

Registration No. _____

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-1/A
AMENDMENT 2
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

VISUALANT, INCORPORATED

(Exact name of registrant as specified in charter)

Nevada

(State or other jurisdiction of incorporation or organization)

90-0273142

(I.R.S. Employer Identification No.)

3920

(Primary Standard Industrial Classification Number)

500 Union Street, Suite 420, Seattle, Washington USA

(Address of principal executive offices)

98101

(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)

Ronald P. Erickson, Chief Executive Officer
Visualant, Inc.
500 Union Street, Suite 420
Seattle, WA 98101
206-903-1351

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:
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As soon as practicable and from time to time after this registration statement becomes effective.

(Approximate date of commencement of proposed sale to the public)

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

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

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

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

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

Large accelerated filer ☐ Accelerated filer ☐
Non-accelerated filer ☐ Smaller reporting Company ☒
(Do not check if a smaller reporting Company)

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common stock issued to Special Situations Technology Funds, L.P. and 40 other accredited investors pursuant to a private placement which closed June 14, 2013 (1) (2)	52,300,000	\$ 0.10	\$ 5,230,000	\$ 713.37
Shares of common stock issuable upon exercise of five-year Series A Warrants to purchase common stock at \$0.15 per share related to the private placement which closed June 14, 2013 (1) (3)	52,300,000	\$ 0.15	\$ 7,845,000	\$ 1,070.06
Shares of common stock issuable upon exercise of the five-year Series B Warrants to purchase common stock at \$0.20 per share related to the private placement which closed June 14, 2013 (1) (3)	52,300,000	\$ 0.20	\$ 10,460,000	\$ 1,426.74
Shares of common stock issuable upon exercise of the five-year Placement Agent Warrants to purchase common stock at \$0.10 per share related to the private placement which closed June 14, 2013 (1) (3)	5,230,000	\$ 0.10	\$ 523,000	\$ 71.34
Total	162,130,000		\$ 24,058,000	\$ 3,281.51

- (1) The shares of our common stock being registered hereunder are being registered for sale by the Selling Shareholders named in the prospectus.
- (2) Pursuant to Rule 457(g) under the Securities Act of 1933, the proposed maximum offering price and the amount of the registration fee have been calculated based on the price in the private placement paid by the Selling Shareholders which closed June 14, 2013.
- (3) Pursuant to Rule 457(g) under the Securities Act of 1933, the proposed maximum offering price and the amount of the registration fee have been calculated based on the exercise price of the common stock warrants held by the Selling Shareholders in the private placement which closed June 14, 2013.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT HAS FILED A FURTHER AMENDMENT THAT SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933, AS AMENDED, OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED.

PRELIMINARY, SUBJECT TO COMPLETION, DATED SEPTEMBER 13 , 2013.

PROSPECTUS

Visualant, Inc.

162,130, 000 Shares of Common Stock

This prospectus covers the resale by the selling security holders named herein of up to 162,130, 000 shares of the Company's common stock, \$.001 par value per share, including: (i) 52,300,000 shares of common stock issued to Special Situations and forty other accredited investors pursuant to the Private Placement which closed June 14, 2013 ; (ii) 52,300 ,000 shares of common stock issuable upon the exercise of the five-year Series A Warrants at \$0.15 per share, which were issued to the investors as part of the above-referenced Private Placement; (iii) 52,300,000 shares of common stock issuable upon the exercise of five year Series B Warrants at \$0.20 per share, which were issued to the investors as part of the above-referenced Private Placement; and (iv) 5,230,000 shares of common stock issuable upon the exercise of five year Placement Agent Warrants at \$0.10 per share, which were issued to GVC Capital LLC or affiliated parties pursuant to the above-referenced Private Placement. The common stock covered by this prospectus will be offered for sale from time to time by the selling security holders identified in this prospectus in accordance with the terms described in the section entitled Plan of Distribution. The Company will not receive any of the proceeds from the sale of the common stock by the selling security holders.

The Company's common stock trades on the OTCQB under the symbol VSUL. On September 12 , 2013, the last reported sale price for the Company's common stock as reported on OTCQB was \$0.09 per share.

INVESTING IN THE COMPANY'S COMMON STOCK INVOLVES A HIGH DEGREE OF RISK. YOU SHOULD CONSIDER CAREFULLY THE "RISK FACTORS" DESCRIBED IN THIS PROSPECTUS BEGINNING ON PAGE 6.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Prospectus is September 13 , 2013.

No offers to sell are made, nor are offers sought, to buy these securities in any jurisdiction where the offer or sale is not permitted.

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You may rely only on the information provided or incorporated by reference in this prospectus. Neither we nor the selling security holders have authorized anyone to provide information different from that contained in this prospectus. This prospectus is not an offer to sell or solicitation to buy the securities in any circumstances under which the offer or solicitation is unlawful.

PROSPECTUS SUMMARY

The following summary highlights information contained elsewhere in this prospectus. It may not contain all of the information that is important to you. You should read the entire prospectus carefully, especially the discussion regarding the risks of investing in Visualant, Inc. common stock under the heading Risk Factors, before investing in Visualant, Inc. common stock. In this prospectus, Visualant, VSUL, Company, we, us, and our refer to Visualant, Inc.

The Offering

This prospectus covers the resale by the selling security holders named herein of up to 162,130,000 shares of our common stock, \$.001 par value per share, including: (i) 52,300,000 shares of common stock issued to Special Situations Technology Funds, L.P. and forty other accredited investors pursuant to the Private Placement which closed June 14, 2013; (ii) 52,300,000 shares of common stock issuable upon exercise of the Series A Warrants at \$0.15 per share, which were issued to the investors as part of the above-referenced Private Placement; (iii) 52,300,000 shares of common stock issuable upon the exercise of five year Series B Warrants at \$0.20 per share, which were issued to the investors as part of the above-referenced Private Placement; and (iv) 5,230,000 shares of common stock issuable upon the exercise of five year Placement Agent Warrants at \$0.10 per share, which were issued to GVC Capital LLC or affiliated parties as part of the above-referenced Private Placement. Information regarding our common stock is included in the section of this prospectus entitled Description of Securities.

We agreed to register for resale the shares covered by this prospectus as a condition to the purchase and sale of the securities listed in the preceding paragraph, which were private offerings resulting in the purchasers holding restricted securities.

The Company and our Business

We were incorporated under the laws of the State of Nevada on October 8, 1998 with authorized common stock of 200,000,000 shares at \$.001 par value. On September 13, 2002, 50,000,000 shares of preferred stock with a par value of \$.001 were authorized by the stockholders. There are no preferred shares issued and the terms have not been determined. On August 12, 2013 our articles of incorporation were amended to increase the number of our authorized shares of common stock to 500,000,000. Our executive offices are located in Seattle, Washington.

The current focus of our business is our ChromaID technology. We have invented a way to shine light at a material (solid surface, liquid, or gas) and measure the amount of light that is reflected back. The pattern of this reflected light is compared to other patterns we have captured and this allows us to identify, detect, or diagnose materials that cannot be identified by the human eye. We refer to this pattern of reflected light as a ChromaID™. We design ChromaID Scanner devices made with electronic, optical, and software parts to produce and capture the light.

Our first product, the ChromaID F12 Lab Kit, scans and identifies solid surfaces. We are marketing this product to customers who are considering licensing the technology. Target markets include, but are not limited to, commercial paint manufacturers, pharmaceutical equipment manufacturers, process control companies, currency paper and ink manufacturers, security card, reader, and scanner manufacturers, food processing, and electronic gaming. We have not yet generated any revenues from the sale of our ChromaID products.

Our wholly owned subsidiary, TransTech Systems, Inc., based in Aurora, Oregon, is a leading distributor of products, including systems solutions, components and consumables, for employee and government identification, document authentication, access control, and radio frequency identification. TransTech provides these products and services, along with marketing and business development assistance, to a growing channel of value-added resellers and system integrators throughout North America. To date, the majority of the Company's revenues have been generated by our TransTech subsidiary.

TransTech's channel partners enjoy the top pre-and post-sales support in the industry. Technical Services covers training and installation support, in-warranty repair, out of warranty repair, and spares programs. Our Customer Service team, with industry top awards, provides full sales, configuration, and logistics services. An increasing number of manufacturers are turning to TransTech Systems for channel development and introduction of their products to our market space.

On June 10, 2013, we entered into a Purchase Agreement, Warrants, and Registration Rights Agreement with Special Situations Technology Funds and forty other accredited investors, pursuant to which we issued 52,300,000 shares of common stock at \$0.10 per share for a total of \$5,230,000, which amount includes the conversion of \$500,000 in outstanding debt of the Company owed to one of its officers. As part of the transaction, which closed on June 14, 2013, we issued to the investors (i) five year Series A Warrants to purchase a total of 52,300,000 shares of common stock at \$0.15 per share; and (ii) five year Series B Warrants to purchase a total of 52,300,000 shares of common stock at \$0.20 per share. In addition, GVC Capital LLC, the placement agent in that transaction, was issued five-year warrants to purchase a total of 5,230,000 shares of common stock at \$0.10 per share. The transaction was entered into to strengthen our balance sheet, complete the purchase of our TransTech subsidiary, and provide working capital to support the rapid movement of our ChromaID technology into the marketplace.

We have a Joint Development Agreement through December 31, 2013 with Sumitomo Precision Products Co., Ltd., which focuses on the commercialization of the ChromaID™ technology as well as a License Agreement providing Sumitomo with an exclusive license of the ChromaID™ technology in identified Asian territories. Sumitomo is publicly traded in Japan and has operations in Japan, United States, China, United Kingdom, Canada and other parts of the world.

To date, we have been issued five patents by the United States Office of Patents and Trademarks. See page 17 for more detailed information regarding our patents and our business.

Summary Financial Results

Net revenue for the nine months ended June 30, 2013 increased \$808,000 to \$6,334,000 as compared to \$5,526,000 for the nine months ended June 30, 2012. The increase was due to license revenue of \$667,000 from Sumitomo and sales of \$5,667,000 at TransTech. Net revenue for the nine months ended June 30, 2012 reflected \$84,000 from Sumitomo and sales of \$5,442,000 at TransTech. Sumitomo paid the Company an initial payment of \$1 million under a License Agreement dated May 31, 2012 providing Sumitomo with an exclusive license of our technology in identified Asian territories. This license revenue was fully recognized by May 31, 2013. The TransTech increase primarily resulted from the release of new products, including radio frequency and asset tracking and kiosk printer products.

Net loss for the nine months ended June 30, 2013 was \$5,463,000 as compared to a net loss of \$1,925,000 for the nine months ended June 30, 2012 for the reasons discussed above. The net loss included non-cash expenses of \$3,264,000. We expect losses to continue as we commercialize our ChromaID™ technology.

Net revenue for the year ended September 30, 2012 decreased \$1,212,000 to \$7,924,000 as compared to \$9,136,000 for the year ended September 30, 2011. The reduction was due to a large sale by TransTech to an aerospace company in the year ended September 30, 2011, which was not repeated in the year ended September 30, 2012. Net loss for the year ended September 30, 2012 was \$2,732,000 as compared to a net loss of \$2,410,000 for the year ended September 30, 2011. The net loss included non-cash expenses of \$1,302,000 and other business development and investor relation expenditures to expand the business.

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 incurred net losses of \$5,462,678 and \$2,725,692 for the nine months ended June 30, 2013 and the year ended September 30, 2012, respectively. Our net cash used in operating activities was \$2,468,603 for the nine months ended June 30, 2013.

We anticipate that we will record losses from operations for the foreseeable future. As of June 30, 2013, our accumulated deficit was \$19,378,609. We have limited capital resources, and operations to date have been funded with the proceeds from private equity and debt financings and loans from Ronald P. Erickson, our Chief Executive Officer. 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, 2012 includes an explanatory paragraph expressing the substantial doubt about our ability to continue as a going concern.

Our continuation 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.

Risks Factors

We are subject to a number of risks, which the reader should be aware of before deciding to purchase the securities in this offering. These risks are discussed below in the section titled Risk Factors beginning on page 6 of this prospectus.

Corporate Information

We were incorporated under the laws of the State of Nevada on October 8, 1998. Our executive offices are located at 500 Union Street, Suite 420, Seattle, WA 98101. Our telephone number is (206) 903-1351 and its principal website address is located at www.visualant.net. The information on our website is not incorporated as a part of this prospectus.

The Company's Common Stock

Our common stock currently trades on OTCQB under the symbol VSUL.

RISK FACTORS

An investment in our Common Stock involves a high degree of risk. You should carefully consider the following risk factors and other information in this prospectus before deciding to invest in shares of the Company's Common Stock. The most significant risks and uncertainties known and identified by our management are described below. If any of the following risks actually occurs, our business, financial condition, liquidity, results of operations and prospects for growth could be materially adversely affected, the trading price of our Common Stock could decline, and you may lose all or part of your investment. You should acquire shares of our Common Stock only if you can afford to lose your entire investment. We make various statements in this section that constitute "forward-looking statements". See "Forward-Looking Statements" beginning on page 11 of this prospectus.

WE EXPECT TO NEED ADDITIONAL FINANCING TO SUPPORT OUR TECHNOLOGY DEVELOPMENT AND ONGOING OPERATIONS AND PAY OUR DEBTS.

We expect that we will need additional financing to implement our business plan and to service our ongoing operations and pay our current debts. There can be no assurance that we will be able to secure any needed funding, or that if such funding is available, the terms or conditions would be acceptable to us. If we are unable to obtain additional financing when it is needed, we may have to restructure our operations.

Although the Company recently secured financing as a result of its private placement with Special Situations Fund and other investors, the funds received by the Company in that transaction may not cover all debts and other obligations due in the coming months. We may need additional financing within the next six months. 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 September 13, 2013, there were approximately 166.7 million shares of our common stock issued and outstanding. If all 52,300,000 of the Series A Warrant shares and all 52,300,000 of the Series B Warrant shares that are covered by this prospectus and registration statement are issued upon exercise of all of such Warrants, approximately 276,500,000 of the Company's currently authorized 500,000,000 shares of common stock will be issued and outstanding.

The Company has also issued 5,230,000 placement agent warrants and is obligated to issue up to 5,230,000 additional placement agent warrants under certain circumstances as more fully described in the description of the transaction in "Business" below, which has the potential to add an additional 10,460,000 shares to the total number of 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 or 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 \$0.05 to \$0.75 per share.

In addition, as of September 13, 2013, there are also options outstanding for the purchase of 12.7 million common shares at a \$0.126 average strike price, and warrants for the purchase of 112.6 million common shares at a \$0.173 average exercise price.

These options and warrants could result in further dilution to common stock holders and may affect the market price of the common stock.

The warrants issued in connection with the recent transaction with Special Situations (Series A Warrants to purchase a total of 52,300,000 shares of common stock at \$0.15 per share, and Series B Warrants to purchase a total of 52,300,000 shares of common stock at \$0.20 per share) may require an adjustment in the exercise price of the warrants if we issue common stock, warrants or equity below the price that is reflected in the warrants. Although the Company has no present intention of issuing any additional shares of common stock, warrants or other equity securities at a price below the exercise price of the Series A and Series B Warrants, if it should do so, it would result in a reduction in the exercise price of the Series A and Series B Warrants. Upon exercise of these Warrants, the Company would receive substantially less capital to fund the Company's operations. This adjustment also could affect the market price of the common stock.

THE COMPANY MAY BE SUBJECT TO PENALTIES UNDER THE REGISTRATION RIGHTS AGREEMENT.

The Registration Rights Agreement between the Company, Special Situations Fund and the other investors in the private placement transaction that closed June 14, 2013, required that the Company file a registration statement within thirty days of closing covering the "Initial Registrable Securities" which includes the 52,300,000 shares of common stock plus the 52,300,000 Series A Warrant Shares. The Company, however, did not have a sufficient number of authorized shares of common stock to permit the exercise of all of the Series A Warrants and the registration of all 52,300,000 of the Series A Warrant Shares. Special Situations Fund and the other investors were notified of this shortfall and understood that the Company would include in the first registration statement only 18,000,000 of the Series A Warrant Shares and that the balance of the Series A Warrant Shares, together with the Series B Warrant Shares, would be included in the subsequent registration statement to be filed following the authorization by the Company's stockholders of an increase in the Company's authorized shares of common stock. However, since the Company did not obtain a formal written waiver from Special Situations and the other investors, under the terms of the Registration Rights Agreement, the Company's failure to include all 52,300,000 of the Series A Warrant Shares in the first registration statement could give rise to the imposition of penalties in an amount equal to 1.5% of the aggregate amount invested, payable to each investor on a pro rata basis, for each 30-day period for which the requisite registration statement was not filed with respect to the Initial Registrable Securities. The Company has now filed a registration statement covering all of the Initial Registrable Securities.

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. As of June 30, 2013, we had an accumulated deficit of \$19.4 million. There can be no assurance that we will achieve or maintain profitability.

THE MARKET PRICE OF OUR COMMON STOCK HAS BEEN AND MAY CONTINUE TO 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 and litigation;
- Issuance of convertible or equity securities and related warrants 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 shares of our common stock by shareholders;
- General market and economic conditions;
- Quarterly variations in our operating results;
- Investor and public 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.

TRADING IN THE COMPANY'S STOCK MAY BE RESTRICTED IN THE FUTURE BY THE SEC'S PENNY STOCK REGULATIONS.

Although our stock currently does not meet the definition of a "penny stock" due to an increase in our revenues for past two years, in the recent past our stock was categorized as a penny stock and it is possible that our stock may become a penny stock again in the future. The SEC has adopted Rule 15c-9 which generally defines "penny stock" to be any equity security that has a market price (as defined) less than US\$ 5.00 per share or an exercise price of less than US\$ 5.00 per share, subject to certain exclusions (e.g., net tangible assets in excess of \$2,000,000 or average revenue of at least \$6,000,000 for the last three years). If our securities were to become a penny stock in the future, they would be covered by the penny stock rules, which impose additional sales practice requirements on broker-dealers who sell to persons other than established customers and accredited investors. 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. Finally, broker-dealers may not handle penny stocks under \$0.10 per share.

These disclosure requirements reduce the level of trading activity in the secondary market for the stock that is subject to these penny stock rules. Consequently, these penny stock rules would affect the ability of broker-dealers to trade our securities if we become subject to them in the future. The penny stock rules also could discourage investor interest in and limit the marketability of our common stock to future investors, resulting in limited ability for investors to sell their shares.

FINRA SALES PRACTICE REQUIREMENTS MAY ALSO LIMIT A SHAREHOLDER'S ABILITY TO BUY AND SALE OUR STOCK.

In addition to the "penny stock" rules described above, FINRA has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, FINRA believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. The FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit your ability to buy and sell our stock and have an adverse effect on the market for our shares.

TRANSFERS OF OUR SECURITIES MAY BE RESTRICTED BY VIRTUE OF STATE SECURITIES "BLUE SKY" LAWS WHICH PROHIBIT TRADING ABSENT COMPLIANCE WITH INDIVIDUAL STATE LAWS. THESE RESTRICTIONS MAY MAKE IT DIFFICULT OR IMPOSSIBLE TO SELL SHARES IN THOSE STATES.

Transfers of our common stock may be restricted under the securities or securities regulations laws promulgated by various states and foreign jurisdictions, commonly referred to as "blue sky" laws. Absent compliance with such individual state laws, our common stock may not be traded in such jurisdictions. Because the securities held by many of our stockholders have not been registered for resale under the blue sky laws of any state, the holders of such shares and persons who desire to purchase them should be aware that there may be significant state blue sky law restrictions upon the ability of investors to sell the securities and of purchasers to purchase the securities. These restrictions may prohibit the secondary trading of our common stock. Investors should consider the secondary market for our securities to be a limited one.

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 officers do not have employment agreements. 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 directors' and officers' liability insurance and commercial liability insurance policies. Any significant claims would have a material adverse effect on our business, financial condition and results of operations.

OUR JOINT DEVELOPMENT AGREEMENT WITH SUMITOMO PRECISION PRODUCTS CO. LTD IS IMPORTANT TO OUR OPERATIONS AND IS SUBJECT TO EXPIRATION.

On May 31, 2012, we entered into a Joint Research and Product Development Agreement with Sumitomo for the commercialization of our ChromaID technology. The term of the Joint Development Agreement was extended to December 31, 2013. This Joint Development Agreement focuses on the commercialization of our ChromaID™ technology. Our failure to operate in accordance with the terms of the Joint Development Agreement could result in the agreement not being renewed at the expiration of its current term.

WE NEED TO CONTINUE AS A GOING CONCERN IF OUR BUSINESS IS TO SUCCEED.

Our financial statements and notes for the nine months ended June 30, 2013 indicate that there are a number of factors that raise substantial doubt about our ability to continue as a going concern. Such factors identified in the report result from net losses, negative working capital, and the need for additional financing to implement our business plan and service our debt repayments. If we are not able to continue as a going concern, it is likely investors will lose their investments.

WE MAY BE UNABLE TO PROTECT OUR IP RIGHTS, WHICH WOULD HARM OUR BUSINESS, FINANCIAL CONDITION AND OPERATING RESULTS.

We rely on a combination of patent, trademark, and trade secret laws, confidentiality procedures and licensing arrangements to protect our IP rights.

There can be no assurance that:

- any of our existing patents will continue to be held valid, if challenged;
- patents will be issued for any of our pending applications;
- any claims allowed from existing or pending patents will have sufficient scope or strength to protect us;
- our patents will be issued in the primary countries where our products are sold in order to protect our rights and potential commercial advantage; or
- any of our products or technologies will not infringe on the patents of other companies.

If we are enjoined from selling our products, or if we are required to develop new technologies or pay significant monetary damages or are required to make substantial royalty payments, our business and results of operations would be harmed.

WE ARE SUBJECT TO CORPORATE GOVERNANCE AND INTERNAL CONTROL REQUIREMENTS, AND OUR COSTS RELATED TO COMPLIANCE WITH, OR OUR FAILURE TO COMPLY WITH EXISTING AND FUTURE REQUIREMENTS, COULD ADVERSELY AFFECT OUR BUSINESS.

We must comply with corporate governance requirements under the Sarbanes-Oxley Act of 2002 and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, as well as additional rules and regulations currently in place and that may be subsequently adopted by the SEC and the Public Company Accounting Oversight Board. These laws, rules, and regulations continue to evolve and may become increasingly stringent in the future. We are required to include management's report on internal controls as part of our annual report pursuant to Section 404 of the Sarbanes-Oxley Act. We strive to continuously evaluate and improve our control structure to help ensure that we comply with Section 404 of the Sarbanes-Oxley Act. The financial cost of compliance with these laws, rules, and regulations is expected to remain substantial.

Our management has concluded that our disclosure controls and procedures were not effective due to the presence of the following material weaknesses in internal control over financial reporting:

While we have an audit committee, we lack a financial expert. During 2013, the Board expects to appoint an additional independent Director to serve as Audit Committee Chairman who is an audit committee financial expert as defined by the SEC and as adopted under the Sarbanes-Oxley Act of 2002.

Management anticipates that such disclosure controls and procedures will not be effective until the material weaknesses are remediated. We cannot assure you that we will be able to fully comply with these laws, rules, and regulations that address corporate governance, internal control reporting, and similar matters. Failure to comply with these laws, rules and regulations could materially adversely affect our reputation, financial condition, and the value of our securities .

WE MAY ISSUE PREFERRED STOCK THAT COULD HAVE RIGHTS THAT ARE PREFERENTIAL TO THE RIGHTS OF COMMON STOCK THAT COULD DISCOURAGE POTENTIALLY BENEFICIAL TRANSACTIONS TO OUR COMMON SHAREHOLDERS.

An issuance of additional shares of preferred stock could result in a class of outstanding securities that would have preferences with respect to voting rights and dividends and in liquidation over our common stock and could, upon conversion or otherwise, have all of the rights of our common stock. Our Board of Directors' authority to issue preferred stock could discourage potential takeover attempts or could delay or prevent a change in control through merger, tender offer, proxy contest or otherwise by making these attempts more difficult or costly to achieve. The issuance of preferred stock could impair the voting, dividend and liquidation rights of common stockholders without their approval.

IF A REVERSE STOCK SPLIT IS EFFECTUATED, IT COULD RESULT IN DILUTION TO THE COMPANY'S STOCKHOLDERS.

At the Company's 2013 annual meeting of stockholders held on March 21, 2013, the stockholders approved and authorized the Board of Directors, in its discretion, to effect a reverse stock split of the Company's common stock based upon an exchange ratio of not less than 1-for-3 and not more than 1-for-10, and to reduce the Company's authorized capital from 200,000,000 shares of common stock to 100,000,000 shares of common stock in connection with any such reverse stock split (the Company's authorized shares have since been increased from 200,000,000 to 500,000,000 at the special meeting of stockholders held on August 9, 2013). The authority given to the Board to implement this reverse stock split may be exercised at any time up until the Company's 2014 annual meeting of stockholders. Although the Board has not yet determined to effectuate any reverse stock split, if it elects to do so and the Company's authorized shares of common stock are not correspondingly reduced in the same ratio, it would result in a greater percentage of the Company's authorized shares of common stock being available for issuance. Upon issuance of additional authorized shares, each of the Company's then current shareholders would suffer a greater degree of dilution in their ownership percentage of the Company's common stock than would otherwise have occurred prior to the reverse stock split.

IF THE COMPANY WERE TO DISSOLVE OR WIND-UP, HOLDERS OF OUR COMMON STOCK MAY NOT RECEIVE A LIQUIDATION DISTRIBUTION.

If we were to wind-up or dissolve the Company and liquidate and distribute our assets, our shareholders would share ratably in our assets only after we satisfy any amounts we owe to our creditors. If our liquidation or dissolution were attributable to our inability to profitably operate our business, then it is likely that we would have material liabilities at the time of liquidation or dissolution. Accordingly, we cannot give you any assurance that sufficient assets will remain available after the payment of our creditors to enable you to receive any liquidation distribution with respect to any shares you may hold.

OUR ChromaID™ TECHNOLOGY IS NEW AND MAY NOT ACHIEVE COMMERCIAL SUCCESS

We are commercializing our ChromaID™ technology. To date, we have entered into one License Agreement with Sumitomo Precision Products Co., Ltd. Failure to sell our ChromaID products, grant additional licenses and obtain royalties, or develop other revenue streams will have a material adverse effect on our business, financial condition and results of operations. In such event, it is likely investors will lose their investments.

OUR TRANSTECH VENDOR BASE IS CONCENTRATED

Evolis, Fargo, Magicard and NiSCA, are major vendors of TransTech whose products account for approximately 70% of TransTech's revenue. TransTech buys, packages and distributes products from these vendors after issuing purchase orders. Any loss of these vendors would have a material adverse effect on our business, financial condition and results of operations.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. Such forward-looking statements include statements regarding, among other things, (a) our expectations about product development activities, (b) our growth strategies, (c) anticipated trends in our industry, (d) our future financing plans, and (e) our anticipated needs for working capital. Forward-looking statements, which involve assumptions and describe our future plans, strategies, and expectations, are generally identifiable by use of the words may, will, should, expect, anticipate, estimate, believe, intend, or project or the negative of these words or other variations on these words or comparable terminology. This information may involve known and unknown risks, uncertainties, and other factors that may cause our actual results, performance, or achievements to be materially different from the future results, performance, or achievements expressed or implied by any forward-looking statements. Actual events or results may differ materially from those discussed in forward-looking statements as a result of various factors, including, without limitation, the risks outlined under "Risk Factors" and matters described in this prospectus generally. In light of these risks and uncertainties, the events anticipated in the forward-looking statements may not occur. These statements are based on current expectations and speak only as of the date of such statements. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of future events, new information or otherwise.

The information contained in this prospectus, as well as in our SEC filings, identifies important factors that could adversely affect actual results and performance. Prospective investors are urged to carefully consider such factors.

All forward-looking statements attributable to us are expressly qualified in their entirety by the foregoing cautionary statements.

USE OF PROCEEDS

We will not receive any proceeds from the sale of the common stock by the selling security holders. All proceeds from the sale of such securities offered by the selling security holders under this prospectus will be for the account of the selling security holders, as described below in the sections entitled Selling Security Holders and Plan of Distribution. With the exception of any brokerage fees and commissions which are the respective obligations of the selling security holders, we are responsible for the fees, costs and expenses of this registration statement, which includes our legal and accounting fees, printing costs, and filing and other miscellaneous fees and expenses.

DILUTION

Net Tangible Book Value

As of March 31, 2013, the net tangible book value of the Company was a deficit of (\$3,313,195) or approximately \$(0.030) per share based upon 111,978,606 shares of common stock outstanding.

Dilution to Investors in the Private Placement

The investors in the private placement which closed on June 14, 2013 paid (or will pay, assuming the full exercise of the warrants for 162,130,000 shares of common stock) a total of \$24,058,000, resulting in an average price per share of common stock of approximately \$0.148. The private placement will result in the Company's net tangible book value increasing to \$19,437,760 or approximately \$0.067 per share of common stock based upon 292,021,199 common shares outstanding. This assumes the full exercise of (i) the warrants for 104,600,000 common shares (52,300,000 shares at \$0.15 per share and 52,300,000 shares at \$0.20 per share that were issued in the private placement; (ii) the full exercise of the placement agent warrants for 5,320,000 shares at \$0.10 per share; (iii) the full exercise of other outstanding warrants of 2,777,050 at \$.232 per share; and (iv) the full exercise of stock option grants at \$0.126 per share.

The investors who acquired shares in the private placement suffered immediate dilution and upon full exercise of the warrants will suffer total dilution in the average amount of \$0.074 per share. As a result of the private placement, our existing stockholders experienced an increase in the net tangible book value of their shares of \$0.097 per share without any additional investment on their part.

The stockholders who acquired shares in the private placement will own approximately 57.1% of the total number of outstanding shares (assuming full exercise of the warrants for 109,830,000 common shares) for which they will have made a cash investment of \$24,058,000, or approximately \$0.148 per share.

The following table reflects the change in net tangible book value and resulting dilution to investors in the private placement, and compares the differences in investment by the investors acquiring shares in the private placement with investment in our shares by our existing stockholders:

Private placement average price per share of common stock (52,300,000 shares at \$0.10 per share and assuming full exercise of the Warrants for 109,830,000 shares at an average price of \$0.171 per share)	\$0.148
Net Tangible Book Value per share prior to private placement	\$ (0.030)
Net Tangible Book Value per share after private placement	\$0.067
Dilution to investors in private placement (assuming full exercise of Warrants for 109,830,000 shares at an average price of \$0.171 per share)	\$0.074
Increase in Net Tangible Book Value to existing stockholders following the private placement (without any additional investment by existing stockholders)	\$0.097

The net tangible book value of the Company will remain the same upon the purchase of any shares from the selling stockholders in this registration statement. The purchasers of these shares will suffer immediate and substantial dilution in the average amount of \$0.067 per share assuming the shares are purchased for the same price at which the investors in the private placement purchased these shares.

SELLING SECURITY HOLDERS

The following table sets forth the number of shares of our common stock which may be sold by each of the selling security holders pursuant to this prospectus, including: (i) 52,300,000 shares of common stock issued to Special Situations Technology Funds, L.P. and forty other accredited investors pursuant to the Private Placement which closed June 14, 2013; (ii) 52,300,000 shares of common stock issuable upon exercise of the five-year Series A Warrants at \$0.15 per share, which were issued to the investors as part of the above-referenced Private Placement; (iii) 52,300,000 shares of common stock issuable upon the exercise of five year Series B Warrants at \$0.20 per share, which were issued to the investors as part of the above-referenced Private Placement; and (iv) 5,230,000 shares of common stock issuable upon the exercise of five year Placement Agent Warrants at \$0.10 per share, which were issued to GVC Capital LLC or affiliated parties as part of the above-referenced Private Placement. We agreed to register for resale the shares covered by this prospectus as a condition to the purchase of these securities, which were sold in a private offering resulting in the purchasers holding restricted securities.

We are registering these securities in order to permit the selling security holders to dispose of the shares of common stock, or interests therein, from time to time.

The selling security holders may decide to sell all, some, or none of the securities listed below. See the Plan of Distribution. We cannot provide an estimate of the number of securities that any of the selling security holders will hold in the future. For purposes of this table, beneficial ownership is determined in accordance with the rules of the SEC, and includes voting power and investment power with respect to such securities.

Except for Ronald P. Erickson and affiliated entities, Mark Scott, or as indicated in the section of this prospectus entitled Certain Relationships and Related Party Transactions beginning on page 38, no selling security holder has had any material relationship with us or our affiliates during the last three years. Except as disclosed below, no selling security holder is a registered broker-dealer or an affiliate of a broker-dealer. The Offering is not on behalf of the Company.

The security holders who are registered broker-dealers acquired their shares under the terms of the offering which closed June 14, 2013. In addition, GVC Capital and its affiliates acquired in connection with that same offering, 5,230,000 placement agent warrants exercisable at \$0.10 per share. The placement agent warrants have a term of five years from the date of closing of the transaction. The Company also has an obligation to potentially issue up to 5,230,000 additional placement agent warrants exercisable at \$0.15 per share; however, the \$0.15 placement agent warrants will issue only upon the exercise of the Series A Warrants by the investors, and are issuable ratably based upon the number of Warrants exercised by the investors. The shares underlying these potential additional placement agent warrants are not included as part of this registration statement. We also paid sales commission and expenses of \$466,600 to GVC Capital. The Offering is not on behalf of the Company. At the time they purchased their respective securities, GVC Capital and the other registered broker-dealers identified in the table below purchased the offered shares in the ordinary course of business and had no agreements or understandings, directly or indirectly, with any person to distribute the securities.

The table below lists the selling security holders and other information regarding the beneficial ownership of the shares of common stock by each of the selling security holders. Column B lists the number of shares of common stock beneficially owned by each selling security holder prior to the private placement with Special Situations. Column C lists the shares of common stock and common stock underlying the warrants covered by this prospectus that may be disposed of by each of the selling security holders. Column D lists the placement agent shares of common stock underlying the warrants covered by this prospectus. Column E lists the number of shares of common stock that will be beneficially owned by the selling security holders assuming all of the shares covered by this prospectus are sold. Column F lists the percentage of shares beneficially owned based on 292,021,199 shares of common stock outstanding on September 13, 2013, assuming the exercise of all warrants in this offering, other standing warrants and stock options.

Name of Selling Shareholder (A)	Securities	SECURITIES BEING REGISTERED					
	Beneficially	Securities	Securities	Securities	Securities	Securities	% Beneficial
	Owned Prior to						
	Private						
	Placement	Beneficially	Securities	Underlying	Underlying	Underlying	Ownership
	Memorandum	Owner After	Being	Warrant A	Warrant B	Placement	
	(B)	Offering (E)	Offered (C)	Offered (C)	Offered (C)	Agent	After Offering
						Warrants	(F)
						Being	
Michael E. Donnelly (1)	32,603	32,603	500,000	500,000	500,000	597,340	*
Michael L. Conn	-	-	250,000	250,000	250,000	-	*
Growth Ventures, Inc. Pension Plan & Trust/ Gary McAdam	-	-	500,000	500,000	500,000	-	*
Edward Staas	-	-	180,000	180,000	180,000	-	*
Jim Bisping	-	-	100,000	100,000	100,000	-	*
William D. Moreland	-	-	3,000,000	3,000,000	3,000,000	-	*
Tom Juda & Nancy Juda Living Trust (3)	-	-	1,000,000	1,000,000	1,000,000	-	*
Margaret Bathgate (1)	775,000	775,000	750,000	750,000	750,000	-	*
Delaware Charter G & T Co FBO Steven M. Bathgate (1)	2,286,300	2,286,300	250,000	250,000	250,000	618,190	*
Len Goldberg	900,000	900,000	600,000	600,000	600,000	-	*
Michael S. Barish	-	-	1,500,000	1,500,000	1,500,000	-	*
Alva Terry Staples	-	-	250,000	250,000	250,000	-	*
Lucky Dog LLC/ Robert Doane	-	-	500,000	500,000	500,000	-	*
High Speed Aggregate, Inc./ Jeff Ploen	-	-	250,000	250,000	250,000	-	*
Wallace Family Trust John Wallace	-	-	1,000,000	1,000,000	1,000,000	-	*
H. Leigh Severance	1,000,000	1,000,000	500,000	500,000	500,000	-	*
Stephanie L. Russo	-	-	350,000	350,000	350,000	-	*
Robert G. Allison	-	-	750,000	750,000	750,000	-	*
Aeneas Valley Holdings LLC/ Scott Wilburn	-	-	2,000,000	2,000,000	2,000,000	-	*
Viva CO LLC/ Douglas Kelsall and Steven Bathgate (1)	500,000	500,000	250,000	250,000	250,000	-	*
Delaware Charter G & T Co FBO John Jenkins	-	-	250,000	250,000	250,000	-	*
Diker Micro-Cap Fund, LP/ Mark Diker	-	-	3,500,000	3,500,000	3,500,000	-	*
Delaware Charter G & T Co. FBO Shane T. Petersen	-	-	150,000	150,000	150,000	-	*
Delaware Charter G & T Co FBO Douglas Kelsall	-	-	250,000	250,000	250,000	-	*
Liolios Family Trust/ Scott Liolios (1)	-	-	250,000	250,000	250,000	500,000	*
Herbert C. Brosnan Jr	-	-	350,000	350,000	350,000	-	*
Alan Budd Zuckerman (2)	-	-	1,000,000	1,000,000	1,000,000	2,295,000	*
J3E2A2Z LP, an affiliate of Ronald P. Erickson, our CEO	12,328,373	12,328,373	5,000,000	5,000,000	5,000,000	-	4.2%
GVC Capital LLC/ Vicki Barone (1)	-	-	1,500,000	1,500,000	1,500,000	-	*
John D. Gibbs	1,000,000	1,000,000	250,000	250,000	250,000	-	*
Jeb Partners LP/ Jeb Besser	-	-	1,500,000	1,500,000	1,500,000	-	*
Special Situations Technology Funds, L.P./ Adam Stettner	-	-	15,900,000	15,900,000	15,900,000	-	*
Rapture Investments LP/ Cooper Dubois	-	-	5,000,000	5,000,000	5,000,000	-	*
Delaware Charter G&T Co. FBO: Rod Cerny (4)	-	-	150,000	150,000	150,000	-	*

Mark Scott, our CFO	2,268,500	2,268,500	100,000	100,000	100,000	-	*
Patrick Lin	-	-	250,000	250,000	250,000	-	*
SouthShore Capital Partners, LP/ Thomas Turner	-	-	500,000	500,000	500,000	-	*
David R. Morgan	-	-	500,000	500,000	500,000	-	*
Daniel S. & Patrice M. Perkins	-	-	250,000	250,000	250,000	-	*
Millennium Trust Company LLC Cust. FBO John Seabern	-	-	1,000,000	1,000,000	1,000,000	-	*
Financial America Securities, Inc. (1)	-	-	-	-	-	5,250	*
Matthew Kelsall (1)	-	-	-	-	-	250,220	*
Richard Huebner (1)	-	-	-	-	-	126,000	*
Anita Dudley (1)	-	-	-	-	-	5,000	*
Andrea Kidd (1)	-	-	-	-	-	10,000	*
GVC Partners LLC (1)	-	-	-	-	-	493,900	*
Delaware Charter G&T Co. FBO: Vicki Barone (1)	-	-	170,000	170,000	170,000	329,100	*
	21,090,776	21,090,776	52,300,000	52,300,000	52,300,000	5,230,000	

*Less than 1% ownership.

- (1) 5,230,000 Placement Agent Warrants were allocated to employees of the placement agent and other participating FINRA Firms. GVC Partners LLC is the holding company of the placement agent GVC Capital LLC. GVC Partners LLC registered owners of GVC Partners LLC disclaim beneficial ownership of the shares allocated to it.
- (2) Affiliated directly or indirectly with G. Select Securities LLC, a registered broker-dealer.
- (3) Affiliated directly or indirectly with Concept Capital Markets LLC, a registered broker-dealer.
- (4) Affiliated directly or indirectly with Smith Hayes Advisors, Inc., a registered broker-dealer.

PLAN OF DISTRIBUTION

We are registering shares of common stock that have been issued by us to forty-one investors pursuant to a Private Placement with Special Situations which closed June 14, 2013 in order to permit the resale of these shares of common stock as required under the terms of the Purchase Agreement and the related Registration Rights Agreement between the Company and the investors. We will not receive any of the proceeds from the sale of these shares of common stock by the selling stockholders. Under the terms of the Registration Rights Agreement, we have agreed to pay all fees and expenses incident to our obligation to register these shares of common stock.

The selling stockholders may decide not to sell any of their respective shares of common stock, or may sell all or a portion of the shares of common stock beneficially owned by them. The selling stockholders will act independently of us in making decisions with respect to the timing, manner and size of any sale of shares, and may sell the shares directly or through one or more broker-dealers or agents. To the extent that any of the selling stockholders employ broker-dealers or other agents in connection with the sale of their respective shares of stock, such selling stockholders will pay any commissions, discounts or other amounts due to such broker-dealers or agents. Except for those selling stockholders who have been identified above as broker-dealers, the selling stockholders have not entered into any agreement, arrangement or understanding with any particular broker-dealer or market maker with respect to the sale or distribution of the shares of common stock offered hereby.

The selling stockholders, which as used herein includes donees, pledgees, transferees or other successors-in-interest selling shares of common stock or interests in shares of common stock received after the date of this prospectus from a selling stockholder as a gift, pledge, partnership distribution or other transfer, may, from time to time, sell, transfer or otherwise dispose of any or all of their shares of common stock or interests in shares of common stock on any stock exchange, market or trading facility on which the shares are traded or in private transactions. These dispositions may be at fixed prices, at prevailing market prices at the time of sale, at prices related to the prevailing market price, at varying prices determined at the time of sale, or at negotiated prices.

The selling stockholders may use any one or more of the following methods when disposing of shares or interests therein:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- block trades in which the broker-dealer will attempt to sell the shares as agent, but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- short sales effected after the date the registration statement of which this Prospectus is a part is declared effective by the SEC;
- through the writing or settlement of options or other hedging transactions, whether through an options exchange or otherwise;
- broker-dealers may agree with the selling stockholders to sell a specified number of such shares at a stipulated price per share;
- a combination of any such methods of sale; and
- any other method permitted by applicable law.

The selling stockholders may, from time to time, pledge or grant a security interest in some or all of the shares of common stock owned by them and, if they default in the performance of their secured obligations, the pledgees or secured parties may offer and sell the shares of common stock, from time to time, under this prospectus, or under an amendment to this prospectus under Rule 424(b)(3) or other applicable provision of the Securities Act amending the list of selling stockholders to include the pledgee, transferee or other successors in interest as selling stockholders under this prospectus. The selling stockholders also may transfer the shares of common stock in other circumstances, in which case the transferees, pledgees or other successors in interest will be the selling beneficial owners for purposes of this prospectus.

In connection with the sale of our common stock or interests therein, the selling stockholders may enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of the common stock in the course of hedging the positions they assume. The selling stockholders may also sell shares of our common stock short and deliver these securities to close out their short positions, or loan or pledge the common stock to broker-dealers that in turn may sell these securities. The selling stockholders may also enter into option or other transactions with broker-dealers or other financial institutions or the creation of one or more derivative securities which require the delivery to such broker-dealer or other financial institution of shares offered by this prospectus, which shares such broker-dealer or other financial institution may resell pursuant to this prospectus as supplemented or amended to reflect such transaction.

The aggregate proceeds to the selling stockholders from the sale of the common stock offered by them will be the purchase price of the common stock less discounts or commissions, if any. Each of the selling stockholders reserves the right to accept and, together with their agents from time to time, to reject, in whole or in part, any proposed purchase of common stock to be made directly or through agents. We will not receive any of the proceeds from these stock sales by the selling stockholders. However, upon any exercise by the holders of the Series A and Series B Warrants as well as the placement agent warrants by payment of cash, the Company will receive the exercise price of such Warrants.

The selling stockholders also may resell all or a portion of the shares in open market transactions in reliance upon Rule 144 under the Securities Act of 1933, provided that they meet the criteria and conform to the requirements of that rule.

To the extent required, the shares of our common stock to be sold, the names of the selling stockholders, the respective purchase prices and public offering prices, the names of any agents, dealer or underwriter, any applicable commissions or discounts with respect to a particular offer will be set forth in an accompanying prospectus supplement or, if appropriate, a post-effective amendment to the registration statement that includes this prospectus.

In order to comply with the securities laws of some states, if applicable, the common stock may be sold in these jurisdictions only through registered or licensed brokers or dealers. In addition, in some states the common stock may not be sold unless it has been registered or qualified for sale or an exemption from registration or qualification requirements is available and is complied with.

We have advised the selling stockholders that the anti-manipulation rules of Regulation M under the Exchange Act may apply to sales of shares in the market and to the activities of the selling stockholders and their affiliates. In addition, to the extent applicable we will make copies of this prospectus as it may be supplemented or amended from time to time available to the selling stockholders for the purpose of satisfying the prospectus delivery requirements of the Securities Act. The selling stockholders may indemnify any broker-dealer that participates in transactions involving the sale of the shares against certain liabilities, including liabilities arising under the Securities Act.

We have agreed to indemnify the selling stockholders against liabilities, including liabilities under the Securities Act and state securities laws, arising out of or based upon (i) any untrue statement or omission of any material fact contained in this prospectus and registration statement, including any amendment or supplement thereof; (ii) any blue sky application filed by the Company in any state in order to qualify the shares covered by this prospectus under the securities laws of such state; (iii) the omission in any blue sky application of a material fact required or necessary to make any statement therein not misleading; (iv) any violation by the Company of any rule or regulation under the Securities Act relating to the registration of the shares covered by this prospectus; or (v) any failure by the Company to register or qualify the shares covered by this prospectus in any state where the Company has affirmatively undertaken such registration or qualification on a selling stockholder's behalf; provided, however, that the Company will not be liable to the extent any liability arises out of or is based upon an untrue statement or omission made or furnished by any selling stockholder for use in this prospectus and registration statement.

We also have agreed with the selling stockholders to keep the registration statement of which this prospectus constitutes a part effective until the earlier of (1) the date on which all of the shares covered by this prospectus have been sold, or (2) the date on which all of the shares may be sold without restriction pursuant to Rule 144 of the Securities Act.

LEGAL MATTERS

Fifth Avenue Law Group PLLC has rendered an opinion regarding the legality of the issuance of the shares of common stock being registered in this prospectus. In the past, we have paid the law firm of Fifth Avenue Law Group PLLC for a portion of its services with our common stock. As of the filing of this Registration Statement, Fifth Avenue Law Group PLLC holds 1,066,667 shares of our common stock (which constitutes approximately 0.6% of the Registrant's total issued and outstanding common stock) with a market value of approximately \$96,000.

INTERESTS OF NAMED EXPERTS AND COUNSEL

No expert or counsel named in this prospectus as having prepared or certified any part of this prospectus or having given an opinion upon the validity of the securities being registered or upon other legal matters in connection with the registration or offering of the common stock was employed on a contingency basis, or had (except as disclosed in the preceding section entitled Legal Matters), or is to receive in connection with the filing, a substantial interest, direct or indirect, in the Company or any of its subsidiaries. Nor was any such person connected with the Company or any of its subsidiaries as a promoter, managing or principal underwriter, voting trustee, director, officer, or employee.

The financial statements included in this prospectus and registration statement for the fiscal year ended September 30, 2012 have been audited by PMB Helin Donovan, LLP, the Company's independent registered public accounting firm, and are included in reliance upon such report given upon the authority of said firm as experts in auditing and accounting.

The financial statements included in this prospectus and registration statement for the fiscal year ended September 30, 2011 have been audited by Madsen & Associates CPA's, Inc., the Company's previous independent registered public accounting firm, and are included in reliance upon such report given upon the authority of said firm as experts in auditing and accounting.

BUSINESS

The Company and our Business

We were 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. Our executive offices are located in Seattle, Washington.

The following summarizes our plans for our ChromaID™ technology. Based on our expenditures on this technology, the management effort and the Sumitomo Precision Products Co., Ltd relationship, we expect our ChromaID™ technology to provide the majority of net revenues in future years from product sales, licenses, royalties and other revenue streams as discussed in the Business section. TransTech currently provides the majority of our net revenues. There is no government regulation to our business at this time.

Our ChromaID™ Technology

We have invented a way to project light at a material (solid surface, liquid, or gas) and measure the amount of light that is reflected back. The pattern of this reflected light is compared to other patterns we have captured and this allows us to identify, detect, or diagnose materials that cannot be identified by the human eye. We refer to this pattern of reflected light as a ChromaID™. We design ChromaID scanning devices made with electronic, optical, and software parts to produce and capture the light.

Our first product, the ChromaID F12 Lab Kit, scans and identifies solid surfaces. We are marketing this product to customers who are considering licensing the technology. Target markets include, but are not limited to, commercial paint manufacturers, pharmaceutical equipment manufacturers, process control companies, currency paper and ink manufacturers, security card, reader, and scanner manufacturers, food processing, and electronic gaming.

There is no current requirement for FDA or other government approval of our ChromaID technology.

Our research and development expenses are as follows:

Nine months ended June 30, 2013- \$720,022
Year ended September 30, 2012- \$176,944
Year ended September 30, 2011- \$133,941

We employ two individuals, utilize contractors at the RATLab and other suppliers for our research and development.

Our Patents

On August 9, 2011, we were issued US Patent No. 7,996,173 B2 entitled “Method, Apparatus and Article to Facilitate Distributed Evaluation of Objects Using Electromagnetic Energy,” by the United States Office of Patents and Trademarks. The patent expires August 24, 2029.

On December 13, 2011, we were issued US Patent No. 8,076,630 B2 entitled “System and Method of Evaluating an Object Using Electromagnetic Energy” by the United States Office of Patents and Trademarks. The patent expires November 7, 2028.

On December 20, 2011, we were issued US Patent No. 8,081,304 B2 entitled “Method, Apparatus and Article to Facilitate Evaluation of Objects Using Electromagnetic Energy” by the United States Office of Patents and Trademarks. The patent expires July 28, 2030.

On October 9, 2012, we were issued US Patent No. 8,285,510 B2 entitled “Method, Apparatus, and Article to Facilitate Distributed Evaluation of Objects Using Electromagnetic Energy” by the United States Office of Patents and Trademarks. The patent expires July 31, 2027.

On February 5, 2013, we were issued US Patent No. 8,368,878 B2 entitled “Method, Apparatus and Article To Facilitate Evaluation of Objects Using Electromagnetic Energy by the United States Office of Patents and Trademarks. The patent expires July 31, 2027.

We are pursuing an aggressive patent strategy to expand our unique intellectual property in the United States and Japan and other countries.

Our Joint Development Agreement with Sumitomo Precision Products Co., Ltd.

On May 31, 2012, we entered into a Joint Research and Product Development Agreement with Sumitomo, a publicly-traded Japanese corporation, for the commercialization of our ChromaID™ technology. On March 29, 2013, we entered into an Amendment to Joint Research and Product Development Agreement or Amended Agreement with Sumitomo. The Amended Agreement extends the Joint Development Agreement from March 31, 2013 to December 31, 2013. The extension was necessary to achieve redefined objectives related to the commercialization of our ChromaID™ technology. The major remaining work is to complete a marketing study to define version 7 of the ChromaID™ technology.

Sumitomo invested \$2,250,000 in exchange for 17,307,693 shares of restricted common shares priced at \$0.13 per share that was funded on June 21, 2012. Sumitomo also paid the Company an initial payment of \$1 million in accordance for an exclusive License Agreement which covers Japan, China, Taiwan, Korea and the entirety of Southeast Asia (Burma, Indonesia, Thailand, Cambodia, Laos, Vietnam, Singapore and the Philippines). A running royalty for the license granted under the License Agreement will be negotiated at the completion of the Joint Development Agreement. The Sumitomo License fee was recorded as revenue over the life the Joint Development Agreement and was fully recorded as of May 31, 2013.

Sumitomo is publicly traded in Japan and has operations in Japan, United States, China, United Kingdom, Canada and other parts of the world.

Our Developing Markets and Customers.

Our plan is to develop markets and customers who have a need to identify, detect, or diagnose flat surface materials which include, but are not limited to, commercial paint manufacturers, pharmaceutical equipment manufacturers, process control companies, currency paper and ink manufacturers, security card, reader, and scanner manufacturers, food processing, and electronic gaming.

Future market opportunities might include identification, detection, or diagnosis of:

- Powders for law enforcement applications,
- Drugs and drug container seals for protection against contamination and counterfeiting for pharmaceutical applications.
- Fruit and vegetable ripeness for agriculture applications,
- Noninvasive skin analysis for discovery of certain diseases or conditions for medical applications.

Our Commercialization Plans for our ChromaID Technology.

We expect to start shipping our first ChromaID product, the ChromaID F12 Lab Kit, sometime during the last calendar quarter of 2013, after we complete final assembly and testing. This Lab Kit will include the following:

- ChromaID F12 Scanner. A small device made with electronic, optical, and software parts, which shines light onto a flat material and measures the amount of light that is reflected back. The device is the size of a flashlight (5.5" long and 1.25" diameter).
- ChromaID Lab Software. A software application that runs on a Windows Personal Computer. This software configures and controls the ChromaID F12 Scanner, displays the captured ChromaID Profile, and compares it to known ChromaID Profiles.

The ChromaID F12 Scanner allows customers to evaluate the technology and determine if it is appropriate for their application. The main electronic and optical parts of the ChromaID scanner can be supplied to customers to put in their own products, these parts are called the 'Scanhead'. A set of ChromaID Developer Tools are also available, which allows customers to develop their own products based on the ChromaID technology.

The ChromaID profile must be stored, managed, and readily accessible. The database can be owned and operated by the end customer, but in the case of thousands of ChromaID profiles database management may be outsourced to Visualant or a third party provider. These database services can be made available on a per-access transaction basis or on a monthly or annual subscription basis. The actual storage location of the database can be cloud-based or local depending on the requirements of access, size of the database and security as defined by the customer. As a result, large databases can be accessed by cell phone or other mobile technologies.

Based on the commercialization plans outlined above, revenue can be derived from several sources:

- Sale of the ChromaID F12 Lab Kit and ChromaID Developer Tools.
- Licensing of the ChromaID technology,
- Sales of the Scanhead and associated licensing and royalties.
- ChromaID database administration and management services.

Our Acceleration of Business Development in the United States and Japan.

We are coordinating the sales and marketing efforts of both Visualant and Sumitomo to leverage market data and information in order to focus on specific target vertical markets which have the greatest potential for early adoption. The ChromaID F12 Lab Kit provides a means for us to demonstrate the technology to customers in these markets.

Development of License, Royalty and Other Opportunities

Our plan is to develop license and royalty producing opportunities and partners, including major companies in the US, Europe and Asia. We expect to develop our patent portfolio by continually extending the reach and application of our intellectual property.

Our first major license was signed May 31 2012 with Sumitomo. Our Business Development team is pursuing other license opportunities with customers in our target markets.

Our Acquisition of Visualant Related Assets of the RATLab LLC

On June 7, 2011, we closed the acquisition of all Visualant related assets of the RATLab. The RATLab is a Seattle based research and development laboratory created by Dr. Tom Furness, founder and Director of the HITLab International, with labs at Seattle, University of Canterbury in New Zealand, and the University of Tasmania in Australia. With this acquisition, we consolidated all intellectual property relating to the ChromaID technology, except for environmental field of use. We acquired the Visualant related assets of the RATLab for (i) 1,000,000 shares of our common stock at closing valued at \$0.20 per share, the price during the negotiation of this agreement; (ii) payment of \$250,000; and (iii) payment of the outstanding promissory note owing to Mr. Furness in the amount of \$65,000 with accrued interest of \$24,675.

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 selected fields of use.

Our Acquisition of Environmental Field of Use Rights from Javelin LLC

On July 31, 2012, we closed the acquisition of all rights to the ChromaID technology in the environmental field of use from Javelin LLC. We acquired these assets of Javelin for (i) 1,250,000 shares of our common stock valued at \$0.13 per share, the price during the negotiation of the acquisition agreement; and (ii) \$100,000 in cash, with \$20,000 payable at closing and \$80,000 to be paid in four equal installments over a period of eight months, all of which have now been paid.

Our Acquisition of TransTech Systems, Inc.

Our wholly owned subsidiary, TransTech Systems, Inc., based in Aurora, Oregon, is a leading distributor of products, including systems solutions, components and consumables, for employee and government identification, document authentication, access control, and radio frequency identification. TransTech provides these products and services, along with marketing and business development assistance to a growing channel of value-added resellers and system integrators throughout North America.

TransTech's channel partners enjoy the top pre-and post-sales support in the industry. Technical Services covers training and installation support, in-warranty repair, out of warranty repair, and spares programs. Our Customer Service team, with industry top awards, provides full sales, configuration, and logistics services. An increasing number of manufacturers are turning to TransTech Systems for channel development and introduction of their products to our market space.

We closed the acquisition of TransTech on June 8, 2010. We acquired our 100% interest in TransTech by issuing a Promissory Note to James Gingo, the President and sole shareholder of TransTech, in the amount of \$2,300,000, plus interest at the rate of three and one-half percent per annum from the date of the Note. The Note was secured by a security interest in the stock and assets of TransTech, and was payable over a period of three years. The final balance of \$1,000,000 on the Note and accrued interest of \$30,397 were paid to Mr. Gingo on June 12, 2013, to complete payment of the purchase price for the TransTech stock.

On June 8, 2010 in connection with the acquisition of TransTech, we issued a total of 3,800,000 shares of restricted common stock of the Company to James 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.

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

Products

TransTech products are as follows:

ID Systems & Components: Provision of ID personalization systems to the security industry. These systems include components such as ID cards, printers, software, supplies, data collection devices, document scanners, photo capture products, document authentication devices, and signature capture products.

Logical and Physical Access Control: Logical access readers used for logging onto computer networks and VPNs, physical access control readers used to gain access into buildings or secure areas, software such as visitor management & temporary card solutions, and additional applications outside of security.

Radio Frequency Identification and Tracking: These products include RF scanner, readers, cards, tags, labels, tracking software, and even video surveillance cameras to tie video clips of the asset or article movement to the personnel using them or to record other events surrounding asset and article movement.

Kiosk printers for the self service industry – The self service industry is expanding from ATM's and grocery store check-out lines to fully integrated systems for paying bills, depositing cash or checks, and using financial services. TransTech provides Kiosk card printers. The mechanical functions of the printers are the same as a standard desktop card printer, but typically do not have the fancy housing and may come with much higher volume feeder capacities.

Markets

Regions: Revenues are derived from over 400 distributors and national account customers in the United States, with the majority in the Western region.

Route to Market: TransTech's focus is on its reseller channel. Approximately 90% of sales are through the reseller channel and government prime vendors. The remaining approximately 10% is direct to end users.

Distribution Network Development: TransTech is exploring a closer position with its direct channel for tighter market feedback, insurance against manufacturer's policies, and for financial benefits. This exploration includes partnering, LLCs, Joint Ventures, and potential acquisitions.

Applications and Verticals: The primary use of TransTech products is for security applications. These fit within many verticals, including but not limited to, commercial industries, manufacturing, distribution, transportation, government, health care, education, entertainment. In recent years there has been growth into several non-security applications such as gaming/player's cards, loyalty cards, gift cards, direct marketing, certifications, amusement, payment, and guest cards.

Key Partners

Customers: We currently do not have any customer concentrations where one customer exceeds 10% of net revenues on an annual basis.

Suppliers: Evolis, Fargo, Magicard and NiSCA, are major vendors whose products account for approximately 70% of TransTech's revenue. TransTech buys, packages and distributes products from these vendors after issuing purchase orders. Our products do not have any limit on availability, subject to proper payment of outstanding invoices.

Distribution Methods

Distribution is fragmented in the security and authentication marketplace. There are large companies who increasingly sell directly to customers via the Internet and smaller regional and national distributors who sell to these same customers and provide value added services and support. Often called value added resellers or VARs, distributors such as TransTech work hard to maintain their customer relationships through the provision of outstanding service and support.

