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

FORM 10-Q

☒ QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2010

☐ TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT

For the transition period from _____ to _____

Commission File number 000-30262

VISUALANT, INCORPORATED

(Exact name of registrant as specified in 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 USA	**98101**
(Address of principal executive offices)	(Zip Code)

206-903-1351
(Registrant's telephone number, including area code)

N/A
(Former name, address, and fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer (See the definitions of "large accelerated filer," "accelerated filer," "non-accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act).

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☒

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

The number of shares of common stock, $.001 par value, issued and outstanding as of August 12, 2010: 38,229,374 shares

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

VISUALANT, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	June 30, 2010	September 30, 2009
ASSETS	(unaudited)	(audited)
CURRENT ASSETS:		
Cash and cash equivalents	$ 110,837	$ 5,325
Accounts receivable, net of allowance of $16,750 and $0, respectively	806,128	-
Prepaid expenses	26,662	6,514
Inventories	424,359	-
Refundable tax assets	3,940	-
Total current assets	1,371,926	11,839
EQUIPMENT, NET	606,994	-
OTHER ASSETS		
Intangible assets, net	967,251	-
Goodwill	983,645	-
Investment in Novabeam, Inc.	50	50
Other assets	1,091	-
TOTAL ASSETS	$ 3,930,957	$ 11,889
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable - trade	$ 997,363	$ 209,159
Accounts payable - related parties	150,454	156,367
Accrued liabilities	172,957	133,407
Accrued liabilities - related parties	762,102	722,346
Convertible notes payable, net of debt discount of $27,623	222,377	-
Note payable - current portion of long term debt	1,557,440	157,072
Total current liabilities	3,862,693	1,378,351
LONG TERM LIABILITIES:		
Long term debt	1,669,639	-
STOCKHOLDERS' DEFICIT:		
Preferred stock - $0.001 par value, 50,000,000 shares authorized, no shares issued and outstanding	-	-
Common stock - $0.001 par value, 100,000,000 shares authorized, 38,229,374 and 29,162,707 shares issued and outstanding	38,229	29,162
Additional paid in capital	6,791,568	6,229,733
Accumulated deficit	(8,478,665)	(7,625,357)
Total stockholders' deficit	(1,648,868)	(1,366,462)
Noncontrolling interest	47,493	-
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 3,930,957	$ 11,889

The accompanying notes are an integral part of these consolidated financial statements.

VISUALANT, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended,		Nine Months Ended ,	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
REVENUE	$ 445,165	$ -	$ 445,165	$ -
COST OF SALES	354,239	-	354,239	-
GROSS PROFIT	90,926	-	90,926	-
RESEARCH AND DEVELOPMENT EXPENSES	11,000	-	58,500	214,105
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	497,378	76,620	828,947	569,525
OPERATING LOSS	(417,452)	(76,620)	(796,521)	(783,630)
OTHER INCOME (EXPENSE):				
Interest expense	(25,220)	(26,941)	(62,905)	(47,570)
Other income	3,212	-	3,212	-
Total other expense	(22,008)	(26,941)	(59,693)	(47,570)
LOSS BEFORE INCOME TAXES	(439,460)	(103,561)	(856,214)	(831,200)
Income taxes - current benefit	(3,940)	-	(3,940)	-
NET LOSS	(435,520)	(103,561)	(852,274)	(831,200)
NONCONTROLLING INTEREST	1,034	-	1,034	-
NET LOSS ATTRIBUTABLE TO VISUALANT, INC. AND SUBSIDIARIES COMMON SHAREHOLDERS	$ (436,554)	$ (103,561)	$ (853,308)	$ (831,200)
Basic and diluted loss per common share attributable to Visualant, Inc. and subsidiaries common shareholders-				
Basic and diluted loss per share	$ (0.01)	$ (0.00)	$ (0.03)	$ (0.03)
Weighted average shares of common stock outstanding- basic and diluted	33,087,707	28,673,054	30,728,036	27,676,411

The accompanying notes are an integral part of these consolidated financial statements.

VISUALANT, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended,	
	June 30, 2010	June 30, 2009
	(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (852,274)	$ (831,200)
Adjustments to reconcile net loss to net cash		
(used in) operating activities		
Depreciation and amortization	22,794	-
Issuance of capital stock and warrants for services and expenses	181,592	382,855
Stock based compensation	107,974	104,840
Amortization of debt discount	33,713	
Stock options issued in exchange for services	-	7,565
Changes in operating assets and liabilities:		
Accounts receivable	50,291	-
Prepaid expenses	(6,555)	(4,748)
Inventory	(19,746)	-
Other assets	(25,741)	-
Accounts payable - trade and accrued liabilities	100,636	340,433
CASH (USED IN) OPERATING ACTIVITIES	(407,316)	(255)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(17,173)	-
NET CASH (USED IN) INVESTING ACTIVITIES:	(17,173)	-
CASH FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	216,058	-
Repayments of debt	7,727	-
Proceeds from the issuance of convertible debt	250,000	-
Distributions	(20,000)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	453,785	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	29,296	(255)
CASH AND CASH EQUIVALENTS, beginning of period	$ 81,541	$ 255
CASH AND CASH EQUIVALENTS, end of period	$ 110,837	$ -
Supplemental disclosures of cash flow information:		
Interest paid	$ 4,943	$ -
Taxes paid	$ -	$ -
Non-cash investing and financing activities:		
Issuance of common stock for conversion of liabilities	$ 144,000	$ -
Issuance of warrants in connection with convertible debt	$ 61,336	$ -
Issuance of common stock for acquisition	$ 76,000	$ -
Issuance of note payable for acquisition	$ 2,300,000	$ -
Issuance of common stock to retire debt	$ -	$ 482,095
Conversion of accounts payable to promissory note	$ -	$ 82,000
Issuance of common stock as consideration for accounts payable	$ -	$ 646,122

The accompanying notes are an integral part of these consolidated financial statements.

VISUALANT, INCORPORATED AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

Visualant, Inc. (the "Company") was incorporated under the laws of the State of Nevada on October 8, 1998 with authorized common stock of 200,000,000 shares at $0.001 par value. On September 13, 2002 50,000,000 shares of preferred stock with a par value of $0.001 were authorized by the shareholders. There are no preferred shares issued and the terms have not been determined.

The Company closed the acquisition of TransTech Systems, Inc. ("TransTech") of Aurora, OR on June 8, 2010 and recorded the results from June 8, 2010 to June 30, 2010. As of June 8, 2010, the Company is no longer in the development stage.

This acquisition is expected to accelerate market entry and penetration through the acquisition of well-operated and positioned distributors of security and authentication systems like TransTech, thus creating a natural distribution channel for products featuring our proprietary Spectrum Pattern Matching ("SPM") technology.

The accompanying unaudited consolidated financial statements of the Company and our subsidiaries have been prepared in accordance with generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The financial statements for the periods ended June 30, 2010 and 2009 are unaudited and include all adjustments necessary to a fair statement of the results of operations for the periods then ended. All such adjustments are of a normal, recurring nature. The results of the Company's operations for any interim period are not necessarily indicative of the results of the Company's operations for a full fiscal year. For further information, refer to the financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2009 as filed with the Securities and Exchange Commission (the "SEC") on January 15, 2010.

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 $852,274 and $831,200 for the nine months ended June 30, 2010 and 2009, respectively. Our current liabilities exceeded our current assets by approximately $2.5 million as of June 30, 2010. Our net cash used in operating activities approximated $407,316 for the nine months ended June 30, 2010.

As of June 30, 2010, the Company had $110,837 in cash. 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 June 30, 2010, our accumulated deficit was $8.5 million. 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, 2009 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 dependent upon obtaining additional working capital. The financial statements do not include any adjustments that might be necessary if we are unable to continue as a going concern.

3. SIGNIFICANT ACCOUNTING POLICIES: ADOPTION OF ACCOUNTING STANDARDS

PRINCIPLES OF CONSOLIDATION - The consolidated financial statements include the accounts of the Company and its wholly owned and majority-owned subsidiaries. Inter-Company items and transactions have been eliminated in consolidation.

CASH AND CASH EQUIVALENTS - The Company classifies highly liquid temporary investments with an original maturity of three months or less when purchased as cash equivalents. The Company maintains cash balances at various financial institutions. Balances at US banks are insured by the Federal Deposit Insurance Corporation up to US$250,000. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant risk for cash on deposit.

ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS - Accounts receivable consists primarily of amounts due to the Company from normal business activities. The Company maintains an allowance for doubtful accounts to reflect the expected non-collection of accounts receivable based on past collection history and specific risks identified within the portfolio. If the financial condition of the customers were to deteriorate resulting in an impairment of their ability to make payments, or if payments from customers are significantly delayed, additional allowances might be required.

3. SIGNIFICANT ACCOUNTING POLICIES: ADOPTION OF ACCOUNTING STANDARDS - *continued*

INVENTORIES - Inventories consist primarily of printers and consumable supplies, including ribbons and cards, badge accessories, capture devices, and access control components held for resale and are stated at the lower of cost or market on the first-in, first-out ("FIFO") method. Inventories are considered available for resale when drop shipped and invoiced directly to a customer from a vendor, or when physically received by TransTech at a warehouse location. The company records a provision for excess and obsolete inventory whenever an impairment has been identified. There is no provision for impaired inventory as of June 30, 2010.

EQUIPMENT - Equipment consists of machinery, leasehold improvements, furniture and fixtures and software, which are stated at cost less accumulated depreciation and amortization. Depreciation is computed by the straight-line method over the estimated useful lives or lease period of the relevant asset, generally 3-10 years, except for leasehold improvements which are depreciated over 20 years.

INTANGIBLE ASSETS / INTELLECTUAL PROPERTY - The Company amortizes the intangible assets and intellectual property acquired in connection with the acquisition of TransTech, over thirty six months on a straight - line basis, which was the time frame that the management of the Company was able to project forward for future revenue, either under agreement or through expected continued business activities.

GOODWILL – Goodwill is the excess of cost of an acquired entity over the fair value of amounts assigned to assets acquired and liabilities assumed in a business combination. With the adoption of ASC 350, goodwill is not amortized, rather it is tested for impairment annually, and will be tested for impairment between annual tests if an event occurs or circumstances change that would indicate the carrying amount may be impaired. Impairment testing for goodwill is done at a reporting unit level. Reporting units are one level below the business segment level, but are combined when reporting units within the same segment have similar economic characteristics. Under the criteria set forth by ASC 350, the Company has one reporting unit based on the current structure. An impairment loss generally would be recognized when the carrying amount of the reporting unit's net assets exceeds the estimated fair value of the reporting unit. The Company performs annual assessments and has determined that no impairment is necessary.

LONG-LIVED ASSETS - The Company reviews its long-lived assets for impairment when changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Long-lived assets under certain circumstances are reported at the lower of carrying amount or fair value. Assets to be disposed of and assets not expected to provide any future service potential to the Company are recorded at the lower of carrying amount or fair value (less the projected cost associated with selling the asset). To the extent carrying values exceed fair values, an impairment loss is recognized in operating results.

FAIR VALUE OF FINANCIAL INSTRUMENTS - The Company has adopted FASB Accounting Standards Codification ("ASC") Topic 820, "Fair Value Measurements", for assets and liabilities measured at fair value on a recurring basis. Topic 820 establishes a common definition for fair value to be applied to existing generally accepted accounting principles that require the use of fair value measurements, establishes a framework for measuring fair value and expands disclosure about such fair value measurements. Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, Topic 820 requires the use of valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized below:

Level 1: Observable inputs such as quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable inputs for which there is little or no market data, which require the use of the reporting entity's own assumptions.

All cash and cash equivalents include money market securities and commercial paper that are considered to be highly liquid and easily tradable as of June 30, 2010. These securities are valued using inputs observable in active markets for identical securities and are therefore classified as Level 1 within our fair value hierarchy.

The carrying amounts of the Company's financial assets and liabilities, such as cash, accounts receivable, inventory, accounts payable, taxes payable, accrued expenses and other current liabilities, approximate their fair values because of the short maturity of these instruments. The Company's notes payable approximates the fair value of such instruments based upon management's best estimate of interest rates that would be available to the Company for a similar financial arrangement at June 30, 2010.

In addition, Topic 820 expands opportunities to use fair value measurements in financial reporting and permits entities to choose to measure many financial instruments and certain other items at fair value. The Company did not elect the fair value option for any of its qualifying financial instruments.

REVENUE RECOGNITION – TransTech revenue is derived from other products and services. Revenue is considered realized when the services have been provided to the customer, the work has been accepted by the customer and collectability is reasonably assured. Furthermore, if an actual measurement of revenue cannot be determined, we defer all revenue recognition until such time that an actual measurement can be determined. If during the course of a contract management determines that losses are expected to be incurred, such costs are charged to operations in the period such losses are determined. Revenues are deferred when cash has been received from the customer but the revenue has not been earned. The Company recorded deferred revenue of $0 as of June 30, 2010 and September 30, 2009, respectively.

3. SIGNIFICANT ACCOUNTING POLICIES: ADOPTION OF ACCOUNTING STANDARDS - *continued*

ADVERTISING COSTS - Advertising costs are expensed as incurred. Such costs generally consist of major industry trade shows cooperatively with vendors and some advertising in industry publications. Advertising costs were insignificant during the period ended June 30, 2010.

STOCK BASED COMPENSATION - The Company has share-based compensation plans under which employees, consultants, suppliers and directors may be granted restricted stock, as well as options to purchase shares of Company common stock at the fair market value at the time of grant. Stock-based compensation cost is measured by the Company at the grant date, based on the fair value of the award, over the requisite service period. For options issued to employees, the Company recognizes stock compensation costs utilizing the fair value methodology over the related period of benefit. Grants of stock options and stock to non-employees and other parties are accounted for in accordance with the ASC 505.

INCOME TAXES - Income tax benefit is based on reported loss before income taxes. Deferred income taxes reflect the effect of temporary differences between asset and liability amounts that are recognized for financial reporting purposes and the amounts that are recognized for income tax purposes. These deferred taxes are measured by applying currently enacted tax laws where that company operates out of. The Company recognizes refundable and deferred assets to the extent that management has determined their realization. As of June 30, 2010 and September 30, 2009, the Company had refundable tax assets related to TransTech of $3,940 and $0, respectively.

NET LOSS PER SHARE – Under the provisions of ASC 260, "Earnings Per Share," basic loss per common share is computed by dividing net loss available to common shareholders by the weighted average number of shares of common stock outstanding for the periods presented. Diluted net loss per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that would then share in the income of the Company, subject to anti-dilution limitations. The common stock equivalents have not been included as they are anti-dilutive. As of June 30, 2010, there were options outstanding for the purchase of 4,810,000 common shares, warrants for the purchase of 1,133,333 common shares, 1,666,667 shares of common stock related to convertible debt, which could potentially dilute future earnings per share. As of June 30, 2009, there were options outstanding for the purchase of 1,560,000 common shares which could potentially dilute future earnings per share.

DIVIDEND POLICY - The Company has never paid any cash dividends and intends, for the foreseeable future, to retain any future earnings for the development of our business. Our future dividend policy will be determined by the board of directors on the basis of various factors, including our results of operations, financial condition, capital requirements and investment opportunities.

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

RECLASSIFICATION - Certain reclassifications have been made to the Company's financial statements for prior periods to conform to the current presentation. These reclassifications had no effect on previously reported results of operations or retained earnings.

RECENT ACCOUNTING PRONOUNCEMENTS

Recent accounting pronouncements applicable to the Company are summarized below.

- In June 2009, the FASB approved the "FASB Accounting Standards Codification" (the "Codification") as the single source of authoritative nongovernmental U.S. GAAP to be launched on July 1, 2009. The Codification does not change current U.S. GAAP, but is intended to simplify user access to all authoritative U.S. GAAP by providing all the authoritative literature related to a particular topic in one place. All existing accounting standard documents will be superseded and all other accounting literature not included in the Codification will be considered non-authoritative. The Codification is effective for interim and annual periods ending after September 15, 2009.

- In August 2009, the FASB issued the FASB Accounting Standards Update No. 2009-04 "Accounting for Redeemable Equity Instruments - Amendment to Section 480-10-S99" which represents an update to section 480-10-S99, distinguishing liabilities from equity, per EITF Topic D-98, Classification and Measurement of Redeemable Securities. The Company does not expect the adoption of this update to have a material impact on its consolidated financial position, results of operations or cash flows.

3. SIGNIFICANT ACCOUNTING POLICIES: ADOPTION OF ACCOUNTING STANDARDS- *continued*

RECENT ACCOUNTING PRONOUNCEMENTS - *continued*

- In August 2009, the FASB issued the FASB Accounting Standards Update No. 2009-05 "Fair Value Measurement and Disclosures Topic 820 – Measuring Liabilities at Fair Value", which provides amendments to subtopic 820-10, Fair Value Measurements and Disclosures – Overall, for the fair value measurement of liabilities. This update provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one or more of the following techniques: 1. A valuation technique that uses: a. The quoted price of the identical liability when traded as an asset b. Quoted prices for similar liabilities or similar liabilities when traded as assets. 2. Another valuation technique that is consistent with the principles of topic 820; two examples would be an income approach, such as a present value technique, or a market approach, such as a technique that is based on the amount at the measurement date that the reporting entity would pay to transfer the identical liability or would receive to enter into the identical liability. The amendments in this update also clarify that when estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the liability. The amendments in this update also clarify that both a quoted price in an active market for the identical liability when traded as an asset in an active market when no adjustments to the quoted price of the asset are required are Level 1 fair value measurements. The Company does not expect the adoption of this update to have a material impact on its consolidated financial position, results of operations or cash flows.

- In September 2009, the FASB issued the FASB Accounting Standards Update No. 2009-08 "Earnings Per Share – Amendments to Section 260-10-S99",which represents technical corrections to topic 260-10-S99, Earnings per share, based on EITF Topic D-53, Computation of Earnings Per Share for a Period that includes a Redemption or an Induced Conversion of a Portion of a Class of Preferred Stock and EITF Topic D-42, The Effect of the Calculation of Earnings per Share for the Redemption or Induced Conversion of Preferred Stock. The Company does not expect the adoption of this update to have a material impact on its consolidated financial position, results of operations or cash flows.

- In September 2009, the FASB issued the FASB Accounting Standards Update No. 2009-09 "Accounting for Investments-Equity Method and Joint Ventures and Accounting for Equity-Based Payments to Non-Employees". This update represents a correction to Section 323-10-S99-4, Accounting by an Investor for Stock-Based Compensation Granted to Employees of an Equity Method Investee. Additionally, it adds observer comment Accounting Recognition for Certain Transactions Involving Equity Instruments Granted to Other Than Employees to the Codification. The Company does not expect the adoption to have a material impact on its consolidated financial position, results of operations or cash flows.

- In September 2009, the FASB issued the FASB Accounting Standards Update No. 2009-12 "Fair Value Measurements and Disclosures Topic 820 – Investment in Certain Entities That Calculate Net Assets Value Per Share (or Its Equivalent)", which provides amendments to Subtopic 820-10, Fair Value Measurements and Disclosures-Overall, for the fair value measurement of investments in certain entities that calculate net asset value per share (or its equivalent). The amendments in this update permit, as a practical expedient, a reporting entity to measure the fair value of an investment that is within the scope of the amendments in this update on the basis of the net asset value per share of the investment (or its equivalent) if the net asset value of the investment (or its equivalent) is calculated in a manner consistent with the measurement principles of Topic 946 as of the reporting entity's measurement date, including measurement of all or substantially all of the underlying investments of the investee in accordance with Topic 820. The amendments in this update also require disclosures by major category of investment about the attributes of investments within the scope of the amendments in this update, such as the nature of any restrictions on the investor's ability to redeem its investments at the measurement date, any unfunded commitments (for example, a contractual commitment by the investor to invest a specified amount of additional capital at a future date to fund investments that will be made by the investee), and the investment strategies of the investees. The major category of investment is required to be determined on the basis of the nature and risks of the investment in a manner consistent with the guidance for major security types in U.S. GAAP on investments in debt and equity securities in paragraph 320-10-50-1B. The disclosures are required for all investments within the scope of the amendments in this update regardless of whether the fair value of the investment is measured using the practical expedient. The Company does not expect the adoption to have a material impact on its consolidated financial position, results of operations or cash flows.

- In October 2009, the FASB issued guidance for amendments to FASB Emerging Issues Task Force on EITF Issue No. 09-1 *"Accounting for Own-Share Lending Arrangements in Contemplation of a Convertible Debt Issuance or Other Financing*" (Subtopic 470-20) "Subtopic". This accounting standards update establishes the accounting and reporting guidance for arrangements under which own-share lending arrangements issued in contemplation of convertible debt issuance. This Statement is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2009. Earlier adoption is not permitted. The Company does not expect the adoption to have a material impact on its consolidated financial position, results of operations or cash flows.

A variety of proposed or otherwise potential accounting standards are currently under study by standard setting organizations and various regulatory agencies. Due to the tentative and preliminary nature of those proposed standards, management has not determined whether implementation of such proposed standards would be material to our consolidated financial statements.

4. DEVELOPMENT OF SPECTRUM PATTERN MATCHING TECHNOLOGY

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 Spectral Pattern Matching ("SPM") technology involves specialized and proprietary information and trade secrets, which the Company considers to be among its most sensitive, confidential, and proprietary information.

On October 23, 2008, the Company and RATLab entered into definitive agreements which provide for a non-commercial non-exclusive license of the Company's technology to RATLab 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 RATLab 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 RATLab to commercialize the Company's technology in the enumerated fields of use. In accordance with the definitive agreements, RATLab formed Novabeam, Inc.("Novabeam")-, an affiliate for purposes of commercializing the intellectual property, of which 10% was sold and transferred to the Company for $50. 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 employees and consultants.

The Company has six patents pending in the United States and one patent pending in Japan.

5. ACQUISITION OF TRANSTECH SYSTEMS, INC.

The Company closed the acquisition of TransTech of Aurora, OR closed on June 8, 2010. On this date, the Company entered into a Stock Purchase, Security and Stock Pledge Agreements which are included as Exhibits to this Form 10-Q.

TransTech, founded in 1994, is a distributor of access control and authentication systems serving the security and law enforcement markets. With recorded revenues of $10 million in 2009, TransTech has a respected national reputation for outstanding product knowledge, sales and service excellence.

This acquisition is expected to accelerate market entry and penetration through the acquisition of well-operated and positioned distributors of security and authentication systems like TransTech, thus creating a natural distribution channel for products featuring the company's proprietary SPM technology.

The Company acquired its 100% interest in TransTech by issuing a Promissory Note ("Note") to James Gingo, the President of TransTech, in the amount of $2,300,000, plus interest at the rate of three and one-half percent (3.5%) per annum from the date of the Notes. The Note is secured by a security interest in the stock and assets of TransTech, and is payable over a period of three (3) years as follows:

(i) The sum of $650,000, the amount of any accrued interest due on the Bonderson debt of $600,000 owed by TransTech to the Bonderson Family Living Trust ("Bonderson Debt") and interest on the unpaid balance, shall be paid to Seller on the earlier of: (A) the one (1) year anniversary of the closing date; or (B) on the closing of $2,500,000 or more in aggregate financing (whether debt, equity or some combination thereof) after the closing date;

(ii) The sum of $650,000, the amount of any accrued interest due on the Bonderson debt owed by TransTech and interest on the unpaid balance shall be paid to Seller on the earlier of: (A) the two (2) year anniversary of the closing date; or (B) on the closing of $5,000,000 or more in aggregate financing (whether debt, equity or some combination thereof) after the closing date; and

(iii) The remaining balance of the Note and interest thereon shall be paid to Seller on the earlier of: (A) the three year anniversary of the closing date; or (B) on the closing of $7,500,000 or more in aggregate financing (whether debt, equity or some combination thereof) after the closing date.

On June 8, 2010, the Company issued a total of 3,800,000 shares of restricted common stock of the Company to Jim Gingo, Jeff Kruse and Steve Waddle, executives of TransTech, and Paul Bonderson, a TransTech investor. The parties valued the shares in this transaction at $76,000 or $0.02 per share, the closing bid price during negotiations.

5. ACQUISITION OF TRANSTECH SYSTEMS, INC. - *continued*

The cost to acquire these assets has been preliminarily allocated to the assets acquired according to estimated fair values and is subject to adjustment when additional information concerning asset valuations is finalized, but no later than June 8, 2011. The preliminary allocation is as follows:

Common stock	$ 76,000
Notes payable	2,300,000
Accounts receivable, net	(755,836)
Inventories	(444,105)
Equipment, net	(590,955)
Other assets	(141,870)
Accounts payable - trade	921,183
Notes payable - current portion of long term debt	499,680
Other liabilities	103,193
Total purchase price	$ 1,967,290
Portion allocated to identifiable intangible assets	$ 983,645
Portion allocated to goodwill	983,645
Total	$ 1,967,290

The results of operations of TransTech were included in the Consolidated Statements of Operations for the period June 9, 2010 to June 30, 2010.

The pro-forma financial data for the acquisition for the nine months June 30, 2010, were as follows:

	As Reported Nine Months Ended June 30, 2010	Pre-Acquisition Operations of TransTech Systems, Inc. October 1, 2009 - June 8, 2010	Pro Forma Nine Months Ended June 30, 2010
Revenue	$ 445,165	$ 5,601,164	$ 6,046,329
Net loss per common share	(436,554)	(65,071)	(501,625)
Net loss per common share	(0.01)		(0.02)

There were no material, nonrecurring items included in the reported the pro-forma results.

6. ACCOUNTS RECEIVABLE/CUSTOMER CONCENTRATION

Accounts receivable were $806,128 and $0 net of allowance as of June 30, 2010 and September 30, 2009, respectively. The Company had two customers in excess of 10% (12.0% and 10.6%) of our consolidated revenues for the period June 9, 2010- June 30, 2010. The Company did not have customers with accounts receivable in excess of 10% as of June 30, 2010. The Company does expect to have customers with receivable balances of 10% of total accounts receivable in the foreseeable future.

7. INVENTORIES

Inventories were $424,359 and $0 as of June 30, 2010 and September 30, 2009, respectively. Inventories consist primarily of printers and consumable supplies, including ribbons and cards, badge accessories, capture devices, and access control components held for resale. There is no provision for impaired inventory as of June 30, 2010 and September 30, 2009.

8. FIXED ASSETS

Fixed assets, net of accumulated depreciation, was $606,994 and $0 as of June 30, 2010 and September 30, 2009, respectively. Accumulated depreciation was $573,056 and $0 as of June 30, 2010 and September 30, 2009, respectively. Total depreciation expense was $6,400 and $0 for the nine months ended June 30, 2010 and 2009, respectively. The results of operations of TransTech were included in the Consolidated Statements of Operations for the period June 9, 2010 to June 30, 2010. All equipment is used for selling, general and administrative purposes and accordingly all depreciation is classified in selling, general and administrative expenses.

8. FIXED ASSETS - *continued*

Property and equipment as of June 30, 2010 was comprised of the following:

	Estimated Useful Lives	June 30, 2010		
		Purchased	Capital Leases	Total
Machinery and equipment	3-10 years	$ 203,895	$ 87,038	$ 290,933
Leasehold improvements	20 years	600,000	-	600,000
Furniture and fixtures	3-10 years	71,758	101,260	173,018
Software and websites	3- 7 years	68,845	47,254	116,099
		944,498	235,552	1,180,050
Less: accumulated depreciation		(416,659)	(156,397)	(573,056)
		$ 527,839	$ 79,155	$ 606,994

9. INTANGIBLE ASSETS

Intangible assets as of June 30, 2010 and September 30, 2009 consisted of the following:

	Estimated Useful Lives	June 30, 2010	September 30, 2009
Customer contracts	5 years	$ 983,645	$ -
Less: accumulated amortization		(16,394)	-
Intangible assets, net		$ 967,251	$ -

Total amortization expense was $16,394 and $0 for the nine months ended June 30, 2010 and 2009, respectively.

The fair value of the TransTech intellectual property acquired was $983,645, estimated by using a discounted cash flow approach based on future economic benefits associated with agreements with customers, or through expected continued business activities with its customers. In summary, the estimate was based on a projected income approach and related discounted cash flows over five years, with applicable risk factors assigned to assumptions in the forecasted results.

