

NBT Equities Research

Update: Visualant VSUL

Target Price: \$2.25

Current Price: \$0.60

Initial Coverage Price: \$0.42

www.nbtequitiesresearch.com/vsul



Visualant, Inc. an emerging leader in authentication systems technology (with a cash flowing business model that works!) announced a number of significant deals in the last few weeks.

First is a letter of intent to acquire Eagle Technologies USA (www.eagletechnologiesusa.com) of Brea, California.

Eagle, founded by card industry leaders Greg and Ryan Hawkins and Jeff Fulmer in 2008 has rapidly emerged as the premier provider of blank PVC and polyester composite cards to the identification market. Eagle will provide an immediate additional \$1 million in annual revenue to Visualant and is projected to grow to \$3 to \$4 million in revenues over the next two years as Eagle increases the range and technical sophistication of its product line.

“Blank” cards is a misnomer—these cards sell at 40% margins because of the technology included like mag stripes, holograms etc. We would call this a “tuck-in” transaction for the VSUL consolidation program. This is how industry consolidation programs work: Eagle and its management team get the human and capital

resources necessary to rapidly accelerate its growth—VSUL gets great people and accretive EPS that has significant growth upside.

The Eagle founders get 1M shares of VSUL stock with another 1M shares when they achieve \$4M in calendar year sales.

CEO Greg Hawkins had grown revenues for another blank PVC card company to \$10M by building a sales team. He left to be his own boss...now he is his own boss but with an opportunity for liquid equity in his business.

PVC cards are the staple of the identification card business. ID cards get renewed annually—it's the gift that keeps on giving. These blank cards also go the credit cards/reward cards/hotel key cards...if it's a plastic card it's made by Eagle. TransTech—the main subsidiary—sees an opportunity in selling Eagle cards to it's largest source of high tech ID cards—that company being Evolis, a French company.

40% margins—quadrupling sales. These are the type of accretive, value building acquisitions we want to see with VSUL.

The RATLab LLC Deal

The RATLab (“running around thinking”) 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. The RATLab is guided by Dr. Tom Furness and Dr. Brian Schowengerdt, a research scientist in the field of optics and vision science, who developed the Spectral Pattern Matching (“SPM”) technology under contract for Visualant.

Dr. Tom Furness is a very prolific inventor and the brains behind two public companies: MicroVision (MVIS) and F5 (FFIV). F5 is a \$billion market cap company focusing on Application Server optimization—which is a fancy way of saying their technology allows corporations to spend less money on their networks. MicroVision is the leader in Pico projection—using tiny MEMs mirrors to project images anywhere.

Dr Furness is really the genius behind VSUL and SPM technology.

With this acquisition, Visualant will consolidate all intellectual property relating to the SPM technology in the Company. In addition to its current authentication and security applications of SPM, the Company will now own all other applications including the important fields of medicine, agriculture, and the environment and begin the creation of the Visualant Laboratory.

Upon the closing of this asset acquisition transaction, Dr. Tom Furness stays in the lab inventing and Dr. Schowenger becomes the CTO for Visualant.

Great value building acquisition in our opinion. NBT will interview Dr. Furness shortly and see what new ideas for VSUL he is working on.

TransTech Systems, Inc. \$1.2 Million Contract with NASA

The contract is for warranty service for NASA on a previous sale of high end printers that provide the digital high security identification cards required by a 2004 Presidential directive.

Jim Gingo, TransTech President said, “We are pleased to be selected for this continuation contract. We work hard to maintain quality rela-

tionships and strive for excellence with both our vendors and our customers.”

Visualant, Inc. (OTCBB:VSUL and www.visualant.net) develops low-cost, high speed, light-based security and quality control solutions for use in homeland security, anti-counterfeiting, forgery/fraud prevention, brand protection and process control applications. Our patent-pending technology uses controlled illumination with specific bands of light, to establish a unique spectral signature for both individual and classes of items. When matched against existing databases, these spectral signatures allow precise identification and authentication of any item or substance. This breakthrough optical sensing and data capture technology is called Spectral Pattern Matching (“SPM”). SPM technology can be miniaturized and is easily integrated into a variety of hand-held or fixed mount configurations, and can be combined in the same package as a bar-code or biometric scanner.

Through its wholly owned subsidiary, TransTech Systems, Inc., (www.ttsys.com) the Company provides security and authentication solutions to security and law enforcement markets throughout the United States.
(Source: visualant.net)

NBT Equities Research

The information and opinions in this report were prepared by NBT Equities Research, LLC. The information herein is believed to be reliable and has been obtained from public sources believed to be reliable. We make no representation as to the accuracy or completeness of such information. Opinions, estimates and projections in this report constitute the current judgment of the author as of the date of the report and are subject to change without notice. We have no obligation to update, modify or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate, or if research on the subject company is withdrawn.

This report is provided for informational purposes only. It is not to be construed as an offer to buy or sell or a solicitation of an offer to buy or sell any financial instruments or to participate in any particular trading strategy in any jurisdiction. Opinions and recommendations in our reports do not take into account individual investor circumstances, objectives, or needs and are not intended as recommendations of particular securities or strategies to particular investors. The recipients of our reports must make their own independent decisions regarding any securities mentioned in our reports.

NBT Equities Research, LLC has received compensation from the company or companies mentioned in this report or agents acting on their behalf. Please review the important disclosures in this report.

This report may be reproduced, distributed or published by any person for any purpose without the prior written consent of NBT Equities Research. Please cite source when quoting.

Copyright © 2011 NBT Equities Research, LLC.
www.nbtequitiesresearch.com