The Visualant technology will be primarily sold as IP, licensing and component parts of third party solutions and products. The sales and business development efforts are therefore focused on developing business relationships with those potential customers who have a need for faster, more accurate and lower cost discovery, authentication and verification of surfaces or substances via the spectral pattern creation, recording and storage capabilities provided by the Visualant ChromaID technology. These applications may be in the industrial, commercial or government security sector but the end user products most likely will be produced by a third party incorporating the Visualant scan head component as a part of the overall product.

We should be able to leverage our TransTech channel of distribution and obtain a speed to market advantage. At the same time, where appropriate, Visualant will utilize broad global channels of distribution for its Spectral Pattern Matching technology. We also expect to enter into joint ventures with co-development partners who may have their own channels of distribution.

Competition

While we have not seen any direct competition to the patented ChromaID technology and are not aware of any direct competitors using technology with the same or similar capabilities as the Visualant Spectral Pattern Matching technology in the security and authentication marketplace, there are several indirect competitors in the form of other methods for determining the authenticity of products and people. These competitive products include the use of RFID chips, holograms, iris scans, fingerprints and other means of determining whether a person or product is authentic.

There are competitors who do use spectroscopy and IR light to sense and validate various substances. While these methods are not identical to Chroma ID technology, they are functional, but at a relatively higher price. The FDA recently developed an internal product for checking on illegal drugs, and companies like Thermo Scientific and Centice are using Ramen light scattering technologies to analyze various substances confirming that the market is interested in the light identification solutions. The previously mentioned products, however, are large and expensive, costing over \$10,000 for each product. Many companies compete in the security and authentication marketplace with various solutions, many of which perform with excellence. We believe that we can provide an accurate, cost effective component which will add value to customers looking for additional inexpensive redundancies to solve their security and authentication problems.

TransTech faces direct competition from OEMs and manufacturers selling directly to end users/customers and from other distributors of both the same products as TransTech distributes and competing products.

Summary Financial Results

Summary of Recent Business Operations for the Nine Months Ended June 30, 2013

Net revenue for the nine months ended June 30, 2013 increased \$808,000 to \$6,334,000 as compared to \$5,526,000 for the nine months ended June 30, 2012. The increase was due to license revenue of \$667,000 from Sumitomo and sales of \$5,667,000 at TransTech. Net revenue for the nine months ended June 30, 2012 reflected \$84,000 from Sumitomo and sales of \$5,442,000 at TransTech. Sumitomo paid the Company an initial payment of \$1 million under a License Agreement dated May 31, 2012 providing Sumitomo with an exclusive license of our technology in identified Asian territories. This license revenue was fully recognized by May 31, 2013. The TransTech increase primarily resulted from the release of new products, including radio frequency and asset tracking and kiosk printer products.

Gross margin was \$667,000 for our license revenue and \$860,000 from TransTech for a total of \$1,527,000 as compared to \$1,013,000 for the nine months ended June 30, 2012. The gross margin was 24.1% for the nine months ended June 30, 2013 as compared to 18.3% for the nine months ended June 30, 2012. The increase relates to the Sumitomo license revenue, offset by a reduction TransTech gross margin from 17.1% to 15.2% related to the release of new products, including radio frequency and asset tracking and kiosk printer products. New products have lower margins during the product launch and until sales increase.

Research and development expenses for the nine months ended June 30, 2013 increased \$621,000 to \$720,000 as compared to \$99,000 for the nine months ended June 30, 2012. The increase was due to expenditures for personnel and suppliers related to the commercialization of Visualant's ChromaID technology and the expenses incurred for the Joint Development Agreement with Sumitomo.

Selling, general and administrative expenses for the nine months ended June 30, 2013 increased \$818,000 to \$3,572,000 as compared to \$2,754,000 for the nine months ended June 30, 2012. The increase was due to increased business develop, public relations and investor relation activities. Business development, public relation and investor relation expenditures include cash and share issuances to develop markets, license agreements and an investor base for the Company.

Net loss for the nine months ended June 30, 2013 was \$5,463,000 as compared to a net loss of \$1,925,000 for the nine months ended June 30, 2012 for the reasons discussed above. The net loss included non-cash expenses of \$3,264,000, including (i) depreciation and amortization of \$303,000; (ii) issuance of shares for services of \$255,000; (iii) stock based compensation of \$227,000; (iv) loss on derivative liability- warrants of \$1,449,000; and (v) loss on purchase of warrant and additional investment right of \$1,150,000.

We expect losses to continue as we commercialize our ChromaID™ technology.

Summary of Recent Business Operations for the Year Ended September 30, 2012

Net revenue for the year ended September 30, 2012 decreased \$1,212,000 to \$7,924,000 as compared to \$9,136,000 for the year ended September 30, 2011. The reduction was due to a large sale by TransTech to an aerospace company in the year ended September 30, 2011, which was not repeated in the year ended September 30, 2012.

Gross margin was \$334,000 for our license revenue and \$1,246,000 from TransTech for a total of \$1,580,000 as compared to \$1,566,000 for the year ended September 30, 2011. The gross margin was 19.9% for the year ended September 30, 2012 as compared to 17.7% for the year ended September 30, 2011. The increase relates to the Sumitomo license revenue, offset by a reduction TransTech gross margin from 17.1% to 16.4% related to product mix. The TransTech gross margin was negatively impacted by the reduction in the large sale by TransTech to an aerospace company and somewhat lower margins on remaining product lines due to competition.

Research and development expenses for the year ended September 30, 2013 increased \$43,000 to \$177,000 as compared to \$134,000 for the year ended September 30, 2012. The increase was due to expenditures for personnel related to the commercialization of Visualant's ChromaID technology and the expenses incurred for the Joint Development Agreement with Sumitomo.

Selling, general and administrative expenses for the year ended September 30, 2012 decreased \$67,000 to \$3,625,000 as compared to \$3,691,000 for the year ended September 30, 2011. We recorded \$195,000 in expenses related to the Sumitomo transactions during the year ended September 30, 2012. During the year ended September 30, 2012, we recorded non-cash expenses of \$1,196,000 and other business development and investor relation expenditures to expand the business.

Net loss for the year ended September 30, 2012 was \$2,726,000 as compared to a net loss of \$2,396,000 for the year ended September 30, 2011. The net loss included non-cash expenses of \$1,302,000, including (i) depreciation and amortization of \$356,000; (ii) issuance of shares for services of \$327,000; (iii) stock based compensation of \$266,000; (iv) loss on purchase of warrant of \$500,000; (v) offset by the gain of extinguishment of debt of \$394,000.

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 incurred net losses of \$5,462,678 and \$2,725,692 for the nine months ended June 30, 2013 and the year ended September 30, 2012, respectively. Our net cash used in operating activities was \$2,468,603 for the nine months ended June 30, 2013.

We anticipate that we will record losses from operations for the foreseeable future. As of June 30, 2013, our accumulated deficit was \$19,378,609. We have limited capital resources, and operations to date have been funded with the proceeds from private equity and debt financings and loans from Ronald P. Erickson, our Chief Executive Officer. 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, 2012 includes an explanatory paragraph expressing the substantial doubt about our ability to continue as a going concern.

Our continuation 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.

Material Financing Transactions

Purchase Agreement with Special Situations and forty other Accredited Investors which closed June 14, 2013

On June 10, 2013, we entered into a Purchase Agreement, Warrants and Registration Rights Agreement with Special Situations and forty other accredited investors pursuant to which we issued 52,300,000 shares of common stock at \$0.10 per share for a total of \$5,230,000, which amount includes the conversion of \$500,000 in outstanding debt of the Company owed to one of its officers. As part of that transaction, which closed June 14, 2013, we issued to the investors (i) five year Series A Warrants to purchase a total of 52,300,000 shares of common stock at \$0.15 per share; and (ii) five year Series B Warrants to purchase a total of 52,300,000 shares of common stock at \$0.20 per share, and the investors obtained voting agreements from certain stockholders regarding an increase in the number of authorized shares of stock. Since we had an insufficient number of authorized shares of common stock to permit the exercise of all of the Series A and Series B Warrants at the time of closing, the Warrants were issued subject to authorization and approval of an increase in the number of authorized shares of the Company by its stockholders at a special meeting of the stockholders, which was held on August 9, 2013. At the stockholders' special meeting, the stockholders approved an increase in the number of authorized shares of common stock of the Company from 200,000,000 shares to 500,000,000 shares.

We also agreed to file a registration statement on Form S-1 to register the resale of the 52,300,000 shares of common stock issued in the transaction plus a portion of the shares underlying the Series A Warrants, and to use commercially reasonable efforts to have the registration statement declared effective as soon as practicable. The Company must pay damages if the registration statement is not declared effective within one hundred and twenty days of the June 14, 2013 closing of the transaction. In addition, we agreed to file a subsequent registration statement on Form S-1 to register the resale of all remaining shares underlying the Series A and Series B Warrants within five business days of the special meeting of the stockholders of Visualant approving the increase in the number of authorized shares of common stock of the Company.

In connection with and as a condition to the closing of the Transaction, the Investors obtained voting agreements from existing stockholders holding an aggregate of 38,359,633 shares of our common stock. The voting agreements required those stockholders to vote their shares in favor of an increase in the number of the Company's authorized shares of common stock from 200,000,000 to 500,000,000 at the upcoming special meeting of stockholders. At the special meeting of stockholders held on August 9, 2013, 69.9% of our stockholders approved an increase in the number of authorized shares of common stock from 200,000,000 to 500,000,000 and authorized an amendment to our articles of incorporation to reflect this change in share authorization. The voting agreements obtained by the Investors were not utilized at the special stockholders meeting since there were a sufficient number of stockholders present at the meeting, either in person or by proxy, who voted in favor of the increase in our authorized shares of common stock.

Equity Line of Credit Transaction with Ascendant dated June 17, 2011

On June 17, 2011, we entered into a Securities Purchase Agreement with Ascendant, pursuant to which Ascendant agreed to purchase up to \$3,000,000 worth of shares of our common stock from time to time over a 24-month period, provided that certain conditions were met. The financing arrangement entered into by the Company and Ascendant is commonly referred to as an "equity line of credit" or an "equity drawdown facility."

Under the terms of the Securities Purchase Agreement, Ascendant was not obligated to purchase shares of our common stock unless and until certain conditions were met, including but not limited to the SEC declaring effective a Registration Statement (the "Registration Statement") on Form S-1 and the Company maintaining an Effective Registration Statement which registered Ascendant's resale of any shares purchased by it under the equity drawdown facility. The customary terms and conditions associated with Ascendant's registration rights are set forth in a Registration Rights Agreement that was also entered into by the parties on June 17, 2011.

Once the registration was declared effective, we had the right to sell and issue to Ascendant, and Ascendant had the obligation to purchase from us, up to \$3,000,000 worth of shares of the Company's common stock over a 24-month period beginning on such date (the "Commitment Period"). We were entitled to sell such shares from time to time during the Commitment Period by delivering a draw down notice to Ascendant. In such draw down notices, the Company was required to specify the dollar amount of shares that it intended to sell to Ascendant, which was spread over a five-trading-day pricing period. For each draw, the Company was required to deliver the shares sold to Ascendant by the second trading day following the pricing period. Ascendant was entitled to liquidated damages in connection with certain delays in the delivery of its shares.

The Securities Purchase Agreement also provided for the following terms and conditions:

- Purchase Price - 90% of our volume-weighted average price ("VWAP") on each trading day during the five-trading-day pricing period, unless the lowest VWAP or closing bid price ("Market Price") on the trading day before settlement was lower, in which case the Purchase Price shall be the Market Price less \$.01.
- Threshold Price - We may specify a price below which we will not sell shares during the applicable five-trading-day pricing period. If the VWAP falls below the threshold price on any day(s) during the pricing period, such day(s) will be removed from the pricing period (and Ascendant's investment amount will be reduced by 1/5 for each such day).
- Maximum Draw - 20% of our total trading volume for the 10-trading-day period immediately preceding the applicable draw down, times the average VWAP during such period (but in no event more than \$100,000).
- Minimum Draw - None.
- Minimum Time Between Draw Down Pricing Periods - Three trading days.
- Minimum Use of Facility - We were not obligated to sell any shares of our common stock to Ascendant during the Commitment Period.
- Commitment and Legal Fees - Commitment fees of 5% (\$150,000), payable in shares of our common stock based on the following schedule: \$75,000 worth of restricted shares to be delivered at initial closing, \$25,000 worth of shares if and when the S-1 is declared effective, and \$25,000 worth of shares at 30 and 60 days). Legal fees were \$7,500. We issued 1,490,943 shares for these commitment and legal fees.
- Indemnification - Ascendant is entitled to customary indemnification from us for any losses or liabilities it suffers as a result of any breach by us of any provisions of the Securities Purchase Agreement, or as a result of any lawsuit brought by any of our stockholders (except stockholders who are officers, directors or principal stockholders of the Company).
- Conditions to Ascendant's Obligation to Purchase Shares - Trading in our common stock must not be suspended by the SEC or other applicable trading market; we must not have experienced a material adverse effect; all liquidated damages and other amounts owing to Ascendant must be paid in full; the Registration Statement must be effective with respect to Ascendant's resale of all shares purchased under the equity drawdown facility; there must be a sufficient number of authorized but unissued shares of our common stock; and the issuance must not cause Ascendant to own more than 9.99% of the then outstanding shares of our common stock.
- Termination - The Securities Purchase Agreement would terminate if our common stock was not listed on one of several specified trading markets (which include the NYSE AMEX, OTC Bulletin Board and Pink Sheets, among others); if we filed for protection from its creditors; or if the Registration Statement was not declared effective by the SEC by the date nine months following the date of the Securities Purchase Agreement. We had the right to terminate the Securities Purchase Agreement with five days' notice two years from the Registration Statement being declared effective or August 29, 2013.

The Securities Purchase Agreement also contained certain representations and warranties of the Company and Ascendant, including customary investment-related representations provided by Ascendant, as well as acknowledgements by Ascendant that it has reviewed certain disclosures of the Company (including the periodic reports that we have filed with the SEC) and that our issuance of the shares has not been registered with the SEC or qualified under any state securities laws. We provided customary representations regarding, among other things, its organization, capital structure, subsidiaries, disclosure reports, absence of certain legal or governmental proceedings, financial statements, tax matters, insurance matters, real property and other assets, and compliance with applicable laws and regulations. Our representations and warranties are qualified in their entirety (to the extent applicable) by our disclosures in the reports it files with the SEC. We also delivered confidential disclosure schedules qualifying certain of its representations and warranties in connection with executing and delivering the Securities Purchase Agreement.

The shares issued by the Company to Ascendant under the Securities Purchase Agreement were issued in private placements in reliance upon the exemption from the registration requirements set forth in the Securities Act provided for in Section 4(2) of the Securities Act, and the rules promulgated by the SEC thereunder.

We issued to Ascendant 6,358,933 shares for \$483,141 or \$.076 per shares under the Securities Purchase Agreement excluding the commitment and legal fees.

Our equity line of credit with Ascendant remains outstanding, with available credit of \$2,516,859. We have no current intention of further utilizing this line of credit, which expires August 29, 2013.

Agreements with Gemini Master Fund, Ltd. and Ascendant Capital Partners, LLC dated May 19, 2011

On May 19, 2011, we entered into a Securities Purchase Agreement or Agreement with Gemini and Ascendant, pursuant to which we issued \$1.2 million in principal amount of 10% convertible debentures (the "Original Debentures"), which were due May 1, 2012. The purchase price for the debentures was 83.3% of the face amount, resulting in our receiving \$1.0 million, less legal fees, placement agent fees and expenses. Under the terms of the Agreement, the debentures, including the amount of accrued interest thereon, were convertible at the option of the holder into shares of the Company's common stock at a conversion price equal to the lesser of (i) \$0.50 per share, or (ii) 70% of the average of the three lowest prices during the 20 trading days preceding the conversion date, subject to a floor conversion price of \$0.35 per share, provided that the Company pays to the holder a compensatory amount in cash to adjust for the difference between the conversion price and \$0.35 per share. The warrants for 2.4 million shares are exercisable at a price of \$0.50 per share for five years. The Agreement also provided for an additional \$1.0 million investment option by the Investors to purchase an additional \$1.2 million in aggregate principal amount of debentures on or before the one-year anniversary date of the Agreement. The conversion price of these additional debentures is equal to the lesser of (i) \$1.00 per share, or (ii) 70% of the average of the three lowest prices during the 20 trading days preceding the conversion date, subject to a floor conversion price of \$0.70 per share subject to adjustment.

We paid legal fees and expenses in the amount of \$12,500. Visualant also paid \$80,000 or 8.0% of the cash received and issued a five-year warrant for 192,000 shares in placement agent fees to Ascendant Capital Markets LLC.

The due date of the Original Debentures was extended to September 30, 2012 pursuant to a First Amendment to the Agreement on March 12, 2012, and further extended to September 30, 2013 pursuant to a Second Amendment to the Agreement on August 16, 2012. The Agreement included an additional investment right granted to Gemini and Ascendant, pursuant to which the Gemini and Ascendant had the right at any time until September 30, 2013, to purchase up to \$1.2 million in principal amount of Additional Debentures on the same terms and conditions as the Original Debentures, except that the conversion price on the Additional Debentures was expected to have a higher floor. The conversion price on both the Original Debentures and the Additional Debentures were subject to a potential downward adjustment for any equity sales subsequent to the date of issuance. In conjunction with the purchase of the Additional Debentures, Gemini and Ascendant also had the right to purchase additional warrants.

On August 28, 2012, we entered into a Warrant Purchase Agreement with Gemini and acquired the Gemini Warrant covering the purchase of up to 1.8 million shares, subject to adjustment, by paying \$250,000 on August 28, 2012 and agreeing to pay \$250,000 on or before November 30, 2012.

Ascendant also had a warrant for the purchase of up to 600,000 shares of our common stock at an original exercise price of \$.35 per share, which exercise price was subject to adjustment and which had been adjusted downward as of April 26, 2013, the date it was exercised by Ascendant.

During the year ended September 30, 2012, we modified the terms of the outstanding Original Debentures with the Gemini and Ascendant having an aggregate principal value of \$1,200,000. The maturity date was extended to September 30, 2013, Gemini and Ascendant converted principal and interest as outlined above at \$0.05 per share, and the Company paid a premium to Gemini in the form of redeeming its outstanding warrants for \$500,000. In addition, the additional investment and participation rights as defined in the Agreement granted to Gemini and Ascendant were extended from September 30, 2012 to September 30, 2013. The fair value of the warrants was calculated using the Black-Scholes-Merton option valuation model. The following assumptions were used to determine the fair value of the Warrants using the Black-Scholes valuation model: a term of five years, risk-free rate of 3.92%, volatility of 100%, and dividend yield of zero. Interest expense was recorded for the loss of \$500,000 related to the modification of the debentures. The difference between the conversion price and the fair market value of the common stock on the commitment date resulted in a beneficial conversion feature recorded of \$216,000. Total interest expense recognized, including the beneficial conversion feature was \$313,534 during the year ended September 30, 2012.

On January 30, 2013, the Company and Gemini and Ascendant entered into the following agreements dated January 23, 2013 but made effective as of the date of their execution by the parties. We entered into these agreements to eliminate the potential dilution. This decision was made as part of the funding transaction with accredited investors that closed on June 14, 2013.

(1) Warrant Purchase Agreement between the Company and Ascendant pursuant to which we agreed to repurchase the Ascendant Warrant for a purchase price of \$300,000, which amount was due in full on March 31, 2013. No portion of the purchase price was paid by the due date and Ascendant was issued a total of 4,564,068 shares of common stock on April 26, 2013 as a result of Ascendant's cashless exercise of the Ascendant Warrant. On April 26, 2013, we entered into an Option Agreement with Ascendant pursuant to which we had the option to purchase from Ascendant 4,000,000 of the 4,564,068 shares of common stock of the Company acquired by Ascendant upon exercise of its warrant for a total purchase price of \$300,000. If purchased by us, the 4,000,000 shares were expected to be retired to treasury. The option was required to be exercised and payment for the shares made on or before May 31, 2013. On May 31, 2013, we exercised our option to purchase 4,000,000 Option Shares from Ascendant and paid to Ascendant the \$300,000 purchase price. To date, Ascendant has delivered only 2,284,525 of the 4,000,000 Option Shares purchased by the Company and has failed to deliver the remaining 1,715,475 Option Shares. On June 17, 2013, we filed a complaint against Ascendant in the Orange County Superior Court of California (Case No. 30-2013-00656770-CU-BC-CJC) for breach of contract, seeking damages, specific performance and injunctive relief. The matter is currently scheduled for hearing by the California Superior Court on September 24, 2013.

(2) Amendment to Warrant Purchase Agreement between the Company and Gemini dated January 23, 2013 extending the due date for payment of the balance of the purchase price, including accrued interest thereon, from November 30, 2012 to March 31, 2013. We accrued interest at 18% on the \$250,000 balance due to Gemini. We were in default on our payment obligation to Gemini, which entitled Gemini to exercise its warrant, potentially resulting in substantial additional dilution to our shareholders. On May 31, 2013, we paid \$250,000 plus interest of \$35,175 under the Amendment to Warrant Purchase Agreement with Gemini, in exchange for which we acquired the warrant from Gemini and cancelled it.

(3) AIR Termination Agreement between the Company and Gemini (which had previously acquired Ascendant's AIR right in a private transaction between Gemini and Ascendant) dated January 23, 2013 pursuant to which we acquired all additional investment rights or AIR of Gemini and Ascendant under the Securities Purchase Agreement dated May 19, 2011 for the sum of \$850,000, to be paid pursuant to the terms of a promissory note executed by the Company for the principal amount of \$850,000. The promissory note was payable in two installments of \$425,000 each, together with accrued interest thereon at the rate of 5% per annum, due on June 30, 2013 and September 30, 2013. If the payments were not made, we owed 120% of the balance due plus interest. On June 26, 2013, we acquired all additional investment rights between the Company and Gemini under the AIR Agreement with the payment of \$850,000 and interest of \$17,349.

Security Purchase Agreement with Seaside Advisors LLC dated December 23, 2010

On December 23, 2010, we entered into a Securities Purchase Agreement with Seaside pursuant to which Seaside agreed to purchase restricted shares of our common stock from time to time over a 12-month period, provided that certain conditions were met.

Under the terms of the agreement with Seaside, we agreed to sell and issue to Seaside each month for a 12-month period commencing on the closing date, restricted shares of our common stock at a price equal to the lower of (i) 60% of the average trading price of the company's stock during the 10 trading days immediately preceding each monthly closing date, or (ii) 70% of the average trading price for the trading day immediately preceding each monthly closing date. Visualant's agreement to sell shares each month during said 12 month period was subject to certain conditions and limitations. With respect to each subsequent closing, Visualant was not obligated to sell any of its common stock to Seaside at a price lower than \$0.25 per share, and Seaside's beneficial ownership of our common stock was not to exceed 9.9%. Seaside was not permitted to short sale our common stock.

Visualant paid Seaside's legal fees and expenses in the amount of \$25,000 for the initial closing, and agreed to pay \$2,500 for each subsequent closing. Visualant also agreed to pay 7.0% in finder's fees (to be paid in connection with each draw down) and issue 10,113 common stock warrants exercisable at \$0.21395 per share.

As of September 30, 2011, we sold to Seaside 2,529,314 shares at a purchase price of \$0.302 per share, or an aggregate price of \$763,650. In addition, we issued warrants to brokers for the purchase of 177,050 shares of common shares at the purchase price of \$0.302 per share. The Securities Purchase Agreement expired December 23, 2011.

Employees

As of September 13, 2013 we had sixteen full-time and two part-time employees. Our senior management is based out of the Seattle, Washington office.

DESCRIPTION OF PROPERTY

Corporate Offices

Our executive office is located at 500 Union Street, Suite 420, Seattle, Washington, USA, 98101. On August 1, 2012, we entered into a lease which expires August 31, 2014. The monthly lease rate was \$1,944 for the year ending August 31, 2013 and \$2,028 for the year ending August 31, 2014. On June 14, 2013, we amended the lease and added Suite 450, increasing our monthly payment to \$3,978 through August 31, 2013, \$4,057 from September 1, 2013 to May 31, 2014 and \$4,140 from June 1, 2014 through August 31, 2014.

TransTech Facilities

TransTech is located at 12142 NE Sky Lane, Suite 130, Aurora, OR 97002. 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 of \$4,292. The lease was extended from March 2011 for an additional five year term at a monthly rental of \$4,751. There are two additional five year renewals with a set accelerating increase of 10% per 5 year term.

SELECTED FINANCIAL DATA

The following table summarizes the financial data for our business. You should read this summary financial data in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our Consolidated Financial Statements and related notes, all included elsewhere in this prospectus.

We have derived the statements of operations data for the fiscal years ended September 30, 2012 and 2011 from our audited consolidated financial statements and related notes included elsewhere in this prospectus. We have derived the statements of operations data for the fiscal years ended September 30, 2010, 2009 and 2008 from our audited consolidated financial statements not included in this prospectus. We have derived the statements of operations data for the nine months ended June 30, 2013 and 2012 and the balance sheet data as of June 30, 2013 from our unaudited interim condensed consolidated financial statements and related notes included elsewhere in this prospectus. Our historical results are not necessarily indicative of the results that may be expected in the future.

(dollars in thousands)

	Nine Months Ended June 30, 2013	Years Ended September 30,				
		2012	2011	2010	2009	2008
(in thousands, except for share and per share data)						
STATEMENT OF OPERATIONS DATA:						
Revenue	\$ 6,334	\$ 7,924	\$ 9,136	\$ 2,543	\$ -	\$ -
Net loss	(5,463)	(2,726)	(2,396)	(1,147)	(951)	(945)
Net loss applicable to Visualant, Inc. common shareholders	(5,448)	(2,732)	(2,410)	(1,149)	(951)	(945)
Net loss per share	(0.05)	(0.04)	(0.06)	(0.04)	(0.03)	(0.05)
Weighted average number of shares	108,181,494	65,557,376	42,682,795	30,728,036	28,003,021	18,029,095
BALANCE SHEET DATA:						
Total assets	5,592	5,320	4,313	4,144	12	2
Stockholder's (deficiency) equity	(1,782)	171	(1,610)	(1,900)	(1,366)	(2,135)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-looking statements in this prospectus 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 and in Management's Discussion and Analysis of Financial Condition and Results of Operations as well as those discussed elsewhere in this prospectus. Readers are urged not to place undue reliance on these forward-looking statements which 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 the prospectus.

Summary of Recent Business Operations for the Nine Months Ended June 30, 2013

Net revenue for the nine months ended June 30, 2013 increased \$808,000 to \$6,334,000 as compared to \$5,526,000 for the nine months ended June 30, 2012. The increase was due to license revenue of \$667,000 from Sumitomo and sales of \$5,667,000 at TransTech. Net revenue for the nine months ended June 30, 2012 reflected \$84,000 from Sumitomo and sales of \$5,442,000 at TransTech. Sumitomo paid the Company an initial payment of \$1 million under a License Agreement dated May 31, 2012 providing Sumitomo with an exclusive license of our technology in identified Asian territories. This license revenue was fully recognized by May 31, 2013. The TransTech increase primarily resulted from the release of new products, including radio frequency and asset tracking and kiosk printer products.

Gross margin was \$667,000 for our license revenue and \$860,000 from TransTech for a total of \$1,527,000 as compared to \$1,013,000 for the nine months ended June 30, 2012. The gross margin was 24.1% for the nine months ended June 30, 2013 as compared to 18.3% for the nine months ended June 30, 2012. The increase relates to the Sumitomo license revenue, offset by a reduction TransTech gross margin from 17.1% to 15.2% related to the release of new products, including radio frequency and asset tracking and kiosk printer products. New products have lower margins during the product launch and until sales increase.

Research and development expenses for the nine months ended June 30, 2013 increased \$621,000 to \$720,000 as compared to \$99,000 for the nine months ended June 30, 2012. The increase was due to expenditures for personnel and suppliers related to the commercialization of Visualant's ChromaID technology and the expenses incurred for the Joint Development Agreement with Sumitomo.

Selling, general and administrative expenses for the nine months ended June 30, 2013 increased \$818,000 to \$3,572,000 as compared to \$2,754,000 for the nine months ended June 30, 2012. The increase was due to increased business develop, public relations and investor relation activities. Business development, public relation and investor relation expenditures include cash and share issuances to develop markets, license agreements and an investor base for the Company.

Net loss for the nine months ended June 30, 2013 was \$5,463,000 as compared to a net loss of \$1,925,000 for the nine months ended June 30, 2012 for the reasons discussed above. The net loss included non-cash expenses of \$3,264,000, including (i) depreciation and amortization of \$303,000; (ii) issuance of shares for services of \$255,000; (iii) stock based compensation of \$227,000; (iv) loss on derivative liability- warrants of \$1,449,000; and (v) loss on purchase of warrant and additional investment right of \$1,150,000.

We expect losses to continue as we commercialize our ChromaID™ technology.

Summary of Recent Business Operations for the Year Ended September 30, 2012

Net revenue for the year ended September 30, 2012 decreased \$1,212,000 to \$7,924,000 as compared to \$9,136,000 for the year ended September 30, 2011. The reduction was due to a large sale by TransTech to an aerospace company in the year ended September 30, 2011, which was not repeated in the year ended September 30, 2012.

Gross margin was \$334,000 for our license revenue and \$1,246,000 from TransTech for a total of \$1,580,000 as compared to \$1,566,000 for the year ended September 30, 2011. The gross margin was 19.9% for the year ended September 30, 2012 as compared to 17.7% for the year ended September 30, 2011. The increase relates to the Sumitomo license revenue, offset by a reduction TransTech gross margin from 17.1% to 16.4% related to product mix. The TransTech gross margin was negatively impacted by the reduction in the large sale by TransTech to an aerospace company and somewhat lower margins on remaining product lines due to competition.

Research and development expenses for the year ended September 30, 2013 increased \$43,000 to \$177,000 as compared to \$134,000 for the year ended September 30, 2012. The increase was due to expenditures for personnel related to the commercialization of Visualant's ChromaID technology and the expenses incurred for the Joint Development Agreement with Sumitomo.

Selling, general and administrative expenses for the year ended September 30, 2012 decreased \$67,000 to \$3,625,000 as compared to \$3,691,000 for the year ended September 30, 2011. We recorded \$195,000 in expenses related to the Sumitomo transactions during the year ended September 30, 2012. During the year ended September 30, 2012, we recorded non-cash expenses of \$1,196,000 consisting of (i) depreciation and amortization of \$356,000; (ii) issuance of shares for services of \$327,000 and (iii) stock based compensation of \$266,000. We spent the following during the year ended September 30, 2012:

\$195,000 in expenses related to the Sumitomo transactions to two former directors.

\$140,000 in cash and shares for services to investor relation firms to develop the investor base.

\$83,000 in cash and shares for services to a public relations firm to develop press for the company.

\$49,000 in cash and shares for services for business development activities to develop markets for the company.

Net loss for the year ended September 30, 2012 was \$2,726,000 as compared to a net loss of \$2,396,000 for the year ended September 30, 2011. The net loss included non-cash expenses of \$1,302,000, including (i) depreciation and amortization of \$356,000; (ii) issuance of shares for services of \$327,000; (iii) stock based compensation of \$266,000; (iv) loss on purchase of warrant of \$500,000; (v) offset by the gain of extinguishment of debt of \$394,000.

Summary of Recent Business Operations for the Year Ended September 30, 2011

Net revenue for the year ended September 30, 2011 increased \$6,593,000 to \$9,136,000 as compared to \$2,543,000 for the year ended September 30, 2010.

Gross margin was \$0 for our license revenue and \$1,566,000 from TransTech for a total of \$1,566,000 as compared to \$447,000 for the year ended September 30, 2010. The gross margin was 17.1% for the year ended September 30, 2011 as compared to 17.6% for the year ended September 30, 2010. The TransTech gross margin decrease was related to product mix.

Research and development expenses for the year ended September 30, 2011 increased \$43,000 to \$134,000 as compared to \$91,000 for the year ended September 30, 2010. The increase was due to expenditures for the development of Visualant's ChromaID technology.

Selling, general and administrative expenses for the year ended September 30, 2011 increased \$2,315,000 to \$3,690,000 as compared to \$1,377,000 for the year ended September 30, 2010. Visualant expenses increased \$1,213,000 related to non-cash expenses of \$1,204,000, including (i) depreciation and amortization of \$385,000; (ii) issuance of shares and warrants for services of \$660,000; and (iii) stock based compensation of \$151,000 and other business development and investor relation expenditures to expand the business. TransTech expenses increased \$1,102,000 related to owning TransTech for a full year.

Net loss for the year ended September 30, 2011 was \$2,396,000 as compared to a net loss of \$1,147,000 for the year ended September 30, 2010. The net loss included non-cash expenses of \$1,204,000 and other business development and investor relation expenditures to expand the business. Business development and investor relation expenditures include cash and issuances to develop markets, license agreements and an investor base for the Company.

The net loss included non-cash expenses of \$1,204,000, including (i) depreciation and amortization of \$385,000; (ii) issuance of shares and warrants for services of \$660,000; and (iii) stock based compensation of \$151,000.

We closed the acquisition of TransTech of Aurora, OR on June 8, 2010 and recorded the results from June 8, 2010 to September 30, 2011.

Liquidity and Capital Resources

Summary

We have invented a way to shine light at a material (solid surface, liquid, or gas) and measure the amount of light that is reflected back. The pattern of this reflected light is compared to other patterns we have captured and this allows us to identify, detect, or diagnose materials that cannot be identified by the human eye. We refer to this pattern of reflected light as a ChromaID™. We design ChromaID Scanner devices made with electronic, optical, and software parts to produce and capture the light.

Our first product, the ChromaID F12 Lab Kit, scans and identifies solid surfaces. We are marketing this product to customers who are considering licensing the technology. Target markets include, but are not limited to, commercial paint manufacturers, pharmaceutical equipment manufacturers, process control companies, currency paper and ink manufacturers, security card, reader, and scanner manufacturers, food processing, and electronic gaming.

We expect losses to continue as we commercialize our ChromaID™ technology. Our cash used in operations for the nine months ended June 30, 2013 was \$(2,487,000).

The net proceeds from the above-referenced Transaction with Special Situations and the other Investors which closed June 14, 2013, were used in part to pay the obligations discussed previously to: (i) James Gingo to pay the final note payment to James Gingo related to the TransTech stock acquisition, (ii) Gemini Master Fund, Ltd. for the warrant repurchase, (iii) Ascendant Capital Markets for the option exercise price, and (iv) Gemini Master Fund, Ltd. for the June 30, 2013 payment under the AIR Termination Agreement. The balance of the proceeds from the Transaction will be used by us for technology development, operating expenses and to pay our debts. We entered into the agreements with Gemini and Ascendant dated January 23, 2013 but made effective as of the date of their execution by the parties to eliminate the potential dilution. This decision was made as part of the funding transaction with accredited investors that closed on June 14, 2013.

We expect to need to obtain additional financing in the future. 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 we are unable to obtain additional financing, we may need to restructure our operations, and divest all or a portion of our business.

As part of the transaction with accredited investors which closed June 14, 2013, the Company issued to the investors Series A Warrants for 52,300,00 common shares at \$0.15 per share and Series B Warrants for 52,300,000 common shares at \$0.20 per share. If fully exercised, the warrants would provide the following liquidity (before fees) to fund the Company's operations:

Series A Warrants - up to \$7,845,000 and
Series B Warrants - up to \$10,460,000.

We expect to consider other funding options if the warrants are not exercised or if we experience any delays in the commercialization of our ChromaID™ technology.

Summary of Financings

We have previously financed our corporate operations and our technology development through the issuance of convertible debentures, the sale common stock, issuance of common stock in conjunction with an equity line of credit, and loans by our Chief Executive Officer (from April 1, 2013 to June 14, 2013).

The financing transactions and any related revisions are reviewed in the Business section of this prospectus. We have not had any material capital commitments.

We finance TransTech operations from operations and a Secured Credit Facility with BFI Finance Corp.

The following summarizes our liquidity and current and prior financings:

	Nine Months Ended June 30, 2013	Year Ending, September 30, 2012 September 30, 2011 September 30, 2010		
Analysis of Cash Flow-				
Cash flow (used in) operations	\$ (2,487,000)	\$ (58,000)	\$ (1,312,000)	\$ (441,000)
Cash flow (used in) provided by investing activities	(11,000)	(100,000)	(108,000)	54,000
Cash flow provided by financing activities	3,067,000	1,207,000	1,428,000	466,000
Net change in cash	\$ 569,000	\$ 1,049,000	\$ 8,000	\$ 79,000
Cash	\$ 1,710,000	\$ 1,141,000	\$ 92,000	\$ 84,000
Net working capital (deficit)	164,000	(2,362,000)	(3,202,000)	(2,667,000)
Long term debt	3,000	4,000	1,015,000	1,676,000

Investor/ Lendor	Nine Months Ended	Year Ending,		
	June 30, 2013	September 30, 2012	September 30, 2011	September 30, 2010
Shares of Common Stock-				
Coach Capital LLC Convertible Debenture and warrant exercise	-	-	2,500,000	-
Seaside	-	-	2,529,000	-
Gemini Convertible Debentures	14,032,000	6,725,000	312,000	-
Ascendant Convertible Debentures	5,739,000	3,373,000	-	-
Ascendant Equity Line of Credit	993,000	5,357,000	1,500,000	-
Sumitomo Precision Products Co, Ltd.	-	17,308,000	-	-
Special Situations and 40 other Accredited Purchase Agreement	52,300,000	-	-	-
Other	-	-	961,000	-
Total shares issued from financings	<u>73,064,000</u>	<u>32,763,000</u>	<u>7,802,000</u>	<u>-</u>
Proceeds from Financings-				
Coach Capital LLC Convertible Debenture and warrant exercise	\$ -	\$ -	\$ 125,000	\$ 250,000
Seaside	-	-	761,000	-
Gemini Convertible Debentures	102,000	20,000	900,000	-
Ascendant Convertible Debentures	23,000	19,000	300,000	-
Ascendant Equity Line of Credit	100,000	377,000	182,000	-
Sumitomo Precision Products Co, Ltd.	-	2,250,000	-	-
Special Situations and 40 other Accredited Purchase Agreement	5,230,000	-	-	-
Other	-	-	156,000	50,000
Total proceeds from financings	<u>\$ 5,455,000</u>	<u>\$ 2,666,000</u>	<u>\$ 2,424,000</u>	<u>\$ 300,000</u>
TransTech Secured Credit Facility with BFI Finance Corp.	<u>\$ 110,000</u>	<u>\$ 62,000</u>	<u>\$ (137,000)</u>	<u>\$ 188,000</u>

As of June 30, 2013

We had cash of \$1,710,000 and net working capital of approximately \$164,000 (excluding the derivative liability- warrants of \$4,184,000) as of June 30, 2013.

On June 10, 2013, we entered into a Purchase Agreement, Warrants and Registration Rights Agreement with Special Situations and forty other accredited investors pursuant to which we issued 52,300,000 shares of common stock at \$0.10 per share for a total of \$5,230,000, which amount includes the conversion of \$500,000 in outstanding debt of the Company owed to one of its officers. As part of the transaction which closed June 14, 2013, we issued to the Investors (i) five year Series A Warrants to purchase a total of 52,300,000 shares of common stock at \$0.15 per share; and (ii) five year Series B Warrants to purchase a total of 52,300,000 shares of common stock at \$0.20 per share, and the investors obtained voting agreements from certain stockholders regarding an increase in the number of authorized shares of stock. The transaction was closed to strengthen our balance sheet, to pay the liabilities discussed below, and provide working capital to support the rapid movement of our ChromaID technology into the marketplace. In addition, we have Special Situations as an investor. If exercised, the warrants are expected to provide the following liquidity (before fees):

Series A Warrant- up to \$7,845,000
Series B Warrant- up to \$10,460,000

The net proceeds from the above-referenced transaction with Special Situations and the other Investors which closed June 14, 2013, were used in part to pay the obligations discussed previously to: (i) James Gingo to pay the final note payment to James Gingo related to the TransTech stock acquisition, (ii) Gemini Master Fund, Ltd. for the warrant repurchase, (iii) Ascendant Capital Markets for the option exercise price, and (iv) Gemini Master Fund, Ltd. for the June 30, 2013 payment under the AIR Termination Agreement. The balance of the proceeds from the Transaction will be used by us for technology development, operating expenses and to pay our debts. This decision was made as part of the funding transaction with accredited investors that closed on June 14, 2013.

We expect to need to obtain additional financing in the future. 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 we are unable to obtain additional financing, we may need to restructure our operations, and divest all or a portion of our business.

As of September 30, 2012

We had cash of \$1.1 million, a net working capital deficit of approximately \$2.4 million and total indebtedness of \$1.6 million as of September 30, 2012.

We issued 17,308,000 shares to Sumitomo for \$2,250,000 related to their equity investment which closed May 31, 2012.

We issued 10,098,000 shares related to financing transactions with Gemini and Ascendant that we previously discussed.

We issued 5,357,000 shares to shares to Ascendant and received \$377,000 under the equity line of credit that we previously discussed.

As of September 30, 2011

We had cash of \$92,000, a net working capital deficit of approximately \$3.2 million and total indebtedness of \$2.6 million as of September 30, 2011.

We issued 2,500,000 shares to Coach Capital related to the financing transaction previously discussed.

We issued 2,529,000 shares to Seaside for \$761,000 related to the financing transaction previously discussed.

We issued 312,000 shares to Gemini and received \$1,200,000 from Gemini and Ascendant in the financing transaction that we previously discussed.

We issued 1,500,000 shares and received \$182,000 under the equity line of credit that we previously discussed.

Recent and Expected Losses

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

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to interest rate risks with our Secured Credit Facility at BFI Business Finance. The Company does not trade in hedging instruments or other than trading instruments and is exposed to interest rate risks. We believe that the impact of a 10% increase or decline in interest rates would not be material to our financial condition and results of operations.

LEGAL PROCEEDINGS

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

MANAGEMENT

Our directors and executive officers, their ages, their respective offices and positions, and their respective dates of election or hire are as follows:

Business Experience Descriptions

Name	Age	Positions and Offices Held	Since
Directors-			
Ronald P. Erickson	69	Chief Executive Officer and President, Management Director	April 24, 2003
Jon Pepper	62	Independent Director	April 19, 2006
Marco Hegyi	55	Chairman of the Board, Independent Director	February 14, 2008
Ichiro Takesako	54	Management Director	December 28, 2012
Executive Officers-			
Mark Scott	60	Chief Financial Officer and Secretary	May 1, 2010
Richard Mander, Ph.D.	53	Vice President, Product Management and Technology	June 26, 2012
Todd Martin Sames	59	Vice President of Business Development	September 5, 2012
Jeffrey Kruse	55	President of TransTech Systems, Inc.	July 17, 2013

Mr. Erickson is also an Executive Officer.

Our Management Directors

RONALD P. ERICKSON has been a director and officer of the Company since April 24, 2003. He was appointed to the positions of CEO and President on November 10, 2009. Previously, Mr. Erickson was appointed President and Chief Executive Officer of the Company on September 29, 2003, and resigned from these positions on August 31, 2004. Mr. Erickson was Chairman of the Board from August 31, 2004 until May 2011.

A senior executive with more than 30 years of experience in the high technology, telecommunications, micro-computer, and digital media industries, Mr. Erickson was the founder of Visualant. He is formerly Chairman, CEO and Co-Founder of Blue Frog Media, a mobile media and entertainment company; Chairman and CEO of eCharge Corporation, an Internet based transaction procession company, Chairman, CEO and Co-founder of GlobalTel Resources, a provider of telecommunications services; Chairman, Interim President and CEO of Egghead Software, Inc. the large software reseller where he was an original investor; Chairman and CEO of NBI, Inc.; and Co-founder of MicroRim, Inc. the database software developer. Earlier, Mr. Erickson practiced law in Seattle and worked in public policy in Washington, DC and New York, NY. Additionally, Mr. Erickson has been an angel investor and board member of a number of public and private technology companies. In addition to his business activities Mr. Erickson serves on the Board of Trustees of Central Washington University where he received his BA degree. He also holds a MA from the University of Wyoming and a JD from the University of California, Davis. He is licensed to practice law in the State of Washington.

Mr. Erickson is our founder and was appointed as a Director because of his extensive experience in developing technology companies.

ICHIRO TAKESAKO has served as a director since December 28, 2012. Mr. Takesako has held executive positions with Sumitomo Precision Products Co., Ltd of Sumitomo since 1983. Mr. Takesako graduated from Waseda University, Tokyo, Japan where he majored in Social Science and graduated with a Degree of Bachelor of Social Science.

In the past five years, Mr. Takesako has held the following executive position in Sumitomo and its affiliates:

June 2008:	appointed as General Manager of Sales and Marketing Department of Micro Technology Division
April 2009:	appointed as General Manager of Overseas Business Department of Micro Technology Division, in charge of M&A activity of certain business segment and assets of Aviza Technology, Inc.
July 2010:	appointed as Executive Director of Sumitomo Process Technology Systems, 100% owned subsidiary of Sumitomo stationed in Newport, Wales
August 2011:	appointed as General Manager, Corporate Strategic Planning Group
April 2013:	appointed as General Manager of Business Development Department

Mr. Takesako was appointed as a Director based on his position with Sumitomo and Sumitomo's significant partnership with the Company.

Our Independent Directors

JON PEPPER has served as an independent director since April 19, 2006. Mr. Pepper founded Pepcom in 1980. Mr. Pepper continues as the founding partner of Pepcom, an industry leader at producing press-only technology showcase events around the country. Prior to that Pepper started the DigitalFocus newsletter, a ground-breaking newsletter on digital imaging that was distributed to leading influencers worldwide. Pepper has been closely involved with the high technology revolution since the beginning of the personal computer era. He was formerly a well-regarded journalist and columnist; his work on technology subjects appeared in The New York Times, Fortune, PC Magazine, Men's Journal, Working Woman, PC Week, Popular Science and many other well-known publications. Pepper was educated at Union College in Schenectady, New York and the Royal Academy of Fine Arts in Copenhagen.

Mr. Pepper was appointed as a Director because of his marketing skills with technology companies.

MARCO HEGYI has served as an independent director since February 14, 2008 and as Chairman of the Board since May 2011. Mr. Hegyi has been a principal with the Chasm Group since 2006, where he has provided business-consulting services. As a management consultant, Mr. Hegyi has applied his extensive technology industry experience to help early-stage companies. Over the last four years he has focused on business planning, operational management and financial supervision.

Prior to working as a consultant in 2006, Mr. Hegyi served as Senior Director of Global Product Management at Yahoo!. Prior to Yahoo!, Mr. Hegyi was at Microsoft leading program management for Microsoft Windows and Office beta releases aimed at software developers from 2001 to 2006. While at Microsoft, he formed new software-as-a-service concepts and created operating programs to extend the depth and breadth of the company's unparalleled developer eco-system, including managing offshore, outsource teams in China and India, and being the named inventor of a filed Microsoft patent for a business process in service delivery.

During Mr. Hegyi's career he has served as President and CEO of private and public companies, Chairman and director of boards, finance, compensation and audit committee chair, chief operating officer, vice-president of sales and marketing, senior director of product management, and he began his career as a systems software engineer. His patents issued to date include *Configuring and allocating software product technical services*, United States US 7904875, issued March 8, 2011; *Systems and Methods for Processing Eggs*, United States US 8455026, issued June 4, 2013; and, *Systems and Methods for Processing Eggs*, United States US 8455030, issued June 4, 2013.

Mr. Hegyi earned a Bachelor of Science degree in Information and Computer Sciences from the University of California, Irvine, and has completed advanced studies in innovation marketing, advanced management, and strategy at Harvard Business School, Stanford University, UCLA Anderson Graduate School of Management, and MIT Sloan School of Management.

Mr. Hegyi was asked to join the Visualant board because of his background in successfully commercializing innovative technologies. His specific experience in marketing, engineering and administration, in both early-stage and established companies, have also provided assistance to the company.

Other Executive Officers

MARK SCOTT has significant financial, capital market and relations experience in public microcap gold, silver and technology companies. Mr. Scott currently serves as (i) Chief Financial Officer, Secretary and Treasurer of Visualant, Inc., a position he has held since May 2010 (ii) Chief Financial Officer, Secretary and Treasurer of WestMountain Gold since February 28, 2011 and as a consultant from December 2010; (iii) Chief Financial Officer of Sonora Resources Corp., a consulting position he has held since June 2011; and (iv) Chief Financial Officer of U.S. Rare Earths, Inc. a consulting position he has held since December 2011.

Mr. Scott previously served as Chief Financial Officer and Secretary of IA Global, Inc. from October 2003 to June 2011. Previously, he held executive financial positions with Digital Lightwave; Network Access Solutions; and Teltronics, Inc. He has also held senior financial positions at Protel, Inc., Crystals International, Inc., Ranks Hovis McDougall, LLP and Britannia Sportswear, and worked at Arthur Andersen. Mr. Scott is also a certified public accountant and received a Bachelor of Arts in Accounting from the University of Washington.

RICHARD MANDER, Ph.D. joined the Company as Vice President of Product Management and Technology on June 26, 2012. He is known as an inspiring leader with a track record of building innovative and high quality consumer electronic products.

Mr. Mander previously served as Vice President of Product Management and Senior Director of Operations Engineering at Contour from November 2009 to June 2012. Previously, he was CEO of Carousel Information Management Solutions from August 2008 to February 2010. He has also held senior roles at HumanWare, Navman, Zanzara, and Apple. Mr. Mander earned a Ph.D. in Educational Psychology from Stanford University, M.A. from the University of Auckland, and B.A. from University of Canterbury.

TODD MARTIN SAMES joined the Company as Vice President, Business Development on September 5, 2012. Mr. Sames is responsible for driving new licensing agreements for the company's technology with a wide-range of original device manufacturers.

Mr. Sames brings over 25 years of technology sales and management experience to the expanding Visualant team. From 2010 to 2012, Mr. Sames held a Director position at INX, where he ultimately led in the creation of a new Business Unit. The project resulted in a successful new line of video conferencing, telecommunication, and security solutions for Cisco Systems. From 2007 to 2010, Mr. Sames held a Regional Management position at BT Conferencing, Video.

Mr. Sames has also established partnerships with other well-known companies such as Polycom, LifeSize, and TANDBERG. During his tenure conducting corporate sales at Egghead Software, Todd closed and managed Fortune 1000 accounts with Disney, Unocal, Lockheed and General Electric in addition to several other companies.

JEFFREY KRUSE became President of TransTech Systems in July of 2013. He joined TransTech Systems in October 2002 as their General Manager.

Mr. Kruse served as the Vice President of Business Development for Tiscor, Inc. from May 2000 to October 2002. In 2000 he also served as a Principal Consultant for Computer Task Group, Inc. From 1998 to 2000 Mr. Kruse was Vice President of Marketing for Logibro, Inc. He had joined Logibro as the Executive Vice President of their US subsidiary, Tech 7 Systems, serving in this position from 1997 to 1998. Previous to Tech 7, Mr. Kruse held the position of Executive Vice President of Intelligent Controls, Inc. from 1985 to 1997. Prior employment includes various positions in finance and operations. Mr. Kruse has an MBA from the University of Puget Sound and a BA from Whitworth University.

Family Relationships

As of September 13, 2013, there are no family relationships among our directors and executive officers.

Involvement in Certain Legal Proceedings

None of our directors or executive officers has, during the past ten years:

- Had any petition under the federal bankruptcy laws or any state insolvency law filed by or against, or had a receiver, fiscal agent, or similar officer appointed by a court for the business or property of such person, or any partnership in which he was a general partner at or within two years before the time of such filing, or any corporation or business association of which he was an executive officer at or within two years before the time of such filing;
- Been convicted in a criminal proceeding or a named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses);
- Been the subject of any order, judgment, or decree, not subsequently reversed, suspended, or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him from, or otherwise limiting, the following activities:
 - Acting as a futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker, leverage transaction merchant, any other person regulated by the Commodity Futures Trading Commission, or an associated person of any of the foregoing, or as an investment adviser, underwriter, broker or dealer in securities, or as an affiliated person, director or employee of any investment company, bank, savings and loan association or insurance company, or engaging in or continuing any conduct or practice in connection with such activity;
 - Engaging in any type of business practice; or
 - Engaging in any activity in connection with the purchase or sale of any security or commodity or in connection with any violation of federal or state securities laws or federal commodities laws;
- Been the subject of any order, judgment, or decree, not subsequently reversed, suspended, or vacated, of any federal or state authority barring, suspending, or otherwise limiting for more than 60 days the right of such person to engage in any activity described in (i) above, or to be associated with persons engaged in any such activity;
- Been found by a court of competent jurisdiction in a civil action or by the SEC to have violated any federal or state securities law, where the judgment in such civil action or finding by the SEC has not been subsequently reversed, suspended, or vacated; or
- Been found by a court of competent jurisdiction in a civil action or by the Commodity Futures Trading Commission to have violated any federal commodities law, where the judgment in such civil action or finding by the Commodity Futures Trading Commission has not been subsequently reversed, suspended, or vacated.

Committees of the Board of Directors

The Board has three standing committees to facilitate and assist the Board in the execution of its responsibilities. The committees are currently the Audit Committee, the Nominations and Governance Committee, and the Compensation Committee. The Committees were formed July 22, 2010. The Audit and Compensation Committees are comprised solely of non-employee, independent directors. The Nominations and Governance Committee has one management director, Ronald Erickson, as Chairman. Charters for each committee are available on our website at www.visualant.net. The table below shows current membership for each of the standing Board committees.

Audit	Compensation	Nominating
Marco Hegyi (Chairman)	Marco Hegyi (Chairman)	Ron Erickson (Chairman)
Jon Pepper	Jon Pepper	Marco Hegyi
		Jon Pepper

Director Independence

The Board has affirmatively determined that each of Messrs. Pepper and Hegyi is an independent director. For purposes of making that determination, the Board used NASDAQ's Listing Rules even though we are not currently listed on NASDAQ. We expect to appoint an independent Audit Committee Chairman during 2013.

Compensation Committee Interlocks and Insider Participation

No member of the Compensation Committee during the fiscal year ended September 30, 2012 served as an officer, former officer, or employee of the Company or participated in a related party transaction that would be required to be disclosed in this prospectus. Further, during this period, no executive officer of the Company served as:

- a member of the Compensation Committee or equivalent of any other entity, one of whose executive officers served as one of our directors or was an immediate family member of a director, or served on our Compensation Committee; or
- a director of any other entity, one of whose executive officers or their immediate family member served on our Compensation Committee.

Code of Conduct and Ethics

We have adopted conduct and ethics standards titled the Code of Conduct and Ethics or Code of Conduct, which are available at www.visualant.net under the Investors tab. These standards were adopted by the Board to promote our transparency and integrity. The standards apply to the Board, executives and employees. Waivers of the requirements of the Code of Conduct or associated policies with respect to members of the Board or executive officers are subject to approval of the full Board.

Our Code of Conduct includes the following:

- promotes honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest;
- promotes the full, fair, accurate, timely and understandable disclosure of our financial results in accordance with applicable disclosure standards, including, where appropriate, standards of materiality;
- promotes compliance with applicable SEC and governmental laws, rules and regulations;
- deters wrongdoing; and
- requires prompt internal reporting of breaches of, and accountability for adherence to, the Code of Conduct.

On an annual basis, each director and executive officer is obligated to complete a Director and Officer Questionnaire which requires disclosure of any transactions with us in which the director or executive officer, or any member of his or her immediate family, have a direct or indirect material interest. Pursuant to the Code of Conduct, the Audit Committee and the Board are charged with resolving any conflict of interest involving management, the Board and employees on an ongoing basis.

EXECUTIVE COMPENSATION

REMUNERATION OF EXECUTIVE OFFICERS

The following table provides information concerning remuneration of the chief executive officer, the chief financial officer and another named executive officer for the fiscal years ended September, 2012, 2011 and 2010.

Summary Compensation Table

Name	Principal Position		Salary (\$)	Bonus (\$)	Stock Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Option Awards (\$) (7)	Other Compensation (\$)	Total (\$)
Salary-									
Ronald P. Erickson (1)	Chief Executive Officer	9/30/2012	\$ 160,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 160,000
		9/30/2011	\$ 62,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 62,500
		9/30/2010	\$ -	\$ -	\$ 40,000	\$ -	\$ 52,662	\$ -	\$ 92,662
Mark Scott (2)	Chief Financial Officer Secretary	9/30/2012	\$ 104,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 104,000
		9/30/2011	\$ 74,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 74,000
		9/30/2010	\$ 10,000	\$ -	\$ 20,000	\$ -	\$ -	\$ -	\$ 30,000
James Gingo (3)	Chief Executive Officer, TransTech Systems, Inc.	9/30/2012	\$ 200,016	\$ -	\$ -	\$ -	\$ -	\$ 8,001	\$ 208,017
		9/30/2011	\$ 200,016	\$ -	\$ -	\$ -	\$ -	\$ 8,001	\$ 208,017
		9/30/2010	\$ 62,649	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 62,649
Richard Mander, Ph.D. (4)	Vice President of Product Management and Technology	9/30/2012	\$ 40,615	\$ -	\$ -	\$ -	\$ -	\$ 3,000	\$ 43,615
		9/30/2011	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
		9/30/2010	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Todd Martin Sames (5)	Vice President of Business Development	9/30/2012	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,000
		9/30/2011	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
		9/30/2010	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bradley E. Spark (6)	Former Chief Executive Officer Director	9/30/2012	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
		9/30/2011	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
		9/30/2010	\$ 28,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,000

(1) During the year ended September 30, 2010, Mr. Erickson was not paid a salary. During the year ended September 30, 2011, Mr. Erickson was paid a monthly salary of \$12,500 from May 1, 2011. During the year ended September 30, 2012, Mr. Erickson accrued a monthly salary of \$12,500 from October 1, 2011 to May 31, 2012 and \$15,000 from June 1, 2012 to September 30, 2012. As of September 30, 2012, Mr. Erickson had accrued but unpaid salary of \$73,600, which was paid during the year ended September 30, 2013. This accrual was based on the tight cash flow of the Company and agreed to by Mr. Erickson, but there was no formal deferral agreement. There was no accrued interest paid on the \$73,600. The 2010 stock award amount for Mr. Erickson reflects 2,000,000 shares of restricted common stock issued by us on May 10, 2010. The restricted common stock was issued at the closing bid price of \$.02 per share on May 7, 2010.

(2) During the year ended September 30, 2010, Mr. Scott was paid a monthly salary of \$2,000 from May 1, 2010 to September 30, 2010. During the year ended September 30, 2011, Mr. Scott was paid a monthly salary of \$2,000 from October 1, 2010 to January 31, 2011 and \$8,000 from February 1, 2011 to September 30, 2011. During the year ended September 30, 2012, Mr. Scott was paid a monthly salary of \$8,000 from October 1, 2011 to May 31, 2012 and \$10,000 from June 1, 2012 to September 30, 2012. The 2010 stock award amount for Mr. Scott reflects 1,000,000 shares of restricted common stock issued by us on May 10, 2010. The restricted common stock was issued at the closing bid price of \$.02 per share on May 7, 2010.

(3) During the year ended September 30, 2010, Mr. Gingo was paid a monthly salary of \$16,667 from June 8, 2010 to September 30, 2010. TransTech was acquired June 8, 2010. During the years ended September 30, 2011 and 2012, Mr. Gingo was paid a monthly salary of \$16,667. Mr. Gingo's Employment Agreement expired June 8, 2013. Mr. Gingo no longer serves as a director of the Company, and is no longer an employee, officer or director of TransTech. Mr. Gingo was provided perquisites and other personal benefits, including medical insurance and a 401k plan.

(4) During the year ended September 30, 2012, Mr. Mander was paid a monthly salary of \$12,500 from June 26, 2012 to September 30, 2012. Mr. Mander is paid \$1,000 per month for medical expenses.

(5) During the year ended September 30, 2012, Mr. Sames was paid a monthly salary of \$10,000 from September 5, 2012 to September 30, 2012.