10. ACCOUNTS PAYABLE

Accounts payable were $997,363 and $209,159 as of June 30, 2010 and September 30, 2009, respectively. Such liabilities consisted of amounts due to vendors for inventory purchases and technology development, external audit, legal and other expenses incurred by the Company.

11. CONVERTIBLE NOTES PAYABLE

On December 7, 2009, the Company obtained $250,000 of financing from Coach Capital pursuant to a Convertible Promissory Note earning interest at 8% and convertible in one year at $0.15 per share. Additionally, Coach Capital received warrants to purchase 833,333 shares of the Company's common stock at $0.15 per share. The warrant expires 3 years from the date of issuance.

Upon issuing the Note to Coach Capital, the Company recognized the note and warrants based on their relative fair values of $250,000 and $81,000, respectively. The fair value of the note was determined using the Black-Scholes option pricing model. The relative fair value of the warrants was classified as a component of additional paid-in capital with the corresponding amount reflected as a contra-liability to the debt. The fair value of the warrants was determined using the Black Scholes model, assuming a term of three years, volatility of 267%, no dividends, and a risk-free interest rate of 1.34%.

12. NOTES PAYABLE, CAPITALIZED LEASES AND LONG TERM DEBT

Notes payable, capitalized leases and long term debt as of June 30, 2010 and September 30, 2009 consisted of the following:

	June 30, 2010	September 30, 2009
BFI Finance Corp Secured Credit Facility	$ 671,109	$ -
TransTech capitalized leases	64,268	0
Related party notes payable-		
James Gingo Promissory Note	2,300,000	0
Bradley Sparks	50,750	50,750
Lynnn Felsinger	82,000	82,000
Ron Erickson and affiliated parties	58,952	24,322
Total debt	3,227,079	157,072
Less current portion of long term debt	(1,557,440)	-
Long term debt	$ 1,669,639	$ 157,072

BFI Finance Corp Secured Credit Facility

On December 9, 2008 TransTech entered into a $1,000,000 secured credit facility with BFI Finance Corp to fund its operations. The rate is prime interest + 2.5%, with a floor for prime interest of 5.5%. On June 12, 2010, the secured credit facility was renewed for 6 months, with a floor for Prime of 4.5%. The eligible borrowing is based on 80% of eligible trade accounts receivable, not to exceed $700,000, and 35% of Inventory value, not to exceed $300,000, for a total cap of $1,000,000. As of June 30, 2010, the outstanding balance under this facility was $671,109. The secured credit facility is guaranteed by Jim Gingo, the President of TransTech.

Capitalized Leases

TransTech has capitalized leases for equipment. The leases have a remaining lease term of 5-60 months. The aggregate future minimum lease payments under capital leases, to the extent the leases have early cancellation options and excluding escalation charges, are as follows:

Years Ended June 30,	Total
2011	$ 44,629
2012	13,963
2013	1,663
2014	3,923
2015	90
Total	64,268
Less current portion of capitalized leases	(44,629)
Long term capital leases	$ 19,639.00

The imputed interest rate in the capitalized leases is approximately 10.5%.

Related Party Notes Payable

The Company acquired its 100% interest in TransTech by issuing a Promissory Note ("Note") to James Gingo, the President of TransTech, in the amount of $2,300,000, plus interest at the rate of three and one-half percent (3.5%) per annum from the date of the Notes. The Note is secured by a security interest in the stock and assets of TransTech, and is payable over a period of three (3) years as follows:

(i) The sum of $650,000, the amount of any accrued interest due on the Bonderson debt of $600,000 owed by TransTech to the Bonderson Family Living Trust ("Bonderson Debt") and interest on the unpaid balance, shall be paid to Seller on the earlier of: (A) the one (1) year anniversary of the closing date; or (B) on the closing of $2,500,000 or more in aggregate financing (whether debt, equity or some combination thereof) after the closing date;

12. NOTES PAYABLE, CAPITALIZED LEASES AND LONG TERM DEBT- *continued*

(ii) The sum of $650,000, the amount of any accrued interest due on the Bonderson debt owed by TransTech and interest on the unpaid balance shall be paid to Seller on the earlier of: (A) the two (2) year anniversary of the closing date; or (B) on the closing of $5,000,000 or more in aggregate financing (whether debt, equity or some combination thereof) after the closing date; and

(iii) The remaining balance of the Note and interest thereon shall be paid to Seller on the earlier of: (A) the three year anniversary of the closing date; or (B) on the closing of $7,500,000 or more in aggregate financing (whether debt, equity or some combination thereof) after the closing date.

In February 2007, the Company entered into a demand note with former CEO and President, Bradley E. Sparks totaling $50,000 plus loan fees of $750. As of June 30, 2010, the outstanding note payable totaled $50,750 consisting of the note payable to Sparks. Interest expense accrues on the note 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 note payable upon demand result in a penalty interest rate of 30% per annum. The interest due to Sparks became in arrears on February 16, 2008 and has not been paid as of the date of this filing. Sparks has not demanded repayment of the note as of the date of this filing.

On April 30, 2009, accounts payable owed to Lynn Felsinger, a consultant, totaling $82,000 was converted into a demand note. Ms. Felsinger has not demanded repayment of the note as of the date of this filing.

Mr. Ronald Erickson, our Chief Executive Officer, converted outstanding debt with accrued interest in the amount of $152,971 into 1,019,806 shares of common stock of the Company valued at $0.15 per share on March 27, 2009. In addition, an affiliate of Mr. Erickson's, Juliz I Limited Partnership, loaned the Company operating funds during fiscal 2009. The balance outstanding at June 30, 2010 is $34,630 plus interest of $3,469. Additionally, Mr. Erickson incurred expenses on behalf of the Company for a total of $24,322 during the 2009 fiscal year. This balance was converted into a loan as of September 30, 2009 which bears interest at 8%. Accrued interest was $1,455 as of June 30, 2010.

Aggregate maturities for notes payable, capitalized leases and long term debt by year are as follows:

Years Ended June 30,	Total
2011	$ 1,557,440
2012	663,963
2013	1,001,663
2014	3,923
2015	90
Total	$ 3,227,079

13. EQUITY

During the quarter ended December 31, 2009, the company issued 300,000 shares of common stock as grants to directors, 100,000 shares of common stock as grants to a consultant, and 300,000 shares to RATLab upon meeting the first milestone pursuant to the letter of intent disclosed in Note 4 above.

On May 10, 2010, the Board of Directors issued to Mark Scott, our Chief Financial Officer, 1,000,000 shares of restricted common stock to be granted upon signing at the closing bid price of $.02 per share on May 7, 2010, with 200,000 issued on signing subject to Rule 144 only and 800,000 subject to repurchase by the Company for at $0.02 per share at Mr. Scott's request. The repurchase right shall terminate as to 100,000 shares at the end of every three month period of the two year term.

On May 10, 2010, the Board of Directors issued to Ron Erickson or his designee the issuance of two Million (2,000,000) shares of restricted common stock of the Company and the grant of options to purchase three million (3,000,000) shares at $0.15 per share. The restricted common stock was issued at the closing bid price of $.02 per share on May 7, 2010. The grant of options vests quarterly over two years and expires on May 6, 2020. This common stock issuance and the grant of options replace the 5,000,000 unissued shares previously approved by the Board of Directors on December 21, 2009.

On May 18, 2010, the Board of Directors issued 600,000 shares of restricted common stock of the Company to four (4) consultants and suppliers for the conversion of liabilities or for services. The parties valued the shares in this transaction at $0.02 per share, the closing bid price of the Company's common stock during negotiations.

13. EQUITY - *continued*

On June 1, 2010, the Board of Directors issued 666,667 shares of restricted common stock of the Company to a service provider for the conversion of $100,000 in liabilities at $.15 per share.

On June 8, 2010, the Board of Directors issued 3,000,000, 100,000 and 100,000 of restricted common stock of the Company to Jim Gingo, Jeff Kruse and Steve Waddle, executives of TransTech, respectively. The parties valued the shares in this transaction at $0.02 per share, the closing bid price of the Company's common stock during negotiations.

On June 8, 2010, the Board of Directors issued 600,000 shares of restricted common stock of the Company to Paul Bonderson, a TransTech investor. The parties valued the shares in this transaction at $0.02 per share, the closing bid price of the Company's common stock during negotiations.

On June 8, 2010, the Board of Directors issued 300,000 shares of restricted common stock of the Company to David Markowski for consulting services. The parties valued the shares in this transaction at $0.02 per share, the closing bid price of the Company's common stock during negotiations.

On June 11, 2010, the Company issued a warrant for the purchase of 300,000 shares of common stock of the Company to the Sterling Fund for advisory services. The warrant was valued at $.02 per share using the Black-Scholes-Merton option valuation model. The warrant expires June 10, 2013 and is callable if registered and with five closing trading prices of the Company's common stock over $.50 per share.

14. STOCK OPTIONS

Description of Stock Option Plan

In 2005, our Board of Directors adopted a combined incentive and nonqualified stock option plan for employees, consultants, suppliers and directors ("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 ASC 505

The Company records compensation expense associated with stock options and other equity-based compensation using the Black-Scholes-Merton option valuation model for estimating fair value of stock options granted under our plan. The Company amortizes 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. The Company estimates the volatility of our common stock based on the historical volatility of its own common stock over the most recent period corresponding with the estimated expected life of the award. The Company bases 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. The Company has not paid any cash dividends on our common stock and do not anticipate paying any cash dividends in the foreseeable future. Consequently, the Company uses an expected dividend yield of zero in the Black-Scholes-Merton option valuation model and 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 is recognized in the period the forfeiture estimate is changed.

Stock Option Activity

On May 10, 2010, the Board of Directors authorized to Ron Erickson or his designee the grant of non-qualified options to purchase 3,000,000 shares of the Company's common stock at $0.15 per share. The non- qualified stock option grant vests quarterly over two (2) years and expires in ten (10) years.

On June 8, 2010, the Board of Directors granted Mr. Kruse and Mr. Waddle, executives at TransTech, options to purchase 300,000 and 200,000 shares, respectively, of the Company's common stock. The awards were granted at the price of $0.09 per share, the bid price on the date the TransTech acquisition documents were approved. In accordance with the 2005 Stock Option Plan, the stock option grants vest quarterly over three (3) years and expire in ten (10) years.

There is currently 1,810,000 options to purchase common stock at $.511 per share outstanding at June 30, 2010 under the 2005 Stock Option Plan. The Company recorded $107,974 and $70,607 of compensation expense, net of related tax effects, relative to stock options for the nine months ended June 30, 2010 and 2009 in accordance with ASC 505. Net loss per share (basic and diluted) associated with this expense was approximately ($0.00).

15. OTHER SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

See Note 12 for discussion of notes payable issued to the Company's former CEO and President during the quarter ended March 31, 2007. Other than the note payable, related interest and payroll related accruals, all amounts are recorded in the related party accounts payable balance. As of the filing date, the directors and officers of the Company beneficially own an aggregate 6,406,473 shares of common stock.

15. OTHER SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES - *continued*

Mr. Sparks is owed $721,333 of accrued salary plus $57,859 which has been accrued to pay applicable payroll taxes, FUTA, etc. Additionally, interest of $30,709 is owed Mr. Sparks for the note payable described in Note 11 to these Notes to Financial Statements. Mr. Sparks is also owed $28,793 for cash amounts advanced by him to Visualant to fund operating expenses since his employment.

During the nine month period ended June 30, 2010, Mr. Erickson incurred additional expenses on behalf of the Company totaling an additional $14,310. The Company has repaid all of these expenses, except for $2,725 which is recorded in accounts payable from related parties. Mr. Erickson became CEO and President on November 12, 2009.

Dr. Kawahata, one of the Company's directors, is owed $90,681 by the Visualant for services rendered to the Company.

16. COMMITMENTS, CONTINGENCIES AND LEGAL PROCEEDINGS

LEGAL PROCEEDINGS

There are no pending legal proceedings against the Company that are expected to have a material adverse effect on its cash flows, financial condition or results of operations.

EMPLOYMENT AGREEMENTS

Agreement with Mark Scott

On May 10, 2010, the Board of Directors approved the appointment of Mr. Scott as Chief Financial Officer based on the (i) cash compensation of $2,000 per month until cash is available at which time cash compensation shall be increased to $8,000 per month; (ii) bonus cash compensation; shall be at the discretion of the senior executive and the board of directors; (iii) benefits after the closing of funding at discretion of Mr. Scott and equivalent to other employees in the company; and (iv) 1,000,000 shares of restricted common stock to be granted upon signing at the closing bid price of $.02 per share on May 7, 2010, with 200,000 issued on signing subject to Rule 144 only and 800,000 subject to repurchase by the Company for at $0.02 per share at Mr. Scott's request. The repurchase right shall terminate as to 100,000 shares at the end of every three month period of the two year term.

Agreement with Jim Gingo

On June 8, 2010, the Company entered into an Employment Agreement ("Gingo" Agreement") with Mr. Jim Gingo, Founder and President of TransTech. The Gingo Agreement has a three year term beginning on June 8, 2010 at the annual base salary of $200,000 per year. The Gingo Agreement provides for participation in the Company's benefit programs available to other employees (including group insurance arrangements). Also under the Gingo Agreement, Mr. Gingo is eligible for discretionary performance bonuses based upon performance criteria to be determined by the Company's Compensation Committee based on criteria under development up to 50% of his annual salary. If Mr. Gingo's employment is terminated without Cause (as defined in the Gingo Agreement), Mr. Gingo will be entitled to a payment equal to one year's annual base salary paid over the next year.

LEASES

The Company is obligated under various non-cancelable operating leases for their various facilities and certain equipment.

TransTech leases a total of approximately 9,750 square feet of office and warehouse space for its administrative offices, product inventory and shipping operations, at a monthly rental aggregating approximately $52,000. The lease expires March 2011 and has renewal options exist to extend lease agreements for up to an additional 15 years, in 5 year increments with a set accelerating increase of 10% per 5 year term. The currently monthly rent is $4,292, which increases to $4,721 in April 2011.

The aggregate future minimum lease payments under operating leases, to the extent the leases have early cancellation options and excluding escalation charges, are as follows:

Year Ended June 30,	Total
2011	$ 38,628

17. SUBSEQUENT EVENTS

The Company evaluates subsequent events, for the purpose of adjustment or disclosure, up through August 12, 2010, the date the financial statements were issued.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-looking statements in this report reflect the good-faith judgment of our management and the statements are based on facts and factors as we currently know them. Forward-looking statements are subject to risks and uncertainties and actual results and outcomes may differ materially from the results and outcomes discussed in the forward-looking statements. Factors that could cause or contribute to such differences in results and outcomes include, but are not limited to, those discussed below as well as those discussed elsewhere in this report (including in Part II, Item 1A (Risk Factors)). Readers are urged not to place undue reliance on these forward-looking statements because they speak only as of the date of this report. We undertake no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this report.

THE COMPANY AND OUR BUSINESS

We were incorporated on October 8, 1998. The Company's executive offices are located in Seattle, Washington.

We are an emerging leader in authentication systems technology based upon our spectral signature technology as described below and reflected in our patent applications filed in 2007. 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 June 30, 2010, we have six utility patent applications with the U.S. Patent Office.

ACQUISITION OF TRANSTECH SYSTEMS, INC.

We closed the acquisition of TransTech of Aurora, OR on June 8, 2010 and recorded the results from June 8, 2010 to June 30, 2010.

TransTech, founded in 1994, is a distributor of access control and authentication systems serving the security and law enforcement markets. With recorded revenues of $10 million in 2009, TransTech has a respected national reputation for outstanding product knowledge, sales and service excellence.

This acquisition is expected to accelerate market entry and penetration through the acquisition of well-operated and positioned distributors of security and authentication systems like TransTech, thus creating a natural distribution channel for products featuring our proprietary SPM technology.

Our strategy over the next 18 to 24 months is to generate combined annual revenue in the range of $35 to $50 million, through the acquisition of other high quality companies complementary to TransTech.

OTHER

On December 7, 2009, the Company obtained $250,000 of financing from Coach Capital pursuant to a Convertible Promissory Note earning interest at 8% and convertible in one year at $0.15 per common share or 1,666,667 shares. Additionally, Coach Capital received warrants to purchase 833,333 shares of the Company’s common stock at $0.15 per share. The warrant expires 3 years from the date of issuance.

Upon issuing the Note to Coach Capital, the Company recognized the note and warrants based on their relative fair values of $250,000 and $81,000, respectively. The fair value of the note was determined using the Black-Scholes option pricing model. The relative fair value of the warrants was classified as a component of additional paid-in capital with the corresponding amount reflected as a contra-liability to the debt. The fair value of the warrants was determined using the Black Scholes model, assuming a term of three years, volatility of 267%, no dividends, and a risk-free interest rate of 1.34%.

As was disclosed in the Company’s 8-K filing, on November 17, 2009, Mr. Erickson has assumed the positions of CEO, President and interim CFO, Secretary and Treasurer as a result of the resignation of Mr. Bradley Sparks from those positions. Mr. Sparks continues to serve as a Director of the Company. On May 10, 2010, Mr. Erickson resigned from the positions of CFO, Secretary and Treasurer and Mark Scott was appointed to those positions. These management changes were disclosed in our 8-K filing on May 12, 2010.

THE COMPANY’S COMMON STOCK

Our common stock trades on the OTCBB Exchange under the symbol “VSUL.OB.”

KEY MARKET PRIORITIES

Currently, our key market priorities are, among other things, to:

- Commercialize the Visualant product line and close sales in the United States and Japan.
- Implement synergies between TransTech acquisition and the Company.
- Develop license and royalty producing opportunities for the SPM technology.
- Improve profitability of the Company by increasing sales and managing expenses.
- Acquire growth businesses at discounted prices in our target sectors and markets in conjunction with businesspartners. We expect to focus on growth opportunities with distressed businesses that require improvements in management, financial processes and liquidity to be successful.
- Leverage our presence in Asia utilizing our Japanese directors.
- Enhance our investor relations services.
- We expect to expand our relationship with RATLab and Novabeam and its development of medical, agriculturaland environmental applications of the Visualant technology.

PRIMARY RISKS AND UNCERTAINTIES

We are exposed to various risks related to our need for additional financing, the sale of significant numbers of our shares, a volatile market price for our common stock and our merger and acquisition activities. These risks and uncertainties are discussed in more detail below in Part II, Item 1A.

RESULTS OF OPERATIONS

The following table presents certain consolidated statement of operations information and presentation of that data as a percentage of change from period-to-period.

(dollars in thousands)

	Three Months Ended June 30,			
	2010	2009	$ Variance	% Variance
Revenue	$ 445	$ -	$ 445	100.0%
Cost of sales	354	-	354	-100.0%
Gross profit	91	-	91	100.0%
Research and development expenses	11	-	11	100.0%
Selling, general and administrative expenses	497	77	420	-545.5%
Operating loss	(417)	(77)	(340)	-441.6%
Other income (expense):				
Interest expense	(25)	(27)	2	7.4%
Other income	3	-	3	100.0%
Total other expense	(22)	(27)	5	18.5%
Loss before income taxes	(439)	(104)	(335)	-322.1%
Income taxes - current benefit	(4)	-	(4)	100.0%
Net loss	(435)	(104)	(339)	-326.0%
Noncontrolling interest	1	-	1	100.0%
Net loss attributable to Visualant, Inc. and subsidiaries common shareholders	$ (436)	$ (104)	$ (338)	-325.0%

THREE MONTHS ENDED JUNE 30, 2010 COMPARED TO THE THREE MONTHS ENDED JUNE 30, 2009

SALES

Net revenue for the three months ended June 30, 2010 increased $445,000 to $445,000 as compared to $0 for the three months ended June 30, 2009.

We closed the acquisition of TransTech of Aurora, OR on June 8, 2010 and recorded the results from June 8, 2010 to June 30, 2010.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS- *continued*

THREE MONTHS ENDED JUNE 30, 2010 COMPARED TO THE THREE MONTHS ENDED JUNE 30, 2009- *continued*

COST OF SALES

Cost of sales for the three months ended December 31, 2009 increased $354,000 to $354,000 as compared to $0 for the three months ended June 30, 2009.

We closed the acquisition of TransTech of Aurora, OR on June 8, 2010 and recorded the results from June 8, 2010 to June 30, 2010.

EXPENSES

Selling, general and administrative expenses for the three months ended June 30, 2010 increased $340,000 to $417,000 as compared to $77,000 for the three months ended June 30, 2009.

We closed the acquisition of TransTech of Aurora, OR on June 8, 2010 and recorded the results from June 8, 2010 to June 30, 2010.

The selling, general and administrative expenses consisted primarily of research and development expenses, employee and independent contractor expenses, overhead, equipment and depreciation, amortization of identifiable intangible assets and intellectual property, professional and consulting fees, sales and marketing costs, legal, stock option and other general and administrative costs.

OTHER INCOME/EXPENSE

Other expense for the three months ended June 30, 2010 was $22,000 as compared to other expense of $27,000 for the three months ended June 30, 2009. The expenses for the three months ended June 30, 2010 included $25,000 for interest expense.

The 2009 other expense was primarily related to interest expense of $27,000

NET LOSS

Net loss for the three months ended June 30, 2010 was $435,000 as compared to a net loss of $104,000 for the three months ended June 30, 2009.

NINE MONTHS ENDED JUNE 30, 2010 COMPARED TO THE NINE MONTHS ENDED JUNE 30, 2009

	Nine Months Ended June 30,			
	2010	2009	$ Variance	% Variance
Revenue	$ 445	$ -	$ 445	100.0%
Cost of sales	354	-	354	-100.0%
Gross profit	91	-	91	100.0%
Research and development expenses	59	214	(155)	72.4%
Selling, general and administrative expenses	828	570	258	-45.3%
Operating loss	(796)	(784)	(12)	-1.5%
Other income (expense):				
Interest expense	(63)	(47)	(16)	-34.0%
Other income	3	-	3	100.0%
Total other expense	(60)	(47)	(13)	-27.7%
Loss before income taxes	(856)	(831)	(25)	-3.0%
Income taxes - current benefit	(4)	-	(4)	100.0%
Net loss	(852)	(831)	(29)	-3.5%
Noncontrolling interest	1	-	1	100.0%
Net loss attributable to Visualant, Inc. and subsidiaries common shareholders	$ (853)	$ (831)	$ (28)	-3.4%

SALES

Net revenue for the nine months ended June 30, 2010 increased $445,000 to $445,000 as compared to $0 for the nine months ended June 30, 2009.

We closed the acquisition of TransTech of Aurora, OR on June 8, 2010 and recorded the results from June 8, 2010 to June 30, 2010.

COST OF SALES

Cost of sales for the nine months ended December 31, 2009 increased $354,000 to $354,000 as compared to $0 for the nine months ended June 30, 2009.

We closed the acquisition of TransTech of Aurora, OR on June 8, 2010 and recorded the results from June 8, 2010 to June 30, 2010.

NINE MONTHS ENDED JUNE 30, 2010 COMPARED TO THE NINE MONTHS ENDED JUNE 30, 2009- *continued*

EXPENSES

Selling, general and administrative expenses for the nine months ended June 30, 2010 increased $12,000 to $796,000 as compared $784,000for the nine months ended June 30, 2009. Selling, general and administrative expenses increased $258,000 and research and development expenses decreased $155,000.

We closed the acquisition of TransTech of Aurora, OR on June 8, 2010 and recorded the results from June 8, 2010 to June 30, 2010.

The selling, general and administrative expenses consisted primarily of research and development expenses, employee and independent contractor expenses, overhead, equipment and depreciation, amortization of identifiable intangible assets and intellectual property, professional and consulting fees, sales and marketing costs, legal, stock option and other general and administrative costs.

OTHER INCOME/EXPENSE

Other expense for the nine months ended June 30, 2010 was $60,000 as compared to other expense of $47,000 for the nine months ended June 30, 2009. The expenses for the three months ended June 30, 2010 included $63,000 for interest expense.

The 2009 other expense was primarily related to interest expense of $47,000.

NET LOSS

Net loss for the nine months ended June 30, 2010 was $852,000 as compared to a net loss of $831,000 for the nine months ended June 30, 2009.

LIQUIDITY AND CAPITAL RESOURCES

We had cash of $110,837, a net working capital deficit of approximately $2.5 million and total indebtedness of $ 5.5 million as of June 30, 2010.

We will need to obtain additional financing to implement the business plan, service our debt repayments and acquire new businesses. There can be no assurance that we will be able to secure funding, or that if such funding is available, whether the terms or conditions would be acceptable to us.

Volatility and disruption of financial markets could affect our access to credit. The current difficult economic market environment is causing contraction in the availability of credit in the marketplace. This could potentially reduce or eliminate the sources of liquidity for the Company.

If the Company is unable to obtain additional financing, we may need to restructure our operations, divest all or a portion of our business or file for bankruptcy.

OPERATING ACTIVITIES

Net cash used in operating activities for the nine months ended June 30, 2010 was $.4 million. This amount was primarily related to a net loss of $.9 million, offset by depreciation and amortization and other non-cash expenses of $ .3 million.

FINANCING ACTIVITIES

Net cash provided by financing activities for the nine months ended June 30, 2010 was $.5 million. This amount was primarily related to proceeds from line of credit of $.2 million and proceeds from the issuance of convertible debt of $.3 million.

The Company's contractual cash obligations as of June 30, 2010 are summarized in the table below:

Contractual Cash Obligations	Total	Less Than 1 Year	1-3 Years	3-5 Years	Greater Than 5 Years
Operating leases	$ 38,628	$ 38,628	$ 0	$ 0	$ 0
Note payable	3,227,079	1,557,440	1,665,626	4,013	0
Capital expenditures	140,000	30,000	55,000	30,000	25,000
Acquisitions	0	0	0	0	0
	$ 3,405,707	$ 1,626,068	$ 1,720,626	$ 34,013	$ 25,000

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

This item is not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Our principal executive officer and principal financial officer evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of June 30, 2010. Based on this evaluation, our principal executive officer and principal financial officer concluded that, as of June 30, 2010, our disclosure controls and procedures were effective in ensuring that (1) information to be disclosed in reports we file under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the rules and forms promulgated under the Exchange Act and (2) information required to be disclosed in reports filed under the Exchange Act is accumulated and communicated to the principal executive officer and principal financial officer as appropriate to allow timely decisions regarding required disclosure. There were no 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 internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1A. 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.

WE WILL NEED ADDITIONAL FINANCING TO SUPPORT OUR TECHNOLOGY DEVELOPMENT, ACQUIRING OR INVESTING IN NEW BUSINESSES AND ONGOING OPERATIONS.

The Company business will need to obtain additional financing in order to continue our current technology development, acquire businesses and fund ongoing operations. There can be no assurance that we will be able to secure funding, or that if such funding is available, the terms or conditions would be acceptable to us. If the Company is unable to obtain additional financing, we may need to restructure our operations, divest all or a portion of our business or file for bankruptcy.

Our recent efforts to generate additional liquidity, including through sales of our common stock, are described in more detail in the financial statement notes set forth in this report.

If we raise additional capital through borrowing or other debt financing, we will incur substantial interest expense. Sales of additional equity securities will dilute on a pro rata basis the percentage ownership of all holders of common stock. When we raise more equity capital in the future, it will result in substantial dilution to our current stockholders.

THE SALE OF A SIGNIFICANT NUMBER OF OUR SHARES OF COMMON STOCK COULD DEPRESS THE PRICE OF OUR COMMON STOCK.

Sales or issuances of a large number of shares of common stock in the public market or the perception that sales may occur could cause the market price of our common stock to decline. As of August 12, 2010, there were 38.2 million shares of common stock issued and outstanding. Significant shares of common stock are held by our principal shareholders, other Company insiders and other large shareholders. As "affiliates" (as defined under Rule 144 of the Securities Act ("Rule 144")) of the Company, our principal shareholders, other Company insiders and other large shareholders may only sell their shares of common stock in the public market pursuant to an effective registration statement or in compliance with Rule 144.

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 $0.15 to $0.75 per share.

WE MAY ENGAGE IN ACQUISITIONS, MERGERS, STRATEGIC ALLIANCES, JOINT VENTURES AND DIVESTITURES THAT COULD RESULT IN FINANCIAL RESULTS THAT ARE DIFFERENT THAN EXPECTED.

