

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

Form 10-K

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended September 30, 2014
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number 001-35231

MITEK SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State of Incorporation)

87-0418827
(I.R.S. Employer
Identification No.)

8911 Balboa Ave.
San Diego, California
(Address of principal executive offices)

92123
(Zip Code)

Registrant's telephone number: (858) 309-1700

Securities registered pursuant to Section 12(b) of the Act:
Common Stock, par value \$0.001 per share
(Title of class)

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 (Do not check if a smaller reporting company) Smaller Reporting Company

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

The aggregate market value of the voting stock held by non-affiliates of the registrant, based upon the closing sale price of the registrant's common stock on March 31, 2014, the last business day of the registrant's most recently completed second fiscal quarter, as reported on the NASDAQ Capital Market, was \$106,493,534. Shares of stock held by officers and directors have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

There were 30,654,705 shares of the registrant's common stock outstanding as of November 28, 2014.

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FORM 10-K
For The Fiscal Year Ended September 30, 2014

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In this Annual Report on Form 10-K (“Form 10-K”), unless the context indicates otherwise, the terms “Mitek,” “the Company,” “we,” “us,” and “our” refer to Mitek Systems, Inc., a Delaware corporation.

IMPORTANT NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Form 10-K contains “forward-looking statements” that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially and adversely from those expressed or implied by such forward-looking statements. The forward-looking statements are contained principally in Item 1—“Business,” Item 1A—“Risk Factors” and Item 7—“Management’s Discussion and Analysis of Financial Condition and Results of Operations,” but appear throughout this Form 10-K. Forward-looking statements may include, but are not limited to, statements relating to our outlook or expectations for earnings, revenues, expenses, asset quality or other future financial or business performance, strategies, expectations or business prospects, or the impact of legal, regulatory or supervisory matters on our business, results of operations or financial condition. Specifically, forward-looking statements may include statements relating to our future business prospects, revenue, income and financial condition.

Forward-looking statements can be identified by the use of words such as “estimate,” “plan,” “project,” “forecast,” “intend,” “expect,” “anticipate,” “believe,” “seek,” “target” or similar expressions. Forward-looking statements reflect our judgment based on currently available information and involve a number of risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements.

In addition to those factors discussed under Item 1A—“Risk Factors,” important factors could cause actual results to differ materially from our expectations. These factors include, but are not limited to:

- adverse economic conditions;
- general decreases in demand for our products and services;
- changes in timing of introducing new products into the market;
- intense competition (including entry of new competitors), including among competitors with substantially greater resources than us;
- increased or adverse federal, state and local government regulation;
- inadequate capital;
- unexpected costs;
- revenues and net income lower than forecasted;
- litigation;
- the possible fluctuation and volatility of operating results and financial conditions;
- inability to carry out our marketing and sales plans; and
- the loss of key employees and executives.

All forward-looking statements included in this Form 10-K speak only as of the date of this Form 10-K and you are cautioned not to place undue reliance on any such forward-looking statements. Except as required by law, we undertake no obligation to publicly update or release any revisions to these forward-looking statements to reflect any events or circumstances that arise after the date of this Form 10-K or to reflect the occurrence of unanticipated events. The above list is not intended to be exhaustive and there may be other factors that could preclude us from realizing the predictions made in the forward-looking statements. We operate in a continually changing business environment and new factors emerge from time to time. We cannot predict such factors or assess the impact, if any, of such factors on our financial position or results of operations.

PART I

ITEM 1. BUSINESS.

Overview

Mitek Systems, Inc. is a mobile solutions provider engaged in the development, sale and service of its proprietary software solutions related to mobile imaging.

We apply our patented technology in image capture, correction and intelligent data extraction in the mobile financial and business applications markets. Our technology allows users to remotely deposit checks, pay bills, transfer credit card balances, open accounts and get insurance quotes by taking pictures of various documents with their camera-equipped smartphones and tablets instead of using the device keyboard. Our products use advanced algorithms to correct image distortion, extract relevant data, route images to their desired location and process transactions through users' financial institutions. As of November 28, 2014, we have been granted 20 patents and have an additional 23 patent applications pending.

Our Mobile Deposit[®] product is software that allows users to remotely deposit a check using their camera-equipped smartphone or tablet. As of September 30, 2014, 3,026 financial institutions have signed agreements to deploy Mobile Deposit[®], and 2,521 of these financial institutions have deployed Mobile Deposit[®] to their customers, including all of the top ten, and nearly all of the top 50, U.S. retail banks, as ranked by SNL Financial for the second quarter of calendar year 2014.

Mobile Photo Account Opening[™], is a product that enables users to open a checking, savings or credit card account by capturing an image of the front and back of their driver's license with their camera-equipped smartphone or tablet. Mobile Photo Payments[™] is a mobile direct bill pay solution that enables users to pay bills by taking a photo of their bill followed by a photo of the check or credit/debit card being used to pay the bill. Mobile Photo Bill Pay[®] allows users to pay their bills using their camera-equipped smartphone or tablet. Mobile Balance Transfer[™] is a product that allows credit card issuers to provide balance transfer offers and enables users to transfer an existing credit card balance and establish a new credit card account by capturing an image of the user's current credit card statement. Our mobile imaging software solutions are available for iOS and Android operating systems.

We market and sell our mobile imaging software solutions through channel partners or directly to enterprise customers that typically purchase licenses based on the number of transactions or subscribers that use our mobile software. Our mobile imaging software solutions are often embedded in other mobile banking or enterprise applications developed by banks, insurance companies or their partners, and marketed under their own proprietary brands.

We are headquartered in San Diego, California and were incorporated in the state of Delaware on May 29, 1986.

Product and Technology Overview

Our suite of mobile imaging solutions is provided as a software platform. During the fiscal year ended September 30, 2014, we had only one operating segment: the development, sale and service of our proprietary software solutions related to mobile imaging.

Our technology processes images of documents in many ways, including quality analysis, image repair, document identification and the extraction of hand-printed and machine-printed text. Our capabilities can be deployed on any back office, industrial or desktop scanner, or on camera-equipped smartphones or tablets, to optimize and extract data from any scanned or photographed check, bill or other financial document. Our capabilities include mobile document capture, image recognition, repair and optimization, dynamic data extraction and several document-specific capabilities, such as courtesy amount recognition, legal amount recognition, and reading of barcodes.

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Our mobile imaging solutions are able to read and extract data from images of financial and identification documents, in essence turning camera-equipped smartphones and tablets into virtual scanning devices.

Our proprietary, patented technology combines our core character recognition technology with advanced mobile image processing capabilities that transform a four-color photograph of a document into a digital image that is equivalent in size and resolution to scanned documents. Unlike scanned documents, mobile photographs of documents captured by camera-equipped smartphones and tablets are exposed to variable lighting conditions and various angles and focal distances. Raw photos of documents taken by a camera-equipped smartphone or tablet may be of an unknown size and resolution and are often geometrically distorted, skewed or warped. As a result, the “raw” mobile document image is virtually unusable without our technology. Our technology uses advanced algorithms designed to identify and correct geometric and optical distortions and automatically correct each mobile document image.

Mobile Imaging Solutions

The majority of our revenue in the fiscal years ended September 30, 2014, 2013 and 2012 was generated by our Mobile Deposit® product, which we sell to channel partners in the financial services industry. Our other mobile imaging solutions, which include Mobile Photo Account Opening™, Mobile Photo Payments™, Mobile Photo Bill Pay®, and Mobile Balance Transfer™, are primarily sold directly to enterprise customers.

Mobile Deposit®

As of September 30, 2014, 3,026 financial institutions have signed agreements to deploy Mobile Deposit®, and 2,521 of these financial institutions have deployed Mobile Deposit® to their customers, including all of the top ten, and nearly all of the top 50, U.S. retail banks, as ranked by SNL Financial for the second quarter of calendar year 2014. Our Mobile Deposit® product was the first to utilize our mobile imaging analytics and character recognition software to allow financial institutions to accept check deposits via images of checks taken with camera-equipped smartphones and tablets. Mobile Deposit® allows users to make deposits by photographing the front and back of a check and submitting the image electronically to their bank using their smartphone or tablet. We began selling Mobile Deposit® in the second fiscal quarter of 2008, and received our first patent issued for this product in August 2010.

Mobile Photo Account Opening™

Mobile Photo Account Opening™ makes it convenient and easy for customers to open a new account using their camera-equipped smartphone or tablet by capturing an image of the front and back of their driver’s license. Our technology extracts data from the driver’s license and automatically populates an account information form, thereby eliminating errors associated with manual account opening processes. Mobile Photo Account Opening™ can be used to open a new bank account, get an insurance quote, apply for a credit card, originate a loan, or enroll in other products and services. This process can be extended to capture the image of a check or credit/debit card, allowing for immediate funding or payments. Mobile Photo Account Opening™ also includes an add-on technology that enables the capture and processing of trailing documents needed for some account opening business processes.

While the initial target market for this solution is the financial services industry, it has applicability across many industries, including but not limited to retail, ecommerce and gaming.

Mobile Photo Payments™

For direct billers, Mobile Photo Payments™ enables consumers to pay bills using their camera-equipped smartphone or tablet by simply taking a photo of their bill coupon followed by a photo of the check or credit/debit card being used to pay the bill. Our patented bill pay technology reads the account number on the bill coupon and transmits the account data back to the consumer for verification. The consumer then takes a photo of the check or credit/debit card being used to pay the bill to complete the payment.

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Mobile Photo Bill Pay®

Mobile Photo Bill Pay® provides a new level of service and convenience for bank customers who want to pay bills using their camera-equipped smartphone or tablet. Mobile Photo Bill Pay® connects to existing online bill pay systems and allows users to pay bills by taking pictures with their camera-equipped smartphone or tablet. The core technology of Mobile Photo Bill Pay®, for which we have been granted two patents, enables this process by correcting image distortion, reading relevant data and processing the data into a bill payment form. With Mobile Photo Bill Pay®, users can submit electronic payments from their camera-equipped smartphones or tablets without having to write checks, buy stamps, visit a payment location or even use their personal computers.

Mobile Balance Transfer™

Mobile Balance Transfer™ is a new, cost-effective way for financial institutions to acquire new credit card customers. Mobile Balance Transfer™ accurately and securely extracts necessary data from an image of the user's credit card statement to create a balance transfer offer. The customer can accept the offer with a single touch of a button and the bank can then automatically transfer the balance and establish a new credit card account. We were granted a patent for Mobile Balance Transfer™ in July 2013.

Maintenance and Support

We provide ongoing software support services to assist our customers with the use and maintenance of our software. We have a customer service department that handles installation and maintenance requirements. The majority of the inquiries we receive are handled by telephone and electronic mail. We maintain our customers' software largely through releases that provide our customers with technology enhancements and updated features. Substantially all of our customers purchase post-contract support from us. These services are a significant source of recurring revenue and are typically contracted on an annual basis.

Customers with maintenance agreements receive software updates from us on an if-and-when-available basis only. Technical support is provided by telephone as well as by on-site technical visits, if necessary.

Maintenance and support service fees are deferred and recognized over the contract period on a straight-line basis. Costs incurred by us to provide maintenance and support services are charged to cost of revenue as incurred.

Intellectual Property

Our success depends in large part upon our proprietary technology. We attempt to protect our intellectual property rights primarily through patents, copyrights, trademarks, trade secrets, employee and third party nondisclosure agreements and other measures. If we are unable to protect our intellectual property or we infringe on the intellectual property rights of a third party, our operating results could be adversely affected.

As of November 28, 2014, the U.S. Patent and Trademark Office (the "PTO") has issued us 20 patents and we have filed for 23 additional domestic and international patents. We have 22 registered trademarks and will continue to evaluate the registration of additional trademarks as appropriate. We claim common law protection for, and may seek to register, other trademarks. In addition, we generally enter into confidentiality agreements with our employees.

Sales and Marketing

We market our products and services through channel partners as well as through our internal, direct sales organization. We have an internal marketing group that develops corporate and product marketing strategies and executes marketing plans with the support of external resources as needed. We employ a technically oriented sales force that works with management to identify the needs of existing and prospective customers. Our indirect

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sales strategy concentrates on OEMs, systems integrators, distributors, and software solution companies that build, integrate and sell mobile solutions. Our direct sales strategy concentrates on large financial services organizations and other large corporations that want to deliver innovative mobile services to their customers. The sales process is supported by a broad range of marketing programs, including trade shows, public relations and digital advertising.

For the fiscal year ended September 30, 2014, we derived revenue of \$5,688,973, or 30% of our total revenue, from one customer, compared to revenue of \$3,607,417, or 24% of our total revenue, from one customer in the fiscal year ended September 30, 2013. For the fiscal year ended September 30, 2012, we derived revenue of \$3,787,730 from three customers, with such customers accounting for 15%, 15% and 12%, respectively, of our total revenue.

International sales accounted for 4%, 3% and 5% of our total revenue for the fiscal years ended September 30, 2014, 2013 and 2012, respectively. We sell our products in U.S. currency only.

Market Opportunities, Challenges and Risks

The increase in the acceptance of mobile banking by financial institutions and their customers has helped drive our recent growth in revenue. In the past year, we experienced a significant increase in the number of financial institutions that have integrated and launched our mobile applications, particularly our Mobile Deposit® product, as part of their offering of mobile banking choices for their customers. We believe that financial institutions see our patented solutions as a way to provide an enhanced customer experience and reduce the cost of sales and service.

To sustain our growth in 2015 and beyond, we believe we must continue to offer imaging technology for mobile applications that address a growing market for mobile banking and mobile imaging solutions sold into other vertical markets. Factors adversely affecting the pricing of or demand for our mobile applications, such as competition from other products or technologies, any decline in the demand for mobile applications, or negative publicity or obsolescence of the software environments in which our products operate, could result in lower revenues or gross margins. Further, because substantially all of our revenues are from a single type of technology, our product concentration may make us especially vulnerable to market demand and competition from other technologies, which could reduce our revenues.

The implementation cycles for our software and services by our channel partners and customers can be lengthy, often a minimum of three to six months and sometimes longer for larger customers, and require significant investments. For example, as of September 30, 2014, we executed agreements indirectly through channel partners or directly with customers covering 3,026 Mobile Deposit® customers, 2,521 of whom have completed implementation and launched Mobile Deposit® to their customers. If implementation of our products by our channel partners and customers is delayed or otherwise not completed, our business, financial condition and results of operations may be adversely affected.

We derive revenue predominately from the sale of licenses to use the products covered by our patented technologies, such as our Mobile Deposit® product, and to a lesser extent by providing maintenance and professional services for the products we offer. The revenue we derive from the sale of such licenses is primarily derived from the sale to our channel partners of licenses to sell the applications we offer. Revenues related to most of our licenses for mobile products are required to be recognized up front upon satisfaction of all applicable revenue recognition criteria. The recognition of future revenues from these licenses is dependent upon a number of factors, including, but not limited to, the term of our license agreements, the timing of implementation of our products by our channel partners and customers and the timing of any re-orders of additional licenses and/or license renewals by our channel partners and customers.

During each of the last few years, sales of licenses to one or more channel partners have comprised a significant part of our revenue each year. This is attributable to the timing of renewals or purchases of licenses

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and does not represent a dependence on any single channel partner. If we were to lose a channel partner relationship, we do not believe such a loss would adversely affect our operations because either we or another channel partner could sell our products to the end-users that had purchased products from the channel partner we lost. However, in that case, we or another channel partner must establish a relationship with the end-users, which could take time to develop, if it develops at all.

We have a growing number of competitors in the mobile imaging industry, many of which have greater financial, technical, marketing and other resources. However, we believe our patented imaging and analytics technology, our growing portfolio of products for the financial services industry and our market leadership give us a distinct competitive advantage. To remain competitive, we must continue to offer products that are attractive to the consumer as well as being secure, accurate and convenient. To help us remain competitive, we intend to continue to strengthen our portfolio of products through research and development as well as partnering with other technology providers.

Competition

The market for mobile image processing software products is intensely competitive, subject to rapid change, and significantly affected by new product introductions and other market activities of industry participants. We face direct and indirect competition from a broad range of competitors who offer a variety of products and solutions to our current and potential customers. Our principal competition comes from: (i) customer-developed solutions; (ii) companies offering automated document processing systems; (iii) companies offering competing technologies capable of recognizing hand-printed and cursive characters; and (iv) companies offering check imaging systems to banks.

It is also possible that we will face competition from new industry participants or alternative technologies. Moreover, as the market for automated document processing, image recognition, check imaging and fraud detection software develops, a number of companies with significantly greater resources than we have could attempt to enter or increase their presence in our industry, either independently or by acquiring or forming strategic alliances with our competitors, or otherwise increase their focus on the industry. In addition, current and potential competitors have established or may establish cooperative relationships among themselves or with third parties to increase the ability of their products to address the needs of our current and potential customers.

Our products are compliant with Service-Oriented Architecture standards and compete, to various degrees, with products produced by a number of substantial competitors. Competition among product providers in this market generally focuses on price, accuracy, reliability and technical support. We believe our primary competitive advantages in this market are: (i) recognition accuracy with regard to hand-printed characters; (ii) flexibility resulting from the ability of our products to operate in several Microsoft Web Services environments; (iii) scalability; and (iv) an architectural software design that allows our products to be more readily modified, improved with added functionality and configured for new products, thereby allowing our software to be easily upgraded.

Increased competition may result in price reductions, reduced gross margins and loss of market share, any of which could have a material adverse effect on our business, operating results and financial condition.