(6) On November 12, 2009, Mr. Sparks resigned as our Chief Executive Officer and President. He held these positions since November 2006. On September 6, 2012, Mr. Sparks resigned from the Board of Directors. In addition, we signed a Settlement and Release Agreement with Mr. Sparks. The Settlement Agreement required (i) payment of \$50,750 (paid) and issuance of 513,696 shares of our common stock for full payment on a note and related accrued interest of \$66,780; (ii) payment of \$39,635 to Mr. Sparks for a note, accrued interest and other unpaid expenses (paid); and (iii) issuance of 4,000,000 restricted shares of our common stock to Mr. Spark for unpaid compensation in the amount of \$721,333 for 2010 and prior years. The above is in full settlement of all outstanding liabilities due to Mr. Sparks. The compensation was previously disclosed for the years ending September 30, 2007, 2008 and 2009. See Certain Relationships and Related Parties for additional details.

(7) These amounts reflects the dollar amount recognized for financial statement reporting purposes for the year ended September 30, 2010, in accordance with FASB ASC Topic 718 of awards pursuant to the 2005 Stock Option Plan. There were no grants issued in 2011 and 2012.

Grants of Stock Based Awards in Fiscal Year Then Ended September 30, 2012

The Compensation Committee did not provide performance-based incentive compensation to the Named Executive Officers during 2012 based on our financial condition and the awards issued in 2010.

Outstanding Equity Awards as of Fiscal Year Then Ended September 30, 2012

Name	Option Awards (1)					Stock Awards			
	Number of Securities Underlying Unexercised Options	Number of Securities Underlying Unexercised Options	Number of Securities Underlying Unexercised Unearned	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested	Number of Unearned Shares, Units or Other Rights That Have Not Vested	Market or Payout Value of Unearned Shares, Units, or Other Rights That Have Not Vested
	Exercisable (#)	Unexercisable (#)	Options (#)	Price (\$)	Expiration Date	Vested (#)	Vested (\$)	Vested (#)	Not Vested (\$)
Ronald P. Erickson	3,000,000	-	-	\$ 0.15	5/9/2020	-	\$ -	-	\$ -

1) Mr. Erickson's stock option grant vested quarterly over two years.

Option Exercises and Stock Vested

Our Named Executive Officers did not exercise any stock options during the years ended September, 2012, 2011 and 2010.

Pension Benefits

We do not provide any pension benefits.

Nonqualified Deferred Compensation

We do not have a nonqualified deferral program.

Employment Agreements

We do not have employment agreements with our Named Executive Officers.

Potential Payments Upon Termination or Change in Control

We do not have any potential payments upon termination or change in control with our Names Executive Officers.

Director Summary Compensation Table

The table below summarizes the compensation paid by us to non-employee directors during the year ended September 30, 2012.

Name	Stock Awards (1)	Option Awards (1)	Other Compensation (2)	Total
Bradley E. Sparks (3)	\$ 4,000	\$ -	\$ -	\$ 4,000
Marco Hegyi	-	190,000	-	190,000
Dr. Masahiro Kawahata (3)	8,000	-	130,650	138,650
Jon Pepper	6,000	-	-	6,000
Yoshitami Arai (3)	8,000	-	64,350	72,350
James Gingo (3)	-	-	-	-
Paul R. Bonderson Jr. (3)	6,000	-	-	6,000
Total	\$ 32,000	\$ 190,000	\$ 195,000	\$ 417,000

(1) Reflects the dollar amount recognized for financial statement reporting purposes for the year then ended September 30, 2012 in accordance with FASB ASC Topic 718. The stock awards (Bradley Sparks- 50,000 shares, Kawahata- 100,000 shares, Pepper- 75,000 shares, Arai-100,000 shares and Bonderson- 75,000 shares) were issued at the fair value of \$0.08 per share based the closing share price on February 23, 2012, the date of the Compensation Committee Meeting. On February 24, 2012, the Board of Directors authorized to Marco Hegyi, our Chairman of the Board, the grant of qualified and non-qualified options to purchase 1,900,000 shares of our common stock at the fair value price of \$0.10 per share. The stock option grants vested 750,000 on February 24, 2012 and 250,000 shares per quarter over two years and expire in ten years. If there is a change in control, the stock option grant is fully vested.

(2) Reflects fees to Dr. Kawahata and Mr. Arai, two former Directors as a finder fee for their services in closing the Sumitomo transactions. We paid \$60,000 on June 25, 2012 and \$135,000 on July 25, 2012.

(3) Mr. Sparks resigned from the Board of Directors effective September 6, 2012. Mr. Bonderson resigned from the Board of Directors effective April 21, 2012. On December 28, 2012, the Board of Directors ratified the resignation of Dr. Masahiro Kawahata as an independent director effective as of November 30, 2012. On December 28, 2012, the Board ratified the resignation of Yoshitami Arai as an independent director effective as of December 26, 2012. Mr. Gingo's Employment Agreement expired June 8, 2013.

Compensation Paid to Board Members

Our independent non-employee directors are not compensated in cash. The only compensation has been in the form of stock awards (see Director Summary Compensation Table just above). There is no stock compensation plan for independent non-employee directors.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the ownership of our common stock as of September 13, 2013 by:

- each director and nominee for director;
- each person known by us to own beneficially 5% or more of our common stock;
- each officer named in the summary compensation table elsewhere in this report; and
- all directors and executive officers as a group.

The amounts and percentages of common stock beneficially owned are reported on the basis of regulations of the SEC governing the determination of beneficial ownership of securities. Under the rules of the SEC, a person is deemed to be a "beneficial owner" of a security if that person has or shares voting power," which includes the power to vote or to direct the voting of such security, or "investment power," which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which that person has the right to acquire beneficial ownership within 60 days. Under these rules more than one person may be deemed a beneficial owner of the same securities and a person may be deemed to be a beneficial owner of securities as to which such person has no economic interest.

Unless otherwise indicated below, each beneficial owner named in the table has sole voting and sole investment power with respect to all shares beneficially owned, subject to community property laws where applicable. The address of each beneficial owner of more than 5% of common stock is as follows:

	Shares Beneficially Owned	
	Amount	Percentage
Directors and Officers-		
Ronald P. Erickson (1)	12,328,373	4.2%
Mark Scott (2)	2,268,500	*
Marco Hegyi	2,775,000	*
Jon Pepper	1,650,000	*
Richard Mander	333,333	*
Todd Sames	433,333	*
Jeffrey Kruse	433,333	*
Sumitomo Precision Products Co., Ltd./ Ichiro Takesako	17,307,693	5.9%
Total Directors and Officers (8 in total)	37,529,565	12.9%

* Less than 1%.

(1) Reflects 12,328,373 shares of common shares beneficially owned and stock options grants totaling 4,000,000 shares that Mr. Erickson has the right to acquire in sixty days. This total excludes 5,000,000 shares and Series A and B Warrants totaling 10,000,000 shares that are registered in this offering.

(2) Reflects 1,268,500 shares of common shares beneficially owned and stock option grants totaling 1,000,000 shares that Mr. Scott has the right to acquire in sixty days. This total excludes 100,000 shares and Series A and B Warrants totaling 200,000 shares that are registered in this offering.

	Shares Beneficially Owned	
	Number	Percentage
Greater Than 5% Ownership		
Ronald P. Erickson (1)	12,328,373	4.2%
500 Union Street , Suite 420		
Seattle, WA 98101		
Sumitomo Precision Products Co., Ltd./ Ichiro Takesako (2)	17,307,693	5.9%
1-10 Fuso-cho		
Amagasaki		
Hyogo 660-0891 Japan		
Special Situations Technology Funds, L.P./ Adam Stettner (3)	-	*
527 Madison Avenue		
Suite 2600		
New York, NY 10022		

* Less than 1%.

(1) Reflects the shares beneficially owned by Ronald Erickson as stated in a Schedule 13D filed with the SEC on June 14, 2013, and which has subsequently confirmed the ownership.

(2) Reflects the shares beneficially owned by Sumitomo Precision Products Co., Ltd as stated in a Schedule 13D filed with the SEC on June 23, 2012, and which has subsequently confirmed the ownership.

(3) This total excludes 15,900,000 shares and Series A and B Warrants totaling 31,800,000 shares that are registered in this offering to Special Situations Technology Funds, L.P.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Certain Relationship- Joint Development Agreement with Sumitomo Precision Products Co., Ltd.

On May 31, 2012, we entered into a Joint Research and Product Development Agreement with Sumitomo , a publicly-traded Japanese corporation, for the commercialization of our ChromaID™ technology. On March 29, 2013, we entered into an Amendment to Joint Research and Product Development Agreement or Amended Agreement with Sumitomo . The Amended Agreement extends the Joint Development Agreement from March 31, 2013 to December 31, 2013 . The extension was necessary to achieve redefined objectives related to the commercialization of our ChromaID™ technology. The major remaining work is to complete a marketing study to define V7 of the ChromaID™ technology.

Sumitomo invested \$2,250,000 in exchange for 17,307,693 shares of restricted common shares priced at \$0.13 per share that was funded on June 21, 2012. Sumitomo also paid the Company an initial payment of \$1 million in accordance for an exclusive License Agreement which covers Japan, China, Taiwan, Korea and the entirety of Southeast Asia (Burma, Indonesia, Thailand, Cambodia, Laos, Vietnam, Singapore and the Philippines). A running royalty for the license granted under the License Agreement will be negotiated at the completion of the Joint Development Agreement. The Sumitomo License fee was recorded as revenue over the life the Joint Development Agreement and was fully recorded as of May 31, 2013.

Sumitomo is publicly traded in Japan and has operations in Japan, United States, China, United Kingdom, Canada and other parts of the world.

We have recorded \$100,000 in accounts payable- related parties as of March 31, 2013 for amounts due Sumitomo under the Joint Development Agreement for a one-time payment which was due March 31, 2013. As of September 13, 2013, we owe Sumitomo \$66,000. There is no interest due on this payment. We received three demonstration units and related technology for this payment.

Certain Relationship- Purchase Agreement with Special Situations and forty other Accredited Investors

On June 10, 2013, we entered into a Purchase Agreement, Warrants and Registration Rights Agreement with Special Situations and forty other accredited investors pursuant to which we issued 52,300,000 shares of common stock at \$0.10 per share for a total of \$5,230,000, which amount includes the conversion of \$500,000 in outstanding debt of the Company owed to one of its officers. As part of the transaction which closed June 14, 2013, we issued to the investors (i) five year Series A Warrants to purchase a total of 52,300,000 shares of common stock at \$0.15 per share; and (ii) five year Series B Warrants to purchase a total of 52,300,000 shares of common stock at \$0.20 per share, and the investors obtained voting agreements from certain stockholders regarding an increase in the number of authorized shares of stock. Since we had an insufficient number of authorized shares of common stock to permit the exercise of all of the Series A and Series B Warrants at the time the transaction closed, the Warrants were issued subject to authorization and approval of an increase in the number of authorized shares of the Company by its stockholders at a special meeting of the stockholders to be held in August 2013 (which was held on August 9, 2013). We also agreed to file a registration statement on Form S-1 to register the resale of all shares issued in the transaction plus a portion of the shares underlying the Series A Warrants, and to use commercially reasonable efforts to have the registration statement declared effective as soon as practicable. We must pay damages if the registration statement is not declared effective within one hundred and twenty days of the June 14, 2013 closing of the transaction. In addition, we agreed to file a subsequent registration statement on Form S-1 to register the resale of all remaining shares underlying the Series A and Series B Warrants within five business days of the special meeting of the stockholders of Visualant, Inc. approving the increase in the number of authorized shares, which was held on August 9, 2013.

We paid legal fees and expenses in the amount of \$35,000 to a law firm for Special Situations in connection with the transaction. We also paid sales commission and expenses of \$466,600 to GVC Capital and issued 5,230,000 placement agent warrants exercisable at \$0.10 per share, with an obligation to issue up to 5,230,000 additional placement agent warrants exercisable at \$0.15 per share. The \$0.15 placement agent warrants shall issue only upon the exercise of the Series A Warrants by the investors, and are issuable ratably based upon the number of Warrants exercised by the investors. The placement agent warrants have a term of five years from the date of closing of the Transaction.

In connection with and as a condition of the Private Placement, the investors obtained voting agreements from existing stockholders holding an aggregate of 38,359,633 shares of our common stock requiring those stockholders to vote their shares in favor of an increase in the number of our authorized shares of common stock from 200,000,000 to no less than 500,000,000 at a Special Shareholder Meeting.

Related Party Transactions with James Gingo

We acquired a 100% interest in TransTech by issuing a Promissory Note or Note on June 8, 2010 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 per annum from the date of the Note. The Note was secured by a security interest in the stock and assets of TransTech. We paid the final note payment of \$1,000,000 and interest of \$30,397 on June 12, 2013. Mr. Gingo's Employment Agreement expired June 8, 2013. He resigned from the Board of Directors effective June 21, 2013, and is no longer employed by the Company or TransTech. Prior to June 21, 2013, Mr. Gingo guaranteed the Secured Credit Facility with BFI Finance Corp. The balance due under this Secured Credit Facility was \$678,259 as of March 31, 2013. We have recorded accrued expenses- related parties of \$0 and \$5,849 for accrued interest as of June 30, 2013 and September 30, 2012, respectively.

Related Party Transactions with Ronald P. Erickson

An affiliate of Mr. Erickson, our Chief Executive Officer, Juliz I Limited Partnership, loaned the Company operating funds during fiscal 2009. The Demand Notes totaled \$34,630 and accrued interest at 8% per annum. We paid the Demand Notes plus accrued interest of \$9,708 during the year ended September 30, 2012.

Additionally, Mr. Erickson incurred expenses on behalf of the Company for a total of \$24,322 during the 2009 fiscal year. The balance was converted into a Demand Note as of September 30, 2009 and accrued interest at 8% per annum. We paid the Demand Note plus accrued interest of \$5,294 during the year ended September 30, 2012.

We have recorded accounts payable- related parties as of \$0 and \$73,600 for payroll or expenses as of June 30, 2013 and September 30, 2012, respectively.

Mr. Erickson, our Chief Executive Officer and/or entities in which Mr. Erickson has a beneficial interest have made advances and loans to us in the total principal amount of \$960,000 on or before the date hereof at an average annual interest rate of 4.2%. In addition, Mr. Erickson and/or entities in which Mr. Erickson has a beneficial interest also have unreimbursed 2013 expenses and unpaid salary and interest from 2013 on the outstanding principal amount of the Loans totaling approximately \$65,000 as of June 14, 2013. Mr. Erickson and related entities converted \$500,000 of the advances and loans as part of the PPM which closed June 14, 2013. The remaining amounts were paid to Mr. Erickson and related entities prior to June 30, 2013.

Related Party Transactions with Bradley Sparks

On November 12, 2009, Mr. Sparks resigned as our Chief Executive Officer and President. He held these positions since November 2006. Mr. Sparks accrued, but was not paid, compensation of \$20,000 per month. In addition, Mr. Sparks entered into (i) a demand note dated February 27, 2007 for \$50,000 plus loan fees of \$750. Interest accrued on the note at a rate of 18% per annum, with a penalty interest rate of 30%; and (ii) a demand note dated September 30, 2009 for \$22,478. Interest accrued at 8% per annum, with a default interest rate of 12%.

On September 6, 2012, Mr. Sparks resigned from the Board of Directors. In addition, we signed a Settlement and Release Agreement or Sparks Agreement with Mr. Sparks. The Sparks Agreement required (i) payment of \$50,750 (paid) and issuance of 513,696 shares of our common stock for full payment on a note and related accrued interest of \$66,780; (ii) payment of \$39,635 to Mr. Sparks for a note, accrued interest and other unpaid expenses (paid); and (iii) issuance of 4,000,000 restricted shares of our common stock to Mr. Spark for unpaid compensation in the amount of \$721,333. The above is in full settlement of all outstanding liabilities due to Mr. Sparks.

Mr. Sparks is the cousin of Ronald Erickson, our Chief Executive Officer.

Related Party Transactions with Dr. Masahiro Kawahata and Yoshitami Arai

We paid \$195,000 for fees to Dr. Kawahata and Mr. Arai, two former Directors, as a finder fee for their services in closing the Sumitomo transactions. We paid \$60,000 on June 25, 2012 and \$135,000 on July 25, 2012. On December 28, 2012, the Board of Directors ratified the resignation of Dr. Masahiro Kawahata as an independent director effective as of November 30, 2012. On December 28, 2012, the Board ratified the resignation of Yoshitami Arai as an independent director effective as of December 26, 2012.

Related Party Transaction with Mark Scott

Mr. Mark Scott, our Chief Financial Officer, invested \$10,000 in the Private Placement which closed June 14, 2013.

DESCRIPTION OF SECURITIES

Common Stock

Our common stock is \$.001 par value, 500,000,000 shares authorized and as of September 13, 2013, we had 166,679,149 issued and outstanding, held by 156 shareholders of record. The number of stockholders, including beneficial owners holding shares through nominee names is approximately 1,375. Each share of Common Stock entitles its holder to one vote on each matter submitted to the shareholders for a vote, and no cumulative voting for directors is permitted. Stockholders do not have any preemptive rights to acquire additional securities issued by the Company. As of September 13, 2013, we had 112,602,050 shares of common stock reserved for issuance upon exercise of outstanding warrants.

American Stock Transfer and Trust Company is the transfer agent and registrar for our Common Stock.

Preferred Stock

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.

Stock Incentive Plan

On April 29, 2011, the 2011 Stock Incentive Plan was approved at the Annual Stockholder Meeting. We were authorized to issue options for, and have reserved for issuance, up to 7,000,000 shares of common stock under the 2011 Stock Incentive Plan. On March 21, 2013, we were authorized to issue options for up to 14,000,000 shares under the 2011 Stock Incentive Plan at the Annual Stockholder Meeting.

Change in Control Provisions

Our articles of incorporation provide for a maximum of nine directors, and the size of the Board cannot be increased by more than three directors in any calendar year. There is no provision for classification or staggered terms for the members of the Board of Directors.

Our articles of incorporation also provide that except to the extent the provisions of Nevada General Corporation Law require a greater voting requirement, any action, including the amendment of the Company's articles or bylaws, the approval of a plan of merger or share exchange, the sale, lease, exchange or other disposition of all or substantially all of the Company's property other than in the usual and regular course of business, shall be authorized if approved by a simple majority of stockholders, and if a separate voting group is required or entitled to vote thereon, by a simple majority of all the votes entitled to be cast by that voting group.

Our bylaws provide that only the Chief Executive Officer or a majority of the Board of Directors may call a special meeting. The bylaws do not permit the stockholders of the Company to call a special meeting of the stockholders for any purpose.

Amendment of Bylaws

Our Board of Directors has the authority to amend our bylaws; however, the stockholders, under the provisions of our articles of incorporation as well as our bylaws, have the concurrent power to amend the bylaws.

Market Price of and Dividends on Common Equity and Related Stockholder Matters

Our common stock trades on OTCQB Exchange under the symbol "VSUL". The following table sets forth the range of the high and low sale prices of the common stock for the periods indicated:

Quarter Ended	High	Low
December 31, 2012	\$ 0.20	\$ 0.08
March 31, 2013	\$ 0.15	\$ 0.07
June 30, 2013	\$ 0.15	\$ 0.08
December 31, 2011	\$ 0.13	\$ 0.05
March 31, 2012	\$ 0.12	\$ 0.05
June 30, 2012	\$ 0.16	\$ 0.08
September 30, 2012	\$ 0.18	\$ 0.07
December 31, 2010	\$ 0.74	\$ 0.23
March 31, 2011	\$ 0.70	\$ 0.33
June 30, 2011	\$ 0.57	\$ 0.21
September 30, 2011	\$ 0.24	\$ 0.08
December 31, 2009	\$ 0.17	\$ 0.04
March 31, 2010	\$ 0.16	\$ 0.05
June 30, 2010	\$ 0.40	\$ 0.05
September 30, 2010	\$ 0.40	\$ 0.14

As of September 12, 2013, the closing price of our common stock was \$0.09 per share. As of September 13, 2013, there were 166,679,149 shares of common stock outstanding.

Holders

As of September 13, 2013, we had 156 stockholders of record of our common stock based upon the stockholder list provided by our transfer agent. The number of stockholders, including the beneficial owners' shares through nominee names, is approximately 1,375.

Transfer Agent

Our transfer agent is American Stock Transfer & Trust Company located at 6201 15th Avenue, Brooklyn, New York 11219, and their telephone number is (800) 937-5449.

Dividends

We have never paid any cash dividends and intend, 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.

Other Information

The description of our capital stock does not purport to be complete and is qualified in all respects by reference to our (i) Amended and Restated Articles of Incorporation, filed as Exhibit 3.2 to our Amended Form S1 filed on September 13, 2013; (ii) Amended and Restated Bylaws dated August 10, 2012 and filed August 17, 2012; and (iii) Form of Purchase Agreement, Warrants, and Registration Rights Agreement dated June 10, 2013 by and between Visualant, Inc. and Special Situations Technology Funds and forty accredited investors.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There are not and have not been any disagreements between us and our accountants on any matter of accounting principles, practices, or financial statement disclosure during our two most recent fiscal years and subsequent interim period.

Dismissal of Madsen & Associates CPA's, Inc.

On September 26, 2012, we dismissed Madsen & Associates CPA's, Inc. as our independent registered public accounting firm. The decision to change accountants was approved by our Audit Committee.

The Madsen reports on our consolidated financial statements for the past two fiscal years did not contain an adverse opinion or a disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles, except that the audit report of Madsen on our financial statements for fiscal years 2010 and 2011 contained an explanatory paragraph which noted that there was substantial doubt about our ability to continue as a going concern.

During our fiscal years ended December 31, 2010 and 2011 and through September 26, 2012, (i) there were no disagreements with Madsen on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to Madsen's satisfaction, would have caused Madsen to make reference to the subject matter of such disagreements in its reports on our consolidated financial statements for such years, and (ii) there were no reportable events as defined in Item 304(a)(1)(v) of Regulation S-K other than: At September 30, 2010, we reported no material weakness in internal control over financial reporting. At September 30, 2011 and during the interim periods through June 30, 2012, we reported a material weakness in internal control. While we have an audit committee, the financial expert is not independent and attended 50% of the committee meetings. We are currently reviewing the financial expert situation.

Engagement of PMB Helin Donovan LLP

On September 26, 2012 we, upon the Audit Committee's approval, engaged the services of PMB Helin Donovan LLP as our new independent registered public accounting firm to audit our consolidated financial statements as of September 30, 2012 and for the year then ended. PMB performed no prior work on our financial statements. PMB has performed reviews of the unaudited consolidated quarterly financial statements included in our quarterly reports on Form 10-Q going forward.

DISCLOSURE OF COMMISSION POSITION ON INDEMNIFICATION FOR SECURITIES ACT LIABILITIES

Under Nevada law, a corporation may include in its articles of incorporation ("Articles") a provision that eliminates or limits the personal liability of a director to the corporation or its stockholders for monetary damages as a result of any act or failure to act in his capacity as a director, except that no such provision may eliminate or limit the liability of a director (a) for any breach of his fiduciary duty as a director, (b) for acts or omissions not in good faith or that involve intentional misconduct, fraud or a knowing violation of law, (c) for conduct violating the Nevada General Corporation Law, or (d) for any transaction from which the director will personally receive a benefit in money, property or services to which the director is not legally entitled.

Section 78.7502 of the Nevada Revised Statutes or NRS provides, in general, that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, except an action by or in the right of the corporation, by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with the action, suit or proceeding if the person acted in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the conduct was unlawful.

NRS Section 78.4502 also provides, in general, that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses, including amounts paid in settlement and attorneys' fees actually and reasonably incurred by the person in connection with the defense or settlement of the action or suit if the person acted in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the corporation; provided, however, that indemnification may not be made for any claim, issue or matter as to which such a person has been adjudged by a court of competent jurisdiction, after exhaustion of all appeals therefrom, to be liable to the corporation or for amounts paid in settlement to the corporation, unless and only to the extent that the court in which the action or suit was brought or other court of competent jurisdiction determines upon application that in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnity for such expenses as the court deems proper.

Any indemnification pursuant to the above provisions may be made by the corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances. The determination must be made: (a) by the stockholders; (b) by the Board of Directors by majority vote of a quorum consisting of directors who were not parties to the action, suit or proceeding; (c) if a majority vote of a quorum consisting of directors who were not parties to the action, suit or proceeding so orders, by independent legal counsel in a written opinion; or (d) if a quorum consisting of directors who were not parties to the action, suit or proceeding cannot be obtained, by independent legal counsel in a written opinion.

Under Article X of the Company's Amended and Restated Articles of Incorporation, the personal liability of all its directors is eliminated to the fullest extent allowed by Nevada law. In addition, a director shall not be personally liable to the corporation or its stockholders for monetary damages for conduct as a director, except for liability (a) for acts or omissions that involve intentional misconduct or a knowing violation of law; (b) for conducting violating the Nevada General Corporation Law; or (c) for any transaction from which the director will personally receive a benefit in money, property or services to which the director is not legally entitled.

Article XI of the Articles of Incorporation also provides for indemnification of the Company's directors and officers, and authorizes the Company to purchase and maintain insurance or make other financial arrangements on behalf of any director, officer, agent or employee of the corporation, for any liability asserted against him and for expenses incurred by him in his capacity as a director, officer, employee or agent, arising out of his status as such, whether or not the corporation has the authority to indemnify him against such liability and expenses.

The Company currently has a directors' and officers' liability insurance policy in place pursuant to which its directors and officers are insured against certain liabilities, including certain liabilities under the Securities Act of 1933, as amended or Securities A and the Securities and Exchange Act of 1934, as amended or Exchange Act.

Insofar as indemnification for liabilities arising out of the Securities Act may be permitted to directors, officers or persons controlling the Company pursuant to the provisions described above, we have been informed that, in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

ADDITIONAL INFORMATION

We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended. Reports filed with the SEC pursuant to the Exchange Act, including proxy statements, annual and quarterly reports, and other reports filed by us can be inspected and copied at the public reference facilities maintained by the SEC at the Headquarters Office, 100 F. Street N.E., Room 1580, Washington, D.C. 20549. The reader may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. The reader can request copies of these documents upon payment of a duplicating fee by writing to the SEC. Our filings are also available on the SEC's internet site at <http://www.sec.gov>.

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VISUALANT, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	June 30, 2013	September 30, 2012
ASSETS		(Audited)
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,509,829	\$ 1,141,165
Restricted cash	200,000	-
Accounts receivable, net of allowance of \$40,750 and \$16,750, respectively	809,856	1,012,697
Prepaid expenses	63,463	222,978
Inventories	690,629	344,692
Refundable tax assets	30,045	29,316
Total current assets	3,303,822	2,750,848
EQUIPMENT, NET	442,270	469,001
OTHER ASSETS		
Intangible assets, net	855,689	1,110,111
Goodwill	983,645	983,645
Other assets	6,161	6,161
TOTAL ASSETS	<u>\$ 5,591,587</u>	<u>\$ 5,319,766</u>
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY		
CURRENT LIABILITIES:		
Accounts payable - trade	\$ 2,297,387	\$ 1,593,861
Accounts payable - related parties	103,691	73,737
Accrued expenses	55,859	391,311
Accrued expenses - related parties	-	5,849
Deferred revenue	-	666,667
Convertible notes payable	-	750,000
Derivative liability - warrants	4,184,000	-
Notes payable - current portion of long term debt	683,101	1,631,903
Total current liabilities	7,324,038	5,113,328
LONG TERM LIABILITIES:		
Long term debt	2,455	4,015
COMMITMENTS AND CONTINGENCIES	-	-
STOCKHOLDERS' (DEFICIT) EQUITY:		
Preferred stock - \$0.001 par value, 50,000,000 shares authorized, no shares issued and outstanding	-	-
Common stock - \$0.001 par value, 500,000,000 shares authorized, 166,677,149 and 90,992,954 shares issued and outstanding at 6/30/13 and 9/30/12, respectively	166,679	90,993
Additional paid in capital	17,430,415	13,995,554
Accumulated deficit	(19,378,609)	(13,915,931)
Total stockholders' (deficit) equity	(1,781,515)	170,616
Noncontrolling interest	46,609	31,807
TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY	<u>\$ 5,591,587</u>	<u>\$ 5,319,766</u>

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

VISUALANT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended,		Nine Months Ended,	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
REVENUE	\$ 2,060,250	\$ 1,813,625	\$ 6,333,552	\$ 5,525,785
COST OF SALES	1,642,240	1,457,420	4,807,196	4,512,899
GROSS PROFIT	418,010	356,205	1,526,356	1,012,886
RESEARCH AND DEVELOPMENT EXPENSES	341,231	23,000	720,022	99,000
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	1,018,083	1,076,134	3,570,911	2,754,050
OPERATING LOSS	(941,304)	(742,929)	(2,764,577)	(1,840,164)
OTHER INCOME (EXPENSE):				
Interest expense	(38,605)	(12,261)	(154,642)	(128,503)
Other income	5,296	7,610	25,206	19,758
Loss on change - derivative liability warrants	(1,448,710)	-	(1,448,710)	-
Loss on purchase of warrants and additional investment right	-	-	(1,150,000)	-
Total other expense	(1,482,019)	(4,651)	(2,728,146)	(108,745)
LOSS BEFORE INCOME TAXES	(2,423,323)	(747,580)	(5,492,723)	(1,948,909)
Income taxes - current benefit	(13,910)	(9,965)	(30,045)	(24,159)
NET LOSS	(2,409,413)	(737,615)	(5,462,678)	(1,924,750)
NONCONTROLLING INTEREST	(6,476)	(786)	(14,802)	2,750
NET (LOSS) ATTRIBUTABLE TO VISUALANT, INC. AND SUBSIDIARIES COMMON SHAREHOLDERS	<u>\$ (2,402,937)</u>	<u>\$ (736,829)</u>	<u>\$ (5,447,876)</u>	<u>\$ (1,927,500)</u>
Basic and diluted income (loss) per common share attributable to Visualant, Inc. and subsidiaries common shareholders-				
Basic and diluted income (loss) per share	<u>\$ (0.02)</u>	<u>\$ (0.01)</u>	<u>\$ (0.05)</u>	<u>\$ (0.03)</u>
Weighted average shares of common stock outstanding- basic and diluted	124,638,584	67,597,374	108,181,494	59,398,032

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

VISUALANT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended,	
	June 30, 2013	June 30, 2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (5,462,678)	\$ (1,927,500)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities		
Depreciation and amortization	303,270	258,870
Issuance of capital stock for services and expenses	254,500	229,000
Issuance of warrants for services and expenses	25,000	-
Issuance of capital stock for accrued liabilities	136,630	11,454
Stock based compensation	227,335	250,069
(Loss) on sale of assets	(10,572)	(7,189)
Loss on purchase of warrants and additional investment right	850,000	-
Loss on change - derivative liability warrants	1,448,710	-
Provision for losses on accounts receivable	29,281	-
Changes in operating assets and liabilities:		
Accounts receivable	301,700	111,804
Prepaid expenses	159,515	39,128
Inventory	(345,937)	61,114
Accounts payable - trade and accrued expenses	264,039	478,206
Deferred revenue	(666,667)	916,667
Income tax receivable	(729)	(15,080)
CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(2,486,603)	406,543
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(23,746)	5,301
Proceeds from sale of equipment	12,201	8,302
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES:	(11,545)	13,603
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	109,337	(1,734)
Repayment of debt	(1,899,500)	(26,822)
Proceeds from the issuance of common stock	4,852,372	2,626,669
Repayments of capital leases	(10,199)	(9,489)
Change in noncontrolling interest	14,802	(15,478)
NET CASH PROVIDED BY FINANCING ACTIVITIES	3,066,812	2,573,146
NET INCREASE IN CASH AND CASH EQUIVALENTS	568,664	2,993,292
CASH AND CASH EQUIVALENTS, beginning of period	1,141,165	92,313
CASH AND CASH EQUIVALENTS, end of period	\$ 1,709,829	\$ 3,085,605
Supplemental disclosures of cash flow information:		
Interest paid	\$ 109,545	\$ 12,458
Taxes paid	\$ -	\$ -
Non-cash investing and financing activities:		
Debenture converted to common stock	\$ 750,000	\$ 200,000
Note payable issued for additional investment right	\$ 850,000	\$ -
Acquisition of leased equipment	\$ -	\$ 597

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

VISUALANT, INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

Visualant, Inc. (the “Company” or “Visualant”) was incorporated under the laws of the State of Nevada on October 8, 1998 with authorized common stock of 500,000,000 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’s executive offices are located in Seattle, Washington.

The Company has invented a way to shine light at a material (solid surface, liquid, or gas) and measure the amount of light that is reflected back. The pattern of this reflected light is compared to other patterns the Company has captured and this allows the Company to identify, detect, or diagnose materials that cannot be identified by the human eye. The Company refers to this pattern of reflected light as a ChromaID™. The Company designs ChromaID Scanner devices made with electronic, optical, and software parts to produce and capture the light.

The Company’s first product, the ChromaID F12 Lab Kit, scans and identifies solid surfaces. The Company is marketing this product to customers who are considering licensing the technology. Target markets include, but are not limited to, commercial paint manufacturers, pharmaceutical equipment manufacturers, process control companies, currency paper and ink manufacturers, security card, reader, and scanner manufacturers, food processing, and electronic gaming.

Through our wholly owned subsidiary, TransTech Systems, Inc., based in Aurora, Oregon, the Company provides value added security and authentication solutions to corporate and government security and law enforcement markets throughout the United States.

On June 10, 2013, the Company entered into a Purchase Agreement, Warrants, Registration Rights Agreement and Voting Agreement with Special Situations and forty other accredited investors pursuant to which we issued 52,300,000 shares of common stock at \$0.10 per share for a total of \$5,230,000, which amount includes the conversion of \$500,000 in outstanding debt of the Company owed to one of its officers. As part of the transaction which closed on June 14, 2013, the Company issued to the investors (i) five year Series A Warrants to purchase a total of 52,300,000 shares of common stock at \$0.15 per share; and (ii) five year Series B Warrants to purchase a total of 52,300,000 shares of common stock at \$0.20 per share. The transaction was entered into to strengthen our balance sheet, complete the purchase of our TransTech subsidiary, and provide working capital to support the rapid movement of our ChromaID technology into the marketplace.

The Company has a Joint Development Agreement through December 31, 2013 with Sumitomo Precision Products Co., Ltd., which focuses on the commercialization of the ChromaID™ technology as well as a License Agreement providing Sumitomo with an exclusive license of the ChromaID™ technology in identified Asian territories. Sumitomo is publicly traded in Japan and has operations in Japan, United States, China, United Kingdom, Canada and other parts of the world.

To date, the Company been issued five patents by the United States Office of Patents and Trademarks. See page F-8 for more detailed information regarding the Company’s patents and business.

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. The Company incurred net losses of \$5,462,678 and \$2,725,692 for the nine months ended June 30, 2013 and the year ended September 30, 2012, respectively. Our net cash used in operating activities was \$2,468,603 for the nine months ended June 30, 2013.

The Company anticipates that it will record losses from operations for the foreseeable future. As of June 30, 2013, our accumulated deficit was \$19,378,609. The Company has limited capital resources, and operations to date have been funded with the proceeds from private equity and debt financings and loans from Ronald P. Erickson, our Chief Executive Officer. 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, 2012 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 \$250,000. Beginning December 31, 2010 and through December 31, 2013, all noninterest-bearing transaction accounts are fully insured, regardless of the balance of the account, at all FDIC-insured institutions. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant risk for cash on deposit.

VISUALANT, INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS - Accounts receivable consist 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.

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 a \$10,000 reserve for impaired inventory as of June 30, 2013 and September 30, 2012.

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 2-10 years, except for leasehold improvements which are depreciated over 5-20 years.

INTANGIBLE ASSETS / INTELLECTUAL PROPERTY – The Company amortizes the intangible assets and intellectual property acquired in connection with the acquisition of TransTech, over sixty 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. Intangible assets and intellectual property acquired from RATLab LLC and Javelin are recorded likewise.

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 MEASUREMENTS AND FINANCIAL INSTRUMENTS – ASC Topic 820, *Fair Value Measurement and Disclosures*, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This topic also establishes a fair value hierarchy, which requires classification based on observable and unobservable inputs when measuring fair value. The fair value hierarchy distinguishes between assumptions based on market data (observable inputs) and an entity's own assumptions (unobservable inputs). The hierarchy consists of three levels:

Level 1 – Quoted prices in active markets for identical assets and liabilities;

Level 2 – Inputs other than level one inputs that are either directly or indirectly observable; and

VISUALANT, INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Level 3 – Unobservable inputs developed using estimates and assumptions, which are developed by the reporting entity and reflect those assumptions that a market participant would use.

Financial Instruments	Fair Value Measurements Using Inputs			Carrying Amount at June 30, 2013
	Level 1	Level 2	Level 3	
Liabilities:				
Derivative Instruments - Warrants	\$ -	\$ 4,184,000	\$ -	\$ 4,184,000
Total	\$ -	\$ 4,184,000	\$ -	\$ 4,184,000

Liabilities measured at fair value on a recurring basis are summarized as follows:

	June 30, 2013
Market price and estimated fair value of common stock:	\$ 0.090
Exercise price	\$ 0.15-0.20
Expected term (years)	3-5 years
Dividend yield	-
Expected volatility	82%
Risk-free interest rate	1.3%

The risk-free rate of return reflects the interest rate for the United States Treasury Note with similar time-to-maturity to that of the warrants.

The recorded value of other financial assets and liabilities, which consist primarily of cash and cash equivalents, accounts receivable, other current assets, and accounts payable and accrued expenses approximate the fair value of the respective assets and liabilities at June 30, 2013 and 2012 based upon the short-term nature of the assets and liabilities.

Derivative Instruments - Warrants

The Company issued 104,600,000 warrants in connection with the June 2013 Private Placement of 52,300,000 shares of common stock. The strike price of these warrants is \$0.15 to \$0.20 per share. These warrants were not issued with the intent of effectively hedging any future cash flow, fair value of any asset, liability or any net investment in a foreign operation. These warrants were issued with a down-round provision whereby the exercise price would be adjusted downward in the event that additional shares of the Company's common stock or securities exercisable, convertible or exchangeable for the Company's common stock were issued at a price less than the exercise price. Therefore, the fair value of these warrants were recorded as a liability in the consolidated balance sheet and are marked to market each reporting period until they are exercised or expire or otherwise extinguished.

The proceeds from the Private Placement were allocated between the Common Shares and the Warrants issued in connection with the Private Placement based upon their estimated fair values as of the closing date at June 14, 2013, resulting in the aggregate amount of \$2,494,710 to the Stockholders' Equity and \$2,735,290 to the warrant derivative. During 2013, the Company recognized \$1,448,710 of other expense resulting from the increase in the fair value of the warrant liability at June 30, 2013.

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 Sumitomo License fee is being recorded as revenue over the life the Joint Development Agreement discussed below. The Company recorded deferred revenue of \$0 and \$666,667 as of June 30, 2013 and September 30, 2012, respectively.

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.

VISUALANT, INCORPORATED AND SUBSIDIARIES
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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, 2013 and September 30, 2012, the Company had refundable tax assets related to TransTech of \$30,045 and \$29,316, 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, 2013, there were options outstanding for the purchase of 11,005,000 common shares, warrants for the purchase of 112,357,050 common shares, and an undetermined number shares of common stock related to convertible debt, which could potentially dilute future earnings per share. As of June 30, 2012, there were options outstanding for the purchase of 9,020,000 common shares, warrants for the purchase of 4,977,051 common shares, and an undetermined number shares of common stock related to convertible debt, 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.

RECENT ACCOUNTING PRONOUNCEMENTS

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 CHROMAID™ TECHNOLOGY

The Company’s ChromaID™ Technology

The Company has invented a way to project light at a material (solid surface, liquid, or gas) and measure the amount of light that is reflected back. The pattern of this reflected light is compared to other patterns the Company has captured and this allows the Company to identify, detect, or diagnose materials that cannot be identified by the human eye. The Company refers to this pattern of reflected light as a ChromaID™. The Company designs ChromaID scanning devices made with electronic, optical, and software parts to produce and capture the light.

The Company’s first product, the ChromaID F12 Lab Kit, scans and identifies solid surfaces. The Company is marketing this product to customers who are considering licensing the technology. Target markets include, but are not limited to, commercial paint manufacturers, pharmaceutical equipment manufacturers, process control companies, currency paper and ink manufacturers, security card, reader, and scanner manufacturers, food processing, and electronic gaming.

The Company’s Patents

On August 9, 2011, the Company was issued US Patent No. 7,996,173 B2 entitled “Method, Apparatus and Article to Facilitate Distributed Evaluation of Objects Using Electromagnetic Energy,” by the United States Office of Patents and Trademarks. The patent expires August 24, 2029.

On December 13, 2011, the Company was issued US Patent No. 8,076,630 B2 entitled “System and Method of Evaluating an Object Using Electromagnetic Energy” by the United States Office of Patents and Trademarks. The patent expires November 7, 2028.

On December 20, 2011, the Company was issued US Patent No. 8,081,304 B2 entitled “Method, Apparatus and Article to Facilitate Evaluation of Objects Using Electromagnetic Energy” by the United States Office of Patents and Trademarks. The patent expires July 28, 2030.

VISUALANT, INCORPORATED AND SUBSIDIARIES
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On October 9, 2012, the Company was issued US Patent No. 8,285,510 B2 entitled "Method, Apparatus, and Article to Facilitate Distributed Evaluation of Objects Using Electromagnetic Energy" by the United States Office of Patents and Trademarks. The patent expires July 31, 2027.

On February 5, 2013, the Company was issued US Patent No. 8,368,878 B2 entitled "Method, Apparatus and Article To Facilitate Evaluation of Objects Using Electromagnetic Energy by the United States Office of Patents and Trademarks. The patent expires July 31, 2027.

The Company is pursuing an aggressive patent strategy to expand our unique intellectual property in the United States and Japan and other countries.

5. JOINT DEVELOPMENT AGREEMENT WITH SUMITOMO PRECISION PRODUCTS CO., LTD.

On May 31, 2012, the Company entered into a Joint Research and Product Development Agreement with Sumitomo, a publicly-traded Japanese corporation, for the commercialization of our ChromaID™ technology. On March 29, 2013, the Company entered into an Amendment to Joint Research and Product Development Agreement with Sumitomo. The Amended Agreement extends the Joint Development Agreement from March 31, 2013 to December 31, 2013 and focuses on the commercialization of our ChromaID™ technology.

Sumitomo invested \$2,250,000 in exchange for 17,307,693 shares of restricted common shares priced at \$0.13 per share that was funded on June 21, 2012. SPP also paid the Company an initial payment of \$1 million for an exclusive License Agreement which covers select countries in Asia. A running royalty for the license granted under the License Agreement will be negotiated at the completion of the Joint Development Agreement. The Sumitomo License fee was recorded as revenue over the life the Joint Development Agreement and was fully recorded as of May 31, 2013.

Sumitomo is publicly traded in Japan and has operations in Japan, United States, China, United Kingdom, Canada and other parts of the world.

6. ACQUISITION OF TRANSTECH SYSTEMS, INC.

Our wholly owned subsidiary, TransTech Systems, is based in Aurora, Oregon, and was founded in 1994. TransTech provides value-added security and authentication solutions to corporate and government security and law enforcement markets throughout the United States. With recorded revenues of \$7.6 million in 2012, TransTech has a respected national reputation for outstanding product knowledge, sales and service excellence.

The Company closed the acquisition of TransTech on June 8, 2010. The Company acquired its 100% interest in TransTech by issuing a Promissory 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 per annum from the date of the Note. The Note was secured by a security interest in the stock and assets of TransTech, and was payable over a period of three years. The final balance of \$1,000,000 on the Note and accrued interest of \$30,397 were paid to Mr. Gingo on June 12, 2013, to complete the purchase price for the TransTech stock.

On June 8, 2010 in connection with the acquisition of TransTech, the Company issued a total of 3,800,000 shares of restricted common stock of the Company to James 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.

This acquisition was entered into to accelerate market entry and penetration through well-operated and positioned dealers of security and authentication systems, thus creating a natural distribution channel for products featuring the Company's proprietary ChromaID technology.

7. ACCOUNTS RECEIVABLE/CUSTOMER CONCENTRATION

Accounts receivable were \$809,856 and \$1,012,697, net of allowance, as of June 30, 2013 and September 30, 2012, respectively. The Company had no customers in excess of 10% of our consolidated revenues for the nine months ended June 30, 2013. The Company had one customer (11.6%) with accounts receivable in excess of 10% as of June 30, 2013. The Company does expect to have customers with consolidated revenues or accounts receivable balances of 10% of total accounts receivable in the foreseeable future.

8. INVENTORIES

Inventories were \$690,629 and \$344,692 as of June 30, 2013 and September 30, 2012, 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 a \$10,000 reserve for impaired inventory as of June 30, 2013 and September 30, 2012.

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9. FIXED ASSETS

Property and equipment as of June 30, 2013 consisted of the following:

	Estimated Useful Lives	June 30, 2013		
		Purchased	Capital Leases	Total
Machinery and equipment	2-10 years	\$ 119,998	\$ 87,039	\$ 207,037
Leasehold improvements	5-20 years	603,612	-	603,612
Furniture and fixtures	3-10 years	73,539	101,260	174,799
Software and websites	3-7 years	63,782	44,849	108,631
Less: accumulated depreciation		(435,409)	(216,400)	(651,809)
		<u>\$ 425,522</u>	<u>\$ 16,748</u>	<u>\$ 442,270</u>

Fixed assets, net of accumulated depreciation, were \$442,270 and \$469,001 as of June 30, 2013 and September 30, 2012, respectively. Accumulated depreciation was \$651,809 and \$606,509 as of June 30, 2013 and September 30, 2012, respectively. Total depreciation expense was \$49,160 and \$43,823 for the nine months ended June 30, 2013 and 2012, respectively. All equipment is used for selling, general and administrative purposes and accordingly all depreciation is classified in selling, general and administrative expenses.

10. INTANGIBLE ASSETS

Intangible assets as of June 30, 2013 and September 30, 2012 consisted of the following:

	Estimated Useful Lives	June 30, 2013	September 30, 2012
Customer contracts	5 years	\$ 983,645	\$ 983,645
Technology	5 years	712,500	712,500
Less: accumulated amortization		(840,456)	(586,034)
Intangible assets, net		<u>\$ 855,689</u>	<u>\$ 1,110,111</u>

Total amortization expense was \$254,422 and \$215,047 for the nine months ended June 30, 2013 and 2012, 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.

The fair value of the RATLab intellectual property associated with the assets acquired was \$450,000 estimated by using a discounted cash flow approach based on future economic benefits. 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.

The fair value of the Javelin intellectual property acquired was \$262,500 estimated by using a discounted cash flow approach based on future economic benefits associated with the assets acquired. 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.

11. ACCOUNTS PAYABLE

Accounts payable were \$2,297,387 and \$1,593,861 as of June 30, 2013 and September 30, 2012, 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. TransTech had 3 vendors (37.5%, 19.2%, and 11.6%) with accounts payable in excess of 10% of its accounts payable as of June 30, 2013. The Company does expect to have vendors with accounts payable balances of 10% of total accounts payable in the foreseeable future.

12. ACCRUED EXPENSES

Accrued expenses were \$55,859 and \$391,311 as of June 30, 2013 and September 30, 2012, respectively. As of September 30, 2012 liabilities consisted of accrued interest and \$250,000 due to Gemini Master Fund, Ltd. for the repurchase of a warrant under a Warrant Repurchase Agreement dated August 28, 2012.

VISUALANT, INCORPORATED AND SUBSIDIARIES
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13. CONVERTIBLE NOTES PAYABLE

Agreements with Gemini Master Fund, Ltd. and Ascendant Capital Partners, LLC

On May 31, 2013, the Company paid \$250,000 plus interest of \$35,175 under the Amendment to Warrant Purchase Agreement with Gemini dated January 23, 2013. The Company has acquired the warrant from Gemini and cancelled it.

On June 26, 2013, the Company acquired all additional investment rights ("AIR") between the Company and Gemini under the AIR Agreement dated January 23, 2013 with the payment of \$850,000 and interest of \$17,349.

The Company's equity line of credit with Ascendant remains outstanding, with available credit of \$2,516,859. The Company has no current intention to utilize this line of credit, which expires August 29, 2013.

14. NOTES PAYABLE, CAPITALIZED LEASES AND LONG TERM DEBT

Notes payable, capitalized leases and long term debt as of June 30, 2013 and September 30, 2012 consisted of the following:

	June 30, 2013	September 30, 2012
BFI Business Finance Secured Credit Facility	\$ 477,812	\$ 568,475
TransTech capitalized leases, net of capitalized interest	7,744	17,943
Note payable to Umpqua Bank	200,000	-
Related party notes payable- James Gingo Promissory Note	-	1,000,000
Lynn Felsingier	-	49,500
Total debt	685,556	1,635,918
Less current portion of long term debt	(683,101)	(1,631,903)
Long term debt	\$ 2,455	\$ 4,015

BFI Finance Corp Secured Credit Facility

On December 9, 2008 TransTech entered into a \$1,000,000 secured credit facility with BFI Business Finance to fund its operations. On June 26, 2013 but effective June 12, 2013, the secured credit facility was renewed until December 12, 2013, with a floor for prime interest of 4.5%. The eligible borrowing is based on 80% of eligible trade accounts receivable, not to exceed \$700,000. The Company agreed to repay the \$183,000 inventory balance monthly with a final payment by November 30, 2013. The secured credit facility is collateralized by the assets of TransTech, with a guarantee by the Company.

The Company's revolving credit facility requires a lockbox arrangement, which provides for all receipts to be swept daily to reduce borrowings outstanding under the credit facility.

Note Payable to Umpqua Bank

On May 20, 2013, the Company entered into a \$200,000 Note Payable with Umpqua Bank. The Note Payable has a maturity date of May 31, 2014 and provides for interest of 2.79%, subject to adjustment annually. The Note Payable is collateralized by restricted cash of \$200,000.

Capitalized Leases

TransTech has capitalized leases for equipment. The leases have a remaining lease term of 3-28 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:

VISUALANT, INCORPORATED AND SUBSIDIARIES
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Years Ended June 30,	Total
2014	\$ 105,611
2015	65,292
2016	38,008
2017	-
2018	-
Beyond	-
Total	<u>\$ 208,911</u>

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

Related Party Notes Payable

The Company closed the acquisition of TransTech on June 8, 2010. The Company acquired its 100% interest in TransTech by issuing a Promissory Note to James Gingo, the President and sole shareholder of TransTech, in the amount of \$2,300,000, plus interest at the rate of three and one-half percent per annum from the date of the Note. The Note was secured by a security interest in the stock and assets of TransTech, and was payable over a period of three years. The final balance of \$1,000,000 on the Note and accrued interest of \$30,397 were paid to Mr. Gingo on June 12, 2013, to complete the purchase price for the TransTech stock.

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

Years Ended June 30,	Total
2014	\$ 683,101
2015	2,455
2016	-
2017	-
2018	-
Total	<u>\$ 685,556</u>

15. EQUITY

The following equity issuances occurred during the nine months ended June 30, 2013:

Unless otherwise indicated, all of the following private placements of Company securities were conducted under the exemption from registration as provided under Section 4(2) of the Securities Act of 1933 (and also qualified for exemption under 4(5), formerly 4(6) of the Securities Act of 1933, except as noted below). All of the shares issued were issued in private placements not involving a public offering, are considered to be “restricted stock” as defined in Rule 144 promulgated under the Securities Act of 1933 and stock certificates issued with respect thereto bear legends to that effect.

On October 8, 2012, Ascendant converted \$50,000 of principal and interest of \$6,959 into 1,139,178 shares of common stock at \$.050 per share under the Securities Purchase Agreement dated May 19, 2011. A notice filing under Regulation D was filed with the SEC in October 10, 2012.

On October 17, 2012, the Company issued to Ascendant 993,049 shares for \$100,000 or \$.101 per share under the Securities Purchase Agreement dated June 17, 2011. A notice filing under Regulation D was filed with the SEC in October 19, 2012.

On October 26, 2012 the Company issued 150,000 shares of restricted common stock to Manna Advisory Services, LLC, for investor relation services. The shares were valued at \$.13 per share. The Company expensed \$19,500 during the nine months ended June 30, 2013. The shares do not have registration rights. A notice filing under Regulation D was filed with the SEC in October 30, 2012.

On November 28, 2012, Ascendant converted \$50,000 of principal and interest of \$7,644 into 1,152,877 shares of common stock at \$.050 per share under the Securities Purchase Agreement dated May 19, 2011. A notice filing under Regulation D was filed with the SEC in November 29, 2012.

On January 24, 2013, Gemini converted \$300,000 of principal and \$50,630 of accrued interest into 7,012,603 shares of common stock at \$.050 per share under the Securities Purchase Agreement dated May 19, 2011. A notice filing under Regulation D was filed with the SEC on January 29, 2013.

VISUALANT, INCORPORATED AND SUBSIDIARIES
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On January 24, 2013, Ascendant converted \$50,000 of principal and \$8,438 of accrued interest into 1,168,767 shares of common stock at \$.050 per share under the Securities Purchase Agreement dated May 19, 2011. A notice filing under Regulation D was filed with the SEC on January 29, 2013.

On January 28, 2013, Gemini converted \$300,000 of principal and \$50,959 of accrued interest into 7,019,178 shares of common stock at \$.050 per share under the Securities Purchase Agreement dated May 19, 2011. A notice filing under Regulation D was filed with the SEC on January 30, 2013.

On February 11, 2013, the Company entered into a Consulting Services Agreement with Integrated Consulting Services for strategic advice on our product roadmap. The Company issued a warrant for the purchase of 250,000 shares of common stock. The warrants are exercisable at \$.10 per share and expire February 10, 2016. The Company valued the warrant at \$0.10 per share and expensed \$25,000 during the nine months ended June 30, 2013. Pursuant to the Consulting Services Agreement, the Company agreed to issue an additional warrant for the purchase of 250,000 shares of common stock on August 12, 2013.

On February 13, 2013, the Company issued 150,000 shares of restricted common stock to Manna Advisory Services, LLC, for investor relation services. The shares were valued at \$0.10 per share. The Company expensed \$15,000 during the nine months ended June 30, 2013. The shares do not have registration rights. A notice filing under Regulation D was filed with the SEC in February 15, 2013.

On February 13, 2013, the Company issued 150,000 shares of restricted common stock to David Markowski, an investor for services related to the acquisition of TransTech. The shares were valued at \$0.10 per share. The Company expensed \$15,000 during the nine months ended June 30, 2013. The shares do not have registration rights. A notice filing under Regulation D was filed with the SEC in February 15, 2013.

On February 13, 2013, the Company issued 2,000,000 shares of restricted common stock to two employees (1,200,000 shares for Ronald Erickson our Chief Executive Officer and 200,000 for Mark Scott, our Chief Financial Officer) and two directors (400,000 shares for Marco Hegyi and 200,000 shares for Jon Pepper) for services during 2012. The shares were valued at \$0.10 per share. The Company expensed \$200,000 during the nine months ended June 30, 2013. The shares do not have registration rights. A notice filing under Regulation D was filed with the SEC in February 15, 2013.

On March 1, 2013, the Company issued 50,000 shares of restricted common stock to Manna Advisory Services, LLC, for investor relation services. The shares were valued at \$0.10 per share. The Company expensed \$5,000 during the nine months ended June 30, 2013. The shares do not have registration rights. A notice filing under Regulation D was filed with the SEC in April 4, 2013.

On April 26, 2013, Ascendant was issued a total of 4,564,068 shares of common stock as a result of Ascendant's cashless exercise of a warrant ("Ascendant Warrant"). On January 23, 2013, the Company had agreed to repurchase the Ascendant Warrant for a purchase price of \$300,000, payment of which was due March 31, 2013; however, the Company did not complete that purchase, thereby enabling Ascendant to exercise the Ascendant Warrant on April 26, 2013. A notice filing under Regulation D was filed with the SEC May 3, 2013.

On April 30, 2013, the Company issued 120,000 shares of restricted common stock to David Markowski, an investor for services related to the acquisition of TransTech. The shares were valued at \$0.10 per share. The Company expensed \$12,000 during the nine months ended June 30, 2013. The shares do not have registration rights. A notice filing under Regulation D was filed with the SEC May 16, 2013.

We entered into an Option Agreement with Ascendant dated April 26, 2013, pursuant to which we had the option to purchase from Ascendant 4,000,000 shares of our common stock (the "Option Shares") for an aggregate purchase price of \$300,000. On May 31, 2013, the Company exercised its option to purchase the 4,000,000 Option Shares from Ascendant and paid to Ascendant the \$300,000 purchase price. To date, Ascendant has delivered only 2,284,525 of the 4,000,000 Option Shares purchased by the Company, and has failed to deliver the remaining 1,715,475 Option Shares. See Note 18 for additional details on legal proceedings.

On June 10, 2013, the Sterling Group forfeited a warrant to purchase 300,000 shares of common stock at \$0.20 per share.

On June 10, 2013, the Company entered into a Purchase Agreement, Warrants, Registration Rights Agreement and Voting Agreement with Special Situations and forty other accredited investors pursuant to which we issued 52,300,000 shares of common stock at \$0.10 per share for a total of \$5,230,000, which amount includes the conversion of \$500,000 in outstanding debt of the Company owed to one of its officers. As part of the transaction which closed June 14, 2013, the Company issued to the investors (i) five year Series A Warrants to purchase a total of 52,300,000 shares of common stock at \$0.15 per share; and (ii) five year Series B Warrants to purchase a total of 52,300,000 shares of common stock at \$0.20 per share. Since we currently have an insufficient number of authorized shares of common stock to permit the exercise of all of the Warrants, the Warrants were issued subject to authorization and approval of an increase in the number of authorized shares of the Company by its stockholders at a special meeting of the stockholders to be held in August 2013. A notice filing under Regulation D was filed with the SEC June 18, 2013.

The Company also issued 5,230,000 placement agent warrants exercisable at \$0.10 per share GVC Capital, with an obligation to issue up to 5,230,000 additional placement agent warrants exercisable at \$0.15 per share. The \$0.15 placement agent warrants shall issue only upon the exercise of the Series A Warrants by the Investors, and are issuable ratably based upon the number of Warrants exercised by the Investors. The placement agent warrants have a term of five years from the date of closing of the Transaction.

VISUALANT, INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A summary of the warrants issued as of June 30, 2013 were as follows:

	June 30, 2013	
	Shares	Weighted Average Exercise Price
Outstanding at beginning of period	3,369,050	\$ 0.307
Issued	110,080,000	0.100
Exercised	-	-
Forfeited	(300,000)	(0.200)
Expired	(792,000)	(0.500)
Outstanding at end of period	112,357,050	\$ 0.173
Exercisable at end of period	112,357,050	

A summary of the status of the warrants outstanding as of June 30, 2013 is presented below:

	June 30, 2013			
Number of Warrants	Weighted Average Remaining Life	Weighted Average Exercise Price	Shares Exercisable	Weighted Average Exercise Price
6,080,000	4.37	\$ 0.100	6,080,000	\$ 0.100
52,300,000	4.88	0.150	52,300,000	0.150
52,300,000	4.88	0.200	52,300,000	0.200
1,059,073	0.62	0.20-0.29	1,059,073	0.20-0.29
117,977	0.80	0.30-0.39	117,977	0.30-0.39
500,000	0.63	0.40-0.49	500,000	0.40-0.49
112,357,050	4.75	\$ 0.173	112,357,050	\$ 0.173

The significant weighted average assumptions relating to the valuation of the Company's warrants for the period ended June 30, 2013 were as follows:

Dividend yield	0%
Expected life	3-5 years
Expected volatility	143%
Risk free interest rate	1.5%

At June 30, 2013, vested warrants of 112,357,050 had an aggregate intrinsic value of \$0.

