

SECURITY AGREEMENT

This Security Agreement is entered into as of April 23, 2011 (the "*Agreement*") by and between Vincent Ventures, LLC, a Delaware limited liability company (the "*Secured Party*") and Chrysallis, Inc., a Nevada corporation (the "*Debtor*").

A. The Debtor and Secured Party have entered into that certain Bill of Sale (the "*Purchase Agreement*") of even date herewith to effect the sale of the Purchased Assets (as defined therein) for an aggregate purchase price of US\$100,000 in cash and the other consideration set forth in the Purchase Agreement (the cash portion of such consideration, the "*Purchase Price*"). All capitalized terms used but not defined herein shall have the meaning ascribed to such terms in the Purchase Agreement.

B. Secured Party and Debtor are entering into this Agreement as security for Debtor's fulfillment of all its obligations under the Purchase Agreement including, but not limited to, the payment in full of the Purchase Price.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

The Debtor and the Secured Party hereby agree as follows:

1. Certain Definitions.

(a) "*Collateral*" shall mean the Purchased Assets as such term is defined in the Purchase Agreement.

(b) "*Lien*" means any lien (statutory or other), mortgage, pledge, hypothecation, assignment, deposit arrangement, security interest, charge, claim or other encumbrance of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof, and any agreement to give any security interest) and any agreement to give or refrain from giving a lien, mortgage, pledge, hypothecation, assignment, deposit arrangement, security interest, charge, claim or other encumbrance of any kind in each case on or over the Purchased Assets.

(c) "*Permitted Liens*" means: (i) Liens imposed by law, such as carriers', warehousemen's, materialmen's and mechanics' liens, or Liens arising out of judgments or awards against Debtor with respect to which Debtor at the time shall currently be prosecuting an appeal or proceedings for review, (ii) Liens for taxes not yet subject to penalties for nonpayment and Liens for taxes the payment of which is being contested in good faith and by appropriate proceedings and for which, to the extent required by generally accepted accounting principles then in effect, proper and adequate book reserves relating thereto are established by Debtor, (iii) Liens (A) upon or in any equipment acquired or held by the Debtor to secure the purchase price of such equipment or indebtedness incurred solely for the purpose of financing the acquisition of such equipment, or (B) existing on such equipment at the time of its acquisition, provided that the Lien is confined solely to the property so acquired and

improvements thereon, and the proceeds of such equipment and other equipment financed by the holder of such Lien; (iv) Liens consisting of leases or subleases and licenses and sublicenses granted to others in the ordinary course of Debtor's business not interfering in any material respect with the business of Debtor and any interest or title of a lessor or licensor under any lease or license, as applicable; (v) Liens incurred or deposits made in the ordinary course of Debtor's business in connection with worker's compensation, unemployment insurance, social security and other like laws; (vi) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods; (viii) Liens to which the Secured Party has each expressly consented in writing; (ix) Liens in favor of the Secured Party; and (x) Liens over any asset other than the Purchased Assets.

2. Security Agreement.

(a) Grant. Debtor, for valuable consideration, the receipt of which is acknowledged, hereby grants to the Secured Party a first priority security interest in and Lien on all of the Collateral.

(b) Filings. The Secured Party is authorized to file financing statements in any jurisdiction(s) as it shall deem appropriate from time to time in order to perfect the security interest. The Secured Party is also authorized to make any filings and recordings with the U.S. Patent and Trademark Office as it shall deem appropriate from time to time to evidence the security interest. The Company agrees to cooperate with the reasonable requests of the Secured Party to the extent necessary to enable the Secured Party to make such filings and recordings and to maintain its rights granted hereunder.

(c) Continuing Security Interest. The Debtor agrees that this Agreement shall create a continuing security interest in the Collateral which shall remain in effect until indefeasible payment and performance in full of all of the Obligations (as defined below).