Research and Development

We develop software products internally and also purchase or license rights to third-party intellectual property. We believe that our future success depends in part on our ability to maintain and improve our core technologies, enhance our existing products and develop new products that meet an expanding range of customer requirements.

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Internal research and development allows us to maintain closer technical control over our products and gives us the ability to determine which modifications and enhancements are most important and when they should be implemented to ensure the proper functioning of our software products. We intend to expand our existing product offerings and introduce new mobile image processing software solutions that meet the needs of our customers. We perform all quality assurance and develop documentation internally and strive to stay abreast of hardware advances that may affect our software design. We intend to continue to support the major industry standard operating environments.

Our team of specialists in recognition algorithms, software engineering, user interface design, product documentation and quality improvement is responsible for maintaining and enhancing the performance, quality and utility of all of our products. In addition to research and development, our engineering staff provides customer technical support on an as-needed basis.

Our research and development organization includes software engineers and scientists, many of whom have advanced degrees, as well as additional personnel in quality assurance and related disciplines. All of our software engineers are involved in applications development, including our mobile imaging platforms and products with solutions for mobile image capture; mobile check deposits; mobile bill payments; form identification; image quality analysis; detection for signatures; and quality assurance.

Our research and development expenses for the years ended September 30, 2014, 2013 and 2012 were \$6,019,573, \$6,793,412 and \$6,664,030 respectively. We expect research and development expenses during fiscal year 2015 to remain relatively consistent with those incurred in fiscal year 2014 as we continue our new product research and development efforts.

Employees and Labor Relations

As of September 30, 2014, we had 49 full-time employees, consisting of 16 in sales and marketing and professional services, 22 in research and development, product management and support, and 11 in executive, finance, network administration and other capacities. In addition, we engaged various consultants in the areas of research and development, product development, finance and marketing during fiscal year 2014. We have never had a work stoppage and none of our employees are represented by a labor organization. We consider our relations with our employees to be good.

Available Information

Our principal offices are located at 8911 Balboa Ave., San Diego, CA 92123 and our telephone number is (858) 309-1700. We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Consequently, we are required to file reports and information with the Securities and Exchange Commission (the "SEC"), including reports on the following forms: annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. These reports and other information concerning us may be accessed, free of charge, through the SEC's website at www.sec.gov and our website at www.miteksystems.com. These reports are placed on our website as soon as reasonably practicable after they are filed with the SEC. Information contained in, or that can be accessed through, our website is not incorporated by reference into, nor is it in any way a part of, this Form 10-K.

ITEM 1A. RISK FACTORS.

The following risk factors and other information included in this Form 10-K should be carefully considered. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we presently deem less significant may also impair our business operations. If any

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of the following risks actually occur, our business, financial condition, results of operations, cash flows, projected results and future prospects could be materially and adversely affected. In these circumstances, the market price of our common stock could decline, and you could lose all or part of your investment or interest.

Risks Associated With Our Business

We have a history of losses and we may not achieve profitability in the future.

Our operations resulted in a net loss of \$5,291,869, \$7,275,706 and \$7,839,996 for the years ended September 30, 2014, 2013 and 2012, respectively. We have a history of losses and may continue to incur significant losses for the foreseeable future. As of September 30, 2014, we had an accumulated deficit of \$36,026,966. Our future profitability depends upon many factors, including several that are beyond our control. These factors include, without limitation:

- changes in the demand for our products and services;
- loss of key customers or contracts;
- the introduction of competitive software;
- the failure to gain market acceptance of our new and existing products;
- the failure to successfully and cost effectively develop, introduce and market new products, services and product enhancements in a timely manner; and
- the timing of recognition of revenue.

In addition, we incur significant legal, accounting, and other expenses related to being a public company. As a result of these expenditures, we will have to generate and sustain increased revenue to achieve and maintain future profitability.

We may need to raise additional capital to fund continuing operations and an inability to raise the necessary capital or to do so on acceptable terms could threaten the success of our business.

We currently anticipate that our available capital resources and operating cash flows will be sufficient to meet our expected working capital and capital expenditure requirements for at least the next 12 months. However, such resources may not be sufficient to fund the long-term growth of our business. If we determine that it is necessary to raise additional funds, we may choose to do so through strategic collaborations, licensing arrangements, public or private equity or debt financing, a bank line of credit, or other arrangements. We cannot be sure that any additional funding, if needed, will be available on terms favorable to us or at all. Furthermore, any additional equity or equity-related financing may be dilutive to our stockholders, new equity securities may have rights, preferences or privileges senior to those of existing holders of our shares of common stock, and debt or equity financing, if available, may subject us to restrictive covenants and significant interest costs. If we obtain funding through a strategic collaboration or licensing arrangement, we may be required to relinquish our rights to certain of our technologies, products or marketing territories. If we are unable to obtain the financing necessary to support our operations, we may be required to defer, reduce or eliminate certain planned expenditures or significantly curtail our operations.

Our ability to utilize our net operating loss carryforwards and certain other tax attributes may be limited.

Federal and state tax laws impose restrictions on the utilization of net operating loss (“NOL”) and tax credit carryforwards in the event of an “ownership change” as defined by Section 382 of the Internal Revenue Code of 1986, as amended (“Section 382”). Generally, an ownership change occurs if the percentage of the value of the stock that is owned by one or more direct or indirect “five percent shareholders” increases by more than 50% over their lowest ownership percentage at any time during the applicable testing period (typically, three years).

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Under Section 382, if a corporation undergoes an “ownership change,” the corporation’s ability to use its pre-change NOL carryforwards and other pre-change tax attributes to offset its post-change income may be limited. We have not completed a study to assess whether an “ownership change” has occurred or whether there have been multiple ownership changes since we became a “loss corporation” as defined in Section 382. Future changes in our stock ownership, which may be outside of our control, may trigger an “ownership change.” In addition, future equity offerings or acquisitions that have equity as a component of the purchase price could result in an “ownership change.” If an “ownership change” has occurred or does occur in the future, utilization of the NOL carryforwards or other tax attributes may be limited, which could potentially result in increased future tax liability to us.

We currently derive substantially all of our revenue from a single type of technology. If this technology and the related products do not achieve or continue to achieve market acceptance, our business, financial condition and results of operations would be adversely affected.

We currently derive substantially all of our product revenues from licenses and sales of software products to customers incorporating our intelligent mobile imaging technology and software products. If we are unable to achieve or continue to achieve market acceptance of our core technology or products incorporating such technology, we will not generate significant revenue growth from the sale of our products.

Additionally, factors adversely affecting the pricing of or demand for our products and services, such as competition from other products or technologies, any decline in the demand for mobile image processing, negative publicity or obsolescence of the software environments in which our products operate could adversely affect our business, financial condition and results of operations.

If economic or other factors negatively affect the small and medium-sized business sector, our customers may become unwilling or unable to purchase our products and services, which could cause our revenue to decline.

Many of our existing and target customers are in the small and medium-sized business sector. These businesses are more likely to be significantly affected by economic downturns than larger, more established businesses. Additionally, these customers often have limited discretionary funds, which they may choose to spend on items other than our products and services. If small and medium-sized businesses experience economic hardship, it could negatively affect the overall demand for our products and services, and could cause our revenue to decline.

We face competition from several companies that may have greater resources than we do, which could result in price reductions, reduced margins or loss of market share.

We compete against numerous companies in the mobile imaging software market. Competition in this market may increase as a result of a number of factors, such as the entrance of new or larger competitors or alternative technologies. These competitors may have greater financial, technical, marketing and public relations resources, larger client bases and greater brand or name recognition. These competitors could, among other things:

- announce new products or technologies that have the potential to replace our existing product offerings;
- force us to charge lower prices; or
- adversely affect our relationships with current clients.

We may be unable to compete successfully against our current and potential competitors and if we lose business to our competitors or are forced to lower our prices, our revenue, operating margins and market share could decline.

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We must continue to engage in extensive research and development in order to remain competitive.

Our ability to compete effectively with our mobile imaging software products depends upon our ability to meet changing market conditions and develop enhancements to our products on a timely basis in order to maintain our competitive advantage. The markets for products incorporating mobile imaging software technology and products are characterized by rapid advancements in technology and changes in user preferences. Our continued growth will ultimately depend upon our ability to develop additional technologies and attract strategic alliances for related or separate products. There can be no assurance that we will be successful in developing and marketing product enhancements and additional technologies, that we will not experience difficulties that could delay or prevent the successful development, introduction and marketing of these products, or that our new products and product enhancements will adequately meet the requirements of the marketplace, will be of acceptable quality, or will achieve market acceptance.

Our annual and quarterly results have fluctuated greatly in the past and will likely continue to do so, which may cause substantial fluctuations in our common stock price.

Our annual and quarterly operating results have in the past and may in the future fluctuate significantly depending on factors including the timing of customer projects and purchase orders, new product announcements and releases by us and other companies, gain or loss of significant customers, price discounting of our products, the timing of expenditures, customer product delivery requirements, the availability and cost of components or labor, and economic conditions, both generally and in the information technology market. Revenues related to our licenses for mobile imaging software products are required to be recognized upon satisfaction of all applicable revenue recognition criteria. The recognition of future revenues from these licenses is dependent on a number of factors, including, but not limited to, the terms of our license agreements, the timing of implementation of our products by our channel partners and customers and the timing of any re-orders of additional licenses and/or license renewals by our channel partners and customers.

In fiscal years 2014, 2013 and 2012, sales of licenses to channel partners have comprised a significant part of our revenue. This is attributable to the timing of the purchase or renewal of licenses and does not represent a dependence on any single channel partner. If we were to lose a channel partner relationship, we do not believe such a loss would adversely affect our operations because either we or another channel partner could sell our products to the end-users that had purchased products from the channel partner we lost. However, in that case, we or another channel partner must establish a relationship with the end-users, which could take time to develop, if it develops at all.

Any unfavorable change in these or other factors could have a material adverse effect on our operating results for a particular quarter or year, which may cause downward pressure on our common stock price. We expect quarterly and annual fluctuations to continue for the foreseeable future.

Our historical order flow patterns, which we expect to continue, have caused forecasting difficulties for us. If we do not meet our forecasts or analysts' forecasts for us, the price of our common stock may decline.

Historically, a significant portion of our sales have resulted from shipments during the last few weeks of the quarter from orders received in the final month of the applicable quarter. We do, however, base our expense levels, in significant part, on our expectations of future revenue. As a result, we expect our expense levels to be relatively fixed in the short term. Any concentration of sales at the end of the quarter may limit our ability to plan or adjust operating expenses. Therefore, if anticipated shipments in any quarter do not occur or are delayed, expenditure levels could be disproportionately high as a percentage of sales, and our operating results for that quarter would be adversely affected. As a result, we believe that period-to-period comparisons of our results of operations are not and will not necessarily be meaningful, and you should not rely upon them as an indication of future performance. If our operating results for a quarter are below the expectations of public market analysts and investors, it could have a material adverse effect on the price of our common stock.

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Defects or malfunctions in our products could hurt our reputation, sales and profitability.

Our business and the level of customer acceptance of our products depend upon the continuous, effective and reliable operation of our products. Our products are extremely complex and are continually being modified and improved, and as such may contain undetected defects or errors when first introduced or as new versions are released. To the extent that defects or errors cause our products to malfunction and our customers' use of our products is interrupted, our reputation could suffer and our revenue could decline or be delayed while such defects are remedied. We may also be subject to liability for the defects and malfunctions of third party technology partners and others with whom our products and services are integrated.

In addition, our products are typically intended for use in applications that are critical to a customer's business. As a result, we believe that our customers and potential customers have a greater sensitivity to product defects than the market for software products in general. There can be no assurance that, despite our testing, errors will not be found in new products or releases after commencement of commercial shipments, resulting in loss of revenues or delay in market acceptance, diversion of development resources, damage to our reputation, adverse litigation, or increased service and warranty costs, any of which would have a material adverse effect upon our business, operating results and financial condition.

We face risks related to the storage of our customers' and their end users' confidential and proprietary information.

Our products are designed to maintain the confidentiality and security of our customers' and their end users' confidential and proprietary information that is stored on our systems, which may include sensitive financial data. However, any accidental or willful security breaches or other unauthorized access to this data could expose us to liability for the loss of such information, time-consuming and expensive litigation and other possible liabilities as well as negative publicity. Techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are difficult to recognize and react to. We may be unable to anticipate these techniques or implement adequate preventative or reactionary measures

Risks Related to Our Intellectual Property

If the patents we own or license, or our other intellectual property rights, do not adequately protect our technologies, we may lose market share to our competitors and be unable to operate our business profitably.

Our success depends significantly on our ability to protect our rights to the technologies used in our products, including Mobile Deposit®. We rely on trademark, trade secret, copyright and patent law, as well as a combination of non-disclosure, confidentiality and other contractual arrangements to protect our technology and rights. However, these legal means afford only limited protection and may not adequately protect our rights or permit us to gain or maintain any competitive advantage. In addition, we cannot be assured that any of our pending patent applications will result in the issuance of a patent. The PTO may deny or require significant narrowing of claims in our pending patent applications, and patents issued as a result of the pending patent applications, if any, may not provide us with significant commercial protection or may not be issued in a form that is advantageous to us. We could also incur substantial costs in proceedings before the PTO. Our issued and licensed patents and those that may be issued or licensed in the future may expire or may be challenged, invalidated or circumvented, which could limit our ability to stop competitors from marketing related technologies. Additionally, upon expiration of our issued or licensed patents, we may lose some of our rights to exclude others from making, using, selling or importing products using the technology based on the expired patents. We also must rely on contractual provisions with the third parties that license technology to us and that obligate these third parties to protect our rights in the technology licensed to us. There is no guarantee that these third parties would be successful in attempting to protect our rights in any such licensed technology. There is no assurance that competitors will not be able to design around our patents or other intellectual property or any intellectual property or technology licensed to us. We also rely on unpatented proprietary technology. We cannot assure you that we can meaningfully protect all our rights in our unpatented proprietary technology or that others will not independently develop substantially equivalent proprietary products or processes or otherwise gain access to our unpatented proprietary technology.

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We seek to protect our know-how and other unpatented proprietary technology with confidentiality agreements and intellectual property assignment agreements with our employees, consultants, partners, and customers. However, such agreements may not be enforceable or may not provide meaningful protection for our proprietary information in the event of unauthorized use or disclosure or other breaches of the agreements or in the event that our competitors discover or independently develop similar or identical designs or other proprietary information. In addition, we rely on the use of registered and common law trademarks with respect to the brand names of some of our products. Common law trademarks provide less protection than registered trademarks. Loss of rights in our trademarks could adversely affect our business, financial condition and results of operations.

Furthermore, the laws of foreign countries may not protect our intellectual property rights to the same extent as the laws of the U.S. If we fail to apply for intellectual property protection or if we cannot adequately protect our intellectual property rights in these foreign countries, our competitors may be able to compete more effectively against us, which could adversely affect our competitive position, as well as our business, financial condition and results of operations.

Claims that we infringe upon the rights, or have otherwise utilized proprietary information, of third parties may give rise to costly and lengthy litigation, and we could be prevented from selling products, forced to pay damages, and defend against litigation.

In the past, third parties have asserted claims that certain technologies incorporated in our products infringe on their patent rights. Although we have resolved past claims, there are currently claims pending against us by Rothschild Mobile Imaging Innovations, Inc. (“RMII”) (as more fully described in Item 3—Legal Proceedings) that we have infringed on certain of their patents related to mobile imaging technology, and there can be no assurance that we will not receive notices in the future from parties asserting, directly or indirectly through our customers, that our products infringe, or may infringe, on their intellectual property rights, or otherwise utilize their proprietary information. If our technology and products are found to infringe upon or otherwise utilize the proprietary rights of other parties, we could incur substantial costs and we may have to:

- obtain licenses, which may not be available on commercially reasonable terms, if at all, and may be non-exclusive, thereby giving our competitors access to the same intellectual property licensed to us;
- expend significant resources to redesign our products or technology to avoid infringement;
- discontinue the use and sale of infringing products;
- pay substantial damages; and
- defend litigation or administrative proceedings which may be costly whether we win or lose, and which could result in a substantial diversion of our valuable management resources and limit our exclusive rights to the technology we have developed.

Furthermore, we may initiate claims or litigation against parties for infringement of our proprietary rights or to establish the validity of our proprietary rights. Litigation, either as plaintiff or defendant, could result in significant expense to us, whether or not such litigation is resolved in our favor. Even if we were to prevail, any litigation could be costly and time-consuming and would divert the attention of our management and key personnel from our business operations. As a result of a patent infringement or other intellectual property suit brought against us or our channel partners or licensees, we or our channel partners or licensees may be forced to stop or delay developing, manufacturing or selling technologies or potential products that are claimed to infringe on a third party’s intellectual property rights unless that party grants us or our channel partners or licensees rights to use its intellectual property. Ultimately, we may be unable to develop some of our technologies or potential products or may have to discontinue development of a product candidate or cease some of our business operations as a result of patent infringement or other intellectual property claims, which could severely harm our business.

Risks Related to our Operations

If we are unable to retain and recruit qualified personnel, or if any of our key executives or key employees discontinues his or her employment with us, it may have a material adverse effect on our business.