16. STOCK OPTIONS

Description of Stock Option Plan

On April 29, 2011, the 2011 Stock Incentive Plan was approved at the Annual Stockholder Meeting. The Company was authorized to issue options for, and has reserved for issuance, up to 7,000,000 shares of common stock under the 2011 Stock Incentive Plan. On March 21, 2013, an amendment to the Stock Option Plan was approved by the stockholders of the Company, increasing the number of shares reserved for issuance under the Plan to 14,000,000 shares.

VISUALANT, INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 does 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 adjusts 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

Stock option grants totaling 5,100,000 shares of common stock have been made to three directors and four employees for services provided during 2012. These options were authorized for issuance under the 2011 Stock Incentive Plan and were effective March 21, 2013, when the Company was authorized to issue options up to 14,000,000 shares under the 2011 Stock Incentive Plan at the Annual Stockholder Meeting.

There are currently 11,005,000 options to purchase common stock at an average exercise price of \$0.131 per share outstanding at June 30, 2013 under the 2011 Stock Incentive Plan. The Company recorded \$221,692 and \$232,567 of compensation expense, net of related tax effects, relative to stock options for the nine months ended June 30, 2013 and 2012 in accordance with ASC 505. Net loss per share (basic and diluted) associated with this expense was approximately \$(0.00).

Stock option activity for the nine months ended June 30, 2013 and the year ended September 30, 2012:

	Options	Weighted Average Exercise Price	\$
Outstanding as of September 30, 2011	6,920,000	\$ 0.296	\$ 2,050,800
Granted	2,200,000	0.104	229,000
Exercised	-	-	-
Forfeitures	(3,200,000)	0.470	(1,503,000)
Outstanding as of September 30, 2012	5,920,000	0.131	\$ 776,800
Granted	5,100,000	0.130	663,000
Exercised	-	-	-
Forfeitures	(15,000)	0.240	(3,600)
Outstanding as of June 30, 2013	11,005,000	\$ 0.131	1,436,200

The following table summarizes information about stock options outstanding and exercisable at June 30, 2013:

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Life In Years	Weighted Average Exercise Price Exercisable	Number Exercisable	Weighted Average Exercise Price Exercisable
0.090	500,000	6.50 years	0.090	375,000	0.090
0.100	1,900,000	8.25 years	0.100	2,000,000	0.100
0.120	200,000	1.00 years	0.120	100,000	0.120
0.130	5,100,000	6.43 years	0.130	3,633,333	0.130
0.150	3,100,000	6.55 years	0.150	3,100,000	0.150
0.240	205,000	2.00 years	0.240	165,000	0.240
	11,005,000	7.29 years	\$ 0.131	9,373,333	\$ 0.135

There is no aggregate intrinsic value of the exercisable options as of June 30, 2013.

VISUALANT, INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. OTHER SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

Mr. Erickson, our Chief Executive Officer and/or entities in which Mr. Erickson has a beneficial interest have made advances and loans to us in the total principal amount of \$960,000 on or before the date hereof at an average annual interest rate of 4.2%. In addition, Mr. Erickson and/or entities in which Mr. Erickson has a beneficial interest also have unreimbursed 2013 expenses and unpaid salary and interest from 2013 on the outstanding principal amount of the Loans totaling approximately \$65,000 as of June 14, 2013. Mr. Erickson and related entities converted \$500,000 of the advances and loans as part of the PPM which closed June 14, 2013. The remaining amounts were paid to Mr. Erickson and related entities by June 30, 2013. The PPM is discussed in Note 15.

Mr. Mark Scott, our Chief Financial Officer, invested \$10,000 in the Private Placement which closed June 14, 2013 and is disclosed in Note 15.

Other related party transactions are discussed in Note 14.

18. 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.

On May 31, 2013, the Company exercised its option to purchase the 4,000,000 Option Shares from Ascendant and paid to Ascendant the \$300,000 purchase price. To date, Ascendant has delivered only 2,284,525 of the 4,000,000 Option Shares purchased by the Company and has failed to deliver the remaining 1,715,475 Option Shares. On June 17, 2013, the Company filed a complaint (the "Complaint") against Ascendant Capital Partners, LLC ("Ascendant") in the Orange County Superior Court of California (Case No. 30-2013-00656770-CU-BC-CJC) for breach of contract, seeking damages, specific performance and injunctive relief against Ascendant. In its Complaint, the Company alleged that Ascendant breached its obligations under the Option Agreement by delivering to the Company only 2,284,525 of the 4,000,000 Option Shares and failing to deliver the remaining 1,715,475 Option Shares. The Company filed a motion for preliminary injunction with the California Superior Court, seeking preliminary injunctive relief requiring Ascendant to transfer the remaining 1,715,475 Option Shares to Visualant or, in the alternative, enjoining Ascendant from transferring, selling, or otherwise encumbering the Option Shares. The Complaint is currently being reviewed by the California Superior Court.

EMPLOYMENT AGREEMENTS

Mr. Erickson, Mr. Scott and other named executive officers of Visualant do not have employment agreements.

LEASES

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

Corporate Offices

The Company's executive office is located at 500 Union Street, Suite 420, Seattle, Washington, USA, 98101. On August 1, 2012, the Company entered into a lease which expires August 31, 2014. The monthly lease rate was \$1,944 for the year ending August 31, 2013 and \$2,028 for the year ending August 31, 2014. On June 14, 2013, the Company amended the lease and added Suite 450, increasing our monthly payment to \$3,978 through August 31, 2013, \$4,057 from September 1, 2013 to May 31, 2014 and \$4,140 from June 1, 2014 through August 31, 2014.

TransTech Facilities

TransTech is located at 12142 NE Sky Lane, Suite 130, Aurora, OR 97002. They lease 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 of \$4,292. The lease was extended from March 2011 for an additional five year term at a monthly rental of \$4,751. There are two additional five year renewals with a set accelerating increase of 10% per 5 year term.

VISUALANT, INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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:

Years Ended June 30,	Total
2014	\$ 105,611
2015	65,292
2016	38,008
2017	-
2018	-
Beyond	-
Total	<u>\$ 208,911</u>

19. SUBSEQUENT EVENTS

The Company evaluates subsequent events, for the purpose of adjustment or disclosure, up through the date the financial statements are available.

Subsequent to June 30, 2013, the following material transactions occurred:

On July 3, 2013, the Company filed a registration statement on Form S-1 covering 70,300,000 shares. The common stock being registered for resale consists of (i) 52,300,000 shares of common stock issued to Special Situations and forty other accredited investors (collectively, the "Investors") pursuant to a Private Placement which closed June 14, 2013; and (ii) 18,000,000 shares of common stock issuable upon exercise of a portion of the five-year Warrants to purchase shares of common stock at \$0.15 per share issued as part of the above-referenced Private Placement.

At a special meeting of shareholders held on August 9, 2013 the stockholders of the Company approved of an increase in the authorized shares of common stock from 200,000,000 to 500,000,000 and thereafter to amend the articles of the Company to reflect this change in share authorization.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Visualant, Inc.:

We have audited the accompanying balance sheets of Visualant, Inc. (the "Company") as of September 30, 2012 and the related statements of operations, stockholders' equity (deficit), and cash flows for the year ended September 30, 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Visualant, Inc. as of September 30, 2012, and the results of its operations and its cash flows for the year ended September 30, 2012, in conformity with generally accepted accounting principles in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has sustained a net loss from operations and has an accumulated deficit since inception. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in this regard are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

PMB Helin Donovan, LLP

/s/ PMB Helin Donovan, LLP

November 10, 2012
Seattle, Washington

Board of Directors
Visualant, Incorporated and Subsidiaries
Seattle, Washington

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have audited the accompanying balance sheets of Visualant, Incorporated and subsidiaries as of September 30, 2011 and the related statements of operations, stockholders' equity, and cash flows for the year ended September 30, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Visualant, Incorporated and subsidiaries as of September 30, 2011 and the results of operations, and cash flows the year September 30, 2011, in conformity with accounting principles generally accepted in the United States of America.

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

s/s Madsen & Associates CPA's, Inc.
Madsen & Associates CPA's, Inc., Salt Lake City, Utah,
November 29, 2011

VISUALANT, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	<u>September 30, 2012</u>	<u>September 30, 2011</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,141,165	\$ 92,313
Accounts receivable, net of allowance of \$16,750 and \$16,750, respectively	1,012,697	823,724
Prepaid expenses	222,978	283,204
Inventories	344,692	454,588
Refundable tax assets	29,316	9,080
Total current assets	<u>2,750,848</u>	<u>1,662,909</u>
EQUIPMENT, NET	469,001	522,668
OTHER ASSETS		
Intangible assets, net	1,110,111	1,143,090
Goodwill	983,645	983,645
Other assets	<u>6,161</u>	<u>1,091</u>
TOTAL ASSETS	<u>\$ 5,319,766</u>	<u>\$ 4,313,403</u>
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable - trade	\$ 1,593,861	\$ 1,206,100
Accounts payable - related parties	73,737	8,093
Accrued expenses	391,311	155,267
Accrued expenses - related parties	5,849	783,732
Deferred revenue	666,667	-
Convertible notes payable	750,000	1,175,000
Note payable - current portion of long term debt	1,631,903	1,537,191
Total current liabilities	<u>5,113,328</u>	<u>4,865,383</u>
LONG TERM LIABILITIES:		
Long term debt	<u>4,015</u>	<u>1,014,582</u>
STOCKHOLDERS' EQUITY (DEFICIT):		
Preferred stock - \$0.001 par value, 50,000,000 shares authorized, no shares issued and outstanding	-	-
Common stock - \$0.001 par value, 200,000,000 shares authorized, 90,992,954 and 49,065,669 shares issued and outstanding at 9/30/12 and 9/30/11, respectively	90,993	49,066
Additional paid in capital	13,995,554	9,524,577
Accumulated deficit	(13,915,931)	(11,184,033)
Total stockholders' equity (deficit)	<u>170,616</u>	<u>(1,610,390)</u>
Noncontrolling interest	<u>31,807</u>	<u>43,828</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	<u>\$ 5,319,766</u>	<u>\$ 4,313,403</u>

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

VISUALANT, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended,	
	September 30, 2012	September 30, 2011
REVENUE	\$ 7,923,976	\$ 9,136,216
COST OF SALES	6,344,247	7,570,006
GROSS PROFIT	1,579,729	1,566,209
RESEARCH AND DEVELOPMENT EXPENSES	176,944	133,941
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	3,624,711	3,691,760
OPERATING LOSS	(2,221,926)	(2,259,491)
OTHER INCOME (EXPENSE):		
Interest expense	(463,735)	(212,571)
Loss on purchase of outstanding warrants	(500,000)	-
Gain on extinguishment of debt	394,057	-
Other income	36,597	67,458
Total other expense	(533,081)	(145,113)
LOSS BEFORE INCOME TAXES	(2,755,007)	(2,404,604)
Income taxes - current benefit	(29,315)	(9,080)
NET LOSS	(2,725,692)	(2,395,524)
NONCONTROLLING INTEREST	6,206	14,231
NET LOSS ATTRIBUTABLE TO VISUALANT, INC. AND SUBSIDIARIES COMMON SHAREHOLDERS	<u>\$ (2,731,898)</u>	<u>\$ (2,409,756)</u>
Basic and diluted loss per common share attributable to Visualant, Inc. and subsidiaries common shareholders-		
Basic and diluted loss per share	<u>\$ (0.04)</u>	<u>\$ (0.06)</u>
Weighted average shares of common stock outstanding- basic and diluted	65,557,376	42,682,795

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

VISUALANT, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)

	Common Stock		Additional	Accumulated	Total
	Shares	Amount	Paid in Capital	Deficit	Stockholders' Equity (Deficit)
Balance as of September 30, 2010	38,229,374	\$ 38,229	\$ 6,835,647	\$ (8,774,277)	\$ (1,900,401)
Stock compensation expense - employee options	-	-	23,586	-	23,586
Stock compensation expense - non-employee options	-	-	129,641	-	129,641
Issuance of common stock for services	1,289,692	1,290	589,014	-	590,304
Issuance of common stock for RATLab LLC acquisition	1,000,000	1,000	199,000	-	200,000
Issuance of common stock	4,862,462	4,861	1,063,387	-	1,068,248
Issuance of common stock for debenture conversion	2,885,730	2,886	422,115	-	425,001
Issuance of common stock for accrued liabilities	798,411	799	262,188	-	262,987
Net loss	-	-	-	(2,409,756)	(2,409,756)
Comprehensive loss					(2,409,756)
Balance as of September 30, 2011	49,065,669	49,066	9,524,577	(11,184,033)	(1,610,390)
Stock compensation expense - employee options	-	-	27,746	-	27,746
Stock compensation expense - non-employee options	-	-	238,426	-	238,426
Issuance of common stock for services	3,400,000	3,400	323,100	-	326,500
Issuance of common stock	22,664,705	22,664	2,604,005	-	2,626,669
Issuance of common stock for debenture conversion	9,273,795	9,276	415,724	-	425,000
Issuance of common stock for accrued liabilities	825,089	823	37,870	-	38,693
Issuance of common stock for debt extinguishment	4,513,696	4,514	446,856	-	451,370
Issuance of common stock for asset purchase	1,250,000	1,250	161,250	-	162,500
Beneficial conversion feature	-	-	216,000	-	216,000
Net loss	-	-	-	(2,731,898)	(2,731,898)
Comprehensive loss					(2,731,898)
Balance as of September 30, 2012	90,992,954	\$ 90,993	\$ 13,995,554	\$ (13,915,931)	\$ 170,616

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

VISUALANT, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended,	
	September 30, 2012	September 30, 2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (2,731,898)	\$ (2,409,756)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities		
Depreciation and amortization	356,348	384,919
Issuance of capital stock for services and expenses	326,500	660,251
Issuance of capital stock for accrued liabilities	38,693	-
Stock based compensation	266,172	151,118
Amortization of debt discount	-	11,153
Beneficial conversion feature	216,000	-
Gain on sale of assets	(7,690)	(3,911)
Gain on extinguishment of debt	(394,057)	-
Loss on repurchase of outstanding warrants	500,000	-
Changes in operating assets and liabilities:		
Accounts receivable	(188,973)	59,844
Prepaid expenses	60,226	(251,833)
Inventory	109,896	168,182
Other assets	(5,070)	-
Accounts payable - trade and accrued expenses	749,248	(81,758)
Deferred revenue	666,667	-
Income tax receivable	(20,236)	(500)
CASH (USED IN) OPERATING ACTIVITIES	(58,174)	(1,312,291)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(109,167)	(121,060)
Proceeds from sale of equipment	9,058	13,377
Purchase of investments-deposit	-	50
NET CASH (USED IN) INVESTING ACTIVITIES:	(100,109)	(107,633)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on line of credit	62,098	(136,957)
Repayment of debt	(956,935)	(650,000)
Proceeds from the issuance of common stock	2,626,669	943,233
Repayments of capital leases	(12,676)	(23,221)
Proceeds from the issuance of convertible debt	-	1,300,000
Purchase of outstanding warrants	(500,000)	-
Change in noncontrolling interest	(12,021)	(4,755)
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,207,135	1,428,300
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,048,852	8,376
CASH AND CASH EQUIVALENTS, beginning of period	92,313	83,937
CASH AND CASH EQUIVALENTS, end of period	\$ 1,141,165	\$ 92,313
Supplemental disclosures of cash flow information:		
Interest paid	\$ 135,828	\$ 164,503
Taxes paid	\$ -	\$ 3,041
Non-cash investing and financing activities:		
Debenture converted to common stock	\$ 425,000	\$ 425,000
Issuance of common stock for acquisition	\$ -	\$ 200,000
Issuance of common stock for conversion of liabilities	\$ -	\$ 262,987
Issuance of note payable for acquisition	\$ -	\$ 100,000
Acquisition of leased equipment	\$ 597	\$ -
Issuance of common stock for asset purchase	\$ 162,500	\$ -
Issuance of common stock for debt extinguishment	\$ 451,370	\$ -

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

VISUALANT, INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

Visualant, Inc. (the "Company" or "Visualant") 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's executive offices are located in Seattle, Washington.

The Company developed a unique patented Visualant Spectral Pattern Matching™ technology. This technology directs structured light onto a physical substance to capture a Visualant Spectral Signature™ called a ChromaID™. When matched against existing databases, the ChromaID can be used to identify, detect, or diagnose markers invisible to the human eye. ChromaID scanners can be integrated into a variety of mobile or fixed-mount form factors, making it possible to effectively conduct analyses in the field that could only previously be performed by large and expensive lab-based tests.

The Company entered into a one year Joint Development Agreement on May 31, 2012 with Sumitomo Precision Products Co., Ltd. ("Sumitomo"), which focuses on the commercialization of the Spectral Pattern Matching technology and a License Agreement providing Sumitomo with an exclusive license of the Spectral Pattern Matching technology in identified Asian territories.

Sumitomo is publicly traded on the Tokyo and Osaka Stock Exchanges and has operations in Japan, United States, China, United Kingdom, Canada and other parts of the world.

Through the Company's wholly owned subsidiary, TransTech based in Aurora, Oregon, the Company provides value added security and authentication solutions to corporate and government security and law enforcement markets throughout the United States.

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. The Company has incurred net losses of \$2,725,692 and \$2,395,525 for the years ended September 30, 2012 and 2011, respectively. The Company's current liabilities exceeded its current assets by approximately \$2.4 million as of September 30, 2012. Our net cash used in operating activities was \$58,174 for the year ended September 30, 2012.

As of September 30, 2012, the Company had \$1,141,165 in cash. The Company needs to obtain additional financing to implement its business plan and service our debt repayments. 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.

The Company anticipates that it will record losses from operations for the foreseeable future. As of September 30, 2012, our accumulated deficit was \$13.9 million. The Company has 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, 2012 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 \$250,000. Beginning December 31, 2010 and through December 31, 2012, all noninterest-bearing transaction accounts are fully insured, regardless of the balance of the account, at all FDIC-insured institutions. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant risk for cash on deposit. As of September 30, 2012, the Company had no uninsured cash.

VISUALANT, INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

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 a \$10,000 reserve for impaired inventory as of September 30, 2012 and 2011.

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 2-10 years, except for leasehold improvements which are depreciated over 5-20 years.

INTANGIBLE ASSETS / INTELLECTUAL PROPERTY - The Company amortizes the intangible assets and intellectual property acquired in connection with the acquisition of TransTech Systems, Inc. ("TransTech"), over sixty 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. Intangible assets and intellectual property acquired from RATLab LLC ("RATLab") and Javelin LLC ("Javelin") are recorded likewise.

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 MEASUREMENTS- Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy contains three levels as follows:

Level 1 - Unadjusted quoted prices that are available in active markets for the identical assets or liabilities at the measurement date.

Level 2 - Other observable inputs available at the measurement date, other than quoted prices included in Level 1, either directly or indirectly, including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets in nonactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by other observable market data.

VISUALANT, INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Level 3 - Unobservable inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management's estimates of market participant assumptions.

Assets and Liabilities that are Measured at Fair Value on a Recurring Basis. The Company accounts for fair value measurements in accordance with ASC 820, *Fair Value Measurements and Disclosures*, which defines fair value, establishes a framework for measurement and expands disclosure about fair value measurement. The fair value hierarchy requires the use of observable market data when available. In instances in which the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset or liability.

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 Sumitomo License fee is being recorded as revenue over the life the Joint Development Agreement discussed below. The Company recorded deferred revenue of \$666,667 and \$0 as of September 30, 2012 and 2011, respectively.

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 September 30, 2012 and September 30, 2011, the Company had refundable tax assets related to TransTech of \$29,316 and \$9,080, 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 September 30, 2012, there were options outstanding for the purchase of 5,920,000 common shares, warrants for the purchase of 3,369,050 common shares, and an undetermined number shares of common stock related to convertible debt, which could potentially dilute future earnings per share. As of September 30, 2011, there were options outstanding for the purchase of 6,920,000 common shares, warrants for the purchase of 4,569,050 common shares, an undetermined number shares of common stock related to convertible debt, 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.

RECENT ACCOUNTING PRONOUNCEMENTS

Recent accounting pronouncements applicable to the Company are summarized below.

VISUALANT, INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

On May 12, 2011, the FASB issued ASU 2011-04, *Fair Value Measurement*, which requires measurement uncertainty disclosure in the form of a sensitivity analysis of unobservable inputs to reasonable alternative amounts for all Level 3 recurring fair value measurements. ASU 2011-04 became effective for interim and annual periods beginning on or after December 15, 2011. The Company adopted this guidance in the third quarter of Fiscal 2012. The adoption of this guidance requires additional disclosures, but did not have any impact on the Company's consolidated results of operations, financial position, or cash flows.

On June 16, 2011, the FASB issued ASU 2011-05, *Presentation of Comprehensive Income*, which revised the manner in which entities present comprehensive income in their financial statements. ASU 2011-05 is effective for fiscal years beginning after December 15, 2011 (our Fiscal 2013). The Company does not believe that the adoption of this will have a significant impact on its consolidated financial statements.

In September 2011, the FASB issued ASU 2011-08, *Testing Goodwill for Impairment*, which simplified the manner in which entities test goodwill for impairment. After assessment of certain qualitative factors, if it is determined to be more likely than not that the fair value of a reporting unit is less than its carrying amount, entities must perform a quantitative analysis of the goodwill impairment test. Otherwise, the quantitative test becomes optional. ASU 2011-08 is effective for fiscal years beginning after December 15, 2011 (our Fiscal 2013). The Company does not believe that the adoption of this will have a significant impact on its consolidated financial statements.

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 has developed a unique patented Visualant Spectral Pattern Matching™ technology. This technology directs structured light onto a physical substance to capture a Visualant Spectral Signature™ called a ChromaID™. When matched against existing databases, the ChromaID can be used to identify, detect, or diagnose markers invisible to the human eye. ChromaID scanners can be integrated into a variety of mobile or fixed-mount form factors, making it possible to effectively conduct analyses in the field that could only previously be performed by large and expensive lab-based tests.

Visualant Spectral Pattern Matching and the ChromaID profile were developed over a seven year period by Professors Dr. Tom Furness and Dr. Brian Shownerd of RATLab LLC under contract to Visualant. The technology is now being transferred into products and a ScanHead module. Visualant has partnered with Sumitomo Precision Products to manufacture the ScanHead and reduce the technology to a reliable and cost effective form. The first demonstration of this is the Cyclops6 ChromaID Scanner which was demonstrated at the Japanese Instrumentation Manufacturing Association trade show in Tokyo in October 2012. The Cyclops 6 ChromaID Scanner can be used to evaluate the technology for flat surface applications and has sensitivity from 350nm to 1450nm.

Visualant is pursuing an aggressive patent strategy to expand our unique intellectual property in the United States and Japan. The following patents have been issued to date:

On September 6, 2011, the Company announced that it was issued US Patent No. 7,996,173, entitled "Method, Apparatus and Article to Facilitate Distributed Evaluation of Objects Using Electromagnetic Energy," by the United States Office of Patents and Trademarks.

On January 19, 2012, the Company announced that it was issued US Patent No. 8,081,304, entitled "Method, Apparatus and Article to Facilitate Evaluation of Objects Using Electromagnetic Energy" by the United States Office of Patents and Trademarks.

On March 20, 2012, the Company announced that it was issued US Patent No. 8,076,630, entitled "System and Method of Evaluating an Object Using Electromagnetic Energy" by the United States Office of Patents and Trademarks.

On November 1, 2012, the Company announced that it was issued US Patent No. 8,285,510 entitled "System and Method of Evaluating an Object Using Electromagnetic Energy" by the United States Office of Patents and Trademarks.

On June 7, 2011, the Company closed the acquisition of all Visualant related assets of the RATLab LLC ("RATLab"). The RATLab is a Seattle based research and development laboratory created by Dr. Tom Furness, founder and Director of the HITLab International, with labs at Seattle, University of Canterbury in New Zealand, and the University of Tasmania in Australia. With this acquisition, the Company consolidated all intellectual property relating to the Spectral Pattern Matching technology except for environmental field of use. The Company acquired the Visualant related assets of the RATLab for (i) 1,000,000 shares of our common stock at closing valued at \$0.20 per share, the price during the negotiation of this agreement; (ii) \$250,000 (paid); and (iii) payment of the outstanding promissory note owing to Mr. Furness in the amount of \$65,000 with accrued interest of \$24,675 (paid).

VISUALANT, INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

On July 31, 2012, the Company closed the acquisition of the environmental field of use of its Spectral Pattern Matching technology from Javelin LLC ("Javelin"). The Company acquired the Visualant related assets of Javelin for (i) 1,250,000 shares of our common stock at closing valued at thirteen (\$0.13) per share, the price during the negotiation of this agreement; and (ii) \$100,000, with \$20,000 payable at closing and \$80,000 to be paid in four equal installments over a period of eight months. In addition, Company entered into a Business Development Agreement which will pay Javelin ten percent (10%) on the gross margin received by Visualant from license agreements and joint venture developments sourced by Javelin.

5. JOINT DEVELOPMENT AGREEMENT WITH SUMITOMO PRECISION PRODUCTS CO., LTD.

On May 31, 2012, the Company entered into a Joint Research and Product Development Agreement (the "Joint Development Agreement") with Sumitomo Precision Products Co., Ltd. ("Sumitomo"), a publicly-listed Japanese corporation for the commercialization of Visualant's Spectral Pattern Matching technology. A copy of the Joint Development Agreement was filed by the Company with its Form 8-K filed June 4, 2012.

Sumitomo invested \$2,250,000 in exchange for 17,307,693 shares of restricted common shares priced at \$0.13 per share that was funded on June 21, 2012. Sumitomo also paid the Company an initial payment of \$1 million in accordance with the terms of the License Agreement filed by the Company with its Form 8-K filed June 4, 2012. A running royalty for the license granted under the License Agreement will be negotiated at the completion of the Joint Development Agreement.

Sumitomo is publicly traded on the Tokyo and Osaka Stock Exchanges and has operations in Japan, United States, China, United Kingdom, Canada and other parts of the world.

6. ACQUISITION OF TRANSTECH

The Company closed the acquisition of TransTech of Aurora, Oregon 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 the Form 10-Q filed with the SEC on August 12, 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 \$7.6 million in 2012, 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 Spectral Pattern Matching 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 Note. 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.

On June 8, 2010, the Company issued a total of 3,800,000 shares of restricted common stock of the Company to James 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.

7. ACCOUNTS RECEIVABLE/CUSTOMER CONCENTRATION

Accounts receivable were \$1,012,697 and \$823,724, net of allowance, as of September 30, 2012 and 2011, respectively. The Company had no customers in excess of 10% of our consolidated revenues for the year ended September 30, 2012. The Company had no customers with accounts receivable in excess of 10% as of September 30, 2012. The Company does expect to have customers with consolidated revenues or accounts receivable balances of 10% of total accounts receivable in the foreseeable future.

8. INVENTORIES

Inventories were \$344,692 and \$454,588 as of September 30, 2012 and 2011, 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 a \$10,000 reserve for impaired inventory as of September 30, 2012 and 2011.

VISUALANT, INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. FIXED ASSETS

Fixed assets, net of accumulated depreciation, was \$469,001 and \$522,668 as of September 30, 2012 and 2011, respectively. Accumulated depreciation was \$606,509 and \$554,884 as of September 30, 2012 and 2011, respectively. Total depreciation expense, was \$60,869 and \$79,355 for the years ended September 30, 2012 and 2011, respectively. All equipment is used for selling, general and administrative purposes and accordingly all depreciation is classified in selling, general and administrative expenses.

Property and equipment as of September 30, 2012 was comprised of the following:

	Estimated Useful Lives	September 30, 2012		
		Purchased	Capital Leases	Total
Machinery and equipment	2-10 years	\$ 119,331	\$ 87,039	\$ 206,370
Leasehold improvements	5-20 years	603,612	-	\$ 603,612
Furniture and fixtures	3-10 years	55,307	101,260	\$ 156,567
Software and websites	3- 7 years	64,112	44,849	\$ 108,961
Less: accumulated depreciation		(400,516)	(205,993)	\$ (606,509)
		<u>\$ 441,846</u>	<u>\$ 27,155</u>	<u>\$ 469,001</u>

Property and equipment as of September 30, 2011 was comprised of the following:

	Estimated Useful Lives	September 30, 2011		
		Purchased	Capital Leases	Total
Machinery and equipment	3-10 years	\$ 134,616	\$ 87,039	\$ 221,655
Leasehold improvements	20 years	600,000	-	\$ 600,000
Furniture and fixtures	3-10 years	45,676	101,260	\$ 146,936
Software and websites	3- 7 years	64,112	44,849	\$ 108,961
Less: accumulated depreciation		(374,021)	(180,863)	\$ (554,884)
		<u>\$ 470,383</u>	<u>\$ 52,285</u>	<u>\$ 522,668</u>

10. INTANGIBLE ASSETS

Intangible assets as of September 30, and 2012 and 2011 consisted of the following:

	Estimated Useful Lives	September 30, 2012	September 30, 2011
Customer contracts	5 years	\$ 983,645	\$ 983,645
Technology	5 years	712,500	\$ 450,000
Less: accumulated amortization		(586,034)	(290,555)
Intangible assets, net		<u>\$ 1,110,111</u>	<u>\$ 1,143,090</u>

Total amortization expense was \$295,479 and \$224,979 for the year ended September 30, 2012 and 2011, 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.

The fair value of the RATLab intellectual property associated with the assets acquired was \$450,000 estimated by using a discounted cash flow approach based on future economic benefits.. 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.

The fair value of the Javelin intellectual property acquired was \$262,500 estimated by using a discounted cash flow approach based on future economic benefits associated with the assets acquired. 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.

VISUALANT, INCORPORATED AND SUBSIDIARIES
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11. ACCOUNTS PAYABLE

Accounts payable were \$1,593,861 and \$1,206,100 as of September 30, 2012 and 2011, 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. TransTech had 3 vendors (30.1%, 13.7%, and 12.4%) with accounts payable in excess of 10% of its accounts payable as of September 30, 2012. The Company does expect to have vendors with accounts payable balances of 10% of total accounts payable in the foreseeable future.

12. CONVERTIBLE NOTES PAYABLE

On May 19, 2011, the Company entered into a Securities Purchase Agreement (“Agreement”) with Gemini Master Fund, Ltd. (“Gemini”) and Ascendant Capital Partners, LLC (“Ascendant”) (Gemini and Ascendant are collectively referred to as the “Investors”), pursuant to which the Company issued \$1.2 million in principal amount of 10% convertible debentures (the “Original Debentures”) which were due May 1, 2012. The due date of the Original Debentures was extended to September 30, 2012 pursuant to a First Amendment to the Agreement on March 12, 2012, and further extended to September 30, 2013 pursuant to a Second Amendment to the Agreement on August 16, 2012. In addition, the Company issued 5-year warrants to the Investors to collectively purchase 2,400,000 shares of our common stock. The purchase price for the debentures was 83.3% of the face amount, resulting in the Company receiving \$1.0 million, less legal fees, placement agent fees and expenses as set forth below. The Agreement includes an additional investment right granted to the Investors, pursuant to which the Investors have the right at any time until September 30, 2013, to purchase up to \$1.2 million in principal amount of additional debentures (the “Additional Debentures”) on the same terms and conditions as the Original Debentures, except that the conversion price on the Additional Debentures may have a higher floor. The conversion price on both the Original Debentures and the Additional Debentures are subject to a potential downward adjustment for any equity sales subsequent to the date of issuance. In conjunction with the purchase of the Additional Debentures, the Investors also have the right to purchase additional warrants. The full terms of the transactions with Gemini and Ascendant are set forth in the transaction agreements, copies of which are filed with this 10-K as Exhibits 10.1 through 10.10.

On August 28, 2012, the Company entered into a Warrant Purchase Agreement with Gemini and acquired the Gemini Warrant covering the purchase of up to 1.8 million shares, subject to adjustment, by paying \$250,000 on August 28, 2012 and agreeing to pay \$250,000 on or before November 30, 2012.

As of September 30, 2012, Gemini has \$600,000 and Ascendant has \$150,000 remaining in principal amount of Original Debentures outstanding plus accrued interest thereon that is convertible into common shares. Ascendant also has a warrant for the purchase of up to 600,000 shares of our common stock at an original exercise price of \$.35 per share, which exercise price is subject to adjustment and which has been adjusted downward as of the date hereof. See Exhibit 10.6 filed herewith. In addition, the additional investment and participation rights as defined in the Agreement granted to the Investors were extended from September 30, 2012 to September 30, 2013.

The Company paid legal fees and expenses in the amount of \$12,500. Visualant also paid \$80,000 or 8.0% of the cash received and issued a five-year warrant for 192,000 shares in placement agent fees to Ascendant Capital Markets LLC.

The Company filed a registration statement on Form S-1, which was declared effective on August 29, 2011, to register 15,340,361 shares of its common stock, including (i) up to 5,400,000 shares of our common stock for Gemini issuable on conversion and the exercise of a warrant issued to Gemini and (ii) up to 1,992,000 shares of our common stock for Ascendant issuable on conversion of debt and the exercise of a warrant issued to Ascendant. As of September 30, 2012, 7,036,975 shares of the Company's common stock have been issued to Gemini upon conversion of \$300,000 of the convertible debentures and interest of \$20,780 at an average of \$0.05 per share. As of September 30, 2012, 3,373,425 shares of the Company's common stock have been issued to Ascendant upon conversion of \$150,000 of the convertible debentures and interest of \$18,671 at an average of \$0.05 per share.

During the year ended September 30, 2012, the Company modified its outstanding debentures with an aggregate principal value of \$1,200,000. The maturity date has been extended to September 30, 2013, the Investors have converted principal and interest as outlined above at \$0.05 and the Company paid a premium to the debenture holders in the form of redeeming the outstanding warrants for \$500,000. The fair value of the warrants was calculated using the Black-Scholes-Merton option valuation model. The following assumptions were used to determine the fair value of the Warrants using the Black-Scholes valuation model: a term of five years, risk-free rate of 3.92%, volatility of 100%, and dividend yield of zero. Interest expense has been recorded for the loss of \$500,000 related to the modification of the debentures. The difference between the conversion price and the fair market value of the common stock on the commitment date resulted in a beneficial conversion feature recorded of \$216,000. Total interest expense recognized, including the beneficial conversion feature was \$313,534 during the year ended September 30, 2012.

VISUALANT, INCORPORATED AND SUBSIDIARIES
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The conversion of the convertible notes payable and the related warrants will likely result in a substantial dilution of the value of the common shares for all shareholders.

13. NOTES PAYABLE, CAPITALIZED LEASES AND LONG TERM DEBT

Notes payable, capitalized leases and long term debt as of September 30, 2012 and 2011 consisted of the following:

	September 30, 2012	September 30, 2011
BFI Finance Corp Secured Credit Facility	\$ 568,475	\$ 506,377
TransTech capitalized leases, net of capitalized interest	17,943	31,216
Related party notes payable-		
James Gingo Promissory Note	1,000,000	1,650,000
RATLab LLC	-	150,000
Bradley E. Sparks	-	73,228
Lynn Felsing	49,500	82,000
Ronald P. Erickson and affiliated parties	-	58,952
Total debt	1,635,918	2,551,773
Less current portion of long term debt	(1,631,903)	(1,537,191)
Long term debt	\$ 4,015	\$ 1,014,582

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, 2012, 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 September 30, 2012, the outstanding balance under this facility was \$568,475. The secured credit facility is guaranteed by James Gingo, the President of TransTech.

The Company's revolving credit facility requires a lockbox arrangement, which provides for all receipts to be swept daily to reduce borrowings outstanding under the credit facility.

Capitalized Leases

TransTech has capitalized leases for equipment. The leases have a remaining lease term of 9-34 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 September 30,	Total
2013	\$ 13,928
2014	3,332
2015	683
2016	-
2017	-
Total	17,943
Less current portion of capitalized leases	(13,928)
Long term capital leases	<u>\$ 4,015</u>

VISUALANT, INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 Note. 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 James Gingo 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. On June 8, 2011, the Company paid \$650,000 and accrued interest of \$80,500 to Mr. Gingo.

(ii) The sum of \$650,000, the amount of any accrued interest due on the Bonderson debt owed by James Gingo 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. On July 31, 2012, the Company paid the \$650,000 and accrued interest of \$66,136 due to Mr. Gingo.

(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 April 30, 2009, accounts payable owed to Lynn Felsing, a consultant, totaling \$82,000 were converted into a demand note. As of September 30, 2012, the outstanding note payable totaled \$49,500.

An affiliate of Mr. Erickson, our Chief Executive Officer, Juliz I Limited Partnership, loaned the Company operating funds during fiscal 2009. The Company repaid the loan during the year ended September 30, 2012.

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. The Company repaid the loan during the year ended September 30, 2012.

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

Years Ended September 30,	Total
2013	\$ 1,631,903
2014	3,332
2015	683
2016	-
2017	-
Total	<u>\$ 1,635,918</u>

14. EQUITY

Unless otherwise indicated, all of the following private placements of Company securities were conducted under the exemption from registration as provided under Section 4(2) of the Securities Act of 1933 (and also qualified for exemption under 4(5), formerly 4(6) of the Securities Act of 1933, as noted below). All of the shares issued were issued in private placements not involving a public offering, are considered to be "restricted stock" as defined in Rule 144 promulgated under the Securities Act of 1933 and stock certificates issued with respect thereto bear legends to that effect.

The Company had the following equity transactions during the year ended September 30, 2011:

On November 17, 2010, the Company issued 20,000 shares of restricted shares of the Company's common stock to Robert Jones for advisory services. The shares were valued at \$0.24 per share, the closing price on November 17, 2010.

VISUALANT, INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

On December 23, 2010, the Company entered into a Securities Purchase Agreement (“Agreement”) with Seaside pursuant to which Seaside agreed to purchase restricted shares of the Company’s common stock from time to time over a 12-month period, provided that certain conditions are met.

Under the terms of the Agreement, the Company agreed to sell and issue to Seaside each month for a 12-month period commencing on the closing date, restricted shares of the Company’s common stock at a price equal to the lower of (i) 60% of the average trading price of the company’s stock during the 10 trading days immediately preceding each monthly closing date, or (ii) 70% of the average trading price for the trading day immediately preceding each monthly closing date. Visualant’s agreement to sell shares each month during said 12 month period is subject to certain conditions and limitations. With respect to each subsequent closing, Visualant will not be obligated to sell any of its common stock to Seaside at a price lower than \$0.25 per share, and Seaside’s beneficial ownership of the Company’s common stock will not exceed 9.9%. Seaside is not permitted to short sale the Company’s common stock.

Visualant paid Seaside’s legal fees and expenses in the amount of \$25,000 for the initial closing, and agreed to pay \$2,500 for each subsequent closing. Visualant also has agreed to pay 7.0% in finder’s fees (to be paid in connection with each draw down) and issue 10,113 common stock warrants exercisable at \$0.21395 per share.

The Agreement may be terminated by Seaside upon written notice to the Company, if at any time prior to the final subsequent closing the Company consummates a financing to which Seaside is not a party.

The Agreement also contains certain representations and warranties of Visualant and Seaside, including customary investment-related representations provided by Seaside, as well as acknowledgements by Seaside that it has reviewed certain disclosures of the Company (including the periodic reports that the Company has filed with the SEC) and that the Company’s issuance of the shares has not been registered with the SEC or qualified under any state securities laws. Visualant provided customary representations regarding, among other things, its organization, capital structure, subsidiaries, disclosure reports, absence of certain legal or governmental proceedings, financial statements, tax matters, insurance matters, real property and other assets, and compliance with applicable laws and regulations. Seaside’s representations and warranties are qualified in their entirety (to the extent applicable) by the Company’s disclosures in the reports it files with the SEC. Visualant also delivered confidential disclosure schedules qualifying certain of its representations and warranties in connection with executing and delivering the Agreement.

As of September 30, 2011, the Company sold to Seaside 2,529,314 shares at a purchase price of \$0.302 per share, or an aggregate price of \$763,650. In addition, the Company issued warrants to brokers for the purchase of 177,050 shares of common shares at the purchase price of \$0.302 per share.

On January 27, 2011, the Company issued 275,000 restricted shares of the Company’s common stock to directors for services provided during 2010. The shares were valued at \$0.448 per share, the closing price for the thirty days prior to January 27, 2011.

On January 27, 2011, the Company entered into a Contract for Corporate Advisory Services with Core consulting Group. Under the agreement dated December 6, 2010, the Company issued 381,500 of restricted shares of the Company’s common stock at \$0.45 per share, the closing price on December 6, 2010. On April 27, 2011, the Company issued an additional 381,500 of restricted shares of our common stock at \$0.45 per share, the closing price on December 6, 2010.

On January 27, 2011, Monahan & Biagi, PLLC converted \$136,726 of accrued legal bills into 341,815 shares of our common stock at \$0.40 per share, the closing price on January 22, 2011, the date the conversion was requested.

On February 14 and 17, 2011, Asher converted \$50,000 of convertible debentures into 173,378 shares of common stock at \$0.2884 per share.

On February 23, 2011, Masahiro Kawahata, a director converted \$90,906 of accrued expenses into 211,409 shares of the Company common stock at \$0.43 per share, the closing price on February 23, 2011, the date the conversion was requested.

On February 23, 2011, the Company issued a warrant for the purchase of 1,000,000 shares of our common stock to Coach for advisory services. The warrant was issued at \$0.25 per share. The warrant expires February 22, 2014 and is callable if registered and with five closing trading prices of the Company’s common stock over \$0.75 per share.

On February 23, 2011, the Company issued a warrant for the purchase of 500,000 shares of our common stock to the Sterling Group for advisory services. The warrant was issued at \$0.50 per share. The warrant expires February 22, 2014 and is callable if registered and with five closing trading prices of our common stock over \$0.75 per share.

On April 1, 2011, Coach converted \$250,000 and interest of \$28,758 into 1,858,387 shares of common stock.

VISUALANT, INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

On April 1, 2011, the Company entered into a Consulting Agreement with Cerillion N4 Partners. Under the agreement, the Company issued 4,000 shares at \$0.52 per share, the price on March 31, 2011.

On April 1, 2011, the Company entered into an Agreement with InvestorIdeas.com. Under the agreement, the Company issued 57,692 shares at \$0.52 per share, the price on March 31, 2011.

On April 1, 2011, the Company entered into an Agreement with National Securities Corporation. Under the agreement, the Company issued 60,000 shares at \$0.52 per share, the price on March 31, 2011.

On April 1, 2011, the Company entered into an Agreement with Aquiline Group, Inc. Under the agreement, the Company issued 75,000 shares at \$0.52 per share, the price on March 31, 2011.

On May 31, 2011, Coach exercised its warrant and received 833,333 shares of common stock. On December 7, 2009, the Company closed \$250,000 of financing from Coach pursuant to a Convertible Promissory Note. In addition, Coach received warrants to purchase 833,333 shares of the Company's common stock at \$0.15 per share. The warrant expired 3 years from the date of issuance.

On May 18, 2011, the Company entered into an Agreement with Mr. Gima. Under the agreement, we issued 10,000 shares at 0.52 per share.

On May 20, 24 and 26, 2011, Asher converted \$50,000 of convertible debentures into 296,130 shares of common stock at \$0.169 per share.

On June 7, 2011, the Company closed the acquisition of all Visualant related assets of the RATLab LLC by agreeing to issue 1,000,000 of our common stock valued at \$0.20 per share, the price during the negotiation of this agreement.

On June 17, 2011, the Company entered into a Securities Purchase Agreement with Ascendant, pursuant to which Ascendant agreed to purchase up to \$3,000,000 worth of shares of the Company's common stock from time to time over a 24-month period, provided that certain conditions are met. The financing arrangement entered into by the Company and Ascendant is commonly referred to as an "equity line of credit" or an "equity drawdown facility."

As of September 30, 2012, the Company has issued to Ascendant 5,365,884 shares for \$383,141 or \$.071 per shares under the Securities Purchase Agreement dated June 17, 2011. In addition, the Company issued to Ascendant during 2011 and 2012 a total of 1,490,943 shares for \$193,370 or \$.131 per shares under the Securities Purchase Agreement excluding the commitment and legal fees.

On June 17, 2011, the Company extended its April 1, 2011 Agreement with Aquiline Group, Inc. Under the agreement, the Company issued 25,000 shares at \$0.52 per share, the price on March 31, 2011.

On July 14, 17 and 20, 2011 Asher converted \$50,000 into 491,506 shares of common stock at \$.102 per share.

On August 23, 2011, the Company filed an amended Registration Statement on Form S-1 for 15,340,361 shares of common stock. The Registration Statement primarily registers shares for Seaside, Gemini, Ascendant, Coach and Sterling Group and was declared effective by the SEC on August 29, 2011.

The Company had the following equity transactions during the year ended September 30, 2012:

On October 5, 2011, the Company entered into a Financial Consultant Agreement ("Agreement") with D. Weckstein and Co, Inc. ("Weckstein") The Agreement expires July 31, 2016. Under the Agreement, Weckstein was awarded 1,000,000 shares of common stock on November 7, 2011. The shares were valued at \$0.07 per share, the closing price on November 7, 2011. In addition, the Company paid \$10,000 to Weckstein

On December 15, 2011, the Company issued 100,000 shares of restricted common stock to Todd Weaver for product development work. The shares were valued at \$0.12 per share, the closing price on November 29, 2011, and do not have registration rights.

On February 7, 2012, the Company issued 1,000,000 restricted shares to Coventry Capital LLC related to an Advisory Agreement. The shares were valued at \$.10 per share.

On February 24, 2012, the Company issued 400,000 shares of common stock to five directors for services provided during 2011. The shares were issued under the 2011 Stock Incentive Plan.

On April 1, 2011, the Company entered into an Investor Banking Agreement with National Securities Corporation. On March 12, 2012, the Company issued warrants for up to 204,000, 366,000 and 30,000 shares of common stock to National Securities Corporation, Steven Freifeld and Vince Calicchia, respectively. The warrants are exercisable at \$.10 per share and expire March 11, 2015.

VISUALANT, INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

On April 2, 2012, the Company filed a Registration Statement on Form S-1 for 7,600,000 shares of common stock. The Registration Statement primarily registered shares for Ascendant, Coventry Capital LLC and National Securities Corporation and affiliates and was declared effective by the SEC on April 18, 2012.

On May 16, 2012 the Company issued 150,000 shares of restricted common stock to Manna Advisory Services, LLC for services. The shares were valued at \$0.10 per share. The shares do not have registration rights.

On May 31, 2012, the Company executed a Stock Purchase Agreement with Sumitomo whereby Sumitomo invested \$2,250,000 in exchange for 17,307,693 shares of restricted common shares priced at \$0.13 per share that was funded on June 21, 2012. The shares do not have registration rights.

On July 31, 2012, the Company closed the acquisition of the environmental field of use of its Spectral Pattern Matching technology from Javelin LLC or Javelin. The Company acquired the Visualant related assets of Javelin for (i) 1,250,000 shares of our common stock at closing valued at thirteen (\$0.13) per share, the price during the negotiation of this agreement; and (ii) \$100,000, with \$20,000 payable at closing and \$80,000 to be paid in four equal installments over a period of eight months.

On September 6, 2012, the Company signed a Settlement and Release Agreement ("Sparks Agreement") with Mr. Sparks, the former CEO and Director and a cousin of Ronald Erickson. The Sparks Agreement required (i) payment of \$50,750 (paid) and issuance of 513,696 shares of our common stock for full payment on a note and related accrued interest of \$66,780; (ii) payment of \$39,635 to Mr. Sparks for a note, accrued interest and other liabilities (paid); and (iii) issuance of 4,000,000 restricted shares of our common stock to Mr. Spark for unpaid compensation in the amount of \$721,333. The above is full settlement of all outstanding liabilities due to Mr. Sparks.

On September 18, 2012 the Company issued 500,000 shares of restricted common stock to NVPR, LLC for services. The shares were valued at \$0.13 per share. The shares do not have registration rights.

On September 28, 2012 the Company issued 250,000 shares of restricted common stock to Clayton McKeekin for services. The shares were valued at \$0.13 per share. The shares do not have registration rights.

As of September 30, 2012, 7,036,975 shares of the Company's common stock have been issued to Gemini upon conversion of \$300,000 of the convertible debentures and interest of \$20,780 at an average of \$0.05 per share.

As of September 30, 2012, 3,373,425 shares of the Company's common stock have been issued to Ascendant upon conversion of \$150,000 of the convertible debentures and interest of \$18,671 at an average of \$0.05 per share.

On October 22, 2012, the Company filed an Amended Registration Statement on Form S-1 for 7,600,000 shares of common stock. The Registration Statement primarily registered shares for Ascendant, Coventry Capital LLC and National Securities Corporation and affiliates and was declared effective by the SEC on October 25, 2012.

Warrants, and any potential adjustments, are discussed in this Footnote and Footnote 12, Convertible Notes Payable.

A summary of the warrants issued as of September 30, 2012 were as follows:

	September 30, 2012	
	Shares	Weighted Average Exercise Price
Outstanding at beginning of period	4,569,050	0.410
Issued	600,000	0.100
Exercised	-	-
Forfeited	-	-
Expired	(1800000)	(0.500)
Outstanding at end of period	3,369,050	0.307
Exerciseable at end of period	3,369,050	

VISUALANT, INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A summary of the status of the warrants outstanding as of September 30, 2012 is presented below:

Number of Warrants	Weighted Average Remaining Life	September 30, 2012		Shares Exercisable	Weighted Average Exercise Price
		Weighted Average Exercise Price			
600,000	2.50	\$ 0.100		600,000	\$ 0.100
1,359,073	1.26	0.20-0.29		1,359,073	0.20-0.29
117,977	1.55	0.30-0.39		117,977	0.30-0.39
500,000	1.38	0.40-0.49		500,000	0.40-0.49
792,000	3.63	0.500		792,000	0.500
3,369,050	2.27	\$ 0.307		3,369,050	\$ 0.307

The significant weighted average assumptions relating to the valuation of the Company's warrants for the year ended September 30, 2012 were as follows:

Assumptions	
Dividend yield	0 %
Expected life	3
Expected volatility	143 %
Risk free interest rate	2 %

At September 30, 2012, vested warrants totaling 3,369,050 shares had an aggregate intrinsic value of \$572,739.

15. STOCK OPTIONS

Description of Stock Option Plan

On April 29, 2011, the 2011 Stock Incentive Plan was approved at the Annual Stockholder Meeting. The Company has 6,100,000 options to purchase common stock available to issue under the 2011 Stock Incentive Plan.

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 does 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 adjusts 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 November 9, 2011, Bradley E. Sparks forfeited a grant to purchase 1,000,000 shares of common stock at \$0.75 per share.

On November 29, 2011, Jeff Kruse and Steve Waddle, employees of TransTech, were each granted an option to purchase 100,000 shares of common stock at \$0.12 per share. The grants vest quarterly over three years and expire November 28, 2014.

On February 15, 2012, Marco Hegyi forfeited a grant to purchase 2,000,000 shares of common stock at \$0.50 per share.

On February 24, 2012, the Company issued 400,000 shares of common stock to five directors for services provided during 2011. The shares were issued under the 2011 Stock Incentive Plan.

On February 24, 2012, Marco Hegyi, our Chairman of the Board, was granted an option to purchase 1,900,000 shares of common stock at \$0.10 per share. The grant vests 750,000 shares on February 24, 2012 and 250,000 shares per quarter. The grant vests upon a change in control and expires February 23, 2022.

On May 11, 2012, the Company issued a stock option grant for 100,000 shares of common stock to a consultant at \$0.15 per share. The stock option grant vested immediately.

VISUALANT, INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

On May 11, 2012, a consultant forfeited a stock option grant for 100,000 shares of common stock at \$.15 per share.

During 2012, the Company agreed to grant, subject to shareholder approval at the 2013 annual shareholder meeting, of an increase in the number of shares available under the Company's Stock Incentive Plan, stock option grants totaling 5,000,000 shares of common stock to five directors and three employees for services provided during 2012. The shares were granted under the 2011 Stock Incentive Plan.

There are currently 5,920,000 options to purchase common stock at \$0.131 per share outstanding at September 30, 2012 under the 2011 Stock Incentive Plan. The Company recorded \$266,172 and \$153,227 of compensation expense, net of related tax effects, relative to stock options for the year ended September 30, 2012 and 2011 in accordance with ASC 505. Net loss per share (basic and diluted) associated with this expense was approximately (\$0.00). As of September 30, 2012, there is approximately \$96,180 of total unrecognized costs related to employee granted stock options that are not vested. These costs are expected to be recognized over a period of approximately two years.

Stock option activity for the years ended September 30, 2012 and 2011 are summarized as follows:

	Options	Weighted Average Exercise Price	\$
Outstanding as of September 30, 2010	4,735,000	\$ 0.289	\$ 1,366,250
Granted	2,320,000	0.339	785,800
Exercised	-	-	-
Forfeitures	(135,000)	(0.750)	(101,250)
Outstanding as of September 30, 2011	6,920,000	0.296	2,050,800
Granted	2,200,000	0.104	229,000
Exercised	-	-	-
Forfeitures	(3,200,000)	(0.470)	(1,503,000)
Outstanding as of September 30, 2012	5,920,000	\$ (0.131)	\$ 776,800

The following table summarizes information about stock options outstanding and exercisable at September 30, 2012:

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Life In Years	Weighted Average Exercise Price Exercisable	Number Exercisable	Weighted Average Exercise Price Exercisable
0.090	500,000	7.75 years	\$ 0.090	375,000	\$ 0.090
0.100	1,900,000	9.50 years	0.100	1,250,000	0.100
0.120	200,000	2.25 years	0.120	50,000	0.120
0.150	100,000	2.75 years	0.150	100,000	0.150
0.150	3,000,000	7.75 years	0.150	3,000,000	0.150
0.240	220,000	3.25 years	0.240	128,333	0.240
	5,920,000	7.86 years	\$ 0.131	4,903,333	\$ 0.141

There is no aggregate intrinsic value of the exercisable options as of September 30, 2012.

16. OTHER SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

See Note 13 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, Mr. Erickson beneficially owns 5,423,773 shares of common stock.

Mr. Sparks resigned from the Board of Directors effective September 6, 2012. On September 6, 2012, the Company entered into a Settlement and Release Agreement with Mr. Sparks pursuant to which the Company agreed to (i) pay to Mr. Sparks the sum of \$50,750 and issue 513,696 shares of the Company's common stock as satisfaction in full of amounts owed pursuant to a note issued in 2007 and related accrued interest; and (ii) pay to Mr. Sparks the sum of \$39,635 and issue 4,000,000 shares of the Company's common stock as satisfaction in full of amounts owed to pursuant to a note issued in 2009, related accrued interest, and other liabilities, including accrued compensation of \$721,333. The full Settlement and Release Agreement was filed as Exhibit 10.1 to Form 8-K/A1 filed by the Company on September 12, 2012.

The Company paid \$195,000 for fees to Dr. Kawahata and Mr. Arai, two Directors, as a finder fee for their services in closing the Sumitomo transactions. The Company paid \$60,000 on June 25, 2012 and \$135,000 on July 25, 2012.

VISUALANT, INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. 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

Mr. Erickson, Mr. Scott and other named executive officers of Visualant do not have employment agreements.

Agreement with James Gingo

On June 8, 2010, the Company entered into an Employment Agreement ("Gingo Agreement") with Mr. Gingo. 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 up to 50% of his annual salary based upon performance criteria to be determined by the Company's Compensation Committee based on criteria under development. 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.

Corporate Offices

The Company's executive office is located at 500 Union Street, Suite 420, Seattle, Washington, USA, 98101. On August 1, 2012, we entered into a lease which expires August 31, 2014. The monthly lease rate is \$1,944 for the year ending August 31, 2013 and \$2,028 for the year ending August 31, 2014.

TransTech Facilities

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 of \$4,292. The lease was extended from March 2011 for an additional five year term at a monthly rental of \$4,751. There are two additional five year renewals with a set accelerating increase of 10% per 5 year term. TransTech also leases additional 500 square feet of off-site space at \$250 per month from a related party.

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:

Years Ended September 30,	Total
2013	\$ 78,396
2014	81,348
2015	57,012
2016	23,755
2017	-
Beyond	-
Total	<u>\$ 240,511</u>

NOTE 18. INCOME TAXES

The Company has incurred losses since inception, which have generated net operating loss carryforwards. The net operating loss carryforwards arise from United States sources.

Pretax losses arising from United States operations were approximately \$1,522,000 for the year ended September 30, 2012. Pretax losses arising from United States operations were approximately \$2,534,000 for the year ended September 30, 2011.

The Company has non- US net operating loss carryforwards of approximately \$11,877,200, which expire in 2019-2030 and US of approximately \$11,877,200 which expire in 2019-2030. Because it is not more likely than not that sufficient tax earnings will be generated to utilize the net operating loss carryforwards, a corresponding valuation allowance of approximately \$1,164,000 and \$1,151,000 was established as of September 30, 2012 and 2011, respectively. Additionally, under the Tax Reform Act of 1986, the amounts of, and benefits from, net operating losses may be limited in certain circumstances, including a change in control.

VISUALANT, INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Section 382 of the Internal Revenue Code generally imposes an annual limitation on the amount of net operating loss carryforwards that may be used to offset taxable income when a corporation has undergone significant changes in its stock ownership. There can be no assurance that the Company will be able to utilize any net operating loss carryforwards in the future.

For the year ended September 30, 2012, the Company's effective tax rate differs from the federal statutory rate principally due to net operating losses and warrants issued for services.

The principal components of the Company's deferred tax assets at September 30, 2012 are as follows:

	2012	2011
U.S. operations loss carry forward at statutory rate of 42.6%	\$ (1,163,832)	\$ (1,151,090)
Less Valuation Allowance	1,163,832	1,151,090
Net Deferred Tax Assets	-	-
Change in Valuation allowance	\$ -	\$ -

A reconciliation of the United States Federal Statutory rate to the Company's effective tax rate for the period ended September 30, 2012 and 2011 is as follows:

	2012	2011
Federal Statutory Rate	-42.6%	-42.6%
Increase in Income Taxes Resulting from:		
Change in Valuation allowance	42.6%	42.6%
Effective Tax Rate	0.0%	0.0%

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

19. SUBSEQUENT EVENTS

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

As of November 13, 2012, 4,512,603 shares of the Company's common stock have been issued to Ascendant upon conversion of \$200,000 of the convertible debentures and interest of \$25,630 at an average of \$0.05 per share.

As of November 13, 2012, the Company has issued to Ascendant 6,358,933 shares for \$483,141 or \$.076 per shares under the Securities Purchase Agreement dated June 17, 2011.

REPORT ON MANAGEMENT'S ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING

Management assessed the corporation's system of internal control over financial reporting as of September 30, 2012, in relation to criteria for effective internal control over financial reporting as described in "Internal Control--Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concludes that, as of September 30, 2012, its system of internal control over financial reporting is not effective based on the criteria of the "Internal Control--Integrated Framework".

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

/s/ Mark Scott
 Mark Scott
 Chief Financial Officer

Seattle, WA
 November 13, 2012

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution

The expenses payable by us in connection with the issuance and distribution of the securities being registered other than underwriting discounts and commissions, if any are set forth below. Each item listed is estimated as follows:

Securities and Exchange Commission registration fee	\$ 3,300
Accounting fees and expenses	2,500
Legal fees and expenses	15,000
Registrar and transfer agent fees and expenses	2,000
Miscellaneous	3,200
	<hr/>
Total expenses	\$ 26,000

Item 14. Indemnification of Directors and Officers

Under Nevada law, a corporation may include in its articles of incorporation (“Articles”) a provision that eliminates or limits the personal liability of a director to the corporation or its stockholders for monetary damages for breach of fiduciary duties as a director, but no such provision may eliminate or limit the liability of a director (a) for any breach of his fiduciary duty as a director, (b) for acts or omissions not in good faith or that involve intentional misconduct, fraud or a knowing violation of law, (c) for conduct violating the Nevada General Corporation Law, or (d) for any transaction from which the director will personally receive a benefit in money, property or services to which the director is not legally entitled.