3. Obligations Secured. The security interest granted hereby secures payment of the Purchase Price owed pursuant to the Purchase Agreement as evidenced by two \$50,000 promissory notes dated April 23, 2011 issued by the Debtor to the Secured Party (each a "Note" and, collectively, the "Obligations").

4. Debtor's Representations, Warranties And Covenants. Debtor hereby represents, warrants and covenants to the Secured Party that:

(a) Debtor's principal place of business is the address set forth on the signature page of the Purchase Agreement and Debtor keeps its records concerning accounts, contract rights and other property at that location.

(b) Debtor will at all times keep in a manner reasonably satisfactory to the Secured Party accurate and complete records of the Collateral.

(c) Debtor will not create or permit to be created or suffer to exist any Lien, except Permitted Liens, of any kind on any of the Collateral.

(d) Debtor shall not use the Collateral in violation of any applicable statute, ordinance, law or regulation.

(e) Disposition of Collateral. The Debtor will not surrender or lose possession of (other than to the Secured Party), sell, lease, rent, or otherwise dispose of or transfer any of the Collateral or any right or interest therein, except (A) to the extent permitted by this Agreement, (B) pursuant to non-exclusive license agreements entered in the ordinary course of the business of the Debtor or (C) to a successor entity which assumes the Obligations in connection with a transaction effected to change its domicile as contemplated in the second paragraph of the preamble of each of the Notes and receives the Collateral subject to this Agreement.

(f) Separate Obligations and Liens. The Debtor acknowledges and agrees that (i) the Lien that secures the Obligations of the Debtor (A) is separate and distinct from any and all other Liens on the Collateral, (B) is enforceable without regard to whether or not any other Lien shall be or become void, voidable or unenforceable or the indebtedness, obligations or liabilities secured by any such other Lien shall be discharged, whether by payment, performance, avoidance or otherwise, and (C) shall not merge with or be impaired by any other Lien.

5. Debtor's Rights Until Default. So long as an Event of Default does not exist, Debtor shall have the right to possess and use the Collateral.

6. Event of Default. An "*Event of Default*" shall exist under this Agreement upon the happening of the failure to pay the principal and accrued and unpaid interest under either Note when due.

7. Rights and Remedies on Event of Default.

(a) At the election of the Secured Party, all right, title and interest in and to the Collateral shall be deemed automatically to be assigned, transferred and conveyed back to Secured Party. Debtor shall take, or cause to be taken, all actions, and do, or cause to be done, all things reasonably necessary or appropriate to consummate and make effective, in the most expeditious manner practicable, such assignment, transfer and conveyance of all right, title and interest in and to the Collateral back to Secured Party. Debtor, at the reasonable request of the other party hereto, shall execute and deliver such other instruments and do and perform such other acts and things as may be reasonably necessary for effecting completely the consummation of such assignment, transfer and conveyance of all right, title and interest in and to the Collateral back to the Secured Party.

(b) To the extent that the rights and remedies of Section 7(a) are not available under applicable law, then the following Section 7(b) shall apply: during the continuance of an Event of Default, Secured Party, shall have the right, itself or through any of its agents, with or without notice to Debtor (as provided below), as to any or all of the Collateral, by any available judicial procedure, or without judicial process (provided, however, that it is in compliance with the Uniform Commercial Code (the "*UCC*"), to exercise any and all rights afforded to a secured party under the UCC or other applicable law. Without limiting the

generality of the foregoing, Secured Party shall have the right to sell or otherwise dispose of all or any part of the Collateral, either at public or private sale, in lots or in bulk, for cash or for credit, with or without warranties or representations, and upon such terms and conditions, as the Secured Party, in its sole discretion, may deem advisable, and the Secured Party shall have the right to purchase at any such sale. Debtor agrees that a notice sent at least ten (10) days before the time of any intended public sale or of the time after which any private sale or other disposition of the Collateral is to be made shall be reasonable notice of such sale or other disposition. The proceeds of any such sale, or other Collateral disposition shall be applied, first to the expenses of retaking, holding, storing, processing and preparing for sale, selling, and the like, and to Secured Party's reasonable attorneys' fees and legal expenses, and then to the Obligations and to the payment of any other amounts required by applicable law, after which Secured Party shall account to Debtor for any surplus proceeds. Debtor shall remain liable for any shortfall to the extent the net proceeds (after accounting for the deductions mentioned above) are less than the amount of the Obligations.