We are highly dependent on the key members of our management team and other key technical personnel. If we were to lose the services of one or more of our key personnel, or if we failed to attract and retain additional qualified personnel, it could materially and adversely affect our customer relationships, competitive position and revenues. Furthermore, recruiting and retaining qualified highly skilled engineers involved in the ongoing developments required to refine our technologies and introduce future applications is critical to our success. We may be unable to attract, assimilate and retain qualified personnel on acceptable terms given the competition within the high technology industry. We do not have any employment agreements providing for a specific term of employment with any member of our senior management. We do not maintain “key man” insurance policies on any of our officers or employees.

We plan to grant stock options or other forms of equity awards in the future as a method of attracting and retaining employees, motivating performance and aligning the interests of employees with those of our stockholders. As of November 28, 2014, we had 1,432,274 shares of common stock available for issuance pursuant to future grants of equity awards under our existing equity compensation plans, which may limit our ability to provide equity incentive awards to existing and future employees. If we are unable to adopt, implement and maintain equity compensation arrangements that provide sufficient incentives, we may be unable to retain our existing employees and attract additional qualified candidates. If we are unable to retain our existing employees, including qualified technical personnel, and attract additional qualified candidates, our business and results of operations could be adversely affected.

Legislation and governmental regulations enacted in the U.S. and other countries that apply to us or to our customers may require us to change our current products and services and/or result in additional expenses, which could adversely affect our business and results of operations.

Legislation and governmental regulations including changes in legislation and governmental regulations impacting financial institutions, insurance companies and mobile device companies, affect how our business is conducted. Globally, legislation and governmental regulations also influence our current and prospective customers’ activities, as well as their expectations and needs in relation to our products and services. Compliance with these laws and regulations may be onerous and expensive, and may be inconsistent from jurisdiction to jurisdiction, further increasing the cost of compliance. Any such increase in costs as a result of changes in these laws and regulations or in their interpretation could individually or in the aggregate make our products and services less attractive to our customers, delay the introduction of new products in one or more regions, cause us to change or limit our business practices or affect our financial condition and operating results.

Compliance with changing regulations concerning corporate governance and public disclosure may result in additional expenses.

In recent years, there have been several changes in laws, rules, regulations and standards relating to corporate governance and public disclosure, including the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), the Sarbanes-Oxley Act of 2002 (“Sarbanes-Oxley”) and various other new regulations promulgated by the SEC and rules promulgated by the national securities exchanges.

The Dodd-Frank Act, enacted in July 2010, expands federal regulation of corporate governance matters and imposes requirements on publicly-held companies, including us, to, among other things, provide stockholders with a periodic advisory vote on executive compensation and also adds compensation committee reforms and enhanced pay-for-performance disclosures. While some provisions of the Dodd-Frank Act were effective upon enactment, others will be implemented upon the SEC’s adoption of related rules and regulations. The scope and timing of the adoption of such rules and regulations is uncertain and accordingly, the cost of compliance with the Dodd-Frank Act is also uncertain.

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In addition, Sarbanes-Oxley specifically requires, among other things, that we maintain effective internal control over financial reporting and disclosure of controls and procedures. In particular, we must perform system and process evaluation and testing of our internal control over financial reporting to allow management to report on the effectiveness of our internal control over financial reporting, as required by Section 404 of Sarbanes-Oxley Act ("Section 404"), and our independent registered public accounting firm is required to attest to our internal control over financial reporting. Our testing, or the subsequent testing by our independent registered public accounting firm may reveal deficiencies in our internal control over financial reporting that are deemed to be material weaknesses. Our compliance with Section 404 will require that we incur substantial accounting expenses and expend significant management efforts. We currently have limited internal audit capabilities and will need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge. Moreover, if we are not able to comply with the requirements of Section 404 in a timely manner, or if we or our independent registered public accounting firm identifies deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, the market price of our stock could decline, and we could be subject to sanctions or investigations by the SEC or other regulatory authorities, which would require additional financial and management resources.

These and other new or changed laws, rules, regulations and standards are, or will be, subject to varying interpretations in many cases due to their lack of specificity. As a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies, which could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. Our efforts to comply with evolving laws, regulations and standards are likely to continue to result in increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. Further, compliance with new and existing laws, rules, regulations and standards may make it more difficult and expensive for us to maintain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. Members of our board of directors and our principal executive officer and principal financial officer could face an increased risk of personal liability in connection with the performance of their duties. As a result, we may have difficulty attracting and retaining qualified directors and executive officers, which could harm our business. We continually evaluate and monitor regulatory developments and cannot estimate the timing or magnitude of additional costs we may incur as a result.

Our restated certificate of incorporation and second amended and restated bylaws provide for indemnification of officers and directors at our expense and limits their liability, which may result in a major cost to us and hurt the interests of our stockholders because corporate resources may be expended for the benefit of officers and/or directors.

Pursuant to our restated certificate of incorporation and second amended and restated bylaws and as authorized under applicable Delaware law, our directors and officers are not liable for monetary damages for breach of fiduciary duty, except for liability (i) for any breach of the director's duty of loyalty to the corporation or its stockholders; (ii) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law; (iii) under Section 174 of the Delaware General Corporation Law (the "DGCL"); or (iv) for any transaction from which the director derived an improper personal benefit.

We have entered into a separate Indemnification Agreement (the "Indemnification Agreement") with each of our directors. Under the Indemnification Agreement, each director is entitled to be indemnified against all expenses, judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by or on behalf of such director in connection with any claims, proceedings or other actions brought against such director as a result of the director's service to us, provided that the director (i) acted in good faith; (ii) reasonably believed the action was in our best interest; and (iii) in criminal proceedings, reasonably believed the conduct was not unlawful. Additionally, the Indemnification Agreement entitles each director to contribution of expenses from us in any proceeding in which we are jointly liable with such director, but for which indemnification is not otherwise available. The Indemnification Agreement also entitles each director to advancement of expenses

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incurred by such director in connection with any claim, proceeding or other action in advance of the final adjudication of any such claim, proceeding or other action, provided the director agrees to reimburse us for all such advances if it shall ultimately be determined that the director is not entitled to indemnification.

The foregoing limitations of liability and provisions for expenses may result in a major cost to us and hurt the interests of our stockholders because corporate resources may be expended for the benefit of officers and/or directors.

From time-to-time our board of directors explores and considers strategic alternatives, including financings, strategic alliances, acquisitions, or the possible sale of the Company. Our board of directors may not be able to identify or complete any suitable strategic alternatives and any such alternatives that are completed could have an impact on our operations or stock price.

From time-to-time our board of directors explores and considers potential strategic alternatives that may be available to us, including financings, strategic alliances, acquisitions, or the possible sale of the Company. We currently have no agreements or commitments to engage in any specific strategic transactions, and we cannot assure you that our exploration of various strategic alternatives will result in any specific action or transaction. If we determine to engage in a strategic transaction, we cannot predict the impact that such strategic transaction might have on our operations or stock price. We do not intend to provide updates or make further comments regarding the evaluation of strategic alternatives, unless otherwise required by law.

Risks Related to Our Common Stock

Concentration of ownership among our existing directors and executive officers may limit an investor's ability to influence significant corporate decisions.

As of November 28, 2014: (i) the Chairman of our board of directors beneficially owned approximately 8% of our outstanding common stock; and (ii) our directors and executive officers as a group beneficially owned approximately 14% of our outstanding common stock. Subject to any fiduciary duties owed to our other stockholders under Delaware law, these stockholders may be able to exercise significant influence over matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, and will have some control over our management and policies. Some of these persons may have interests that are different from yours. For example, these stockholders may support proposals and actions with which you may disagree. The concentration of ownership could delay or prevent a change in control of the Company or otherwise discourage a potential acquirer from attempting to obtain control of the Company, which in turn could reduce the price of our stock. In addition, these stockholders could use their voting influence to maintain our existing management and directors in office, delay or prevent changes in control of the Company, or support or reject other management and board proposals that are subject to stockholder approval, such as amendments to our employee stock plans and approvals of significant financing transactions.

Future sales of our common stock by our insiders may cause our stock price to decline.

A significant portion of our outstanding shares are held by directors and executive officers. Resales of a substantial number of shares of our stock by these stockholders, announcements of the proposed resale of substantial amounts of our stock, or the perception that substantial resales may be made by such stockholders could adversely impact the market price of our stock. Some of our directors and executive officers have entered into Rule 10b5-1 trading plans pursuant to which they have arranged to sell shares of our stock from time to time in the future. Actual or potential sales by these insiders, including those under a pre-arranged Rule 10b5-1 trading plan, could be interpreted by the market as an indication that the insider has lost confidence in our stock and adversely impact the market price of our stock.

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We have registered and expect to continue to register shares reserved under our equity plans under a registration statement on Form S-8. All shares issued pursuant to a registration statement on Form S-8 can be freely sold in the public market upon issuance, subject to restrictions on our affiliates under Rule 144 of the Securities Act of 1933, as amended (the “Securities Act”). If a large number of these shares are sold in the public market, the sales could adversely impact the trading price of our stock.

Future sales of our common stock could cause the market price of our common stock to decline.

We cannot predict the effect, if any, that market sales of shares of our common stock or the availability of shares of our common stock for sale will have on the market price of our common stock prevailing from time to time. On November 14, 2011, we filed a universal shelf registration statement on Form S-3 (File No. 333-177965), which provides for the potential issuance of shares of our common stock, preferred stock, debt securities, warrants and units up to an aggregate amount of \$100,000,000 and the resale of shares of our common stock up to an aggregate amount of 800,000 shares. Following the public offering of shares of our common stock that closed on June 28, 2013, including the exercise of the over-allotment option (the “Offering”), we can potentially issue up to approximately \$82,750,000 in equity and debt securities pursuant to such registration statement. Sales of substantial amounts of shares of our common stock in the public market, or the perception that those sales could occur, may cause the market price of our common stock to decline.

The shares of common stock issued in connection with the Offering are freely tradable without restriction or further registrations under the Securities Act.

Our corporate documents and Delaware law contain provisions that could discourage, delay or prevent a change in control of our company, prevent attempts to replace or remove current management and reduce the market price of our stock.

Provisions in our restated certificate of incorporation and second amended and restated bylaws may discourage, delay or prevent a merger or acquisition involving us that our stockholders may consider favorable. For example, our restated certificate of incorporation authorizes our board of directors to issue up to one million shares of “blank check” preferred stock. As a result, without further stockholder approval, the board of directors has the authority to attach special rights, including voting and dividend rights, to this preferred stock. With these rights, preferred stockholders could make it more difficult for a third party to acquire us.

We are also subject to the anti-takeover provisions of the DGCL. Under these provisions, if anyone becomes an “interested stockholder,” we may not enter into a “business combination” with that person for three years without special approval, which could discourage a third party from making a takeover offer and could delay or prevent a change in control of us. An “interested stockholder” is, generally, a stockholder who owns 15% or more of our outstanding voting stock or an affiliate of ours who has owned 15% or more of our outstanding voting stock during the past three years, subject to certain exceptions as described in the DGCL.

The market price of our common stock has been volatile and your investment in our stock could suffer a decline in value.

The market price of our common stock has experienced significant price and volume fluctuations. For example, during the two year period ended September 30, 2014, the closing price of our common stock ranged from \$2.05 to \$7.36. In addition, the stock market has from time to time experienced significant price and volume fluctuations that have particularly affected the market prices for the common stock of technology companies and that have often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the market price of our common stock. You may not be able to resell your shares at or above the price you paid for them due to fluctuations in the market price of our stock caused by changes in our operating performance or prospects and other factors.

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Some specific factors, in addition to the other risk factors identified above, that may have a significant effect on the price of our stock, many of which we cannot control, include but are not limited to:

- our announcements or our competitors' announcements of technological innovations;
- quarterly variations in operating results;
- changes in our product pricing policies or those of our competitors;
- claims of infringement of intellectual property rights or other litigation;
- the public's reaction to our press releases, our other public announcements and our filings with the SEC;
- changes in accounting standards, policies, guidance, interpretations or principles;
- changes in our growth rate or our competitors' growth rates;
- developments regarding our patents or proprietary rights or those of our competitors;
- our inability to raise additional capital as needed;
- changes in financial markets or general economic conditions;
- sales of stock by us or members of our management team or board of directors; and
- changes in stock market analyst recommendations or earnings estimates regarding our stock, other comparable companies or our industry generally.

Because we do not intend to pay dividends, our stockholders will benefit from an investment in our common stock only if our stock price appreciates in value.

We have never declared or paid a dividend on our common stock. We currently intend to retain our future earnings, if any, for use in the operation and expansion of our business and do not expect to pay any dividends in the foreseeable future. As a result, the success of an investment in our common stock will depend entirely upon any future appreciation in its value. There is no guarantee that our common stock will appreciate in value or even maintain the price at which it was purchased.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

Our principal executive offices, as well as our research and development facility, are located in approximately 22,523 square feet of office space in San Diego, California. The term of the lease for our offices continues through June 30, 2019. The annual base rent under the lease is approximately \$471,000 per year and is subject to annual increases of approximately 3% per year. Under the terms of the lease, we issued a standby letter of credit to the landlord that allows for one or more draws of up to \$210,000 over the term of the lease. We believe our existing properties are in good condition and are sufficient and suitable for the conduct of our business.

ITEM 3. LEGAL PROCEEDINGS.

USAA

On March 29, 2012, USAA filed a complaint in the U.S. District Court for the Western District of Texas San Antonio Division against us seeking, among other things, a declaratory judgment that USAA does not

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infringe certain of our patents relating to Mobile Deposit® and that such patents are not enforceable against USAA. In addition, USAA alleged that it disclosed confidential information to us and that we used such information in our patents and Mobile Deposit® product in an unspecified manner. USAA sought damages and injunctive relief. USAA subsequently amended its pleadings to assert a claim for false advertising and reverse palming off under the Lanham Act, and to seek reimbursement under the parties' license agreement.

On April 12, 2012, we filed a lawsuit against USAA in the U.S. District Court for the District of Delaware, alleging that USAA infringed five of our patents relating to image capture on mobile devices, breached the parties' license agreement by using our products beyond the scope of the agreed-upon license terms and breached the parties' license agreement by disclosing confidential pricing and other confidential information for our legacy product installation in the lawsuit USAA filed in Texas.

The courts consolidated the foregoing cases in the U.S. District Court for the Western District of Texas, and on November 19, 2012, we answered USAA's various claims and counterclaims, moved to dismiss USAA's Lanham Act cause of action and filed a counterclaim against USAA for violation of the Lanham Act. On February 15, 2013, the Court granted our motion and dismissed USAA's Lanham Act claim and on July 29, 2014, the Court dismissed our infringement claims against USAA. On September 3, 2014 we agreed to settle all pending claims as follows: (i) USAA moved to dismiss all of its remaining claims, including its claims for misappropriation of trade secrets, breach of contract, fraud, inequitable conduct, and invalidity of our patents; (ii) we moved to dismiss all of our remaining claims, including our claims for trade defamation and violations of the Lanham Act. We agreed not to sue USAA for patent infringement for products currently sold, marketed, or advertised by USAA, including its Deposit@Mobile application. Neither we nor USAA admitted any liability on any claim, nor did either of us make any payment to the other. USAA has retained its license to use our Quick Strokes, Quick FX Pro, and Image Score software products.

Top Image Systems Ltd.

On September 26, 2012, we filed a lawsuit against Israeli-based Top Image Systems Ltd. and TIS America Inc. (collectively, "TISA") in the U.S. District Court for the District of Delaware, alleging that TISA infringes five of our patents relating to image capture on mobile devices. We are seeking damages against TISA and injunctive relief to prevent them from selling their mobile imaging products.

On January 7, 2013, TISA answered our complaint by denying the allegations and raising several affirmative defenses. On January 11, 2013, we amended our complaint to add our sixth patent, which had recently been issued and also relates to image capture on mobile devices. On January 28, 2013, TISA responded to our amended complaint by again denying the allegations and raising the same affirmative defenses that they raised in their answer to our initial complaint.

On September 8, 2014, we agreed to settle all pending litigation with TISA because the cost of litigating the case would have been higher than any potential benefit to us. Pursuant to the settlement, we dismissed all claims against TISA and retained our right to pursue legal action in the future.

Rothschild Mobile Imaging Innovations, Inc.

On May 16, 2014, Rothschild Mobile Imaging Innovations, Inc. ("RMII") filed a complaint against us in the U.S. District Court for the District of Delaware alleging that certain of our mobile imaging products infringe four RMII-owned patents related to mobile imaging technology. On June 1, 2014, RMII amended its complaint to add JPMorgan Chase & Co. and JPMorgan Chase Bank, N.A. (together, "Chase"), one of our customers, as a defendant in the lawsuit (as amended, the "Initial Lawsuit"). On September 8, 2014, RMII filed three additional complaints (the "Subsequent Lawsuits" and together with the Initial Lawsuit, the "RMII Lawsuits") against us in the U.S. District Court for the District of Delaware. The Subsequent Lawsuits contain allegations substantially similar to the Initial Lawsuit regarding infringement by our mobile imaging products of the four RMII-owned

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patents related to mobile imaging technology, but name as co-defendants Citibank, N.A., Citigroup Inc., Wells Fargo & Company, Wells Fargo Bank, N.A., Bank of America Corporation and Bank of America, N.A., respectively (together with Chase, the “Bank Defendants”), each of whom offers our mobile imaging technology as part of its mobile banking applications.