Section 78.7502 of the Nevada Revised Statutes or NRS provides, in general, that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, except an action by or in the right of the corporation, by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with the action, suit or proceeding if the person acted in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the conduct was unlawful.

NRS Section 78.4502 also provides, in general, that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses, including amounts paid in settlement and attorneys' fees actually and reasonably incurred by the person in connection with the defense or settlement of the action or suit if the person acted in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the corporation; provided, however, that indemnification may not be made for any claim, issue or matter as to which such a person has been adjudged by a court of competent jurisdiction, after exhaustion of all appeals therefrom, to be liable to the corporation or for amounts paid in settlement to the corporation, unless and only to the extent that the court in which the action or suit was brought or other court of competent jurisdiction determines upon application that in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnity for such expenses as the court deems proper.

Any indemnification pursuant to the above provisions may be made by the corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances. The determination must be made: (a) by the stockholders; (b) by the Board of Directors by majority vote of a quorum consisting of directors who were not parties to the action, suit or proceeding; (c) if a majority vote of a quorum consisting of directors who were not parties to the action, suit or proceeding so orders, by independent legal counsel in a written opinion; or (d) if a quorum consisting of directors who were not parties to the action, suit or proceeding cannot be obtained, by independent legal counsel in a written opinion.

Under Article X of the Company's Amended and Restated Articles of Incorporation, the personal liability of all its directors is eliminated to the fullest extent allowed by Nevada law. In addition, a director shall not be personally liable to the corporation or its stockholders for monetary damages for conduct as a director, except for liability (a) for acts or omissions that involve intentional misconduct or a knowing violation of law; (b) for conducting violating the Nevada General Corporation Law; or (c) for any transaction from which the director will personally receive a benefit in money, property or services to which the director is not legally entitled.

Article XI of the Articles of Incorporation also provides for indemnification of the Company's directors and officers, and authorizes the Company to purchase and maintain insurance or make other financial arrangements on behalf of any director, officer, agent or employee of the corporation, for any liability asserted against him and for expenses incurred by him in his capacity as a director, officer, employee or agent, arising out of his status as such, whether or not the corporation has the authority to indemnify him against such liability and expenses.

The Company has a directors' and officers' liability insurance policy in place pursuant to which its directors and officers are insured against certain liabilities, including certain liabilities under the Securities Act of 1933, as amended and the Securities and Exchange Act of 1934, as amended.

Item 15. Recent Sales of Unregistered Securities

Unless otherwise indicated, all of the following sales or issuances of Company securities were conducted under the exemption from registration as provided under Section 4(2) of the Securities Act of 1933 (and also qualified for exemption under 4(5), formerly 4(6) of the Securities Act of 1933, except as noted below). All of the shares issued were issued in transactions not involving a public offering, are considered to be restricted stock as defined in Rule 144 promulgated under the Securities Act of 1933 and stock certificates issued with respect thereto bear legends to that effect.

We have compensated consultants and service providers with restricted common stock during the development of our technology and when our capital resources were not adequate to provide payment in cash.

All of the following transactions were to accredited investors (with the exception of a few issuances which are noted below). All issuances to accredited and non-accredited investors were structured to comply with the requirements of the safe harbor afforded by Rule 506 of Regulation D, including limiting the number of non-accredited investors to no more than 35.

We had the following equity transactions during the year ended September 30, 2010:

During the quarter ended December 31, 2009, we issued 300,000 shares of common stock as annual grants for service on the Company's Board of Directors to directors (75,000 shares each to Yoshitami Arai, Dr. Masahiro Kawahata, Marco Hegyi and Jon Pepper), 100,000 shares of common stock to David Markowski for consulting services related to the potential acquisition of TransTech, and 300,000 shares to RATLab employees for the development of our technology (150,000 each to Dr. Tom Furness and Dr. Brian Schowengardt) at \$0.07 per share.

On May 10, 2010, the Board of Directors issued to Mark Scott, our Chief Financial Officer, 1,000,000 shares of restricted common stock for his services as Chief Financial Officer. The shares were issued at the closing bid price of \$0.02 per share on May 7, 2010.

On May 10, 2010, the Board of Directors issued to Ron Erickson, our Chief Executive Officer or his designee, 2,000,000 shares of restricted common stock and granted options to purchase 3,000,000 shares at \$0.15 per share for his services as Chief Executive Officer. The restricted common stock was issued at the closing bid price of \$0.02 per share on May 7, 2010. The grant of options vested 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 to consultants for the conversion of liabilities or for services provided (150,000 to Lynn Felsing for administrative services, 100,000 Rick Rukowski for marketing services, 150,000 to Ross Melville, a RATLab employee for the development of our technology and 200,000 to Cognition Partners for marketing services). The parties valued the shares in this transaction at \$0.02 per share, the closing bid price of our common stock during negotiations. It is the Company's understanding that Lynn Felsing and Ross Melville were not accredited investors. However, both of them were involved in the Company's business and operations, and the Company believed that each of them had such knowledge and experience in financial and business matters that they were capable of evaluating the merits and risks of an investment in the Company.

On June 1, 2010, the Board of Directors issued 666,667 shares of restricted common stock to Lost Nation Capital LLC, a party affiliated with James Biagi, our corporate counsel, for the conversion of \$100,000 in accrued legal expenses at \$0.15 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 James Gingo, Jeffrey Kruse and Steve Waddle, executives of TransTech, respectively, as part of their compensation. These issuances were a part of the consideration for the acquisition by the Company of TransTech. 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. We closed the acquisition of TransTech on June 8, 2010.

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 and a member of the Board, as a portion of the consideration for the acquisition by the Company of TransTech. 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. We closed the acquisition of TransTech on June 8, 2010.

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 related to the acquisition of TransTech. 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 financial advisory services related to funding and acquisition activities. The warrant was valued at \$0.02 per share using the Black-Scholes-Merton option valuation model. The warrant expired on June 10, 2013 and was callable if registered and with five closing trading prices of the Company's common stock over \$0.50 per share.

We had the following equity transactions during the year ended September 30, 2011:

On November 17, 2010, we issued 20,000 shares of restricted shares of our common stock to Robert Jones for investor relation services. The shares were valued at \$0.24 per share, the closing price on November 17, 2010.

On December 23, 2010, we entered into a Securities Purchase Agreement or Agreement with Seaside Advisors LLC or Seaside pursuant to which Seaside agreed to purchase restricted shares of our common stock from time to time, provided that certain conditions were met. Under the terms of the Agreement, we agreed to sell and issue to Seaside each month for a 12-month period commencing on the closing date, restricted shares of our common stock at a price equal to the lower of (i) 60% of the average trading price of our common stock during the 10 trading days immediately preceding each monthly closing date, or (ii) 70% of the average trading price for the trading day immediately preceding each monthly closing date. Our agreement to sell shares each month during said 12 month period was subject to certain conditions and limitations. We paid Seaside's legal fees and expenses in the amount of \$25,000 for the initial closing, and agreed to pay \$2,500 for each subsequent closing.

As of September 30, 2011, we sold to Seaside 2,529,314 shares at a purchase price of \$0.302 per share, or an aggregate price of \$763,650. In addition, we issued warrants to brokers on the transaction for the purchase of 177,051 (John O'Brien, John Lane and Scott Ashbury) shares of common shares at the purchase price of \$0.302 per share.

On January 27, 2011, we issued 275,000 restricted shares of our common stock for service on the Company's Board of Directors to directors (50,000 shares each to Yoshitami Arai, Dr. Masahiro Kawahata, Marco Hegyi, Jon Pepper and Bradley Sparks and 25,000 to Paul Bonderson) for board services provided during 2010. The shares were valued at \$0.448 per share, the closing price for the thirty days prior to January 27, 2011.

On January 27, 2011, we entered into a Contract for corporate advisory services for investor relation activities with Core Consulting Group, Inc. Under the agreement dated December 6, 2010, we issued 381,500 of restricted shares of our common stock at \$0.45 per share, the closing price on December 6, 2010. On April 27, 2011, we issued an additional 381,500 of restricted shares of our common stock at \$0.45 per share, the closing price on December 6, 2010.

On January 27, 2011, Monahan & Biagi, PLLC, a party affiliated with James Biagi, our corporate counsel, converted \$136,726 of accrued legal bills into 341,815 shares of our common stock at \$0.40 per share, the closing price on January 22, 2011, the date of the conversion.

On February 14 and 17, 2011, Asher Enterprises, Inc. converted \$50,000 of convertible debentures into 173,378 shares of common stock at \$0.2884 per share.

On February 23, 2011, Dr. Masahiro Kawahata, a director converted \$90,906 of accrued expenses related to the development of our technology and the development of our Japanese market into 211,409 shares of the Company common stock at \$0.43 per share, the closing price on February 23, 2011, the date the conversion was requested.

On February 23, 2011, we issued a warrant for the purchase of 1,000,000 shares of our common stock to Coach Capital LLC for financial advisory services. The warrant was issued at \$0.25 per share. The warrant expires February 22, 2014 and is callable if registered and with five closing trading prices of the Company's common stock over \$0.75 per share.

On February 23, 2011, we issued a warrant for the purchase of 500,000 shares of our common stock to the Sterling Group for financial advisory services related to funding and acquisition activities. The warrant was issued at \$0.50 per share. The warrant expires February 22, 2014 and is callable if registered and with five closing trading prices of our common stock over \$0.75 per share.

On April 1, 2011, Coach Capital LLC converted \$250,000 and interest of \$28,758 into 1,858,387 shares of common stock at \$0.15 per share.

On April 1, 2011, we entered into a Consulting Agreement with Cerillion N4 Partners for grant writing consulting. Under the agreement, we issued 4,000 shares at \$0.52 per share, the price on March 31, 2011.

On April 1, 2011, we entered into an Agreement with InvestorIdeas.com for investor relation services. Under the agreement, we issued 57,692 shares at \$0.52 per share, the price on March 31, 2011.

On April 1, 2011, we entered into an Agreement with National Securities Corporation for investment banking services. Under the agreement, we issued 60,000 shares at \$0.52 per share, the price on March 31, 2011.

On April 1, 2011, we entered into an Agreement with Aquiline Group, Inc. for investor relation services. Under the agreement, we issued 75,000 shares at \$0.52 per share, the price on March 31, 2011.

On May 31, 2011, Coach Capital LLC or Coach exercised its warrant described below and were issued 833,333 shares of common stock. On December 7, 2009, the Company closed \$250,000 of financing from Coach pursuant to a Convertible Promissory Note and received warrants to purchase 833,333 shares of our common stock at \$0.15 per share.

On May 18, 2011, we entered into an Agreement with Lance Gima for the development of forensic applications for our technology. Under the agreement, we issued 10,000 shares at \$0.52 per share. It is the Company's understanding that Mr. Gima was not an accredited investor. However, he was involved in the Company's business, and the Company believed that he had such knowledge and experience in financial and business matters that he was capable of evaluating the merits and risks of an investment in the Company.

On May 20, 24 and 26, 2011, Asher Enterprises, Inc. converted \$50,000 of convertible debentures into 296,130 shares of common stock at \$0.169 per share.

On June 7, 2011, we closed the acquisition of all Visualant related assets of the RATLab LLC by issuing 1,000,000 of our common stock valued at \$0.20 per share, the price during the negotiation of this agreement.

On June 17, 2011, we entered into a Securities Purchase Agreement with Ascendant Capital Partners LLC or Ascendant, pursuant to which Ascendant agreed to purchase up to \$3,000,000 worth of shares of our common stock from time to time over a 24-month period, provided that certain conditions were met. The financing arrangement entered into by the Company and Ascendant is commonly referred to as an "equity line of credit" or an "equity drawdown facility."

As of September 30, 2011, we issued to Ascendant 774,599 shares for \$66,991 or \$0.086 per share under the Securities Purchase Agreement dated June 17, 2011. In addition, we issued to Ascendant during 2011 a total of 1,490,943 shares for \$193,370 or \$0.131 per share under the Securities Purchase Agreement for commitment and legal fees.

On June 17, 2011, we extended our April 1, 2011 Agreement with Aquiline Group, Inc. for investor relation services. Under the agreement, we issued 25,000 shares at \$0.52 per share, the price on March 31, 2011.

On July 14, 17 and 20, 2011, Asher Enterprises, Inc. converted \$50,000 into 491,506 shares of common stock at \$0.102 per share.

We had the following equity transactions during the year ended September 30, 2012:

On October 5, 2011, we entered into a Financial Consultant Agreement or Agreement with D. Weckstein and Co, Inc. ("Weckstein") for financial consulting and investment banking services. The Agreement expires July 31, 2016. Under the Agreement, Weckstein was awarded 1,000,000 shares of our common stock on November 7, 2011. The shares were valued at \$0.07 per share, the closing price on November 7, 2011. In addition, we paid \$10,000 to Weckstein.

On December 15, 2011, we issued 100,000 shares of restricted common stock to Todd Weaver for product development work. The shares were valued at \$0.12 per share, the closing price on November 29, 2011, and do not have registration rights. It is the Company's understanding that Mr. Weaver was not an accredited investor. However, he was involved in the Company's business, and the Company believed that he had such knowledge and experience in financial and business matters that he was capable of evaluating the merits and risks of an investment in the Company.

On February 7, 2012, we issued 1,000,000 restricted shares to Coventry Capital LLC related to an Advisory Agreement for financial advisory services. The shares were valued at \$0.10 per share.

On February 24, 2012, we issued 400,000 shares of common stock to five directors (100,000 shares for Yoshitami Arai and Dr. Masahiro Kawahata, 75,000 shares for Jon Pepper and Paul Bonderson and 50,000 shares for Bradley Sparks) for services provided on the Board of Directors of the Company during 2011. The shares were issued under the 2011 Stock Incentive Plan.

On April 1, 2011, we entered into an Investor Banking Agreement with National Securities Corporation for investment banking services. On March 12, 2012, we issued warrants for up to 204,000, 366,000 and 30,000 shares of common stock to National Securities Corporation, Steven Freifeld and Vince Calicchia, respectively. The warrants are exercisable at \$0.10 per share and expire March 11, 2015.

On May 16, 2012, we issued 150,000 shares of restricted common stock to Manna Advisory Services, LLC for investor relation services. The shares were valued at \$0.10 per share. The shares do not have registration rights.

On May 31, 2012, we executed a Stock Purchase Agreement with Sumitomo whereby Sumitomo invested \$2,250,000 in exchange for 17,307,693 shares of restricted common shares priced at \$0.13 per share that was funded on June 21, 2012. The shares do not have registration rights.

On July 31, 2012, we closed the acquisition of the environmental field of use for our Spectral Pattern Matching technology from Javelin LLC or Javelin. The Company acquired the Visualant related assets of Javelin for (i) 1,250,000 shares of our common stock at closing valued at thirteen (\$0.13) per share, the price during the negotiation of this agreement; and (ii) \$100,000, with \$20,000 payable at closing and \$80,000 to be paid in four equal installments over a period of eight months (paid).

On September 6, 2012, we signed a Settlement and Release Agreement or Sparks Agreement with Mr. Sparks, the former CEO and Director and a cousin of Ronald Erickson. The Sparks Agreement required (i) payment of \$50,750 (paid) and issuance of 513,696 shares of our common stock for full payment on a note and related accrued interest of \$66,780; (ii) payment of \$39,635 to Mr. Sparks for a note, accrued interest and other liabilities (paid); and (iii) issuance of 4,000,000 restricted shares of our common stock to Mr. Spark for unpaid compensation in the amount of \$721,333. The above is full settlement of all outstanding liabilities due to Mr. Sparks.

On September 18, 2012, we issued 500,000 shares of restricted common stock to NVPR, LLC for public relation services. The shares were valued at \$0.13 per share. The shares do not have registration rights.

On September 28, 2012 we issued 250,000 shares of restricted common stock to Clayton McMeekin for investor relation services. The shares were valued at \$0.13 per share. The shares do not have registration rights.

As of September 30, 2012, 7,036,975 shares of our common stock have been issued to Gemini upon conversion of \$300,000 of the convertible debentures and interest of \$20,780 at an average of \$0.05 per share. The convertible debenture had a variable conversion price that was based upon the Company's stock price during the 20 trading days prior to the conversion date.

As of September 30, 2012, 3,373,425 shares of our common stock have been issued to Ascendant upon conversion of \$150,000 of the convertible debentures and interest of \$18,671 at an average of \$0.05 per share. The convertible debenture had a variable conversion price that was based upon the Company's stock price during the 20 trading days prior to the conversion date.

On June 17, 2011, we entered into a Securities Purchase Agreement with Ascendant Capital Partners LLC or Ascendant, pursuant to which Ascendant agreed to purchase up to \$3,000,000 worth of shares of our common stock from time to time over a 24-month period, provided that certain conditions were met. The financing arrangement entered into by the Company and Ascendant is commonly referred to as an "equity line of credit" or an "equity drawdown facility."

As of September 30, 2012, we issued to Ascendant 5,365,884 shares for \$383,141 or \$0.071 per share under the Securities Purchase Agreement dated June 17, 2011. In addition, the Company issued to Ascendant during 2011 a total of 1,490,943 shares for \$193,370 or \$0.131 per share under the Securities Purchase Agreement for commitment and legal fees.

The Company had the following equity transactions during the period from October 1, 2012 through August 16, 2013:

On October 8, 2012, Ascendant converted \$50,000 of principal and interest of \$6,959 into 1,139,178 shares of common stock at \$0.050 per share under the Securities Purchase Agreement dated May 19, 2011.

On June 17, 2011, we entered into a Securities Purchase Agreement with Ascendant Capital Partners LLC or Ascendant, pursuant to which Ascendant agreed to purchase up to \$3,000,000 worth of shares of our common stock from time to time over a 24-month period, provided that certain conditions were met. The financing arrangement entered into by the Company and Ascendant is commonly referred to as an "equity line of credit" or an "equity drawdown facility."

As of September 30, 2012, we issued to Ascendant 6,358,933 shares for \$483,141 or \$0.076 per share under the Securities Purchase Agreement dated June 17, 2011. In addition, the Company issued to Ascendant during 2011 a total of 1,490,943 shares for \$193,370 or \$0.131 per share under the Securities Purchase Agreement for commitment and legal fees.

On October 26, 2012 we issued 150,000 shares of restricted common stock to Manna Advisory Services, LLC for investor relation services. The shares were valued at \$0.13 per share. We expensed \$19,500 during the nine months ended June 30, 2013. The shares do not have registration rights.

On November 28, 2012, Ascendant converted \$50,000 of principal and interest of \$7,644 into 1,152,877 shares of common stock at \$0.050 per share under the Securities Purchase Agreement dated May 19, 2011.

On January 24, 2013, Gemini converted \$300,000 of principal and \$50,630 of accrued interest into 7,012,603 shares of common stock at \$0.050 per share under the Securities Purchase Agreement dated May 19, 2011.

On January 24, 2013, Ascendant converted \$50,000 of principal and \$8,438 of accrued interest into 1,168,767 shares of common stock at \$.050 per share under the Securities Purchase Agreement dated May 19, 2011 .

On January 28, 2013, Gemini converted \$300,000 of principal and \$50,959 of accrued interest into 7,019,178 shares of common stock at \$.050 per share under the Securities Purchase Agreement dated May 19, 2011 .

On February 11, 2013, we entered into a Consulting Services Agreement with Integrated Consulting Services for strategic advice on our product roadmap. We issued a warrant for the purchase of 250,000 shares of our common stock. The warrants are exercisable at \$.10 per share and expire February 10, 2016. We valued the warrant at \$.10 per share and expensed \$25,000 during the nine months ended June 30, 2013. Pursuant to the Consulting Services Agreement, we agreed to issue an additional warrant for the purchase of 250,000 shares of our common stock on August 12, 2013.

On February 13, 2013, we issued 150,000 shares of restricted common stock to Manna Advisory Services, LLC, for investor relation services. The shares were valued at \$.10 per share. We expensed \$15,000 during the six months ended March 31, 2013. The shares do not have registration rights .

On February 13, 2013, we issued 150,000 shares of restricted common stock to David Markowski for services related to the acquisition of TransTech. The shares were valued at \$.10 per share. We expensed \$15,000 during the nine months ended June 30, 2013. The shares do not have registration rights .

On February 13, 2013, we issued 2,000,000 shares of restricted common stock to two employees (1,200,000 shares for Ronald Erickson our Chief Executive Officer and 200,000 for Mark Scott, our Chief Financial Officer) and two directors (400,000 shares for Marco Hegyi and 200,000 shares for Jon Pepper) for services during 2012. The shares were valued at \$.10 per share. We expensed \$200,000 during the nine months ended June 30, 2013. The shares do not have registration rights .

On March 1, 2013, we issued 50,000 shares of restricted common stock to Manna Advisory Services, LLC, for investor relation services. The shares were valued at \$.10 per share. We expensed \$5,000 during the nine months ended June 30, 2013. The shares do not have registration rights .

On April 26, 2013, Ascendant was issued a total of 4,565,068 shares of common stock as a result of Ascendant's cashless exercise of a warrant. The warrant had an adjustable exercise price based on the Company's stock price during the 3 trading days prior to the time of exercise as well as for any subsequent sales of stock or stock equivalents at an effective price less than the then exercise price of the warrant. On January 23, 2013, we agreed to repurchase the Ascendant Warrant for a purchase price of \$300,000, payment of which was due by March 31, 2013; however, we did not complete that purchase, thereby enabling Ascendant to exercise the Ascendant Warrant on April 26, 2013 .

We entered into an Option Agreement with Ascendant dated April 26, 2013, pursuant to which we had the option to purchase from Ascendant 4,000,000 shares of our common stock (the "Option Shares") for an aggregate purchase price of \$300,000. On May 31, 2013, the Company exercised its option to purchase the 4,000,000 Option Shares from Ascendant and paid to Ascendant the \$300,000 purchase price. To date, Ascendant has returned 2,284,525 of the 4,000,000 Option Shares and has failed to deliver the remaining 1,715,475 Option Shares. On June 17, 2013, we filed a complaint (the "Complaint") against Ascendant Capital Partners, LLC ("Ascendant") in the Orange County Superior Court of California (Case No. 30-2013-00656770-CU-BC-CJC) for breach of contract, seeking damages, specific performance and injunctive relief against Ascendant. In its Complaint, we allege that Ascendant breached its obligations under the Option Agreement by delivering to us only 2,284,525 of the 4,000,000 Option Shares and failing to deliver the remaining 1,715,475 Option Shares. The Company has filed a motion for preliminary injunction with the California Superior Court (the "Motion"), seeking preliminary injunctive relief requiring Ascendant to transfer the remaining 1,715,475 Option Shares to Visualant or, in the alternative, enjoining Ascendant from transferring, selling, or otherwise encumbering the Option Shares. The Complaint is currently being reviewed by the California Superior Court.

On April 30, 2013, we issued 120,000 shares of restricted common stock to David Markowski for services related to the acquisition of TransTech. The shares were valued at \$.10 per share. We expensed \$12,000 during the nine months ended June 30, 2013. The shares do not have registration rights .

On June 10, 2013, we entered into a Purchase Agreement, Warrants and Registration Rights Agreement with Special Situations and forty other accredited investors pursuant to which we issued 52,300,000 shares of common stock at \$.10 per share for a total of \$5,230,000, which amount includes the conversion of \$500,000 in outstanding debt of the Company owed to one of its officers. As part of the transaction which closed June 14, 2013, we issued to the Investors (i) five year Series A Warrants to purchase a total of 52,300,000 shares of common stock at \$.15 per share; and (ii) five year Series B Warrants to purchase a total of 52,300,000 shares of common stock at \$.20 per share, and the investors obtained voting agreements from certain stockholders regarding an increase in the number of authorized shares of stock. Since we had an insufficient number of authorized shares of common stock to permit the exercise of all of the Warrants, the Warrants were issued subject to authorization and approval of an increase in the number of authorized shares of the Company by its stockholders at a special meeting of the stockholders to be held in August 2013. At a special meeting of stockholders held on August 9, 2013, our stockholders approved of an increase in the authorized shares from 200,000,000 to 500,000,000 and thereafter to amend the articles of the Company to reflect this change in share authorization .

We also issued 5,230,000 placement agent warrants exercisable at \$0.10 per share GVC Capital, with an obligation to issue up to 5,230,000 additional placement agent warrants exercisable at \$0.15 per share. The \$0.15 placement agent warrants shall issue only upon the exercise of the Series A Warrants by the Investors, and are issuable ratably based upon the number of Warrants exercised by the Investors. The placement agent warrants have a term of five years from the date of closing of the transaction .

Item 16. Exhibits

See the Exhibit Index immediately below the signature page to this Registration Statement.

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the SEC pursuant to Rule 424(b), if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser:

(i) If the registrant is relying on Rule 430B:

(A) Each prospectus filed by the registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

(B) Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5), or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii), or (x) for the purpose of providing the information required by section 10(a) of the Securities Act of 1933 shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof. *Provided, however*, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date; or

(ii) If the registrant is subject to Rule 430C, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. *Provided, however*, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

(5) That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities: The undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

- (i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;
- (ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;
- (iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and
- (iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

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

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Seattle, State of Washington, on September 13, 2013.

VISUALANT, INC.

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

Each person whose signature appears below hereby constitutes and appoints Ronald P. Erickson or Mark Scott, his true and lawful attorneys-in-fact and agents, each with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any or all amendments (including, without limitation, post-effective amendments) to this registration statement and any subsequent registration statement filed by the registrant pursuant to Rule 462 (b) of the Securities Act of 1933, as amended, which relates to this registration statement, and to file the same, with all exhibits thereto, and all documents in connection herewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or his or their substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement and power of attorney has been signed on this 13th day of September, 2013 by the persons and in the capacities indicated below.

SIGNATURES	TITLE	DATE
<u>/s/ Ronald P. Erickson</u> Ronald P. Erickson	Chief Executive Officer, President and Director (Principal Executive Officer)	September 13, 2013
<u>/s/ Mark Scott</u> Mark Scott	Chief Financial Officer and Secretary (Principal Financial/Accounting Officer)	September 13, 2013
<u>/s/ Marco Hegyi</u> Marco Hegyi	Chairman of the Board, Independent Director	September 13, 2013
<u>/s/ Jon Pepper</u> Jon Pepper	Independent Director	September 13, 2013
<u>/s/ Ichiro Takesako</u> Ichiro Takesako	Management Director	September 13, 2013

NO.	EXHIBIT DESCRIPTION
3.1	Amended and Restated Bylaws. Filed as an exhibit to the Company's Form 8-K dated August 10, 2012 and filed with the SEC on August 17, 2012, and incorporated by reference.
3.2	Amended and Restated Articles of Incorporation dated December 28, 2012. Filed as an exhibit to the Company's Form 8-KA dated March 21, 2013 and filed with the SEC on September 10, 2013, and incorporated by reference. Also filed herewith.
3.3	Certificate and Amendment to Articles of Incorporation for Visualant, Inc. dated August 12, 2013. Filed as an exhibit to the Company's Form 8-K dated August 12, 2013 and filed with the SEC on August 14, 2013, and incorporated by reference. Also filed herewith.
4.1	Visualant, Inc. 2011 Stock Incentive Plan filed as an exhibit to the Company's Definitive Proxy Statement on Schedule 14A filed on January 31, 2011, File No. 000-30262-11560322, and incorporated herein by reference.
5.1	Opinion of Fifth Avenue Law Group, PLLC. Filed herewith.

10.1	Stock Purchase Agreement dated June 8, 2010 by and between Visualant, Inc. and TransTech Systems, Inc. Filed as an Exhibit Form 10-Q filed on August 12, 2010, and incorporated herein by reference.
10.2	Promissory Note dated June 8, 2010 by and between Visualant, Inc. and James M. Gingo. Filed as an Exhibit to Form 10-Q filed on August 12, 2010, and incorporated herein by reference.
10.3	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 as an Exhibit to Form 10-Q filed on August 12, 2010, and incorporated by reference.
10.4	Security Agreement dated June 8, 2010 by TransTech Systems, Inc. Filed herewith. Filed as an Exhibit to Form 10-Q filed on August 12, 2010, and incorporated by reference.
10.5	Employment Agreement dated June 8, 2010 by and between Visualant, Inc. and James Gingo. Filed as an to Form 10-Q filed on August 12, 2010, and incorporated by reference.
10.6	Securities Purchase Agreement dated December 23, 2010 by and between Visualant, Inc. and Seaside 88 Advisors LLC. Filed as an Exhibit to the Company's Form 10-Q dated December 31, 2010 and filed on February 11, 2011, and incorporated by reference.
10.7	Amendment 2 to Securities Purchase Agreement by and between Visualant, Inc. and Seaside 88 Advisors, LLC. Filed as an Exhibit to the Company's Form 8-K dated April 22, 2011 and filed with the SEC on April 27, 2011, and incorporated by reference.
10.8	Securities Purchase Agreement dated May 19, 2011 by and between Visualant, Inc. and Gemini Master Fund Ltd and Ascendant Capital Partners, LLC. Filed as an Exhibit to the Company's Registration Statement on Form S-1 dated and filed June 28, 2011, and incorporated by reference.
10.9	Registration Rights Agreement dated May 19, 2011 by and between Visualant, Inc. and Gemini Master Fund Ltd and Ascendant Capital Partners, LLC. Filed as an Exhibit to the Company's Registration Statement on Form S-1 dated and filed June 28, 2011, and incorporated by reference.
10.10	Convertible Debenture dated May 19, 2011 by and between Visualant, Inc. and Gemini Master Fund Ltd. Filed as an Exhibit to the Company's Registration Statement on Form S-1 dated and filed June 28, 2011, and incorporated by reference.
10.11	Convertible Debenture dated May 19, 2011 by and between Visualant, Inc. and Ascendant Capital Partners, LLC. Filed as an Exhibit to the Company's Registration Statement on Form S-1 dated and filed June 28, 2011, and incorporated by reference.
10.12	Warrant dated May 19, 2011 by and between Visualant, Inc. and Gemini Master Fund Ltd. Filed as an Exhibit to the Company's Registration Statement on Form S-1 dated and filed June 28, 2011, and incorporated by reference.
10.13	Warrant dated May 19, 2011 by and between Visualant, Inc. and Ascendant Capital Partners, LLC. Filed as an Exhibit to the Company's Registration Statement on Form S-1 dated and filed June 28, 2011, and incorporated by reference.
10.14	Warrant dated May 19, 2011 by and between Visualant, Inc. and Ascendant Capital Markets LLC. Filed as an Exhibit to the Company's Registration Statement on Form S-1 dated and filed June 28, 2011, and incorporated by reference.
10.15	Asset Purchase Agreement dated June 7, 2011 by and between Visualant, Inc. and the RATLab LLC and filed as an Exhibit to the company's Form 8-K with the SEC on June 10, 2011, and incorporated by reference.
10.16	Securities Purchase Agreement dated June 17, 2011 by and between Visualant, Inc. and Ascendant Capital Partners, LLC. Filed as an Exhibit to the Company's Registration Statement on Form S-1 dated and filed June 28, 2011, and incorporated by reference.
10.17	Registration Rights Agreement dated June 17, 2011 by and between Visualant, Inc. and Ascendant Capital Partners, LLC. Filed as an Exhibit to the Company's Registration Statement on Form S-1 dated and filed June 28, 2011, and incorporated by reference.
10.18	Financial Consulting Agreement effective October 5, 2011 by and between Visualant, Inc. and D. Weckstein & Co. Inc. Filed as an Exhibit to the Company's Amended Registration Statement on Form S-1 dated and filed August 16, 2013, and incorporated by reference.

10.19	Advisory Agreement dated February 7, 2012 by and between Visualant, Inc. and Coventry Capital LLC. Filed as an Exhibit to the Company's Registration Statement on Form S-1 dated April 2, 2012 and filed with the SEC on April 3, 2012, and incorporated by reference.
10.20	Extension Agreement dated March 12, 2012 by and between Visualant, Inc. and Gemini Master Fund Ltd and Ascendant Capital Partners, LLC. Filed as an Exhibit to the Company's Registration Statement on Form S-1 dated April 2, 2012 and filed with the SEC on April 3, 2012, and incorporated by reference.
10.21	Warrant dated March 12, 2012 by and between Visualant, Inc. and National Securities Corporation. Filed herewith April 2, 2012 Filed as an Exhibit to the Company's Registration Statement on Form S-1 dated April 2, 2012 and filed with the SEC on April 3, 2012, and incorporated by reference.
10.22	Warrant dated March 12, 2012 by and between Visualant, Inc. and Steven Freifeld. Filed as an Exhibit to the Company's Registration Statement on Form S-1 dated April 2, 2012 and filed with the SEC on April 3, 2012, and incorporated by reference.
10.23	License Agreement dated May 31, 2012 by and between Visualant, Inc. and Sumitomo Precision Products Co., Ltd. Filed as an exhibit to the Company's Form 8-K dated May 31, 2012 and filed with the SEC on June 4, 2012, and incorporated by reference.
10.24	Joint Research and Product Development Agreement dated May 31, 2012 by and between Visualant, Inc. and Sumitomo Precision Products Co., Ltd. Filed herewith.
10.25	Stock Purchase Agreement dated May 31, 2012 by and between Visualant, Inc. and Sumitomo Precision Products Co., Ltd. Filed as an exhibit to the Company's Form 8-K dated May 31, 2012 and filed with the SEC on June 4, 2012, and incorporated by reference.
10.26	Asset Purchase Agreement dated July 31, 2012 by and between Visualant, Inc. and the Javelin LLC and filed with the SEC on August 22, 2012, and incorporated by reference.
10.27	Warrant Purchase Agreement dated January 23, 2013 by and between Visualant, Inc. and Ascendant Capital Partners LLC. Filed as an exhibit to the Company's Form 8-K dated January 30, 2013 and filed with the SEC on January 30, 2013, and incorporated by reference.
10.28	Amendment to Warrant Purchase Agreement dated January 23, 2013 by and between Visualant, Inc. and Gemini Master Fund Ltd. Filed as an exhibit to the Company's Form 8-K dated January 30, 2013 and filed with the SEC on January 30, 2013, and incorporated by reference.
10.29	AIR Termination Agreement dated January 23, 2013 by and between Visualant, Inc. and Gemini Master Fund Ltd. Filed as an exhibit to the Company's Form 8-K dated January 30, 2013 and filed with the SEC on January 30, 2013, and incorporated by reference.
10.30	\$850,000 Term Note of Visualant, Inc. dated January 23, 2013. Filed as an exhibit to the Company's Form 8-K dated January 30, 2013 and filed with the SEC on January 30, 2013, and incorporated by reference.
10.31	Amendment to Joint Research and Product Development Agreement dated March 29, 2013 by and between Visualant, Inc. and Sumitomo Precision Products Co., Ltd. Filed herewith.
10.32	Option Agreement dated April 26, 2013 by and between Visualant, Inc. and Ascendant Capital Partners LLC. Filed as an exhibit to the Company's Form 8-K dated April 26, 2013 and filed with the SEC on May 1, 2013, and incorporated by reference.
10.33	Form of Purchase Agreement by and between Visualant, Inc. and investors. Filed as an exhibit to the Company's Form 8-K dated June 14, 2013 and filed with the SEC on June 18, 2013, and incorporated by reference.
10.34	Form of Warrant by and between Visualant, Inc. and investors. Filed as an exhibit to the Company's Form 8-K dated June 14, 2013 and filed with the SEC on June 18, 2013, and incorporated by reference.
10.35	Form of Registration Rights Agreement by and between Visualant, Inc. and investors. Filed as an exhibit to the Company's Form 8-K dated June 14, 2013 and filed with the SEC on June 18, 2013, and incorporated by reference.

10.36	Form of Voting Agreement by and between Visualant, Inc. and investors. Filed as an exhibit to the Company's Form 8-K dated June 14, 2013 and filed with the SEC on June 18, 2013, and incorporated by reference.
10.37	Amendment No. 1 to Lease dated June 14, 2013 by and between Visualant, Inc. and Logan Building LLC. Filed as an Exhibit to the Company's Amended Registration Statement on Form S-1 dated and filed August 16, 2013, and incorporated by reference.
10.38	Amendment to Lease dated March 3, 2006 by and between TransTech Systems, Inc. and Little Properties LLC. Filed as an Exhibit to the Company's Amended Registration Statement on Form S-1 dated and filed August 16, 2013, and incorporated by reference.
10.39	Settlement and Release Agreement dated September 6, 2012 by and between Visualant, Inc. and Bradley E. Sparks. Filed as an Exhibit to the Company's Form 8K filed with the SEC on September 11, 2012, and incorporated by reference.
10.40	Demand Promissory Note dated May 31, 2013 by and between Visualant, Inc. and J3E2A2Z LP, an entity affiliated with Ronald P. Erickson, our Chief Executive Officer. Filed as an Exhibit to the Company's Amended Registration Statement on Form S-1 dated and filed August 16, 2013, and incorporated by reference.
10.41	Lease dated July 11, 2012 by and between Visualant, Inc. and Harbor Properties Inc. Filed herewith.
10.42	Exercise of Lease Letter dated May 24, 2011 by TransTech Systems, Inc. to Little Properties LLC. Filed herewith.
10.43	Security Agreement dated June 12, 2013 by and between Visualant, Inc. and BFI Business Finance, filed as an exhibit to the Company's Form 10Q dated June 30, 2013 and filed August 15, 2013, and incorporated by reference.
14.1	Code of Conduct and Ethics dated November 30, 2012. Filed as an exhibit to the Company's Form 8-K dated December 28, 2012 and filed with the SEC on January 3, 2013, and incorporated by reference.
21.1	Subsidiaries of the Registrant. Filed as an exhibit to the Company's Form 10-K dated September 30, 2012 and filed with the SEC on November 13, 2012, and incorporated by reference.
23.1	Consent of PMB Helin Donovan, LLP. Filed herewith.
23.2	Consent of Madsen & Associates CPA's, Inc. Filed herewith.
24.1	Power of Attorney (included on the signature page of this registration statement).
99.1	Audit Committee Charter dated November 30, 2012. Filed as an exhibit to the Company's Form 8-K dated December 28, 2012 and filed with the SEC on January 3, 2013, and incorporated by reference.
99.2	Compensation Committee Charter dated November 30, 2012. Filed as an exhibit to the Company's Form 8-K dated December 28, 2012 and filed with the SEC on January 3, 2013, and incorporated by reference.
99.3	Nominations and Governance Committee Charter dated November 30, 2012. Filed as an exhibit to the Company's Form 8-K dated December 28, 2012 and filed with the SEC on January 3, 2013, and incorporated by reference.

**AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
VISUALANT, INCORPORATED**

Pursuant to NRS 78.403 under Nevada General Corporation Law (Title 7, Chapter 78 of the Nevada Revised Statutes), Visualant, Incorporated, a Nevada corporation, hereby adopts the following Amended and Restated Articles of Incorporation (the “Articles”).

**ARTICLE I
NAME**

The name of the corporation is Visualant, Incorporated (the “Corporation”).

**ARTICLE II
PURPOSES**

The Corporation is organized for the purpose of engaging in any business, trade or activity which may be lawfully conducted or permitted by a corporation organized under Nevada General Corporation Law, Chapter 78 of the Nevada Revised Statutes. The Corporation also shall have the authority to engage in any and all such activities as are incidental or conducive to the attainment of the purpose or purposes of this Corporation.

**ARTICLE III
DURATION**

The duration of the Corporation’s existence shall be perpetual.

**ARTICLE IV
SHARES**

Section 4.1 **Authorized Shares.** The Corporation is authorized to issue two classes of stock to be designated, respectively, “Common Stock” and “Preferred Stock.” The total number of shares of capital stock that the Corporation is authorized to issue is Two Hundred Million (200,000,000) shares of Common Stock, par value \$0.001 per share, and Fifty Million (50,000,000) shares of Preferred Stock, par value \$0.001 per share. The Common Stock is subject to the rights and preferences of the Preferred Stock as set forth below.

Section 4.2 **Dividends.** Dividends in cash, property or shares of the Corporation may be paid, as and when declared by the Board of Directors, out of funds of the Corporation to the extent and in the manner permitted by law. Shares of one class or series may be issued as a share dividend in respect to shares of another class or series.

Section 4.3 **Issuance and Designation of Preferred Stock.** To the extent permitted by law and the provisions of these Articles of Incorporation, the Preferred Stock may be issued from time to time in one or more series, as determined by the Board of Directors and stated in the resolution or resolutions establishing such series, prior to the issuance of any shares of that series. The Board of Directors shall have the authority to fix and determine and, subject to these provisions, to amend, the following preferences, limitations and relative rights of the shares of any series that is wholly unissued or to be established:

- (a) the designation of the series;
- (b) the number of shares in the series;
- (c) the rate of dividends, if any;
- (d) whether shares in the series may be redeemed and, if so, the redemption price and the terms, time and conditions of such redemption;
- (e) the amount payable upon shares of such series, if any, in the event of voluntary or involuntary liquidation;
- (f) sinking fund provisions, if any, for the redemption or purchase of shares in the series;
- (g) the terms and conditions, if any, on which shares in the series may be converted into shares of common stock or other securities of the corporation;
- (h) voting rights, if any; and
- (i) such other covenants, limitations and conditions as are expressly stated in the resolution or resolutions adopted by the Board of Directors establishing such series.

Unless otherwise specifically provided in the resolution establishing any series, the Board of Directors shall further have the authority, after the issuance of shares of a series whose number it has designated, to amend the resolution establishing such series to decrease the number of shares of that series, but not below the number of shares of such series then outstanding.

In establishing any series of Preferred Stock, the Board of Directors shall designate such series so as to distinguish it from all other series of Preferred Stock and fix and determine the preferences, limitations and relative rights of such series. Prior to the issuance of any shares of any series of Preferred Stock, the Corporation shall execute and file amendments to these Articles of Incorporation, amending this Article IV, which determine the preferences, limitations and relative rights of such series. Such amendments shall be effective without stockholder action.

Unless otherwise expressly provided in the designation of the rights and preferences of a series of Preferred Stock, a distribution in redemption or cancellation of shares of Common Stock or rights to acquire Common Stock held by a current or former employee, director, officer, independent contractor or consultant of the Corporation or any of its affiliates may, notwithstanding any provision of Nevada General Corporation Law to the contrary, be made without regard to the preferential rights of holders of shares of that series of Preferred Stock.

Voting Approval. Except to the extent that the provisions of these Articles or the provisions of Nevada General Corporation Law provide for a greater voting requirement for any voting group of stockholders, any action, including without limitation, the amendment of these Articles, amendment of the Corporation's Bylaws, the approval of a plan of merger or share exchange, the sale, lease, exchange or other disposition of all or substantially all of the Corporation's property otherwise than in the usual and regular course of business, and the dissolution of the Corporation, shall be authorized if approved by a simple majority of stockholders, and if a separate voting group is required or entitled to vote thereon, by a simple majority of all the votes entitled to be cast by that voting group.

ARTICLE V NO PREEMPTIVE RIGHTS

No preemptive rights to acquire additional securities issued by the Corporation shall exist with respect to shares of stock or securities convertible into shares of stock of the Corporation, except to the extent otherwise provided by contract.

ARTICLE VI NO CUMULATIVE VOTING

At each election for directors, every stockholder entitled to vote at such election has the right to vote in person or by proxy the number of shares held by such stockholder for as many persons as there are directors to be elected. No cumulative voting for directors, however, shall be permitted.

ARTICLE VII DIRECTORS

The business of the Corporation shall be managed by a Board of Directors. The number of directors constituting the Board may be increased or decreased from time to time in the manner specified in the Bylaws of the Corporation; *provided, however*, that the number shall not be less than three (3) nor more than nine (9), and shall not be increased by more than three directors in any calendar year. Any decrease in the number of Directors shall not shorten the term of any incumbent Director.

ARTICLE VIII BYLAWS

The Board of Directors shall have the power to adopt, amend or repeal the Bylaws or adopt new Bylaws. Nothing herein shall deny the concurrent power of the stockholders to adopt, alter, amend or repeal the Bylaws.

**ARTICLE IX
STOCKHOLDER ACTION ON LESS THAN UNANIMOUS CONSENT**

In any matter requiring stockholder action, the stockholders may act by consent of the stockholders holding of record, or otherwise entitled to vote in the aggregate, the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote on the action were present and voted. Unless otherwise required by Nevada General Corporation Law or applicable law, where action is authorized by written consent, no notice of such action need be given to those stockholders who did not join in the consent to such action and who would be entitled to vote on such action. In those instances where notice of such action is required by law, then notice shall be given to such non-consenting stockholders at least ten (10) days before the effective date of such authorization or approval. The notice shall be in the form of a record, and shall state the action or actions to be taken by the stockholders. For purposes of these Articles, "record" means information inscribed on a tangible medium or contained in an electronic transmission. The notice shall be transmitted in the same manner as all other stockholder notices, as stated in the Corporation's Articles or Bylaws. Notice to stockholders in an electronic transmission is effective only with respect to stockholders that have consented, in the form of a record, to receive electronically transmitted notices and designated in the consent the address, location, or system to which these notices may be electronically transmitted and with respect to a notice that otherwise complies with any other requirement of Nevada General Corporation Law and any applicable federal law.

**ARTICLE X
LIMITATION OF DIRECTORS' LIABILITY**

A director shall have no liability to the Corporation or its stockholders for monetary damages for conduct as a director, except for acts or omissions that involve intentional misconduct by the director, or a knowing violation of law by the director, or for conduct violating NRS 78.138(7), or for any transaction from which the director will personally receive a benefit in money, property or services to which the director is not legally entitled. If Nevada General Corporation Law is hereafter amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director shall be eliminated or limited to the full extent permitted by Nevada General Corporation Law as so amended. Any repeal or modification of this Article shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification for or with respect to an act or omission of such director occurring prior to such repeal or modification.

**ARTICLE XI
INDEMNIFICATION OF DIRECTORS AND OFFICERS**

Section 11.1 Right to Indemnification. Each person who was, or is threatened to be made a party to or is otherwise involved (including, without limitation, as a witness) in any actual or threatened action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was a director or officer of the Corporation or, while a director or officer, he or she is or was serving at the request of the Corporation as a director, trustee, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director, trustee, officer, employee or agent or in any other capacity while serving as a director, trustee, officer, employee or agent, shall be indemnified and held harmless by the Corporation, to the full extent permitted by applicable law as then in effect, against all expense, liability and loss (including attorney's fees, judgments, fines, ERISA excise taxes or penalties and amounts to be paid in settlement) actually and reasonably incurred or suffered by such person in connection therewith, and such indemnification shall continue as to a person who has ceased to be a director, trustee, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators; *provided, however*, that except as provided in Section 11.2 of this Article with respect to proceedings seeking to enforce rights to indemnification, the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation. The right to indemnification conferred in this Section 11.1 shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition; *provided, however*, that the payment of such expenses in advance of the final disposition of a proceeding shall be made only upon physical delivery to the Corporation of a written undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under this Section 11.1 or otherwise.

Section 11.2 Right of Claimant to Bring Suit. If a claim under Section 11.1 of this Article is not paid in full by the Corporation within sixty (60) days after a written claim has been received by the Corporation, except in the case of a claim for expenses incurred in defending a proceeding in advance of its final disposition, in which case the applicable period shall be thirty (30) days, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, to the extent successful in whole or in part, the claimant also shall be entitled to be paid the expense of prosecuting such claim. The claimant shall be presumed to be entitled to indemnification under this Article XI upon submission of a written claim (and, in an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition, where the required undertaking has been tendered to the Corporation), and thereafter the Corporation shall have the burden of proof to overcome the presumption that the claimant is so entitled. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel or its stockholders) to have made a determination prior to the commencement of such action that indemnification of or reimbursement or advancement of expenses to the claimant is proper in the circumstances, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel or its stockholders) that the claimant is not entitled to indemnification or to the reimbursement or advancement of expenses, shall be a defense to the action or create a presumption that the claimant is not so entitled.

Section 11.3 Nonexclusivity of Rights. The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Article XI shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Articles of Incorporation, Bylaws, agreement, vote of stockholders or disinterested directors or otherwise.

Section 11.4 Insurance, Contracts and Funding. The Corporation may maintain insurance, at its expense, to protect itself and any director, trustee, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under Nevada General Corporation Law. The Corporation may, without further stockholder action, enter into contracts with any director or officer of the Corporation in furtherance of the provisions of this Article XI and may create a trust fund, grant a security interest or use other means (including, without limitation, a letter of credit) to ensure the payment of such amounts as may be necessary to effect indemnification as provided in this Article XI.

Section 11.5 Indemnification of Employees and Agents. The Corporation may, by action of its Board of Directors from time to time, provide indemnification and pay expenses in advance of the final disposition of a proceeding to employees and agents of the Corporation with the same scope and effect as the provisions of this Article XI with respect to the indemnification and advancement of expenses of directors and officers of the Corporation or pursuant to rights granted pursuant to, or provided by, Nevada General Corporation Law or otherwise.

The undersigned officer of the Corporation hereby certifies that these Amended and Restated Articles of Incorporation have been duly adopted by the Board of Directors and approved by the stockholders of the Corporation.

DATED this 28th day of December, 2012.

VISUALANT, INCORPORATED

/s/ Mark Scott
By: Mark Scott
Its: Secretary

ROSS MILLER
Secretary of State
204 North Carson Street, Suite 1
Carson City, Nevada 89701-4520
(775)684-5708
Website: www.nvsos.gov

Certificate of Amendment to Articles of Incorporation
For Nevada Profit Corporations
(Pursuant to NRS 78.35 and 78.390- After Issuance of Stock)

1. Name of corporation:

VISUALANT, INCORPORATED

2. The articles have been amended as follows: (provide article numbers, if available)

ARTICLE IV – SHARES.

Section 4.1 Authorized Shares. The Corporation is authorized to issue two classes of stock to be designated, respectively, “Common Stock: and “Preferred Stock.” The total number of shares of capital stock that the Corporation is authorized to issue is Five Hundred Million (500,000,000) shares of Common Stock, par value \$0.001 per share, and Fifty Million (50,000,000) shares of Preferred Stock, par value \$0.001 per share. The Common Stock is subject to the rights and preferences of the Preferred Stock as set forth below.

3. The vote by which the stockholders holding shares in the corporation entitling them to exercise a least a majority of the voting power, or such greater proportion of the voting power as may be required in the case of a vote by classes or series, or as may be required by the provisions of the articles of incorporation* have voted in favor of the amendment is: 69.9%

4. Effective date and time of filing: (optional) Date: Time:
(must not be later than 90 days after the certificate is filed)

5. Signature: (required)

X /s/ Mark Scott
Signature of Officer

*if any proposed amendment would alter or change any preference or any relative or other right given to any class or series of outstanding shares, then the amendment must be approved by the vote, in addition to the affirmative vote otherwise required, of the holders of shares representing a majority of the voting power of each class or series affected by the amendment regardless to limitations or restrictions on the voting power thereof.

IMPORTANT: Failure to include any of the above information and submit with the proper fees may cause this filing to be rejected.



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Suite 2800
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206.587.5700
206.587.5710 (fax)
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September 13, 2013

Visualant, Inc.
500 Union Street, Suite 420
Seattle, WA 98101

RE: Registration Statement on Form S-1

Gentlemen:

We have acted as counsel to Visualant, Inc. (the "Company") in connection with the Registration Statement on Form S-1, File No. 333-189788, filed with the U.S. Securities and Exchange Commission (the "Commission") on July 3, 2013 and amended on August 16, 2013 (the "First Registration Statement"), and the Registration Statement on Form S-1, File No. 333-190685 filed with the Commission on August 16, 2013 (the "Second Registration Statement"). The First Registration Statement and the Second Registration Statement have been combined into one registration statement (the "Registration Statement"), which is now amended by the Registration Statement on Form S-1/A, Amendment No. 2, File No. 333-189788, filed with the Commission on September 13, 2013 covering: (a) 52,300,000 shares of common stock issued to Special Situations Technology Funds, L.P. and forty other accredited investors (collectively, the "Investors") pursuant to a private placement undertaken by the Company, which offering closed on June 14, 2013; (b) 52,300,000 shares of common stock issuable upon the exercise of five-year Series A Warrants (the "Series A Warrants") issued to the Investors at \$0.15 per share as part of the aforesaid private placement; (c) 52,300,000 shares of common stock issuable upon the exercise of five-year Series B Warrants (the "Series B Warrants") issued to the Investors at \$0.20 per share as part of the aforesaid private placement; and (d) 5,230,000 shares of common stock issuable upon the exercise of five-year placement agent warrants (the "Placement Agent Warrants") issued to GVC Capital LLC or affiliated parties (collectively, "GVC") at \$0.10 per share as part of the aforesaid private placement. All 162,130,000 of the aforesaid shares of common stock (collectively, the "Shares") are being registered in connection with the proposed sale of the Shares by the Investors and GVC (the "Selling Stockholders") listed in the Registration Statement.

In connection with this opinion, we have assumed that the Shares that are issuable upon exercise of the Series A Warrants, the Series B Warrants, and the Placement Agent Warrants will be issued in the manner described in the Registration Statement and the prospectus relating thereto.

In connection with this opinion we have reviewed the proceedings of the Board of Directors of the Company relating to the registration and issuance of the Shares, the Company's Amended and Restated Articles of Incorporation dated March 21, 2013 as filed with the Nevada Secretary of State on April 30, 2013, the amendment to the Company's Articles of Incorporation as filed with the Nevada Secretary of State on August 12, 2013, the Bylaws of the Company and all amendments thereto, and such other documents and matters as we have deemed necessary as a basis for this opinion.

Based upon the foregoing, we are of the opinion that:

- (a) The 52,300,000 Shares issued to the Investors in the private placement are duly authorized, validly issued, fully paid and nonassessable;
- (b) The 52,300,000 Shares, when issued upon exercise of the Company's Series A Warrants granted to the Investors, will be legally issued, fully paid, and nonassessable;
- (c) The 52,300,000 Shares, when issued upon exercise of the Company's Series B Warrants granted to the Investors, will be legally issued, fully paid, and nonassessable;
and
- (d) The 5,230,000 Shares, when issued upon exercise of the Company's Placement Agent Warrants granted to GVC, will be legally issued, fully paid, and nonassessable.

We do not find it necessary for the purposes of this opinion to cover, and accordingly we express no opinion as to, the application of the securities or blue sky laws of the various states as to the issuance and sale of the Shares.

We consent to the use of this opinion as an exhibit to the Registration Statement filed with the Commission in connection with the registration of the Shares and to the reference to our firm in the Registration Statement.

Very truly yours,

/s/ Fifth Avenue Law Group, PLLC

Fifth Avenue Law Group, PLLC

JOINT RESEARCH AND PRODUCT DEVELOPMENT AGREEMENT

This Joint Research and Product Development Agreement is entered into effective May 31, 2012 (the "Effective Date"), between Sumitomo Precision Products Co., Ltd., a Japanese corporation having a place of business at 1-10 Fuso-cho, Amagasaki, Hyogo 660-0891 Japan, (hereinafter "SPP"), and Visualant, Incorporated a corporation under the laws of the State of Nevada having a business address of 500 Union Street, Suite 406, Seattle, Washington, 98101, and subsidiaries and affiliates (hereinafter "VISUALANT").

WITNESSETH:

WHEREAS, VISUALANT has previously developed spectral signature related technology which employs spectral pattern matching (hereinafter "SPM technology") which has a large variety of potential uses such as security, authentication, and quality control, portions of which SPM technology are protected by U.S. patents, pending U.S. and Japanese patent applications, portions of which SPM technology are protected by copyright, and portions of which SPM technology are the trade secrets of VISUALANT;

WHEREAS, VISUALANT has previously disclosed proprietary information regarding the SPM technology to SPP under a confidentiality agreement dated 16-June-2011, appended hereto as Attachment A;

WHEREAS, SPP has expertise in product design, product production and product commercialization;

WHEREAS, SPP and VISUALANT desire to cooperate with one another in development and testing of marketable Scan Head prototypes based on the SPM technology;

WHEREAS, SPP and VISUALANT desire to cooperate with one another in joint marketing study to identify an early adoption application for the SPM technology including but not limited to searching for a candidate for marketing partner; and

WHEREAS, SPP and VISUALANT anticipate developing additional commercially valuable technology related to the SPM technology, Scan Head prototypes and joint marketing study;

NOW, THEREFORE, in consideration of the mutual promises herein contained, SPP and VISUALANT hereby agree as follows:

Initials: _____

Date: _____

Article 1

Definitions

- 1.1 “Agreement” means this Joint Research and Product Development Agreement.
- 1.2 “Party” means any of the entities named in this Agreement, including their wholly owned subsidiaries.
- 1.3 “Parties” means all of the entities named in this Agreement, including their wholly owned subsidiaries.
- 1.4 “Third Party” or “Third Parties” means any entity not named in this Agreement.
- 1.5 “Confidential Information” means information or material proprietary to either Party or designated as Confidential Information by either Party and

not generally known to the public, which information or material was developed by the Party in performance of this Agreement or of which the Party obtained knowledge of, was exposed to, or gained access to as a result of the Party’s relationship with the other Party to this Agreement. Confidential Information shall include, but not be limited to, the following types of information and other information of a similar nature whether or not reduced to writing: discoveries, inventions whether patentable or not, ideas, concepts, software in various stages of development, designs, drawings, specifications, algorithms, formulae, techniques, models, data, source code, object code, documentation, diagrams, flowcharts, research, analysis, development, processes, procedures, “know-how,” engineering techniques, marketing techniques and materials, marketing and development plans, customer name and other information related to customers, price lists, pricing policies, and financial information.

1.6 “Intellectual Property” means technical and other specifications, technical designs or solutions, drawings, diagrams, protocols, schematics, apparatuses, hardware, tools, devices, descriptions, methods, techniques, processes, formulae, specifications, procedures, methods and results, algorithms, software, software code (in any form including source code and object code or executable code), user interfaces, database rights, trade secrets, registered and unregistered trademarks and service marks, know-how, inventions whether patentable or not, utility or design patent applications, utility or design patents, registered or unregistered copyrights, confidential or proprietary information, mask works rights, registered and unregistered design rights, utility models, and any other forms of technology, in each case whether registered or unregistered, throughout the World, as well as business information including, but not limited to, business plans, vendors, supply sources, customers, potential customers and pricing, as well as other Confidential Information.

Initials: _____

Date: _____

1.7 "Background Intellectual Property" means any Intellectual Property conceived of, reduced to practice, invented, developed, authored, created or owned by a Party before the effective date of this Agreement, and which Intellectual Property is useful with respect to the product design, product production and product commercialization of the SPM technology.

1.8 "Resulting Intellectual Property" means any Intellectual Property resulting from work performed under this Agreement by, or at the direction of, either Party which relates to SPM technology, including Intellectual Property conceived of, reduced to practice, invented, developed, authored, created or owned by either Party following the term of this Agreement to the extent that such Intellectual Property is shown to be a direct result of work performed under this Agreement or otherwise acquired in performance of this Agreement.

1.9 "Solely Developed Intellectual Property" means any Resulting Intellectual Property that is conceived of, reduced to practice, invented, developed, authored, created by personnel directly under control of a single Party, or acquired by a single Party.

1.10 "Jointly Developed Intellectual Property" means any Resulting Intellectual Property that is not Solely Developed Intellectual Property.

1.11 "Existing Confidentiality Agreement" means the Confidentiality Agreement between the Parties, executed on 16-JUNE-2011, which is appended hereto as Attachment A.

Article 2

Product and Market Development

2.1 Obligations and Responsibilities

SPP shall perform product development, design, and manufacturability services during the Term of this Agreement (as defined in Section 7.1) to achieve the deliverables set out in sections 2.2(a)-2.2(c). VISUALANT agrees to use its expertise and best efforts in cooperation with SPP to jointly develop and test prototypes according to agreed-upon specifications, the specifications to be developed by the Parties within sixty (60) days of the Effective Date of this Agreement. Specifications may be reasonably modified from time to time for just cause by mutual agreement to be recorded in a memorandum of amendment signed by the Parties hereto. SPP shall only take responsibility for any issues and defaults on agreed acceptance condition, development schedule etc. caused by its product design and manufacturing performances. Any issues and problems caused by the original IP and related information provided by VISUALANT shall be the responsibility of VISUALANT.