In the normal course of business, we engage in discussions relating to possible acquisitions, equity investments, mergers, strategic alliances, joint ventures and divestitures. Such transactions are accompanied by a number of risks, including:

- Use of significant amounts of cash,

- Potentially dilutive issuances of equity securities on potentially unfavorable terms,

- Incurrence of debt on potentially unfavorable terms as well as impairment expenses related to goodwill and amortization expenses related to other intangible assets, and

- The possibility that we may pay too much cash or issue too many of our shares as the purchase price for an acquisition relative to the economic benefits that we ultimately derive from such acquisition.

- The process of integrating any acquisition may create unforeseen operating difficulties and expenditures. The areas where we may face difficulties include:

- Diversion of management time, during the period of negotiation through closing and after closing, from its focus on operating the businesses to issues of integration,

- Decline in employee morale and retention issues resulting from changes in compensation, reporting relationships, future prospects or the direction of the business,

- The need to integrate each Company's accounting, management information, human resource and other administrative systems to permit effective management, and the lack of control if such integration is delayed or not implemented,

- The need to implement controls, procedures and policies appropriate for a public Company that may not have been in place in private companies, prior to acquisition,

- The need to incorporate acquired technology, content or rights into our products and any expenses related to such integration, and

- The need to successfully develop any acquired in-process technology to realize any value capitalized as intangible assets.

From time to time, we have also engaged in discussions with candidates regarding the potential acquisitions of our product lines, technologies and businesses. If a divestiture such as this does occur, we cannot be certain that our business, operating results and financial condition will not be materially and adversely affected. A successful divestiture depends on various factors, including our ability to:

- Effectively transfer liabilities, contracts, facilities and employees to any purchaser,

- Identify and separate the intellectual property to be divested from the intellectual property that we wish to retain,

- Reduce fixed costs previously associated with the divested assets or business, and

- Collect the proceeds from any divestitures.

In addition, if customers of the divested business do not receive the same level of service from the new owners, this may adversely affect our other businesses to the extent that these customers also purchase other products offered by us. All of these efforts require varying levels of management resources, which may divert our attention from other business operations.

If we do not realize the expected benefits or synergies of any divestiture transaction, our consolidated financial position, results of operations, cash flows and stock price could be negatively impacted.

WE MAY INCUR LOSSES IN THE FUTURE.

We have experienced net losses since inception. There can be no assurance that we will achieve or maintain profitability.

ITEM 1A. RISK FACTORS - *continued*

THE MARKET PRICE OF OUR COMMON STOCK MAY BE VOLATILE.

The market price of our common stock has been and is likely in the future to be volatile. Our common stock price may fluctuate in response to factors such as:

- Announcements by us regarding liquidity, significant acquisitions, equity investments and divestitures, strategic relationships, addition or loss of significant customers and contracts, capital expenditure commitments, loan, note payable and agreement defaults, loss of our subsidiaries and impairment of assets,
- Issuance of convertible or equity securities for general or merger and acquisition purposes,
- Issuance or repayment of debt, accounts payable or convertible debt for general or merger and acquisition purposes,
- Sale of a significant number of our common stock by shareholders,
- General market and economic conditions,
- Quarterly variations in our operating results,
- Investor relation activities,
- Announcements of technological innovations,
- New product introductions by us or our competitors,
- Competitive activities, and
- Additions or departures of key personnel.

These broad market and industry factors may have a material adverse effect on the market price of our common stock, regardless of our actual operating performance. These factors could have a material adverse effect on our business, financial condition and results of operations.

FUTURE ISSUANCE OF STOCK OPTIONS, WARRANTS AND /OR RIGHTS MAY 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, which in turn could adversely affect the market price of our common stock.

OUR MANAGEMENT HAS SUBSTANTIAL INFLUENCE OVER OUR COMPANY.

As of June 30, 2010, Mr. Erickson and his immediate family members, either directly or indirectly, own or control 6,406,473 shares as of the filing date or approximately 16.8% of our common stock. These Controlling Shareholders have stated in a Schedule 13D that they may be deemed to constitute a "group" for the purposes of Rule 13d-3 under the Exchange Act. Mr. Ronald P. Erickson, our Chief Executive officer, controls each of our Controlling Shareholders.

This group, could cause a change of control of our board of directors, if in combination with another large shareholder elects candidates of their choice to the board at a shareholder meeting, and approve or disapprove any matter requiring stockholder approval, regardless of how our other shareholders may vote. Further, under Nevada law, the group could have a significant influence over our affairs, if in combination with another large shareholder, including the power to cause, delay or prevent a change in control or sale of the Company, which in turn could adversely affect the market price of our common stock.

TRADING IN THE COMPANY'S STOCK MAY BE RESTRICTED BY BLUE SKY ELIGIBILITY AND THE SEC'S PENNY STOCK REGULATIONS.

The Company currently is not Blue Sky eligible. In addition, 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 Blue Sky eligibility and the penny stock rules may discourage investor interest in and limit the marketability of, theCompany's common stock.

ITEM 1A. RISK FACTORS - *continued*

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. These factors could have a material adverse effect on our business, financial condition and results of operations.

WE ARE DEPENDENT ON KEY PERSONNEL.

Our success depends to a significant degree upon the continued contributions of key management and other personnel, some of whom could be difficult to replace. We do not maintain key man life insurance covering certain of our officers. Our success will depend on the performance of our officers, our ability to retain and motivate our officers, our ability to integrate new officers into our operations and the ability of all personnel to work together effectively as a team. Our failure to retain and recruit officers and other key personnel could have a material adverse effect on our business, financial condition and results of operations.

WE HAVE LIMITED INSURANCE.

We have limited director and officer insurance and commercial insurance policies. Any significant insurance claims would have a material adverse effect on our business, financial condition and results of operations.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On May 10, 2010, the Board of Directors issued to Mark Scott, our Chief Financial Officer, 1,000,000 shares of restricted common stock to be granted upon signing at the closing bid price of $.02 per share on May 7, 2010, with 200,000 issued on signing subject to Rule 144 only and 800,000 subject to repurchase by the Company for at $0.02 per share at Mr. Scott's request. The repurchase right shall terminate as to 100,000 shares at the end of every three month period of the two year term.

On May 10, 2010, the Board of Directors issued to Ron Erickson or his designee the issuance of two Million (2,000,000) shares of restricted common stock of the Company and the grant of options to purchase three million (3,000,000) shares at $0.15 per share. The restricted common stock was issued at the closing bid price of $.02 per share on May 7, 2010. The grant of options vests quarterly over two years and expires on May 6, 2020. This common stock issuance and the grant of options replace the 5,000,000 unissued shares previously approved by the Board of Directors on December 21, 2009.

On May 18, 2010, the Board of Directors issued 600,000 shares of restricted common stock of the Company to four (4) consultants and suppliers for the conversion of liabilities or for services. The parties valued the shares in this transaction at $0.02 per share, the closing bid price of the Company's common stock during negotiations.

On June 1, 2010, the Board of Directors issued 666,667 shares of restricted common stock of the Company to a service provider for the conversion of $100,000 in liabilities at $.15 per share.

On June 8, 2010, the Board of Directors issued 3,000,000, 100,000 and 100,000 of restricted common stock of the Company to Jim Gingo, Jeff Kruse and Steve Waddle, executives of TransTech, respectively. The parties valued the shares in this transaction at $0.02 per share, the closing bid price of the Company's common stock during negotiations.

On June 8, 2010, the Board of Directors issued 600,000 shares of restricted common stock of the Company to Paul Bonderson, a TransTech investor. The parties valued the shares in this transaction at $0.02 per share, the closing bid price of the Company's common stock during negotiations.

On June 8, 2010, the Board of Directors issued 300,000 shares of restricted common stock of the Company to David Markowski for consulting services. The parties valued the shares in this transaction at $0.02 per share, the closing bid price of the Company's common stock during negotiations.

On June 11, 2010, the Company issued a warrant for the purchase of 300,000 shares of common stock of the Company to the Sterling Fund for advisory services. The warrant was valued at $.02 per share using the Black-Scholes-Merton option valuation model. The warrant expires June 10, 2013 and is callable if registered and with five closing trading prices of the Company's common stock over $.50 per share.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

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

(a) Exhibits

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.

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 Exhibit 10.2 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 Exhibit 10.3 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 Cross Licensing Agreement between the Company RATLab, LLC dated October 23, 2008 granting certain exclusive and non-exclusive reciprocal and field use rights to technology developed and owned by Visualant and the RATLab, LLC. Filed as Exhibit 10.4 to Form 10K filed on January 13, 2010 and incorporated herein by reference.

10.5 Stock Purchase Agreement dated June 8, 2010 by and between Visualant, Inc. and TransTech Systems, Inc. Filed herewith.

10.6 Promissory Note dated June 8, 2010 by and between Visualant, Inc, and James M. Gingo. Filed herewith.

10.7 Stock Pledge Agreement dated June 8, 2010 by and between Visualant, Inc, James M. Gingo and Brownstein, Rask, Sweeney, Kerr, Grim, Grim, DeSylvia and Hay, LLP. Filed herewith.

10.8 Security Agreement dated June 8, 2010 by TransTech Systems, Inc. Filed herewith.

10.9 Employment Agreement dated June 8, 2010 by and between Visualant, Inc. and Jim Gingo. Filed herewith. *

10.10 Term Sheet dated May 5, 2010 by and between Mark Scott and Visualant, Inc. Filed herewith. *

31.1 Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer

31.2 Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer

32 Section 906 Certifications

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* Indicates management contract or compensatory plan.

SIGNATURES

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

VISUALANT, INCORPORATED

(Registrant)

Date: August 12, 2010

By: /s/ Ronald P. Erickson
Ronald P. Erickson
Chief Executive Officer, President, and Director
(Principal Executive Officer)

Date: August 12, 2010

By: /s/ Mark Scott
Mark Scott
Chief Financial Officer, Secretary and Treasurer
(Principal Financial and Accounting Officer)

EXHIBIT INDEX

Exhibit No.	Description
10.5	Stock Purchase Agreement dated June 8, 2010 by and between Visualant, Inc. and TransTech Systems, Inc. Filed herewith.
10.6	Promissory Note dated June 8, 2010 by and between Visualant, Inc, and James M. Gingo. Filed herewith.
10.7	Stock Pledge Agreement dated June 8, 2010 by and between Visualant, Inc, James M. Gingo and Brownstein, Rask,Sweeney, Kerr, Grim, Grim, DeSylvia and Hay, LLP. Filed herewith.
10.8	Security Agreement dated June 8, 2010 by TransTech Systems, Inc. Filed herewith.
10.9	Employment Agreement dated June 8, 2010 by and between Visualant, Inc. and Jim Gingo. Filed herewith.
10.10	Term Sheet dated May 5, 2010 by and between Mark Scott and Visualant, Inc. Filed herewith.

EXHIBIT 10.5

STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT ("Agreement") is made and entered into as of the 8th day of June, 2010, by and between **Visualant, Inc.**, a Nevada corporation ("Visualant" or the "Purchaser"), **TransTech Systems, Inc.**, an Oregon corporation ("TTS"), and **James M. Gingo**, the sole shareholder of TTS ("Shareholder" or "Seller").

Recitals

A. Shareholder is the sole shareholder and owner of all of the issued and outstanding capital stock of TTS.

B. Purchaser desires to acquire from Shareholder all of the outstanding capital stock of TTS and Shareholder wishes to sell the Shares to Purchaser, all in accordance with the terms and conditions of this Agreement.

C. Each of the parties to this Agreement desires to make certain representations, warranties and agreements in connection with the purchase and sale of the Shares and also to prescribe various conditions thereto.

Agreement

Now, therefore, in consideration of the foregoing Recitals and the mutual covenants, agreements, representations and warranties herein made, the parties agree as follows:

ARTICLE I
Purchase and Sale of Shares

1.1 Sale of Shares. Subject to the terms and conditions set forth in this Agreement, and in consideration for the Purchase Price set forth in Section 1.2, Shareholder will sell and deliver to Purchaser at the time of Closing, a total of One Hundred (100) shares, no par value per share, of the common stock of TTS (the "Shares"), constituting all of the issued and outstanding capital stock of TTS. Shareholder will deliver to Purchaser at Closing a duly endorsed stock certificate for all of the Shares accompanied by an executed assignment separate from the certificate.

1.2 Purchase Price. The purchase price for the Shares shall be Two Million Three Hundred Thousand and no/100 U.S. Dollars ($2,300,000.00) ("Purchase Price") payable pursuant to a promissory note as set forth in Sections 1.2(a) and 1.2(b) below, subject, however, to adjustment pursuant to Section 1.3 below.

(a) Common Stock. Purchaser shall issue to Seller at Closing Three Million (3,000,000) shares of Visualant's common stock (the "Common Shares") as additional consideration to Seller. The Common Shares will not be issued under a registered offering with the U.S. Securities and Exchange Commission (the "SEC") and will be restricted shares. Therefore, any resale of the Common Shares must comply with SEC Rule 144, qualify under an exemption from registration or the Common Shares shall be registered by Purchaser as provided in this Agreement. The parties agree that the value of the shares in this transaction is two cents (0.02) per share but such additional consideration shall not be included in the Purchase Price.

(b) Promissory Note. At Closing, Purchaser shall issue to Seller a Promissory Note (the "Note") substantially in the form attached hereto as Exhibit A in the amount of Two Million Three Hundred Thousand U.S. Dollars ($2,300,000.00), plus interest at the rate of Three and one-half percent (3.5%) per annum, from the date of the Note, but subject to adjustment pursuant to Section 1.3 below. The Note shall be secured by a security interest in the stock of TTS as set forth in Section 1.4 below and a security interest in the assets of TTS as set forth in Section 1.5 below, and shall be payable over a period of three (3) years as follows:

(i) The sum of Six Hundred Fifty Thousand U.S. Dollars ($650,000.00) plus the amount of any accrued interest due on the Bonderson Debt (as defined below), plus interest on the unpaid balance, shall be paid to Seller on the earlier of: (A) the one (1) year anniversary of the Closing Date; or (B) on the closing of Two Million Five Hundred Thousand U.S. Dollars ($2,500,000.00) or more in aggregate financing (whether debt, equity or some combination thereof) after the Closing Date;

(ii) The sum of Six Hundred Fifty Thousand U.S. Dollars ($650,000.00) plus the amount of any accrued interest due on the Bonderson Debt, plus interest on the unpaid balance shall be paid to Seller on the earlier of: (A) the two (2) year anniversary of the Closing Date; or (B) on the closing of Five Million U.S. Dollars ($5,000,000.00) or more in aggregate financing (whether debt, equity or some combination thereof) after the Closing Date; and

(iii) The remaining balance of the Note, plus interest thereon shall be paid to Seller on the earlier of: (A) the three year anniversary of the Closing Date; or (B) on the closing of Seven Million Five Hundred Thousand U.S. Dollars ($7,500,000.00) or more in aggregate financing (whether debt, equity or some combination thereof) after the Closing Date.

1.3 Adjustment of Purchase Price. The amount of the Purchase Price and therefore, the amount of the Note in Section 1.2(b) above, shall be subject to adjustment at Closing as follows: (a) in the event the total amount of the outstanding liability (including all accrued and unpaid interest) due by Seller to The Bonderson Family Living Trust under the Secured Promissory Note dated June 30, 2006, and the Secured Line of Credit Agreement dated June 5, 2008 (collectively, the "Bonderson Debt"), exceeds the sum of Six Hundred Thousand U.S. Dollars ($600,000.00) as of the Closing Date, the Purchase Price shall be increased by the difference between the amount of the Bonderson Debt and $600,000; and (b) in the event the total amount of the Bonderson Debt outstanding as of the Closing Date is less than $600,000, the Purchase Price shall be decreased by the difference between $600,000 and the amount of the Bonderson Debt. This adjustment in the Purchase Price shall be reflected by a corresponding increase or decrease, as applicable, in the amount of the Note set forth in Section 1.2(b) above. In addition, the Purchase Price (and accordingly, the amount of the Note) shall be adjusted to account for the amount of accrued interest due on the outstanding balance of the Bonderson Debt as of the date of each installment payment under Sections 1.2(b)(i) and (ii) above, and the amount of such accrued interest due on the Bonderson Debt shall be added to the installment amount to be paid under Sections 1.2(b)(i) and (ii). In addition, in the event the Purchaser shall sell (a) to any single entity (including any affiliates) more than a 50% ownership interest in TTS, or (b) a majority of the assets of TTS, in each case within 36 months of the Closing Date, then the Purchaser shall pay to the Seller, in addition to any payments to Seller as provided herein five percent (5%) of any proceeds received by the Purchaser above $2,300,000, unless the Seller has previously been paid in full under the terms of this agreement prior to any offer or expression of interest by any potential purchaser..

1.4 Security Interest in Shares and Continuing Control of TTS by Seller. Immediately following the Closing, Purchaser shall grant to Seller a security interest in the Shares to secure Purchaser's obligations under the Note referenced in Section 1.2(b) above, and shall execute a Stock Pledge Agreement substantially in the form attached hereto as Exhibit B. Purchaser agrees that following Closing, TTS shall remain and be operated as a separate, wholly-owned subsidiary of Purchaser, with separate revenue, profit and loss responsibilities and allocations and shall be controlled and operated solely by Seller in Seller's sole discretion in accord with the terms of the Stock Pledge Agreement. Purchaser shall not transfer its legal or beneficial interest in the Shares and shall retain all of the TTS assets within TTS (except for sales, transfers and other dispositions made in the ordinary course of business with the approval of Seller, in accord with the terms of the Stock Pledge Agreement) until such time as the Note and other Obligations have been fully repaid or otherwise satisfied by Purchaser.

1.5 Security Interest in the Assets of TTS. Immediately following the Closing, TTS shall grant to Seller a first security interest in the assets of TTS, subject only to the liens of record on the Closing Date, to secure Purchaser's obligations under the Note referenced in Section 1.2(b) above, and shall execute a Security Agreement substantially in the form attached hereto as Exhibit C. Purchaser agrees that following Closing, TTS shall remain and be operated as a separate, wholly-owned subsidiary of Purchaser, with separate revenue, profit and loss responsibilities and allocations and shall be controlled and operated by Seller in accord with the terms of the Stock Pledge Agreement. The Purchaser acknowledges and agrees that under the terms of the Stock Pledge Agreement, Seller has all voting rights in the Shares. Until all Obligations are paid in full, satisfied and fulfilled, unless otherwise agreed in writing by the Seller, to the extent that Purchaser has any legal or beneficial interest in the Shares, Purchaser shall cooperate with Seller to cause TTS (i) to operate the business and dispose of its inventory only in the ordinary course of business; (ii) not to sell, transfer, lease or otherwise dispose of any TTS assets or any interest therein, or permit or suffer any other person to acquire any interest in any TTS asset; and (iii) to keep the assets of TTS free and clear of all liens except of record on the Closing Date.

1 . 6 Closing. The closing of the transactions contemplated by this Agreement (the "Closing") shall take place at the offices of Seller's legal counsel, Brownstein, Rask Sweeney, Kerr Grim, DeSyliva & Hay LLP, 1200 SW Main Street, Portland Oregon, at ___:___ a.m. local time, on or before June 8, 2010, or at such other time and place and on such other date as Purchaser and Seller shall agree (the "Closing Date").

ARTICLE II
Further Agreements

2.1 Employment Agreements. At or prior to the Closing, each of James M. Gingo, Jeff Kruse ("Kruse") and Steve Waddle ("Waddle") of TTS, shall enter into and execute an Employment Letter Agreement (collectively, the "Employment Agreements") with Purchaser. The Employment Agreements shall include, among other things, non-competition covenants and shall be substantially in the form attached hereto as Exhibits D, E and F respectively, with such additional terms and conditions as may be mutually agreed to by the parties thereto. Under the terms of Kruse's and Waddle's Employment Agreements, Purchaser will grant to each Kruse and Waddle, , One Hundred Thousand (100,000) restricted shares of Visualant's common stock.

2.2 Other Agreements. At or prior to the Closing, the Shareholder shall execute all other customary agreements required by Purchaser to be executed by its officers and/or directors. All of the agreements to be executed by Shareholder pursuant to this Article II are collectively referred to hereafter as the "Ancillary Agreements."

2.3 Board of Directors. At or immediately following the Closing, Purchaser will facilitate the appointment or election of James M. Gingo and Paul Bonderson to the Board of Directors of Visualant. Following the Closing, the Board of Directors of Visualant shall be comprised of nine (9) members. Purchaser will grant to Paul Bonderson, as compensation for his service as a member of the Board of Directors, Six Hundred Thousand (600,000) restricted shares of Visualant's common stock, subject, however, to adjustment in the number of shares to be granted based upon the amount of the outstanding Bonderson Debt at time of Closing.

ARTICLE III
Representations and Warranties

3.1 General Statement. The parties make the representations and warranties to each other which are set forth in this Article III. The survival of all such representations and warranties shall be in accordance with Section 6.6 hereof. All representations and warranties of the parties are made subject to the exceptions which are noted in the respective schedules delivered by the parties to each other concurrently herewith and identified, as in the case of Section 3.2, the "Purchaser Disclosure Schedule," and in the case of Section 3.3, the "Seller Disclosure Schedule."

3.2 Representations and Warranties of Purchaser. Purchaser represents and warrants to Shareholder that each of the statements contained in this Section 3.2 are true, complete and correct, as of the date of this Agreement and will be true, complete and correct at the Closing Date, as follows:

(a) Organization. Purchaser is a corporation duly organized, validly existing, and in good standing under the laws of the State of Nevada.

(b) Authority. Purchaser has the requisite corporate power and authority to enter into this Agreement and to carry out its obligations hereunder. At the Closing, the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, shall have been duly authorized by Purchaser's Board of Directors and if required, its shareholders, and no other corporate proceeding on the part of Purchaser is necessary to authorize its officers to perform this Agreement and the transactions contemplated herein.

(c) Binding Obligation. When executed and delivered by Purchaser, this Agreement shall constitute the valid and binding obligation of such entity enforceable in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization or similar laws from time to time in effect which affect creditors' rights generally and by legal and equitable limitations on the availability of specific remedies.

(d) Noncontravention. The execution and delivery of this Agreement by Purchaser and the consummation of the transactions contemplated by this Agreement, do not: (i) require the approval or consent of any governmental authority having jurisdiction over the business of Purchaser; (ii) violate any provision of its Articles of Incorporation or Bylaws; or (iii) conflict with, result in a breach of, or constitute a default under any agreement, contract, or instrument to which Purchaser is a party or by which Purchaser is bound except where such violation, conflict, breach, or default would not have a material adverse effect on the ability of Purchaser to consummate the transactions contemplated by this Agreement.

(e) No Broker's Fee. Except as set forth in Section 3.2(e) of the Purchaser Disclosure Schedule, Purchaser has not employed any broker, finder or agent, nor otherwise become in any way obligated for any broker's or finder's fee, or similar fee with respect to the transactions contemplated by this Agreement.

(f) Qualification and Registration. Purchaser is duly qualified and registered to transact business and is in good standing in each of the jurisdictions in which it does business. No other jurisdiction has demanded, requested or otherwise indicated that Purchaser is required to so qualify on account of the ownership or leasing of any of its properties and assets or the conduct of its business.

(g) Corporate Documents. True, correct, and complete copies of the Articles of Incorporation and Bylaws of Purchaser, including all amendments thereto, and true copies of the minutes of all directors' and shareholders' meetings of said corporation, have been furnished to Shareholder prior to Closing.

(h) Capitalization of Purchaser. The authorized capital stock of Purchaser consists of (200,000,000) shares of common stock, no par value per share, of which 33,462,707 shares are issued and outstanding, and 166,537,293 shares are held in treasury and 100,000,000 shares of preferred. Purchaser has all requisite authority to sell the Common Shares to Shareholder. All of the outstanding shares of Purchaser's common stock have been duly authorized and validly issued in compliance with applicable state and federal laws concerning the issuance of securities, and are fully paid and non-assessable. There are no outstanding or authorized options, warrants, purchase rights, subscription rights, conversion privileges or other agreements (including rights of first refusal) or understandings obligating Purchaser to issue any additional shares of capital stock of any class or to issue any other debt or equity securities of any kind, or giving or granting to any person any rights to purchase or otherwise acquire stock or any equity securities of Purchaser other than as set forth in the Purchaser's public filings. There are no outstanding or authorized stock appreciation, phantom stock, profit participation, or similar rights with respect to Purchaser other than as set forth in the Purchaser's public filings.

(i) Title to Stock and Assets. All of the issued and outstanding shares of Purchaser are free and clear of all liens, claims and encumbrances of any kind (including but not limited to, any claims by any of the shareholders' spouses). Except as set forth in Section 3.2(i) of the Purchaser Disclosure Schedule, Purchaser has good and marketable title to all of its assets and properties, free and clear of any and all liens, security interests, or other encumbrances or restrictions thereon.

(j) Compliance with Law; Litigation. To the knowledge of Purchaser, Purchaser is in material compliance with all applicable laws (including rules, regulations, codes, plans, injunctions, judgments, orders, decrees, rulings and charges thereunder) of all federal, state, local or other governmental authority or regulatory body (each a "Governmental Body" and collectively, "Governmental Bodies"). Purchaser has not received notice that there is any action, suit or proceeding pending in or before any court, tribunal or any Governmental Body, and to the best of Purchaser's knowledge, no investigation is pending or in progress and there is no threat thereof against or relating to Purchaser, or any of Purchaser's properties, assets or business, nor, to the knowledge of Purchaser, is there any basis for any such claim, suit or other proceeding. Purchaser has not received notice that there is any suit, action, or other proceeding commenced, pending, or to the knowledge of Purchaser, threatened against or affecting Purchaser in any Governmental Body, in which it is sought to restrain, prohibit or otherwise adversely affect the ability of Purchaser to perform any or all of the obligations required of it under this Agreement or the consummation of the transactions contemplated by this Agreement.

(k) Shareholder Claims. No shareholder, and to the knowledge of Purchaser no officer, member, employee or consultant of Purchaser has any claim or claims against Purchaser, and to the knowledge of Purchaser, Purchaser is not obligated or liable to any such persons in any way or for any amounts except compensation due to employees in the ordinary course of business and except as disclosed in the Financial Statements.

(l) Financial Statements.

(i) Section 3.2(l) of the Purchaser Disclosure Schedule are the following financial statements for TTS (collectively the "Financial Statements"): (A) audited balance sheets, income statements and cash flow statements for each of the two (2) years ended, December 31, 2008 and December 31, 2009; and (B) unaudited interim balance sheet items reflecting billed and unbilled accounts receivable of Purchaser as of March 31, 2010. The Financial Statements have been prepared on a consistent basis throughout the periods covered thereby and present fairly the revenues related to the business of Purchaser as of such dates; *provided, however*, the unaudited interim balance sheet referenced in Section 3.2(l)(i)(B) above, is subject to the absence of footnote disclosure, off balance sheet activity, related party activity and year-end adjustments.

(ii) Purchaser has no liabilities associated with any of its assets or business, contingent or otherwise, that are not reflected on the Financial Statements. Except as reflected on the Financial Statements, and except as set forth on Section 3.2(l) of the Purchaser Disclosure Schedule, Purchaser has no indebtedness for money borrowed or for the deferred purchase price of property or services, capital lease obligations, conditional sale or other title retention agreements relating to any of its assets or its business. Except as set forth on Section 3.2(l) of the Purchaser Disclosure Schedule, Purchaser is not a guarantor or otherwise liable for any liability or obligation of any other person or entity for any matter which relates to or affects or shall affect the assets or the business of Purchaser.

(m) Insolvency. No insolvency proceedings of any character, including bankruptcy, receivership, reorganization, composition or arrangement with creditors, voluntary or involuntary, affecting the business or any assets of Purchaser are pending or to the knowledge of Purchaser are threatened, and Purchaser has not made any assignment for the benefit of creditors, or taken any other action which would constitute the basis for the institution of such insolvency proceedings.

(n) Taxes and Tax Returns.