We have filed motions to dismiss RMII’s willful infringement claims against us in the Initial Lawsuit and motions to dismiss claims against us in the Subsequent Lawsuits. On November 10, 2014, we filed a motion to sever and stay the claims against Chase in the Initial Lawsuit pending resolution of RMII’s claims against us and to transfer the claims against us to the Southern District of California. We filed joinders to the motion to stay with respect to the Subsequent Lawsuits on November 19, 2014. All motions are still pending before the Court.

Based on our current understanding of the claims, we have agreed to accept the demands for indemnity and defense tendered by three of the Bank Defendants in connection with their respective RMII Lawsuits. We are currently controlling the defense of such claims and have taken actions to defend the RMII Lawsuits, as more fully described above. We believe that RMII’s claims are without merit and intend to vigorously defend against those claims. We do not believe that the results of the RMII Lawsuits will have a material adverse effect on our financial condition or results of operations.

Other Legal Matters

In addition to the foregoing, we are subject to various claims and legal proceedings arising in the ordinary course of our business. While any legal proceeding has an element of uncertainty, we believe that the disposition of such matters, in the aggregate, will not have a material effect on our financial condition or results of operations.

ITEM 4. MINE SAFETY DISCLOSURES.

None.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market Information

Our common stock trades on the NASDAQ Capital Market under the ticker symbol “MITK.” The closing sales price of our common stock on November 28, 2014 was \$3.46.

The following table sets forth, for the fiscal period indicated, the high and low closing sales prices per share of our common stock as reported on the NASDAQ Capital Market.

	<u>High</u>	<u>Low</u>
FISCAL YEAR ENDED SEPTEMBER 30, 2014		
Fourth Quarter	\$3.55	\$2.19
Third Quarter	3.94	3.07
Second Quarter	7.03	3.69
First Quarter	6.99	5.05
FISCAL YEAR ENDED SEPTEMBER 30, 2013		
Fourth Quarter	\$5.92	\$4.90
Third Quarter	7.36	4.00
Second Quarter	4.97	3.30
First Quarter	3.61	2.05

Holders

As of November 28, 2014, there were 333 shareholders of record of our common stock and an undetermined number of beneficial owners.

Dividends

We have not paid any dividends on our common stock. We currently intend to retain earnings for use in our business and do not anticipate paying cash dividends in the foreseeable future.

Securities Authorized for Issuance Under Equity Compensation Plans

The information required by Item 201(d) of Regulation S-K is incorporated by reference to our definitive proxy statement filed in connection with our 2015 Annual Meeting of Stockholders or an amendment to this Form 10-K to be filed with the SEC within 120 days after the close of our fiscal year ended September 30, 2014.

Sales of Equity Securities During the Period

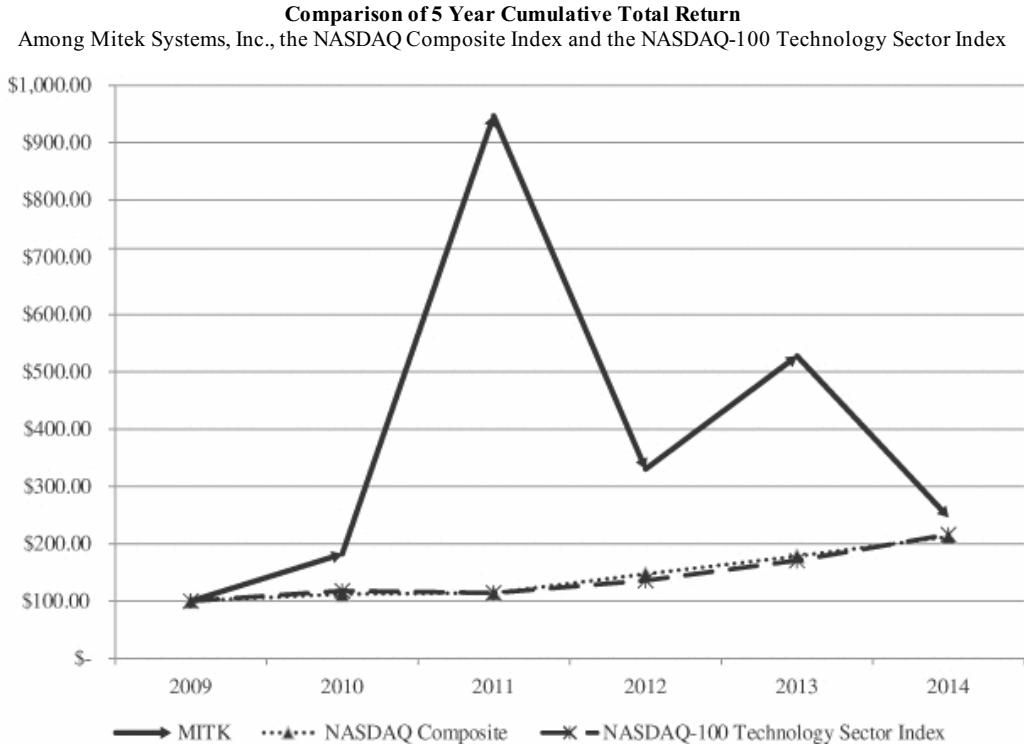
All equity securities that we sold during the period covered by this Form 10-K that were not registered under the Securities Act have been previously reported in our quarterly reports on Form 10-Q or on our current reports on Form 8-K.

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Performance Graph

The following information shall not be deemed to be “filed” with the SEC nor shall such information be incorporated by reference into any future filing under the Securities Act or the Exchange Act, except to the extent that we specifically incorporate it by reference into such future filing.

The following graph and table compare the cumulative total stockholder return data for our common stock from September 30, 2009 through September 30, 2014 to the cumulative return over such period of (i) a broad market index, the NASDAQ Composite Index and (ii) an industry index, the NASDAQ-100 Technology Sector Index. The graph and table assume that \$100 was invested in our common stock at \$0.98 per share on September 30, 2009, and in each of the referenced indices, and assumes reinvestment of all dividends. The stock price performance on the following graph and table is not necessarily indicative of future stock price performance.



The graph above reflects the following values:

	2009	2010	2011	2012	2013	2014
MITK	\$100.00	\$181.63	\$943.88	\$329.59	\$526.53	\$245.92
NASDAQ Composite	\$100.00	\$111.60	\$113.80	\$146.82	\$177.70	\$211.71
NASDAQ-100 Technology Sector Index	\$100.00	\$117.89	\$113.68	\$135.08	\$169.90	\$215.19

[Table of Contents](#)**ITEM 6. SELECTED FINANCIAL DATA.**

The following selected financial data has been derived from our audited financial statements. This data should be read in conjunction with Item 7—“Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our financial statements and related notes thereto included elsewhere in this Form 10-K. Our historical results are not necessarily indicative of operating results to be expected in the future.

Selected Financial Data
(In Thousands, Except Per Share Data)

	Year Ended September 30,				
	2014	2013	2012	2011	2010
Income Statement Data					
Revenue	\$19,150	\$14,803	\$ 9,093	\$10,266	\$5,119
Operating (loss) income	\$ (5,408)	\$ (7,300)	\$ (7,881)	\$ 256	\$ (384)
Net (loss) income	\$ (5,292)	\$ (7,276)	\$ (7,840)	\$ (125)	\$ (682)
Net loss per share—basic and diluted	\$ (0.17)	\$ (0.26)	\$ (0.31)	\$ (0.01)	\$ (0.04)
Balance Sheet Data					
Working capital	\$21,484	\$25,363	\$11,001	\$17,344	\$1,420
Total assets	\$31,103	\$32,853	\$16,723	\$19,852	\$3,008
Long-term debt	\$ —	\$ —	\$ —	\$ —	\$ 680
Stockholders’ equity	\$23,942	\$25,729	\$13,557	\$18,055	\$1,001

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

You should read this discussion together with the financial statements, related notes and other financial information included in this Form 10-K. The following discussion may contain predictions, estimates and other forward-looking statements that involve a number of risks and uncertainties, including those discussed under Item 1A—“Risk Factors” and elsewhere in this Form 10-K. These risks could cause our actual results to differ materially from any future performance suggested below. Please see “Important Note About Forward-Looking Statements” at the beginning of this Form 10-K.

Overview

Mitek Systems, Inc. is a mobile solutions provider engaged in the development, sale and service of its proprietary software solutions related to mobile imaging.

We apply our patented technology in image capture, correction and intelligent data extraction in the mobile financial and business applications markets. Our technology allows users to remotely deposit checks, pay bills, transfer credit card balances, open accounts and get insurance quotes by taking pictures of various documents with their camera-equipped smartphones and tablets instead of using the device keyboard. Our products use advanced algorithms to correct image distortion, extract relevant data, route images to their desired location and process transactions through users’ financial institutions. As of November 28, 2014, we have been granted 20 patents and have an additional 23 patent applications pending.

Our Mobile Deposit[®] product is software that allows users to remotely deposit a check using their camera-equipped smartphone or tablet. As of September 30, 2014, 3,026 financial institutions have signed agreements to deploy Mobile Deposit[®], and 2,521 of these financial institutions have deployed Mobile Deposit[®] to their customers, including all of the top ten, and nearly all of the top 50, U.S. retail banks, as ranked by SNL Financial for the second quarter of calendar year 2014.

Mobile Photo Account Opening[™], is a product that enables users to open a checking, savings or credit card account by capturing an image of the front and back of their driver’s license with their camera-equipped smartphone or tablet. Mobile Photo Payments[™] is a mobile direct bill pay solution that enables users to pay bills by taking a photo of their bill followed by a photo of the check or credit/debit card being used to pay the bill. Mobile Photo Bill Pay[®] allows users to pay their bills using their camera-equipped smartphone or tablet. Mobile Balance Transfer[™] is a product that allows credit card issuers to provide balance transfer offers and enables users to transfer an existing credit card balance and establish a new credit card account by capturing an image of the user’s current credit card statement. Our mobile imaging software solutions are available for iOS and Android operating systems.

We market and sell our mobile imaging software solutions through channel partners or directly to enterprise customers that typically purchase licenses based on the number of transactions or subscribers that use our mobile software. Our mobile imaging software solutions are often embedded in other mobile banking or enterprise applications developed by banks, insurance companies or their partners, and marketed under their own proprietary brands.

Market Opportunities, Challenges and Risks

The increase in the acceptance of mobile banking by financial institutions and their customers has helped drive our recent growth in revenue. In the past year, we experienced a significant increase in the number of financial institutions that have integrated and launched our mobile applications, particularly our Mobile Deposit[®] product, as part of their offering of mobile banking choices for their customers. We believe that financial institutions see our patented solutions as a way to provide an enhanced customer experience and reduce the cost of sales and service.

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To sustain our growth in 2015 and beyond, we believe we must continue to offer imaging technology for mobile applications that address a growing market for mobile banking and mobile imaging solutions sold into other vertical markets. Factors adversely affecting the pricing of or demand for our mobile applications, such as competition from other products or technologies, any decline in the demand for mobile applications, or negative publicity or obsolescence of the software environments in which our products operate, could result in lower revenues or gross margins. Further, because most of our revenues are from a single type of technology, our product concentration may make us especially vulnerable to market demand and competition from other technologies, which could reduce our revenues.

The implementation cycles for our software and services by our channel partners and customers can be lengthy, often a minimum of three to six months and sometimes longer for larger customers, and require significant investments. For example, as of September 30, 2014, we executed agreements indirectly through channel partners or directly with customers covering 3,026 Mobile Deposit® customers, 2,521 of whom have completed implementation and launched Mobile Deposit® to their customers. If implementation of our products by our channel partners and customers is delayed or otherwise not completed, our business, financial condition and results of operations may be adversely affected.

We derive revenue predominately from the sale of licenses to use the products covered by our patented technologies, such as our Mobile Deposit® product, and to a lesser extent by providing maintenance and professional services for the products we offer. The revenue we derive from the sale of such licenses is primarily derived from the sale to our channel partners of licenses to sell the applications we offer. Revenues related to most of our licenses for mobile products are required to be recognized up front upon satisfaction of all applicable revenue recognition criteria. The recognition of future revenues from these licenses is dependent upon a number of factors, including, but not limited to, the term of our license agreements, the timing of implementation of our products by our channel partners and customers and the timing of any re-orders of additional licenses and/or license renewals by our channel partners and customers.

During each of the last few years, sales of licenses to one or more channel partners have comprised a significant part of our revenue each year. This is attributable to the timing of renewals or purchases of licenses and does not represent a dependence on any single channel partner. If we were to lose a channel partner relationship, we do not believe such a loss would adversely affect our operations because either we or another channel partner could sell our products to the end-user that had purchased products from the channel partner we lost. However, in that case, we or another channel partner must establish a relationship with the end-users, which could take time to develop, if it develops at all.

We have a growing number of competitors in the mobile imaging industry, many of which have greater financial, technical, marketing and other resources. However, we believe our patented imaging and analytics technology, our growing portfolio of products for the financial services industry and our market leadership give us a distinct competitive advantage. To remain competitive, we must continue to offer products that are attractive to the consumer as well as being secure, accurate and convenient. To help us remain competitive, we intend to continue to strengthen our portfolio of products through research and development as well as partnering with other technology providers.

[Table of Contents](#)**Results of Operations****Comparison of the Year Ended September 30, 2014 and 2013**

The following table summarizes certain aspects of our results of operations for the year ended September 30, 2014 compared to the year ended September 30, 2013 (*in thousands, except percentages*):

	<u>2014</u>	<u>2013</u>	<u>Change \$</u>	<u>Change %</u>
Revenue				
Software	\$13,312	\$10,716	\$ 2,596	24%
Maintenance and professional services	5,838	4,087	1,751	43%
Total revenue	\$19,150	\$14,803	\$ 4,347	29%
Cost of revenue	\$ 2,148	\$ 1,604	\$ 544	34%
% of revenue	11%	11%		
Selling and marketing	\$ 6,836	\$ 5,852	\$ 984	17%
% of revenue	36%	40%		
Research and development	\$ 6,020	\$ 6,793	\$ (773)	(11%)
% of revenue	31%	46%		
General and administrative	\$ 9,554	\$ 7,853	\$ 1,701	22%
% of revenue	50%	53%		
Other income (expense), net	\$ 118	\$ 25	\$ 93	372%
% of revenue	1%	0%		

Revenue

Total revenue increased \$4,347,160, or 29%, to \$19,150,345 in 2014 compared to \$14,803,185 in 2013. The increase was primarily due to an increase in sales of software licenses of \$2,596,024, or 24%, to \$13,312,529 in 2014 compared to \$10,716,505 in 2013. The increase in software license revenue primarily relates to increases in sales of our Mobile Deposit® product due to an increase in the number of large software licenses purchased by partners and customers and the timing of license renewals in 2014 compared to 2013. Maintenance and professional services revenue increased \$1,751,136, or 43%, to \$5,837,816 in 2014 compared to \$4,086,680 in 2013 primarily due to the sale of additional software license arrangements, which typically include recurring maintenance contracts as well as additional professional services engagements related to implementation assistance for our products.

Cost of Revenue

Cost of revenue includes the costs of royalties for third party products embedded in our products, the cost of reproduction of compact discs and other media devices and shipping costs, and personnel costs and overhead related to software support and billable professional services engagements. Cost of revenue increased \$544,326, or 34%, to \$2,147,925 in 2014 compared to \$1,603,599 in 2013. The increase in cost of revenue is primarily due to the increase in revenue and increased professional services activity on billable engagements. As a percentage of revenue, cost of revenue remained consistent at 11% in 2014 compared to 2013.

Selling and Marketing Expenses

Selling and marketing expenses include payroll, employee benefits and other headcount-related costs associated with sales and marketing personnel, non-billable costs of professional services personnel and advertising, promotions, trade shows, seminars and other programs. Selling and marketing expenses increased \$983,844, or 17%, to \$6,836,292 in 2014 compared to \$5,852,448 in 2013. As a percentage of revenue, selling

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and marketing expenses decreased to 36% in 2014 compared to 40% in 2013. The increase in selling and marketing expenses is primarily due to increased personnel-related costs, including stock-based and other incentive compensation expense, totaling \$1,183,990, and the decrease in selling and marketing expenses as a percentage of revenues is primarily attributable to improved operating efficiencies resulting from our revenue growth.

Research and Development Expenses

Research and development expenses include payroll, employee benefits, consultant expenses and other headcount-related costs associated with software engineering and mobile imaging science. These costs are incurred to develop new software products and to maintain and enhance existing products. We retain what we believe to be sufficient staff to sustain our existing product lines and develop new, feature-rich products. We also employ research personnel, whose efforts are instrumental in ensuring product development from current technologies to anticipated future generations of products within our markets.

Research and development expenses decreased \$773,839, or 11%, to \$6,019,573 in 2014 compared to \$6,793,412 in 2013. The decrease is primarily due to lower outside contract services expense of \$650,267 and recruiting costs of \$220,760. As a percentage of revenue, research and development expenses decreased to 31% in 2014, compared to 46% in 2013, primarily due to the increase in revenue.

General and Administrative Expenses

General and administrative expenses include payroll, employee benefits, and other headcount-related costs associated with finance, administration and information technology, as well as legal, accounting, and other administrative fees. General and administrative expenses increased \$1,701,117, or 22%, to \$9,554,381 in 2014 compared to \$7,853,264 in 2013. The increase is primarily due to an increase in legal fees of \$1,248,913 related to intellectual property litigation and patent prosecution activity, as well as increased stock-based compensation of \$204,216. As a percentage of revenue, general and administrative expenses decreased to 50% in 2014 compared to 53% in 2013, primarily due to the increase in revenue.