Initials: _____

Date: _____

VISUALANT shall perform market development in North America during the Term of this Agreement to achieve the deliverables set out in sections 2.2(a)-2.2(c). SPP agrees to use its expertise and best efforts in cooperation with VISUALANT to jointly develop market and application.

2.2 Deliverables

(a) SPP shall complete design and manufacture of two (2) Scan Head Version 6 prototypes meeting agreed-upon specifications for Version 6, as generally set out in Attachment C and to be further refined, on or before September 30, 2012. VISUALANT shall hire a business development/program manager to obtain the market requirement for Version 6 specifications within thirty (30) days of the Effective Date of this Agreement. VISUALANT shall instruct this business development/program manager to search for potential partnership for each possible application in the North American region by September 30, 2012. One (1) of the Scan Head Version 6 prototypes shall be delivered by SPP to VISUALANT for acceptance testing on or before September 30, 2012. Upon acceptance by VISUALANT of the delivered Scan Head Version 6 prototype, all rights, title, and interest in the delivered Scan Head Version 6 prototype will be owned by VISUALANT, subject to the rights of the Parties pursuant to Article 3 hereof.

(b) SPP shall exhibit one (1) Scan Head Version 6 prototype at JIMA 2012 in Tokyo Japan. VISUALANT shall plan to exhibit one (1) Scan Head Version 6 prototype at applicable tradeshows in the North American region scheduled after October 2012.

(c) SPP shall complete principal design of a Scan Head Version 7 prototype which incorporates an Application Specific Integrated Circuit (ASIC) on or before December 31, 2012.

(d) Upon execution of this Agreement, VISUALANT shall promptly provide to SPP engineering documentation and information related to an existing Scan Head Version 5 prototype (*i.e.*, Cyclops Version 5 Scan Head), including algorithms, source code, hardware drawings, circuit schematics, and parts list to the extent that such exist, and otherwise provide remote technical support to SPP that is necessary or useful to SPP's obligations stated in sections 2.2(a)-2.2(c). Such documentation and information, which is part of the SPM technology, shall be subject to the terms of a separate License Agreement between the Parties executed contemporaneously herewith.

(e) VISUALANT shall specify within sixty (60) days of the Effective Date of this Agreement technical and non-technical criteria to be used by VISUALANT in testing performance of the Scan Head Version 6 prototype.

Initials: _____

Date: _____

(f) Upon delivery to it, VISUALANT shall be responsible for promptly inspecting and testing the Scan Head Version 6 prototype, and approving such at its sole discretion, such approval not to be unreasonably withheld. SPP agrees to provide VISUALANT with assistance in providing test equipment and testing the prototypes as reasonably requested by VISUALANT.

(g) VISUALANT shall issue a purchase order for the Scan Head Version 6 prototype.

(h) See also notes with responsibilities and timeline from collaborative meeting between VISUALANT and SPP attached as Attachment B and C hereto.

(i) See planned deliverables by the Parties to this Agreement attached as Attachment B and C hereto. During the Term, the Parties shall discuss about whether to proceed to the next action phase in accordance with Attachment B. If they agree to proceed, each Party shall engage in discussions for the next action phase with the other Party prior to engaging in any business discussions with third parties. If they do not agree to proceed, each Party is free to discuss proceeding with third parties, subject to the rights of the Parties as set forth in the Agreement.

2.3 Communications

The Parties will hold monthly meetings to review progress, and to agree on direction or changes. The monthly meetings will be attended by at least one representative of each Party who has authority to make binding decisions for the respective Party. Attendance may be either in person, or via telephone or video conferencing. The Parties agree to use their best efforts in communicating with one another, including, but not limited to, providing status reports on the Party's own performance under this Agreement on an at least bi-weekly basis.

2.4 Disclosure of Significant Developments

The Parties shall promptly disclose significant developments with respect to the Resulting Intellectual Property to one another, and in any event upon demand therefor by the other, and disclose to the extent necessary or as reasonably desired by the other Party to allow that other Party to fully appreciate any advantage or significance of such significant developments.

2.5 Costs

Each Party will bear its own costs in development activities under this Agreement, except as otherwise explicitly set out herein or later agreed to by the Parties in writing. In the case of exceptional costs or exceptionally large costs, the Parties may choose to share the costs in any manner the Parties deem equitable.

Initials: _____

Date: _____

2.6 Facilities

It is contemplated that primary development activities will occur at the facilities of the respective Parties. Both parties shall provide at least 1 set of desk and chair in its own office space for usage by a visitor from the other Party.

2.7 Program Management

(a) The Parties shall form the Steering Committee which consists of the chief member from each party, CEO from VISUALANT and Board Director in charge of R&D from SPP, who shall assign the rest of the members from his/her own Party up to 5 people including him/herself. The Steering Committee shall observe the progress of development program according to this Agreement and implement countermeasures to any issues if required. The SPP and VISUALANT Boards recognize the authority of Steering Committee over the issue related to this Agreement. Any recommendation/suggestion and/or instruction for execution of those tasks defined by this Agreement raised by Steering Committee shall be considered by the respective boards.

(b) The Parties shall set the detailed action plan supporting those tasks defined by this Agreement, including schedule and assignment of human resources and responsible parties within fourteen (14) days of the Effective Date of this Agreement. This detailed action plan shall be reviewed by weekly review meeting and Steering Committee which shall be held every other month.

Article 3

Intellectual Property Ownership, Decisions, Costs, Grants

3.1 Ownership of Intellectual Property

Subject to any license granted in the License Agreement between the Parties, all right, title and interest to any Background Intellectual Property remains in and will be solely owned by the respective Party whose personnel under its control conceived of, reduced to practice, invented, developed, authored, or otherwise created the respective Background Intellectual Property.

Subject to any license granted in the License Agreement between the Parties, all right, title and interest to Jointly Developed Intellectual Property vests in and will be jointly owned by the Parties in equal shares, including a right to accounting for any exploitation of the Jointly Developed Intellectual Property.

Initials: _____
Date: _____

Subject to any license granted in the License Agreement between the Parties, all right, title and interest to any Solely Developed Intellectual Property vests in and will be solely owned by the respective Party whose personnel under its control conceived of, reduced to practice, invented, developed, authored, or otherwise created the respective Solely Developed Intellectual Property.

3.2 Decisions With Respect to Securing Resulting Intellectual Property

With respect to Jointly Developed Intellectual Property, the Parties will timely consult each other on substantial decisions regarding securing rights in Jointly Developed Intellectual Property, including, but not limited to, deciding whether to file applications to establish or register such rights, deciding in which countries or regions in which to establish or register such rights, deciding on the scope of those rights, decisions related to the term of such rights, and deciding whether to abandon any such applications, whether to maintain such rights, which includes securing utility and design patent rights, utility model rights, copyrights, and/or trademark or service mark rights. VISUALANT and SPP will with each other's approval, select and manage counsel to secure Jointly Developed Intellectual Property, in accordance with the above noted consultation.

With respect to Solely Developed Intellectual Property, each Party has the absolute right to make all decisions with respect to securing rights to its own Solely Developed Intellectual Property, including, but not limited to, deciding whether to file applications to establish or register such rights, deciding in which countries or regions in which to establish or register such rights, and deciding whether to abandon such any such applications, whether to maintain such rights, including securing utility and design patent rights, utility model rights, copyrights, and/or trademark or service mark rights.

3.3 Costs Associated With Respect to Securing Resulting Intellectual Property

The Parties will equally share all reasonable costs associated with securing rights to Jointly Developed Intellectual Property, including but not limited to filing, prosecuting, or maintaining of any applications for, or grants of, utility or design patents, utility models, copyright registrations or trademark or service mark registrations. Should one Party decide against securing rights, that Party must provide timely notice to the other Party, and will thereafter not be responsible for costs associated with securing of those rights. The other Party may proceed with securing those rights at its own expense and for its own sole benefit, such rights subject to any license granted in the License Agreement between the Parties.

Each Party will bear its own costs associated with securing rights to its own Solely Developed Intellectual Property.

Initials: _____
Date: _____

3.4 Cooperation in Securing Rights In Resulting Intellectual Property

Upon request, either during or after termination of this Agreement, each Party will (i) sign and deliver any written assignments and other documents and to its best ability cause those under its control to sign and deliver any written assignments and other documents, (ii) assist in filing and prosecuting patent, utility model, and copyright applications, and (iii) do any other things as may be necessary to perfect rights to the Resulting Intellectual Property, including testifying in any appeal, interference, litigation, or other legal proceeding that may arise during or after the termination of this Agreement.

3.5 Decisions With Respect to Enforcing Resulting Intellectual Property

With respect to Jointly Developed Intellectual Property, the Parties will timely consult each other on all decisions related to possible or actual infringement or conversion of Jointly Developed Intellectual Property. Should one Party not agree to pursue an enforcement action, the other Party may pursue the enforcement action. The Party that does not agree to pursue the enforcement action agrees to be joined in the enforcement action if required.

With respect to Solely Developed Intellectual Property, each Party has the absolute right to make all decisions with respect to enforcing rights to its own Solely Developed Intellectual Property, including, but not limited to, deciding whether to file any actions including legal or administrative actions against infringers, whether to seek injunctions, whether to seek monetary damages and the amount of such damages, whether to settle any action and the terms of such settlements, whether to dismiss an action with or without prejudice, and whether to grant a license on any terms deemed suitable by the Party and consistent with the License Agreement between the Parties.

3.6 Costs Associated With Respect to Enforcing Resulting Intellectual Property

The Parties will equally share all reasonable costs incurred in enforcing rights to Jointly Developed Intellectual Property against Third Parties, except where one Party does not agree to pursue the enforcement action, in which case the Party that pursues the enforcement action does so solely at its own cost, and has no obligation to account for any proceeds or damages resulting from the enforcement action to the Party that did not agree to pursue the enforcement action.

Each Party will bear its own costs incurred in enforcing rights to its own Solely Developed Intellectual Property against Third Parties.

Initials: _____

Date: _____

Article 4
Confidentiality and Nondisclosure Agreement

4.1 Confidentiality

The Existing Confidentiality Agreement is incorporated herein by reference.

4.2 Injunctive Relief

Each Party acknowledges that the disclosure of the other Party's Confidential Information will give rise to an irreparable injury to the other Party that cannot be adequately compensated in damages. Accordingly, each Party agrees that the other may obtain injunctive relief against disclosure or threatened disclosure of its Confidential Information, in addition to any such remedies that may be available in law or at equity. This provision shall survive the termination of this Agreement under any and all circumstances and does not preclude other remedies including but not necessarily limited to money damages.

Article 5
Representations, Warranties, and Indemnifications

5.1 General Representations and Warranty

Each Party represents and warrants that, as of the Effective Date of this Agreement:

- (i) it is a corporation duly organized, validly existing and in good standing under the laws of its respective State or Country; and has the full corporate authority and the legal right to enter into this Agreement;
- (ii) this Agreement has been duly authorized by all necessary corporate action on the part of the Party,
- (iii) this Agreement does not conflict with, violate, or breach or constitute a default or require any consent under, any contractual obligation or court or administrative order by which the Party is bound,
- (iv) it has the full right and authority to grant to any rights or licenses granted to the other Party under this Agreement or the associated License Agreement;
- (v) each Party will comply with the requirements of the U.S. Federal Corrupt Practices Act.

Initials: _____
Date: _____

5.2 Disclaimer of Product Warranty

EXCEPT AS EXPRESSLY PROVIDED OTHERWISE IN THIS AGREEMENT OR AS STATED IN ANY STANDARD TERMS AND CONDITIONS WHICH MAY ACCOMPANY THE DELIVERY OF THE SCAN HEAD PROTOTYPES, ANY OTHER PRODUCT OR INTELLECTUAL PROPERTY PROVIDED UNDER THIS AGREEMENT IS PROVIDED TO A PARTY “ AS IS” AND NEITHER PARTY MAKES ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OR THOSE ARISING FROM THE COURSE OF PERFORMANCE, OR A COURSE OF DEALING OR TRADE USAGE. NEITHER PARTY SPECIFICALLY MAKES ANY WARRANTY WITH RESPECT TO ANY PROTOTYPE, COMPUTER SOFTWARE, PRODUCT, INTELLECTUAL PROPERTY OR INFORMATION PROVIDED BY IT OR SOLD OR LICENSED HEREUNDER BY THAT PARTY. NEITHER PARTY WARRANTS TO THE OTHER PARTY THAT ANY PROTOTYPE, PRODUCT, SOFTWARE OR INTELLECTUAL PROPERTY PROVIDED OR USED HEREUNDER IS ERROR FREE, WILL OPERATE WITHOUT INTERRUPTION OR PROVIDE SECURE OPERATIONS.

5.3 Limitation of Liability

IN NO EVENT WILL EITHER PARTY BE LIABLE FOR (A) ANY LOST PROFITS, LOSS OF GOODWILL, LOST SAVINGS, LOST REVENUE, LOST DATA OR ANY INDIRECT, INCIDENTAL, SPECIAL, PUNITIVE, COLLATERAL OR CONSEQUENTIAL DAMAGES, REGARDLESS OF WHETHER SUCH LIABILITY IS BASED ON BREACH OF CONTRACT, TORT, STRICT LIABILITY OR OTHERWISE AND EVEN IF THE OTHER PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH LOSSES OR DAMAGES, OR (B) DAMAGES ARISING OUT OF OR RELATING TO THIS AGREEMENT (IN THE AGGREGATE) EXCEEDING THE AMOUNTS PAID OR PAYABLE TO THE OTHER PARTY UNDER THIS AGREEMENT OR ANY ASSOCIATED LICENSE AGREEMENT DURING THE LAST TWELVE (12) MONTHS IMMEDIATELY PRECEDING THE CLAIM. THESE LIMITATIONS OF LIABILITY SHALL APPLY NOTWITHSTANDING THE FAILURE OF ESSENTIAL PURPOSE OF ANY LIMITED REMEDY HEREIN. THE LIMITATIONS SET FORTH IN THIS SECTION SHALL NOT APPLY WITH RESPECT TO CLAIMS FOR BREACH OF CONFIDENTIALITY OR A PARTY’S INDEMNITY OBLIGATIONS UNDER THIS AGREEMENT.

5.4 Intellectual Property Warranty

Each Party represents and warrants to the other that it is the owner of all rights, title, and interest in and to its Background Intellectual Property, and that it has the right, authority, and legal capacity to enter into this Agreement and grant any rights set forth herein or in the associated License Agreement between the Parties. Each Party agrees that it will not knowingly incorporate any patented, copyrighted, trade secret or other proprietary technology or designs owned by Third Parties, and shall promptly inform the other Party if it knows or has any reason to believe any product or method may constitute an infringement or misappropriation of the patents, copyrights, trade secrets or other proprietary technology or designs owned by Third Parties. Each Party shall use reasonable efforts to investigate information it receives of such Third Party rights when used or proposed for use in the development activities and to advise the other Party of the results of such investigation.

Initials: _____
Date: _____

5.5 No Warranty of Validity: Non-infringement

Nothing in this Agreement shall be construed as (a) a warranty or representation by either Party as to the validity or scope of any Intellectual Property or (b) a warranty or representation that any product obtained through the development, including without limitation any Scan Head prototype will be free from infringement of intellectual property rights held or otherwise controlled by a Third Party.

5.6 Indemnification for Infringement of Third Party Rights

Each Party will indemnify, defend and hold harmless the other Party, its affiliates, directors, officers, employee and agents against any and all loss, damage, action, suit, claim, demand, liability or expense, and reasonable attorney fees and expenses (collectively "Losses") only to the extent such Losses arise out of any third party claim relating to: (i) willful misconduct of the indemnifying Party or those under its direct and immediate control, (ii) the intentional material breach by the indemnifying Party of any of its express representations or warranties in this Agreement, or (iii) the intentional material breach by the indemnifying Party of any of its covenants or obligations in this Agreement.

Article 6

EXPORT RESTRICTIONS AND INFORMATION EXCHANGE

Each Party agrees that it will abide by all export laws, rules and regulations of the United States and Japan, including without limitation, the U.S. International Traffic in Arms Regulations of the US Department of State and the Export Control Act of the US Department of Commerce, in connection with the disclosure, use and export of any item, information or data disclosed hereunder.

If a Party improperly discloses export-restricted information in violation of such laws, rules and regulations in performance of this Agreement, that Party shall indemnify and hold harmless the other Party from all directly applicable and reasonably incurred resulting claims, demands, damages, costs, fines, penalties, attorney's fees and all other expenses.

Initials: _____

Date: _____

To the extent permissible under applicable security, export or confidentiality laws, rules, regulations and/or restrictions, the Parties will provide each other with requested information regarding development and demonstrations to provide visibility into potential applications and requirements for products. Each Party will abide by any export control requirements that the other Party identifies in writing as being associated with any such information and will certify that any employees, agents or contractors who have been given access to such information are "Permitted Persons" as defined in the applicable export control laws. Before disclosing any information of the other Party subject to export control, security or confidentiality requirements to its agent or contractor, the disclosing Party shall first notify the other Party of such proposed disclosure and shall provide such information as the non-disclosing Party deems necessary to approve such disclosure, and the disclosing Party shall only provide such information to its agent or contractor on the agreement of such agent or contractor to protect such information to the same extent and in the same manner as the disclosing Party shall protect such information and the agreement of the agent or contractor not to further disclose any such information to any other person.

Article 7

Term of Agreement

7.1 Term

The term of this Agreement shall commence on the Effective Date and continue through March 31, 2013 (the "Term"), except as set forth herein or if sooner terminated in accordance with provisions herein. The Term may be extended by mutual consent of the Parties.

7.2 Default

In the event that either Party fails to perform in accordance with the objectives and time schedule agreed upon between the parties for the development activities and associated obligations, as such may from time-to-time be revised by the Parties and approved by the Parties, the non-defaulting Party may give notice of its intent to terminate this Agreement for such failure, specifying the act or omission on which the notice is based. If the specified default is not cured to the satisfaction of the non-defaulting Party within ninety (90) days of said notice of intent to terminate, the non-defaulting Party may terminate this Agreement upon giving written notice to the Party in default, and such termination shall be effective immediately upon the giving of said notice of termination. The obligation of the non-defaulting Party to make future payments, if any, and to fund the development, shall cease and any advance monies paid by the non-defaulting Party shall be reimbursed by the defaulting Party.

Initials: _____

Date: _____

7.3 Confidentiality Survives After Termination

Upon termination of this Agreement for any reason, including default or material breach thereof, the provisions regarding confidentiality including the Existing Confidentiality Agreement and any subsequent Confidentiality Agreements shall remain in full force and effect for a period of at least five (5) years following the date of termination, unless specified as longer in such Existing or subsequent Confidentiality Agreements.

7.4 Return of Confidential Information

On termination of this Agreement, each Party shall return to the other Party all Confidential Information disclosed to that Party by the other Party and shall cease and refrain from use or disclosure of said Confidential Information.

Article 8

Miscellaneous Provisions

8.1 No Marketing Obligation

Except as explicitly stated herein, neither Party will be under an obligation whatsoever to recommend, sell, advertise or otherwise market the other Party's products or services to its current or future customers.

8.2 No Publicity Without Consent

Neither Party shall, without the prior written consent of the other Party, which consent shall not be unreasonably withheld or delayed, publicize, issue press releases or make any announcements in relation to this Agreement in a manner which does not conform with such rules as may from time to time be agreed between the Parties. If a Party desires to issue a press release, that Party shall provide a copy of the proposed press release to the other Party and obtain the other Party's written consent prior to the actual release. Other than as required by using the prototypes or other products, neither Party shall directly or indirectly use in commerce the other Party's company name, logo, trademark, service mark or brand name, or the name of any manager, officer or employee thereof, without the other Party's prior written consent.

8.3 No Third Party Rights

No provisions of this Agreement are intended, nor shall be interpreted, to provide or create any Third Party beneficiary rights or any other rights of any kind in any client, customer, affiliate, shareholder, partner of any Party hereto or any other person or entity unless specifically provided otherwise herein, and, except as so provided, all provisions hereof shall be personal solely between the Parties to this Agreement. Except as explicitly agreed in the Agreement, neither Party shall act in any way as the agent of the other Party or attempt to bind the other Party without the other Party's prior written consent to such action.

Initials: _____
Date: _____

8.4 Dispute Resolution

In the event of any disagreement with respect to performance under this Agreement, the Parties agree first to discuss the dispute informally. In the event that a resolution is not achieved at the informal level, the Parties shall each designate one member of senior management to negotiate the dispute directly. In the event that such a negotiation is not successful in achieving the resolution of the dispute, the Parties agree to submit the dispute to non-binding arbitration pursuant to the Commercial Rules of the American Arbitration Association. The Parties shall each bear their own costs associated with the Arbitration.

8.5 Notice

Any notice, request, instruction, or other communication to be given hereunder by any party hereto to any other Party shall be in writing and delivered personally or sent by facsimile, registered or certified mail, postage prepaid, as follows:

If to VISUALANT:

VISUALANT, Inc.
500 UNION ST, STE. 406
SEATTLE, WA 98101
USA

Attention: Ron Erickson, CEO and President
Facsimile: (206) 826-0451

If to SPP:

OFFICE TOWER Y, 8th FLOOR
1-8-11 HARUMI, CHUO-KU
TOKYO, 104-6108 JAPAN

Attention: Ichiro Takesako, General Manager

Facsimile: 81-(0)3-6220-0732

or at such other address for a Party as shall be specified by like written notice. Any notice that is delivered personally in the manner provided herein shall be deemed to have been duly given to the Party to whom it is directed upon actual receipt by such Party (or its agent for notices hereunder). Any notice that is sent by facsimile or addressed and mailed in the manner herein provided shall be conclusively presumed to have been duly given to the Party to which it is sent by facsimile or addressed at the close of business, local time of the recipient, on the third day after the day it is so sent by facsimile or placed in the mail.

Initials: _____
Date: _____

8.6 Governing Law

This Agreement shall be construed in accordance with and governed by the laws of the State of Washington, excluding any choice of law rules that direct the application of the laws of another jurisdiction.

8.7 Jurisdiction and Venue

In the event that non-binding arbitration pursuant to Section 8.4 is unsuccessful, the Parties agree that jurisdiction and venue of any legal action between them shall vest in the United States District Court for the Western District of Washington sitting in Seattle.

8.8 Force Majeure

Neither Party shall be liable for any failure or delay due to fire, flood, or such other unforeseen or catastrophic circumstance beyond that Party's reasonable control, such as epidemic, war, civil disorder, government acts or restrictions, acts of god, or other matters commonly referred to as "*force majeure*," and its performance shall be suspended during such time period, providing the Party so affected takes diligent action to overcome such *force majeure*.

8.9 Relationship of the Parties

The Parties specifically designate this Agreement as a Joint Research Agreement under 35 U.S.C. 103 (CREATE Act). Nothing contained in this Agreement shall be construed to place SPP and VISUALANT in the relationship of partners, joint ventures, or principal and agent, and neither Party shall have the power to obligate or bind the other in any manner whatsoever.

8.10 Assignability

The Parties may assign its rights and obligations under this Agreement to any subsidiary, successor, parent, assign, or affiliated company. Subject to the foregoing, this Agreement is personal as to the Parties and may not be otherwise assigned in whole or part without the other Party's prior written permission, which shall not be unreasonably withheld, unless assigned as part of a transfer of substantially all of the assets of the Party or line of business of the Party.

8.11 Successors

Subject to the provision of 8.10, this Agreement shall be binding upon and inure to the benefit of the successors, heirs, and permitted assigns of VISUALANT and SPP.

Initials: _____

Date: _____

8.12 No Waiver

The failure of either Party to enforce any provision of this Agreement or to terminate this Agreement for the breaching of any covenant or conditions herein shall not operate thereafter as a waiver of that provision or any other provision of this Agreement, or as a waiver of the right to terminate this Agreement except to the extent specifically set forth in this Agreement.

8.13 Severability

Any provision of this Agreement that in any way contravenes or is unenforceable under any law of a nation or state in which this Agreement is effective shall be deemed separable and not a part of this Agreement and to that extent void, however, all remaining provisions of this Agreement shall be valid and in full force and effect.

8.14 Books and Records

Each Party shall keep and maintain for a period of at least two (2) years, true and complete books and records pertaining to the costs and fees for the services rendered or incurred pursuant to this Agreement in the joint development effort in sufficient detail to enable the other Party to accurately determine payments due and payable, if any, pursuant to this Agreement or the associated License Agreement. Upon the written request of a Party, such books and records shall be made available at a reasonable time during reasonable business hours for inspection by the requesting Party.

8.15 Sole Understanding and Amendment

This Agreement and the associated License Agreement and Existing Confidentiality Agreement set forth the entire agreement and understanding between VISUALANT and SPP as to the subject matter described herein, and supersede and merge all prior discussions, correspondence, negotiations, and agreements between them relating thereto except as otherwise provided herein. This Agreement may be amended only in a writing signed by all Parties hereto.

8.16 Captions

The captions are inserted herein only as a matter of convenience and for reference and in no way define, limit, or describe the scope of this Agreement or the intent of any provisions herein.

Initials: _____
Date: _____

8.17 Counterparts

This Agreement may be executed in any number of copies, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument. Where copies are in different languages, the English version shall be controlling.

IN WITNESS WHEREOF, VISUALANT and SPP have caused this Agreement to be executed on the dates accompanying each signature below.

Sumitomo Precision Products Co., Ltd.

By: /s/ Susumu Kaminaga

Name: Susumu Kaminaga

Title: President

Visualant Incorporated

By: /s/ Ronald P. Erickson

Name: Ronald P. Erickson

Title: President and CEO

Initials: _____

Date: _____

Attachment B to the Joint Development Agreement

Task	Time (Starting 2012)	Responsible Party
Preparation Prior to JDA closing Dr. Ochi	4/End	Dr. Schowengerdt
Kick-off Meeting	5/21	VSUL/SPP (Detailed action plan to be proposed, followed by a monthly review)
<u>Provide Engineering documentation And information related to V5</u>	<u>5/Middle</u>	<u>VSUL</u>
<u>Hiring Business Dev/ Program Manager</u>	<u>ASAP</u>	<u>VSUL</u>
Bill of Materials for New Scan head complete	5/End	SPP
<u>Identify early adapt application In North America</u>	<u>6/End</u>	<u>VSUL</u>
Product Design & Material Provisioning	6/B – 8/B	SPP
System (software Provisioning)	6/B – 8/E	SPP
Proto-type Assembly	8/E – 9/B	SPP
<u>Testing</u>	<u>10/B-10/End</u>	<u>VSUL</u>
JIMA (Japan Instrument And Measurement Association) 2012	10/M	SPP
Review of V6 performance	10/E	VSUL/SPP
Marketing for proposal of V7 design	6/B - 10/E	VSUL
ASIC Version 7 design	12/E	SPP
Next Step Planning	13/3/E	VSUL/SPP
Finding Partnership	13/3/E	SPP(Japan/Asia) VSUL(ROW)

Attachment C to the Joint Development Agreement

1. Processor and memory integrated into Scan Head
2. Simplified design with minimized parts count
3. Stable performance with respect to at least temperature and luminosity fluctuation
4. Compliance with BLUETOOTH protocol
5. Detachable Scan Head
6. Confirming and revising control algorithm
7. Integrate photodiode in Scan Head
8. Implement Automatic Self Calibration functionality
9. Specific Interface to ASIC
10. Prototype of suitable quality to market to potential customers

Initials: _____
Date: _____

AMENDMENT TO JOINT RESEARCH AND PRODUCT DEVELOPMENT AGREEMENT

This Amendment to the Joint Research and Product Development Agreement (“Amended Agreement”) dated May 31, 2012 is entered into effective March 29, 2013 (the “Effective Date”), between Sumitomo Precision Products Co., Ltd., a Japanese corporation having a place of business at 1-10 Fuso-cho, Amagasaki, Hyogo 660-0891 Japan, (hereinafter “SPP”), and Visualant, Incorporated a corporation under the laws of the State of Nevada having a business address of 500 Union Street, Suite 420, Seattle, Washington, 98101, and subsidiaries and affiliates (hereinafter “VISUALANT”).

This Amended Agreement reflects the following changes to the Joint Research and Product Development Agreement dated May 31, 2012:

2.2 Deliverables

The deliverables for the Amended Agreement are included in Attachment B for the Amended Agreement dated March 25, 2013.

7.1 Term

The term of this Amended Agreement shall commence on the Effective Date and continue through December 31, 2013 (the “Term”), except as set forth herein or if sooner terminated in accordance with provisions herein. The Term may be extended by mutual consent of the Parties.

Unless detailed in this Amended Agreement, the Joint Research and Product Development Agreement dated May 31, 2012 remains unchanged.

IN WITNESS WHEREOF, VISUALANT and SPP have caused this Amended Agreement to be executed on the dates accompanying each signature below.

Sumitomo Precision Products Co., Ltd.

By: /s/ Shinichi Miki

Name: Shinichi Miki

Title: President

Visualant, Incorporated

By: /s/ Ronald P. Erickson

Name: Ronald P. Erickson

Title: President and CEO

3/25/2013

		2013										2014		
Tasks	Owner	Mar.	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Orca HW (6D) and FW (Ahi) Complete	Both		26-Apr											
Test Orca with TaterTot (Host software)	Both?			May 13	Start testing									
Squid Prototype Development	Visualant			May 27	Start to test working unit									
Self Calibration Development				Starts May 13	We have to work with Prof Furness to plan this we can start when we have Orca, FW, and Host Software									
Skunk Works	Visualant	This is work with RATLab. The only real schedule is 'submit entry into xprize'												
Dev. Kit (6D rev 1) Release to Market	Both				End June.	We see the Dev Kit potentially being released with Calibration algorithm as a later update								
Dev. Kit (Squid) Release to Market	Both						To be discussed between Visualant and SPP working group based on schedule above							
Market Research with Dev. Kit (6D rev 1)	Both						After the market release(3 to 6 months? To be discussed)							
Market Research with Dev. Kit (Squid)	Both						After the market release(3 to 6 months? To be discussed)							
Market response wrap up	Both						after above two activities							
Ver. 7 Concept design	Both						after above							
Ver. 7 top level configuration docs	Visualant?						TBD							
Ver. 7 tests/ Callibration	Both						TBD							
Ver. 7 release	Both						TBD							

OFFICE LEASE

**HARBOR PROPERTIES, INC.,
a Washington corporation**

“LANDLORD”

WITH

Visualant, Inc., a Nevada corporation

“TENANT”

**BUILDING: Logan Building
SUITE: 420**

DATED: July 11, 2012

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OFFICE LEASE

THIS OFFICE LEASE ("Lease") is made and entered into as of the 11th day of July, 2012, by and between **HARBOR PROPERTIES, INC.**, a Washington corporation ("Landlord"), and **Visualant, Inc., a Washington corporation** ("Tenant"). In consideration of this Lease, Landlord and Tenant covenant and agree as follows:

SECTION 1 BASIC PROVISIONS

This Section contains the basic lease provisions between Landlord and Tenant.

- A. Building:** Logan Building, 500 Union Street, Seattle, Washington (the "Building"), located on a portion of the real property legally described on Exhibit A attached hereto (the "Property").
- B. Premises:** Suite 420 in the Building as outlined or cross-hatched on Exhibit A-1.
- C. Commencement Date:** The "Commencement Date" shall be August 1, 2012 subject to Section 3.
- D. Expiration Date:** August 31, 2014, subject to Section 3.
- E. Rentable Area:** The rentable area of the Premises shall conclusively be deemed approximately 1,014 rentable square feet, and the rentable area of the Building shall conclusively be deemed 114,088 square feet, for purposes of this Lease, subject to Section 31(M).
- F. Tenant's Share:** .88% of the total rentable area of the Building ("Tenant's Share"), subject to Section 4 and Section 31(M).
- G. Base Rent:** From the Rent Commencement Date through the Expiration Date, as further described in Section 4, as follows:

Period	Monthly Base Rent
08/01/12 – 08/31/12	\$0.00
09/01/12 – 8/31/13	\$1,943.50
09/01/13 – 8/31/14	\$2,028.00

- H. Additional Rent:** Tenant shall pay Tenant's Share of Taxes and Tenant's Share of Expenses for the applicable "Fiscal Year" in excess of such amounts for the Fiscal Year commencing September 1, 2011 – August 31, 2012, (the "Base Fiscal Year") as further described in Section 4. For purposes of this Lease "Fiscal Year" means the twelve (12) month period commencing September 1 and continuing through the following August 31. The first pass through billing of Additional Rent will be in the fall (Sept./Oct.) of 2013, when the Landlord can compare the comparison year expenses to the Base Year expenses for the building, if any.
- I. Permitted Use:** General office use and related use subject to Section 8.
- J. Deposits:** A security deposit of Five Thousand Seventy and 00/100 Dollars (\$5,070.00), which shall be subject to Section 7.
- K.** First Month's Rent. Tenant, upon execution of the agreement, shall provide Landlord with the first month's rent totaling One Thousand Nine Hundred Forty-three and 50/100 Dollars (\$1,943.50).
- L. Broker (if any):** Jim Lovsted, Jeff Huntington, Tim Foster, Lloyd Low representing the Landlord. Scott Driver of Scott Driver & Company, P.S. represents the Tenant. There are no other agents party to this agreement.
- M. Riders/Exhibits:** In addition to Exhibit A (Property), Exhibit A-1 (Premises), Exhibit B (Work Letter), and Rider One (Rules and Regulations)

N. Landlord's Notice Address (subject to Section 24):

Harbor Properties, Inc.
1411 Fourth Avenue, Suite 501
Seattle, WA 98101
ATTN: Jan Greene

O. Tenant's Notice Address (subject to Section 24):

Visualant, Inc.
Attn: Office Manager
The Logan Building
500 Union Street, Suite 420
Seattle, WA 98101

P. Rent Payments: Rent shall be paid to Harbor Properties, Inc., PO Box #34860, Seattle, WA 98124-1860, or such other parties and addresses as to which Landlord shall provide advance notice.

The foregoing provisions shall be interpreted and applied in accordance with the other provisions of this Lease. The terms of this Section, and the terms defined in Section 31 and other Sections, shall have the meanings specified therefor when used as capitalized terms in other provisions of this Lease or related documentation (except as expressly provided to the contrary therein).

SECTION 2 PREMISES AND PREPARATION OF PREMISES

A . **Premises.** Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the Premises subject to the provisions herein contained. Tenant has inspected the Premises (and portions of the Building providing access to or serving the Premises) or has had an opportunity to do so, and agrees to accept the same "as is" without any agreements, representations, understandings or obligations on the part of Landlord to perform any alterations, repairs or improvements unless expressly provided otherwise under this Lease. Tenant further acknowledges that Landlord has not made any representation or warranty (express or implied) with respect to the habitability, condition or suitability of the Premises, Building or Property for Tenant's purposes or any particular purpose.

B. **Preparation of Premises.** If no Exhibit B is referenced in Section 1 and attached hereto, Tenant agrees to accept the Premises on the Commencement Date in its existing "As Is" condition without any agreement, representation or obligation on the part of Landlord to perform or provide any alterations, improvements, repairs or allowance of any kind. Otherwise, the obligations of Landlord and Tenant to perform work and supply materials and labor to prepare the Premises for Tenant's occupancy shall be as set forth in Exhibit B attached hereto and incorporated herein. Landlord's obligation, if any, for completion of the Premises ("Initial Improvement Work") shall be defined and limited by said Exhibit B, and Landlord shall not be required to furnish or install any item not indicated thereon. Any additional alterations or improvements to the Premises beyond those set forth on Exhibit B shall be at Tenant's sole cost and expense and subject to all provisions of Section 10, including without limitation the prior approval of Landlord. Taking possession of the Premises by Tenant shall be conclusive evidence the Premises were, on that date, in good, clean and tenantable condition and delivered in accordance with this Lease.

C . **Signage.** Landlord shall provide Tenant, at Landlord's expense, initial Building standard directory signage in the Building lobby directory and Building standard Suite signage on the floor where the Premises are located. Any subsequent changes to such initial Landlord provided signage shall be at Tenant's sole expense and subject to Landlord's prior approval. If Tenant desires any signage in addition to the initial Building standard signage provided by Landlord as described above ("Additional Signage"), any such Additional Signage shall be subject to Landlord's prior approval in Landlord's sole discretion, and shall be at Tenant's sole expense. Any such Additional Signage shall be removed by Tenant upon the expiration or earlier termination of this Lease, Tenant shall repair any damage to the Building or Premises and Tenant shall restore the Premises and Building to the condition existing prior to installation of any such signage.

SECTION 3 TERM AND COMMENCEMENT

A . **Term and Confirmation.** The term ("Term") of this Lease shall commence on the Commencement Date and end on the Expiration Date as specified in Section 1 above, unless sooner terminated as provided herein, subject to adjustment as provided below and the other provisions hereof. If the Commencement Date is advanced or postponed as provided below, the Expiration Date set forth in Section 1 shall not be changed, unless Landlord so elects by notice to Tenant. Tenant shall execute a confirmation of the Commencement Date and other matters in such form as Landlord may reasonably request within ten (10) days after requested (but nothing herein shall require Landlord to so request); any failure to respond within such time shall be deemed an acceptance of the matters as set forth in Landlord's confirmation. If Tenant disagrees with Landlord's adjustment of the Commencement Date, Tenant shall pay Rent and perform all other obligations commencing on the date determined by Landlord, subject to refund or credit when the matter is resolved.

B. **Adjustments to Commencement.** It is acknowledged that the Commencement Date specified in Section 1 is an estimated date. This Lease shall commence on the Commencement Date specified in Section 1 if the Initial Improvement Work is “substantially completed” (as that term is used in the construction industry) by such date but otherwise the Commencement Date shall be adjusted to be the first to occur of the following events: (i) the date Landlord provides Tenant notice that the Initial Improvement Work is substantially complete; (ii) the date on which Tenant commences business in the Premises; or (iii) if substantial completion of the Initial Improvement Work is delayed in whole or in part due to Tenant’s acts or omissions, then the date determined by Landlord as the date upon which the Initial Improvement Work would have been substantially completed, but for Tenant’s acts or omissions. In no event shall Landlord have any liability for loss or damage to Tenant resulting in any delay in the Commencement Date, nor shall Tenant have any right to terminate this Lease, and Tenant’s sole recourse shall be the postponement of Rent and other obligations until the Commencement Date is established as set forth above.

C. **Early Entry.** If the Initial Improvement Work (if any) is substantially completed prior to the Commencement Date specified in Section 1, then upon reasonable notice from Tenant to Landlord, Tenant shall be entitled to enter the Premises for fixturing and move-in purposes provided (i) Tenant shall not interfere with Landlord’s completion of the Initial Improvement Work and shall coordinate its activities and comply with Landlord’s directives, (ii) all provisions of this Lease other than those relating to payment of Rent shall apply to any such pre-commencement entry (including without limitation all insurance, indemnity and freedom from lien provisions), and (iii) if Tenant beneficially occupies the Premises (or any part thereof) or commences business operations from the Premises (or any part thereof) during such period, then the Commencement Date (and obligation to pay Rent) shall be deemed advanced to the date Tenant so occupies the premises, provided, the mere moving of furniture and equipment into the Premises shall not be deemed commencement of business operations or other beneficial occupancy as those terms are used in this Section 3(C).

SECTION 4 RENT

A. **Monthly Base Rent.** Tenant shall pay to Landlord as monthly base rent (“Base Rent”) for the use and occupancy of the Premises the Base Rent specified in Section 1. Base Rent shall be paid in advance in the monthly installments shown in Section 1, each due on the first day of each month during the Term of this Lease. The first installment of Base Rent for the first full calendar month for which Base Rent shall be due (and the pro rated Base Rent for any initial partial month) shall be due and paid to Landlord when Tenant executes this Lease.

B. **Taxes and Expenses.** Tenant shall pay Landlord “Tenant’s Share of Taxes” and “Tenant’s Share of Expenses” in the manner described below. All such charges shall be deemed to constitute additional Rent which shall be deemed to accrue uniformly during the Fiscal Year in which the payment is due.

1. During each Fiscal Year after the Base Fiscal Year identified in Section 1(H) above, Tenant agrees to pay as additional Rent for the Premises, “Tenant’s Share” (defined below) of all increases in Taxes and Expenses incurred by Landlord in the operation of the Building and Property, over the amount of the Property Taxes and Expenses incurred by Landlord in the operation of the Building and Property during the Base Fiscal Year. For purposes of this Lease, “Tenant’s Share” shall mean the ratio between the rentable area of the Premises and the rentable area of the Building. Tenant’s Share, calculated based on the initial square foot area of the Premises, is set forth in Section 1(F) above, and is subject to adjustment as set forth in Section 31(M).

2. Prior to or promptly after the commencement of each Fiscal Year following the Base Fiscal Year, Landlord shall give Tenant a written estimate of the anticipated increases in Taxes and Expenses over the Base Fiscal Year and Tenant’s Share of such increases. Tenant shall pay such estimated amount to Landlord in equal monthly installments, in advance, without deduction or offset, on or before the first day of each calendar month, with the monthly installment of Base Rent payable pursuant to Section 4(A) above. After the end of each Fiscal Year, Landlord shall furnish to Tenant a statement showing in reasonable detail the actual increases over the Base Fiscal Year in the Taxes and Expenses incurred by Landlord during the applicable Fiscal Year and Tenant’s Share thereof. If the statement shows Tenant’s Share of the actual increases exceeds the amount of Tenant’s estimated payments, within thirty (30) days after receiving the statement, Tenant shall pay the amount of the deficiency to Landlord. If the statement shows Tenant has overpaid, the amount of the excess shall be credited against installments next coming due under this Section 4; provided, however upon the expiration or earlier termination of the Lease Term, if Tenant is not then in default under this Lease, Landlord shall refund the excess to Tenant.

3. If at any time during any Fiscal Year of the Lease Term (other than the Base Fiscal Year) the Taxes applicable to the Building and Property change and/or any information used by Landlord to calculate the estimated Expenses changes, Tenant’s estimated share of such Taxes and/or Expenses, as applicable, may be adjusted accordingly effective as of the month in which such changes become effective, by written notice from Landlord to Tenant of the amount or estimated amount of the change, the month in which effective, and Tenant’s Share thereof. Tenant shall pay such increase to Landlord as a part of Tenant’s monthly payments of estimated Taxes or Expenses as provided above, commencing with the month following the month in which Tenant is notified of the adjustment.

4. For purposes of this Lease, the term “ Expenses” means all costs of and expenses paid or incurred by Landlord for maintaining, operating, repairing, replacing and administering the Building and Property, including all common areas and facilities and Systems and Equipment, and shall include the following costs by way of illustration but not limitation: water and sewer charges; insurance premiums; license, permit, and inspection fees; heat; light; power; steam; janitorial and security services; labor; salaries; air conditioning; landscaping; maintenance and repair of driveways and surface areas; supplies; materials; equipment; tools; the cost of capital replacements (as opposed to capital improvements); the cost of any capital improvements or modifications made to the Building by Landlord that are intended to reduce Expenses, are required under any Laws not applicable to the Building or Property or not in effect at the time the Building was constructed, or are made for the general benefit and convenience of all tenants of the Building; all property management costs, including office rent for any property management office and professional property management fees; legal and accounting expenses; and all other expenses or charges which, in accordance with generally accepted management practices would be considered an expense of maintaining, operating, repairing, replacing or administering the Building or Property. Capital costs included in Expenses shall be amortized over such reasonable period as Landlord shall determine with a return on capital at the current market rate per annum on the unamortized balance or at such higher rate as may have been paid by Landlord on funds borrowed for the purpose of constructing such capital replacements or improvements.

“Notwithstanding any provision to the contrary contained herein, the following costs shall be excluded from the “Operating Costs” passed through to the Tenant: a) the costs of capital improvements to the Common Areas unless such costs are amortized over the reasonable life of the improvement; b) tenant improvement work performed for any premises in the Building intended to be occupied by other tenants; c) any reserves for future expenditures not yet incurred; d) costs incurred by the Landlord for repair and restoration to the extent that Landlord is reimbursed by insurance or condemnation proceeds or that the same is covered by warranty or Landlord’s insurance deductibles; e) attorney’s fees, leasing commissions and other costs or expenses in connection with negotiations or disputes with present or prospective tenants or other occupants of, or persons, firms or entities with respect to the Property; f) expenses in connection with services or benefits which are not offered to Tenant and all items and services for which the Tenant or any other tenant reimburses the Landlord directly or which Landlord provides exclusively to one or more tenants (other than Tenant) but not all tenants without reimbursement; g) costs incurred by the Landlord due to the negligence or misconduct of Landlord, or its agents and employees or due to the violation of any laws by Landlord or its agents and employees, or due to the violation by any tenants or other occupants of premises in the Building of any laws or of the terms and conditions of such tenant’s or occupants lease or agreement with respect to premises in the Building, including this Lease; h) interest, principal, points, fees on debts or amortization on any mortgage or mortgages or any debt instrument encumbering the Property; i) any costs associated with Hazardous Materials not resulting from the actions of the Tenant, j) Landlord’s general income taxes, and k) charitable contributions.

5. If at any time during a Fiscal Year the Building is not at least 95% occupied or Landlord is not supplying services to at least 95% of the total rentable area of the Building, Expenses shall, at Landlord’s option, be determined as if the Building had been 95% occupied and Landlord had been supplying services to 95% of the rentable area of the Building. If Expenses for a calendar year are determined as provided in the prior sentence, Expenses for the Base Fiscal Year shall also be determined in such manner. Notwithstanding the foregoing, Landlord may calculate the extrapolation of Expenses under this Section based on 100% occupancy and service so long as such percentage is used consistently for each Fiscal Year of the Term. The extrapolation of Expenses under this Section shall be performed in accordance with the methodology specified by the Building Owners and Managers Association.

6. Notwithstanding anything to the contrary contained above, as to each specific category of expense which one or more tenants of the Building, at Landlord's sole discretion, either pays directly to third parties or specifically reimburses to Landlord (e.g., separately metered utilities, separately contracted janitorial service, property taxes directly reimbursed to Landlord, etc.) such tenant(s) payments with respect thereto shall not be included in Expenses for purposes of this Paragraph 4, but Tenant's Share of each of such category of expense shall be adjusted by excluding from the denominator thereof the rentable area of all such tenants paying such category of expense directly to third parties or reimbursing the same directly to Landlord. Tenant shall not enter into separate contracts to provide any specific utility or service normally provided by the Building, without Landlord's prior written consent in Landlord's sole discretion. Moreover, if Tenant pays or directly reimburses Landlord for any such category of expense (which shall only be Landlord's prior consent), such category of expense shall be excluded from the determination of Expenses for Tenant to the extent such expense was incurred with respect to space in the Building actually leased to or occupied by other Tenants.

7. For purposes of this Lease, the term “Taxes” means all real estate taxes or personal property taxes and other taxes, surcharges and assessments, unforeseen as well as foreseen, which are levied with respect to the Building and Property and any improvements, fixtures and equipment and other property of Landlord, real or personal, located in the Building or on the Property and used in connection with the operation of the Building or Property and any tax, surcharge or assessment which shall be levied in addition to or in lieu of real estate or personal property taxes, other than taxes covered in Section 15.

The term "Taxes" shall also include any rental, excise, sales, transaction, privilege, or other tax or levy, however denominated, imposed upon or measured by the rental reserved hereunder or on Landlord's business of leasing the Premises, excepting only net income, inheritance, gift and franchise taxes.

C. **Prorations.** If the Term commences on a day other than the first day of a calendar month or ends on a day other than the last day of a calendar month, the Base Rent and any other amounts payable on a monthly basis shall be prorated on a per diem basis for such partial calendar months. If the Base Rent is scheduled to increase under Section 1 other than on the first day of a calendar month, the amount for such month shall be prorated on a per diem basis to reflect the number of days of such month at the then current and increased rates, respectively. If the Term commences other than on September 1, or ends other than on August 31, Tenant's obligations to pay amounts under this Section 4 towards Taxes or Expenses for such first or final Fiscal Years shall be prorated on a per diem basis to reflect the portion of such years included in the Term.

D. **Payments After Lease Term Ends.** Tenant's obligations to pay Tenant's Share of Taxes, Expenses (or any other amounts) as provided in this Lease accruing during, or relating to, the period prior to expiration or earlier termination of this Lease, shall survive such expiration or termination. Landlord may reasonably estimate all or any of such obligations within a reasonable time before, or after, such expiration or termination. Tenant shall pay the full amount of such estimate, and any additional amount due after the actual amounts are determined, in each case within ten (10) days after Landlord sends a statement therefor. Landlord shall use commercially reasonable efforts to provide such statement to Tenant within one hundred twenty (120) days of the end of each Fiscal Year during the Term. If the actual amount is less than the amount Tenant pays as an estimate, Landlord shall refund the difference within thirty (30) days after such determination is made.

E. **Landlord's Accounting Practices and Records.** Provided Tenant is not then in default of any term or condition of this Lease, in the event any item of additional Rent increases by more than ten percent (10%) over the amount charged for such item for the preceding year, Tenant may take exception to charge by written notice to Landlord as set forth herein; provided, if Tenant does not so take exception by notice to Landlord within thirty (30) days after Landlord provides any statement to Tenant for any such item of additional Rent, such statement shall be considered final and binding on Tenant (except as to additional expenses, taxes or capital expenditures not then known or omitted by error). If Tenant takes exception by notice within such time and otherwise complies with the conditions set forth above, Landlord shall seek confirmation from Landlord's independent certified public accountant as to the proper amount of taxes, expenses or capital expenditures determined in accordance with sound accounting practices. In such case: (i) such confirmation shall be considered final and binding on both parties (except as to additional expenses or taxes not then known or omitted by error), and (ii) Tenant shall pay Landlord for the cost of such confirmation, unless it shows that Tenant's Share of Taxes or Tenant's Share of Expenses were overstated by at least five percent (5%). Pending resolution of any such exceptions, Tenant shall pay all amounts shown on such Landlord's statement, subject to credit, refund or additional payment after any such exceptions are resolved.

F. **General Payment Matters.** Base Rent, Tenant's Share of Taxes, Tenant's Share of Expenses, additional Rent, and any other amounts which Tenant is or becomes obligated to pay Landlord under this Lease or other agreement entered in connection herewith, are sometimes herein referred to collectively as "Rent," and all remedies applicable to the non-payment of Rent shall be applicable thereto. Rent shall be paid in good funds and legal tender of the United States of America without prior demand, deduction, recoupment, set-off or counterclaim, and without relief from any valuation or appraisal laws. Rent obligations hereunder are independent covenants. In addition to all other Landlord remedies (i) any Rent not paid by Tenant when due shall accrue interest equal to the lesser of eighteen percent (18%) or the maximum rate permitted by law, compounded monthly five (5) days after the date the payment is due until paid and (ii) in addition to such interest, Tenant shall pay Landlord a service charge of two hundred fifty dollars (\$250.00) or five percent (5%) of the delinquent amount, whichever is greater, if any portion of Rent is not received within five (5) days after the due date. A Forty and no/100 Dollar (\$40.00) fee shall be due and payable to Landlord upon demand for any returned checks made for payment by Tenant. No delay by Landlord in providing any Rent statement to Tenant shall be deemed a default by Landlord or a waiver of Landlord's right to require payment of Tenant's obligations hereunder including those for actual or estimated taxes, expenses or capital expenditures. In no event shall a decrease in taxes or expenses (or the Base Fiscal Year) ever decrease the monthly Base Rent or give rise to a credit in favor of Tenant. Landlord may apply payments received from Tenant to any obligations of Tenant then accrued, without regard to such obligations as may be designated by Tenant.

SECTION 5 QUIET ENJOYMENT

Landlord agrees that if Tenant timely pays the Rent and performs the terms and provisions hereunder, Tenant shall hold the Premises during the Term, free of lawful claims by any party acting by or through Landlord, subject to all other terms and provisions of this Lease.

SECTION 6 UTILITIES, SERVICES AND COMMON AREAS

A. **Standard Utilities.** Provided Tenant is not in default of this Lease, Landlord shall provide Tenant the following utilities and services:

1. Elevator service during normal business hours of the Building and the service of at least one elevator during all other hours.
2. Heating and cooling to maintain a temperature condition which in Landlord's judgment provides for comfortable occupancy of the Premises under normal business operations from 7 a.m. to 6 p.m. daily, except for Saturdays, Sundays and those legal holidays generally observed in the State of Washington, provided Tenant complies with Landlord's instructions regarding use of drapes and thermostats and Tenant does not utilize heat generating machines or equipment which affect the temperature otherwise maintained by the air cooling system. Upon request Landlord shall make available at Tenant's expense after hours heat or air cooling. The minimum use of after hours heat or air cooling and the cost thereof shall be determined by Landlord and confirmed in writing to Tenant, as the same may change from time to time.
3. Water for drinking, lavatory, and toilet purposes.
4. Electricity for building standard lighting and operation of customary office machines in quantities usually furnished by Landlord to tenants in the Building for general office use. Customary office machines are typewriters, desktop calculators, desk top computer terminals, standard printers and copy machines and similar equipment with similar power requirements which operate on 110-volt circuits.
5. Janitorial service as customary for comparable buildings within the local geographic rental market within which the Building is located which includes vacuum cleaning of carpets and cleaning of Building standard vinyl composition tile, but no other services with respect to carpets or non standard floor coverings.
6. Maintain the windows, doors, floors and walls (exclusive of coverings), ceilings, plumbing and plumbing fixtures, and electrical distribution system and lighting fixtures in good condition and repair, except for damage caused by Tenant, its employees, agents, invitees or visitors, except that such service will not be provided as to any of the foregoing items that are not standard for the Building.
7. Replacement of burned out fluorescent tubes in light fixtures which are standard for the Building. Burned out bulbs, tubes or other light sources in fixtures which are not standard for the Building will be replaced by Landlord at Tenant's expense.

B. Interruptions and Emergency Measures. Landlord shall use reasonable diligence to remedy an interruption in the furnishing of such services and utilities. If, however, any governmental authority imposes regulations, controls or other restrictions upon Landlord or the Building which would require a change in the services provided by Landlord under this Lease (collectively "Government Regulations"), or if Landlord reasonably determines an interruption or other change in utilities, services or Building access is required due to an emergency or other similar concern for the safety or health of Building Occupants (collectively "Emergency Measures"), Landlord may proceed with such Emergency Measures and may comply with such Government Regulations, including without limitation, curtailment, rationing or restrictions on Building or Premises access, the use of electricity or any other form utilities or services serving the Premises. Tenant will cooperate and do such things as are reasonably necessary to comply with Landlord's Emergency Measures, and to enable Landlord to comply with such Government Regulations and Landlord shall have no liability to Tenant for any loss, damage or expense Tenant may sustain due to such Emergency Measures or Government Regulations. In addition, and notwithstanding anything in this Lease to the contrary, Landlord does not warrant that any of the services and utilities referred to above will be free from interruption. Interruption of services and utilities shall not be deemed an eviction or disturbance of Tenant's use and possession of the Premises or any part thereof, or render Landlord liable to Tenant for damages or loss of any kind, or relieve Tenant from performance of Tenant's obligations under this Lease. Notwithstanding anything to the contrary in this Lease, if (i) any utilities or services to the Premises are interrupted or discontinued due to a cause within Landlord's reasonable control, (ii) Tenant is unable to, and does not, use the Premises as a result of such interruption or discontinuance, (iii) Tenant shall have given notice respecting such interruption or discontinuance to Landlord, and (iv) Landlord fails to cure such interruption or discontinuance within seven (7) consecutive days after receiving such notice, then Rent hereunder shall thereafter be abated until such time as such services or utilities are restored or Tenant begins using the Premises again, whichever shall first occur. Such abatement of Rent shall be Tenant's sole recourse in the event of a discontinuance or interruption of services or utilities required to be provided by Landlord hereunder.

C. **Non-Standard and Excessive Usage.** Whenever heat generating machines or equipment or lighting are used in the Premises by Tenant which adversely affect the temperature, Landlord shall have the right to install supplementary air cooling units in the Premises, and the cost thereof, including the cost of installation and the cost of operation and maintenance thereof, shall be paid by Tenant to Landlord upon billing by Landlord. To the extent not separately metered and directly paid by Tenant to the utility provider, Landlord may impose a reasonable charge for utilities and services, including without limitation, air cooling, electric current and water, required to be provided the Premises by reason of, (a) any use beyond what Landlord agrees to furnish as described above, (b) electricity used by equipment designated by Landlord as high power usage equipment or (c) the installation, maintenance, repair, replacement or operation of supplementary air cooling equipment, additional electrical systems or other equipment required by reason of special electrical, heating, cooling or ventilating requirements of equipment used by Tenant at the Premises. High power usage equipment includes without limitation, data processing machines, high speed or capacity reproduction equipment, and machines which operate on 220 volt circuits. Tenant shall not install or operate high power usage equipment on the Premises without Landlord's prior written consent, which may be refused unless (i) Tenant confirms in writing its obligation to pay the additional charges necessitated by such equipment and such equipment does not adversely affect operation of the Building, and (ii) the Building electrical capacity to the floor(s) containing the Premises will not be exceeded. At Landlord's option, separate meters for such utilities and services may be installed for the Premises and Tenant upon demand therefor, shall immediately pay Landlord for the installation, maintenance, repair and replacement of such meters.

D. **Utility Providers.** Notwithstanding anything to the contrary in this Lease, Landlord shall have the sole, exclusive and absolute right to determine, select and contract with utility company or companies that will provide electricity and other basic utility service, including without limitation fiber optic and satellite telecommunication services, to the Building, Property and Premises. If permitted by law, during the Term of this Lease, Landlord shall have the right at any time, and from time to time, to either contract for services from a different company or companies providing electricity or other basic utility service (each such company hereinafter an "Alternate Service Provider") or continue to contract for service from the service provider(s) that is providing such utility service to the Building, Property or Premises at the Commencement Date (each the "Existing Service Provider"). Tenant shall cooperate with Landlord, the Existing Service Provider and any Alternate Service Provider at all times and, as reasonably necessary, shall allow Landlord, the Existing Service Provider and any Alternate Service Provider access to the Building's utility lines, plumbing, feeders, risers, wiring, and any other machinery or utility access ways within the Premises.

E. **Common Areas.** As used herein, the term "Common Area" shall mean all Building areas and facilities which are available for the nonexclusive use of Landlord's commercial tenants and their employees, customers, visitors, invitees, and others, and does not include any areas reserved by Landlord for the exclusive use of Landlord's residential Tenants (if any), as determined by Landlord from time to time. Tenant and its employees and its invitees shall have the right to use the Common Area in common with other persons during the term of this Lease, subject to reasonable rules and regulations as may from time to time be determined necessary or advisable in Landlord's sole discretion for the proper and efficient operation and maintenance of the Common Area. Such rules and regulations may include, among other things, the hours during which the Common Area shall be open for use. Landlord shall manage, maintain and operate the Common Area in reasonably good condition and the cost thereof shall be included in Expenses as provided in Section 4 above; provided, that any damage thereto occasioned by the act of Tenant or its employees shall be paid by Tenant upon demand by Landlord.

SECTION 7 DEPOSITS

A. **Security Deposit.** Upon execution of this Lease, Tenant shall deposit a security deposit as set forth in Section 1 with Landlord. If Tenant is in default, Landlord can use the security deposit or any portion of it to cure the default or to compensate Landlord for any damages sustained by Landlord resulting from Tenant's default. Upon demand, Tenant shall immediately pay to Landlord a sum equal to the portion of the security deposit expended or applied by Landlord to restore the security deposit to its full amount. In no event will Tenant have the right to apply any part of the security deposit to any Rent or other sums due under this Lease. If Tenant is not in default at the expiration or termination of this Lease, Landlord shall return the security deposit to Tenant. Landlord's obligations with respect to the deposit are those of a debtor and not of a trustee, and Landlord can commingle the security deposit with Landlord's general funds. Landlord shall not be required to pay Tenant interest on the deposit. Landlord shall be entitled to immediately endorse and cash Tenant's prepaid deposit; however, such endorsement and cashing shall not constitute Landlord's acceptance of this Lease. In the event Landlord does not accept this Lease, Landlord shall return said prepaid deposit. Unless otherwise provided in Section 1, the security deposit shall be equal to one month's Minimum Rent during the final twelve month period of the Lease Term, and in the event of any extension or renewal of the Lease Term, the deposit shall (if necessary) be increased to equal the highest monthly Minimum Rent payable during any such extended or renewal term.

