

Form PTO-1594 (Rev. 03/01) QMB No. 0651-0027 (exp. 5/31/2002) Tab settings

RECORDATION FORM COVER SHEET TRADEMARKS ONLY

U.S. DEPARTMENT OF COMMERCE U.S. Patent and Trademark Office

To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.

1. Name of conveying party(ies): BIO-KEY INTERNATIONAL, INC.

- Individual(s), Association, General Partnership, Limited Partnership, Corporation-State, Other

Additional name(s) of conveying party(ies) attached? Yes No

3. Nature of conveyance:

- Assignment, Merger, Security Agreement, Change of Name, Other

Execution Date: 09/29/2004

2. Name and address of receiving party(ies)

Name: LAURUS MASTER FUND, LTD.

Internal Address:

Street Address: 825 Third Avenue

City: New York State: NY Zip: 10022

- Individual(s) citizenship, Association, General Partnership, Limited Partnership, Corporation-State, Other a Cayman Islands company

If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No (Designations must be a separate document from assignment) Additional name(s) & address(es) attached? Yes No

4. Application number(s) or registration number(s):

A. Trademark Application No.(s)

B. Trademark Registration No.(s)

See Schedule 1 attached hereto

Additional number(s) attached Yes No

5. Name and address of party to whom correspondence concerning document should be mailed:

Name: c/o Federal Research Corporation

Internal Address:

Street Address: 1030 15th Street NW, Suite 920

City: Washington State: DC Zip: 20005

6. Total number of applications and registrations involved: 6

7. Total fee (\$7 CFR 3.41): \$ 165.00

- Enclosed, Authorized to be charged to deposit account

8. Deposit account number: 503155

DO NOT USE THIS SPACE

9. Signature.

Loukia Harris

Name of Person Signing

Signature

Signature

December 20, 2004

Date

Total number of pages including cover sheet, attachments, and document: 8

Mail documents to be recorded with required cover sheet information to: Commissioner of Patent & Trademarks, Box Assignments Washington, D.C. 20231

SCHEDULE 1 TO GRANT OF SECURITY INTEREST
REGISTERED TRADEMARKS AND TRADEMARK APPLICATIONS

| <u>Trademark</u> | <u>Registration or Application Number</u> | <u>Registration or Application Date</u> | <u>Country</u> |
|------------------|---|---|----------------|
| PACKETWRITER | 2,474,585 | 7/31/01 | U.S. |
| PACKETCLUSTER | 2,280,672 | 9/28/99 | U.S. |
| PACKETCLUSTER | 2,310,535 | 1/25/00 | U.S. |
| PATROL | | | |
| SUNPRO | 1,833,708 | 5/3/94 | U.S. |
| CERULEAN | 2,138,480 | 2/24/98 | U.S. |
| Cerulean Logo | 2,174,356 | 7/21/98 | U.S. |

TRADEMARK

**GRANT OF SECURITY INTEREST
IN PATENTS AND TRADEMARKS**

THIS GRANT OF SECURITY INTEREST ("Grant"), effected as of September 29, 2004, is executed by BIO-key International, Inc., a Minnesota corporation (the "Grantor"), in favor of Laurus Master Fund, Ltd. (the "Secured Party").

A. Pursuant to a Master Security Agreement dated as of the date hereof (as amended, restated, supplemented or otherwise modified from time to time, the "Security Agreement") among the Grantor, certain other Assignors (as defined in the Security Agreement), and the Secured Party, the terms and provisions of which are hereby incorporated herein as if fully set forth herein, the Grantor and the other Assignors have granted a security interest to the Secured Party in consideration of the Secured Party's agreement to provide loans to the Grantor.

B. The Grantor (1) has adopted, used and is using the trademarks reflected in the trademark registrations and trademark applications in the United States Patent and Trademark Office more particularly described on Schedule 1 annexed hereto as part hereof (the "Trademarks"), and (2) has registered or applied for registration in the United States Patent and Trademark Office of the patents more particularly described on Schedule 2 annexed hereto as part hereof (the "Patents").

C. The Grantor wishes to confirm its grant to the Secured Party of a security interest in all right, title and interest of the Grantor in and to the Trademarks and Patents, and all proceeds thereof, together with the business as well as the goodwill of the business symbolized by, or related or pertaining to, the Trademarks, and the customer lists and records related to the Trademarks and Patents and all causes of action which may exist by reason of infringement of any of the Trademarks and Patents (collectively, the "T&P Collateral"), to secure the payment, performance and observance of the Obligations (as that term is defined in the Security Agreement).

NOW, THEREFORE, for good and valuable consideration, receipt of which is hereby acknowledged:

1. The Grantor does hereby further grant to the Secured Party a security interest in the T&P Collateral to secure the full and prompt payment, performance and observance of the Obligations.

2. The Grantor agrees to perform, so long as the Security Agreement is in effect, all acts deemed necessary or desirable by the Secured Party to permit and assist it, at the Grantor's expense, in obtaining and enforcing the Trademarks and Patents in any and all countries. Such acts may include, but are not limited to, execution of documents and assistance or cooperation in legal proceedings. The Grantor hereby appoints the Secured Party as the Grantor's attorney-in-fact to execute and file any and all agreements, instruments, documents and papers as the Secured Party may determine to be necessary or desirable to evidence the Secured Party's security interest in the Trademarks and Patents or any other element of the T&P Collateral, all acts of such attorney-in-fact being hereby ratified and confirmed.


3. The Grantor acknowledges and affirms that the rights and remedies of the Secured Party with respect to the security interest in the T&P Collateral granted hereby are more fully set forth in the Security Agreement and the rights and remedies set forth herein are without prejudice to, and are in addition to, those set forth in the Security Agreement. In the event that any provisions of this Grant are deemed to conflict with the Security Agreement, the provisions of the Security Agreement shall govern.

4. The Grantor agrees to execute financing statements or other instruments to the extent required by the Uniform Commercial Code and in executing such other documents or instruments as may be required or deemed necessary by you for purposes of affecting or continuing your security interest in the T&P Collateral.


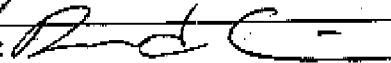
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IN WITNESS WHEREOF, the Grantor has caused this instrument to be executed as of
e day and year first above written.

BIO-KEY INTERNATIONAL, INC.

By: 
Name: MICHAEL W. DEBROUCHE
Title: CEO

LAURUS MASTER FUND, LTD.

By: 
Name: 
Title:

SCHEDULE 1 TO GRANT OF SECURITY INTEREST
REGISTERED TRADEMARKS AND TRADEMARK APPLICATIONS

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| CERULEAN | 2,138,480 | 2/24/98 | U.S. |
| Cerulean Logo | 2,174,356 | 7/21/98 | U.S. |

SCHEDULE 2 TO GRANT OF SECURITY INTEREST**PATENTS AND PATENT APPLICATIONS**

| <u>Patent</u> | <u>Registration or Application Number</u> | <u>Registration or Application Date</u> | <u>Country</u> |
|---|---|---|----------------|
| Method for Encoding and Transporting Database Objects over Bandwidth Constrained Networks | 6,230,165 | 05/08/01 | U.S. |