(i) Purchaser has filed when due, within the time and in the manner prescribed by law, all tax returns, declarations, reports, estimates, information returns and statements (collectively, "Returns") required to be filed by them with the appropriate federal, state and local governmental authorities, and to the knowledge of Purchaser, such returns are true, correct and complete in all material respects and accurately reflect the taxes payable. All material federal, state, county and local franchise, sales, use, excise, ad valorem, property, payroll and employment, income, and other taxes which are due and payable have been duly paid; and no reserves for unpaid taxes have been set up or are required on the basis of the facts and in accordance with past accounting practices, consistently applied, except as reflected in the Financial Statements or that have arisen after the date of the Financial Statements, in the ordinary course of business.

(ii) There are no unpaid assessments or to the knowledge of Purchaser proposed assessments of federal income taxes pending against Purchaser; no deficiency for any taxes has been proposed, asserted or assessed Purchaser which has not been resolved and paid in full; there are no liens for taxes upon the assets of Purchaser, except for taxes not yet due and payable; and there are no federal, state or local tax audits or other administrative proceedings or court proceedings pending or, to the knowledge of Purchaser threatened against Purchaser with respect to any taxes or Returns.

(iii) There are no outstanding waivers or comparable consents regarding the application of the statute of limitations with respect to any taxes or Returns that have been given by Purchaser.

(iv) To the knowledge of Purchaser, Purchaser does not have any tax liabilities (whether due or to become due) with respect to the income, property and operations of Purchaser that relate to any pre-closing tax period, except for tax liabilities that have arisen after December 31, 2009, in the ordinary course of business.

(o) Intellectual Property. Section 3.2(o) of the Purchaser Disclosure Schedule sets forth a list and description of all of the intellectual property (patents, trademarks, service marks, copyrights, trade secrets, and all other proprietary assets and rights, whether or not registered) of Purchaser. Specifically, Purchaser has developed a revolutionary patent-pending technology providing spectral-based pattern file creation and matching which is a material inducement to Seller to enter into this Agreement. Patterns of a light spectrum signature, from near ultra-violet through the visible spectrum and into the near infra-red, are collected from Purchaser's proprietary sensing devices. The pattern files can be created from any material or object. Such pattern files are then matched against baseline pattern files in the Purchaser's database. As a consequence, the Purchaser's technology can serve as: an authenticator to guard against and detect identity crime, forgery, counterfeiting, and other frauds; a diagnostic device with application in medical, agricultural and environmental diagnostics; and a reliable information source and provides accurate and rapid detection for a range of critical applications, including national security, forgery/fraud prevention, brand protection, and product-tampering protection. Except as set forth herein and on Section 3.2(o) of the Purchaser Disclosure Schedule, Purchaser has no patents, patent rights, licenses, trademarks, trademark rights, trade names, trade name rights, service mark, service mark rights, copyrights or other proprietary or similar rights ("Intellectual Property"), and Purchaser does not require any such Intellectual Property in connection with the conduct of its business as presently conducted. With respect to all of the Intellectual Property disclosed above and as listed on Section 3.2(o) of the Purchaser Disclosure Schedule: (i) Purchaser owns and possesses all right, title and interest in and to such Intellectual Property; (ii) no claim by any third party contesting the validity, enforceability, use or ownership of any of the Intellectual Property has been made, or is currently outstanding; (iii) Purchaser has not received any notice of, nor is Purchaser aware of, any facts which would indicate a likelihood of any infringement or misappropriation by or conflict with, any third party of any such Intellectual Property owned by Purchaser; (iv) Purchaser has not received any notice from a third party alleging any infringement, misappropriation or conflict with the intellectual property rights of any such third party, including, without limitation, any demand, request or offer that Purchaser license rights from a third party; (v) the Intellectual Property constitutes all intellectual property necessary for the operation of Purchaser's business as currently conducted, and Purchaser is not aware of any infringement, misappropriation or conflict which will occur as a result of the continued operation of the business as currently conducted; and (vi) the Intellectual Property is free and clear of all liens, claims, security interests or other encumbrances of any kind.

(p) Insurance. All insurance policies under which Purchaser, and any of its respective assets, officers, directors and employees are insured are listed in Section 3.2(p) of the Purchaser Disclosure Schedule. All premiums payable under all such policies have been fully and timely paid, and to the knowledge of Purchaser, Purchaser is otherwise in compliance with the terms of all such policies, and all such policies are currently in effect and enforceable. With respect to all such policies, Purchaser has not received notice of: (i) any refusal of coverage or any notice that a defense will be afforded with reservation of rights, or (ii) any cancellation or any other indication that an insurance policy is no longer in full force or effect, or will not be renewed, or that the insurer of any policy is not willing or able to perform its obligations thereunder.

(q) Absence of Certain Events. Since December 31, 2009, Purchaser has not: (a) incurred any obligation or liability, whether absolute or contingent, except obligations and liabilities incurred in the ordinary course of its business; (b) discharged or satisfied any lien or encumbrance or paid any obligation or liability, whether absolute or contingent, other than current liabilities having become due and payable since December 31, 2009 in the ordinary course of its business; (c) made or agreed to make any wage, salary, or employee benefit increases for full-time employees; (d) made any loans or guarantees to or for the benefit of any of its officers, directors, employees, or any members of their immediate family; (e) sold or transferred any of its tangible or intangible assets or canceled any debts or claims, except, in each case, in the ordinary course of business; (f) sold, assigned, or transferred any trademark or trade name; (g) suffered any material losses or waived any right of substantial value other than in the ordinary course of business; (h) suffered any loss, damage, or destruction to any of its properties due to fire or other casualty whether or not insured, which loss, damage, or destruction materially and adversely affects its business, properties or operations; (i) issued or sold or agreed to issue or sell any shares of its capital stock or any other securities or reclassified or agreed to reclassify its capital stock; (j) mortgaged, pledged, or subjected to lien, charge or other encumbrance any of its tangible or intangible assets, except the lien of current real and personal property taxes not yet due and payable, or purchase money or similar liens incurred in the ordinary course of business; (k) made or agreed to make capital expenditures in excess of $50,000; (l) declared or paid a dividend or transferred property or loaned any money or agreed to loan money to any of its directors or officers, except as disclosed in Section 3.2(q) of the Purchaser Disclosure Schedule; (m) amended its Articles of Incorporation or Bylaws; (n) conducted its business otherwise than in its ordinary and usual manner; or (o) become aware of an event, transaction, or circumstance which does or could materially adversely affect its condition (financial or otherwise), assets, liabilities, earnings, business, or operations.

(r) Conduct of Business; Licenses. Except as set forth in Section 3.2(r) of the Purchaser Disclosure Schedule, the conduct of Purchaser's business is not dependent on any governmental or private license, permit or other authorization, and the consummation of the transactions contemplated by this Agreement will not terminate or adversely affect any such license, permit, or authorization.

(s) Directors and Officers. Section 3.2(s) of the Purchaser Disclosure Schedule contains a true and complete list as of the date of this Agreement showing all of the directors and officers of Purchaser.

(t) No Broker's Fee. Except as set forth in Section 3.2(t) of the Purchaser Disclosure Schedule, Purchaser has not employed any broker, finder or agent, nor otherwise become in any way obligated for any broker's or finder's fee, or any similar fee with respect to the transactions contemplated by this Agreement.

(u) Books and Records. To the knowledge of Purchaser, the books and records of Purchaser: (a) are accurate in all material respects; (b) have been maintained in accordance with applicable laws; and (c) at all times have been in the possession of said corporation or under its control.

(v) Environmental Matters. To the knowledge of Purchaser, Purchaser has complied in all material respects with and is in material compliance with all federal, state and local statutes, laws, ordinances, regulations, rules, permits, judgments, orders and decrees applicable to it, its business or assets, relating to environmental protection, including standards relating to the generation, storage, transportation, treatment or disposal of hazardous wastes ("Environmental Law"). Purchaser has not received any written or oral notice, report or other information regarding any actual or alleged violation of any Environmental Law.

(w) Absence of Questionable Payments. Neither Purchaser nor any director, officer, agent, employee or other person acting on behalf of Purchaser, has used, to the knowledge of Purchaser, any of the funds of Purchaser for any improper or unlawful contributions, payments, gifts or entertainment, or made any improper or unlawful expenditures relating to political activity to any government official or other person, in connection with the Purchaser or conduct of the Purchaser's business. With respect to the business of the corporation, Purchaser has adequate financial controls to prevent such improper or unlawful contributions, payments, gifts, entertainment or expenditures. Neither Purchaser nor any director, officer, agent, employee or other person acting on behalf of the Purchaser, has accepted or received, to the knowledge of Purchaser, any improper or unlawful contributions, payments, gifts or expenditures in connection with the operation or conduct of the business of the Purchaser.

(x) No Untrue Statements. No statement by Purchaser contained in this Agreement and no written statement contained in any certificate or other document required to be furnished by Purchaser to Shareholder pursuant to this Agreement contains or will contain any untrue statement of a material fact, or omits or will omit to state a material fact necessary in order to make the statements therein contained not misleading.

3.3 Representations and Warranties of Seller. Shareholder and TTS, jointly and severally, represent and warrant to Purchaser that each of the statements contained in this Section 3.3 are true, complete and correct as of the date of this Agreement, and will be true, complete and correct as of the Closing Date except as provided on the Seller Disclosure Schedule. Unless the context otherwise requires, all capitalized terms used in the Seller Disclosure Schedules shall have the meanings ascribed to such terms in this Agreement. Each individual Seller Disclosure Schedule incorporates these terms and conditions by reference.

The purpose of each schedule, and the Seller's Disclosure Schedule as a whole, is to qualify the warranties and representations of TTS and Shareholder in this Agreement and exclude and disclose certain exceptions to the Warranties and Representations that the Purchaser is accepting as part of the transaction. TTS and Shareholder shall have no indemnification liability or obligation pursuant to this Agreement, including but not limited to Article VI, Indemnification, for these excluded and disclosed exceptions to the warranties and representations disclosed in the Seller's Disclosure Schedules.

The disclosure of any matter or document shall not imply any warranty, representation or undertaking not expressly given in the Agreement, nor shall such disclosure of itself be taken as extending the scope of the warranties or representations.

The information in these schedules was not prepared or disclosed with a view to its potential disclosure to others. Subject to applicable law, this information is disclosed in confidence for the purposes contemplated in this Agreement and is subject to the confidentiality provisions of any other agreements entered into by the parties. In disclosing this information TTS and Shareholder expressly do not waive any attorney-client privilege associated with such information or any protection afforded by the work-product doctrine with respect to any of the matters disclosed or discussed herein.

All references in the schedules to the enforceability of agreements with third-parties, the existence or nonexistence of third-party rights, the absence or existence of breaches or defaults with respect to rights of third parties, or similar matters or statements, are intended only to allocate rights and risks among the parties to this Agreement and are not intended to be admissions against interest, give rise to any inference or proof of accuracy, be admissible against any party to this Agreement by any Person who is not a party to this Agreement, or give rise to any claim or benefit to any Person who is not a party to this Agreement. In addition, the disclosure of any matter in any schedule is not to be deemed an admission that any such matter actually constitutes noncompliance with, or a violation of, any law, permit , Contract, agreement or other topic to which such disclosure is applicable .

The inclusion of any information (including dollar amounts) in any section of any schedule shall not be deemed to be an admission or acknowledgment by TTS or Shareholder that such information is required to be listed in such section or is material to or outside the ordinary course of the business of TTS, nor shall such information be deemed to establish a standard of Materiality (and the actual standard of Materiality may be higher or lower than the matters disclosed by such information). In addition, matters reflected in schedules are not necessarily limited to matters required by the Agreement to be reflected in schedules. A disclosure made on any specific schedule is deemed a disclosure on any other applicable schedule to the extent the relevance is apparent on its face.

In addition, the Seller's Disclosure Schedule incorporates by reference all materials, discussions, documents and information whether oral or written provided to Purchaser or Purchaser's agents (including Purchaser's auditors) as due diligence and as part of an audit prior to Closing including but not limited to documents, business plans, information on products, technical data, specifications, documentation, contracts, presentations, know-how, product plans, business methods, product functionality, services, data, customers, markets, competitive analysis, databases, formats, methodologies, applications, developments, inventions, processes, payment, delivery and inspection procedures, or information related to engineering, marketing, or financial information. All such materials, discussions, documents and information shall be deemed disclosed as if fully set forth in the Seller's Disclosure Schedule.:

(a) Organization and Authority . TTS is a corporation duly organized, validly existing and in good standing under the laws of the State of Oregon. TTS has full corporate power and authority to carry on the business in which it is engaged and to own and use the properties owned and used by it. TTS and the Shareholder, to the extent applicable, have all requisite corporate power and authority to enter into this Agreement and the Ancillary Agreements, to consummate the transactions contemplated hereby, and to perform all of their respective obligations under this Agreement. At the Closing, the execution and delivery of this Agreement by TTS and Shareholder, and the consummation by TTS and Shareholder of the transactions contemplated by this Agreement, shall have been duly authorized by all requisite corporate action of TTS, including, but not limited to, approval of the transaction by the Board of Directors of the corporation and the shareholders of TTS, and any creditor or other third party whose consent is required by contract or law. When executed and delivered by TTS and Shareholder, this Agreement and the Ancillary Agreements shall constitute valid and binding obligations of TTS and Shareholder enforceable in accordance with their respective terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization or similar laws from time to time in effect which affect creditors' rights generally and by legal and equitable limitations on the availability of specific remedies.

(b) Subsidiaries and Investments. TTS has two subsidiaries, EZ Identification, LLC (100% of which is owned by TTS), and ID Validation Systems, LLC (51% of which is owned by TTS) (each a "Subsidiary" and collectively, the "Subsidiaries"). Each of the Subsidiaries is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Oregon. Other than its ownership in such Subsidiaries, neither TTS nor Shareholder owns, of record or beneficially, any outstanding voting securities or other equity interests in any corporation, partnership, joint venture, or other entity which is involved in or relates to the business of TTS.

(c) Noncontravention. Neither the execution and delivery of this Agreement or any of the Ancillary Agreements, nor the consummation of the transactions contemplated by such Agreements, shall (i) violate any statute, regulation, rule, injunction, judgment, order, decree, ruling, charge or other restriction of any Governmental Body to which TTS or Shareholder are subject or any provision of the charter or bylaws of TTS or the respective operating agreements of the Subsidiaries; or (ii) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify or cancel, or require any notice under any agreement, contract, lease, license, instrument, lien, security interest or other arrangement to which TTS or Shareholder are a party, or by which TTS or Shareholder are bound, or to which any of the assets and/or subsidiaries of TTS or Shareholder are subject. Except as is otherwise expressly set forth in this Agreement, and to the best of TTS's and Shareholder's knowledge, TTS and Shareholder do not need to give any notice to, make any filing with, or obtain any authorization, consent or approval of any Governmental Body in order for the parties hereto to consummate the transactions contemplated by this Agreement.

(d) Qualification and Registration. TTS and each Subsidiary is duly qualified and registered to transact business in each of the jurisdictions listed in Section 3.3(d) of the Seller Disclosure Schedule, which jurisdictions are the only ones in which TTS and each Subsidiary is currently conducting business. No other jurisdiction has demanded, requested or otherwise indicated that TTS or any Subsidiary is required to so qualify on account of the ownership or leasing of any of its properties and assets or the conduct of its business.

(e) Corporate Documents. True, correct, and complete copies of the Articles of Incorporation and Bylaws of TTS, including all amendments thereto, and true copies of the minutes of all directors' and shareholders' meetings of said corporation, have been furnished to Purchaser prior to Closing.

(f) Capitalization of TTS. The authorized capital stock of TTS consists of Five Thousand (5,000) shares of common stock, no par value per share, of which 100 shares are issued and outstanding, and 4900 shares are authorized but unissued. Shareholder is the sole owner of all of the issued and outstanding common stock of TTS, and Shareholder has all requisite authority to sell the Shares to Purchaser. The Shares being sold to Purchaser hereunder represent all of the issued and outstanding stock of TTS. All of the outstanding shares of TTS's common stock have been duly authorized and validly issued in compliance with applicable state and federal laws concerning the issuance of securities, and are fully paid and non-assessable. There are no outstanding or authorized options, warrants, purchase rights, subscription rights, conversion privileges or other agreements (including rights of first refusal) or understandings obligating TTS to issue any additional shares of capital stock of any class or to issue any other debt or equity securities of any kind, or giving or granting to any person any rights to purchase or otherwise acquire stock or any equity securities of TTS. There are no outstanding or authorized stock appreciation, phantom stock, profit participation, or similar rights with respect to TTS.

(g) Ownership of Subsidiaries. TTS has acquired and is the sole owner of all of the issued and outstanding units of ownership interest in EZ Identification, LLC. In addition, TTS has acquired and is the owner of fifty-one percent (51%) of the total issued and outstanding units of ownership interest in ID Validation Systems, LLC. Except as set forth in Section 3.3(g) of the Seller Disclosure Schedule, there are no outstanding or authorized options, warrants, purchase rights, subscription rights, conversion privileges or other agreements (including rights of first refusal) or understandings obligating EZ Identification, LLC to issue any additional units of membership interest or to issue any other debt or equity securities of any kind, or giving or granting to any person any rights to purchase or otherwise acquire units or any equity securities of EZ Identification, LLC. Except as set forth in Section 3.3(g) of the Seller Disclosure Schedule, to the best knowledge of TTS and Shareholder, there are no outstanding or authorized options, warrants, purchase rights, subscription rights, conversion privileges or other agreements (including rights of first refusal) or understandings obligating ID Validation Systems, LLC to issue any additional units of membership interest or to issue any other debt or equity securities of any kind, or giving or granting to any person any rights to purchase or otherwise acquire units or any equity securities of ID Validation Systems, LLC.

(h) Title to Stock and Assets. Except as set forth in Section 3.3(h) of the Seller Disclosure Schedule, and except as to the agreed upon existing pledge as may exist with the Bonderson Family Trust, TTS has good and marketable title to all of its assets and properties, free and clear of any and all liens, security interests, or other encumbrances or restrictions thereon. Each Subsidiary of TTS has good and marketable title to its respective assets, free and clear of any and all liens, security interests, or other encumbrances or restrictions thereon, except as set forth in Section 3.3(h) of the Seller Disclosure Schedule.

(i) Compliance with Law; Litigation. To the knowledge of TTS and Shareholder, TTS and each Subsidiary is in material compliance with all applicable laws (including rules, regulations, codes, plans, injunctions, judgments, orders, decrees, rulings and charges thereunder) of all Governmental Bodies. Neither TTS nor Shareholder has received notice that there is any action, suit or proceeding pending in or before any court, tribunal or any Governmental Body, and to the best of TTS's and Shareholder's knowledge, no investigation is pending or in progress and there is no threat thereof against or relating to TTS, Shareholder, any Subsidiary of TTS, or any of TTS's or its Subsidiaries' properties, assets or business, nor, to the knowledge of TTS and Shareholder, is there any basis for any such claim, suit or other proceeding. Neither TTS nor Shareholder has received notice that there is any suit, action, or other proceeding commenced, pending, or to the knowledge of TTS and Shareholder, threatened against or affecting TTS, any Subsidiary, or Shareholder in any Governmental Body, in which it is sought to restrain, prohibit or otherwise adversely affect the ability of TTS or Shareholder to perform any or all of the obligations required of them under this Agreement or the consummation of the transactions contemplated by this Agreement.

(j) Shareholder Claims. No shareholder, and to the knowledge of TTS and Shareholder, no officer, member, employee or consultant of TTS or any Subsidiary has any claim or claims against TTS or any of its Subsidiaries, and to the knowledge of TTS and Shareholder, TTS is not obligated or liable to any such persons in any way or for any amounts except compensation due to employees in the ordinary course of business and except as disclosed in the Financial Statements.

(k) Financial Statements.

(i) Purchaser acknowledges receipt of the following Financial Statements for TTS: (A) audited balance sheets, income statements and cash flow statements for each of the two years ended December 31, 2008, and December 31, 2009; and (B) unaudited interim balance sheet items reflecting billed and unbilled accounts receivable of TTS as of March 31, 2010. The Financial Statements have been prepared on a consistent basis throughout the periods covered thereby and present fairly the revenues related to the business of TTS as of such dates; *provided, however*, the unaudited interim balance sheet referenced in Section 3.3(k)(ii) above, is subject to the absence of footnote disclosure, off balance sheet activity, related party activity and year-end adjustments.

(ii) TTS has no liabilities associated with any of its assets or business, contingent or otherwise, that are not reflected on the Financial Statements. Except as reflected on the Financial Statements, and except as set forth on Section 3.3(k) of the Seller Disclosure Schedule, TTS has no indebtedness for money borrowed or for the deferred purchase price of property or services, capital lease obligations, conditional sale or other title retention agreements relating to any of its assets or its business. Except as set forth on Section 3.3(k) of the Seller Disclosure Schedule, TTS and/or Shareholder are not guarantors or otherwise liable for any liability or obligation of any other person or entity for any matter which relates to or affects or shall affect the assets or the business of TTS.

(l) Insolvency. No insolvency proceedings of any character, including bankruptcy, receivership, reorganization, composition or arrangement with creditors, voluntary or involuntary, affecting the business or any assets of TTS or any Subsidiary are pending or to the knowledge of TTS or Shareholder are threatened, and neither TTS nor Shareholder has made any assignment for the benefit of creditors, or taken any other action which would constitute the basis for the institution of such insolvency proceedings.

(m) Taxes and Tax Returns.

(i) TTS and each Subsidiary have filed when due, within the time and in the manner prescribed by law, Returns required to be filed by them with the appropriate federal, state and local governmental authorities, and to the knowledge of TTS and Shareholder, such returns are true, correct and complete in all material respects and accurately reflect the taxes payable. All material federal, state, county and local franchise, sales, use, excise, ad valorem, property, payroll and employment, income, and other taxes which are due and payable have been duly paid; and no reserves for unpaid taxes have been set up or are required on the basis of the facts and in accordance with past accounting practices, consistently applied, except as reflected in the Financial Statements or that have arisen after the date of the Financial Statements, in the ordinary course of business.

(ii) There are no unpaid assessments or to the knowledge of TTS and Shareholder proposed assessments of federal income taxes pending against TTS or any Subsidiary; no deficiency for any taxes has been proposed, asserted or assessed against TTS or any Subsidiary which has not been resolved and paid in full; there are no liens for taxes upon the assets of TTS or any Subsidiary, except for taxes not yet due and payable; and there are no federal, state or local tax audits or other administrative proceedings or court proceedings pending or, to the knowledge of TTS and Shareholder threatened against TTS or any Subsidiary with respect to any taxes or Returns.

(iii) There are no outstanding waivers or comparable consents regarding the application of the statute of limitations with respect to any taxes or Returns that have been given by TTS or any Subsidiary.

(iv) TTS and each Subsidiary have complied, and until the Closing Date will continue to comply, with all applicable laws, rules and regulations relating to the payment and withholding of taxes, and have, within the time and in the manner prescribed by law, withheld from employee wages and paid over to the proper governmental authorities, all amounts required to be so withheld and paid over under all applicable laws.

(v) TTS has been a validly electing 'S' Corporation within the meaning of Sections 1361 and 1362 of the Internal Revenue Service Code of 1986, as amended ("Code"). TTS currently has and has always had one class of stock for purposes of Section 1361 of the Code.

(vi) To the knowledge of TTS and Shareholder, TTS does not have any tax liabilities (whether due or to become due) with respect to the income, property and operations of TTS that relate to any pre-closing tax period, except for tax liabilities that have arisen after December 31, 2009, in the ordinary course of business.

(n) Accounts Receivable. All the accounts receivable of TTS and each Subsidiary reflected in the Financial Statements have been collected or are good and collectible in the aggregate recorded amounts thereof (less a reasonable amount for doubtful accounts as reflected in the Financial Statements) and can reasonably be anticipated to be paid in full after good faith collection efforts, except as such collection may be limited by applicable bankruptcy, insolvency, reorganization or similar laws from time to time in effect which affect creditors' rights generally and by legal and equitable limitations or availability of specific remedies.

(o) Inventory. All of the inventory of TTS and of each Subsidiary reflected in the Financial Statements was in existence as of the date thereof and available for sale thereafter in the ordinary course of business. All such inventory and all inventory items acquired since December 31, 2009, are of good and merchantable quality and are usable or saleable in the ordinary course of TTS's (or its Subsidiary's) business except for damage or deterioration adequately covered by insurance or by claims against financially responsible third parties. Such inventories, excluding obsolete inventory, were valued at the lower of cost or net realizable value and were determined in accordance with generally accepted accounting principles consistently applied.

(p) Intellectual Property. Schedule 3.3(p) of the Seller Disclosure Schedule sets forth a list and description of all of the intellectual property (patents, trademarks, service marks, copyrights, trade secrets, and all other proprietary assets and rights, whether or not registered) of TTS. Except as set forth on Schedule 3.3(p) of the Seller Disclosure Schedule, TTS has no Intellectual Property, and TTS does not require any such Intellectual Property in connection with the conduct of its business as presently conducted. With respect to all of the Intellectual Property listed on Section 3.3(p) of the Seller Disclosure Schedule: (i) TTS owns and possesses all right, title and interest in and to such Intellectual Property; (ii) no claim by any third party contesting the validity, enforceability, use or ownership of any of the Intellectual Property has been made, or is currently outstanding; (iii) neither TTS nor Shareholder has received any notice of, nor are they aware of, any facts which would indicate a likelihood of any infringement or misappropriation by or conflict with, any third party of any such Intellectual Property owned by TTS; (iv) neither TTS nor Shareholder has received any notice from a third party alleging any infringement, misappropriation or conflict with the intellectual property rights of any such third party, including, without limitation, any demand, request or offer that TTS license rights from a third party; (v) the Intellectual Property constitutes all intellectual property necessary for the operation of TTS's business as currently conducted, and neither TTS nor Shareholder is aware of any infringement, misappropriation or conflict which will occur as a result of the continued operation of the business as currently conducted; and (vi) the Intellectual Property is free and clear of all liens, claims, security interests or other encumbrances of any kind.

(q) Employee Benefit Plans. Except as set forth on Section 3.3(q) of the Seller Disclosure Schedule, TTS does not have any employee benefit plans covering its employees, or any collective bargaining or union agreements to which TTS is a party. Any qualified pension and/or profit sharing plans adopted or maintained by TTS comply with the provisions of the Employment Retirement Security Act of 1974, as amended ("ERISA"), and TTS has made all contributions required to be made by it to the trusts related thereto. TTS is not a party to any multi- -employer pension or other employee benefit plan. No event which constitutes a "reportable event" as defined in Section 4043 of ERISA has occurred with respect to any employee benefit plan maintained by TTS or on behalf of its employees.

(r) Employment Agreements. Except as identified on Section 3.3(r) of the Seller Disclosure Schedule, neither TTS nor any Subsidiary has any written or oral employment agreements with any of its employees. TTS and each Subsidiary have timely paid all withholding, FICA and other taxes required to be paid by it on behalf of its employees.

(s) Employment Practices. Neither TTS nor Shareholder has received notice that TTS is not in substantial compliance with any federal or state law respecting employment or employment practices, terms and conditions of employment, and wages and hours. TTS has not engaged and is not currently engaged in any unfair labor practice. There are no collective bargaining agreements which restrict TTS or Shareholder from carrying out the terms of this Agreement and the Ancillary Agreements; and to the knowledge of TTS and Shareholder, TTS does not have any contract with any of its employees which cannot be terminated without penalty on ten (10) days' notice or less. Any existing employment arrangements, including without limitation, any existing employment or consulting agreements with Gingo, Kruse and Waddle, and any other agreements between TTS and Shareholder pertaining to Shareholder's employment or entitlement to any employment benefits, will be terminated at or prior to Closing.

(t) Material Contracts. Except contracts, agreements or instruments that can be terminated on notice of thirty (30) days or less without liability to TTS and except contracts, agreements or instruments providing for the future or ongoing purchase, maintenance, acquisition, sale, or furnishing of materials, inventory, supplies, or merchandise for less than $50,000, TTS does not have any material obligations, rights or benefits under, and is not bound by or a party to, any contracts, agreements, or instruments other than those described in Section 3.3(t) of the Seller Disclosure Schedule. There is no action, suit, or other litigation proceeding threatened or pending in any court or tribunal or before any Governmental Body with respect to any contract or agreement to which TTS, any Subsidiary and/or Shareholder are a party. TTS is not in breach of or default in any of its obligations under any contract, agreement, or instrument, or, to the knowledge of Shareholder, is any other party in material default in any of its obligations under any contract, agreement, or instrument materially affecting TTS. TTS has not waived any material right under or with respect to any contract, agreement, or instrument. Each contract and agreement is in full force and effect and, except to the extent described in Section 3.3(t) of the Seller Disclosure Schedule, following the Closing, TTS shall continue to exercise all of TTS's rights under said contracts and agreements to the same extent TTS would have been able to had the transactions contemplated by this Agreement not occurred, and without the payment of any amounts or consideration due to the sale of Shares described in Article I of this Agreement, and without any changes in the rights or obligations to TTS in the contracts and agreements.