SECTION 8 USE, COMPLIANCE WITH LAWS AND RULES

A. **Use of Premises and Compliance With Laws.** Tenant shall use the Premises solely for the business use set forth in Section 1 and for no other purpose without obtaining the prior written consent of Landlord, which shall not be unreasonably withheld for uses consistent with Landlord's then existing use criteria for the Building. Tenant, its employees, agents, contractors and invitees, use or occupancy of the Building shall at all times be in a manner compatible with a first class office building. Tenant acknowledges that neither Landlord nor any agent of Landlord has made any representation or warranty with respect to the Premises or with respect to the suitability of the Premises or the Building for the conduct of Tenant's business, or with respect to the type or mix of tenants in the Building, nor has Landlord agreed to undertake any modification, alteration or improvement to the Premises or the Building, except as provided in writing in this Lease. Tenant acknowledges that Landlord may from time to time, at its sole discretion, make such modifications, alterations, repairs, deletions or improvements to the Building or Property as Landlord may deem necessary or desirable, without compensation or notice to Tenant, provided that such alterations, repairs, deletions or improvements shall not materially adversely affect Tenant's use of the Premises during normal daytime business hours and in no event shall Landlord be liable for any consequential damages. Tenant shall promptly comply with all Laws affecting the Premises and the Building, as well as the Rules (defined below), and to any reasonable modifications to the Rules as Landlord may adopt from time to time. Tenant acknowledges that, except for Landlord's obligations pursuant to Sections 9 and 30, Tenant is solely responsible for ensuring that the Premises comply with any and all Laws applicable to Tenant's use of and conduct of business on the Premises, and that Tenant is solely responsible for any alterations or improvements that may be required by such Laws, now existing or hereafter adopted. Tenant shall not do or permit anything to be done in or about the Premises or bring or keep anything in the Premises that will in any way increase the premiums paid by Landlord on its insurance related to the Building or which will in any way increase the premiums for fire or casualty insurance carried by other tenants in the Building. Tenant will not perform any act or carry on any practices that may injure the Premises or the Building that may be a nuisance or menace to other tenants in the Building or that shall in any way interfere with the quiet enjoyment of such other tenants. Tenant shall not do anything on the Premises which will overload any service to the Premises.

B. **Rules.** Tenant shall comply with the Rules set forth in Rider One attached hereto (the "Rules") in addition to all other terms of this Lease. Landlord shall have the right, by notice to Tenant or by posting at the Building, to reasonably amend such Rules and supplement the same with other reasonable Rules relating to the Building, or the promotion of safety, care, efficiency, cleanliness or good order therein. Nothing herein shall be construed to give Tenant or any other Person any claim, demand or cause of action against Landlord arising out of the violation of such Rules by any other tenant or visitor of the Property, or out of the enforcement, modification or waiver of the Rules by Landlord in any particular instance.

C. **No Discrimination.** Tenant shall not discriminate in the conduct and operation of its business in the Premises against any person or group of persons because of the race, creed, color, sex, handicap, national origin or ancestry of that person or group of persons. Tenant certifies it will not discriminate in employment on the basis of race, color, religion, sex, national origin, veteran status or physical or mental disability in regard to any position for which the employee is qualified, in compliance with (a) Presidential Executive Order 11246, as amended, including the Equal Opportunity Clause contained therein; (b) Section 503 of the Rehabilitation Act of 1973, as amended, and the Vietnam Era Veterans Readjustment Act of 1974, as amended, and the Affirmative Action Clauses contained therein; and (c) the Americans with Disabilities Act of 1990, as amended. Tenant agrees it will not maintain facilities which are segregated on the basis of race, color, religion or national origin in compliance with Presidential Executive Order 11246, as amended, and will comply with the Americans with Disabilities Act of 1990, as amended, regarding its programs, services, activities and employment practices.

D. **Patriot Act Certification.** Tenant represents and warrants to Landlord that Tenant is currently in compliance with and shall at all times during the Term (including any extension thereof) remain in compliance with the regulations of the Office of Foreign Asset Control ("OFAC") of the Department of the Treasury (including those named on OFAC's Specially Designated and Blocked Persons List) and any statute, executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism), or other governmental action relating thereto.

SECTION 9 MAINTENANCE AND REPAIRS

Unless expressly provided otherwise in this Lease, Landlord shall maintain, in good condition, the Common Area, the structural parts of the Building which shall include only the foundations, bearing and exterior walls, subflooring, gutters, downspouts, and the roof of the Building and the Building Systems, including the heating, ventilating, air-conditioning, plumbing and electrical systems serving the Premises, and related equipment and the cost thereof shall be included in Expenses as provided in Section 4 above; provided, in the event any such replacements, repairs or maintenance are caused by or result from Tenant's excessive or improper use or occupation thereof or which are caused by or result from the negligence or improper conduct of Tenant, its agents, employees or invitees, the cost of such repairs shall be paid solely by Tenant and Tenant shall pay the cost thereof within ten (10) days of notice from Landlord. Except as provided above, and subject to Section 10 of this Lease, Tenant shall maintain and repair the Premises in neat, clean, sanitary and good condition, excepting normal wear and tear, including, without limitation, maintaining and repairing all walls, storefronts, ceilings, interior and exterior doors, any ground floor exterior windows and all interior windows and fixtures, floors and floor coverings, flues, vents, any kitchen equipment, Premises' specific systems and equipment, and interior plumbing serving the Premises as well as any damage to the Building, Property or Premises caused by Tenant, its agents, employees or invitees. If Tenant shall fail to keep and preserve the Premises in said condition and state or repair, excepting normal wear and tear, Landlord may, at its option (but with no obligation) put or cause the same to be put into the condition and state of repair agreed upon, and in such case Tenant, on demand, shall pay the cost thereof.

SECTION 10 ALTERATIONS AND LIENS

A. **Alterations.** Subsequent to the completion of any Landlord Tenant Improvement Work pursuant to Section 2, Tenant shall not attach any fixtures, equipment or other items to the Premises, or paint or make any other additions, changes, alterations, repairs or improvements (collectively hereinafter "alterations") to the Premises, Building or Property without Landlord's prior written consent, which with respect to alterations to the Premises will not be unreasonably withheld so long as Tenant is not then, nor has been, in default of this Lease (beyond any applicable cure period). If Landlord consents to any alteration, Landlord may post notices of nonresponsibility in accordance with law. Any alterations so made shall remain on and be surrendered with the Premises upon expiration or earlier termination of this Lease, except that Landlord may, within thirty (30) days before or thirty (30) days after expiration or earlier termination hereof elect to require Tenant to remove any or all alterations at Tenant's sole costs and expense. At the time Tenant submits plans for requested alterations to Landlord for Landlord's approval (including any and all plans for initial improvements pursuant to Exhibit B), Tenant may request in writing that Landlord to identify which alterations Landlord may require Tenant to remove at the termination of or expiration of this Lease, and Landlord shall make such identification simultaneous with its approval (if any) of the alterations, and, in such event Tenant shall not be required to remove any alterations not so identified. If Landlord elects to require removal of alterations, then at its own and sole cost and expense, Tenant shall restore the Premises to the condition designated by either Landlord in their election, before the last day of the term or within thirty (30) days after notice of its election is given, whichever is later.

B. **Performance.** In the event Landlord consents in writing to Tenant's requested alteration of the Premises, Tenant shall only contract with a contractor approved by Landlord for the construction of such alterations, shall secure all appropriate governmental approvals and permits and shall complete such alterations with due diligence, in a neat, clean, good and workmanlike manner and in strict compliance with the plans and specifications approved by Landlord. All such construction shall be performed in a manner which shall not interfere with the occupancy of the other tenants of the Building. All cost, expenses and fees related to or arising from construction of any alteration shall be paid by Tenant prior to delinquency. There shall also be included within the cost of any such alteration work (whether for initial tenant improvements or for any subsequent alteration) a fee to Landlord for Tenant's use of Landlord's personnel involved in the supervision, coordination, inspection and the like pertaining to such work. Said fee shall be ten percent (10%) of the total cost of the alteration work (including costs of plans and permits), plus Landlord's out-of-pocket costs (if any), which shall be paid by Tenant within ten (10) days after presentment by Landlord of an invoice therefor. Landlord may impose additional reasonable conditions and rules respecting the manner and times in which such alteration work may be performed.

C. **Liens.** Tenant shall pay all costs for alterations when due. Tenant shall keep the Property, Building, Premises and this Lease free from any mechanic's, materialman's, architect's, engineer's or similar liens or encumbrances, and any claims therefor, or stop or violation notices, in connection with any alteration. Tenant shall remove any such claim, lien or encumbrance, or stop or violation notices of record, by bond or otherwise within ten (10) days after notice by Landlord. If Tenant fails to do so, such failure shall constitute a default by Tenant, and Landlord may, in addition to any other remedy, pay the amount (or any portion thereof) or take such other action as Landlord deems necessary to remove such claim, lien or encumbrance, or stop or violation notices, without being responsible for investigating the validity thereof. The amount so paid and costs incurred by Landlord shall be deemed additional Rent under this Lease payable upon demand, without limitation as to other remedies available to Landlord. Nothing contained in this Lease shall authorize Tenant to do any act which shall subject Landlord's title to, or any Lender's interest in, the Building, Property or Premises to any such claims, liens or encumbrances, or stop or violation notices, whether claimed pursuant to statute or other Law or express or implied contract.

SECTION 11 INSURANCE AND WAIVER OF SUBROGATION

A. **Insurance.** During the term of this Lease, Tenant at its sole cost and expense shall continuously maintain the following types of insurance coverages: (i) Property Damage Insurance for the protection of Tenant and Landlord, as their interests may appear, covering all of Tenant's improvements and alterations to the premises, Tenant's personal property, business records, fixtures and equipment, and other insurable risks for "all risk" perils, excluding earthquake and flood, in an amount not less than the full insurance replacement cost of such property and the full insurable value of such other interests of Tenant, with coverages that also include "Business Personal Property," and "Business Income Coverage" covering at least one year of anticipated income; and (ii) Worker's Compensation Insurance (if applicable) in the amounts required by statute together with Employer Liability Insurance (or Washington Stop Gap Liability) with bodily injury by accident with limits of at least \$1,000,000 each accident, bodily injury by disease with limits of at least \$1,000,000 each employee, and an aggregate bodily injury by disease limit of at least \$1,000,000 policy limit; and (iii) Commercial General Liability Insurance (occurrence based) with limits of \$2,000,000 each occurrence, and in the aggregate, with coverage for death and bodily injury, property damage or destruction (including loss of use), product and completed operations liability, contractual liability, fire legal liability, personal injury liability and advertising injury liability; (iv) Automobile liability for use of "any auto" with a bodily injury and property damage combined single limit of at least \$1,000,000. Landlord reserves the right to require that tenant provide evidence of any additional insurance as it deems appropriate (i.e., liquor liability, professional liability, etc.). All insurance required to be carried by Tenant hereunder shall include the following provisions: (i) shall name Landlord, and Landlord's lender (if any) as additional insureds; (ii) shall release Landlord (and its lender, if any) from any claims for damage to business or to any person or the Premises, the Building and the Property and to Tenant's fixtures, personal property, improvements and alterations in or on the Premises, caused by or resulting from risks insured against under any insurance policy carried by Tenant in force at the time of such damage; (iii) shall be issued by Insurance companies authorized to do business in the State of Washington with a financial rating of at least an "A-" status as rated in the most recent edition of Best's Key Rating Guide; (iv) shall be issued as a primary and noncontributory policy; and (v) shall contain an endorsement requiring at least thirty (30) days prior written notice of cancellation to Landlord and Landlord's lender (if any), before cancellation or change in coverage, scope or amount of any policy. Tenant shall deliver certificates of such policies together with evidence of payment of all current premiums to Landlord within thirty (30) days of execution of this Lease. Any certificate of insurance shall designate Tenant as the insured, specify the Premises location, list Landlord (and its lender, if any) as additional insureds (with the additional insured endorsement attached thereto), and list Landlord with Landlord's current address as "Certificate Holder." Tenant shall take all necessary steps to renew all insurance at least thirty (30) days prior to such insurance expiration dates and shall provide Landlord a copy of the renewed certificate, prior to said policy's expiration date. If Tenant fails at any time to maintain the insurance required by this Lease, and fails to cure such default within five (5) business days of written notice from Landlord then, in addition to all other remedies available under this Lease and applicable law, Landlord may purchase such insurance on Tenant's behalf and the cost of such insurance shall be additional Rent due within ten (10) days of written invoice from Landlord to Tenant.

B. **Waiver of Subrogation.** Landlord and Tenant release and relieve the other, and waive the entire right of recovery for loss or damage to property located within or constituting a part or all of the Premises, the Building or the Property to the extent that the loss or damage is actually covered (and claim amount recovered) by commercial insurance carried by either party and in force at the time of such loss or damage, or such loss would have been covered if the other party had maintained the insurance required to be carried by such party pursuant to the terms of this Lease. This waiver applies whether or not the loss is due to the negligent acts or omissions of Landlord or Tenant, or their respective officers, directors, employees, agents, contractors, or invitees. Each of Landlord and Tenant shall have their respective property insurers endorse the applicable insurance policies to reflect the foregoing waiver of claims, provided, however, that the endorsement shall not be required if the applicable policy of insurance permits the named insured to waive rights of subrogation on a blanket basis, in which case the blanket waiver shall be acceptable.

SECTION 12 CASUALTY DAMAGE

In the event the Building or Premises shall be destroyed or rendered untenantable, either wholly or in part, by fire or other casualty, Landlord may, at its option, restore the Building or Premises to as near their previous condition as is reasonably possible and in the meantime the Rent shall be abated in the same proportion as the untenantable portion of the Premises bears to the whole thereof, provided, such abatement (i) shall apply only to the extent the Premises are untenantable for the purposes permitted under this Lease and not used by Tenant as a result thereof, and (ii) shall not apply if Tenant or any other occupant of the Premises or any of their agents, employees, invitees, transferees or contractors caused the damage. Unless Landlord, within sixty (60) days after the happening of any such casualty, shall notify Tenant of its election to so restore, this Lease shall thereupon terminate and end, provided, if in Landlord's estimation the Premises cannot be restored within one hundred twenty (120) days following such casualty, Landlord shall notify Tenant and Tenant may terminate this Lease (regardless of Landlord's intent to restore) by delivery of notice to Landlord within thirty (30) days of Landlord's notice. Such restoration by Landlord shall not include replacement of furniture, equipment or other items that do not become part of the Building or any improvements to the Premises in excess of those provided for in the allowance for building standard items. Tenant agrees that the abatement of Rent as provided above shall be Tenant's sole and exclusive recourse in the event of such casualty damage, and Tenant waives any other rights Tenant may have under applicable Law to perform repairs or terminate the Lease by reason of damage to the Building or Premises.

SECTION 13 CONDEMNATION

If at least fifty percent (50%) of the rentable area of the Premises shall be taken by power of eminent domain or condemned by a competent authority or by conveyance in lieu thereof for public or quasi-public use ("Condemnation"), including any temporary taking for a period of one year or longer, this Lease shall terminate on the date possession for such use is so taken. If: (i) less than fifty percent (50%) of the Premises is taken, but the taking includes or affects a material portion of the Building or Property, or the economical operation thereof, (ii) less than fifty percent (50%) of the Premises are taken and in the reasonable judgment of Landlord the remaining Premises are not usable for the business of Tenant, or (iii) the taking is temporary but will be in effect for more than ninety (90) days, then in either such event, Landlord may elect to terminate this Lease upon at least thirty (30) days' prior notice to Tenant. The parties further agree that: (a) if this Lease is terminated, all Rent shall be apportioned as of the date of such termination or the date of such taking, whichever shall first occur, (b) if the taking is temporary, Rent shall not be abated for the period of the taking, but Tenant may seek a condemnation award therefor (and the Term shall not be extended thereby), and (c) if this Lease is not terminated but any part of the Premises is permanently taken, the Rent shall be proportionately abated based on the square footage of the Premises so taken. Landlord shall be entitled to receive the entire award or payment in connection with such Condemnation and Tenant hereby assigns to Landlord any interest therein for the value of Tenant's unexpired leasehold estate or any other claim and waives any right to participate therein, and Tenant shall make no claim against Landlord for termination of the leasehold interest or interference with Tenant's business. Tenant, however, shall have the right to claim damages from the condemning authority for a temporary taking of the leasehold as described above, for moving expenses and any taking of Tenant's personal property and for the interruption to Tenant's business, but only if such damages are awarded separately in the eminent domain proceeding and not as part of the damages recovered by Landlord.

SECTION 14 ASSIGNMENT AND SUBLETTING

A. **Consent Required.** Tenant shall not, without the prior written consent of Landlord, assign this Lease or any interest therein, or sublet the Premises or any part thereof, or permit the use of the Premises by any party other than Tenant or otherwise transfer this Lease (collectively "transfer"). Such consent shall be entirely discretionary with Landlord, except as otherwise provided in this Section 14. Consent to one such transfer shall not destroy or waive this provision, and all subsequent transfers shall likewise be made only upon obtaining prior written consent of Landlord. Subtenants or assignees shall become directly liable to Landlord for all obligations of Tenant hereunder, without relieving Tenant of any liability.

B. **Transfers.** If Tenant is a corporation, limited liability company or other entity, then any transfer of this Lease by merger, consolidation or liquidation, or any change in the ownership of, or power to vote, the majority of its outstanding voting stock, membership interest or similar, shall constitute an assignment for the purpose of this Section 14. If Tenant is a partnership or limited liability company, any transfer of this Lease by merger, consolidation, liquidation or dissolution, or any change in the ownership of a majority of the partnership or membership interests, shall constitute an assignment for the purposes of this Section 14. An assignment forbidden within the meaning of this Section includes without limitation one or more sales or transfers, by operation of law or otherwise, or creation of new stock, by which an aggregate of more than fifty percent (50%) of Tenant's stock shall be vested in a party or parties who are nonstockholders as of the date hereof. This Section 14(B) shall not apply if Tenant's stock is listed on a recognized security exchange or if at least eighty percent (80%) of its stock is owned by a corporation whose stock is listed on a recognized security exchange.

C. **Recapture.** If Tenant at any time desires to transfer this Lease or any part thereof (other than in connection with the sale of Tenant's business to a third party), it shall first notify Landlord in writing of its desire to do so, and offer Landlord the right to recapture, at the per square foot rental for the space then applicable pursuant to this Lease or the rental which Tenant proposed to obtain whichever is lower, all or any part of the Premises which Tenant desires to assign or sublet. Landlord, upon receipt of such notice, shall have the option, to be exercised within sixty (60) days from the date of the receipt of such notice, to require Tenant to execute an assignment to Landlord of this Lease (if Tenant desires to assign this Lease) or a sublease to Landlord of the Premises or such portion thereof as Tenant desires to sublet with the right of Landlord to sublease to others, or anyone designated by Landlord. If Landlord exercises such option and such assignment or sublease is at the rental specified in this Lease, Tenant shall be released of all further liability hereunder, from and after the effective date of such assignment or sublease, with respect to that portion of the Premises included therein. If Landlord does not exercise such option within such time, Tenant may thereafter assign this Lease or sublet the premises involved, provided Landlord consents thereto, but at a rental not less than offered to Landlord in the notice and not later than ninety (90) days after delivery of the aforesaid notice unless a further notice is given. In the event Landlord does not exercise its right to terminate this Lease or to sublet a portion of the Premises from Tenant and Landlord has granted its written consent, Tenant may assign this Lease or sublet all or a portion of the Premises in accordance with Landlord's consent. Any Rent accruing to Tenant as a result of such assignment or sublease which is in excess of the Rent then being paid by Tenant, or in excess of the pro rata share of Rent then being paid by Tenant for the portion of the Premises being sublet, shall be paid by Tenant to Landlord monthly as additional rent.

D. **Costs.** Whether or not Landlord consents to a proposed transfer (or exercises its right to recapture), Tenant shall reimburse Landlord on demand for any and all reasonable costs that may be incurred by Landlord in connection with any proposed transfer including, without limitation, the cost of investigating the acceptability of the proposed transferee and Landlord's reasonable attorneys' fees incurred in connection with each proposed transfer.

E. **Notice.** Any notice or request to Landlord with respect to a proposed assignment or sublease shall contain the name of the proposed assignee or subtenant (collectively "transferee"), the nature of the proposed transferee's business to be conducted at the Premises, and the terms and provisions of the proposed transfer. Tenant shall also provide Landlord with a copy of the proposed transfer documents when available, and such financial and other information with respect to the proposed transferee and transfer that Landlord may reasonably require.

F. **Consent.** Notwithstanding the foregoing, in the event of a proposed transfer, if Landlord does not exercise its option under Section 14(C), then Landlord will not unreasonably withhold its consent thereto if (a) Tenant is not then, nor has been, in default of this Lease (beyond any applicable cure period), (b) the proposed transferee will continuously occupy and use the Premises for the term of the transfer, (c) the use by the proposed transferee will be the same as Tenant's use of the Premises, (d) the proposed transferee is reputable and of acceptable financial condition, (e) the transfer will not directly or indirectly cause Landlord to be in breach of any contractual obligation, (f) the proposed transferee is not an existing tenant or subtenant of any other premises located on the Property, and (g) with respect to transfer of substantially all of the Premises, the Rent under this Lease is amended (if necessary) to be the Rent Landlord is then willing to accept from others for the Premises during the remaining term of the Lease as assigned or other term of the sublease, which shall be the then fair rental value thereof as reasonably determined by Landlord, which may be a fixed monthly amount or an amount that increases periodically. In all other cases, Landlord may withhold consent in its sole discretion.

G. **Terms.** Any option(s) granted to Tenant in this Lease, or any option(s) granted to Tenant in any amendments to this Lease, to the extent that said option(s) have not been exercised, shall terminate and be voided in the event this Lease is assigned, or any part of the Premises are sublet, or Tenant's interest in the Premises are otherwise transferred, unless otherwise agreed to by Landlord.

SECTION 15 PERSONAL PROPERTY, RENT AND OTHER TAXES

Tenant shall pay prior to delinquency all taxes, charges or other governmental impositions assessed against, levied upon or otherwise imposed upon or with respect to all fixtures, furnishings, personal property, systems and equipment located in or exclusively serving the Premises, and any improvements made to the Premises under or pursuant to the provisions of this Lease. Whenever possible, Tenant shall cause all such items to be assessed and billed separately from the other property of Landlord. In the event any such items shall be assessed and billed with the other property of Landlord, Tenant shall pay Landlord its share of such taxes, charges or other governmental impositions within ten (10) days after Landlord delivers a statement and a copy of the assessment or other documentation showing the amount of impositions applicable to Tenant's property. Tenant shall pay any rent tax, sales tax, service tax, transfer tax, value added tax, or any other applicable tax on the Rent, utilities or services herein, the privilege of renting, using or occupying the Premises, or collecting Rent therefrom, or otherwise respecting this Lease or any other document entered in connection herewith.

SECTION 16 DEFAULT; LANDLORD'S REMEDIES

A. **Default.** The occurrence of any one or more of the following events shall constitute a "Default" by Tenant and shall give rise to Landlord's remedies set forth in Section 16(B) below: (i) failure to make when due any payment of Rent, unless such failure is cured within three (3) days after notice from Landlord; (ii) failure to observe or perform any term or condition of this Lease other than the payment of Rent (or the other matters expressly described herein), unless such failure is cured within any period of time following notice expressly provided with respect thereto in other Sections hereof, or otherwise within a reasonable time, but in no event more than thirty (30) days following notice from Landlord (provided, if the nature of Tenant's failure is such that more time is reasonably required in order to cure, Tenant shall not be in Default if Tenant commences to cure promptly within such period and thereafter diligently pursues its completion); (iii) failure to cure immediately upon notice thereof any condition which is hazardous, interferes with another tenant or the operation or leasing of the Property, or may cause the imposition of a fine, penalty or other remedy on Landlord or its agents or affiliates; (iv) abandonment and vacation of the Premises (failure to occupy and operate the Premises for ten (10) consecutive days while in monetary default under this Lease shall conclusively be deemed an abandonment and vacation); or (v) Tenant, or any guarantor of this Lease ("Guarantor"), filing by or for reorganization or arrangement under any Law relating to bankruptcy or insolvency (unless, in the case of a petition filed against Tenant or such Guarantor, the same is dismissed within thirty (30) days); (b) Tenant's or any Guarantor's insolvency or failure, or admission of an inability, to pay debts as they mature, or (c) a violation by Tenant or any affiliate of Tenant under any other lease or agreement with Landlord or any affiliate thereof which is not cured within the time permitted for cure thereunder. Additionally, if Tenant violates the same term or condition of this Lease on two (2) occasions during any twelve (12) month period, Landlord shall have the right to exercise all remedies for any violations of the same term or condition during the next twelve (12) months without providing further notice or an opportunity to cure. The notice and cure periods provided herein are intended to satisfy any and all notice requirements imposed by Law on Landlord and are in lieu of, and not in addition to, any notice and cure periods provided by Law; provided, Landlord may elect to comply with such notice and cure periods provided by Law.

B. **Remedies.** If a Default occurs, Landlord shall have the rights and remedies hereinafter set forth to the extent permitted by Law, which shall be distinct, separate and cumulative with and in addition to any other right or remedy allowed under any Law or other provision of this Lease:

(i) Landlord may terminate Tenant's right to possession without termination of this Lease, or Landlord may terminate this Lease and Tenant's right to possession, at any time following a Default; provided, no act of landlord other than giving notice to Tenant with express statement of termination shall terminate this Lease or Tenant's right to possession. Acts of maintenance, efforts to relet the premises or the appointment of a receiver on Landlord's initiative to protect Landlord's interest under this Lease shall not constitute a termination of tenant's right to possession. Upon termination of Tenant's right to possession, Landlord shall have the right to reenter the Premises and recover from Tenant in addition to any other monies provided herein or at Law: (a) the Worth of the unpaid Rent that had been earned by Landlord at the time of termination of Tenant's right to possession less the net proceeds, if any, of any re-letting of the Premises by Landlord subsequent to the termination, after deducting all Landlord's reasonable Reletting Expenses (as defined below); (b) the Worth of the amount of the unpaid Rent that would have been earned after the date of termination of Tenant's right to possession through the expiration of the Lease Term less the net proceeds, if any, of any reasonable re-letting of the Premises by Landlord subsequent to the termination, after deducting all Landlord's reasonable Reletting Expenses (as defined below); and (c) all other reasonable expenses incurred by Landlord on account of Tenant's Default, including without limitation any Costs of Reletting (defined below) and Landlord's attorney fees and collection costs. The "Worth" as used for item (a) above is to be computed by allowing interest at the rate of twelve percent (12%) to accrue on all such unpaid Rent (or such lesser rate required by Law, if any). The Worth as used for item (b) above is to be computed by discounting the amount of Rent at the discount rate of the Federal Reserve Bank of San Francisco at the time of termination of Tenant's right of possession.

(ii) In the event Landlord has made improvements to the Premises for the use and occupancy of Tenant, in addition to all other damages and rents to which Landlord shall be entitled on account of Tenant's Default, Landlord shall also be entitled to recover from Tenant a sum equal to: (a) the unamortized cost to Landlord of the basic building standard Tenant improvement costs, said sum being computed by applying the percentage which the unexpired portion of the Lease Term bears to the total scheduled Lease Term with interest at ten percent (10%) per annum, plus (b) all costs to Landlord of non-building standard, custom or special Tenant improvements (above basic building standard improvements) with no adjustment for the unexpired portion of the scheduled Lease Term.

(iii) In the event of any such reentry by Landlord, Landlord may, at Landlord's option, require Tenant to remove from the Premises any of Tenant's property located thereon. If Tenant fails to do so, Landlord shall not be responsible for the care or safekeeping thereof and may remove any of the same from the Premises and place the same elsewhere in the Building or in storage in a public warehouse at the cost, expense and risk of Tenant with authority to the warehouseman to sell the same in the event that Tenant shall fail to pay the cost of transportation and storage, all in accordance with the rules and regulations applicable to the operation of a public warehouseman's business. In any and all such cases of reentry Landlord may make any repairs in, to or upon the Premises which may be necessary, desirable or convenient, and Tenant hereby waives any and all claims for damages which may be caused or occasioned by such reentry or to any property in or about the Premises or any part thereof.

(iv) Landlord may bring suits for amounts owed by Tenant hereunder or any portions thereof, as the same accrue or after the same have accrued, and no suit or recovery of any portion due hereunder shall be deemed a waiver of Landlord's right to collect all amounts to which Landlord is entitled hereunder, nor shall the same serve as any defense to any subsequent suit brought for any amount not therefor reduced to judgment. Landlord may pursue one or more remedies against Tenant and need not make an election of remedies. All rent and other consideration paid by any replacement tenants shall be applied at Landlord's option: (i) first, to the Costs of Reletting (defined below), (ii) second, to the payment of all costs and attorney fees of enforcing this Lease against Tenant or any Guarantor, (iii) third, to the payment of all interest and service charges accruing hereunder, (iv) fourth, to the payment of Rent theretofore accrued, including the repayment of any free rent provided to Tenant, and (v) with the residue, if any, to be held by Landlord and applied to the payment of Rent and other obligations of Tenant as the same become due (and with any remaining residue to be retained by Landlord). "Costs of Reletting" shall include without limitation, all costs and expenses incurred by Landlord for any repairs, improvements or other matters necessary to prepare the Premises for another tenant, brokerage commissions, advertising costs, attorneys' fees, any economic incentives given to enter leases with replacement tenants. With respect to reletting the Premises, Landlord shall only be required to use reasonable efforts that do not exceed such efforts Landlord generally uses to lease other space in the Building, and Landlord may continue to lease other portions of the Building or other projects owned or managed by Landlord in the same vicinity before reletting all or a portion of the Premises, and Landlord shall not be required to relet at rental rates less than Landlord's then-existing rates for new leases or terms less favorable to Landlord than those contained herein. The times set forth herein for the curing of Defaults by Tenant are of the essence of this Lease.

SECTION 17 SUBORDINATION, ATTORNMENT AND LENDER PROTECTION

A . **Subordination.** This Lease is subject and subordinate to all Mortgages now or hereafter placed upon the Property, Building, Premises or any interest of Landlord therein, and all other encumbrances, and matters of public record applicable to the Property, Building or Premises provided the holder of any Landlord's Mortgage or any person(s) acquiring the Premises at any sale or other proceeding under any such Landlord's Mortgage shall elect to continue this Lease in full force and effect so long as no uncured Event of Default exists. Whether before or after any foreclosure or power of sale proceedings are initiated or completed by any Lender or a deed in lieu is granted (or any ground lease is terminated), Tenant agrees upon written request of any such Lender or any purchaser at such sale, to attorn and pay Rent to such party, and recognize such party as Landlord (provided such Lender or purchaser shall agree not to disturb Tenant's occupancy so long as Tenant does not Default hereunder, on a form customarily used by, or otherwise reasonably acceptable to, such party). However, in the event of attornment, no Lender shall be: (i) liable for any act or omission of Landlord, or subject to any offsets or defenses which Tenant might have against Landlord (arising prior to such Lender becoming Landlord under such attornment), (ii) liable for any security deposit or bound by any prepaid Rent not actually received by such Lender, or (iii) bound by any modification of this Lease not consented to by such Lender. Any Lender may elect to make this Lease prior to the lien of its Mortgage by written notice to Tenant, and if the Lender of any prior Mortgage shall require, this Lease shall be prior to any subordinate Mortgage; such elections shall be effective upon written notice to Tenant, or shall be effective as of such earlier or later date set forth in such notice. Tenant agrees to give any Lender by certified mail, return receipt requested, a copy of any notice of default served by Tenant upon Landlord, provided that prior to such notice Tenant has been notified in writing (by way of service on Tenant of a copy of an assignment of leases, or otherwise) of the address of such Lender. Tenant further agrees that if Landlord shall have failed to cure such default within the time permitted Landlord for cure under this Lease, any such Lender whose address has been provided to Tenant shall have an additional period of thirty (30) days in which to cure (or such additional time as may be required due to causes beyond such Lender's control, including time to obtain possession of the Property by appointment of receiver, power of sale or judicial action). Should any current or prospective Lender require a modification or modifications to this Lease which will not cause an increased cost or otherwise materially and adversely change the rights and obligations of Tenant hereunder, Tenant agrees that this Lease shall be so modified. Except as expressly provided to the contrary herein, the provisions of this Section shall be self-operative; however Tenant shall execute and deliver, within fifteen (15) business days after requested, such documentation as Landlord or any Lender may request from time to time, whether prior to or after a foreclosure or power of sale proceeding is initiated or completed, a deed in lieu is delivered, or a ground lease is terminated, in order to further confirm or effectuate the matters set forth in this Section in recordable form. Tenant hereby waives the provisions of any Law (now or hereafter adopted) which may give or purport to give Tenant any right or election to terminate or otherwise adversely affect this Lease or Tenant's obligations hereunder if foreclosure or power of sale proceedings are initiated, prosecuted or completed. Notwithstanding the foregoing, Tenant's obligations under this Section are conditioned on the holder of each Landlord's Mortgage and each person acquiring the Premises at any sale or other proceeding under any such Landlord's Mortgage agreeing not to disturb Tenant's occupancy and other rights under this Lease, so long as no uncured Event of Default exists.

SECTION 18 ESTOPPEL CERTIFICATES

Tenant shall from time to time, within fifteen (15) business days after written request from Landlord, execute, acknowledge and deliver a statement certifying: (i) that this Lease is unmodified and in full force and effect or, if modified, stating the nature of such modification and certifying that this Lease as so modified, is in full force and effect (or specifying the ground for claiming that this Lease is not in force and effect), (ii) the dates to which the Rent has been paid, and the amount of any Security Deposit, (iii) that Tenant is in possession of the Premises, and paying Rent on a current basis with no offsets, defenses or claims, or specifying the same if any are claimed, (iv) that there are not, to Tenant's knowledge, any uncured defaults on the part of Landlord or Tenant which are pertinent to the request, or specifying the same if any are claimed, and (v) certifying such other matters, and including such current financial statements, as Landlord may reasonably request, or as may be reasonably requested by Landlord's current or prospective Lenders, insurance carriers, auditors, and prospective purchasers (and including a comparable certification statement from any subtenant respecting its sublease). Any such statement may be relied upon by any such parties. If Tenant shall fail to execute and return such statement within the time required herein, Tenant shall be deemed to have agreed with the matters set forth therein.

SECTION 19 RIGHTS RESERVED BY LANDLORD

Except to the extent expressly limited herein, Landlord reserves full rights to control the Building and Property (which rights may be exercised without subjecting Landlord to claims for constructive eviction, abatement of Rent, damages or other claims of any kind), including more particularly, but without limitation, the following rights:

A . **General Matters.** To: (i) change the name or street address of the Building or Property or designation of the Premises, (ii) install and maintain signs on the exterior and interior of the Building or Property, and grant any other person the right to do so, (iii) retain at all times, and use in appropriate instances, keys to all doors within and into the Premises, (iv) grant to any person the right to conduct any business or render any service at the Building or Property, whether or not the same are similar to the use permitted Tenant by this Lease, (v) grant any person the right to use separate security personnel and systems respecting access to their premises, (vi) have access for Landlord and other tenants of the Building to any mail chutes located on the Premises according to the rules of the United States Postal Service (and to install or remove such chutes), and (vii) in case of fire, invasion, insurrection, riot, civil disorder, emergency or other dangerous condition, or threat thereof: (a) limit or prevent access to the Building or Property or Premises, (b) shut down elevator service, (c) activate elevator emergency controls, and (d) otherwise take such action or preventative measures deemed necessary by Landlord for the safety of tenants of the Building or Property or the protection of the Building or Property and other property located thereon or therein (but this provision shall impose no duty on Landlord to take such actions, and no liability for actions taken in good faith).

B . **Access To Premises.** To enter the Premises in order to: (i) inspect, (ii) supply cleaning service or other services to be provided Tenant hereunder, (iii) show the Premises to current and prospective Lenders, insurers, purchasers, tenants, brokers and governmental authorities, (iv) decorate, remodel or alter the Premises if Tenant shall abandon the Premises at any time, or shall vacate the same during the last one hundred twenty (120) days of the Term (without thereby terminating this Lease), and (v) perform any work or take any other actions under Section 19(C) below, or exercise other rights of Landlord under this Lease or applicable Laws. However, Landlord shall: (a) provide reasonable advance written or oral notice to Tenant's on-site manager or other appropriate person for matters which will involve a significant disruption to Tenant's business (except in emergencies), (b) take reasonable steps to minimize any significant disruption to Tenant's business, and following completion of any work, return Tenant's leasehold improvements, fixtures, property and equipment to the original locations and condition to the fullest extent reasonably possible, and (c) take reasonable steps to avoid materially changing the configuration or reducing the square footage of the Premises, unless required by Laws or other causes beyond Landlord's reasonable control (and in the event of any permanent material reduction, the Rent and other rights and obligations of the parties based on the square footage of the Premises shall be proportionately reduced). Tenant shall not place partitions, furniture or other obstructions in the Premises which may prevent or impair Landlord's access to the Systems and Equipment for the Property or the systems and equipment for the Premises. If Tenant requests that any such access occur before or after Landlord's regular business hours and Landlord approves, Tenant shall pay all overtime and other additional costs in connection therewith.

C . **Changes To The Property.** To: (i) paint and decorate, (ii) perform repairs or maintenance, and (iii) make replacements, restorations, renovations, alterations, additions and improvements, structural or otherwise, in and to the Building or Property or any part thereof, including any adjacent building, structure, facility, land, street or alley, or change the uses thereof (including changes, reductions or additions of corridors, entrances, doors, lobbies, parking facilities and other areas, structural support columns and shear walls, elevators, stairs, escalators, mezzanines, solar tint windows or film, kiosks, planters, sculptures, displays, and other amenities and features therein, and changes relating to the connection with or entrance into or use of the Building or Property or any other adjoining or adjacent building or buildings, now existing or hereafter constructed). In connection with such matters, Landlord may among other things erect scaffolding, barricades and other structures, open ceilings, close entry ways, restrooms, elevators, stairways, corridors, parking and other areas and facilities, and take such other actions as Landlord deems appropriate. However, Landlord shall: (a) take reasonable steps to minimize or avoid any denial of access to the Premises except when necessary on a temporary basis, and (b) in connection with entering the Premises shall comply with Section 19(B) above.

D . **New Premises.** To substitute for the Premises other premises (herein referred to as the "New Premises") in the Building, provided: (i) the New Premises shall be similar to the Premises in size (up to 10% larger or smaller with the Rent and any other rights and obligations of the parties based on the square footage of the Premises adjusted proportionately to reflect any decrease), (ii) Landlord shall provide the New Premises in a condition substantially comparable to the Premises at the time of the substitution (and Tenant shall diligently cooperate in the preparation or approval of any plans or specifications for the new premises as requested by Landlord or Landlord's representatives), (iii) the parties shall execute an appropriate amendment to the Lease confirming the change within thirty (30) days after Landlord requests, and (iv) if Tenant shall already have taken possession of the Premises: (a) Landlord shall pay the direct, out of pocket, reasonable expenses of Tenant in physically moving from the Premises to the new premises, and (b) Landlord shall give Tenant at least ~~thirty (30)~~ sixty (60) days' notice before making such change, and such move shall be made during evenings, weekends, or otherwise so as to incur the least inconvenience to Tenant. Tenant shall surrender and vacate the Premises on the date required in Landlord's notice of substitution, in the condition and as required under Section 22, and any failure to do so shall be subject to Section 23. Notwithstanding anything to the contrary in this Lease, if Tenant is not subjectively satisfied with the New Premises, then Tenant may elect to terminate this Lease by giving notice to such effect to Landlord within ten (10) days of the date of receipt of Landlord's notice by Tenant.

SECTION 20 LANDLORD'S DEFAULT; REMEDIES

If Landlord shall fail to perform any obligation under this Lease required to be performed by Landlord, Landlord shall not be deemed to be in default hereunder nor subject to any claims for damages of any kind, unless such failure shall have continued for a period of thirty (30) days after notice thereof by Tenant (provided, if the nature of Landlord's failure is such that more time is reasonably required in order to cure, Landlord shall not be in default if Landlord commences to cure within such period and thereafter diligently seeks to cure such failure to completion). If Landlord shall default and shall fail to cure as provided herein, Tenant shall have such rights and remedies as may be available to Tenant under applicable Laws, subject to the other provisions of this Lease; provided, Tenant shall have no right of self-help to perform repairs or any other obligation of Landlord, and shall have no right to withhold, set-off, or abate Rent, or terminate this Lease, and Tenant hereby expressly waives the benefit of any Law to the contrary.

SECTION 21 RELEASE AND INDEMNITY

A. **Indemnity.** Tenant shall indemnify, defend (using legal counsel reasonably acceptable to Landlord) and save Landlord and its property manager (if any) harmless from all claims, suits, losses, damages, fines, penalties, liabilities and expenses (including Landlord's personnel and overhead costs and reasonable attorneys fees and other costs incurred in connection with claims, regardless of whether such claims involve litigation) resulting from any actual or alleged injury (including death) of any person or from any actual or alleged loss of or damage to any property arising out of or in connection with (i) Tenant's occupation, use or improvement of the Premises, or that of its employees, agents or contractors, (ii) Tenant's breach of its obligations hereunder or (iii) any act or omission of Tenant or any subtenant, licensee, assignee or concessionaire of Tenant, or of any officer, agent, employee, guest or invitee of Tenant, or of any such entity in or about the Premises. This indemnity with respect to acts or omissions during the Term of this Lease shall survive termination or expiration of this Lease. The foregoing indemnity covers actions brought by Tenant's own employees and it is specifically and expressly intended to constitute a waiver of Tenant's immunity under Washington's Industrial Insurance Act, RCW Title 51, to the extent necessary to provide Landlord with a full and complete indemnity from claims made by Tenant and its employees, to the extent provided herein. Tenant shall promptly notify Landlord of casualties or accidents occurring in or about the Premises. Landlord shall indemnify, defend (using legal counsel reasonably acceptable to Tenant) and save Tenant harmless from all claims, suits, losses, damages, fines, penalties, liabilities and expenses (including Tenant's personnel and overhead costs and reasonable attorneys fees and other costs incurred in connection with claims, regardless of whether such claims involve litigation) resulting from any actual or alleged injury (including death) of any person or from any actual or alleged loss of or damage to any property arising out of or in connection with (i) Landlord's breach of its obligations hereunder, or (ii) any act or omission of Landlord or its agents and employees. This indemnity with respect to acts or omissions during the Term of this Lease shall survive termination or expiration of this Lease. The foregoing indemnity covers actions brought by Landlord's own employees and it is specifically and expressly intended to constitute a waiver of Landlord's immunity under Washington's Industrial Insurance Act, RCW Title 51, to the extent necessary to provide Tenant with a full and complete indemnity from claims made by Landlord and its employees, to the extent provided herein. Landlord shall promptly notify Tenant of casualties or accidents occurring in or about the Premises

B. **PROVISIONS SPECIFICALLY NEGOTIATED. LANDLORD AND TENANT ACKNOWLEDGE THAT THE INDEMNIFICATION PROVISIONS OF SECTION 29 AND THIS SECTION 21 WERE SPECIFICALLY NEGOTIATED AND AGREED UPON BY THEM.**

C. **Release.** Tenant hereby fully and completely waives and releases all claims against Landlord for any losses or other damages sustained by Tenant or any person claiming through Tenant resulting from any accident or occurrence in or upon the Premises, including but not limited to: any defect in or failure of Building equipment; any failure to make repairs; any defect, failure, surge in, or interruption of project facilities or services; any defect in or failure of Common Areas; broken glass; water leakage; the collapse of any Building component; any claim or damage resulting from Landlord's repair, maintenance or improvements to any portion of the Building or Property; or any act, omission or negligence of co-tenants, licensees or any other persons or occupants of the Building; provided only, that the release contained in this Section 21(B) shall not apply to claims for actual damage to persons or property (excluding consequential damages such as lost profits) resulting directly and solely from Landlord's negligence or willful misconduct or from Landlord's breach of its express obligations under this Lease which Landlord has not cured within a reasonable time after receipt of written notice of such breach from Tenant.

D. **Limitation on Indemnity.** In compliance with RCW 4.24.115 as in effect on the date of this Lease, all provisions of this Lease pursuant to which Landlord or Tenant (the "Indemnitor") agrees to indemnify the other (the "Indemnatee") against liability for damages arising out of bodily injury to persons or damage to property relative to the construction, alteration, repair, addition to, subtraction from, improvement to, or maintenance of, any building, road, or other structure, project, development, or improvement attached to real estate, including the Premises, (i) shall not apply to damages caused by or resulting from the sole negligence of the Indemnatee, its agents or employees, and (ii) to the extent caused by or resulting from the concurrent negligence of (a) the Indemnatee or the Indemnatee's agents or employees, and (b) the Indemnitor or the Indemnitor's agents or employees shall apply only to the extent of the Indemnitor's negligence; provided, however, the limitations on indemnity set forth in this Section 21 shall automatically and without further act by either Landlord or Tenant be deemed amended so as to remove any of the restrictions contained in this Section 21 no longer required by then-applicable Law.

E. **Definitions.** As used in any Section of this Lease establishing indemnity or release of Landlord, "Landlord" shall include Landlord, its partners, officers, agents, employees and contractors, and "Tenant" shall include Tenant and any person or entity claiming through Tenant.

SECTION 22 RETURN OF POSSESSION

At the expiration or earlier termination of this Lease or Tenant's right of possession, Tenant shall vacate and surrender possession of the entire Premises in good, neat and clean order and well-maintained condition, ordinary wear and tear excepted, shall surrender all keys and key cards to Landlord, and shall remove all personal property and office trade fixtures that may be readily removed without damage to the Premises, Building or Property. All improvements, fixtures and other items installed by Tenant or Landlord under or with respect to this Lease, shall be the property of Tenant during the Term of this Lease, but at the expiration or earlier termination of this Lease all such improvements, fixtures and other items shall become Landlord's property, and shall remain upon the Premises (unless Landlord elects otherwise), all without compensation, allowance or credit to Tenant. If prior to such termination or within three (3) months thereafter Landlord so directs by notice, and subject to the terms of Section 10(A) of this Lease, Tenant shall promptly remove such of the foregoing items as are designated in such notice and restore the Premises to the condition prior to the installation of such items in a good and workmanlike manner. If Tenant shall fail to perform any repairs or restoration, or fail to remove any items from the Premises required hereunder, Landlord may do so and Tenant shall pay Landlord's charges therefor upon demand. All property removed from the Premises by Landlord pursuant to any provisions of this Lease or any Law may be handled or stored by Landlord at Tenant's expense, and Landlord shall in no event be responsible for the value, preservation or safekeeping thereof. All property not removed from the Premises or retaken from storage by Tenant within thirty (30) days after expiration or earlier termination of this Lease or Tenant's right to possession, shall at Landlord's option be conclusively deemed to have been conveyed by Tenant to Landlord as if by bill of sale without payment by Landlord. Unless prohibited by applicable Law, Landlord shall have a lien against such property for the costs incurred in removing and storing the same. Tenant hereby waives any statutory notices to vacate or quit the Premises upon expiration of this Lease.

SECTION 23 HOLDING OVER

Unless Landlord expressly agrees otherwise in writing, Tenant shall pay Landlord one hundred fifty percent (150%) of the amount of Rent then applicable prorated on a per diem basis for each day Tenant shall fail to vacate or surrender possession of the Premises or any part thereof after expiration or earlier termination of this Lease, together with all damages sustained by Landlord on account thereof. Tenant shall pay such amounts on demand, and, in the absence of demand, monthly in advance. The foregoing provisions, and Landlord's acceptance of any such amounts, shall not serve as permission for Tenant to hold-over, nor serve to extend the Term (although Tenant shall remain a tenant-at-sufferance bound to comply with all provisions of this Lease). Landlord shall have the right at any time after expiration or earlier termination of this Lease, or Tenant's right to possession, to reenter and possess the Premises and remove all property and persons therefrom, and Landlord shall have such other remedies for holdover as may be available to Landlord under other provisions of this Lease or applicable Laws.

SECTION 24 NOTICES

Except as expressly provided to the contrary in this Lease, every notice or other communication to be given by either party to the other with respect hereto or to the Premises, Building or Property, shall be in writing and shall not be effective for any purpose unless the same shall be served personally, or by national air courier service, or United States certified mail, return receipt requested, postage prepaid, to the parties at the addresses set forth in Section 1, or such other address or addresses as Tenant or Landlord may from time to time designate by notice given as above provided. Every notice or other communication hereunder shall be deemed to have been given as of the third business day following the date of such mailing (or as of any earlier date evidenced by a receipt from such national air courier service or the United States Postal Service) or immediately if personally delivered. Notices not sent in accordance with the foregoing shall be of no force or effect until received by the foregoing parties at such addresses required herein.

SECTION 25 REAL ESTATE BROKERS

Tenant represents that Tenant has dealt only with the broker, if any, designated in Section 1 (whose commission, if any, shall be paid by Landlord pursuant to separate agreement) as broker, agent or finder in connection with this Lease, and agrees to indemnify and hold Landlord harmless from all damages, judgments, liabilities and expenses (including reasonable attorneys' fees) arising from any claims or demands of any other broker, agent or finder with whom Tenant has dealt for any commission or fee alleged to be due in connection with its participation in the procurement of Tenant or the negotiation with Tenant of this Lease.

SECTION 26 NO WAIVER

No provision of this Lease will be deemed waived by either party unless expressly waived in writing and signed by the waiving party. No waiver shall be implied by delay or any other act or omission of either party. No waiver by either party of any provision of this Lease shall be deemed a waiver of such provision with respect to any subsequent matter relating to such provision, and Landlord's consent or approval respecting any action by Tenant shall not constitute a waiver of the requirement for obtaining Landlord's consent or approval respecting any subsequent action. Acceptance of Rent by Landlord directly or through any agent or lock-box arrangement shall not constitute a waiver of any breach by Tenant of any term or provision of this Lease (and Landlord reserves the right to return or refund any untimely payments if necessary to preserve Landlord's remedies). No acceptance of a lesser amount of Rent shall be deemed a waiver of Landlord's right to receive the full amount due, nor shall any endorsement or statement on any check or payment or any letter accompanying such check or payment be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the full amount due. The acceptance of Rent or of the performance of any other term or provision from, or providing directory listings or services for, any person or entity other than Tenant shall not constitute a waiver of Landlord's right to approve any Transfer. No delivery to, or acceptance by, Landlord or its agents or employees of keys, nor any other act or omission of Tenant or Landlord or their agents or employees, shall be deemed a surrender, or acceptance of a surrender, of the Premises or a termination of this Lease, unless stated expressly in writing by Landlord.

SECTION 27 SAFETY AND SECURITY DEVICES, SERVICES AND PROGRAMS

The parties acknowledge that safety and security devices, services and programs provided by Landlord, if any, while intended to deter crime and ensure safety, may not in given instances prevent theft or other criminal acts, or ensure safety of persons or property. The risk that any safety or security device, service or program may not be effective, or may malfunction, or be circumvented by a criminal, is assumed by Tenant with respect to Tenant's property and interests. Tenant shall obtain insurance coverage to the extent Tenant desires protection against such criminal acts and other losses and Landlord shall have no liability to Tenant for any loss, damage or expense Tenant may sustain due to the ineffectiveness or malfunction of any such safety or security device or program. Tenant agrees to cooperate in any reasonable safety or security program developed by Landlord or required by Law.

SECTION 28 TELECOMMUNICATION LINES

A. **Telecommunication Lines.** No telecommunication or computer lines shall be installed within or without the Premises without Landlord's prior consent in accordance with Section 10. Landlord disclaims any representations, warranties or understandings concerning Landlord's Building computer systems, or the capacity, design or suitability of Landlord's riser lines, Landlord's main distribution frame ("MDF") or related equipment. If there is, or will be, more than one tenant on any floor, at any time, Landlord may allocate, and periodically reallocate, connections to the terminal block based on the proportion of square feet each tenant occupies on such floor, or the type of business operations or requirements of such tenants, in Landlord's reasonable discretion. Landlord may arrange for an independent contractor to review Tenant's requests for approval to install any telecommunication or computer lines, monitor or supervise Tenant's installation, connection and disconnection of any such lines, and provide other such services, or Landlord may provide the same. In each case, all such work shall be performed in accordance with Section 10. At the expiration or earlier termination of this Lease, and at Landlord's request, Tenant at its sole cost shall remove all wires, cable or other computer or telecommunication lines or systems installed by or for Tenant and Tenant shall restore the Premises, Building, and Property to the condition existing prior to Tenant's installation, unless Landlord, at the time it gave its consent to the installation of such wires, cable or other computer or telecommunication lines or systems, agreed in writing that such wires, cable or other computer or telecommunication lines or systems may remain in place at the end of the Term

B. **Limitation of Liability.** Unless due to Landlord's negligence or willful misconduct, Landlord shall have no liability for damages arising, and Landlord does not warrant that the Tenant's use of any telecommunication or computer lines or systems ("Lines") will be free, from the following (collectively called "Line Problems"): (i) any eavesdropping, wire-tapping or theft of long distance access codes by unauthorized parties, (ii) any failure of the Lines to satisfy Tenant's requirements, or (iii) any capacitance, attenuation, cross-talk or other problems with the Lines, any misdesignation of the Lines in the MDF room or wire closets, or any shortages, failures, variations, interruptions, disconnections, loss or damage caused by or in connection with the installation, maintenance, replacement, use or removal of any other Lines or equipment at the Building or Property by or for other tenants at the Property or Building, by any failure of the environmental conditions at or the power supply for the Building to conform to any requirements of the Lines or any other problems associated with any Lines or by any other cause. Under no circumstances shall any Line Problems be deemed an actual or constructive eviction of Tenant, render Landlord liable to Tenant for abatement of any Rent or other charges under the Lease, or relieve Tenant from performance of Tenant's obligations under the Lease as amended herein. Landlord in no event shall be liable for any loss of profits, business interruption or other consequential damage arising from any Line Problems.

SECTION 29 SUBSTANCES; DISRUPTIVE ACTIVITIES

A. **Hazardous Substances.**

(i) **Presence and Use of Hazardous Substances.** Tenant shall not, without Landlord's prior written consent of Landlord in Landlord's sole discretion, keep on or around the Premises, Building or Property, for use, disposal, treatment, generation, storage or sale, any substances designed as, or containing components designated as, a "hazardous substance," "hazardous material," hazardous waste," "regulated substance" or "toxic substance" (collectively referred to as "Hazardous Substances"). With respect to any such Hazardous Substances, Tenant shall: (i) comply promptly, timely and completely with all Laws for reporting, keeping and submitting manifests, and obtaining and keeping current identification numbers; (ii) submit to Landlord true and correct copies of all reports, manifests and identification numbers at the same time as they are required to be and/or are submitted to the appropriate governmental authorities; (iii) within five (5) days of Landlord's request, submit written reports to Landlord regarding Tenant's use, storage, treatment, transportation, generation, disposal or sale of Hazardous Substances and provide evidence satisfactory to Landlord of Tenant's compliance with all applicable Laws; (iv) allow Landlord or Landlord's agent or representative to come on the Premises at all times to check Tenant's compliance with all applicable Laws; (v) comply with minimum levels, standards or other performance standards or requirements which may be set forth or established for certain Hazardous Substances (if minimum standards or levels are applicable to Hazardous Substances present on the Premises, such levels or standards shall be established by an on-site inspection by the appropriate governmental authorities and shall be set forth in an addendum to this Lease); and (vi) comply with all applicable Laws regarding the proper and lawful use, sale, transportation, generation, treatment and disposal of Hazardous Substances.

(ii) Monitoring Costs. Any and all costs incurred by Landlord and associated with Landlord's monitoring of Tenant's compliance with this Section 29, including Landlord's attorneys' fees and costs, shall be additional Rent and shall be due and payable to Landlord immediately upon demand by Landlord.

B. Cleanup Costs, Default and Indemnification.

(i) Tenant shall be fully and completely liable to Landlord for any and all cleanup costs, and any and all other charges, fees, penalties (civil and criminal) imposed by any governmental authority with respect to Tenant's use, disposal, transportation, generation and/or sale of Hazardous Substances, in or about the Premises, Building or Property.

(ii) Tenant shall fully indemnify, defend and save Landlord and Landlord's Lender, if any, harmless from any and all of the costs, fees, penalties and charges assessed against or imposed upon Landlord (as well as Landlord's and Landlord's Lender's attorneys' fees and costs) as a result of Tenant's use, disposal, transportation, generation and/or sale of Hazardous Substances in, on or about the Building or Property.

(iii) Upon Tenant's default under this Section 29, in addition to the rights and remedies set forth elsewhere in this Lease, Landlord shall be entitled to the following rights and remedies: (i) at Landlord's option, to terminate this lease immediately; and/or (ii) to recover any and all damages associated with the default, including, but not limited to cleanup costs and charges, civil and criminal penalties and fees, loss of business and sales by Landlord and other tenants of the Building or Property, any and all damages and claims asserted by third parties and Landlord's attorney's fees and costs.

C. **Disruptive Activities.** Tenant shall not in any way obstruct or interfere with the rights of other tenants or occupants of the Building or injure or annoy them, or use or allow the Premises to be used for any improper, immoral, unlawful or objectionable purpose (all as reasonably determined by Landlord), nor shall Tenant cause, maintain, or permit any nuisance in, on, or about the Premises. Without limiting the foregoing, Tenant shall not: (1) produce, or permit to be produced, any intense glare, light or heat except within an enclosed or screened area and then only in such manner that the glare, light or heat shall not, outside the Premises, be materially different than the light or heat from other sources outside the Premises; (2) create, or permit to be created, any sound pressure level which will interfere with the quiet enjoyment of any real property outside the Premises, or which will create a nuisance or violate any governmental law, rule, regulation or requirement; (3) create, or permit to be created, any floor or ground vibration that is materially discernible outside the Premises; (4) transmit, receive, or permit to be transmitted or received, any electromagnetic, microwave or other radiation which is harmful or hazardous to any person or property in or about the Premises, Building or Property; or (5) create, or permit to be created, any noxious odor that is disruptive to the business operations of any other tenant in the Building or Property.

D. **Indemnity by Landlord.** Landlord shall fully indemnify, defend and save Tenant harmless from any and all of the costs, fees, penalties and charges assessed against or imposed upon Tenant (as well as Tenant's attorneys' fees and costs) as a result of Landlord's use, disposal, transportation, generation and/or sale of Hazardous Substances in, on or about the Building or Property.

SECTION 30 DISABILITIES ACTS

The parties acknowledge that the Americans With Disabilities Act of 1990 (42 U.S.C. §12101 et seq.) and regulations and guidelines promulgated thereunder ("ADA"), and any similarly motivated state and local Laws, as the same may be amended and supplemented from time to time (collectively referred to herein as the "Disabilities Acts") establish requirements for business operations, accessibility and barrier removal, and that such requirements may or may not apply to the Premises, Building and Property depending on, among other things: (i) whether Tenant's business is deemed a "public accommodation" or "commercial facility", (ii) whether such requirements are "readily achievable", and (iii) whether a given alteration affects a "primary function area" or triggers "path of travel" requirements. The parties hereby agree that: (a) Landlord shall perform any required Disabilities Acts compliance in the common areas, except as provided below, (b) Tenant shall perform any required Disabilities Acts compliance in the Premises, and (c) Landlord may perform, or require that Tenant perform, and Tenant shall be responsible for the cost of, Disabilities Acts "path of travel" and other requirements triggered by any public accommodation or other use of, or alterations in, the Premises by Tenant. Tenant shall be responsible for Disabilities Acts requirements relating to Tenant's employees, and Landlord shall be responsible for Disabilities Acts requirements relating to Landlord's employees.