Other Income (Expense), Net

Interest and other income, net was \$124,628 in 2014 compared to \$31,770 in 2013, an increase of \$92,858, or 292%, due to higher cash balances after the Offering. Interest and other expense, net was \$6,445 in 2014 compared to \$6,862 in 2013, a decrease of \$417, or 6%, primarily related to capital lease interest.

Results of Operations

Comparison of the Year Ended September 30, 2013 and 2012

The following table summarizes certain aspects of our results of operations for the year ended September 30, 2013 compared to the year ended September 30, 2012 (*in thousands, except percentages*):

	<u>2013</u>	<u>2012</u>	<u>Change \$</u>	<u>Change %</u>
Revenue				
Software	\$10,716	\$6,387	\$ 4,329	68%
Maintenance and professional services	<u>4,087</u>	<u>2,706</u>	<u>1,381</u>	51%
Total revenue	\$14,803	\$9,093	\$ 5,710	63%
Cost of revenue	\$ 1,604	\$1,264	\$ 340	27%
% of revenue	11%	14%		
Selling and marketing	\$ 5,852	\$3,450	\$ 2,402	70%
% of revenue	40%	38%		

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	2013	2012	Change \$	Change %
Research and development	\$6,793	\$6,664	\$ 129	2%
% of revenue	46%	73%		
General and administrative	\$7,853	\$5,596	\$ 2,257	40%
% of revenue	53%	62%		
Other income (expense), net	\$ 25	\$ 37	\$ (12)	(32%)
% of revenue	0%	0%		

Revenue

Total revenue increased \$5,710,502, or 63%, to \$14,803,185 in 2013 compared to \$9,092,683 in 2012. The increase was primarily due to an increase in sales of software licenses of \$4,330,144, or 68%, to \$10,716,505 in 2013 compared to \$6,386,361 in 2012. The increase in software license revenue primarily relates to increases in sales of our Mobile Deposit® product due to an increase in the number of large software licenses purchased by partners and customers and the timing of license renewals in 2013 compared to 2012. Maintenance and professional services revenue increased \$1,380,358, or 51%, to \$4,086,680 in 2013 compared to \$2,706,322 in 2012 primarily due to the sale of additional software license arrangements, which typically include recurring maintenance contracts.

Cost of Revenue

Cost of revenue includes the costs of royalties for third party products embedded in our products, the cost of reproduction of compact discs and other media devices and shipping costs, and personnel costs related to software support and billable professional services engagements. Cost of revenue increased \$339,679, or 27%, to \$1,603,599 in 2013 compared to \$1,263,920 in 2012. The increase in cost of revenue is primarily due to the increase in revenue and increased professional services activity on billable engagements. As a percentage of revenue, cost of revenue decreased to 11% in 2013 compared to 14% in 2012 primarily due to a larger mix of higher margin mobile products.

Selling and Marketing Expenses

Selling and marketing expenses include payroll, employee benefits and other headcount-related costs associated with sales and marketing personnel, non-billable time for professional services personnel and advertising, promotions, trade shows, seminars and other programs. Selling and marketing expenses increased \$2,402,394, or 70%, to \$5,852,448 in 2013 compared to \$3,450,054 in 2012. As a percentage of revenue, selling and marketing expenses increased to 40% in 2013 compared to 38% in 2012. The increase is primarily due to increased personnel-related costs, including stock-based and other incentive compensation expense and recruiting costs, totaling \$2,026,832 related to an increase in headcount associated with the growth of our business, as well as increased travel expenses of \$199,085 and depreciation of \$69,349.

Research and Development Expenses

Research and development expenses include payroll, employee benefits, consultant expenses and other headcount-related costs associated with software engineering and mobile imaging science. These costs are incurred to develop new software products and to maintain and enhance existing products. We retain what we believe to be sufficient staff to sustain our existing product lines and develop new, feature-rich products. We also employ research personnel, whose efforts are instrumental in ensuring product development from current technologies to anticipated future generations of products within our markets.

Research and development expenses increased \$129,382, or 2%, to \$6,793,412 in 2013 compared to \$6,664,030 in 2012. The increase is primarily due to higher personnel-related costs, including stock-based and

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other incentive compensation expense and recruiting costs, totaling \$378,201 related to an increase in headcount associated with the growth of our business, partially offset by a decrease in outside contract services of \$278,350. As a percentage of revenue, research and development expenses decreased to 46% in 2013, compared to 73% in 2012, primarily due to the increase in revenue.

General and Administrative Expenses

General and administrative expenses include payroll, employee benefits, and other headcount-related costs associated with finance, administration and information technology, as well as legal, accounting, and other administrative fees. General and administrative expenses increased \$2,257,421, or 40%, to \$7,853,264 in 2013 compared to \$5,595,843 in 2012. The increase is primarily due to an increase in legal fees of \$1,711,461 related to intellectual property litigation and patent prosecution activity, as well as increased personnel-related costs of \$562,702, including stock-based and other incentive compensation expenses related to an increase in headcount associated with the growth of our business. As a percentage of revenue, general and administrative expenses decreased to 53% in 2013 compared to 62% in 2012, primarily due to the increase in revenue.

Other Income (Expense), Net

Interest income was \$31,770 in 2013 compared to \$44,384 in 2012, a decrease of \$12,614, or 28%, due to lower cash balances prior to the Offering and a decrease in investment returns during 2013. Interest and other expense, net was \$6,862 in 2013 compared to \$7,224 in 2012, a decrease of \$362, or 5%, primarily related to capital lease interest.

Liquidity and Capital Resources

On September 30, 2014, we had \$26,107,778 in cash and cash equivalents and investments compared to \$29,025,328 on September 30, 2013, a decrease of \$2,917,550, or 10%. The decrease in cash and cash equivalents and investments was primarily due to an increase in cash used in operating activities. During June 2013, we sold 2,857,142 shares of our common stock at a price of \$5.25 per share in the Offering and received \$13,877,447 in net proceeds, after deducting underwriting discounts and commissions and other offering expenses of \$1,122,549. Under the terms of the underwriting agreement for the Offering, we granted the underwriter a 30-day option to purchase an additional 428,571 shares of our common stock to cover overallocments. The underwriter exercised its overallocation option during June 2013 and the closing of the sale of shares of our common stock pursuant to such option occurred during July 2013, resulting in \$2,127,350 in additional net proceeds to us.

Credit Facility

In January 2011, we entered into a loan and security agreement with our primary operating bank (the "Loan Agreement"). The Loan Agreement permitted us to borrow, repay and re-borrow up to \$400,000 from time to time until January 31, 2013, subject to the terms and conditions of the Loan Agreement. The Loan Agreement expired on January 31, 2013, at which time there were no borrowings outstanding.

Net Cash Used in Operating Activities

Net cash used in operating activities during fiscal 2014 was \$2,468,671 and resulted primarily from increased personnel costs and other investments in the business. These changes in cash used in operating activities were partially offset by an increase in accounts receivable of \$1,454,823 associated with the timing of customer billings and receipt of payments and a decrease in deferred revenue of \$291,238. The primary non-cash adjustments to operating activities were stock-based compensation expense, depreciation and amortization, and accretion and amortization on debt securities totaling \$3,444,480, \$470,697, and \$401,319, respectively.

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During fiscal 2013, net cash used in operating activities was \$615,061, which resulted primarily from hiring additional personnel and other investments in the business. The net loss was partially offset by increased cash provided by working capital of \$2,110,612, and increases in the non-current portion of deferred revenue of \$511,125 and other long-term liabilities of \$731,457. The primary non-cash adjustments to operating activities were stock-based compensation expense, depreciation and amortization, and accretion and amortization on debt securities totaling \$2,791,862, \$323,383 and \$182,162, respectively.

Net Cash (Used in) Provided by Investing Activities

Net cash used in investing activities was \$13,110,631 during fiscal 2014, which consisted of \$11,666,624 related to the sale and maturity of investments, offset by purchases of investments of \$24,642,603, and \$134,652 related to the purchase and sale of property and equipment.

During fiscal 2013, net cash provided by investing activities was \$570,888, which consisted of \$6,090,734 related to the sale and maturity of investments, partially offset by purchases of investments of \$4,058,975, and \$1,460,871 related to the purchase of property and equipment.

Net Cash Provided by Financing Activities

Net cash provided by financing activities was \$51,436 during fiscal 2014, which included net proceeds of \$70,328 from the exercise of stock options partially offset by principal payments on capital lease obligations of \$18,892.

During fiscal 2013, net cash provided by financing activities was \$16,636,539, which included net proceeds of \$16,004,797 from the Offering and net proceeds of \$648,656 from the exercise of stock options, partially offset by principal payments on capital lease obligations of \$16,914.

Other Liquidity Matters

On September 30, 2014, we had investments of \$18,341,188, designated as available-for-sale marketable securities, which consisted of commercial paper and corporate issuances, carried at fair value as determined by quoted market prices for identical or similar assets, with unrealized gains and losses, net of tax, and reported as a separate component of stockholders' equity. All securities for which maturity or sale is expected within one year are classified as "current" on the balance sheet. All other securities are classified as "long-term" on the balance sheet. At September 30, 2014, we had \$16,269,170 of our available-for-sale securities classified as current and \$2,072,018 classified as long-term. At September 30, 2013, all of our available-for-sale securities were classified as current.

We had working capital of \$21,484,020 at September 30, 2014, compared to \$25,363,197 at September 30, 2013.

Based on our current operating plan, we believe the current cash balance and cash expected to be generated from operations will be adequate to satisfy our working capital needs for the next 12 months.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements as defined in Item 304(a)(4)(ii) of Regulation S-K.

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Contractual Obligations

The following table summarizes our contractual obligations as of September 30, 2014 (*in thousands*):

Contractual obligations by period as of September 30, 2014	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Operating lease obligations	\$495,981	\$1,037,047	\$958,931	\$ —	\$2,491,959
Capital lease obligations	29,012	26,342	—	—	55,354
Purchase obligations	425,000	250,000	—	—	675,000
Total	<u>\$949,993</u>	<u>\$1,313,389</u>	<u>\$958,931</u>	<u>\$ —</u>	<u>\$3,222,313</u>

Critical Accounting Policies

Our financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the U.S. (“GAAP”). Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, stockholders’ equity, revenue, expenses and related disclosure of contingent assets and liabilities. Management regularly evaluates its estimates and assumptions. These estimates and assumptions are based on historical experience and on various other factors that are believed to be reasonable under the circumstances, and form the basis for making management’s most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain. Actual results could vary from those estimates under different assumptions or conditions. Our critical accounting policies include revenue recognition, allowance for accounts receivable, investments, fair value of equity instruments, accounting for income taxes and capitalized software development costs.

Revenue Recognition

We enter into contractual arrangements with integrators, resellers and directly with our customers that may include licensing of our software products, product support and maintenance services, consulting services or various combinations thereof, including the sale of such products or services separately. Our accounting policies regarding the recognition of revenue for these contractual arrangements is fully described in Note 1 to our financial statements included in this Form 10-K.

We consider many factors when applying GAAP to revenue recognition. These factors include, but are not limited to, whether:

- Persuasive evidence of an arrangement exists;
- Delivery of the product or performance of the service has occurred;
- The fees are fixed or determinable;
- Collection of the contractual fee is probable; and
- Vendor-specific objective evidence of the fair value of undelivered elements or other appropriate method of revenue allocation exists.

Each of the relevant factors is analyzed to determine its impact, individually and collectively with other factors, on the revenue to be recognized for any particular contract with a customer. Management is required to make judgments regarding the significance of each factor in applying the revenue recognition standards, as well as whether or not each factor complies with such standards. Any misjudgment or error by management in its evaluation of the factors and the application of the standards, especially with respect to complex or new types of transactions, could have a material adverse effect on our future revenues and operating results.

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Accounts Receivable

We consistently monitor collections from our customers and maintain a provision for estimated credit losses that is based on historical experience and on specific customer collection issues. While such credit losses have historically been within our expectations and the provisions established, we cannot guarantee that we will continue to experience the same credit loss rates that we have in the past. Since our revenue recognition policy requires customers to be deemed creditworthy, our accounts receivable are based on customers whose payment is reasonably assured. Our accounts receivable are derived from sales to a wide variety of customers. We do not believe a change in liquidity of any one customer or our inability to collect from any one customer would have a material adverse impact on our financial position.

Investments

We determine the fair value of our assets and liabilities based on 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. Valuation techniques used to measure fair value maximize the use of observable inputs and minimize the use of unobservable inputs. We use a fair value hierarchy with three levels of inputs, of which the first two are considered observable and the last unobservable, to measure fair value:

- Level 1—Quoted prices in active markets for identical assets or liabilities;
- Level 2—Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

In using this fair value hierarchy, management may be required to make assumptions about pricing by market participants and assumptions about risk, specifically when using unobservable inputs to determine fair value. These assumptions are subjective in nature and may significantly affect our results of operations.

Fair Value of Equity Instruments

The valuation of certain items, including valuation of warrants, the beneficial conversion feature related to convertible debt and compensation expense related to stock options granted, involves significant estimates based on underlying assumptions made by management. The valuation of warrants and stock options are based upon a Black-Scholes valuation model, which involves estimates of stock volatility, expected life of the instruments and other assumptions.

Deferred Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. We maintain a valuation allowance against deferred tax assets due to uncertainty regarding the future realization based on historical taxable income, projected future taxable income, and the expected timing of the reversals of existing temporary differences. Until such time as we can demonstrate that we will no longer incur losses or if we are unable to generate sufficient future taxable income, we could be required to maintain the valuation allowance against our deferred tax assets.

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Capitalized Software Development Costs

Research and development costs are charged to expense as incurred. Costs incurred for the development of computer software that will be sold, leased or otherwise marketed are capitalized when technological feasibility has been established. These capitalized costs are subject to an ongoing assessment of recoverability based on anticipated future revenues and changes in hardware and software technologies. Costs that are capitalized include direct labor and related overhead. No such costs were capitalized during the fiscal years ended September 30, 2014 and 2013.

Amortization of capitalized software development costs begins when product sales commence. Amortization is provided on a product-by-product basis on either the straight-line method over periods not exceeding three years or the sales ratio method. Unamortized capitalized software development costs determined to be in excess of the net realizable value of the product are expensed immediately.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The primary objective of our investment activities is to preserve principal while at the same time maximizing after-tax yields without significantly increasing risk. To achieve this objective, we maintain our investment portfolio of cash equivalents and marketable securities in a variety of securities, including corporate debt securities, commercial paper and certificates of deposit. We have not used derivative financial instruments in our investment portfolio, and none of our investments are held for trading or speculative purposes. Short-term and long-term marketable securities are generally classified as available-for-sale and consequently are recorded on the balance sheet at fair value with unrealized gains or losses reported as a separate component of accumulated other comprehensive income, net of estimated tax. Marketable securities as of September 30, 2014 had remaining maturities between approximately one and eight months. Our short-term marketable securities had a fair market value of \$16,269,170 at September 30, 2014, representing approximately 52% of our total assets.

The fair value of our cash equivalents and marketable securities is subject to change as a result of changes in market interest rates and investment risk related to the issuers' credit worthiness. We do not utilize financial contracts to manage our investment portfolio's exposure to changes in market interest rates. A hypothetical 100 basis point increase or decrease in market interest rates would not have a material impact on the fair value of our cash equivalents and marketable securities due to the relatively short maturities of these investments. While changes in market interest rates may affect the fair value of our investment portfolio, any gains or losses will not be recognized in our results of operations until the investment is sold or if the reduction in fair value was determined to be an other-than-temporary impairment.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Our financial statements and supplementary data required by this item are set forth at the pages indicated in Part IV, Item 15(a)(1) and (a)(2), respectively, of this Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, that are designed to provide reasonable assurance that information required to be

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disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required financial disclosures. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures as of the end of the period covered by this Form 10-K. We recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of September 30, 2014.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management concluded that our internal control over financial reporting was effective as of September 30, 2014.

Our internal control over financial reporting has been audited by Mayer Hoffman McCann P.C., an independent registered public accounting firm, as stated in their report appearing below, which expresses an unqualified opinion on the effectiveness of our internal control over financial reporting as of September 30, 2014.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting during the year ended September 30, 2014 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information required by this item is incorporated by reference to our definitive proxy statement filed in connection with our 2015 Annual Meeting of Stockholders or an amendment to this Form 10-K to be filed with the SEC within 120 days after the close of our fiscal year ended September 30, 2014.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this item is incorporated by reference to our definitive proxy statement filed in connection with our 2015 Annual Meeting of Stockholders or an amendment to this Form 10-K to be filed with the SEC within 120 days after the close of our fiscal year ended September 30, 2014.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information required by this item is incorporated by reference to our definitive proxy statement filed in connection with our 2015 Annual Meeting of Stockholders or an amendment to this Form 10-K to be filed with the SEC within 120 days after the close of our fiscal year ended September 30, 2014.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information required by this item is incorporated by reference to our definitive proxy statement filed in connection with our 2015 Annual Meeting of Stockholders or an amendment to this Form 10-K to be filed with the SEC within 120 days after the close of our fiscal year ended September 30, 2014.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The information required by this item is incorporated by reference to our definitive proxy statement filed in connection with our 2015 Annual Meeting of Stockholders or an amendment to this Form 10-K to be filed with the SEC within 120 days after the close of our fiscal year ended September 30, 2014.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a)(1) Financial Statements

The Financial Statements of Mitek Systems, Inc. and Report of Independent Registered Public Accounting Firm are included in a separate section of this Form 10-K beginning on page F-1.