(u) Insurance. All insurance policies under which TTS, any Subsidiary, and any of their respective assets, officers, directors and employees are insured are listed in Section 3.3(u) of the Seller Disclosure Schedule. All premiums payable under all such policies have been fully and timely paid, and to the knowledge of TTS and Shareholder, TTS is otherwise in compliance with the terms of all such policies, and all such policies are currently in effect and enforceable. With respect to all such policies, neither TTS nor Shareholder has received notice of: (i) any refusal of coverage or any notice that a defense will be afforded with reservation of rights, or (ii) any cancellation or any other indication that an insurance policy is no longer in full force or effect, or will not be renewed, or that the insurer of any policy is not willing or able to perform its obligations thereunder.

(v) Absence of Certain Events. Since December 31, 2009, TTS has not: (a) incurred any obligation or liability, whether absolute or contingent, except obligations and liabilities incurred in the ordinary course of its business; (b) discharged or satisfied any lien or encumbrance or paid any obligation or liability, whether absolute or contingent, other than current liabilities having become due and payable since December 31, 2009, in the ordinary course of its business, and obligations and liabilities under contracts referred to in Section 3.3(t) of the Seller Disclosure Schedule; (c) made or agreed to make any wage, salary, or employee benefit increases for full-time employees; (d) made any loans or guarantees to or for the benefit of any of its officers, directors, employees, or any members of their immediate family; (e) sold or transferred any of its tangible or intangible assets or canceled any debts or claims, except, in each case, in the ordinary course of business; (f) sold, assigned, or transferred any trademark or trade name; (g) suffered any material losses or waived any right of substantial value other than in the ordinary course of business; (h) suffered any loss, damage, or destruction to any of its properties due to fire or other casualty whether or not insured, which loss, damage, or destruction materially and adversely affects its business, properties or operations; (i) issued or sold or agreed to issue or sell any shares of its capital stock or any other securities or reclassified or agreed to reclassify its capital stock; (j) mortgaged, pledged, or subjected to lien, charge or other encumbrance any of its tangible or intangible assets, except the lien of current real and personal property taxes not yet due and payable, or purchase money or similar liens incurred in the ordinary course of business; (k) made or agreed to make capital expenditures in excess of $50,000; (l) declared or paid a dividend or transferred property or loaned any money or agreed to loan money to any of its directors or officers, except as disclosed in Section 3.3(v) of the Seller Disclosure Schedule; (m) amended its Articles of Incorporation or Bylaws; (n) conducted its business otherwise than in its ordinary and usual manner; or (o) become aware of an event, transaction, or circumstance which does or could materially adversely affect its condition (financial or otherwise), assets, liabilities, earnings, business, or operations.

(w) No Untrue Statements. Neither this Agreement nor any of the Schedules or Exhibits annexed hereto contains any untrue statement of any material fact or omits to state any material fact required to be stated herein or therein, or necessary in order to make the statements contained herein or therein not misleading. To the best knowledge of Shareholder, there is no fact which materially adversely affects, or in the future may materially adversely affect, the business or prospects or condition (financial or otherwise) of TTS, any Subsidiary, or any of their respective properties or assets, which fact has not been set forth herein or in the Schedules or Exhibits annexed hereto.

(x) Condition of Equipment. All of the equipment of TTS and each Subsidiary is in good condition and repair, and to the best of Shareholder's knowledge, the building and the equipment are in conformity with all applicable ordinances and regulations, building, zoning, and other laws. Shareholder agrees to cause TTS and each Subsidiary to continue to maintain all of its assets in conformity with present practices and cause TTS and each Subsidiary to continue to carry its existing insurance on such assets up through the date of Closing.

(y) Conduct of Business; Licenses. Except as set forth in Section 3.3(y) of the Seller Disclosure Schedule, the conduct of TTS's business is not dependent on any governmental or private license, permit or other authorization, and the consummation of the transactions contemplated by this Agreement will not terminate or adversely affect any such license, permit, or authorization.

(z) Directors and Officers; Banks. Section 3.3(z) of the Seller Disclosure Schedule contains a true and complete list as of the date of this Agreement showing: (i) all of the directors and officers of TTS and each Subsidiary; (ii) the names of each bank in which TTS and each Subsidiary have an account or safe deposit box, and the names of all persons authorized to draw thereon or to have access thereto; and (iii) the names of all persons holding a power of attorney from TTS or any Subsidiary.

(aa) Work in Process. All work in process meets all required work quality standards and policies, and all work has been performed in compliance with all contract requirements. There is no pending action, suit, proceeding or hearing, or to the knowledge of TTS or Shareholder, any current reasonable basis for any present or future action, suit, proceeding, hearing, investigation, charge, complaint, claim or demand, by any client with respect to any such work giving rise to any liability for any damages in connection therewith. No work in process is subject to any guaranty, warranty or other indemnity except to the extent specifically set forth in the applicable contract. Shareholder is not aware of any default under, non-performance, substandard performance or other adverse condition affecting any such contracts pursuant to which the work is being performed.

(bb) No Broker's Fee. Except as set forth in Section 3.3(bb) of the Seller Disclosure Schedule, neither TTS nor Shareholder has employed any broker, finder or agent, nor otherwise become in any way obligated for any broker's or finder's fee, or any similar fee with respect to the transactions contemplated by this Agreement.

(cc) Powers of Attorney. There are no outstanding powers of attorney executed on behalf of TTS or any of its Subsidiaries.

(dd) Books and Records. To the knowledge of TTS or Shareholder, the books and records of TTS: (a) are accurate in all material respects; (b) have been maintained in accordance with applicable laws; and (c) at all times have been in the possession of said corporation or under its control.

(ee) Environmental Matters. To the knowledge of TTS or Shareholder, TTS and each Subsidiary has complied in all material respects with and is in material compliance with all fEnvironmental Laws applicable to it, its business or assets. Neither TTS, any Subsidiary, nor Shareholder has received any written or oral notice, report or other information regarding any actual or alleged violation of any Environmental Law.

(ff) Absence of Questionable Payments. Neither TTS nor any director, officer, agent, employee or other person acting on behalf of TTS or any Subsidiary, has used, to the knowledge of TTS or Shareholder, any of the funds of TTS's or any Subsidiary's business for any improper or unlawful contributions, payments, gifts or entertainment, or made any improper or unlawful expenditures relating to political activity to any government official or other person, in connection with the operation or conduct of the corporation's business. With respect to the business of the corporation, TTS has adequate financial controls to prevent such improper or unlawful contributions, payments, gifts, entertainment or expenditures. Neither TTS nor any director, officer, agent, employee or other person acting on behalf of the corporation, has accepted or received, to the knowledge of TTS or Shareholder, any improper or unlawful contributions, payments, gifts or expenditures in connection with the operation or conduct of the business of the corporation.

(g g) Customers and Suppliers. To the best knowledge of TTS and Shareholder, no customer, client or supplier of TTS intends to terminate or modify its relationship with TTS either prior to the Closing or as a result of the consummation of the transactions contemplated by this Agreement.

(h h) Complete Copies of Materials. TTS and Shareholder have delivered or made available to Purchaser prior to the date of Closing true and complete copies of each existing document that has been requested by Purchaser or its counsel.

ARTICLE IV
Covenants

4 . 1 Conduct of Business Pending Closing. TTS and Shareholder agree that from December 31, 2009, the date of execution of the Letter of Intent, and continuing thereafter through the Closing Date:

(a) Access. TTS and Shareholder shall afford to Purchaser and its representatives: (i) full and complete access to TTS's and its Subsidiary's personnel, professional advisors, facilities, properties, contracts, books and records, and all other documents and data; (ii) furnish Purchaser and its representatives with copies of all such contracts, books and records, and other existing documents and data as they may reasonably request; and (iii) furnish Purchaser and its representatives with such additional financial, operating and other data and information as they may reasonably request, in each case relating to the business and/or assets of TTS and its Subsidiaries. No information or knowledge obtained in any investigation pursuant to this Section 4.1(a) shall affect or be deemed to modify any representation or warranty contained in this Agreement or the conditions to the obligations of the parties to consummate the transactions contemplated by this Agreement, unless such information or knowledge is included in the terms of this Agreement or made a part of the Seller Disclosure Schedule.

(b) Certain Events; Employees. Except as otherwise expressly permitted by this Agreement, neither TTS nor Shareholder shall take any action, or fail to take any action, as a result of which any of the changes or events described in Section 3.3(v) would occur. In addition, TTS shall not pay, promise or award to any of its employees or to Shareholder any bonus, salary or benefit continuation, severance, retirement, retiree medical or other post-termination benefit, change in control benefit, increase in salary or other compensation, stock option, stock or other equity-based compensation or acceleration in the vesting of the same which would become an obligation of Purchaser as of the Closing Date.

(c) Operation of Business. Except as otherwise allowed or required pursuant to the terms of this Agreement, TTS and Shareholder shall conduct the operation of the corporation's business in the ordinary course of business consistent with past practice (the "Ordinary Course of Business"), including, without limitation, the following:

(i) Pay the debts and taxes of the business when due;

(ii) Pay or perform all other obligations of the business when due;

(iii) Use their best efforts to preserve intact the current business and work backlog of future business of TTS, and maintain TTS's good relations and goodwill with its clients, customers, suppliers, licensors, licensees, landlords, trade creditors, employees, agents and others having relationships with TTS relating to its business, with the goal of preserving unimpaired the goodwill and ongoing business of TTS as of the Closing;

(iv) Retain the services of TTS's key employees, consultants and agents on the same terms and conditions existing as of the date of this Agreement, and refrain from granting, declaring or committing to pay any bonuses or other additional compensation to such persons outside the Ordinary Course of Business;

(v) Refrain from allotting, issuing, transferring, pledging or encumbering any shares of TTS's capital stock, and refrain from issuing, granting or authorizing any options, warrants, convertible securities, or any other securities or ownership rights in TTS or in any Subsidiary;

(vi) Except as allowed by Section 4.8, refrain from declaring, setting aside or paying any dividend, stock or otherwise, or making any other distribution or payment with respect to the corporation's capital stock (whether in cash or in kind), or redeem, repurchase, or otherwise acquire any of its capital stock;

(vii) Not do or cause to be done anything that would cause any representation or warranty inSection 3.3 to be untrue or inaccurate if made at the time, except as otherwise permitted by this Agreement;

(viii) Refrain from entering into or executing any binding contracts, including any renewal of existing agreements, in excess of $10,000 for any single contract, and not enter into any binding contract or agreement with any client for the provision of services with respect to the business in excess of $20,000 (where the contract or agreement involves performance of services after the Closing Date), without first obtaining the written consent of Purchaser;

(ix) Keep and maintain the corporation's properties, facilities and equipment in good condition, repair and working order in accordance with good business practices and maintain all insurance with respect thereto, and use commercially reasonable, best efforts to maintain the current value of the corporation's assets and, in the event of any damage to or destruction of any of the foregoing prior to the Closing Date, promptly replace, repair or restore the same;

(x) Refrain from issuing any note, bond or other debt security, or creating, incurring, assuming or guaranteeing any indebtedness for borrowed money or capitalized lease obligation;

(xi) Refrain from granting any security interest or permitting any liens on, or allotting, transferring, encumbering or issuing any other interest or rights in or to any of its properties or assets;

(xii) Maintain its books and records in the Ordinary Course of Business;

(xiii) Promptly report to Purchaser any event or occurrence not in the Ordinary Course of Business or any material event involving the business or employees of TTS or its Subsidiaries; and

(xiv) Furnish to Purchaser monthly Financial Statements of TTS.

4.2 Approval of TTS Shareholders. TTS and Shareholder shall take all necessary action required under the applicable general and corporation laws of Oregon, and the Articles of Incorporation and Bylaws of TTS, to obtain the necessary approval and adoption of this Agreement by the Board of Directors and shareholders of TTS, whether by calling a special meeting for that purpose or by unanimous written consent if so permitted under the Articles of Incorporation, Bylaws and state law applicable to TTS.

4.3 Approval of Purchaser's Board of Directors and Shareholders. Purchaser shall take all necessary action required under the Nevada Revised Statutes ("NRS"), Purchaser's Articles of Incorporation and Bylaws, to obtain the necessary approval and adoption of this Agreement by its Board of Directors and, if required, its shareholders, whether by way of calling a special meeting or by unanimous written consent if so permitted under Purchaser's Articles of Incorporation, Bylaws and the NRS.

4.4 Third Party Consents. Each party to this Agreement shall use its best efforts to obtain, as soon as reasonably practicable, all permits, authorizations, consents, waivers and approvals from all third parties and/or governmental authorities necessary to consummate this Agreement and the transactions contemplated hereby. TTS, Shareholder and Purchaser each shall cooperate with and promptly furnish information to the other party hereto in connection with obtaining any such consents and approvals. Any out-of-pocket expenses related to the foregoing shall be borne by the party incurring such expense.

4.5 Confidentiality. Each of the parties to this Agreement agrees that the information obtained in any investigation pursuant to Section 4.1(a) or any other provision of this Agreement, or pursuant to the negotiation and execution of this Agreement, or the effectuation of the transactions contemplated by this Agreement, shall be governed by the confidentiality provisions of the Letter of Intent dated November 11, 2009. and the terms of the Confidentiality Agreement between the parties dated December 12, 2008. The obligations of the parties thereunder shall survive the Closing of the transactions contemplated by this Agreement.

4.6 Exclusivity. From and after the date of this Agreement until the earlier to occur of the Closing Date or termination of this Agreement pursuant to its terms, TTS and Shareholder shall not, and shall cause TTS's directors, officers, employees, financial advisors, agents and affiliates not to, directly or indirectly: (a) solicit or encourage submission of any Acquisition Proposal (as defined below) by any person, entity, or group (other than Purchaser and its affiliates, agents and representatives); or (b) participate in any discussions or negotiations with, or disclose any information concerning TTS or its business to, or afford access to the properties, books or records of TTS, or otherwise assist or facilitate, or enter into any agreement or understanding with, any person, entity or group in connection with any Acquisition Proposal. For purposes of this Agreement, an "Acquisition Proposal" means any proposal or offer relating to: (i) any merger, consolidation, sale or license of all, a portion of, or substantially all of the assets or stock of TTS (other than sales or licenses of assets or inventory in the Ordinary Course of Business or as permitted by this Agreement); or (ii) investments in or sales by TTS or Shareholder of any capital stock or other securities of TTS or any Subsidiary. TTS and Shareholder shall immediately cease any and all existing activities, discussions or negotiations with any parties conducted heretofore with respect to any of the foregoing. TTS and Shareholder shall promptly (A) notify Purchaser if TTS or Shareholder receives any proposal or written inquiry or written request for information in connection with an Acquisition Proposal or potential Acquisition Proposal, and (B) notify Purchaser of the significant terms and conditions of any such Acquisition Proposal, including the identity of the party making an Acquisition Proposal. In addition, from and after the date of this Agreement until the earlier to occur of the Closing Date or termination of this Agreement pursuant to its terms, TTS shall not, and shall cause its directors, officers, employees, shareholders, financial advisors, agents and affiliates not to, directly or indirectly, make or authorize any public statement, recommendation or solicitation in support of any Acquisition Proposal made by any person, entity or group (other than Purchaser).

4 . 7 Public Disclosure. Unless otherwise required by law (including, without limitation, applicable securities laws), TTS and Shareholder shall not issue any statement or communication to any third party (whether or not in response to an inquiry) regarding the subject matter of this Agreement or the transactions contemplated by this Agreement, including if this Agreement is terminated and the reasons therefor, without the prior consent of Purchaser, which consent shall not be unreasonably withheld.

4.8 Tax Distribution for Shareholder.

(a) Within ten (10) days after the last income tax Return of TTS for the taxable year ending on or immediately prior to the Closing Date has been prepared, the Shareholder shall prepare and deliver to the Purchaser a statement (the "Shareholder Tax Statement") reflecting the amount of income taxes owed by the Shareholder (as defined as "Shareholder Taxes" below) as a result of Shareholder taking into account TTS's items of income, loss, deduction, or credit, and nonseparately computed income or loss under applicable tax law (e.g., Section 1366 of the Code) for the time period starting on January 1, 2010, and ending on or immediately prior to the Closing Date.

(b) Within ten (10) days following the receipt of the Shareholder Tax Statement, the Purchaser shall deliver written notice to the Shareholder of any dispute that the Purchaser has with respect to the Return or the preparation or content of the Shareholder Tax Statement. In the event that the Purchaser does not notify the Shareholder of a dispute with respect to the Shareholder Tax Statement within such ten (10) day period, such statement shall be deemed final, conclusive, and binding on the parties. In the event of such notification of a dispute, the Purchaser and the Shareholder shall negotiate in good faith to resolve any such dispute. If the Purchaser and the Shareholder, notwithstanding such good faith effort, fail to resolve such dispute within ten (10) days after the Purchaser advises the Shareholder of the Purchaser's objections, then the Purchaser and the Shareholder shall submit such dispute for arbitration to a nationally recognized accounting firm mutually, agreeable to the Purchaser and the Shareholder (the "Accounting Firm"). All determinations relating to such dispute made by the Accounting Firm shall be final, conclusive, and binding on the parties. The Purchaser, on the one hand, and the Shareholder, on the other hand, shall share the fees and expenses of the Arbitration Firm in inverse proportion to the extent to which their respective positions, on an aggregated basis, are sustained by the Arbitration Firm. "Shareholder Taxes" shall equal 45% of the income of the Shareholder as a result of such Shareholder taking into account TTS's items of income, loss, deduction, or credit, and nonseparately computed income or loss under applicable tax law (e.g., Section 1366 of the Code) reflected on the Shareholder Tax Statement that has become final, binding and conclusive pursuant to this Section 4.8(b).

(c) The Purchaser or TTS shall pay or cause to be paid to the Shareholder by bank wire transfer of immediately available funds (or such other mutually acceptable means), to the account designated in writing by the Shareholder to the Purchaser, an aggregate amount in cash equal to the Shareholder Taxes. Any payment required by this Section 4.8 shall be made within ten (10) business days from the date on which the amount of Shareholder Taxes is determined pursuant to Section 4.8(b).

4.9 Information and Reporting. The parties to this Agreement agree to deliver all necessary and appropriate information to one another to allow proper and consistent reporting of this transaction and filing of Returns. Furthermore, the parties to this Agreement agree that Purchaser will be responsible for the preparation and filing of all Returns required for TTS for years ending after December 31, 2009, and that all such Returns of TTS (i) will be consistent with prior reporting practice of TTS, and (ii) will not change, propose changes, or imply necessary changes to prior Returns of TTS.

4.10 Required Securities Filing. Purchaser will cause to be filed all notices, reports or other documents required to be filed under the securities laws and regulations thereunder of the United States and any state or other jurisdiction thereof in connection with the offer, sale and issuance of the Common Shares.

ARTICLE V
Conditions to Closing

5.1 Conditions to Each Party's Obligation to Close. The respective obligations of each party to consummate and close the transactions contemplated by this Agreement shall be subject to the fulfillment of all of the following conditions precedent at or prior to the Closing Date:

(a) This Agreement shall have been approved by the respective Boards of Directors of TTS and Visualant, as well as by all of the shareholders of TTS and if required, by the shareholders of Purchaser;

(b) No action or proceeding shall have been instituted in which an order or decree has been entered restraining, enjoining, prohibiting or invalidating the transactions contemplated by this Agreement; and

(c) All governmental and other third party consents and approvals, if any, necessary to permit the consummation of the transactions contemplated by this Agreement shall have been received.

5.2 Conditions to Obligations of Seller to Close. The obligation of Shareholder and TTS to consummate and close the transactions contemplated by this Agreement are subject to the fulfillment of all of the following conditions precedent at or prior to the Closing Date, any one or more of which may be waived in whole or in part by Shareholder in writing:

(a) The representations and warranties of Purchaser contained herein shall be true and correct in all material respects on the Closing Date with the same force and effect as though such representations and warranties had been made on and as of the Closing Date.

(b) Purchaser shall have performed and complied with all covenants, conditions and obligations of this Agreement required to be performed or complied with by Purchaser on or before the Closing Date.

(c) Purchaser shall have delivered to Shareholder a certificate executed by the President of Purchaser to the effect that, as of the Closing Date: (i) all representations and warranties made by Purchaser under this Agreement are true and complete, and (ii) all covenants, obligations and conditions of this Agreement to be performed by Purchaser on or before such date have been so performed.

(d) Each time that the Purchaser proposes to register a public offering solely of Visualant common stock (not including an offering of common stock issuable upon conversion or exercise of other securities), other than pursuant to a Registration Statement on Form S-4 or Form S-8 or similar or successor forms (collectively, "Excluded Forms"), the Purchaser shall promptly give written notice of such proposed registration to Seller, which shall offer Seller the right to request inclusion of any of Seller's Common Shares in the proposed registration:

(i) Seller shall have thirty (30) days or such longer period as shall be set forth in the notice from the receipt of such notice to deliver to the Purchaser a written request specifying the number of shares of his Common Shares that Seller intends to sell and the Seller's intended plan of disposition.

(ii) In the event that the proposed registration by the Purchaser is, in whole or in part, an underwritten public offering of securities of the Purchaser, any request under this Section 5.2(d) may specify that the Common Shares be included in the underwriting on the same terms and conditions as the shares of common shares, if any, otherwise being sold through underwriters under such registration.

(iii) Upon receipt of a written request pursuant to Section 5.2(d), the Purchaser shall promptly use its best efforts to cause all such Common Shares to be registered, to the extent required to permit sale or disposition as set forth in the written request.

(iv) Notwithstanding the foregoing, if the managing underwriter of an underwritten public offering, determines and advises in writing that the inclusion of all of Seller's Common Shares proposed to be included in the underwritten public offering, together with any other issued and outstanding shares of common stock proposed to be included therein by holders other than the Seller (such other shares hereinafter collectively referred to as the "Other Shares"), would interfere with the successful marketing of the securities proposed to be included in the underwritten public offering, then the number of such shares to be included in such underwritten public offering shall be reduced, and shares shall be excluded from such underwritten public offering in a number deemed necessary by such managing underwriter, first by excluding shares held by the directors, officers, employees and founders of the Purchaser, and then, to the extent necessary, by excluding Seller's Common Shares participating in such underwritten public offering, pro rata based on the number of shares of Common Shares Seller and each such holder of Other Shares proposed to include.

(v) If and whenever the Purchaser is under an obligation pursuant to the provisions of this Section 5.2(d) to use its best efforts to effect the registration of any Common Shares, the Purchaser shall, as expeditiously as practicable:

(A) prepare and file with the Commission a Registration Statement (as required by the SEC and the Securities Act) with respect to such Common Shares and use its best efforts to cause such Registration Statement to become and remain effective in accordance with this Section 5.2(d), keeping Seller advised as to the initiation, progress and completion of the registration;

(B) prepare and file with the Commission such amendments and supplements to such Registration Statements and the prospectus used in connection therewith as may be necessary to keep such Registration Statement effective and to comply with the provisions of the Securities Act with respect to the sale or other disposition of all Common Shares and common shares covered by such Registration Statement;

(C) furnish to Seller such number of copies of any summary prospectus or other prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as Seller may reasonably request in order to facilitate the public sale or other disposition of Seller's Common Shares;

(D) use its best efforts to register or qualify the Seller's Shares covered by such Registration Statement under the securities or blue sky laws of such jurisdictions as Seller shall reasonably request and do any and all other acts or things which may be necessary or advisable to enable such holder to consummate the public sale or other disposition in such jurisdictions of such registrable securities; provided however, that the Purchaser shall not be required to consent to general service of process, qualify to do business as a foreign corporation where it would not be otherwise required to qualify or submit to liability for state or local taxes where it is not liable for such taxes; and

(E) at any time when a prospectus covered by such Registration Statement is required to be delivered under the Securities Act, notify Seller of the happening of any event as a result of which the prospectus included in such registration, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing and, at the request of Seller, prepare, file and furnish to Seller a reasonable number of copies of a supplement to or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers of such shares, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statement therein not misleading in light of the circumstances then existing.

(F) the Purchaser shall pay all registration expenses incurred by the Purchaser in complying with this Section 5.2(d); *provided however* that all underwriting discounts and selling commissions applicable to the Seller's Shares covered by registrations effected pursuant to this section shall be borne by the Seller, in proportion to the number of shares sold by all such seller or sellers of common shares.

5.3 Conditions to Obligations of Purchaser to Close. The obligation of Purchaser to consummate and close the transactions contemplated by this Agreement is subject to the fulfillment of all of the following conditions precedent at or prior to the Closing Date, any one or more of which may be waived in whole or in part by Purchaser in writing:

(a) The representations and warranties of TTS and Shareholder contained herein shall be true and correct in all material respects on the Closing Date with the same force and effect as though such representations and warranties had been made on and as of the Closing Date.

(b) TTS and Shareholder shall have performed and complied with all covenants, conditions and obligations of this Agreement required to be performed or complied with by them on or before the Closing Date.

(c) TTS and Shareholder shall have delivered to Purchaser a certificate executed by Shareholder and the President and Secretary of TTS to the effect that, as of the Closing Date: (i) all representations and warranties made by TTS and Shareholder under this Agreement are true and complete, and (ii) all covenants, obligations and conditions of this Agreement to be performed by TTS and Shareholder on or before such date have been so performed.

(d) Purchaser shall have completed, to its satisfaction in its sole discretion, the investigation, evaluation and diligence review (whether financial, legal or other) of TTS and its Subsidiaries, their respective businesses, operations, properties and assets, and any other matter, liability or concern in connection with TTS and its Subsidiaries.

(e) The Employment Agreements referenced in Section 2.1 in substantially the form attached hereto as Exhibits D, E and F, and all other Ancillary Agreements referenced in Article II of this Agreement, shall be executed by Shareholder, Krause and Waddle.

(f) The Bonderson Family Living Trust shall have fully released its security interest in the TTS Shares and filed a UCC Termination Statement with respect thereto.

(g) Since the date of execution of this Agreement, there shall not have occurred any event or condition of any character (including. without limitation, any bankruptcy or similar legal or equitable proceeding), or any damage, destruction, or loss (whether or not covered by insurance), that has had or is reasonably likely to have a material adverse effect on the business, properties, financial condition, or business prospects of TTS or any Subsidiary.

(h) Purchaser shall have taken all necessary action required under the NRS, Purchaser's Articles of Incorporation and Bylaws, to authorize and provide for the issuance of the Common Shares to Seller, including any necessary amendments to Purchaser's Articles of Incorporation.

ARTICLE VI
Indemnification

6 . 1 General Indemnification Covenants. Subject to the provisions of Section 6.3 and Section 6.4, Shareholder shall indemnify, save and keep Purchaser, its directors, officers, affiliates, and permitted assigns (the "Indemnitees"), harmless from and against all liabilities, demands, claims, actions or causes of action, assessments, losses, fines, penalties, costs, damages and expenses, including reasonable attorneys' fees (collectively, "Damages"), asserted against or sustained or incurred by any of the Indemnitees resulting from, arising out of or by virtue of: (a) any misrepresentation, breach of any warranty or representation, or non-fulfillment of any agreement or covenant on the part of TTS or Shareholder, whether contained in this Agreement, any Exhibit or Schedule hereto.