SECTION 31 DEFINITIONS

(A) "Building" shall mean the structure (or the portion thereof operated by Landlord) identified in Section 1 within which the Premises are located.

(B) "Default Rate" shall mean eighteen percent (18%) per annum, or the highest rate permitted by applicable Law, whichever shall be less.

- (C) "Holidays" shall mean all federal holidays, and holidays observed by the State of Washington, including New Year's Day, President's Day, Memorial Day, Independence Day, Labor Day, Veterans' Day, Thanksgiving Day, Christmas Day, and to the extent of utilities or services provided by union members engaged at the Property, such other holidays observed by such unions.
- (D) "Landlord" shall mean only the landlord from time to time, except for purposes of any provisions defending, indemnifying and holding Landlord harmless hereunder, "Landlord" shall include past, present and future landlords and their respective partners, beneficiaries, trustees, officers, directors, employees, shareholders, principals, agents, affiliates, successors and assigns.
- (E) "Law" or "Laws" shall mean all federal, state, county and local governmental and municipal laws, statutes, ordinances, rules, regulations, codes, decrees, orders and other such requirements, applicable equitable remedies and decisions by courts in cases where such decisions are considered binding precedents in the State of Washington, and decisions of federal courts applying the Laws of such State, at the time in question. This Lease shall be interpreted and governed by the Laws of the State of Washington.
- (F) "Lender" shall mean the holder of any Mortgage at the time in question, and where such Mortgage is a ground lease, such term shall refer to the ground Landlord (and the term "ground lease" although not separately capitalized is intended through out this Lease to include any superior or master lease).
- (G) "Mortgage" shall mean all mortgages, deeds of trust, ground leases and other such encumbrances now or hereafter placed upon the Property, Building or Premises, or any part thereof or interest therein, and all renewals, modifications, consolidations, replacements or extensions thereof, and all indebtedness now or hereafter secured thereby and all interest thereon.
- (H) "Premises" shall mean the area within the Building identified in Section 1 and Exhibit A. Possession of areas necessary for utilities, services, safety and operation of the Building, including the Systems and Equipment, fire stairways, perimeter walls, space between the finished ceiling of the Premises and the slab of the floor or roof of the Building thereabove, and the use thereof together with the right to install, maintain, operate, repair and replace the Systems and Equipment, including any of the same in, through, under or above the Premises in locations that will not materially interfere with Tenant's use of the Premises, are hereby excepted and reserved by Landlord, and not demised to Tenant.
- (I) "Property" shall mean the real property legally described in Section 1 of this Lease together with all landscaping, improvements and personal property located thereon and related to the Building or its operation or maintenance.
- (J) "Rent" shall have the meaning specified therefor in Section 4.
- (K) "Systems and Equipment" shall mean any plant, machinery, transformers, duct work, cable, wires, and other equipment, facilities, and systems designed to supply light, heat, ventilation, air conditioning and humidity, or any other services or utilities, or comprising or serving as any component or portion of the electrical, gas, steam, plumbing, sprinkler, communications, alarm, security, or fire/life/safety systems or equipment, or any elevators or other mechanical, electrical, electronic, computer or other systems or equipment for the Building, except to the extent that any of the same serves particular tenants exclusively (and "systems and equipment" without capitalization shall refer to such of the foregoing items serving particular tenants exclusively).
- (L) "Tenant" shall be applicable to one or more persons or entities as the case may be, the singular shall include the plural, and if there be more than one Tenant, the obligations thereof shall be joint and several. When used in the lower case, "tenant" shall mean any other tenant, subtenant or occupant of the Building or Property.
- (M) "Tenant's Share" pursuant to Section 4, shall be the percentages set forth in Section 1, but if the rentable area of the Premises, Building or Property shall change, Tenant's Share shall thereupon become the rentable area of the Premises divided by the rentable area of the entire Building, subject at all times to adjustment under Section 4. Tenant acknowledges that the "rentable area of the Premises" under this Lease includes the usable area, without deduction for columns or projections, multiplied by a load or conversion factor, to reflect a share of certain areas, which may include lobbies, corridors, mechanical, utility, janitorial, boiler and service rooms and closets, restrooms, and other public, common and service areas, all as reasonably determined by Landlord. Except as provided expressly to the contrary herein, the "rentable area of the Building" shall include all rentable area of all space leased or available for lease at the Building, which Landlord may reasonably re-determine from time to time, to reflect re-configurations, additions or modifications to the Building.

SECTION 32 OFFER

The submission and negotiation of this Lease shall not be deemed an offer to enter the same by Landlord (nor an option or reservation for the Premises), but the solicitation of such an offer by Tenant. Tenant agrees that its execution of this Lease constitutes a firm offer to enter the same which may not be withdrawn for a period of thirty (30) days after delivery to Landlord. During such period and in reliance on the foregoing, Landlord may, at Landlord's option, deposit any Security Deposit and Rent, proceed with any plans, specifications, alterations or improvements, and permit Tenant to enter the Premises, but such acts shall not be deemed an acceptance of Tenant's offer to enter this Lease, and such acceptance shall be evidenced only by Landlord signing and delivering this Lease to Tenant.

SECTION 33 MISCELLANEOUS

A . **Captions and Interpretation.** The captions of the Sections and Paragraphs of this Lease are for convenience of reference only and shall not be considered or referred to in resolving questions of interpretation. Tenant acknowledges that it has read this Lease and that it has had the opportunity to confer with counsel in negotiating this Lease; accordingly, this Lease shall be construed neither for nor against Landlord or Tenant, but shall be given a fair and reasonable interpretation in accordance with the meaning of its terms. The neuter shall include the masculine and feminine, and the singular shall include the plural. The term “including” shall be interpreted to mean “including, but not limited to.”

B . **Survival of Provisions.** All obligations (including indemnity, Rent and other payment obligations) or rights of either party arising during or attributable to the period prior to expiration or earlier termination of this Lease shall survive such expiration or earlier termination.

C . **Severability.** If any term or provision of this Lease or portion thereof shall be found invalid, void, illegal, or unenforceable generally or with respect to any particular party, by a court of competent jurisdiction, it shall not affect, impair or invalidate any other terms or provisions or the remaining portion thereof, or its enforceability with respect to any other party.

D . **Short Form Lease.** Neither this Lease nor any short form lease shall be recorded by Tenant, but Landlord or any Lender may elect to record a short form of this Lease, in which case Tenant shall promptly execute, acknowledge and deliver the same on a form prepared by Landlord or such Lender.

E . **Light, Air and Other Interests.** This Lease does not grant any legal rights to “light and air” outside the Premises nor any particular view visible from the Premises, nor any easements, licenses or other interests unless expressly contained in this Lease.

F . **Authority.** If Tenant is any form of corporation, partnership, limited liability company or partnership, association or other organization, Tenant and all persons signing for Tenant below hereby represent that this Lease has been fully authorized and no further approvals are required, and Tenant is duly organized, in good standing and legally qualified to do business in the Premises (and has any required certificates, licenses, permits and other such items).

G . **Partnership Tenant.** If Tenant is a partnership, all current and new general partners shall be jointly and severally liable for all obligations of Tenant hereunder and as this Lease may hereafter be modified, whether such obligations accrue before or after admission of future partners or after any partners die or leave the partnership. Tenant shall cause each new partner to sign and deliver to Landlord written confirmation of such liability, in form and content satisfactory to Landlord, but failure to do so shall not avoid such liability.

H . **Successors and Assigns; Transfer of Property and Security Deposit.** Each of the terms and provisions of this Lease shall be binding upon and inure to the benefit of the parties’ respective heirs, executors, administrators, guardians, custodians, successors and assigns, subject to Section 15 respecting Transfers and Section 18 respecting rights of Lenders. Subject to Section 18, if Landlord shall convey or transfer the Property or any portion thereof in which the Premises are contained to another party, such party shall thereupon be and become landlord hereunder and shall be deemed to have fully assumed all of Landlord’s obligations under this Lease accruing during such party’s ownership, including the return of any Security Deposit (provided Landlord shall have turned over such Security Deposit to such party), and Landlord shall be free of all such obligations accruing from and after the date of conveyance or transfer.

I . **Rent and Taxes.** In addition to the provisions of Section 16, all Rent due Landlord herein is exclusive of any sales, business and occupational gross receipts or tax based on rents or tax upon this Lease or tax measured by the number of employees of Tenant or the area of the Premises or any similar tax or charge. If any such tax or charge be hereafter enacted, Tenant shall reimburse to Landlord the amount thereof with each monthly Base Rent payment. Tenant shall not be liable to reimburse Landlord any federal income tax or other income tax of a general nature applicable to Landlord’s income.

J . **Limitation of Landlord’s Liability.** Tenant agrees to look solely to Landlord’s interest in the Building for the enforcement of any judgment, award, order or other remedy under or in connection with this Lease or any related agreement, instrument or document or for any other matter whatsoever relating thereto or to the Building or Premises. Under no circumstances shall any present or future, direct or indirect, principals or investors, general or limited partners, officers, directors, shareholders, trustees, beneficiaries, participants, advisors, managers, employees, agents or affiliates of Landlord, or of any of the other foregoing parties, or any of their heirs, successors or assigns have any liability for any of the foregoing matters.

K . **Applicable Law and Other Matters.** This Lease shall be interpreted and construed under and pursuant to the laws of the State of Washington. Any action regarding or arising from this Lease shall be brought in the Washington State Superior Court located in the county where the Property is located. Time is of the essence of this Lease. In the event an attorney is engaged by either party to enforce the terms of this Lease or in the event suit is brought relating to or arising from this Lease, the prevailing party shall be entitled to recover from the other party its reasonable attorney fees and costs.

L . **Confidentiality.** Tenant shall keep the content and all copies of this Lease, related documents or amendments now or hereafter entered, and all proposals, materials, information and matters relating thereto strictly confidential, and shall not disclose, disseminate or distribute any of the same, or permit the same to occur, except to the extent reasonably required for proper business purposes by Tenant's employees, attorneys, insurers, auditors, lenders and Transferees (and Tenant shall obligate any such parties to whom disclosure is permitted to honor the confidentiality provisions hereof), and except as may be required by Law or court proceedings.

SECTION 34 ENTIRE AGREEMENT

This Lease, together with the Riders, Exhibits and other documents listed in Section 1 (which collectively are hereby incorporated where referred to herein and made a part hereof as though fully set forth), contains all the terms and provisions between Landlord and Tenant relating to the matters set forth herein and no prior or contemporaneous agreement or understanding pertaining to the same shall be of any force or effect, except any such contemporaneous agreement specifically referring to and modifying this Lease, signed by both parties. Neither this Lease, nor any Riders or Exhibits referred to above may be modified, except in writing signed by both parties.

PARKING

Parking. Tenant may request, and subject to availability, Landlord will let Tenant pursue the direct lease of one parking stall in the US Bank Centre garage with rates set by the garage operator and subject to market change and parking availability. Costs are currently estimated at \$300/month/stall. Tenant shall contract directly with the garage operator for this monthly parking stall.

IN WITNESS WHEREOF, the parties have executed this Lease as of the date first set forth above.

LANDLORD:
HARBOR PROPERTIES, INC.,
a Washington corporation
BY: /s/ Douglas L. Daley
Douglas L. Daley
President

TENANT:

Visualant, Inc., a Nevada corporation
By: /s/ Ronald P. Erickson
Its: Chief Executive Officer

By: _____
Its: _____

EXHIBIT A

(Property Legal Description)

Logan Building

Logan Building

Situated on 9 and 12 in Block 17 of A. A. Denny's third addition to the City of Seattle, County of King, State of Washington.

Lot 12, Block 17, Addition to the Town of Seattle as laid out by A.A. Denny (commonly known as A. A. Denny's Third Addition to the City of Seattle), according to plat thereof recorded in Volume 1 of Plats, page 33, records of King County; EXCEPT the southerly 5 feet in width of said Lot 12, condemned in King County Superior Court Cause No. 62589 for widening of Union Street as provided by Ordinance No. 18188 of the City of Seattle.

EXHIBIT A-1

(Premises)

The following is a part of that Lease dated the 11th day of July, 2012, by and between Harbor Properties, Inc. ("Landlord") and Visualant, Inc., a Washington corporation, ("Tenant").

The Premises of approximately 1,014 rentable square feet as outlined below. Landlord and Tenant acknowledge the approximate nature of this rentable square foot calculation.

EXHIBIT B

**Work Letter Agreement
Harbor Properties, Inc.
Logan Building, Suite 420
Seattle, WA 98101**

"TENANT" – Visualant, Inc., a Washington corporation

REFERENCE: Work Letter Agreement

In accordance with the provisions of Section 2 of Lease dated July 11, 2012, (the "Lease"), with the undersigned Landlord, the "Initial Improvement Work" (as hereinafter defined) to the Premises shall be completed substantially in accordance with the following:

- Landlord and Tenant hereby agree that the Landlord will provide the following building standard improvements pursuant to the mutually agreed upon plan attached to this Lease:
- Landlord shall insure Tenant has Building standard signage & keys

All improvement must be mutually agreed upon by Landlord and Tenant.

RIDER ONE

RULES AND REGULATIONS

(1) **Access to Property.** On Saturdays, Sundays and Holidays, and on other days between the hours of 6:00 P.M. and 7:00 A.M. the following day, or such other hours as Landlord shall determine from time to time, access to and within the Property and/or to the passageways, lobbies, entrances, exits, loading areas, corridors, elevators or stairways and other areas in the Property may be restricted and access gained by use of a key to the outside doors of the Property, or pursuant to such security procedures Landlord may from time to time impose. Landlord shall in all cases retain the right to control and prevent access to such areas by Persons engaged in activities which are illegal or violate these Rules, or whose presence in the judgment of Landlord shall be prejudicial to the safety, character, reputation and interests of the Property and its tenants (and Landlord shall have no liability in damages for such actions taken in good faith). No Tenant and no employee or invitee of Tenant shall enter areas reserved for the exclusive use of Landlord, its employees or invitees or other Persons. Tenant shall keep doors to corridors and lobbies closed except when persons are entering or leaving.

(2) **Signs.** Tenant shall not paint, display, inscribe, maintain or affix any sign, placard, picture, advertisement, name, notice, lettering or direction on any part of the outside or inside of the Property, or on any part of the inside of the Premises which can be seen from the outside of the Premises without the prior consent of Landlord, and then only such name or names or matter and in such color, size, style, character and material, and with professional designers, fabricators and installers as may be first approved or designated by Landlord in writing. Landlord shall prescribe the suite number and identification sign for the Premises (which shall be prepared and installed by Landlord at Tenant's expense unless expressly provided otherwise in the Lease). Landlord reserves the right to remove at Tenant's expense all matter not so installed or approved without notice to Tenant.

(3) **Window and Door Treatments.** Tenant shall not place anything or allow anything to be placed in the Premises near the glass of any door, partition, wall or window which may be unsightly from outside the Premises, and Tenant shall not place or permit to be placed any Section of any kind on any window ledge or on the exterior walls. Blinds, shades, awnings or other forms of inside or outside window ventilators or similar devices, shall not be placed in or about the outside windows or doors in the Premises except to the extent, if any, that the design, character, shape, color, material and make thereof is first approved or designated by the Landlord. Tenant shall not install or remove any solar tint film from the windows.

(4) **Lighting and General Appearance of Premises.** Landlord reserves the right to designate and/or approve in writing all internal lighting that may be visible from the public, common or exterior areas. The design, arrangement, style, color, character, quality and general appearance of the portion of the Premises visible from public, common and exterior areas, and contents of such portion of the Premises, including furniture, fixtures, signs, art work, wall coverings, carpet and decorations, and all changes, additions and replacements thereto shall at all times have a neat, professional, attractive, first class office appearance.

(5) **Property Tradename, Likeness, Trademarks.** Tenant shall not in any manner use the name of the Property for any purpose, or use any tradenames or trademarks used by Landlord, any other tenant, or its affiliates, or any picture or likeness of the Property for any purpose other than that of the business address of Tenant, in any letterheads, envelopes, circulars, notices, advertisements, containers, wrapping or other material.

(6) **Deliveries and Removals.** Furniture, freight and other large or heavy items, and all other deliveries may be brought into the Property only at times and in the manner designated by Landlord, and always at the Tenant's sole responsibility and risk. Landlord may inspect items brought into the Property or Premises with respect to weight or dangerous nature or compliance with this Lease or Laws. Landlord may (but shall have no obligation to) require that all furniture, equipment, cartons and other items removed from the Premises or the Property be listed and a removal permit therefor first be obtained from Landlord. Tenant shall not take or permit to be taken in or out of other entrances or elevators of the Property, any item normally taken, or which Landlord otherwise reasonably requires to be taken, in or out through service doors or on freight elevators. Landlord may impose reasonable charges and requirements for the use of freight elevators and loading areas, and reserves the right to alter schedules without notice. Any hand-carts used at the Property shall have rubber wheels and sideguards, and no other material handling equipment may be brought upon the Property without Landlord's prior written approval.

(7) **Outside Vendors.** Tenant shall not obtain for use upon the Premises ice, drinking water, vending machine, towel, janitor and other services, except from Persons designated or approved by Landlord which approval shall not be unreasonably withheld. Any Person engaged by Tenant to provide any other services shall be subject to scheduling and direction by the manager or security personnel of the Property. Vendors must use freight elevators and service entrances.

(8) **Overloading Floors; Vaults.** Tenant shall not overload any floor or part thereof in the Premises, or Property, including any public corridors or elevators therein bringing in or removing any large or heavy items, and Landlord may prohibit, or direct and control the location and size of, safes and all other heavy items and require at Tenant's expense supplementary supports of such material and dimensions as Landlord may deem necessary to properly distribute the weight.

(9) **Locks and Keys.** Tenant shall use such standard key system designated by Landlord on all keyed doors to and within the Premises, excluding any permitted vaults or safes (but Landlord's designation shall not be deemed a representation of adequacy to prevent unlawful entry or criminal acts, and Tenant shall maintain such additional insurance as Tenant deems advisable for such events). Tenant shall not attach or permit to be attached additional locks or similar devices to any door or window, change existing locks or the mechanism thereof, or make or permit to be made any keys for any door other than those provided by Landlord. If more than two keys for one lock are desired, Landlord will provide them upon payment of Landlord's charges. In the event of loss of any keys furnished by Landlord, Tenant shall pay Landlord's reasonable charges therefor. The term "key" shall include mechanical, electronic or other keys, cards and passes. Landlord shall not be liable for the consequences of admitting by pass key or refusing to admit to the Premises the Tenant, Tenant's agent or employees or other persons claiming the right of admittance.

(10) **Utility Closets and Connections.** Landlord reserves the right to control access to and use of, and monitor and supervise any work in or affecting, the "wire" or telephone, electrical, plumbing or other utility closets, the Systems and Equipment, and any changes, connections, new installations, and wiring work relating thereto (or Landlord may engage or designate an independent contractor to provide such services). Tenant shall obtain Landlord's prior written consent for any such access, use and work in each instance, and shall comply with such requirements as Landlord may impose, and the other provisions of the Lease respecting electric installations and connections, telephone Lines and connections, and alterations generally. Tenant shall have no right to use any electrical closets, mechanical shafts, broom closets, storage closets, janitorial closets, or other such closets, rooms and areas whatsoever. Tenant shall not install in or for the Premises any equipment which requires more electric current than Landlord is required to provide under this Lease, without Landlord's prior written approval, and Tenant shall ascertain from Landlord the maximum amount of load or demand for or use of electrical current which can safely be permitted in and for the Premises, taking into account the capacity of electric wiring in the Property and the Premises and the needs of tenants of the Property, and shall not in any event connect a greater load than such safe capacity.

(11) **Plumbing Equipment.** The toilet rooms, urinals, wash bowls, drains, sewers and other plumbing fixtures, equipment and lines shall not be misused or used for any purpose other than that for which they were constructed and no foreign substance of any kind whatsoever shall be thrown therein.

(12) **Trash.** All garbage, refuse, trash and other waste shall be kept in the kind of container, placed in the areas, and prepared for collection in the manner and at the times and places specified by Landlord, subject to Lease provisions respecting Hazardous Materials. Landlord reserves the right to require that Tenant participate in any recycling program designated by Landlord.

(13) **Alcohol, Drugs, Food and Smoking.** Landlord reserves the right to exclude or expel from the Property any person who, in the judgment of Landlord, is intoxicated or under the influence of liquor or drugs, or who shall in any manner do any act in violation of any of these Rules. Tenant shall not at any time manufacture or sell any spirituous, fermented, intoxicating or alcoholic liquors on the Premises, nor permit the same to occur. Tenant shall not at any time cook, sell, purchase or give away, food in any form by or to any of Tenant's agents or employees or any other parties on the Premises, nor permit any of the same to occur (other than in microwave ovens and coffee makers properly maintained in good and safe working order and repair in lunch rooms or kitchens for employees as may be permitted or installed by Landlord, which does not violate any Laws or bother or annoy any other tenant). Tenant and its employees shall not smoke tobacco on any part of the Property including exterior areas within 25 feet from entrances, exits and air intakes.

(14) **Use of Common Areas; No Soliciting.** Tenant shall not use the common areas, including areas adjacent to the Premises, for any purpose other than ingress and egress, and any such use thereof shall be subject to the other provisions of this Lease, including these Rules. Without limiting the generality of the foregoing, Tenant shall not allow anything to remain in any passageway, sidewalk, corridor, stairway, entrance, exit, elevator or shipping area, or other area outside the Premises. Tenant shall not use the common areas to canvass, solicit business or information from, or distribute any Section or material to, other tenants or invitees of the Property. Tenant shall not make any room-to-room canvass to solicit business or information or to distribute any Section or material to or from other tenants of the Property and shall not exhibit, sell or offer to sell, use, rent or exchange any products or services in or from the Premise unless ordinarily embraced within the Tenant's use of the Premises expressly permitted in the Lease.

(15) **Energy and Utility Conservation.** Tenant shall not waste electricity, water, heat or air conditioning or other utilities or services, and agrees to cooperate fully with Landlord to assure the most effective and energy efficient operation of the Property and shall not allow the adjustment (except by Landlord's authorized Property personnel) of any controls. Tenant shall not obstruct, alter or impair the efficient operation of the Systems and Equipment, and shall not place any item so as to interfere with air flow. Tenant shall keep corridor doors closed and shall not open any windows, except that if the air circulation shall not be in operation, windows which are openable may be opened with Landlord's consent. If reasonably requested by Landlord (and as a condition to claiming any deficiency in the air conditioning or ventilation services provided by Landlord), Tenant shall close any blinds or drapes in the Premises to prevent or minimize direct sunlight.

(16) **Unattended Premises.** Before leaving the Premises unattended, Tenant shall close and securely lock all doors or other means of entry to the Premises and shut off all lights and water faucets in the Premises.

(17) **Going-Out-Of-Business Sales and Auctions.** Tenant shall not use, or permit any other party to use, the Premises for any distress, fire, bankruptcy, close-out, "lost our lease" or going-out-of-business sale or auction. Tenant shall not display any signs advertising the foregoing anywhere in or about the Premises. This prohibition shall also apply to Tenant's creditors.

(18) **Labor Harmony.** Tenant shall not use (and upon notice from Landlord shall cease using) contractors, services, workmen, labor, materials or equipment, or labor and employment practices that, in Landlord's good faith judgment, may cause strikes, picketing or boycotts or disturb labor harmony with the workforce or trades engaged in performing other work, labor or services in or about the Property.

(19) **Prohibited Activities.** Tenant shall not: (i) use strobe or flashing lights in or on the Premises, (ii) install or operate any internal combustion engine, boiler, machinery, refrigerating, heating or air conditioning equipment in or about the Premises, (iii) use the Premises for housing, lodging or sleeping purposes or for the washing of clothes, (iv) place any radio or television antennae other than inside of the Premises, (v) operate or permit to be operated any musical or sound producing instrument or device which may be heard outside the Premises, (vi) use any source of power other than electricity, (vii) operate any electrical or other device from which may emanate electrical, electromagnetic, energy, microwave, radiation or other waves or fields which may interfere with or impair radio, television, microwave, or other broadcasting or reception from or in the Property or elsewhere, or impair or interfere with computers, faxes or telecommunication lines or equipment at the Property or elsewhere, or create a health hazard, (viii) bring or permit any bicycle or other vehicle, or dog (except in the company of a blind person or except where specifically permitted) or other animal or bird in the Premises or Building, (ix) make or permit objectionable noise, vibration or odor to emanate from the Premises, (x) do anything in or about the Premises or Property that is illegal, immoral, obscene, pornographic, or anything that may in Landlord's good faith opinion create or maintain a nuisance, cause physical damage to the Premises or Property, interfere with the normal operation of the Systems and Equipment, impair the appearance, character or reputation of the Premises or Property, create waste to the Premises or Property, cause demonstrations, protests, loitering, bomb threats or other events that may require evacuation of the Building, (xi) intentionally delete (xii) throw or permit to be thrown or dropped any item from any window or other opening in the Property, (xiii) use the Premises for any purpose, or permit upon the Premises or Property anything, that may be dangerous to persons or property (including firearms or other weapons (whether or not licensed or used by security guards) or any explosive or combustible Sections or materials) (xiv) place vending or game machines in the Premises, except vending machines for employees which shall be at Tenant's sole cost and expense and only upon prior notice to and consent of Landlord, (xv) adversely affect the indoor air quality of the Premises or Property, (xvi) use the Premises for cooking or food preparation other than preparation of coffee, tea and similar beverages, or customary microwave use, for Tenant and its employees, or (xvii) do or permit anything to be done upon the Premises or Property in any way tending to disturb, bother, annoy or interfere with Landlord or any other tenant at the Property or the tenants of neighboring property, or otherwise disrupt orderly and quiet use and occupancy of the Property.

(20) **Transportation Management.** Tenant shall take responsible action for the transportation planning and management of all employees located at the Premises, including reasonable compliance with future programs that may be imposed upon the Landlord. .

(21) **Responsibility for Compliance.** Tenant shall be responsible for ensuring compliance with these Rules, as they may be reasonably amended, by Tenant's employees and as applicable, by Tenant's agents, invitees, contractors, subcontractors, and suppliers. Tenant shall cooperate with any reasonable program or requests by Landlord to monitor and enforce the Rules, including providing vehicle numbers and taking appropriate action against such of the foregoing parties who violate these provisions. A violation of any Rules shall constitute a default under the Lease.



May 24, 2011

Little Properties, L.L.C
609 Summerwood Dr.
Medford, OR 97504

Sirs:

Please consider this notification of our intent to exercise the lease renewal option for TransTech Systems, Inc. as described in Section 1.3 in the Commercial Lease previously executed between TransTech Systems, Inc. and G&L Business Group, L.L.C., term commencing Mar. 3, 2006 and continuing through Feb. 28, 2011 for the property at 12142 Sky Lane N.E., Suite 130, Aurora, OR, 97002, and as directed to do so in writing in Section 1.3 (2) of that same lease.

The new lease term covers the period of March 1, 2011 through February 28, 2016 at the rate of \$3,951.07.

Sincerely,

/s/ Jim Gingo

Jim Gingo, President

Cc: Steve Waddle, Controller, TransTech Systems, Inc.
Ron Erickson, CEO, Visualant, Inc.
Mark Scott, CFO, Visualant, Inc.
Sharon Little, Partner, Little Properties, L.L.C.
Bill Little, Partner, Little Properties, L.L.C.

P.O. Box 2357, Wilsonville, OR 97070

(503) 682-3292

FAX (503) 682-0166

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use in this Registration Statement on Form S-1 of Visualant, Inc., of our report dated November 10, 2012 to the consolidated financial statements of Visualant, Inc. as of September 30, 2012, and the related statements of operations, stockholders' equity, and cash flows for year September 30, 2012. We also consent to the reference to our firm under the heading "Experts" in this Registration Statement.

/s/ PMB Helin Donovan, LLP
Seattle, Washington

September 13, 2013

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in this S-1 filing of Visualant, Inc. filed on August 16, 2013, of our report dated November 29, 2011 relating to the financial statements of Visualant, Inc., as of September 30, 2011, and the related statements of operations, stockholders' equity, and cash flows for the year then ended, and to the reference of being experts in auditing and accounting.

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

Murray, Utah
November 13, 2013

September 13, 2013

VIA EDGAR

Mr. Russell Mancuso
Branch Chief
Division of Corporation Finance
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Visualant, Incorporated
Amendment No. 1 to Registration Statement on Form S-1
Filed August 16, 2013
File No. 333-189788

Dear Mr. Mancuso:

Reference is made to the Staff's comment letter dated August 30, 2013 (the "Staff's Letter") to Visualant, Incorporated (the "registrant"). The registrant hereby submits the following responses to the comments contained in the Staff's Letter with respect to the registrant's Amendment No. 1 to Registration Statement on Form S-1 filed with the SEC on August 16, 2013.

For convenience of reference, each comment contained in the Staff's Letter is reprinted below, numbered to correspond with the paragraph numbers assigned in the Staff's Letter, and is followed by the corresponding response of the registrant. These comments have been made in response to the Staff's comments.

Prospectus Cover

- 1. Please ensure that your disclosure throughout your document is current. We note for example your continued statement on your prospectus cover and on page 5 that you currently have an insufficient number of shares authorized to permit the exercise of all the Series A warrants; however, this statement appears to be inconsistent with the information in your Form 8-K dated August 12, 2013. Likewise, on page 25 your refer to license revenue that "will be fully recognized by May 31, 2013." Was the all revenue from the license fully recognized by that date?*

Amendment No. 2 to the Company's Registration Statement on Form S-1, which was filed with the SEC on September 13, 2013, reflects these changes by updating the disclosure throughout the document.

Table of Contents, page 4

- 2. Please address that part of prior comment 3 that applied to the penultimate sentence on page 4.*

In response to the Staff's prior comment 3, the last two sentences on the prospectus cover were deleted on Amendment No. 1 to the S-1/A. The penultimate sentence on page 4 was inadvertently left in. It has been deleted on Amendment No. 2 to the S-1/A.

The Company and our Business, page 5

3. *Please revise so that your summary does not provide disproportionate prominence to products relative to their contribution to your business. For example, if the products sold through TransTech represent most of your revenue at this time while you have not yet generated sales of completed ChromaID products, you should present the TransTech business prominently in your summary and then mention the Chromatid business in a context that makes clear that you have not yet completed development or sold these products. Also, when you describe the TransTech business, please replace the vague phrase “value added security and authentication solutions” with a clear, direct summary of the TransTech business; if TransTech currently is primarily a re-seller of products manufactured by third-parties, ensure that your summary makes this clear.*

The Section entitled “The Company and our Business” has been revised to indicate that no revenues have yet been generated by the Company’s recently developed ChromaID products and that the majority of the Company’s revenues are generated by TransTech. The TransTech business description has been revised.

4. *We note your response to prior comment 1. Please avoid referring to Sumitomo Precision Products Co., Ltd. merely as SPP throughout your document. Likewise, please avoid using the term “SPM” throughout your document without explanation of what you mean in context.*

We have eliminated the references to SPP and have referred to Sumitomo Precision Products Co., Ltd. as “Sumitomo” throughout the document. We also have eliminated “SPM” where it is not clear from the context what SPM stands for.

Risk Factors, page 6

5. *Please tell us where you addressed the third bullet point in prior comment 9.*

A new risk factor entitled “IF A REVERSE STOCK SPLIT IS EFFECTUATED, IT COULD RESULT IN DILUTION TO THE COMPANY’S STOCKHOLDERS” has been added to address the possible reverse stock split.

6. *Please expand your response to the last bullet point of prior comment 9 to support your conclusion that the risk is not material. Include in your response the extent of outstanding securities that require adjustment to the terms if you issue securities at a lower price. Also show us the extent of potential dilution given a reasonable range of potential adjustments reflecting the range of market prices for your securities.*

We have expanded the risk factor entitled “OUR PRIVATE PLACEMENT WHICH CLOSED JUNE 14, 2013 MAY REQUIRE ADJUSTMENT IN THE EXERCISE PRICE OF THE WARRANTS ISSUED” to address this risk. If the Company were to issue securities at a price lower than the current exercise price of the Series A warrants (\$0.15 per share) and Series B warrants (\$0.20 per share) issued to Special Situations Fund and 40 other investors, the amount of capital received by the Company would be substantially reduced. For example, if the Company issued securities at \$0.10 per share (the market price of the Company’s common stock recently has ranged from \$0.07 to \$0.14 per share), then the exercise price of the Series A and Series B warrants would be adjusted to \$0.10 per share and if the warrants were then fully exercised, the Company would receive a total of \$10,460,000 instead of a total of \$18,305,000 if the exercise price of the warrants had not been adjusted.

7. *Please expand your response to prior comment 13 to provide us support your conclusion that the issue is not a material risk. Also, please expand your response to prior comment 14 to provide us support for your conclusion that the issue raised in that comment does not create a material risk; include in your response why you believe that you do not need a full-time CFO and why there are not material conflicts regarding the decisions he must make regarding allocation of his time and the funding sources that he might identify among the companies who employ him.*

We previously eliminated the reference to “Blue Sky” laws in the title of the risk factor (now entitled “TRADING IN THE COMPANY’S STOCK MAY BE RESTRICTED BY THE SEC’S PENNY STOCK REGULATIONS”) because that risk factor did not address any trading restrictions imposed by blue sky laws.

We have added a separate risk factor regarding blue sky laws.

A substantial portion of Mr. Scott’s time is spent on Company matters. Given the extent of the Company’s current operations, the Company does not believe that a full-time CFO is required at this time. As the Company’s operations increase, it will consider retaining Mark Scott as the full-time CFO. The remainder of our CFO’s time is devoted to (a) West Mountain Gold, which has retained him to work as a CFO, and (b) two other companies, U.S. Rare Earths Inc. and Sonora Resources Corp., which have retained him on a part-time, consulting basis only. These other companies are aware of the CFO’s employment by the Company and the time commitment required of the CFO by us. The other companies do not rely on the CFO to identify or secure funding sources for their operations.

Trading in the Company’s stock may be restricted, page 9

8. We note your response to prior comment 10. Please show us your calculations pursuant to Rule 3a51-1(g)(2).

The average revenue of the Company for the last three years was \$6,534,000 based upon the following:

FY 2012 revenue: \$7,924,000

FY 2011 revenue: \$9,136,000

FY 2010 revenue: \$2,543,000

Accordingly, the common stock of the Company falls within the exception to the definition of a “penny stock” set forth in Rule 3a-51-1(g)(2), and the risk factor entitled “TRADING IN THE COMPANY’S STOCK MAY BE RESTRICTED BY THE SEC’S PENNY STOCK REGULATIONS” has been revised accordingly.

The Offering May Not Cover, page 10

9. Because you are not receiving proceeds from this registered offering, please revise the first two words of the caption of this risk factor to remove the implication to the contrary. Also revise the risk factor caption to clarify what risk you are explaining in this risk factor that differs from the first risk factor on page 6.

We have deleted this risk factor and combined it with the risk factor entitled “WE EXPECT TO NEED ADDITIONAL FINANCING TO SUPPORT OUR TECHNOLOGY DEVELOPMENT AND ONGOING OPERATIONS AND PAY OUR DEBTS.”

Selling Security Holders, page 12

10. Please tell us why you have registered for sale some of the selling stockholders’ shares on this registration statement and some on your other pending registration statement. If you intend to proceed with two separate registration statements, ensure that the prospectus for both makes clear that the selling stockholders are offering for sale additional shares by a separate registration statement.

At the time this registration statement was initially filed on July 3, 2013, the Company had an insufficient number of authorized shares of common stock to fully cover all of the underlying shares in the Series A and Series B warrants issued to Special Situations Fund and the other investors in that private placement.

Following the filing, the Company held a special stockholders meeting at which the stockholders approved and authorized an increase in the number of authorized shares of common stock, thereby enabling the Company to then register in the second registration statement the shares underlying those warrants. The Company filed the first registration statement before the special meeting because it was required to do so by the Registration Rights Agreement (please refer to our response to comment 11, below). The Company now intends to proceed with only one registration statement and has combined the second registration statement with this registration statement. The Company intends to withdraw the second registration statement.

- 11. Please clarify what exhibit number you are citing in your response to prior comment 16. If you mean exhibit 10.3 to the Form 10-K that you filed on June 18, 2013, please to provide us your analysis of how you filed a registration statement for all of the "Series A Warrant Shares" by the deadline in that agreement.*

The referenced exhibit is the Registration Rights Agreement filed as Exhibit 10.3 to the Form 8-K that was filed on June 18, 2013.

Although the Registration Rights Agreement requires that the first registration statement (to be filed within 30 days of closing) cover the "Initial Registrable Securities" which is defined as the 52,300,000 shares of common stock plus the Series A Warrant Shares, the Company did not have a sufficient number of authorized shares of common stock to permit the exercise of all of the Series A Warrants and the registration of all 52,300,000 of the Series A Warrant Shares. Special Situations Fund and the other investors were notified of this shortfall and understood that the Company would include in the first S-1 registration statement only 18,000,000 of the Series A Warrant Shares and that the balance of the Series A Warrant Shares, together with the Series B Warrant Shares, would be included in the second S-1 registration statement to be filed following the Company's special stockholders meeting but the investors did not formally waive this requirement. Accordingly, we also have added a risk factor entitled "THE COMPANY MAY BE SUBJECT TO PENALTIES UNDER THE REGISTRATION RIGHTS AGREEMENT" to address this.

- 12. Your revisions on page 12 in response to prior comment 21 that GVC did not acquire the offered shares in the Special Situations transaction are inconsistent with your disclosure in the first paragraph of your prospectus cover. Please reconcile, and disclose the terms of the transactions in which you issued the offered shares to GVC. Also, tell us whether any of the shares registered for sale include common stock underlying the additional placement agent warrants which, according to page 20, you have not yet issued.*

The shares acquired by GVC prior to and not in connection with the Special Situations transaction are not included as part of this registration statement. Therefore, the prior revision has been deleted. The shares being registered for resale include the common stock underlying the placement agent warrants that have been issued to GVC. The shares of common stock underlying the additional placement agent warrants that might be issued to GVC in the future are not included in this registration statement.

- 13. Unless the selling stockholders who are broker-dealers received their offered shares as compensation for underwriting activities, those selling stockholder should be identified in your prospectus as underwriters, rather than merely saying that they "may be" underwriters as you do on page 15. Also, the selling stockholders who are affiliates of broker-dealers should be identified as underwriters unless you disclose, if true, that (1) the selling stockholder purchased the offered shares in the ordinary course of business and (2) at the time of the purchase, the seller had no agreements or understandings, directly or indirectly, with any person to distribute the securities; these statements should not be limited merely "to [y]our knowledge" like you do on page 14.*

Amendment No. 2 to the Registration Statement reflects these changes by deleting the references to "may be" underwriters and by including the disclosure regarding affiliates of broker-dealers.

14. Please clarify what you mean by a “fully-diluted basis” in the last sentence on page 12, and provide us your analysis of how this disclosure is consistent with applicable rules regarding disclosure of beneficial ownership.

Amendment No. 2 to the Registration Statement deletes the reference to “fully-diluted basis” and replaces it with “assuming the exercise of all warrants and stock options”.

15. Refer to our prior comment 17. It continues to appear from the column headings in your selling security holders’ table as if warrants are being offered. Please revise.

Amendment No. 2 to the Registration Statement revises the headings to clarify that it is the securities underlying the warrants that are being offered.

16. It is unclear how the selling shareholders can offer for sale more shares than they currently own according to column B of your table in this section. Please provide us your analysis of all authority on which you rely to determine the number of shares to disclose as beneficially owned by the selling shareholders.

Amendment No. 2 to the Registration Statement revises the title of Column B to read “Securities Beneficially Owned Prior to Private Placement Transaction.”

17. It is unclear how you addressed the last sentence of prior comment 22 because the beneficial ownership that you disclose here continues to differ from the beneficial ownership of the same shareholders included in the table on page 36. Please advise or revise.

Amendment No. 2 to the Registration Statement revises the beneficial ownership figures to be consistent between the two charts.

Plan of Distribution, page 13

18. Please expand your response to prior comment 23 to provide us a complete analysis supporting your conclusion regarding whether the offering is on behalf of the issuer. See Securities Act Rules Compliance and Disclosure Interpretation 612.09 for a list of factors that you should address in your analysis. When addressing those factors, consider the securities offered via this registration statement together with the securities offered via your registration statement on Form S-1 filed August 16, 2013, file number 333-190685.

- (i) The Company will not receive any of the proceeds from the sale of the registered shares by the selling stockholders;
- (ii) The selling stockholders acquired their respective shares in a private placement transaction that closed on June 14, 2013, and as a condition to their purchase of the shares, they required that the Company register all of such shares;
- (iii) Except for J3E2A2Z L.P. and Mark Scott, none of the other selling stockholders are affiliates of the Company or of the Company’s officers or directors;
- (iv) The shares being registered represent approximately 31.4% of the total issued and outstanding shares of the Company;
- (v) Except for GVC Partners LLC, G. Select Securities LLC, Concept Capital Markets LLC and Smith Hayes Advisors, Inc., none of the selling stockholders are in the business of underwriting securities; and

- (vi) The selling stockholders will be acting independently of the Company in making any decision with respect to the timing, manner and size of any sale of the shares.

Business, page 16

19. You state in the first sentence of this section that you had 500,000,000 authorized shares when you were incorporated in 1998; however, your response to prior comment 26 indicates that you increased your authorized shares from 200,000,000 recently. Please ensure that your disclosure here and throughout your document is accurate.

Amendment No. 2 to the Registration Statement corrects this error.

20. Please tell us the basis for your statement in the second paragraph on page 16 that you expect ChromaID to provide the majority of your revenue in the future, given the lack of commercial sales to date. In addition, please tell us whether the uncertainty of the development of a commercial market for ChromaID technology presents a material risk to your investors, and if so, provide appropriate risk factor disclosure.

Amendment No. 2 to the Registration Statement reflects these changes in the Business and Risk Factors sections. We have added an additional risk factor entitled “OUR ChromaID™ TECHNOLOGY IS NEW AND MAY NOT ACHIEVE COMMERCIAL SUCCESS.”

21. Please disclose in this section that acquisition of RATLab and Javelin mentioned on pages F-27 and F-28. Also describe what you acquired from those companies and describe the material terms of the agreements relating to those acquisitions. For example, we note that you are obligated to pay Javelin ten percent of the gross margin you receive from joint ventures or license fees under the terms of exhibit 10.2 to your Form 8-K filed August 22, 2012 and mentioned on page F-28. See Regulation S-K Item 101(h)(3). In addition, please tell where that fee agreement is referenced in the exhibit index to this Form S-1.

Amendment No. 2 to the Registration Statement reflects the addition of the RATLab and Javelin acquisitions. We have explained the assets acquired.

We have deleted the reference to the 10% Javelin fee agreement as they have not provided a list or sourced any business. That fee agreement is not material to the Company so it is not included in the exhibits as a material contract.

22. Please expand your disclosure in response to prior comment 25 to address Regulation S-K Item 101(h)(4)(iv) as it applies to both your product in development and TransTech's business. For example, do competitors currently offer products that perform the functions that you are developing a product to perform?

Amendment No. 2 to the Registration Statement includes a section on competition and additional disclosures on research and development.

Our ChromaID Technology, page 16

23. We note your references to diagnosing materials, pharmaceutical equipment, and food processing. Please tell us why you have not described Food and Drug Administration regulation per Regulation S-K Item 101(h)(4)(viii).

Amendment No. 2 to the Registration Statement includes disclosure regarding governmental approvals.

Our Joint Development Agreement, page 16

24. Please describe the material obligations of the parties under the agreement. Also, please:

- a. explain the reason for the need for the extension under the agreement.
- b. identify the "select" countries for which you have granted exclusivity to Sumitomo.
- c. disclose the material hurdles remaining until the product can be commercialized and the joint development agreement is completed.

Amendment No. 2 to the Registration Statement includes expanded disclosure regarding the Sumitomo Joint Development Agreement to address these comments.

Our Commercialization Plan for our ChromaID Technology, page 17

25. Refer to your disclosure that the developer tools are available and the database can be operated by the customer. If these products are not currently available for purchase and use by customers, please clarify your disclosure and explain the material hurdles that remain. If these products are currently available for purchase and use by customers, please clarify why no sales have been completed.

Amendment No. 2 to the Registration Statement revises this disclosure.

Suppliers, page 18

26. Please tell us whether you have agreements with the vendors who account for approximately 70% of the TransTech revenue. If so, please tell us where you have filed the agreements as exhibits. If not, please add appropriate risk factors.

Amendment No. 2 to the Registration Statement includes revised disclosure in the Risk Factors section and on page 18.

27. Please clarify whether you resell the products you receive from the suppliers and, if not, the nature of the manufacturing that you complete.

Amendment No. 2 to the Registration Statement reflects a revised disclosure on pages 5 and 18.

Distribution Methods, page 18

28. Refer to the first sentence of the last paragraph of this section. Given that you have not yet sold spectral pattern matching products, please tell us why you believe you have a reasonable basis to make a claim regarding margins.

Amendment No. 2 to the Registration Statement deletes the reference to margins.

Purchase Agreement with Special Situations, page 20

29. *Your response to prior comment 26 appears to be inconsistent with exhibit 10.4 to the Form 8-K that you filed on June 18, 2013; that exhibit identifies Visualant as one of the parties to the agreement. Please clarify your response to prior comment 26 accordingly. Also, cite in your response the rules on which you relied to determine whether you complied with Regulation 14A in connection with the agreement.*

Although Visualant was a named party to the Voting Agreement, it was Special Situations Fund, the lead investor, who sought and obtained the voting agreements from the stockholders. To our knowledge, the requirements of Regulation 14A were not complied with in connection with the lead investor's solicitation of the voting agreements. The voting agreements, however, were never utilized. At the special meeting of stockholders held on August 9, 2013, there were a sufficient number of stockholders present, either in person or by proxy (and without use of the proxies that were part of the voting agreements), who voted in favor of amending the Company's articles of incorporation to increase the number of authorized shares of common stock from 200,000,000 to 500,000,000.

Agreements with Gemini Master Fund, Ltd. and Ascendant Capital Partners LLC, page 22

30. *When you refer to warrants and convertible notes, please disclose the original exercise and conversion rates and the revised rates.*

Amendment No. 2 to the Registration Statement includes disclosure which addresses this comment.

31. *Please revise the second sentence of the paragraph numbered (1) in this section to specify the portion of the \$300,000 purchase price that you did pay. Also, here and throughout your document where you address repurchasing your securities, please address that part of prior comment 29 that asked you to provide disclosure regarding the purpose of repurchasing securities from selected investors given your negative working capital.*

Amendment No. 2 to the Registration Statement includes disclosure to address these comments.

32. *The last paragraph of this section discloses that you agreed to acquire all of the investment rights of both Gemini and Ascendant for \$850,000. The last sentence of that paragraph says that you acquired only the rights of Gemini for \$850,000. Please clarify.*

Amendment No. 2 to the Registration Statement includes a clarification which which addresses this comment.

Management's Discussion and Analysis, page 25

33. *With a view toward appropriate disclosure in this section regarding the expenses that you are funding by issuing your securities, please clarify why you compensated David Markowski multiple times for "services related to the acquisition of TransTech." We note Item 15 of this Form S-1.*

David Markowski was compensated over several tranches. His primary focus was as an advisor on the acquisition of TransTech. We expensed the compensation for that role in the 2010 acquisition. The remaining tranches were expensed in 2013 when we reached agreement with Mr. Markowski regarding additional amounts due to him. The agreement with Mr. Markowski was viewed as immaterial in 2010 and 2013 so was not filed as an exhibit.

Summary of Recent Business Operations for the Nine Months Ended June 30, 2013, page 25

34. Please describe the new products that TransTech released during the period that affected the change in revenue and margins. Also discuss why the products decreased margins.

Amendment No. 2 to the Registration Statement includes revised disclosure which addresses these comments.

35. Here and in your discussion of full-year results, please discuss material changes to your research and development expenses, your general and administrative expenses, your other (income) expense items, and other items that materially contributed to changes in your net loss or are material trends.

Amendment No. 2 to the Registration Statement includes disclosure which addresses this comment.

Summary of Recent Business Operations for the Year Ended September 30, 2012, page 25

36. Please quantify separately the amounts spent for business development and investor relations. Also, explain the nature of each of those expenditures.

Amendment No. 2 to the Registration Statement includes a revised table.

37. Describe the change in product mix that affected TransTech margins.

Amendment No. 2 to the Registration Statement includes disclosure which addresses this comment.

Summary of Recent Business Operations for the Year Ended September 30, 2011, page 25

38. Your disclosure on page 16 indicates that you entered into the license agreement in May 2012. Please clarify how that agreement generated revenue in the fiscal year ended September 30, 2011 as you disclose in the last sentence of the second paragraph under this caption.

Amendment No. 2 to the Registration Statement includes disclosure which addresses this comment.

Liquidity and Capital Resources, page 26

39. Refer to the last sentence of prior comment 58. Please tell us which exhibit to this Form S-1 represents the BFI Finance credit facility.

The BFI Finance credit facility agreement is included in Amendment No. 2 to the Registration Statement as Exhibit 10.43.

40. Please provide a complete discussion of your liquidity and capital resources, rather than merely repeating numbers evident from your financial statements. Refer to Regulation S-K Item 303, Release 33-3850, and prior comment 29.

Amendment No. 2 to the Registration Statement includes disclosure which addresses this comment.

Management, page 28

41. Please specify in Mr. Erickson's biography the position he held from 2008 through his appointment as your CEO in November 2009.

Amendment No. 2 to the Registration Statement includes this information in the Management section.

Other Executive Officers, page 30

42. *We note your deletion of Mr. Scott's role as CFO of Sonora Resources and U.S. Rare Earths. Please tell us why you need not provide this disclosure per Regulation S-K Item 401 and Rule 408.*

Amendment No. 2 to the Registration Statement includes Mr. Scott's consulting work for Sonora Resources and U.S. Rare Earths.

A substantial portion of Mr. Scott's time is spent on Company matters. Given the extent of the Company's current operations, the Company does not believe that a full-time CFO is required at this time. As the Company's operations increase, it will consider retaining Mark Scott as the full-time CFO. The remainder of our CFO's time is devoted to (a) West Mountain Gold, which has retained him to work as a CFO, and (b) two other companies, U.S. Rare Earths Inc. and Sonora Resources Corp., which have retained him on a part-time, consulting basis only. These other companies are aware of the CFO's employment by the Company and the time commitment required of the CFO by us. The other companies do not rely on the CFO to identify or secure funding sources for their operations.

Remuneration of Executive Officers, page 32

43. *Please include in the table all compensation earned by the named executive officers during the periods presented, even if paid in a subsequent period. For amounts that were paid after they were due, please disclose the terms of the deferral arrangement, including interest; in this regard, please clarify how you calculated the \$73,600 figure in footnote 1.*

Amendment No. 2 to the Registration Statement includes a revised compensation table. The \$73,600 figure was obtained from our general ledger and was calculated by subtracting the amount of payroll paid during fiscal 2012 from the amount of payroll that was accrued during such fiscal year.

44. *Please tell us the reasons for the changes you made to numbers in the previous version of your summary compensation table, and provide us your analysis of how the changes affect your obligations under Rule 14a-21(a). In this regard, please also demonstrate to us how you have complied with Rule 14a-21(a).*

Mr. Erickson and Mr. Scott were paid as consultants until June 1, 2012. We reclassified the amount paid to them as consultants from "Other Compensation" to "Salary" in the compensation table.

The Company's proxy statement for the annual meeting held on March 21, 2013, which was filed December 28, 2012, did not comply with the advisory vote requirement of Rule 14a-21(a) due to a misunderstanding about the effective date of such rule. The Company will comply fully with the rule in its proxy statement for the 2014 annual meeting.

Director Summary Compensation Table, page 34

45. *Please address the last sentence of prior comment 15 as it applies to your reference to Form 10-K that appears in this section and on page 22. Likewise:*

- a. it is unclear whether the financing transactions and related revisions that you say on page 26 are “discussed previously” refer to prior filings; please clarify.
- b. please tell us the authority on which you rely to qualify your disclosure by reference to a “Preliminary 14A” as you do on page 39.

Amendment No. 2 to the Registration Statement reflects this change by deleting both references to Form 10-K. The “discussed previously” reference has been revised to make clear it refers to an earlier section of the prospectus, and the reference to the “Preliminary 14A” has been deleted.

46. Please revise the first sentence of footnote 1 to refer to grant date fair value as required by Regulation S-K Item 402(r)(2)(iv). Likewise, revise footnote 7 on page 33; see Regulation S-K Item 402(n)(2)(v).

These footnotes have been revised in Amendment No. 2 to the Registration Statement.

47. Please expand your response to prior comment 36 to tell us the authority on which you rely to provide proxy statement disclosure rather than file a Form 8-K. If you do not have authority for your conclusions, please tell us whether you plan to file a Form 8-K to address the director departures.

While the Company did not file a timely Form 8-K with respect to the director departures, the Company did provide notice to investors of the resignation of Dr. Kawahata and Mr. Arai in (i) the Company’s Preliminary Form 14A that was filed with the SEC on December 28, 2012; (ii) the Company’s Definitive 14A that was filed with the SEC on January 11, 2013; and (iii) the Company’s Definitive 14A that was mailed to shareholders on or about February 25, 2013. The Company recognizes this disclosure does not relieve the Company of the obligation to file a Form 8-K. The Company has now filed a Form 8-K (filed on September 10, 2013) reporting the departure of Dr. Kawahata and Mr. Arai as directors of the Company.

48. Please include in the table the dollar amounts mentioned in the last two sentences added to this section.

Amendment No. 2 to the Registration Statement includes a revised table.

Security Ownership of Certain Beneficial Owners and Management, page 35

49. Please indicate by footnote to the table the number of shares that each holder has the right to acquire within 60 days. See Item 403(a) and (b) of Regulation S-K. In addition, please tell us why the numbers in this table differ from the numbers in the table in your original filing in the column that included options and warrants with respect to Mr. Erickson and Mr. Scott.

Amendment No. 2 to the Registration Statement includes a revised table and related footnotes. We moved the vested options and warrants from the diluted column in the original S1 to the shares beneficially owned column. In addition, we reduced the shares beneficially owned by the shares registered for resale for Mr. Erickson and Mr. Scott so the schedules match the selling shareholder schedule.

Certain Relationships and Related Party Transactions, page 36

50. Please disclose the consideration you will receive for the one-time payment of \$100,000 to Sumitomo. Also disclose when the payment is due and any interest rate.

Amendment No. 2 to the Registration Statement includes this disclosure.

51. Please expand your response to prior comment 41 to cite the relevant authority on which you rely to conclude that the amounts need not be reported in the Summary Compensation Table or Director Compensation Table.

The amounts paid to James Gingo as reflected in the section entitled “Certain Relationships and Related Party Transactions/Related Party Transactions with James Gingo” are payments for the purchase of his stock in TransTech Systems as part of the Company’s acquisition of TransTech, and were not compensation payments or otherwise related to his employment with the Company.

The issuance of 4,000,000 restricted shares of common stock to Mr. Sparks for unpaid compensation in the amount of \$721,333 as reflected in the section entitled “Related Party Transactions with Bradley Sparks” was compensation for 2010 (which has been added to the Summary Compensation Table or Director Compensation Table) and for prior years. The remaining amounts paid to Mr. Sparks were repayment amounts for loans he made to the Company, and were not compensation or severance payments, nor were they related to his employment with the Company.

Change in Control Provisions, page 39

52. Please tell us how you confirmed the accuracy of your response to prior comment 43. We note, for example, that you have not disclosed in this disclosure that section 2.5 of exhibit 3.1 eliminates the ability of shareholders to call a special meeting.

We have added a paragraph to the section entitled “Change in Control Provisions” to address the lack of ability of the stockholders to call a special meeting.

Recent Sales of Unregistered Securities, page 43

53. Please expand your response to prior comment 50 to tell us with specificity how you addressed the last sentence of that comment.

This section includes all sales of new securities resulting from the modification of outstanding securities.

54. It does not appear that you addressed prior comment 52. For each transaction, please clarify briefly the facts relied upon to make available the cited exemption from registration under the Securities Act. For transactions that are integrated under Rule 502, please ensure that your disclosure of the facts relied upon to make available the cited exemption reflects the integration.

We have added a statement that all such transactions were to accredited investors, with the exception of a few issuances to non-accredited investors which are now noted, and that all transactions met the requirements of Rule 506 of Regulation D... The Company has only had a handful of non-accredited investors (well under the 35 non-accredited investor limit of Rule 506) so even if all of the transactions were integrated, the transactions would still be exempt; therefore the Company has not attempted to make a determination as to which offerings are integrated under Rule 502.

Exhibits

55. *We note your response to prior comment 54; however, the document that you included as exhibit 3.2 appears to be merely an amendment to your articles of incorporation. Please file your complete, current articles of incorporation.*

A copy of the current and complete articles of incorporation of the Company was filed as an exhibit to the Company's Form 8-KA dated March 21, 2013 and filed with the SEC on September 10, 2013. The amended Registration Statement on Form S-1, which was filed with the SEC on September 13, 2013 includes the articles of incorporation as Exhibit 3.2 and the Certificate and Amendment to the Articles of Incorporation are filed as Exhibit 3.3.

56. *We note your response to prior comment 56; however, you must file complete exhibits with all attachments. If the exhibits or attachments include confidential information, Rule 406 and Rule 24b-2 provide the exclusive means for requesting confidential treatment of such information. Therefore, please file the complete agreements requested in the prior comment or comply with the procedures in Rule 406 or Rule 24b-2, as appropriate. In addition, please follow these procedures with respect to Exhibit A to your business development fee agreement with Javelin included with your Form 8-K filed August 22, 2012 and the excluded assets in Schedule A of exhibit 10.15 to this Form S-1. For guidance, please review Staff Legal Bulletin No. 1 (February 28, 1997 with July 11, 2001 addendum) available on the Commission's web site.*

The amended Registration Statement on Form S-1, which was filed with the SEC on September 13, 2013, reflects this change in Exhibits 10.21 and 10.23. The Exhibit A to the business development fee agreement with Javelin is accurately disclosed. The page is blank in the agreement. The Schedule A of Exhibit 10.15 (Excluded Assets) is accurately disclosed. There are none in the agreement.

57. *We note your response to prior comment 57. Please file the original lease that, according to section 8 of 10.37, continues to contain the terms of the agreement. Also file the amendment extending the term of exhibit 10.38, and, given the parties that signed exhibit 10.38, tell us how you provided disclosure regarding the lease pursuant to Regulation S- K Item 404.*

The amended Registration Statement on Form S-1, which was filed with the SEC on September 13, 2013, reflects this change in Exhibits 10.41 and 10.42. The original lease dated in 2006 predated our acquisition of TransTech Systems on June 8, 2010. On February 28, 2009, the members in the 2006 lease dissolved the G & L Business Group LLC and TransTech Systems leased the property directly. Our disclosure is correct.

The registrant acknowledges that:

- the company is responsible for the adequacy and accuracy of the disclosure in the filings;
- staff comments or changes to disclosure in response to staff comments do not foreclose the Commission from taking any action with respect to the filings; and
- the company may not assert staff comments as a defense in any proceeding initiated by the Commission or any person under the federal securities laws of the United States.

Please contact me at (206) 903-1351 with any questions. The Company respectfully requests that if the staff has any remaining comments or questions after reviewing Amendment No. 2 to the Registration Statement and this letter, that it discuss such comments or questions with our attorney, James Biagi, in a telephone call prior to issuing another comment letter. Mr. Biagi's telephone number is (206) 587-5700.

Sincerely,

/s/ Mark Scott

Mark Scott, CFO
Visualant, Incorporated

cc: Sally Brammel, Securities and Exchange Commission
James F. Biagi, Jr., Fifth Avenue Law Group, PLLC