(a)(2) Financial Statement Schedules

These schedules have been omitted because the required information is included in the financial statements or notes thereto or because they are not applicable or not required.

(a)(3) Exhibits

<u>Exhibit No.</u>	<u>Description</u>	<u>Incorporated by Reference from Document</u>
3.1	Restated Certificate of Incorporation of Mitek Systems, Inc., as amended.	*
3.2	Second Amended and Restated Bylaws of Mitek Systems, Inc.	(1)
4.1	Form of debenture issued on December 10, 2009.	(2)
4.2	Form of warrant issued on December 10, 2009.	(2)
10.1	Mitek Systems, Inc. 2000 Stock Option Plan.	(3)
10.2	Mitek Systems, Inc. 2002 Stock Option Plan.	(4)
10.3	Mitek Systems, Inc. 2006 Stock Option Plan.	(5)
10.4	Mitek Systems, Inc. 2010 Stock Option Plan.	(6)
10.5	Mitek Systems, Inc. 2012 Incentive Plan, as amended.	(7)
10.6	Mitek Systems, Inc. Director Restricted Stock Unit Plan.	(8)
10.7	Mitek Systems, Inc. 401(k) Savings Plan.	(9)
10.8	Form of Securities Purchase Agreement, dated December 10, 2009, between Mitek Systems, Inc. and certain accredited investors.	(2)
10.9	Form of Security Agreement dated, December 10, 2009, between Mitek Systems, Inc. and certain secured parties.	(2)
10.13	Underwriting Agreement, dated June 25, 2013, between Mitek Systems, Inc. and William Blair & Company, L.L.C.	(10)
10.14	Executive Severance and Change of Control Plan, dated February 28, 2011, by and between Mitek Systems, Inc. and James B. DeBello.	(11)
10.15	Offer Letter, dated October 3, 2011, by and between Mitek Systems, Inc. and Russell C. Clark.	(12)
10.16	Executive Severance and Change of Control Plan, dated October 11, 2011, by and between Mitek Systems, Inc. and Russell C. Clark.	(12)
10.17	Offer Letter, dated June 6, 2012, by and between Mitek Systems, Inc. and Michael Diamond.	(9)
10.18	Offer Letter, dated June 11, 2012, by and between Mitek Systems, Inc. and Michael Strange.	(9)
10.19	Offer Letter, dated May 10, 2013, by and between Mitek Systems, Inc. and Scott Carter.	(9)
10.20	Form of Executive Severance and Change of Control Plan.	(11)

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<u>Exhibit No.</u>	<u>Description</u>	<u>Incorporated by Reference from Document</u>
10.21	Form of Indemnification Agreement.	*
10.22	Mitek Systems, Inc. Executive Bonus Program Fiscal Year 2014	(13)
10.23	Mitek Systems, Inc. Executive Bonus Program Fiscal Year 2015	(1)
10.24	Lease, dated September 13, 2005, by and between Arden Realty Finance V, L.L.C. and Mitek Systems, Inc., as amended.	(14)
23.1	Consent of Mayer Hoffman McCann P.C.	*
24.1	Power of Attorney (included on the signature page).	*
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.	*
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.	*
32.1	Certification Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	*
101	Financial statements from the Annual Report on Form 10-K of Mitek Systems, Inc. for the year ended September 30, 2014, formatted in XBRL: (i) the Balance Sheets, (ii) the Statements of Operations and Other Comprehensive Loss, (iii) the Statements of Stockholders' Equity, (iv) the Statements of Cash Flows, (v) the Notes to the Financial Statements.	*

* Filed herewith.

- (1) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on November 10, 2014.
- (2) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on December 16, 2009.
- (3) Incorporated by reference to the exhibits to the Company's Registration Statement on Form S-8 filed with the SEC on March 30, 2001.
- (4) Incorporated by reference to the exhibits to the Company's Registration Statement on Form S-8 filed with the SEC on July 7, 2003.
- (5) Incorporated by reference to the exhibits to the Company's Registration Statement on Form S-8 filed with the SEC on May 3, 2006.
- (6) Incorporated by reference to the exhibits to the Company's Registration Statement on Form S-8 filed with the SEC on March 14, 2011.
- (7) Incorporated by reference to the exhibits to the Company's Registration Statement on Form S-8 filed with the SEC on February 26, 2014.
- (8) Incorporated by reference to Appendix A to the Company's Definitive Proxy Statement filed with the SEC on January 18, 2011.
- (9) Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2013 filed with the SEC on December 12, 2013.
- (10) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on June 25, 2013.
- (11) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on March 1, 2011.
- (12) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on October 13, 2011.
- (13) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on December 17, 2013.
- (14) Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2012 filed with the SEC on December 7, 2012.

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MITEK SYSTEMS, INC.**

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Mitek Systems, Inc.

We have audited the accompanying balance sheets of Mitek Systems, Inc. as of September 30, 2014 and 2013, and the related statements of operations and other comprehensive loss, stockholders' equity and cash flows for each of the three years in the period ended September 30, 2014. 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 audits.

We conducted our audits 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. 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 Mitek Systems, Inc. as of September 30, 2014 and 2013, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2014, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Mitek Systems Inc.'s internal control over financial reporting as of September 30, 2014, based on criteria established in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated December 5, 2014 expressed an unqualified opinion.

/s/ Mayer Hoffman McCann P.C.
San Diego, California
December 5, 2014

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Mitek Systems, Inc.

We have audited Mitek Systems, Inc.'s internal control over financial reporting as of September 30, 2014, based on criteria established in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Mitek Systems, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting 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 effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Mitek Systems, Inc. maintained, in all material respects, effective internal control over financial reporting as of September 30, 2014, based on criteria established in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the balance sheets and the related statements of operations and other comprehensive loss, stockholders' equity, and cash flows of Mitek Systems, Inc., and our report dated December 5, 2014 expressed an unqualified opinion.

/s/ Mayer Hoffman McCann P.C.
San Diego, California
December 5, 2014

MITEK SYSTEMS, INC.
BALANCE SHEETS

	September 30,	
	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7,766,590	\$ 23,294,456
Short-term investments	16,269,170	5,730,872
Accounts receivable, net	2,955,350	1,494,627
Other current assets	704,409	661,706
Total current assets	27,695,519	31,181,661
Long-term investments	2,072,018	—
Property and equipment, net	1,293,270	1,629,664
Other non-current assets	42,049	42,049
Total assets	<u>\$ 31,102,856</u>	<u>\$ 32,853,374</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,792,267	\$ 1,875,909
Accrued payroll and related taxes	1,434,913	1,455,487
Deferred revenue, current portion	2,826,670	2,335,532
Other current liabilities	157,649	151,536
Total current liabilities	6,211,499	5,818,464
Deferred revenue, non-current portion	311,225	511,125
Other non-current liabilities	638,099	795,043
Total liabilities	<u>7,160,823</u>	<u>7,124,632</u>
Stockholders' equity		
Preferred stock, \$0.001 par value, 1,000,000 shares authorized, none issued and outstanding	—	—
Common stock, \$0.001 par value, 60,000,000 and 40,000,000 shares authorized, respectively; 30,521,080 and 30,361,442 issued and outstanding, respectively	30,521	30,361
Additional paid-in capital	59,946,288	56,431,640
Accumulated other comprehensive (loss) income	(7,810)	1,838
Accumulated deficit	(36,026,966)	(30,735,097)
Total stockholders' equity	<u>23,942,033</u>	<u>25,728,742</u>
Total liabilities and stockholders' equity	<u>\$ 31,102,856</u>	<u>\$ 32,853,374</u>

The accompanying notes form an integral part of these financial statements.

MITEK SYSTEMS, INC.
STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE LOSS

	For the years ended September 30,		
	2014	2013	2012
Revenue			
Software	\$13,312,529	\$ 10,716,505	\$ 6,386,361
Maintenance and professional services	5,837,816	4,086,680	2,706,322
Total revenue	<u>19,150,345</u>	<u>14,803,185</u>	<u>9,092,683</u>
Operating costs and expenses			
Cost of revenue-software	1,001,455	744,842	540,321
Cost of revenue-maintenance and professional services	1,146,470	858,757	723,599
Selling and marketing	6,836,292	5,852,448	3,450,054
Research and development	6,019,573	6,793,412	6,664,030
General and administrative	9,554,381	7,853,264	5,595,843
Total costs and expenses	<u>24,558,171</u>	<u>22,102,723</u>	<u>16,973,847</u>
Operating loss	<u>(5,407,826)</u>	<u>(7,299,538)</u>	<u>(7,881,164)</u>
Other income (expense), net			
Interest and other income	124,628	31,770	44,384
Interest and other expense	(6,445)	(6,862)	(7,224)
Total other income (expense), net	<u>118,183</u>	<u>24,908</u>	<u>37,160</u>
Loss before income taxes	<u>(5,289,643)</u>	<u>(7,274,630)</u>	<u>(7,844,004)</u>
Income tax provision (benefit)	2,226	1,076	(4,008)
Net loss	<u>\$ (5,291,869)</u>	<u>\$ (7,275,706)</u>	<u>\$ (7,839,996)</u>
Net loss per share—basic and diluted	<u>\$ (0.17)</u>	<u>\$ (0.26)</u>	<u>\$ (0.31)</u>
Shares used in calculating net loss per share—basic and diluted	<u>30,466,063</u>	<u>27,492,670</u>	<u>25,124,179</u>
Other comprehensive loss:			
Net loss	\$ (5,291,869)	\$ (7,275,706)	\$ (7,839,996)
Unrealized gain (loss) on investments	(9,648)	2,454	9,239
Other comprehensive loss	<u>\$ (5,301,517)</u>	<u>\$ (7,273,252)</u>	<u>\$ (7,830,757)</u>

The accompanying notes form an integral part of these financial statements.

MITEK SYSTEMS, INC.
STATEMENTS OF STOCKHOLDERS' EQUITY
For the years ended September 30, 2014, 2013 and 2012

	Common Stock Outstanding (Shares)	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance, September 30, 2011	24,144,366	\$24,144	\$33,660,397	\$(15,619,395)	\$ (9,855)	\$18,055,291
Exercise of stock options	1,739,924	1,740	730,547	—	—	732,287
Exercise of warrants	110,926	111	(111)	—	—	—
Stock-based compensation expense	—	—	2,599,858	—	—	2,599,858
Components of comprehensive income:						
Net loss	—	—	—	(7,839,996)	—	(7,839,996)
Change in unrealized gain (loss) on investments	—	—	—	—	9,239	9,239
Total comprehensive loss						(7,830,757)
Balance, September 30, 2012	25,995,216	\$25,995	\$36,990,691	\$(23,459,391)	\$ (616)	\$13,556,679
Issuance of common stock, net of issuance costs of \$1,245,196	3,285,713	3,286	16,001,511	—	—	16,004,797
Exercise of stock options	1,042,872	1,043	713,426	—	—	714,469
Settlement of restricted stock units	37,641	37	(65,850)	—	—	(65,813)
Stock-based compensation expense	—	—	2,791,862	—	—	2,791,862
Components of other comprehensive income:						
Net loss	—	—	—	(7,275,706)	—	(7,275,706)
Change in unrealized gain (loss) on investments	—	—	—	—	2,454	2,454
Total other comprehensive loss						(7,273,252)
Balance, September 30, 2013	30,361,442	\$30,361	\$56,431,640	\$(30,735,097)	\$ 1,838	\$25,728,742
Exercise of stock options	105,280	105	118,649	—	—	118,754
Settlement of restricted stock units	54,358	55	(48,481)	—	—	(48,426)
Stock-based compensation expense	—	—	3,444,480	—	—	3,444,480
Components of other comprehensive income:						
Net loss	—	—	—	(5,291,869)	—	(5,291,869)
Change in unrealized gain (loss) on investments	—	—	—	—	(9,648)	(9,648)
Total other comprehensive loss						(5,301,517)
Balance, September 30, 2014	<u>30,521,080</u>	<u>\$30,521</u>	<u>\$59,946,288</u>	<u>\$(36,026,966)</u>	<u>\$ (7,810)</u>	<u>\$23,942,033</u>

The accompanying notes form an integral part of these financial statements.

**MITEK SYSTEMS, INC.
STATEMENTS OF CASH FLOWS**

	For the years ended September 30,		
	2014	2013	2012
OPERATING ACTIVITIES			
Net loss	\$ (5,291,869)	\$ (7,275,706)	\$ (7,839,996)
Adjustments to reconcile net loss to net cash used in operating activities:			
Stock-based compensation expense	3,444,480	2,791,862	2,599,858
Depreciation and amortization	470,697	323,383	231,981
Accretion and amortization on debt securities	401,319	182,162	261,398
Provision for bad debt	(5,900)	(5,773)	(3,571)
Loss (gain) on sale of property and equipment	349	(1,097)	—
Changes in assets and liabilities:			
Accounts receivable	(1,454,823)	(391,543)	1,862,555
Other assets	(88,007)	(213,653)	(180,367)
Accounts payable	(83,642)	1,163,959	353,043
Accrued payroll and related taxes	(20,574)	728,522	230,956
Deferred revenue	291,238	1,214,572	758,855
Other liabilities	(131,939)	868,251	(53,476)
Net cash used in operating activities	<u>(2,468,671)</u>	<u>(615,061)</u>	<u>(1,778,764)</u>
INVESTING ACTIVITIES			
Purchases of investments	(24,642,603)	(4,058,975)	(12,187,523)
Sales and maturities of investments	11,666,624	6,090,734	14,635,005
Purchases of property and equipment	(135,452)	(1,497,492)	(339,715)
Sale of property and equipment	800	36,621	—
Net cash (used in) provided by investing activities	<u>(13,110,631)</u>	<u>570,888</u>	<u>2,107,767</u>
FINANCING ACTIVITIES			
Proceeds from the issuance of common stock, net of issuance costs of \$0, \$1,245,196 and \$0, respectively	—	16,004,797	—
Proceeds from exercise of warrants and stock options, net	70,328	648,656	732,287
Principal payments on capital lease obligations	(18,892)	(16,914)	(14,916)
Net cash provided by financing activities	<u>51,436</u>	<u>16,636,539</u>	<u>717,371</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(15,527,866)	16,592,366	1,046,374
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	23,294,456	6,702,090	5,655,716
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 7,766,590</u>	<u>\$23,294,456</u>	<u>\$ 6,702,090</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid for interest	<u>\$ 6,115</u>	<u>\$ 8,093</u>	<u>\$ 10,397</u>
Cash paid for income taxes	<u>\$ 2,226</u>	<u>\$ 1,076</u>	<u>\$ 800</u>
NON-CASH FINANCING AND INVESTING ACTIVITIES			
Unrealized holding gain (loss) on available for sale investments	<u>\$ (9,648)</u>	<u>\$ 2,454</u>	<u>\$ 9,239</u>
Cashless exercise of option and warrants	<u>\$ 3</u>	<u>\$ 125</u>	<u>\$ 410</u>
Cashless settlement of restricted stock units	<u>\$ 15</u>	<u>\$ 32</u>	<u>\$ —</u>
Capital lease obligations	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 95,388</u>

The accompanying notes form an integral part of these financial statements.

MITEK SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014, 2013 AND 2012

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Mitek Systems, Inc. (the “Company”) is a mobile solutions provider engaged in the development, sale and service of its proprietary software solutions.

The Company applies its patented technology in image capture, correction and intelligent data extraction in the mobile financial and business services markets. The Company’s technology allows users to remotely deposit checks, pay bills, transfer credit card balances, open accounts and get insurance quotes by taking pictures of various documents with their camera-equipped smartphones and tablets instead of using the device keyboard. The Company’s products use advanced algorithms to correct image distortion, extract relevant data, route images to their desired location and process transactions through users’ financial institutions. As of November 28, 2014, the Company’s has been granted 20 patents and it has an additional 23 patent applications pending.

The Company’s Mobile Deposit® product is software that allows users to remotely deposit a check using their camera-equipped smartphone or tablet. As of September 30, 2014, 3,026 financial institutions have signed agreements to deploy Mobile Deposit®, and 2,521 of these financial institutions have deployed Mobile Deposit® to their customers, including all of the top ten nearly all of the top 50 U.S. retail banks, as ranked by SNL Financial for the second quarter of calendar 2014. The Company’s Mobile Photo Account Opening™ product enables users to open a checking, savings or credit card account by capturing an image of the front and back of their driver’s license with their camera-equipped smartphone or tablet. Other mobile imaging software solutions the Company offers include Mobile Photo Payments, a product that enables users to pay bills by taking a photo of their bill followed by a photo of the check or credit/debit card being used to pay the bill, Mobile Photo Bill Pay®, a mobile bill payment product that allows users to pay their bills using their camera-equipped smartphone or tablet and Mobile Balance Transfer™, a product that allows credit card issuers to provide balance transfer offers and enables users to transfer an existing credit card balance and establish a new credit card account by capturing an image of the user’s current credit card statement. The Company’s mobile imaging software solutions are available for iOS and Android operating systems.

The Company markets and sells its mobile imaging software solutions through channel partners or directly to enterprise customers that typically purchase licenses based on of the number of transactions or subscribers that use our mobile software. The Company’s mobile imaging software solutions are often embedded in other mobile banking or enterprise applications developed by banks, insurance companies or their partners, and marketed under their own proprietary brands.