6.2 Tax Indemnity.

(a) Shareholder hereby agrees to protect, defend, indemnify and hold harmless Purchaser and its officers, directors, affiliates, successors and assigns, from and against any and all taxes of TTS, any Subsidiary of TTS, and Shareholder with respect to any period (or any portion thereof) up to and including the Closing Date, except for taxes of TTS and any Subsidiary which are reflected as current liabilities for taxes that exist as of the Closing Date ("Current Tax Liabilities") on the Closing Balance Sheet, together with all reasonable legal fees, disbursements and expenses incurred by Purchaser in connection therewith. Notwithstanding the foregoing provisions of this Section 6.2(a), which contemplate taxes for TTS and any Subsidiary, the obligations of Purchaser and TTS established by Section 4.8 and set forth in the Shareholder Tax Statement and the Shareholder Tax shall not be subject to the provisions of this Section 6.2.

(b) Purchaser shall prepare and file any tax return of TTS which is required to be filed after the Closing Date and which relates to any period (or portion thereof) up to and including the Closing Date, and Purchaser shall, within forty-five (45) days prior to the due date of any such return, deliver a draft copy to Shareholder. Within twenty (20) days of the receipt of any such return, Shareholder may reasonably request changes, in which event Purchaser and Shareholder shall attempt to agree on a mutually acceptable resolution of the issues in dispute. If a resolution is reached, such return shall be filed in accordance therewith. If a resolution is not reached, then at the expense of Purchaser and Shareholder (such expense to be shared one-half by Purchaser and one-half by Shareholder), such return shall be submitted to a firm of independent certified public accountants selected by Purchaser and reasonably acceptable to Shareholder, which shall be directed to resolve the issues in dispute and prepare the return for filing. As soon as is practicable after notice from Purchaser to Shareholder at any time prior to the date any payment for taxes attributable to any such return is due, provided such return is prepared for filing in accordance with the foregoing, an amount equal to the excess, if any, of: (i) taxes that are due with respect to any taxable period ending on or before the Closing Date, or taxes that would have been due with respect to a taxable period beginning before and ending after the Closing Date if such period had ended on the Closing Date over (ii) the amount of such taxes of TTS with respect to such taxable period which are reflected as Current Tax Liabilities on the Closing Balance Sheet, shall be paid by Shareholder to Purchaser in cash or by wire transfer within three (3) business days after written demand therefor. The foregoing obligation for taxes is applicable to entity level taxes for TTS and any Subsidiary and does not include the tax obligation of the Shareholder which is provided for at Section 4.8.

(c) The indemnify provided for in this Section 6.2 shall be independent of any other indemnity provision hereof and, anything in this Agreement to the contrary notwithstanding, shall survive for the applicable statutes of limitation, plus sixty (60) days, for the taxes referred to herein, and any taxes subject to the indemnification for taxes set forth in this Section 6.2 shall not be subject to the provisions of Section 6.3 and Section 6.4 hereof.

6.3 Limitations on Indemnification. The obligations of Shareholder pursuant to Section 6.1 are subject to the following limitations: Shareholder will not be liable for any Damages under Section 6.1 unless and until the aggregate amount of such Damages for which Shareholder would otherwise be responsible exceeds One Hundred Fifty Thousand U.S. Dollars ($150,000) (the "Basket"). If the aggregate amount of such Damages for which Shareholder is responsible exceeds the Basket, then Shareholder will be responsible for the amount of all such Damages, in excess of the Basket amount. In no event, however, shall the obligation of Shareholder to indemnify the Indemnitees pursuant to Section 6.1 exceed the amount of the Purchase Price in the aggregate for any claims made; *provided, however*, that the limitations set forth in this Section 6.3 shall not apply to any indemnification obligations of Shareholder under Section 6.2. Notwithstanding anything to the contrary in this Agreement, the Purchaser agrees and acknowledges that (i) any matters disclosed, incorporated by reference or deemed disclosed are exceptions to the Warranties and Representations that the Purchaser is accepting as part of the transaction (ii) TTS and Shareholder shall have no indemnification liability or any other obligation pursuant to this Agreement, including but not limited to this Article VI, Indemnification, for these excluded and disclosed exceptions to the warranties and representations disclosed, incorporated by reference or deemed disclosed in the Seller's Disclosure Schedules. Purchaser further agrees and acknowledges that in order to prevail on any claim for damages of any kind or nature that they must prove by clear and convincing evidence both that there was a breach and that there was no disclosure, incorporation by reference or deemed disclosure as an exception to the warranties and representations of this Agreement. Notwithstanding anything to the contrary in this Agreement, any proven claim for indemnification or damages against TTS and Shareholder shall not become due and payable and no offset may be taken against amounts due to TTS and Shareholder until after TTS and Shareholder have been paid in full under the terms of this agreement.

6.4 Notice Requirements. No party entitled to indemnification hereunder shall be entitled to assert any right of indemnification under Section 6.1 unless such Indemnitee has given written notice to the party or parties subject to an indemnification claim hereunder on or prior to the end of any survival period set forth in Section 6.6. If the Indemnitee gives such notice on or prior to the end of the survival period, such Indemnitee shall continue to have the right to be indemnified with respect to such pending indemnification claim, notwithstanding the expiration of such survival period.

6.5 Procedures Regarding Third-Party Claims.

(a) If a third party makes a claim against an Indemnitee for which such Indemnitee intends to seek indemnification hereunder, such Indemnitee shall notify the other party or parties against whom it intends to assert such indemnification claim (in such context, an "Indemnifying Party") in writing reasonably promptly after the assertion against the Indemnitee of any claim by a third party (a "Third-Party Claim"), but the failure or delay so to notify the Indemnifying Party shall not relieve it of any obligation or liability that it may have to the Indemnitee, except to the extent that the Indemnifying Party demonstrates that its ability to defend or resolve such Third Party Claim is materially and adversely prejudiced thereby.

(b) Subject to the provisions of Section 6.5(d), the Indemnifying Party shall have the right, upon written notice given to the Indemnitee within thirty (30) days after receipt of the notice from the Indemnitee of any Third Party Claim, to assume the defense or handling of such Third Party Claim, at the Indemnifying Party's sole expense, in which case the provisions of Section 6.5(c) shall govern.

(c) The Indemnifying Party shall select counsel reasonably acceptable to the Indemnitee to conduct the defense or handling of such Third Party Claim, and the Indemnifying Party shall defend or handle the same in consultation with the Indemnitee, shall keep the Indemnitee timely apprised of the status of such Third Party Claim, and shall not, without the prior written consent of the Indemnitee, directly or indirectly assume any position or take any action that would impose any obligation of any kind on or restrict the actions of the Indemnitee. The Indemnifying Party shall not, without the prior written consent of the Indemnitee, which consent shall not be unreasonably withheld or delayed, consent to entry of any judgment or administrative order, or enter into any settlement or compromise intended to bind the Indemnitee that: (i) does not include as an unconditional term thereof the giving by the claimant or plaintiff to the Indemnitee of a release from all liability with respect to such Third Party Claim, (ii) requires any admission of wrongdoing on the part of, or payment of funds by, the Indemnitee, (iii) grants any injunctive or equitable relief, or (iv) would, in the good faith judgment of the Indemnitee, be likely to establish a precedential custom or practice that is materially adverse to the continuing business interests of the Indemnitee. The Indemnitee shall cooperate with the Indemnifying Party and shall be entitled to participate in the defense or handling of any Third Party Claim with its own counsel and at its own expense. Notwithstanding the foregoing, in the event the Indemnifying Party fails to conduct the defense or handling of any Third Party Claim in good faith after having assumed such defense or handling, then the provisions of Section 6.5(d) shall govern.

(d) If the Indemnifying Party does not give written notice to the Indemnitee within thirty (30) days after receipt of notice from the Indemnitee of any Third Party Claim, of the Indemnifying Party's election to assume the defense or handling of such Third Party Claim (or if the Indemnifying Party fails to conduct the defense or handling of any Third Party Claim in good faith after having assumed such defense or handling under Section 6.5(c) above), then the Indemnitee may, at the Indemnifying Party's expense, select counsel in connection with conducting the defense or handling of such Third Party Claim and defend or handle such Third Party Claim in such manner as it may deem appropriate; *provided, however*, that the Indemnitee shall keep the Indemnifying Party timely apprised of the status of such Third Party Claim and shall not settle such Third Party Claim without the prior written consent of the Indemnifying Party, which consent shall not be unreasonably withheld or delayed. If the Indemnitee defends or handles such Third Party Claim, the Indemnifying Party shall cooperate with the Indemnitee and shall be entitled to participate in the defense or handling of such Third Party Claim with its own counsel and at its own expense.

(e) If the Indemnitee intends to seek indemnification hereunder other than for a Third Party Claim, then it shall notify the Indemnifying Party in writing within forty-five (45) days after its discovery of facts upon which it intends to make a claim for indemnification hereunder, but the failure or delay so to notify the Indemnifying Party shall not relieve the Indemnifying Party of any obligation or liability that the Indemnifying Party may have to the Indemnitee except to the extent that the Indemnifying Party demonstrates that the Indemnifying Party's ability to defend or resolve such claim is adversely affected thereby.

6.6 Survival Period. Except as otherwise provided in Section 6.2 with respect to the indemnification for tax liabilities, all representations, warranties, covenants and agreements made by TTS and Shareholder contained in this Agreement and in any Exhibit or Schedule hereto, shall survive the Closing Date until the earlier of: (a) December 31, 2011, or (b) the expiration of the applicable statute of limitations with respect to such matters.

6.7 Releases by Shareholder. Shareholder hereby releases and discharges Purchaser and its officers, directors, shareholders, employees, agents and representatives from, and agrees and covenants that in no event will Shareholder commence any litigation or other legal or administrative proceeding against Purchaser or its officers, directors, shareholders, employees, agents or representatives, whether in law or equity, relating to any claims or demands, known and unknown, suspected and unsuspected, disclosed and undisclosed, for damages, actual or consequential, past, present and future, arising out of or in any way connected with Shareholder's ownership of TTS stock prior to the Closing Date, other than claims or demands arising out of the transactions contemplated by this Agreement.

ARTICLE VII
Termination, Amendment and Waiver

7.1 Termination. Except as provided in Section 7.2, this Agreement may be terminated and the transactions contemplated hereby abandoned at any time prior to the Closing Date:

(a) By the mutual written agreement of Shareholder and Purchaser;

(b) By either Shareholder or Purchaser if the Closing has not occurred by the Closing Date (including any extension thereof); *provided, however*, that the right to terminate this Agreement under this Section 7.1(b) shall not be available to any party whose willful failure to fulfill any covenant, obligation or condition under this Agreement or other breach of this Agreement has been the cause of, or resulted in, the failure of the Closing to occur on the Closing Date;

(c) By Purchaser if it is not in material breach of its obligations under this Agreement and there has been a breach of any representation, warranty, covenant or agreement contained in this Agreement on the part of TTS or Shareholder and (i) TTS or Shareholder has not cured such breach within fifteen (15) days after notice of such breach has been given by Purchaser to Shareholder in accordance with Section 9.2; *provided, however*, that no cure period shall be required for any such breach which by its nature cannot be cured, and (ii) as a result of such breach, one or more of the conditions set forth in Sections 5.1 and 5.3 would not be satisfied at or prior to the Closing;

(d) By Shareholder if neither he nor TTS is in material breach of his/its obligations under this Agreement and there has been a breach of any representation, warranty, covenant or agreement contained in this Agreement on the part of Purchaser and (i) Purchaser has not cured such breach within fifteen (15) days after notice of such breach has been given by Shareholder to Purchaser in accordance with Section 9.2; *provided, however*, that no cure period shall be required for any such breach which by its nature cannot be cured, and (ii) as a result of such breach, one or more of the conditions set forth in Sections 5.1 and 5.2 would not be satisfied at or prior to the Closing. For the absence of doubt, any breach of any representations, warranties, covenants, or agreement contained in this Agreement, the Note, the Stock Pledge Agreement, or the Security Agreement (individually or collectively) shall be an event of default in all of the agreements.;

(e) By Purchaser if there shall have occurred any material event or condition of any character affecting TTS that has had or is reasonably likely to have a material adverse effect on the business or operations of TTS.

7.2 Effect of Termination. In the event of termination of this Agreement as provided in Section 7.1, this Agreement shall forthwith become void, and there shall be no liability or obligation on the part of any party hereto or its affiliates, officers, directors or shareholders; *provided, however*, that each party shall remain liable for any breaches of this Agreement prior to its termination; and *provided further*, that the provisions of Section 4.5 (Confidentiality), Section 4.7 (Public Disclosure), this Section 7.2, and Article VIII (Dispute Resolution) of this Agreement shall remain in full force and effect and survive any termination of this Agreement.

7.3 Amendment. This Agreement may be amended by the parties hereto only by an instrument in writing signed on behalf of each of the parties hereto.

7.4 Extension; Waiver. At any time prior to the Closing, Shareholder and Purchaser may, to the extent legally allowed, (a) extend the time for the performance of any of the obligations of the other party to this Agreement, (b) waive any inaccuracies in the representations and warranties made to such party contained in this Agreement or in any Exhibits and Schedules hereto, and (c) waive compliance with any of the agreements or conditions for the benefit of such party contained in this Agreement. Any agreement on the part of a party to this Agreement to any such extension or waiver shall be valid only if set forth in an instrument in writing signed by such party.

ARTICLE VIII
Dispute Resolution

Except as otherwise provided in Section 6.2(b), all controversies, claims, issues and other disputes arising out of or relating to this Agreement shall be subject to the applicable provisions of this Article VIII.

8.1 Sole Remedy. With respect to any future dispute, controversy or claim arising under, out of, in connection with or in relation to this Agreement or the breach, termination, validity or enforceability of any provision hereof (each a "Dispute") where the amount at issue is One Hundred Thousand U.S. Dollars ($100,000) or less, the parties covenant not to initiate litigation in any state or federal court and agree that any such Dispute shall be resolved in accordance with the procedures set forth in this Article VIII, which shall be the sole and exclusive procedure for the resolution of such Dispute. The parties agree that the provisions of this Article VIII are a complete defense to any suit, action or other proceeding instituted in any court or before any administrative tribunal with respect to any Dispute or the performance of any provision of this Agreement where the amount at issue is USD$100,000 or less.

8.2 Mediation. With respect to all Disputes, regardless of the amount at issue, the parties shall attempt first to negotiate a resolution of the Dispute by direct discussions initiated by written demand by one party and consented to by the other. If the parties cannot resolve the Dispute by negotiation, the parties agree that such Dispute shall then be mediated, and any such mediation shall be pursuant to the Commercial Mediation Procedures of the Judicial Arbitration and Mediation Service ("JAMS"), or in the event the parties mutually agree to use another mediation service, the applicable mediation rules of such other service. The mediator shall be selected by mutual agreement of the parties, but if agreement is not reached within ten (10) days following the agreement to mediate, the mediator shall be selected by JAMS or such other mediation service, if applicable. Such mediation shall be without prejudice to further voluntary or court-ordered mediation in the event such mediation is unsuccessful. The costs of obtaining the appointment of a mediator, the fees and expenses of the mediation, or any other cost or charge of the mediation shall be borne equally by the parties, unless otherwise agreed.

8.3 Arbitration. With respect to any Dispute that has not been resolved by mediation, either party may give notice to the other requiring that the Dispute shall be finally resolved by binding arbitration in accordance with the then applicable Commercial Arbitration Rules of JAMS (the "Rules") or such other rules adopted by the arbitration service agreed to and utilized by the parties; *provided, however*, that where the amount at issue exceeds One Hundred Thousand Dollars ($100,000), arbitration of such Dispute must be by mutual agreement of the parties. Disputes agreed to be resolved by arbitration where the amount in controversy is more than One Hundred Thousand Dollars ($100,000) shall be settled by a panel of three independent arbitrators unless the parties agree to a single arbitrator. Disputes in which the amount in controversy is $100,000 or less shall be settled by a single independent arbitrator. In the event the parties are not able to agree upon the arbitrators, then the arbitrators shall be selected by JAMS (or such other arbitration service agreed to by the parties) in accordance with its Commercial Arbitration Rules. The arbitration shall be governed by the Federal Arbitration Act, 9 U.S.C. §§1-16, and, notwithstanding the provisions of Section 8.1 hereof, judgment upon the award rendered in any such arbitration may be entered in any court having jurisdiction thereof, or application may be made to such court for judicial acceptance of the award and enforcement, as the law of such jurisdiction may require or allow. Any negotiation, mediation, arbitration or litigation conducted pursuant to this Agreement shall take place in Portland, Oregon, unless the parties mutually agree to a different location.

ARTICLE IX
Miscellaneous

9.1 Entire Agreement. This Agreement, the Ancillary Agreements, the Exhibits and Schedules hereto and thereto, the Confidentiality Agreement dated December 12, 2008, between the parties, and the documents and instruments and other agreements among the parties referenced in this Agreement, constitute the entire agreement between the parties with respect to its subject matter and supersede all prior agreements, representations and understandings, both written and oral, among the parties with respect to such subject matter.

9.2 Notices. All notices or other communications which are required or may be given pursuant to the terms of this Agreement shall be in writing and shall be deemed given upon receipt if delivered personally or sent by Federal Express or other nationally recognized overnight courier service, or mailed by certified or registered mail (return receipt requested), or sent by facsimile (with acknowledgment of completed transmission), addressed to the applicable party as follows (or at such other address for a party as shall be specified by like notice):

If to Purchaser:	Visualant, Inc. 500 Union Street, Suite 406 Seattle, WA 98101 Attention: Ron Erickson, CEO Fax Number: (206) 903-1252
With a copy to:	James F. Biagi, Jr. Monahan & Biagi, PLLC 701 Fifth Avenue, Suite 2800 Seattle, WA 98104 Fax Number: (206) 587-5710
If to Shareholder or to TTS:	James M. Gingo 12142 NE Sky Lane, Suite 130 Aurora, OR 97002-8730 Fax Number: (503) 682-0166
With a copy to:	Kirkham E. Hay Brownstein, Rask, Sweeney, Kerr Grim, DeSylvia & Hay, LLP 1200 SW Main Street Portland, OR 97205 Fax Number: (503) 221-1074

9.3 Expenses. All fees and expenses incurred in connection with this Agreement, including, without limitation, all legal, accounting, financial advisory, consulting and all other fees and expenses of third parties involving the negotiation and effectuation of the terms and conditions of this Agreement, the Ancillary Agreements, and the transactions contemplated hereby and thereby, shall be the obligation of the respective party incurring such fees and expenses.

9.4 Assignability. This Agreement shall not be assignable by any party, by operation of law or otherwise, without the prior written consent of the other party (which consent shall not be unreasonably withheld or delayed).

9.5 Severability. If any term or provision of this Agreement, or the application of such term or provision, becomes or is declared by a court of competent jurisdiction to be illegal, void or unenforceable, the remainder of this Agreement shall continue in full force and effect and the application of such term or provision to other persons or circumstances shall be interpreted so as to effect the intent of the parties to the maximum extent possible. The parties further agree to replace such void or unenforceable term or provision of this Agreement with a valid and enforceable term or provision that shall achieve, to the extent possible, the economic, business and other purposes of such void or unenforceable term or provision.

9.6 Other Remedies. Except as otherwise expressly provided for herein, any and all remedies in this Agreement expressly conferred upon a party shall be deemed cumulative with and not exclusive of any other remedy conferred by this Agreement, or by law or equity upon such party, and the exercise by a party of any one remedy shall not preclude the exercise of any other remedy.

9.7 Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Oregon, regardless of the laws that might otherwise govern under applicable conflicts of laws principles.

9.8 Binding Effect; Benefit. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. Nothing in this Agreement, express or implied, is intended to confer on any person other than the parties hereto and their respective successors and permitted assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement, including without limitation, third party beneficiary rights.

9.9 Non-Waiver. The failure in any one or more instances of a party to insist upon performance of any of the terms, covenants or conditions of this Agreement, to exercise any privilege conferred in this Agreement, or the waiver by said party of any breach of any of the terms, covenants or conditions of this Agreement, shall not be construed as a subsequent waiver of any such terms, covenants, conditions, rights or privileges, but the same shall continue and remain in full force and effect as if no such forbearance or waiver had occurred. No waiver shall be effective unless it is in writing and signed by an authorized representative of the waiving party.

9.10 Headings. The section headings contained in this Agreement are inserted for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

9.11 Construction. The parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any federal, state, local or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. The word "including" shall mean including without limitation.

9.12 Incorporation of Exhibits and Schedules. The Exhibits and Schedules identified in this Agreement are incorporated herein by reference and made a part hereof.

9.13 Counterparts. This Agreement may be executed in multiple counterparts and by facsimile, all of which shall be considered one and the same agreement and shall become effective when such counterparts or facsimiles have been signed by each of the parties hereto and delivered to the other party, it being understood that all parties need not sign the same counterpart.

[Signatures on following page]

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

Purchaser: **VISUALANT, INC.**

/s/ Ronald P. Erickson
By: Ronald P. Erickson
Title: Chairman and CEO

Shareholder: */s/ James M. Gingo*
JAMES M. GINGO

TRANSTECH SYSTEMS, INC.
An Oregon Corporation

/s/ James M. Gingo
By: James M. Gingo
Title: President

Consented to by: */s/ Patricia H. Gingo*
Patricia H. Gingo, Spouse of James M. Gingo

EXHIBIT 10.6

PROMISSORY NOTE

USD $2,300,000.00

Seattle, Washington
June 8, 2010

FOR VALUE RECEIVED, **Visualant, Incorporated**, a Nevada corporation ("Maker"), promises to pay to **James M. Gingo** ("Holder") at 12142 NE Sky Lane, Suite 130, Aurora, Oregon 97002-8730, or such other place as Holder from time to time may designate in writing, in lawful money of the United States, the total sum of Two Million Three Hundred Thousand and no/100 Dollars ($2,300,000.00) plus interest at the rate of three and one-half percent (3.5%) per annum, from the date of this Promissory Note ("Note"), but subject to adjustment as set forth in Section 1 below, in accordance with the terms set forth herein. Any capitalized terms not otherwise defined herein shall have the meaning set forth in the Stock Purchase Agreement between Maker and Holder of even date herewith.

1 . Adjustment to Note Amount. The amount of this Note shall be subject to adjustment as follows: (a) in the event the total amount of the outstanding liability (including all accrued and unpaid interest) due by Holder to The Bonderson Family Living Trust under the Secured Promissory Note dated June 30, 2006, and the Secured Line of Credit Agreement dated June 5, 2008 (collectively, the "Bonderson Debt"), exceeds the sum of Six Hundred Thousand Dollars ($600,000.00) as of the Closing Date, the amount of this Note shall be increased by the difference between the amount of the Bonderson Debt and $600,000; and (b) in the event the total amount of the Bonderson Debt outstanding as of the Closing Date is less than $600,000, the amount of this Note shall be decreased by the difference between $600,000 and the amount of the Bonderson Debt. In addition, the amount of this Note shall be adjusted to account for the amount of accrued interest due on the outstanding balance of the Bonderson Debt as of the date each installment payment is due under Section 4 below, and the amount of such accrued interest due on the Bonderson Debt shall be added to the amount of each installment payment made under Sections 4(a) and (b).

2 . Prepayment. Maker may prepay this Note, in whole or in part, at any time and from time to time prior to the Maturity Date, without penalty or premium. Any prepayment amount shall be applied first to any interest accrued on this Note, and then to the payment of unpaid principal on this Note. A partial prepayment shall not defer or excuse installment payments required by Section 4 below.

3. Maturity Date. All principal and any accrued interest due hereunder shall be due and payable in full on June 8, 2013 (the "Maturity Date").

4. Installment Payments. Maker shall make installment payments to Holder on this Note as follows:

(a) The sum of Six Hundred Fifty Thousand Dollars ($650,000) plus the amount of the accrued interest on the Bonderson Debt, plus interest on the unpaid principal balance shall be paid to Holder on the earlier of: (i) the one-year anniversary date of this Note, or (ii) on the Maker's closing of Two Million Five Hundred Thousand Dollars ($2,500,000.00) or more in aggregate financing (whether debt, equity or some combination thereof) after the date of this Note;

(b) The sum of Six Hundred Fifty Thousand Dollars ($650,000) plus the amount of the accrued interest on the Bonderson Debt, plus interest on the unpaid principal balance shall be paid to Holder on the earlier of: (i) the two-year anniversary date of this Note, or (ii) on the Maker's closing of Five Million Dollars ($5,000,000.00) or more in aggregate financing (whether debt, equity or some combination thereof) after the date of this Note; and

(c) The remaining balance of this Note, plus interest thereon, shall be paid to Holder on the earlier of: (i) the Maturity Date set forth in Section 3 above; or (ii) on the Maker's closing of Seven Million Five Hundred Thousand Dollars ($7,500,000.00) or more in aggregate financing (whether debt, equity or some combination thereof) after the date of this Note.

5 . Transferability of Note. This Note may be assigned, by operation of law or otherwise, by Maker to any affiliate or successor in interest to Maker, subject to the written consent of Holder. The Holder may not transfer or assign this Note without the prior written consent of Maker. Subject to the foregoing, the rights and obligations of the Maker and Holder of this Note shall be binding upon and inure to the benefit of the successors, heirs, administrators and permitted assigns and transferees of the parties.

6 . Security. This Note is issued pursuant to a Stock Purchase Agreement between the Maker and Holder of even date herewith, and is secured by a Stock Pledge Agreement and a Security Agreement between the Holder and Maker of even date herewith. Reference is made to the Stock Purchase Agreement, Stock Pledge Agreement and Security Agreement concerning additional terms and conditions pertaining to Holder's and Maker's respective rights.

7 . Default Rate. Upon the occurrence of any Default, any sum not paid as provided in this Note or in any instrument securing this Note, shall, at the option of Holder, without notice, bear interest from such due date at a rate of interest (the "Default Rate") equal to four (4) percentage points per annum greater than the interest rate stated herein, or the maximum rate of interest permitted by law, whichever is the lesser, and, at the option of Holder, the unpaid balance of principal, accrued interest, plus any other sums due under this Note, or under any instrument securing this Note shall at once become due and payable, without notice, and shall bear interest at the Default Rate.

8 . Default. Time is material and of the essence hereof with respect to the payment of any sums of any nature by Maker and the performance of all duties or obligations of the Maker. Upon any Default, Holder, at his option and upon written notice to Maker, may accelerate this Note and all sums owing and to become owing hereunder shall become immediately due and payable. A "Default" shall mean: (a) Maker's failure to make any required installment payment on this Note pursuant to Section 4 above following receipt of written notice of nonpayment from Holder and Maker's failure to make such required payment within ten (10) days following receipt of such notice; (b) the institution of any proceeding by or against Maker seeking to adjudicate Maker as bankrupt or insolvent, or seeking a reorganization, arrangement, adjustment or composition of Maker or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, or seeking the appointment of a receiver, trustee or other similar official for Maker or for any substantial part of Maker's property, which proceedings are not dismissed within sixty (60) days; or (c) any breach of any representations, warranties, covenants, or agreements and the expiration of any cure periods contained in this Note, the Stock Purchase Agreement, the Stock Pledge Agreement, and the Security Agreement.

9 . Waiver. To the extent permitted by law, each and every maker, surety, guarantor, endorser, or signator to this Note, in whatever capacity, hereby waives presentment, demand, protest, notice of dishonor, and all other notices, and agrees that Holder may exercise his rights hereunder in any order and at any time, and may, without notice to or consent of any such person, and without in any way diminishing the obligations of any such person: (a) deal with any such person with reference to this Note by way of forbearance, extension, modification, compromise or otherwise; (b) extend, release, surrender, exchange, compromise, discharge, or modify any right or obligation secured by or provided by the Stock Pledge Agreement and Security Agreement securing this Note (collectively, the "Security Documents") or any other instrument securing this Note; or (c) take any other action which Holder may deem reasonably appropriate to protect his security interests in the property securing this Note (the "Collateral"). Any such action(s) taken under the preceding sentence may be taken against one, all, or some of such persons, and Holder may take any such action against one differently than another of such persons, in Holder's sole discretion.

10. Amendment. Any provision of this Note may be amended or modified only upon the written consent of both the Maker and Holder of this Note.

