifth Street, NW
Washington, D.C. 20549

Re: <u>**Visualant, Incorporated**</u>
Form 10-KSB for Fiscal Year Ended September 30, 2008
Filed on January 13, 2009
File No. 000-30262

Dear Mr. Atallah,

Please find our response to your comments dated May 6, 2009 on the Form 10-KSB for the Fiscal Year Ended September 30, 2008 filed by Visualant, Inc. (the "Company"). In connection with our response, the Company acknowledges that: (i) the Company is responsible for the adequacy and accuracy of the disclosures in the filing; (ii) staff comments or changes to disclosure in response to staff comments do not foreclose the Commission from taking any action with respect to the filing; and (iii) the Company may not assert staff comments as a defense in any proceeding initiated by the Commission or any person under the federal securities laws of the United States.

Please find below the comments enumerated in your letter and the Company's response to each.

<u>Form 10-KSB for the Fiscal Year Ended September 30, 2008</u>

<u>Item 8A. Controls and Procedures, page 11</u>

Comment (1) - We note your response to our prior comments 1 and 2 that your management still has concluded that disclosure controls and procedures were effective as of the end of the fiscal year. In our prior comment 1, we asked you to consider whether management's failure to provide its report on internal control over financial reporting impacts its conclusion regarding the effectiveness of your disclosure controls and procedures as of the end of the fiscal year. Please tell us the factors you considered and highlight for us those factors that supported your conclusion. In particular, please explain how you considered the definition of disclosure controls and procedures provided in Rule 13a-15(e), which indicates that effective controls and procedures would ensure that information required to be disclosed by the issuer is recorded, processed, summarized and reported within the time preriods specified in the Commission's rules and forms. In addition, as discussed in Compliance and Disclosure Interpretation 115.02, which you can find at <u>http://www.sec.gov/divisions/corpfin/guidance/regs-kinterp.htm</u>, failure to file management's report on Internal Control over Financial Reporting rendered your annjual report materially deficient and also rendered the company not timely or current in its Exchange Act Reporting. In light of these facts, please explain how you could conclude that disclosure controls and procedures were effective. Alternatively, please amend the 10-KSB to disclose mangement's revised conclusion on the effectiveness of your disclosure controls and procedures, i.e., that disclosure, controls and procedures were not effective as of the end of the year.

Response (1) - The amended 10-KSB which will be filed reflects that the disclosure controls and procedures were not effective as of the end of the year.

Comment (2) - We note your response to prior comment 1. Please amend your Form 10-KSB to include the disclosure included within your response related to management's assessment of internal control over financial reporting as of September 30, 2008.

Response (2) - The amended 10-KSB which will be filed includes the language in our response to prior comment 1 of our response letter dated April 30, 2009.

The Company's Form 10-Q for the quarter ended March 31, 2009 addressed the Commission's comments and provided the requested additional disclosures to more accurately describe the Company's business and its progress during the reporting period. Should you have any comments or questions, please call me at (480) 659-6554.

Best regards,

/s/ Bradley E. Sparks

Bradley E. Sparks
CEO, President and Director
Visualant, Inc.
(206) 903-1351