Basis of Presentation

The financial statements are prepared under the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 105-10, *Generally Accepted Accounting Principles*, in accordance with accounting principles generally accepted in the U.S. (“GAAP”).

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation. These reclassifications do not impact the reported net loss and do not have a material impact on the presentation of the overall financial statements.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosure of

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contingent assets and liabilities. On an ongoing basis, management reviews its estimates based upon currently available information. Actual results could differ materially from those estimates. These estimates include, but are not limited to, assessing the collectability of accounts receivable, estimation of the value of stock-based compensation awards and income taxes.

Net Loss Per Share

The Company calculates net income (loss) per share in accordance with FASB ASC Topic 260, *Earnings Per Share*. Basic net income (loss) per share is based on the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share also gives effect to all potentially dilutive securities outstanding during the period, such as options, warrants and restricted stock units (“RSUs”), if dilutive. In a period with a net loss position, potentially dilutive securities are not included in the computation of diluted net loss because to do so would be antidilutive, and the number of shares used to calculate basic and diluted net loss is the same.

At September 30, 2014, 2013 and 2012, the following potentially dilutive common shares were excluded from the net loss per share calculation, as they would have been antidilutive:

	2014	2013	2012
Stock options	2,334,326	2,824,964	3,512,286
Warrants	6,667	6,667	6,667
Restricted stock units	1,101,303	692,504	515,834
Total potentially dilutive common shares outstanding	<u>3,442,296</u>	<u>3,524,135</u>	<u>4,034,787</u>

The computation of basic and diluted net loss per share for the fiscal years ended September 30, 2014, 2013 and 2012 is as follows:

	2014	2013	2012
Net loss	<u>\$ (5,291,869)</u>	<u>\$ (7,275,706)</u>	<u>\$ (7,839,996)</u>
Weighted-average common shares and share equivalents outstanding—basic	30,446,063	27,492,670	25,124,179
Effect of dilutive stock options	—	—	—
Weighted-average common shares and share equivalents outstanding—diluted	<u>30,446,063</u>	<u>27,492,670</u>	<u>25,124,179</u>
Net loss per share:			
Basic	\$ (0.17)	\$ (0.26)	\$ (0.31)
Diluted	\$ (0.17)	\$ (0.26)	\$ (0.31)

Revenue Recognition

Revenue from sales of software licenses sold through direct and indirect channels is recognized upon shipment of the related product, if the requirements of FASB ASC Topic 985-605, *Software Revenue Recognition* (“ASC 985-605”) are met, including evidence of an arrangement, delivery, fixed or determinable fee, collectability and vendor specific objective evidence (“VSOE”) of the fair value of the undelivered element. If the requirements of ASC 985-605 are not met at the date of shipment, revenue is not recognized until such elements are known or resolved. Revenue from customer support services, or maintenance revenue, includes post-contract support and the rights to unspecified upgrades and enhancements. VSOE of fair value for customer support services is determined by reference to the price the customer pays for such element when sold separately; that is, the renewal rate offered to customers. In those instances when objective and reliable evidence of fair

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value exists for the undelivered items but not for the delivered items, the residual method is used to allocate the arrangement consideration. Under the residual method, the amount of arrangement consideration allocated to the delivered items equals the total arrangement consideration less the aggregate fair value of the undelivered items. Revenue from post-contract customer support is recognized ratably over the term of the contract. Certain customers have agreements that provide for usage fees above fixed minimums. Fixed minimum transaction fees are recognized as revenue ratably over the term of the arrangement. Usage fees above fixed minimums are recognized as revenue when such amounts are reasonably estimable and billable. Revenue from professional services is recognized when such services are delivered. When a software sales arrangement requires professional services related to significant production, modification or customization of software, or when a customer considers professional services essential to the functionality of the software product, revenue is recognized based on predetermined milestone objectives required to complete the project, as those milestone objectives are deemed to be substantive in relation to the work performed. Any expected losses on contracts in progress are recorded in the period in which the losses become probable and reasonably estimable.

Cash and Cash Equivalents

Cash and cash equivalents are defined as highly liquid financial instruments with original maturities of three months or less. A substantial portion of the Company's cash is deposited with one financial institution. The Company monitors the financial condition of this financial institution and does not believe that funds on deposit are subject to a significant degree of risk.

Investments

Investments consist of corporate notes and bonds, and commercial paper. The Company classifies investments as available-for-sale at the time of purchase and reevaluates such classification as of each balance sheet date. All investments are recorded at estimated fair value. Unrealized gains and losses for available-for-sale securities are included in accumulated other comprehensive income, a component of stockholders' equity. The Company evaluates its investments to assess whether those with unrealized loss positions are other than temporarily impaired. Impairments are considered to be other-than-temporary if they are related to deterioration in credit risk or if it is likely that the Company will sell the securities before the recovery of its cost basis. Realized gains and losses and declines in value judged to be other-than-temporary are determined based on the specific identification method and are reported in other income (expense), net in the Statements of Operations. No other-than-temporary impairment charges were recognized in the fiscal years ended September 30, 2014, 2013 and 2012.

All investments whose maturity or sale is expected within one year are classified as "current" on the balance sheet. All other securities are classified as "long-term" on the balance sheet.

Fair Value Measurements

The carrying amounts of cash equivalents, investments, accounts receivable, accounts payable and other accrued liabilities are considered representative of their respective fair values because of the short-term nature of those instruments.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable, net, is as follows (in thousands):

	September 30, 2014	September 30, 2013
Accounts receivable	\$2,961,450	\$1,506,627
Less: Allowance for doubtful accounts	(6,100)	(12,000)
Accounts receivable, net	<u>\$2,955,350</u>	<u>\$1,494,627</u>

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Trade accounts receivable are recorded at the net invoice value and are not interest bearing. The Company considers receivables past due based on the contractual payment terms. Allowances for doubtful accounts are established based on various factors including credit profiles of the Company's customers, contractual terms and conditions, historical payments, and current economic trends. The Company reviews its allowances by assessing individual accounts receivable over a specific aging and amount. Accounts receivable are written off on a case-by-case basis, net of any amounts that may be collected. The Company had no write-offs of the allowance for doubtful accounts for the years ended September 30, 2014 and 2013, respectively.

Deferred Maintenance Fees

Deferred maintenance fees consist of capitalized costs associated with software maintenance fees paid to vendors who supply licenses and maintenance for software embedded in the Company's products that it sells to customers. These software maintenance fees, which are included in other current assets on the balance sheet, are typically billed annually to the Company and are amortized to cost of revenue-maintenance and professional services in the Statements of Operations over the maintenance period, which is typically one year.

Property and Equipment

Property and equipment are carried at cost. The following is a summary of property and equipment as of September 30, 2014 and 2013:

	2014	2013
Property and equipment—at cost:		
Equipment	\$ 1,177,364	\$1,054,868
Furniture and fixtures	227,189	227,189
Leasehold improvements	980,837	975,838
	<u>2,385,390</u>	<u>2,257,895</u>
Less: accumulated depreciation and amortization	<u>(1,092,120)</u>	<u>(628,231)</u>
Total property and equipment, net	<u>\$ 1,293,270</u>	<u>\$1,629,664</u>

Depreciation and amortization of property and equipment are provided using the straight-line method over estimated useful lives ranging from three to five years. Leasehold improvements are amortized over the lease term. Depreciation and amortization of property and equipment totaled \$470,697, \$323,383 and \$140,146 for the fiscal years ended September 30, 2014, 2013 and 2012, respectively. Included in property and equipment as of September 30, 2014 and 2013 in the table above is equipment of \$95,388 purchased under a capital lease. Depreciation expense related to the equipment purchased under the capital lease was \$19,078, \$19,078 and \$17,488 in the fiscal years ended September 30, 2014, 2013 and 2012, respectively, and accumulated depreciation was \$55,644 and \$36,566 at September 30, 2014 and 2013, respectively. Expenditures for repairs and maintenance are charged to operations. Total repairs and maintenance expenses were \$115,792, \$97,532 and \$57,815 for the fiscal years ended September 30, 2014, 2013 and 2012, respectively.

Long-Lived Assets

The Company evaluates the carrying value of long-lived assets, including license agreements and other intangible assets, when events and circumstances indicate that these assets may be impaired or in order to determine whether any revision to the related amortization periods should be made. This evaluation is based on management's projections of the undiscounted future cash flows associated with each product or asset. If management's evaluation indicates that the carrying values of these intangible assets were impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. The Company did not record any impairment for the fiscal years ended September 30, 2014, 2013 and 2012.

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Capitalized Software Development Costs

Costs incurred for the development of software that will be sold, leased, or otherwise marketed are capitalized when technological feasibility has been established. Software development costs consist primarily of compensation of development personnel and related overhead incurred to develop new products and upgrade and enhance the Company's current products, as well as fees paid to outside consultants. Capitalization of software development costs ceases and amortization of capitalized software development costs commences when the products are available for general release. For the fiscal years ended September 30, 2014 and 2013, no software development costs were capitalized because the time period and cost incurred between technological feasibility and general release for all software product releases were not material.

The Company evaluates its capitalized software development costs at each balance sheet date to determine if the unamortized balance related to any given product exceeds the estimated net realizable value of that product. Any such excess is written off through accelerated amortization in the quarter in which it is identified. Determining net realizable value, as defined by FASB ASC Topic 985-20, *Accounting for the Costs of Software to Be Sold, Leased or Otherwise Marketed*, requires making estimates and judgments in quantifying the appropriate amount to write off, if any. Actual amounts realized from the software products could differ from those estimates. Also, any future changes to the Company's product portfolio could result in significant increases to its cost of license revenue as a result of the write-off of capitalized software development costs.

The Company recorded no amortization of software development costs for the fiscal years ended September 30, 2014 and 2013. The Company recorded amortization of software development costs of \$91,438 for the fiscal year ended September 30, 2012. The Company records amortization of software development costs as cost of revenue-software in the Statements of Operations.

Deferred Revenue

Deferred revenues represent advance payments or billings for software licenses, professional services and maintenance billed in advance of the time we recognize the related revenues. Deferred maintenance revenue represents customer billings, paid up front, generally annually at the beginning of each maintenance period, with revenue recognized ratably over such period. For certain other licensing arrangements, revenue attributable to undelivered elements, including post-contract customer support which typically includes telephone support and the right to receive unspecified upgrades and enhancements of software on a when-and-if-available basis, is based upon the sales price of those elements when sold separately and is recognized ratably on a straight-line basis over the term of the arrangement.

Guarantees

In the ordinary course of business, the Company is not subject to potential obligations under guarantees that fall within the scope of FASB ASC Topic 460, *Guarantees* ("ASC 460"), except for standard indemnification and warranty provisions that are contained within many of the Company's customer license and service agreements and certain supplier agreements, and give rise only to the disclosure requirements prescribed by ASC 460. Indemnification and warranty provisions contained within the Company's customer license and service agreements and certain supplier agreements are generally consistent with those prevalent in the Company's industry. The Company has not historically incurred significant obligations under customer indemnification or warranty provisions and does not expect to incur significant obligations in the future. Accordingly, the Company does not maintain accruals for potential customer indemnification or warranty-related obligations.

Loss Contingencies

The Company records its best estimates of a loss contingency when it is considered probable and the amount can be reasonably estimated. When a range of loss can be reasonably estimated with no best estimate in the range, the Company records the minimum estimated liability related to the claim. As additional information becomes available, the Company assesses the potential liability related to the Company's pending loss contingency and

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revises its estimates. The Company discloses contingencies if there is at least a reasonable possibility that a loss or an additional loss may have been incurred. The Company's legal costs are expensed as incurred.

Income Taxes

The Company accounts for income taxes in accordance with FASB ASC Topic 740, *Income Taxes* ("ASC 740"). Deferred tax assets and liabilities arise from temporary differences between the tax bases of assets and liabilities and their reported amounts in the financial statements that will result in taxable or deductible amounts in future years.

Management evaluates the available evidence about future taxable income and other possible sources of realization of deferred tax assets. The valuation allowance reduces deferred tax assets to an amount that represents management's best estimate of the amount of such deferred tax assets that more likely than not will be realized. See Note 5 for additional details.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Company recognizes interest and penalties related to income tax matters in income tax expense. See Note 5 for additional details.

Stock-Based Compensation

The Company records stock-based compensation in accordance with FASB ASC Topic 718, *Compensation-Stock Compensation* ("ASC 718"). The Company estimates the fair value of stock options using the Black-Scholes option pricing model. The fair value of stock options granted is recognized as an expense over the requisite service period. Stock-based compensation expense for all share-based payment awards is recognized using the straight-line single-option method.

The Black-Scholes option pricing model requires subjective assumptions, including future stock price volatility and expected time to exercise, which greatly affect the calculated values. The expected term of options granted is derived from historical data on employee exercises and post-vesting employment termination behavior. The risk-free rate selected to value any particular grant is based on the U.S. Treasury rate that corresponds to the expected life of the grant effective as of the date of the grant. The expected volatility is based on the historical volatility of the Company's stock price. These factors could change in the future, affecting the determination of stock-based compensation expense in future periods.

Advertising Expense

Advertising costs are expensed as incurred and totaled \$99,670, \$123,905 and \$72,053 during the fiscal years ended September 30, 2014, 2013 and 2012, respectively.

Research and Development

Research and development costs are expensed in the period incurred.

Leases

Leases are reviewed and classified as capital or operating at their inception. For leases that contain rent escalations, the Company records the total rent payable on a straight-line basis over the term of the lease. The difference between rent payments and straight-line rent expense is recorded as deferred rent.

Segment Reporting

FASB ASC Topic 280, *Segment Reporting*, requires the use of a management approach in identifying segments of an enterprise. During the fiscal year ended September 30, 2014, management determined that the Company has only one operating segment: the development, sale and service of proprietary software solutions related to mobile imaging.

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Comprehensive Loss

Comprehensive loss consists of net loss and unrealized gains and losses on available-for-sale securities. The following table summarizes the components of comprehensive loss for the fiscal years ended September 30, 2014, 2013 and 2012:

	2014	2013	2012
Net loss	\$(5,291,869)	\$(7,275,706)	\$(7,839,996)
Other comprehensive loss:			
Change in unrealized gains (losses) on marketable securities	(9,648)	2,454	9,239
Total comprehensive loss	<u>\$(5,301,517)</u>	<u>\$(7,273,252)</u>	<u>\$(7,830,757)</u>

Included on the balance sheet at September 30, 2014 is an accumulated other comprehensive loss of \$7,810, compared to an accumulated other comprehensive gain of \$1,838 at September 30, 2013, related to the Company's available-for-sale securities.

Recent Accounting Pronouncements

In May 2014, the FASB issued guidance codified in ASC 606, *Revenue Recognition – Revenue from Contracts with Customers* ("ASC 606"), which amends the guidance in former ASC 605, *Revenue Recognition*. This accounting standard update will be effective for the Company beginning in the first quarter of fiscal 2018. The Company is currently evaluating the impact of the provisions of ASC 606.

2. INVESTMENTS

The Company determines the appropriate designation of investments at the time of purchase and reevaluates such designation as of each balance sheet date. All of the Company's investments are designated as available-for-sale debt securities. As of September 30, 2014 and 2013, the Company's short-term investments have maturity dates of greater than 90 days and less than one year from the balance sheet date. The Company's long-term investments have maturity dates of greater than one year from the balance sheet date.

Available-for-sale marketable securities are carried at fair value as determined by quoted market prices for identical or similar assets, with unrealized gains and losses, net of tax, and reported as a separate component of stockholders' equity. Management reviews the fair value of the portfolio at least monthly, and evaluates individual securities with fair value below amortized cost at the balance sheet date. For debt securities, in order to determine whether impairment is other-than-temporary, management must conclude whether the Company intends to sell the impaired security and whether it is more likely than not that the Company will be required to sell the security before recovering its amortized cost basis. If management intends to sell an impaired debt security or it is more likely than not the Company will be required to sell the security prior to recovering its amortized cost basis, an other-than-temporary impairment is deemed to have occurred. The amount of an other-than-temporary impairment related to a credit loss, or securities that management intends to sell before recovery, is recognized in earnings. The amount of an other-than-temporary impairment on debt securities related to other factors is recorded consistent with changes in the fair value of all other available-for-sale securities as a component of stockholders' equity in other comprehensive income. No other-than-temporary impairment charges were recognized in the fiscal years ended September 30, 2014, 2013 and 2012.

The cost of securities sold is based on the specific identification method. Amortization of premiums, accretion of discounts, interest, dividend income, and realized gains and losses are included in investment income.