11. **Expenses and Attorneys Fees.** If Holder is the prevailing party in any litigation instituted in connection with the Note; or if Holder or any other person initiates any judicial or nonjudicial action, suit, or proceeding in connection with the Note or the security therefor, and an attorney is employed by Holder to (a) appear in any action, suit, or proceeding, or (b) reclaim, seek relief from a judicial or statutory stay, sequester, protect, preserve or enforce Holder's interest in the Note, the Security Documents, or any other security for the Note (including, but not limited to, proceedings at appellate levels, under federal bankruptcy law, in eminent domain, under probate proceedings, or in connection with any state or federal tax lien), then, in any such event, Maker shall pay attorneys fees and costs and expenses incurred by Holder and/or his attorney in connection with the above-mentioned events and any appeals related to such events, including, but not limited to, costs incurred in searching records and the cost of appraisals. If not paid within ten (10) days after such fees, costs, and expenses become due and written demand for payment is made upon Maker, such amount may, at Holder's option, be added to the principal of the Note and shall bear interest at the Default Rate.

12. Governing Law. This Note and the rights and obligations of the parties shall be governed by and construed in accordance with the internal laws of the State of Oregon, regardless of the laws that might otherwise govern under applicable conflicts of laws principles.

13. Security. The indebtedness evidenced by this Note is secured by a Stock Pledge Agreement and a Security Agreement of even date and may be secured by other security instruments.

14. Due on Sale or Encumbrance.

14.1 This Note is personal to Maker and not assignable. In making it, Holder has relied on Maker's credit, Maker's interest in the Collateral, and the financial market conditions at the time this Note is made. In the event of a sale, conveyance, transfer, or encumbrance of the title to or possession of all or part of the Collateral, directly or indirectly, either voluntarily, involuntarily or by operation of law, Holder may declare the entire balance of this Note immediately due and payable.

14.2 Assumption shall NOT release Maker or successor in interest from personal liability for payment and performance of the terms and conditions of this Note.

15. Commercial Purpose. The obligation evidenced by this Note is exclusively for commercial or business purposes.

NOTICE: ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

MAKER:

Visualant, Incorporated

/s/ Ronald P. Erickson

By: Ronald P. Erickson
Its: Chief Executive Officer

EXHIBIT 10.7

STOCK PLEDGE AGREEMENT

THIS STOCK PLEDGE AGREEMENT ("Pledge Agreement") is made and entered into this 8th day of June, 2010, by and between **Visualant, Incorporated** ("Visualant" or "Pledgor"), **James M. Gingo** ("Gingo" or "Secured Party"), and **Brownstein, Rask, Sweeney, Kerr, Grim, DeSylvia & Hay, LLP** ("Pledgeholder").

WHEREAS, Pledgor and Secured Party entered into a Stock Purchase Agreement dated June 8, 2010 (the "Purchase Agreement"), pursuant to which Gingo sold to Visualant, and Visualant purchased from Gingo, 100 shares of the common stock of TransTech Systems, Inc. ("TTS"), constituting all of the issued and outstanding stock of TTS; and

WHEREAS, as part of the consideration for the purchase of said TTS stock, Visualant issued to Gingo a Promissory Note in the amount of Two Million Three Hundred Thousand U.S. Dollars ($2,300,000) (the "Note"); and

WHEREAS, in order to provide additional security for the due performance by Visualant of its obligations under the Note and the Purchase Agreement (the "Obligations"), Visualant has agreed to enter into and agreed to cause TTS to enter into a Security Agreement of even date hereof granting a security interest to Pledgeholder in the assets of TTS ("Security Agreement") and enter into this Pledge Agreement granting a security interest in all of the shares of TTS stock acquired by Visualant pursuant to the Purchase Agreement.

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

1 . Pledge of Shares; Grant of Security Interest. Pledgor hereby pledges and assigns, and shall deliver to Kirkham E. Hay to be held by the Pledgeholder for the benefit of Secured Party, one or more stock certificates for one hundred (100) shares of the common stock of TTS owned by Pledgor (the "TTS Shares"), duly endorsed in blank or with a duly executed stock power attached. In addition, the Pledgor grants a security interest to the Secured Party in such shares and authorizes the Secured Party or the Pledgeholder to file UCC financing statements for filing with respect to the TTS Shares and the Pledgor hereby irrevocably authorizes and directs the Pledgeholder holding those TTS Shares on behalf of the Pledgor and Secured Party, on receipt of a copy of this Pledge Agreement, to hold the TTS Shares and all security entitlements arising from them on behalf of, and subject to the instruction and control of, the Secured Party until the Secured Party advises the Pledgeholder in writing that the Secured Party has released its security interest in the TTS Shares.

2 . Right to Vote Shares; Dividends. Until all Obligations are fulfilled, Secured Party shall be entitled to vote the TTS Shares for all purposes, including, but not limited to, voting for directors in his sole discretion. With respect to voting the TTS Shares, this section constitutes an irrevocable appointment of a proxy, coupled with an interest, which shall continue until all Obligations secured under this Pledge Agreement are performed in full. If at any time or from time to time, with respect to the TTS Shares, the Pledgor receives or becomes entitled to receive any dividend or any other distribution, whether in cash, securities or other property, for any reason, including, without limitation, liquidation, stock split, spin-off, split-up, reclassification, combination of shares, or the like, or in the event of any reorganization, consolidation, or merger, the Pledgor shall immediately deliver to the Secured Party all such dividends, including cash dividends, or other distributions, in pledge, as additional security under this Pledge Agreement. The Pledgor shall immediately notify TTS to deliver all such cash, dividends or distributions directly to the Secured Party. The Secured Party may endorse, in the name of the Secured Party or the Pledgor, any and all instruments by which any payment on the Obligations may be made and may take any action that the Secured Party may deem appropriate from time to time, in the Secured Party's name or in the name of Pledgor, to enforce collection of the Obligations. For this purpose, the Pledgor appoints the Secured Party as its attorney-in-fact, under a power coupled with an interest, with full power of substitution. All dividends, distributions or other payments which are received by a Pledgor contrary to the provisions of this section shall be received in trust for the benefit of the Secured Party, shall be segregated from other property or funds of such Pledgor and shall be forthwith paid over to the Secured Party as collateral for the obligations of the Pledgor under the Note and Purchase Agreement in the same form as so received (with any necessary endorsement).

3 . Recapitalization. If at any time following the date of this Pledge Agreement, a stock dividend, or other issuance of debt or equity securities is approved and declared by the Board of Directors of TTS, or a stock split or reverse stock split is effected with respect to the shares of stock of TTS, the TTS Shares now subject to this Pledge Agreement shall be increased or decreased proportionately, and all issued and outstanding TTS Shares are to be at all times subject to this Pledge Agreement.

4 . Covenants Of Pledgor With Respect To TTS and the TTS Shares. The Pledgor acknowledges and agrees that under this Pledge Agreement Secured Party has all voting rights in the TTS Shares. Until all Obligations are paid in full, satisfied and fulfilled, unless otherwise agreed in writing by the Secured Party, to the extent that Pledgor has any legal or beneficial interest in the TTS Shares, the Pledgor shall cooperate with Secured Party to cause TTS to:

(a) Not amend its articles of incorporation or bylaws, or adopt a plan of liquidation or dissolution;

(b) Not pay any amounts as dividends, nor make any intercompany loans or transfers of any nature or kind to any party, including, but not limited to, accepting investments for TTS, borrowing funds, a loan or transfer or any other intercompany transaction of any kind or nature from TTS to Pledgor;

(c) Not increase or change the compensation, whether directly or indirectly, of any person employed by TTS;

(d) Not create, incur, assume, or suffer to exist any obligation for borrowed money other than current accounts payable and similar current liabilities incurred in the ordinary course of business from the date of this Pledge Agreement;

(e) During any calendar year, not make capital expenditures (as determined in accordance with generally accepted accounting principles) that would exceed $_____ in the aggregate;

(f) Not merge with or into or consolidate with any other corporation, or sell, lease, transfer, or otherwise dispose of in a single transaction more than one percent (1%) of its assets (other than in the ordinary course of business);

(g) Not issue or sell any shares of common stock or other equity securities of TTS, any security convertible into or exchangeable for any common stock or other equity securities of TTS, or any option, warrant, or other instrument that obligates TTS to transfer or sell shares of common stock or other equity securities of TTS; and

(h) Maintain insurance in such amounts and against such liabilities and hazards as is reasonable for the industry in which TTS operates.

Pledgor hereby grants Secured Party an Irrevocable Power of Attorney coupled with an interest with respect to all operations and control of TTS. Without limiting the above grant, Pledgor agrees that Secured Party as an individual will administer and control TTS and Pledgor agrees not to negotiate or execute any documents, nor take any action whatsoever with respect to TTS without the express written consent of Secured Party, which may be given in Secured Party's sole discretion. Without limiting the generality of the foregoing, Secured Party's written consent shall be necessary in connection with any and all actions, negotiations and documents with respect to TTS. In the event of any conflict between the instructions of Secured Party with respect to TTS or any action to be taken TTS, Pledgor irrevocably consents and instructs that the instructions of Secured Party will be followed.

The Pledgor further agrees that: (a) The Pledgor shall not allow or grant any other lien or security interest, legal or beneficial, with respect to the TTS Shares or the assets of TTS except for the Security Agreement to Secured Party; (b) The Pledgor shall procure, execute, and deliver from time to time any endorsements, assignments, financing statements, and other writings deemed necessary or appropriate by the Secured Party to perfect, maintain, and protect the Secured Party's security interest in the TTS Shares and its priority; and (c) The Pledgor shall not transfer or attempt to transfer, whether by sale, gift, or otherwise, any ownership interest in the TTS Shares without the Secured Party's prior written approval.

5 . Authorized Action By Secured Party; Proxy. The Pledgor irrevocably appoints the Secured Party as attorney-in-fact and grants the Secured Party a proxy to do (but the Secured Party shall not be obligated and shall incur no liability to the Pledgor or any third party for failure to do so), after and during the continuance of an Event of Default (as defined in Section 6), any act that the Pledgor is obligated by this Pledge Agreement to do and to exercise the rights and powers that the Pledgor might exercise with respect to the TTS Shares. With respect to voting the TTS Shares, this section constitutes an irrevocable appointment of a proxy, coupled with an interest, which shall continue until all Obligations secured under this Pledge Agreement are performed in full.

6. Default on Note. Any one or more of the following events constitutes an event of default ("Event of Default"):

(a) The failure to pay within five (5) days after the due date any amount due under the Note or the failure to perform any other obligation due under the Note;

(b) A breach of or the failure to perform any of the terms of this Pledge Agreement, including, without limitation, the covenants contained in Section 4;

(c) The occurrence of a default under any agreement of Visualant evidencing an obligation of Visualant to Secured Party or for borrowed money;

(e) Any representation or warranty by Pledgor whether oral or written contains material misrepresentations or errors, and/or Pledgor violates any of the representations, warranties or covenants in the Purchase Agreement or breaches the Security Agreement;

(f) Any of Pledgor's own loans, guarantees, indemnifications, promises or other debt liabilities to any third party or parties (1) become subject to a demand of early repayment or performance due to a default on the part of Pledgor; or (2) become due but are not capable of being repaid or performed in a timely manner by Pledgor;

(g) Any approval, license, permit or authorization of government agencies that makes this Pledge Agreement enforceable, legal and effective is withdrawn, terminated, invalidated or substantively changed;

(h) (i) Any other circumstances that may affect the ability of Secured Party to exercise its right under the Pledge. For the absence of doubt, any breach of any representations, warranties, covenants, or agreements contained in the Purchase Agreement, the Note, this Pledge Agreement, or the Security Agreement (individually or collectively) shall be an Event of Default of all of the agreements.

7. Remedies on Default. On the occurrence of any Event of Default, the Secured Party may, in the Secured Party's sole discretion, with notice to the Pledgor, and in addition to all other rights and remedies at law or in equity or otherwise:

(a) Declare the entire balance of the Note immediately due and payable;

(b) Register in the Secured Party's name any or all of the TTS Shares;

(c) Exercise the Secured Party's proxy rights with respect to all or a portion of the TTS Shares, in which event the Pledgor agrees to deliver promptly to the Secured Party further evidence of the grant of the proxy in any form requested by the Secured Party; and

(d) Sell or otherwise dispose of the TTS Shares.

8 . Sale on Default. The Pledgor acknowledges that the TTS Shares are restricted, unregistered stock that is difficult to value and for which no public market exists. The Pledgor agrees that the TTS Shares are not subject to sale in a "recognized market" as described in ORS 79.0610(3)(b). The Pledgor and the Secured Party wish to agree to reasonable standards for conducting a commercially reasonable sale of the TTS Shares. Without limiting rights and remedies otherwise available to the Secured Party, the parties agree that compliance with the following steps shall satisfy requirements of a commercially reasonable sale:

(a) The sale may be either a public or a private sale, at the Secured Party's discretion, and it may be for all or any portion of TTS Shares;

(b) The Secured Party shall set a date for public sale of the TTS Shares, or a date after which a private sale may occur, which date shall be not less than 30 days after the date the notice of the sale is given to the Pledgor, and the Secured Party shall send written notification to the Pledgor in advance regarding the date and the time of the public sale or the date after which a private sale may occur;

(c) Any public sale shall take place at a site in Oregon selected by the Secured Party;

(d) Immediately on request, the Pledgor shall provide the Secured Party with information requested by the Secured Party for compliance with state or federal securities laws; and

(e) At any sale of any of the TTS Shares, the Secured Party may restrict the prospective bidders or purchasers to persons or entities who, by certain representations made by them, would render registration of the sale under state or federal securities laws unnecessary.

9 . Notice and Cure. Other than the payment of amounts due under the Note, upon the occurrence of an Event of Default by Visualant under the Note, the Stock Purchase Agreement, the Security Agreement or this Pledge Agreement, Secured Party shall give written notice of such default to Visualant and the Pledgeholder. Visualant shall have a period of ten (10) days following receipt of such written notice to cure the default. If Visualant shall fail to cure the default within said ten-day period, Visualant shall be deemed to have irrevocably transferred the pledged TTS Shares to Secured Party.

1 0 . Release of Shares. Upon full payment or satisfaction of the Note and all Obligations, including those of the Purchase Agreement by Pledgor, Secured Party shall give prompt written notice of such payment or satisfaction to the Pledgeholder, Pledgeholder shall release and deliver to Visualant all TTS Shares, and thereafter all of Secured Party's rights in and to the TTS Shares shall terminate.

1 1 . No Assignment or Encumbrances. Except as expressly provided herein, Pledgor and Secured Party hereby acknowledge and agree that they shall be restricted and precluded from assigning, pledging, further encumbering, selling or transferring the TTS Shares or any of the obligations contained in this Pledge Agreement without the prior written consent of the other party., except as to the agreed upon existing pledge as may exist with the Bonderson Family Trust.

12. Pledgeholder. Pledgor and Secured Party hereby designate Kirkham E. Hay of Brownstein, Rask, Sweeney, Kerr, Grim, DeSylvia & Hay, LLP as the Pledgeholder to hold the TTS Shares pursuant to the terms of this Pledge Agreement.

13. Binding Effect; Benefit. This Pledge Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. Nothing in this Pledge Agreement, express or implied, is intended to confer on any person other than the parties hereto and their respective successors and permitted assigns, any rights, remedies, obligations or liabilities under or by reason of this Pledge Agreement, including, without limitation, third party beneficiary rights.

14. Termination. This Pledge Agreement and each and all of the terms and provisions hereof shall continue in full force and effect until the Note is paid or satisfied in full and the Obligations under the Purchase Agreement have been satisfied, unless sooner terminated by mutual agreement of Pledgor and Secured Party.

15. Acknowledgement and Construction. Pledgor and Secured Party expressly acknowledge and accept that Pledgeholder has acted as and is the attorney for Secured Party in connection with the underlying Purchase Agreement and Note referred to herein. Pledgor and Secured Party further acknowledge that they have participated jointly in the negotiation and drafting of this Pledge Agreement. In the event any ambiguity or question of intent or interpretation arises, this Pledge Agreement shall be construed as if drafted jointly by the parties, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Pledge Agreement.

16. Attorneys' Fees and Costs. If the Pledgor or Secured Party institutes any legal proceedings to settle any controversy arising under this Pledge Agreement or to enforce any provision of this Pledge Agreement, the prevailing party in such action shall be entitled to recover its reasonable attorneys' fees and costs from the non-prevailing party.

17. Waiver. No right or obligation under this Pledge Agreement shall be deemed to have been waived unless evidenced by a writing signed by the party against whom the waiver is asserted, or by its duly authorized representative. Any waiver will be effective only with respect to the specific instance involved, and will not impair or limit the right of the waiving party to insist upon strict performance of the right or obligation in any other instance, in any other respect, or at any other time.

18. Severability. If any term or provision of this Pledge Agreement, or the application of such term or provision, becomes or is declared by a court of competent jurisdiction to be illegal, void or unenforceable, the remainder of this Pledge Agreement shall continue in full force and effect, and the application of such term or provision to other persons or circumstances shall be interpreted so as to effect the intent of the parties to the maximum extent possible. The parties further agree to replace such void or unenforceable term or provision of this Pledge Agreement with a valid and enforceable term or provision that shall achieve, to the extent possible, the economic, business and other purposes of such void or unenforceable term or provision.

19. Governing Law. This Pledge Agreement shall be governed by and construed in accordance with the internal laws of the State of Oregon, regardless of the laws that might otherwise govern under applicable conflicts of laws principles.

20. Amendment. To be effective, any modification or amendment to this Pledge Agreement must be made in a writing signed by the Pledgor and the Secured Party.

21. Headings. The section headings contained in this Pledge Agreement are inserted for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

22. Notice. Any notice required or permitted under this Pledge Agreement shall be in writing and shall be deemed to have been duly given or made either: (a) when personally delivered to the designated party; or (b) three (3) days after being deposited in the U.S. mail by certified or registered mail, postage prepaid, return receipt requested, and properly addressed to the party to which it is directed. A communication will be deemed to be properly addressed if sent to the Pledgor, Secured Party or Pledgeholder at the address indicated on the signature page hereto. At any time during the term of this Pledge Agreement, the Pledgor, Secured Party or Pledgeholder may change the address to which notices and other communications must be sent by providing written notice of a new address to the other parties in the manner specified in this Section 22. Any change of address will be effective ten (10) days after notice is given.

23. Counterparts. This Pledge Agreement may be executed in multiple counterparts and by facsimile, all of which shall be considered one and the same agreement and shall become effective when such counterparts or facsimiles have been signed by each of the parties hereto and delivered to the other party, it being understood that all parties need not sign the same counterpart.

[Signatures on following page]

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

Pledgor:
Visualant, Incorporated

/s/ Ronald P. Erickson
By: Ronald P. Erickson
Its: President and CEO

Address:
500 Union Street, Suite 406
Seattle, WA 98101
Fax: (206) 855-8767

Secured Party:

/s/ James M. Gingo
James M. Gingo

Address:
12142 NE Sky Lane, Suite 130
Aurora, OR 97002
Fax: _____

Pledgeholder:
Brownstein, Rask, Sweeney, Kerr,
Grim, DeSYLVIA & Hay, LLP

/s/ Kirkham E. Hay
By: Kirkham E. Hay
Its: _____

Address:
1200 SW Main Street
Portland, OR 97205
Fax: (503) 221-1074

EXHIBIT 10.8

SECURITY AGREEMENT

This SECURITY AGREEMENT (this "Agreement") is entered into as of June 8, 2010, by TransTech Systems, Inc., an Oregon corporation (the "Accommodation Party" who will be listed as "Debtor" on the UCC-1 forms for filing with respect to this Collateral at the appropriate filing locations), and Visualant, Inc., a Nevada corporation (hereinafter called the "Debtor" who will be listed as "Co-Debtor" on the UCC-1 forms for filing with respect to this Collateral at the appropriate filing locations), and James M. Gingo (the "Secured Party").

RECITALS:

WHEREAS, Accommodation Party is a wholly owned subsidiary of Debtor; and

WHEREAS, Pledgor and Secured Party entered into a Stock Purchase Agreement dated June 8, 2010 (the "Purchase Agreement"), pursuant to which Secured Party sold to Debtor, and Debtor purchased from Secured Party, 100 shares of the common stock of TransTech Systems, Inc. ("TTS"), constituting all of the issued and outstanding stock of TTS; and

WHEREAS, as part of the consideration for the purchase of said TTS stock, Debtor issued to Secured Party a Promissory Note in the amount of Two Million Three Hundred Thousand U.S. Dollars ($2,300,000) (the "Note"); and

WHEREAS, in order to provide additional security for the due performance by Debtor of its obligations under the Note and the Purchase Agreement (the "Obligations"), Debtor has agreed to enter into a Security Agreement, along with TTS as the Accommodation Party, to grant a security interest in the assets of TTS as collateral and enter into a Stock Pledge Agreement pledging all of the shares of TTS stock acquired by Debtor pursuant to the Purchase Agreement as collateral.

WHEREAS, the Accommodation Party and Debtor desire to grant the Secured Party a security interest in all the Accommodation Party's assets, subject only to Permitted Liens, to secure the Accommodation Party's and Debtor's full and prompt performance of the Obligations.

WHEREAS, the Accommodation Party and Debtor intend that the Secured Party have all the rights and remedies of a secured party under the UCC with respect to the Collateral, together with all additional rights and remedies granted in this Agreement.

AGREEMENT:

The parties agree as follows:

SECTION 1. DEFINITIONS

1.1 Definitions Generally. All capitalized terms contained in this Agreement that are not defined in this Agreement will have, unless the context indicates otherwise, the meanings provided for by the UCC. The terms defined in Sections 1.2 through 1.9 are so defined whenever used in this Agreement.

1.2 Bankruptcy Code. "Bankruptcy Code" means the Bankruptcy Code set forth in 11 USC §§101–1330, and as amended from time to time.

1.3 UCC. "UCC" means the Uniform Commercial Code of the state of Oregon as set forth in ORS chapters 71, 72, 72A, 73, 74, 74A, 75, 77, 78, and 79, and as amended from time to time.

1.4 Collateral. All of Accommodation Party's rights, title and interest in and to all personal property and real property wherever located and whether now or hereafter existing and whether now owned or hereafter acquired, of every kind and description, tangible or intangible, including, without limitation, the following, whether now or hereafter existing and wherever located

(a) All accounts, goods, inventory, equipment, fixtures, general intangibles, money, cash, instruments, chattel paper, deposit accounts, bank accounts, documents, investment property, letter-of-credit rights, and supporting obligations;

(b) All products, proceeds, rents, and profits of the foregoing;

(c) All the Accommodation Party's books and records relating to the foregoing; and

(d) All the foregoing, whether now owned or existing or hereafter acquired or arising or in which the Accommodation Party now has or hereafter acquires any rights to secure the payment and performance of all of Accommodation Party's and Debtor's obligations to Secured Party, including all obligations under this Agreement and all amounts due under the Promissory Note and Stock Purchase Agreement of even date herewith.

1.5 Event of Default. "Event of Default" has the meaning set forth in Section 6.

1.6 Lien. "Lien" means any mortgage, deed of trust, pledge, hypothecation, assignment, deposit arrangement, lien, security interest, charge, or other encumbrance of any kind, whether consensual or not, or any other type of preferential arrangement that has substantially the same practical effect as a lien or a security interest, including, without limitation, any conditional sale or other title-retention agreement or the interest of a lessor under a capital lease or financing lease.

1.7 **Person.** "Person" means any government (or political subdivision or agency of any government) or an individual, partnership, corporation (including, without limitation, a business trust), joint stock company, limited liability company, trust, unincorporated association, joint venture, or other entity.

1.8 **Obligations.** "Obligations" means all of Accommodation Party's and Debtor's obligations to Secured Party, including all obligations under this Agreement, all amounts due under the Promissory Note and all obligations, covenants and amounts due under the Stock Purchase Agreement of even date herewith.

1.9 **Permitted Liens.** "Permitted Liens" means:

(a) Liens granted to the Secured Party;

(b) Liens arising by operation of law for taxes, assessments, or governmental charges not yet due;

(c) Statutory liens of mechanics, materialmen, shippers, warehousemen, carriers, and other similar persons for services or materials arising in the ordinary course of business for which payment is not yet due; and

(d) Nonconsensual liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance, and other types of social security.

SECTION 2. GRANT OF SECURITY INTEREST

The Accommodation Party grants the Secured Party a security interest in the Collateral as security for the full and prompt payment in cash and performance of the Obligations. The Debtor hereby ratifies and consents to the Accommodation Party's grant of a security interest, and certifies that it has taken all corporate action necessary to give effect to such action.

SECTION 3. PERFECTION OF SECURITY INTEREST; DUTY OF CARE

3.1 The Accommodation Party and Debtor will perform all steps requested by the Secured Party to perfect, maintain, and protect the Secured Party's security interest in the Collateral.

3.2 The Secured Party's duty of care with respect to the Collateral will be to exercise reasonable care with respect to the Collateral in the Secured Party's custody. The Secured Party will be deemed to have exercised reasonable care if the Secured Party treats the Collateral substantially the same as it treats its own property.

3.3 The Secured Party's failure to take steps to preserve rights against any parties or property will not be a failure to exercise reasonable care with respect to the Collateral in the Secured Party's custody.

SECTION 4. REPRESENTATIONS AND WARRANTIES

Accommodation Party and Debtor warrant and represent as follows:

4.1 Accommodation Party is a corporation, duly organized and validly existing under the laws of Oregon.

4.2 This Agreement is the legal, valid, and binding obligation of the Accommodation Party and Debtor enforceable against the Accommodation Party and Debtor in accordance with its terms.

4.3 The Accommodation Party's and Debtor's execution, delivery, and performance of this Agreement does not violate or contravene any provision of the Accommodation Party's and/or Debtor's articles of incorporation or bylaws and does not violate any law or result in a breach of or constitute a default under any contract, obligation, indenture, or other instrument to which the Accommodation Party and Debtor are a party or by which the Accommodation Party and Debtor are bound.

4.4 The Accommodation Party's and Debtor's rights to the Collateral are free and clear of all Liens except Permitted Liens.

4.5 The Accommodation Party and Debtor have filed all tax returns required to be filed by them and have paid all taxes and assessments required to be paid by them.

4.6 The Accommodation Party and Debtor are in compliance in all material respects with all applicable laws.

4.7 The Accommodation Party and Debtor maintain in full force and effect insurance of a nature and coverage customarily carried by companies of the Accommodation Party's and Debtor's size and character and engaged in the type of business in which the Accommodation Party and Debtor are engaged.

SECTION 5. COVENANTS

Until all the Obligations have been fully satisfied and paid in cash, the Accommodation Party and Debtor covenant that, at their expense, unless Secured Party otherwise consents in writing:

5.1 Except for Permitted Liens, the disposition of inventory in the ordinary course of business, and the disposition of assets that have become obsolete or that are replaced in the ordinary course of business, the Accommodation Party and Debtor will not sell, transfer, lease, or otherwise dispose of any Collateral or any interest in it, or permit or suffer any other Person to acquire any interest in any of the Collateral, and will keep the Collateral free and clear of all Liens, except Permitted Liens.

5.2 The Accommodation Party and Debtor will pay all taxes and assessments when due.

5.3 The Accommodation Party and Debtor will conduct their businesses in material compliance with all applicable laws.

5.4 The Accommodation Party and Debtor will insure the Collateral in a manner and with companies reasonably acceptable to the Secured Party and will provide the Secured Party with evidence of insurance and the endorsements regarding insurance coverage reasonably requested by the Secured Party from time to time.

5.5 The Accommodation Party and Debtor will preserve and maintain their corporate existence, rights (charter and statutory), and all material franchises, licenses, permits, and general intangibles. The Accommodation Party and Debtor will not change their name or place of incorporation without at least 30 days' prior written notice to the Secured Party.

5.6 On the Secured Party's request, the Accommodation Party and Debtor will promptly execute and deliver to the Secured Party all further instruments, agreements, and documents, and take all further action, that may be reasonably necessary to enable the Secured Party to exercise and enforce its rights and remedies under this Agreement.