(c) Any sale, whether under any power of sale hereby given or by virtue of judicial proceedings, shall operate to divest all Debtor's right, title, interest, claim and demand whatsoever, either at law or in equity, in and to the Collateral sold, and shall be a perpetual bar, both at law and in equity, against Debtor, its successors and assigns, and against all persons and entities claiming the Collateral sold or any part thereof under, by or through Debtor, its successors or assigns.

(d) All of Secured Party's rights and remedies with respect to the Collateral, whether established hereby or by any other agreements, instruments or documents or by law shall be cumulative and may be exercised singly or concurrently.

8. Secured Party's Rights; Debtor Waivers.

Secured Party's acceptance of partial or delinquent payment from Debtor arising under the Obligations, or Secured Party's failure to exercise any right hereunder, shall not constitute a waiver of any obligation of Debtor hereunder, or any right of Secured Party hereunder, and shall not affect in any way the right to require full performance at any time thereafter.

9. Miscellaneous.

(a) Amendment and Waiver. Neither this Agreement nor any part hereof may be changed, waived, or amended except by an instrument in writing signed by the Secured Party and by the Debtor.

(b) Notices. All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed effectively given: (a) upon personal delivery to the party to be notified, (b) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient, and if not so confirmed, then on the next business day, (c) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All

communications shall be sent to the respective parties at the addresses set forth on the signature pages hereto (or at such other addresses as shall be specified by notice given in accordance with this Section 9(b)).

(c) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of, the successors and assigns of the parties hereto.

(d) Governing Law. This Agreement shall be governed by and construed under the laws of the State of Nevada as applied to agreements among Nevada residents, made and to be performed entirely within the State of Nevada.

(e) Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. A facsimile or other reproduction of this Agreement may be executed by any party hereto and delivered by such party by facsimile or other electronic transmission, and such execution and delivery shall be considered valid, binding and effective for all purposes.

(f) Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

(g) Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, such provision shall be excluded from this Agreement and the balance of the Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

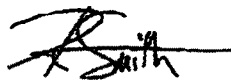
(h) Waiver of Jury Trial. TO THE EXTENT EACH MAY LEGALLY DO SO, EACH PARTY HERETO HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION, CAUSE OF ACTION, OR PROCEEDING ARISING UNDER OR WITH RESPECT TO THIS AGREEMENT, OR IN ANY WAY CONNECTED WITH, OR RELATED TO, OR INCIDENTAL TO, THE DEALING OF THE PARTIES HERETO WITH RESPECT TO THIS AGREEMENT, OR THE TRANSACTIONS RELATED THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND IRRESPECTIVE OF WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE. TO THE EXTENT EACH MAY LEGALLY DO SO, EACH PARTY HERETO HEREBY AGREES THAT ANY SUCH CLAIM, DEMAND, ACTION, OR PROCEEDING SHALL BE DECIDED BY A COURT TRIAL WITHOUT A JURY AND THAT EITHER PARTY HERETO MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF ANY OTHER PARTY HERETO TO THE WAIVER OF ITS RIGHT TO TRIAL BY JURY.

[signature page follows]

IN WITNESS WHEREOF, this Security Agreement has been executed by the parties hereto as of the date first above written.

DEBTOR:

CHRYSALLIS, INC.

Signature:  _____

Name: Robb Smith

Title: President

Address: 6704 Masters Drive
Reno, Nevada 89511

SECURED PARTY:

VINCENT VENTURES, LLC

By: Vincent Pictures, a California corporation
Its: Manager

Signature:  _____
Peter Douglas, President

Address: 1946 East Valley Road
Santa Barbara, California 93108

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