SECTION 6. EVENTS OF DEFAULT

Each of the following events will constitute an "Event of Default" under this Agreement:

6.1 The Accommodation Party or Debtor or both breach any of the Obligations;

6.2 Any representation or warranty made by the Accommodation Party and Debtor in this Agreement prove to be false or misleading in any material respect when furnished or made;

6.3 The Accommodation Party or Debtor or both become insolvent;

6.4 The Accommodation Party or Debtor or both suffer or consent to or apply for the appointment of a receiver, trustee, custodian, or liquidator of ithemselves or any material part of the Accommodation Party's and Debtor's property;

6.5 The Accommodation Party or Debtor or both are generally unable or fail to pay their debts as they become due;

6.6 The Accommodation Party or Debtor or both make a general assignment for the benefit of creditors;

6.7 The Accommodation Party or Debtor or both file a voluntary petition in bankruptcy or seek to effect a plan or other arrangement with creditors or any other relief under the Bankruptcy Code or under any state or other federal law granting relief to debtors, whether now or hereafter in effect;

6.8 Any involuntary petition or proceeding pursuant to the Bankruptcy Code or any other applicable law relating to bankruptcy, reorganization, or other relief for debtors is filed or commenced against the Accommodation Party or Debtor or both and is not dismissed, stayed, or vacated within 60 days thereafter or the Accommodation Party or Debtor or both files an answer admitting the jurisdiction of the court and the material allegations of any such involuntary petition;

6.9 The Accommodation Party or Debtor or both are adjudicated a debtor in bankruptcy, or an order for relief is entered by any court of competent jurisdiction under the Bankruptcy Code or any other applicable state or federal law relating to bankruptcy, reorganization, or other relief for debtors; or

6.10 The Accommodation Party or Debtor or both take any corporate action authorizing, or in furtherance of, any of the foregoing.

6.11 For the absence of doubt, any breach of any representations, warranties covenants, or agreements contained in the Purchase Agreement, the Note, the Stock Pledge Agreement, or this Agreement (individually or collectively) shall be an Event of Default in all of the agreements.

6.12 Any default under Sections 6.3 or 6.5 of this section may be cured by the Accommodation Party or Debtor within ten (10) days. If such default cannot be cured within ten (10) days but Accommodation Party or Debtor has begun reasonable efforts to cure the default within ten (10) days, Accommodation Party or Debtor shall have up to twenty (20) days to cure such default.

SECTION 7. SECURED PARTY'S RIGHTS AND REMEDIES

7.1 During the continuance of any Event of Default, the Secured Party may declare any or all of the Obligations to be immediately due and payable without presentment, demand, protest, or any other notice of any kind, all of which are hereby expressly waived by the Accommodation Party and Debtor. In addition to any other rights and remedies contained in this Agreement, the Secured Party will have all the rights and remedies of a secured party under the UCC and all other applicable law, and all the rights and remedies will be cumulative and nonexclusive to the extent permitted by law. The Accommodation Party and Debtor acknowledge that portions of the Collateral may be difficult to preserve and dispose of and may be subject to complex maintenance and management; accordingly, the Secured Party will have the widest possible latitude in exercising its rights and remedies under this Agreement.

7.2 On the occurrence of an Event of Default, the Secured Party may cause the Collateral to remain on the Accommodation Party's or Debtor's premises, at the Accommodation Party's and Debtor's expense, pending sale or other disposition. The Secured Party, at its discretion, may conduct sales of the Collateral on the Accommodation Party's or Debtor's premises or elsewhere, at the Accommodation Party's and Debtor's expense. On the Secured Party's request, the Accommodation Party and Debtor, at Debtor's own expense, will assemble the Collateral and make it available to the Secured Party at the places reasonably designated by the Secured Party from time to time. Any sale, lease, or other disposition of the Collateral, or any part of it, may be for cash or other value. The Accommodation Party and Debtor will execute and deliver, or cause to be executed and delivered, all instruments, documents, assignments, deeds, waivers, certificates, and affidavits and will take all further action reasonably required by the Secured Party in connection with any sale, lease, or other disposition of the Collateral. The Accommodation Party and Debtor hereby appoint the Secured Party as their attorney-in-fact to execute all such instruments, documents, assignments, deeds, waivers, certificates, and affidavits on behalf of Accommodation Party and Debtor and in their names.

7.3 At any sale, the Collateral may be sold in one lot or in separate lots as the Secured Party may determine. The Secured Party will not be obligated to make any sale of any Collateral if the Secured Party determines not to do so, regardless of the fact that notice of sale was given. The Secured Party, without notice or publication, may adjourn any public or private sale or cause the sale to be adjourned from time to time by announcement at the time and place fixed for sale, and such sale, without further notice, may be made at the time and place to which it was so adjourned. If any sale of the Collateral is made on credit or for future delivery, the Collateral so sold may be retained by the Secured Party until the sale price is paid, but the Secured Party will not incur any liability if any purchaser fails to pay for any Collateral so sold and, in the event of any such failure, the Collateral may be sold again. At any public sale, the Secured Party may (a) bid for or purchase, free (to the extent permitted by law) from any rights of redemption, stay, or appraisal on the Accommodation Party's and Debtor's part with regard to the Collateral offered for sale, (b) make payment on account thereof by using any claim then due and payable to the Secured Party from the Accommodation Party and Debtor as a credit against the purchase price, and (c) on compliance with the terms of sale, hold, retain, and dispose of that property without further accountability to the Accommodation Party and Debtor for it.

7.4 The Secured Party is hereby granted a license and the right to use, without charge during the continuance of an Event of Default and until the Obligations are fully and finally paid in cash, the Accommodation Party's and Debtor's labels, patents, copyrights, rights of use of any name, trade secrets, trade names, trademarks, service marks, advertising material, general intangibles, and other property of a similar nature in completing the production, advertising for sale, and sale of any Collateral.

7.5 Any notice required to be given by the Secured Party that is given at least ten (10) business days before a sale, lease, disposition or other intended action by the Secured Party regarding any Collateral will constitute fair and reasonable notice to the Accommodation Party and Debtor of that action. A public sale in the following fashion will be conclusively presumed to be reasonable:

(a) The sale is held in a county where any part of the Collateral is located or in which the Accommodation Party has a place of business;

(b) The sale is conducted by auction, but it need not be by a professional auctioneer;

(c) The Collateral is sold "as is" and without any preparation for sale; and

(d) The Accommodation Party is given notice of the public sale pursuant to the preceding sentence.

7.6 On the occurrence of an Event of Default, the Secured Party will have with respect to accounts all rights and powers to:

(a) Direct account debtors to make all payments directly to the Secured Party or otherwise demand payment of any account;

(b) Enforce payment by legal proceedings or otherwise;

(c) Exercise the Accommodation Party's and Debtor's rights and remedies with respect to any actions or proceedings brought to collect any account;

(d) Sell or assign any account on the terms, for the amount, and at any time or times that the Secured Party deems advisable;

(e) Settle, adjust, compromise, extend, or renew any account;

(f) Discharge or release any account; and

(g) Prepare, file, and sign the Accommodation Party's and Debtor's name on any proof of claim in bankruptcy or on any similar document against an account debtor, and to otherwise exercise the rights granted in this Agreement.

7.7 The Secured Party will have no obligation to (a) preserve any rights to the Collateral against any Person, (b) make any demand on or pursue or exhaust any rights or remedies against the Accommodation Party and Debtor or others with regard to payment of the Obligations, (c) to pursue or exhaust any rights or remedies with regard to any of the Collateral or any other security for the Obligations, or (d) to marshal any assets in favor of the Accommodation Party and Debtor or any other Person against or in payment of any or all of the Obligations.

7.8 The Accommodation Party and Debtor recognize that federal and state securities laws and other laws may limit the flexibility desired to achieve an otherwise commercially reasonable disposition of the Collateral, and in the event of potential conflict between those laws and what in other circumstances might constitute commercial reasonableness, it is intended that consideration of the laws will prevail over attempts to achieve commercial reasonableness. In connection with any sale or other disposition of the Collateral, the Secured Party's compliance with the written advice of its lawyer concerning the potential effect of any law will not be cause for the Accommodation Party and Debtor, or any other Person, to claim that the sale or other disposition was not commercially reasonable.

7.9 On demand, the Accommodation Party and Debtor will pay the Secured Party all costs and expenses, including court costs and costs of sale, incurred by the Secured Party in exercising any of its rights or remedies under this Agreement, together with interest at the highest rate then applicable to any of the Obligations from the date incurred until paid.

SECTION 8. WAIVERS

All the Secured Party's rights with respect to the Collateral will continue unimpaired, and the Accommodation Party and Debtor will be and will remain obligated in accordance with the terms of this Agreement, notwithstanding (a) any release or substitution of any Collateral or other security for the Obligations, (b) any failure to perfect the Secured Party's interest in the Collateral or other security, or (c) any delay, extension of time, renewal, compromise, or other indulgence granted by the Secured Party in reference to any Obligations. The Accommodation Party and Debtor waive all notice of any such delay, extension, release, substitution, renewal, compromise, or other indulgence, and consent to be bound thereby as fully and effectively as if the Accommodation Party and Debtor had expressly agreed to them in advance. The Secured Party's delay in exercising, or failure to exercise, any right, remedy, or option will not operate as a waiver by Secured Party of its right to exercise any such right, remedy, or option. To the extent permitted by law, the Accommodation Party and Debtor waive all rights of redemption, stay, and appraisal that the Accommodation Party and Debtor now have or may at any time in the future have under any applicable law. No waiver by the Secured Party will be effective unless it is in writing and then only to the extent specifically stated. The Secured Party's rights and remedies will be cumulative and not exclusive of any other right or remedy that the Secured Party may have.

SECTION 9. MISCELLANEOUS PROVISIONS

9.1 Binding Effect. This Agreement will be binding on and inure to the benefit of the parties and their respective heirs, personal representatives, successors, and permitted assigns.

9.2 Assignment. Neither this Agreement nor any of the rights, interests, or obligations under this Agreement may be assigned by Accommodation Party and Debtor without the prior written consent of the Secured Party. In the event of any assignment by the Secured Party of this Agreement or Secured Party's rights hereunder, Accommodation Party and Debtor will not assert as a defense, counterclaim, set-off or otherwise against Secured Party's assignee any claim, known or unknown, which Accommodation Party and Debtor now have or claim to have or hereinafter acquire against the Secured Party. However, notwithstanding any such assignment, Secured Party shall be liable to the Accommodation Party and Debtor as if such assignment had not been made.

9.3 No Third-Party Beneficiaries. Nothing in this Agreement, express or implied, is intended or will be construed to confer on any person, other than the parties to this Agreement, any right, remedy, or claim under or with respect to this Agreement.

9.4 Counterparts. This Agreement may be executed in counterparts, each of which will be considered an original and all of which together will constitute one and the same agreement.

9.5 Further Assurances. Each party agrees (a) to execute and deliver such other documents and (b) to do and perform such other acts and things, as any other party may reasonably request, to carry out the intent and accomplish the purposes of this Agreement.

9.6 Time of Essence. Time is of the essence with respect to all dates and time periods set forth or referred to in this Agreement.

9.7 Waiver. Any provision or condition of this Agreement may be waived at any time, in writing, by the party entitled to the benefit of such provision or condition. Waiver of any breach of any provision will not be a waiver of any succeeding breach of the provision or a waiver of the provision itself or any other provision.

9.8 Governing Law. This Agreement will be governed by and construed in accordance with the laws of the state of Oregon, without regard to conflict-of-laws principles.

9.9 **Attorney Fees.** With respect to any dispute relating to this Agreement, or in the event that a suit, action, arbitration, or other proceeding of any nature whatsoever is instituted to interpret or enforce the provisions of this Agreement, including, without limitation, any proceeding under the U.S. Bankruptcy Code and involving issues peculiar to federal bankruptcy law or any action, suit, arbitration, or proceeding seeking a declaration of rights or rescission, the prevailing party shall be entitled to recover from the losing party its reasonable attorney fees, paralegal fees, expert fees, and all other fees, costs, and expenses actually incurred and reasonably necessary in connection therewith, as determined by the judge or arbitrator at trial, arbitration, or other proceeding, or on any appeal or review, in addition to all other amounts provided by law.

9.10 **Venue.** Any action or proceeding seeking to enforce any provision of, or based on any right arising out of, this Agreement will be brought against any of the parties in Multnomah County Circuit Court of the State of Oregon or, subject to applicable jurisdictional requirements, in the United States District Court for the District of Oregon, and each of the parties consents to the jurisdiction of such courts (and of the appropriate appellate courts) in any such action or proceeding and waives any objection to such venue.

9.11 **Severability.** If any provision of this Agreement is invalid or unenforceable in any respect for any reason, the validity and enforceability of such provision in any other respect and of the remaining provisions of this Agreement will not be in any way impaired.

9.12 **Entire Agreement.** This Agreement (including the documents and instruments referred to in this Agreement) constitutes the entire agreement and understanding of the parties with respect to the subject matter of this Agreement and supersedes all prior understandings and agreements, whether written or oral, among the parties with respect to such subject matter.

IN WITNESS WHEREOF, the Accommodation Party and Debtor have signed this Security Agreement as of the date first written above.

[Signatures on following page]

IN WITNESS WHEREOF, the Accommodation Party and Debtor have signed this Security Agreement as of the date first written above.

SECURED PARTY:

/s/ James M. Gingo
James M. Gingo

DEBTOR:

Visualant, Inc.

/s/ Ronald P. Erickson
By: Ronald P. Erickson
Title: Chairman and CEO

ACCOMMODATION PARTY:

TransTech Systems, Inc.

By _____
Its: _____

EXHIBIT 10.9

TransTech Systems, Inc.
A Visualant Company

June 8, 2010

Jim Gingo
TransTech Systems, Inc.

Dear Jim:

I am pleased to memorialize the terms of your employment with TransTech Systems, Inc., ("TransTech") the newly acquired subsidiary of Visualant, Inc.. (the "**Company**") as its President and commence on June 8, 2010 and lasting until June 8, 2013 (the "Term"). Your employment with the Company will be on the terms and conditions stated in this letter. If you decide to accept this employment offer, you will receive a monthly salary of $16,666 ($200,000 annualized) ("**Base Salary**"), which will be paid in accordance with the Company's normal payroll procedures (currently bi-weekly?) and will be subject to the usual, required withholding. In addition, the Board of Directors of the Company (the "Board") will consider (but will not be obligated to effect) increases in your Base Salary on an annual basis to reflect market adjustments and/or to reward you for your contributions to the Company's success. You will participate in a Management by Objective ("MBO") incentive bonus plan for your benefit that will provide a bonus of up to Fifty Percent (50%) of your Base Salary during the Term.

You will work out of TransTech Systems' principal executive offices located in Aurora, Oregon. As the President of TransTech, you will report to the Board of TransTech and will have the duties and responsibilities customarily associated with such position, including, but not limited to, those duties and responsibilities as may be determined from time to time by the Board. You agree not to actively engage in any other employment, occupation or consulting activity that is competitive with the business of TransTech or the Company for any direct or indirect remuneration during your employment with TransTech without the prior written consent of the Board, which consent will not be unreasonably withheld, conditioned or delayed.

You will have a seat on the Board of Directors of TransTech and the Company.

You will be eligible to participate in the employee benefit plans currently and hereafter maintained by TransTech of general applicability to other employees of the TransTech ("Employee Benefits"), including, without limitation (as applicable), TransTech's group medical, dental, 401(k) and any and all nonqualified deferred compensation plans or arrangements as well as flexible-spending account plans. TransTech reserves the right to cancel or change the benefit plans and programs it offers to you or its employees at any time TransTech currently pays 90% of the Medical/Dental insurance premiums, and employees pay 10% of the premium for themselves and 100% for any qualified dependents they choose to add.You shall be entitled to paid vacation in accordance with TransTech's vacation policy, with the timing and duration of specific vacations mutually and reasonably agreed to by TransTech and you.

You shall be entitled to paid vacation in accordance with TransTech's vacation policy, with the timing and duration of specific vacations mutually and reasonably agreed to by TransTech and you.

In addition, except as otherwise provided herein, in the event that TransTech terminates your employment other than for Cause (defined below), or you voluntarily terminate your position with the TransTech as a result of a Constructive Termination (defined below), you will receive: (i) payment of an aggregate dollar amount equal to twelve (12) months of your then current annualized Base Salary (payable **in equal installments over a period not to exceed twelve (12) months**), less usual, required withholdings; (ii) for a period of six (6) months following such termination event, and if you elect COBRA benefits, TransTech will pay the premiums necessary to provide you with continued group health insurance coverage under COBRA ((i) and (ii) together referred to herein as the "**Continued Salary and Benefits**"); provided, however, that you enter into and remain subject to a waiver and release of claims in favor of TransTech and the Company in a form satisfactory to TransTech and the Company (such release of claims shall not include any claims against persons or entities affiliated with TransTech and/or the Company which claims do not relate to or arise out of TransTech or the Company's business or your relationship with TransTech or the Company as an employee or shareholder). Such amounts shall be paid after any right to revoke the waiver and release of claims has lapsed. Notwithstanding the foregoing, if the termination occurs after a Change of Control, the Company (or any successor entity in control) will pay you the Continued Salary and Benefits for the longer of (a) six (6) months or (b) the difference between Twenty-Four (24) months and the number of months of your employment with the Company as of the termination date, and the severance amount will be payable in equal installments over a period not to exceed the number of months severance to be paid, less usual, required withholdings. For example, if the termination occurred after six (6) months of employment with TransTech, you would be paid the Continued Salary and Benefits for eighteen (18) months.

If TransTech ceases operations, TransTech terminates your employment for Cause or you voluntarily resign other than pursuant to a Constructive Termination, you would be entitled to no further compensation from the TransTech other than wages and accrued benefits earned as of the date of termination and as otherwise required by law.

In the event that any payment or benefit received or to be received by you pursuant to this agreement or otherwise (collectively, the "**Payments**") would result in a "parachute payment" as described in Section 280G of the Internal Revenue Code of 1986, as amended (the "**Code**"), notwithstanding the other provisions of this agreement, the amount of such Payments will not exceed the amount which produces the greatest after-tax benefit to you.

The parties intend that the payments and benefits or other compensation provided under this agreement be paid in compliance with Section 409A of the Code such that there are no adverse tax consequences, interest, or penalties as a result of such payments, benefits or other compensation. The parties agree to modify this agreement, the timing (but not the amount(s)) of the payments or benefits provided herein, or both, to the extent necessary to comply with such Section 409A; provided that no modification shall increase the benefits provided to you by the TransTech.

As used herein, "**Cause**" is defined as any of the following events which occur during the term of this agreement: (i) your repeated failure, in the reasonable, good faith judgment of the Board, to substantially perform your reasonable assigned duties or responsibilities as a Service Provider (defined below) as directed or assigned by the Board (other than a failure resulting from your Disability) continuing for a period of thirty (30) days or more following written notice thereof from the Board to you describing in reasonable detail those duties and/or responsibilities that the Board believes you have failed to perform; (ii) your engaging in knowing and intentional illegal conduct that was or is reasonably likely to be materially injurious to TransTech or the Company or its affiliates; (iii) your violation of a federal or state law or regulation, which was known or should have been known to you, applicable to TransTech or the Company's business which violation was or is likely to be materially injurious to TransTech or the Company; (iv) your breach of a material term of this offer letter or any confidentiality agreement or invention assignment agreement between you and and TransTech or the Company following written notice thereof from the Board to you and your failure to cure such breach within twenty (20) days of receipt of such notice; (v) your being convicted of, or entering a plea of nolo contendere to, a felony; or (vi) your committing any material act of dishonesty or fraud against, or the misappropriation of material property belonging to TransTech, the Company or its affiliates.

As used herein, "**Change of Control**" is defined as any one of the following occurrences: (a) Company is party to a merger or consolidation with or into another entity (or group of entities) (except a merger or consolidation in which the holders of capital stock of the Company immediately prior to such merger or consolidation continue to hold (solely in respect of their interests in the Company's capital stock immediately prior to such merger or consolidation) at least 50% of the voting power of the capital stock of the Company or the surviving or acquiring entity); (b) the closing of the transfer (whether by merger, consolidation or otherwise), in one transaction or a series of related transactions, to a corporation, person or group of affiliated persons (other than an underwriter of the Company's securities), of the Company's securities if, after such closing, such person or group of affiliated persons would hold 50% or more of the outstanding voting stock of the Company, or (c) a sale, lease, assignment, transfer or disposal of all or substantially all of the assets of the Company (other than a pledge of such assets or grant of a security interest therein to a commercial lender in connection with a commercial lending or similar transaction); provided that the following shall not be considered a Change of Control: an equity financing of the Company in which the Company issues shares of its Common Stock or Preferred Stock.

As used herein, "**Constructive Termination**" is defined as any of the following, without your express written consent: (i) a change in your title or position or a material reduction of your duties or responsibilities relative to your duties or responsibilities in effect immediately prior to such reduction, or your removal from such title, position, duties and responsibilities, unless you are provided with comparable title, duties, position and responsibilities; provided, however, that a reduction in duties or responsibilities solely by virtue of the Company being acquired and made part of a larger entity (as, for example, when the President of the Company remains as such following a change of control of the Company but is not made the President of the acquiring corporation) shall not constitute "Constructive Termination"; (ii) a reduction by the Company of your fixed cash compensation as in effect immediately prior to such reduction (unless such reduction constitutes a Board-approved, across-the-board salary reduction applicable to all similarly-situated employees at the Company); (iii) a reduction by the Company in the kind or level of employee benefits to which you are entitled immediately prior to such reduction with the result that your overall benefits package is significantly reduced (unless such reduction constitutes a Board-approved, across-the-board benefits reduction applicable to all similarly-situated employees at the Company); (iv) your relocation to a facility or a location more than 100 miles from Aurora, Oregon; or (v) the failure of the Company to obtain the assumption of this offer letter by any successor.

As used herein, "**Service Provider**" is defined as a consultant to, or an employee or director of TransTech or the Company.

As used herein, "**Termination After Change of Control**" means either of the following events occurring within twelve (12) months after a Change in Control (defined above): (i) termination of your employment by TransTech or the Company for any reason other than for Cause (defined above); or (ii) you voluntarily terminate your position with TransTech as a result of a Constructive Termination (defined above).

You should be aware that your employment with TransTech prior to a Change in Control is for no specified period and constitutes at-will employment. As a result, you are free to resign at any time, for any reason or for no reason. Similarly, TransTech is free to conclude its employment relationship with you at any time, with or without Cause, and with or without notice If, for any reason, the Company defaults on its purchase of TransTech, this agreement terminates with no further obligation on the part of either party hereto. We request that, in the event of resignation (in connection with a Constructive Termination or otherwise), you give the Company at least two (2) weeks' notice.

During the period of your employment with TransTech, you shall not, without the prior approval of the Board of Directors (excluding the vote(s) of any interested directors), directly or indirectly through a family member or affiliated person or entity, enter into or become a party to any contract, agreement or relationship with TransTech the Company or any of its subsidiaries, except employment, equity issuance or indemnification agreements entered into in the ordinary course of business.

As a condition of your employment, you are also required to enter into a Confidential Information, Invention Assignment, and Arbitration Agreement in TransTech or the Company's standard form which requires, among other provisions, the assignment of rights to any invention made during your employment at the Company, and non-disclosure of TransTech or Company proprietary information. In the event of any dispute or claim relating to or arising out of our employment relationship, you and TransTech and the Company agree that: (i) any and all disputes between you and the Company shall be fully and finally resolved by binding arbitration, (ii) such arbitration shall be conducted by Judicial Arbitration and Mediation Services, Inc. ("JAMS") in Seattle, Washington, or Portland, Oregon (iii) you are waiving any and all rights to a jury trial but all court remedies will be available in arbitration, (iv) all disputes shall be resolved by a neutral arbitrator who shall issue a written opinion, (v) the arbitration shall provide for adequate discovery, and (vi) TransTech and the Company shall pay all but the first $125 of the arbitration fees, unless the arbitration is initiated by the Company, in which case TransTech or the Company shall pay all of the arbitration fees. In any arbitration or other legal proceeding between you and the Company, the substantially prevailing party shall be entitled to recover from the losing party its reasonable attorneys' fees and costs incurred.

This offer is also contingent upon the presentation of adequate documentation confirming your eligibility for employment in the United States.

To accept TransTech and the Company's offer, please sign and date this letter in the space provided below. A duplicate original is enclosed for your records. This letter, along with the Confidential Information, Invention Assignment, and Arbitration Agreement, and any agreements between you, TransTech and the Company concerning your indemnification by TransTech and/or the Company, set forth the terms of your employment with TransTech and supersede any prior oral or written representations or oral or written agreements, and any representations made during your recruitment, interviews or pre-employment negotiations. This letter, including, but not limited to, its at-will employment provision, may not be modified or amended except by a written agreement signed by a TransTech or Company Officer and you.

In the event that any provision hereof becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable, or void, such provision shall be enforced to the maximum extent possible given the intent of the parties, and the remainder of this letter shall continue in full force and effect without such provision. The substantive laws of the State of Washington shall govern the interpretation and enforcement of this letter agreement.

You acknowledge that you have had the opportunity to discuss this matter with and obtain advice from your private attorney, have had sufficient time to, and have carefully read and fully understand all the provisions of this letter, and are knowingly and voluntarily entering into this letter. You further acknowledge that this offer and the terms and conditions contained herein are in all respects subject to approval by the Board.

We look forward to your continued contributions to TransTech System, Inc. and Visualant, Inc.

Sincerely,

/s/ *Ron Erickson*

Ron Erickson

Chairman and CEO of Visualant, Inc.

Chairman of TransTech Systems, Inc.

Agreed to and accepted:

Signature: */s/ Jim Gingo*

Printed Name: Jim Gingo

Date: June 8, 2010

Enclosures
Duplicate Original Letter

EXHIBIT 10.10

To: Mark Scott

From: Ron Erickson

Date: May 5, 2010

Visualant Term Sheet

Position: Chief Financial Officer, Secretary and Treasurer

Term: Two years

Cash compensation: $2,000 per month until cash is available at which time cash compensation shall be increased to $8,000 per month.

Bonus cash compensation shall be at the discretion of the senior executive and the board of directors.

Benefits: Post funding at discretion of recipient and equivalent to other employees in the company.

Stock: 1,000,000 shares of common stock to be granted upon signing, subject to board approval.

200,000 issued on signing subject to 144 only

800,000 subject to repurchase by the Company for @ $0.02 per share at my request. The repurchase right shall terminate as to 100,000 shares at the end of every three month period of the two year term.

The stock portion of this term sheet is subject to the approval of the board of directors of Visualant.

If this proposal is acceptable to you, please sign below and I will convert this term sheet into a letter agreement and present it to the board for approval.

I look forward to a fun and rewarding experience working together. Please let me know if you have any questions. I want to obtain board approval of our agreement this week.

Accepted the 5th day of May, 2010.

/s/ Mark Scott

Mark Scott

EXHIBIT 31.1

SECTION 302 CERTIFICATIONS

I, Ronald P. Erickson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Visualant Incorporated.;

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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

4. The registrant's other certifying officer(s) 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 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 its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this 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 control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(a) 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 of the 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 control 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 control over financial reporting.

Date: August 12, 2010

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

EXHIBIT 31.2

SECTION 302 CERTIFICATIONS

I, Mark Scott, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Visualant Incorporated.;

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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

4. The registrant's other certifying officer(s) 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 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 its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this 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 control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(a) 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 of the 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 control 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 control over financial reporting.

Date: August 12, 2010

/s/ Mark Scott
Mark Scott
Chief Financial Officer

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 Quarterly Report of Visualant Incorporated. (the "Company") on Form 10-Q for the quarterly period ended June 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ronald P. Erickson, Chief Executive 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, to the best of my knowledge, that:

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

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the dates and periods covered by the Report.

This certificate is being made for the exclusive purpose of compliance by the Chief Executive and Financial and Accounting Officer of the Company with the requirements of Section 906 of the Sarbanes-Oxley Act of 2002, and may not be disclosed, distributed or used by any person or for any reason other than as specifically required by law.

/s/ Ronald P. Erickson
Ronald P. Erickson
Chief Executive Officer
August 12, 2010

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 Quarterly Report of Visualant Incorporated. (the "Company") on Form 10-Q for the quarterly period ended June 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark Scott, 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, to the best of my knowledge, that:

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

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the dates and periods covered by the Report.

This certificate is being made for the exclusive purpose of compliance by the Chief Executive and Financial and Accounting Officer of the Company with the requirements of Section 906 of the Sarbanes-Oxley Act of 2002, and may not be disclosed, distributed or used by any person or for any reason other than as specifically required by law.

/s/ Mark Scott
Mark Scott
Chief Financial Officer
August 12, 2010