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The following table summarizes investments by security type as of September 30, 2014 and 2013:

	September 30, 2014			Fair Market Value
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	
Available-for-sale securities:				
Corporate debt securities, short-term	\$16,273,996	\$ 1,472	\$(6,298)	\$16,269,170
Corporate debt securities, long-term	<u>2,075,002</u>	<u>—</u>	<u>(2,984)</u>	<u>2,072,018</u>
Total	<u>\$18,348,998</u>	<u>\$ 1,472</u>	<u>\$(9,282)</u>	<u>\$18,341,188</u>
	September 30, 2013			Fair Market Value
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	
Available-for-sale securities:				
Corporate debt securities, short-term	\$5,729,034	\$ 2,378	\$(540)	\$5,730,872
Corporate debt securities, long-term	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u>\$5,729,034</u>	<u>\$ 2,378</u>	<u>\$(540)</u>	<u>\$5,730,872</u>

Fair Value Measurements and Disclosures

FASB ASC Topic 820, *Fair Value Measurements* (“ASC 820”) defines fair value, establishes a framework for measuring fair value under GAAP and enhances disclosures about fair value measurements. Fair value is defined under ASC 820 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. Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820 describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which consists of the following:

- Level 1—Quoted prices in active markets for identical assets or liabilities;
- Level 2—Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Based on the fair value hierarchy, all of the Company’s investments were classified as Level 2 at September 30, 2014 and 2013, as represented in the following table:

	2014	2013
Short-term investments:		
Corporate debt securities		
Financial	\$ 9,334,140	\$ 3,411,661
Industrial	3,980,772	1,517,327
Utility	756,215	401,984
Commercial paper		
Industrial	<u>—</u>	<u>399,900</u>
Financial	<u>2,198,043</u>	<u>—</u>
Total short-term investments	<u>\$ 16,269,170</u>	<u>\$ 5,730,872</u>

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	2014	2013
Long-term investments:		
Corporate debt securities		
Financial	\$1,564,505	\$—
Utility	507,513	—
Total long-term investments	<u>\$2,072,018</u>	<u>\$—</u>

3. DEBT

Credit Facility

In January 2011, the Company entered into a loan and security agreement with its primary operating bank (the “Loan Agreement”). The Loan Agreement permitted the Company to borrow, repay and re-borrow up to \$400,000 from time to time until January 31, 2013, subject to the terms and conditions of the Loan Agreement. The Loan Agreement expired on January 31, 2013, at which time there were no borrowings outstanding.

4. STOCKHOLDERS’ EQUITY

Common Stock

In June 2013, the Company sold 2,857,142 shares of its common stock at a price of \$5.25 per share in an underwritten public offering (the “Offering”) and received \$13,877,447 in net proceeds, after deducting underwriting discounts and commissions and other offering expenses of \$1,122,549. Under the terms of the underwriting agreement for the Offering, the Company granted the underwriter a 30-day option to purchase an additional 428,571 shares of its common stock to cover overallotments. The underwriter exercised its overallotment option during June 2013 and the closing of the sale of shares of the Company’s common stock pursuant to such option occurred during July 2013, resulting in \$2,127,350 in additional net proceeds to the Company, after deducting other offering expenses of \$122,647.

Warrants

Historically, the Company has granted warrants to purchase its common stock to service providers and investors. As of September 30, 2014, there were warrants to purchase 6,667 shares of the Company’s common stock outstanding with an exercise price of \$0.91 per share, subject to adjustment for stock splits, stock dividends and the like. These warrants expire in December 2014.

In connection with the issuance of convertible debentures in December 2009, the Company issued warrants to purchase an aggregate of 337,501 shares of the Company’s common stock with an exercise price of \$0.91 per share. As of September 30, 2014, warrants to purchase 330,834 shares of the Company’s common stock have been exercised and warrants to purchase 6,667 shares of common stock remain outstanding. These warrants expire in December 2014.

Stock-based Compensation

The Company applies the fair value recognition provisions of ASC 718.

The fair value of stock options granted to employees and directors is calculated using the Black-Scholes option pricing model. The Black-Scholes option pricing model requires subjective assumptions, including future stock price volatility and expected time to exercise, which greatly affect the calculated values. The expected term of options granted is derived from historical data on employee exercises and post-vesting employment termination behavior. The risk-free rate selected to value any particular grant is based on the U.S. Treasury rate that corresponds to the expected life of the grant effective as of the date of the grant. The expected volatility is

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based on the historical volatility of the Company's stock price. These factors could change in the future, affecting the determination of stock-based compensation expense in future periods.

The value of stock-based compensation is based on the single option valuation approach under ASC 718. It is assumed no dividends will be declared. The estimated fair value of stock-based compensation awards is amortized using the straight-line method over the vesting period of the option.

ASC 718 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The estimated average forfeiture rate for the fiscal year ended September 30, 2014 of 13.4% for all stock option grants was based on historical forfeiture experience.

ASC 718 requires the cash flows from tax benefits resulting from tax deductions in excess of the compensation cost recognized for options to be classified as financing cash flows. Due to the Company's valuation allowance from losses in the previous years, there were no such tax benefits during the fiscal years ended September 30, 2014, 2013 and 2012.

No stock options were granted to employees during the fiscal year ended September 30, 2014. The fair value calculations for stock-based compensation awards to employees for the fiscal years ended September 30, 2013 and 2012 were based on the following assumptions:

	2013	2012
Risk-free interest rate	0.18% - 1.20%	0.35% - 1.06%
Expected life (years)	5.3	5.0
Expected volatility	175%	110%
Expected dividends	None	None

The following table summarizes stock-based compensation expense related to stock options and RSUs under ASC 718 for the fiscal years ended September 30, 2014, 2013 and 2012, which were allocated as follows:

	2014	2013	2012
Sales and marketing	\$ 823,876	\$ 433,130	\$ 471,716
Research and development	675,033	617,377	592,249
General and administrative	<u>1,945,571</u>	<u>1,741,355</u>	<u>1,535,893</u>
Stock-based compensation expense related to employee stock options included in operating expenses	<u>\$ 3,444,480</u>	<u>\$ 2,791,862</u>	<u>\$ 2,599,858</u>

The following table summarizes vested and unvested options, weighted average exercise price per share, weighted average remaining term and aggregate intrinsic value at September 30, 2014:

	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value
Vested	1,878,695	\$ 3.94	5.00	\$ 1,090,096
Unvested	455,631	\$ 4.80	7.33	8,084
Total	<u>2,334,326</u>	\$ 4.11	5.46	<u>\$ 1,098,180</u>

The Company recognized \$2,151,689, \$2,023,023 and \$2,070,786 in stock-based compensation expense related to outstanding stock options in the fiscal years ended September 30, 2014, 2013 and 2012, respectively. As of September 30, 2014, the Company had \$1,659,197 of unrecognized compensation expense related to outstanding stock options expected to be recognized over a weighted average period of approximately 1.58 years.

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The following table summarizes stock option activity under the Company's stock option plans during the fiscal years ended September 30, 2014, 2013 and 2012:

	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (in Years)
Outstanding, September 30, 2011	4,553,904	\$ 1.34	6.15
Granted	1,095,750	\$ 8.54	
Exercised	(1,812,215)	\$ 0.81	
Cancelled	(325,153)	\$ 6.41	
Outstanding, September 30, 2012	3,512,286	\$ 3.39	6.46
Granted	651,563	\$ 3.63	
Exercised	(1,103,582)	\$ 0.90	
Cancelled	(235,303)	\$ 7.26	
Outstanding, September 30, 2013	2,824,964	\$ 4.09	7.29
Granted	—	\$ —	
Exercised	(108,135)	\$ 1.27	
Cancelled	(382,503)	\$ 4.77	
Outstanding, September 30, 2014	<u>2,334,326</u>	\$ 4.11	5.46

The following table summarizes significant ranges of outstanding and exercisable options as of September 30, 2014:

Range of Exercise Prices	Number of Options Outstanding	Weighted Average Remaining Contractual Life (in Years)	Weighted Average Exercise Price	Number of Exercisable Options	Weighted Average Exercise Price of Exercisable Options	Number of Unvested Options
\$0.09 to \$0.79	336,762	5.24	\$ 0.73	336,762	\$ 0.73	—
\$0.80 to \$1.10	350,000	1.39	\$ 0.93	350,000	\$ 0.93	—
\$2.34 to \$2.60	726,421	6.60	\$ 2.52	491,671	\$ 2.54	234,750
\$3.33 to \$9.97	635,000	5.74	\$ 6.33	501,023	\$ 6.74	133,977
\$11.05 to \$11.68	286,143	7.15	\$ 11.08	199,239	\$ 11.08	86,904
	<u>2,334,326</u>	5.46	\$ 4.11	<u>1,878,695</u>	\$ 3.94	<u>455,631</u>

The total intrinsic value of options exercised during the fiscal years ended September 30, 2014, 2013 and 2012 was \$472,327, \$3,832,374 and \$14,215,750, respectively. The per-share weighted average fair value of options granted during the fiscal years ended September 30, 2013 and 2012 was \$3.57 and \$5.97, respectively. No stock options were granted to employees during the fiscal year ended September 30, 2014.

2012 Incentive Plan

In January 2012, the Company's board of directors adopted the Mitek Systems, Inc. 2012 Incentive Plan (the "2012 Plan"), upon the recommendation of the compensation committee of the board of directors. The 2012 Plan was approved by the Company's stockholders on February 22, 2012. On February 19, 2014, the Company's stockholders approved an amendment to the 2012 Plan that increased the total number of shares of the Company's common stock reserved for issuance thereunder from 2,000,000 shares to 4,000,000 shares, plus that number of shares of the Company's common stock that would otherwise return to the available pool of unissued shares reserved for awards under the Company's 1999 Stock Option Plan, 2000 Stock Option Plan, 2002 Stock Option Plan, 2006 Stock Option Plan and 2010 Stock Option Plan (collectively, the "Prior Plans"). There were

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no awards granted under the Prior Plans after the approval of the 2012 Plan by the Company's stockholders on February 22, 2012. Stock options granted under the Prior Plans that were outstanding at such date remain in effect until such options are exercised or expire.

The 2012 Plan authorizes the grant of stock options, stock appreciation rights, restricted stock, RSUs and cash awards. Stock options granted under the 2012 Plan may be either options intended to constitute incentive stock options or nonqualified stock options, in each case as determined by the compensation committee of the board of directors in accordance with the terms of the 2012 Plan. As of September 30, 2014, stock options to purchase 843,743 shares of the Company's common stock and 536,303 RSUs were outstanding under the 2012 Plan, and 2,776,678 shares of the Company's common stock were reserved for future grants.

The following table summarizes the number of stock options outstanding under the Prior Plans as of September 30, 2014:

2000 Stock Option Plan	206,262
2002 Stock Option Plan	191,000
2006 Stock Option Plan	43,000
2010 Stock Option Plan	1,050,321
Total stock options outstanding under the Prior Plans	<u>1,490,583</u>

Restricted Stock Units

In January 2011, the Company's board of directors adopted, subject to stockholder approval, the Mitek Systems, Inc. Director Restricted Stock Unit Plan, as amended and restated (the "Director Plan"), reserving up to 1,000,000 shares of the Company's common stock for the issuance of RSUs to both employee and non-employee members of the board of directors of the Company. On February 23, 2011, the Director Plan was approved by the Company's stockholders at its annual meeting.

In addition, the Company has awarded RSUs to certain of its employees under the 2012 Plan. The RSUs vest in equal annual installments over four years.

The following table summarizes RSU activity in the fiscal years ended September 30, 2014, 2013 and 2012:

	Number of shares	Weighted-average fair value per share
Outstanding at September 30, 2011	300,000	\$ 5.12
Granted	255,835	\$ 8.44
Settled	—	—
Cancelled	(40,001)	11.05
Outstanding at September 30, 2012	515,834	\$ 6.30
Granted	255,000	\$ 3.15
Settled	(50,829)	7.76
Cancelled	(27,501)	\$ 11.05
Outstanding at September 30, 2013	692,504	\$ 4.85
Granted	625,139	\$ 4.83
Settled	(63,334)	\$ 4.66
Cancelled	(153,006)	\$ 5.03
Outstanding at September 30, 2014	<u>1,101,303</u>	\$ 4.71

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The cost of a RSU is determined using the fair value of the Company's common stock on the award date, and the compensation expense is recognized ratably over the vesting period. The Company recognized \$1,292,791, \$768,839 and \$529,072 in stock-based compensation expense related to outstanding RSUs in the fiscal years ended September 30, 2014, 2013 and 2012, respectively. As of September 30, 2014, the Company had approximately \$3,219,521 of unrecognized compensation expense related to outstanding RSUs expected to be recognized over a weighted-average period of approximately 2.93 years.

5. INCOME TAXES

For the fiscal years ended September 30, 2014, 2013 and 2012 the income tax provision (benefit) was as follows:

	2014	2013	2012
Federal—current	\$ —	\$ —	\$(4,808)
State—current	2,226	1,076	800
Total	<u>\$2,226</u>	<u>\$1,076</u>	<u>\$(4,008)</u>

Significant components of the Company's net deferred tax assets and liabilities as of September 30, 2014 and 2013 are as follows:

	2014	2013
Deferred tax assets (liabilities):		
Net operating loss carryforwards	\$ 11,401,483	\$ 10,473,905
Capitalized research and development costs	—	134,550
Stock based compensation	1,228,082	408,588
AMT credit carryforwards	66,320	66,320
Other	250,999	186,212
Research credit carryforwards	<u>43,802</u>	<u>43,802</u>
Total deferred assets	12,990,686	11,313,377
Valuation allowance for net deferred tax assets	<u>(12,990,686)</u>	<u>(11,313,377)</u>
Total	<u>\$ —</u>	<u>\$ —</u>

The Company has provided a valuation allowance against deferred tax assets recorded as of September 30, 2014 and 2013 due to uncertainties regarding the realization of such assets.

The net change in the total valuation allowance for the fiscal years ended September 30, 2014 and 2013 was an increase of \$1,677,309 and \$1,968,988, respectively. In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during periods in which those temporary differences become deductible. The Company considers projected future taxable income and planning strategies in making this assessment. Based on the level of historical operating results and projections for future taxable income, the Company has determined that it is more likely than not that the deferred tax assets will not be realized. Accordingly, the Company has recorded a valuation allowance to reduce deferred tax assets to zero. There can be no assurance that the Company will ever be able to realize the benefit of some or all of the federal and state loss carryforwards or the credit carryforwards, either due to ongoing operating losses or due to ownership changes, which limit the usefulness of the loss carryforwards.

As of September 30, 2014, the Company has available net operating loss carryforwards of \$47,885,589 for federal income tax purposes, which will start to expire in 2018. The net operating loss carryforwards for state

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purposes are \$37,399,784 and will begin to expire in 2014. Included in these amounts are federal and state net operating losses of \$17,654,877 attributable to stock option deductions of which the tax benefit will be credited to equity when realized. As of September 30, 2014, the Company has available federal research and development credit carryforwards of \$29,306 and alternative minimum tax credit carryforwards of \$66,320. The research and development credits will start to expire in 2023. As of September 30, 2014, the Company has available California research and development credit carryforwards of \$21,963 which do not expire.

The Company's ability to use its net operating loss and research and development credit carryforwards may be substantially limited due to ownership change limitations that may have occurred or that could occur in the future, as required by Section 382 of the Internal Revenue Code of 1986, as amended ("Section 382"), as well as similar state provisions. The Company has not completed a study to assess whether an ownership change has occurred or whether there have been multiple ownership changes since the Company became a "loss corporation" as defined in Section 382. Due to the existence of the valuation allowance, it is not expected that any possible limitation will have an impact on the results of operations or financial position of the Company.

The difference between the income tax provision (benefit) and income taxes computed using the U.S. federal income tax rate was as follows for the years ended September 30, 2014, 2013 and 2012:

	2014	2013	2012
Amount computed using statutory rate	\$(1,798,479)	\$(2,473,374)	\$(2,666,961)
Net change in valuation allowance for net deferred tax assets	1,677,309	1,968,987	2,247,615
Non-deductible items	411,473	548,839	807,533
State income tax	(288,077)	(43,376)	(392,195)
Income tax provision (benefit)	\$ 2,226	\$ 1,076	\$ (4,008)

The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. Because the Company is carrying forward federal and state net operating losses from 1997 and 2002, respectively, the Company is subject to U.S. federal and state income tax examinations by tax authorities for all years since 1997 and 2002, as the case may be. The Company does not have any uncertain tax positions. As of September 30, 2014, no accrued interest or penalties are recorded in the financial statements.

6. COMMITMENTS AND CONTINGENCIES

Legal Matters

USAA

On March 29, 2012, United Services Automobile Association ("USAA") filed a complaint in the U.S. District Court for the Western District of Texas San Antonio Division against the Company seeking, among other things, a declaratory judgment that USAA does not infringe certain of the Company's patents relating to Mobile Deposit®, and that such patents are not enforceable against USAA. In addition, USAA alleged that it disclosed confidential information to the Company and that the Company used such information in its patents and Mobile Deposit® product in an unspecified manner. USAA sought damages and injunctive relief. USAA subsequently amended its pleadings to assert a claim for false advertising and reverse palming off under the Lanham Act, and to seek reimbursement under the parties' license agreement.

On April 12, 2012, the Company filed a lawsuit against USAA in the U.S. District Court for the District of Delaware, alleging that USAA infringed five of the Company's patents relating to image capture on mobile devices, breached the parties' license agreement by using the Company's products beyond the scope of the agreed-upon license terms and breached the parties' license agreement by disclosing confidential pricing and other confidential information for the Company's legacy product installation in the lawsuit USAA filed in Texas.

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The courts consolidated the foregoing cases in the U.S. District Court for the Western District of Texas, and on November 19, 2012, the Company answered USAA's various claims and counterclaims, moved to dismiss USAA's Lanham Act cause of action and filed a counterclaim against USAA for violation of the Lanham Act. On February 15, 2013, the Court granted the Company's motion and dismissed USAA's Lanham Act claim and on July 29, 2014, the Court dismissed the Company's infringement claims against USAA. On September 3, 2014, the Company and USAA agreed to settle all pending claims as follows: (i) USAA moved to dismiss all of its remaining claims, including its claims for misappropriation of trade secrets, breach of contract, fraud, inequitable conduct, and invalidity of the Company's patents; (ii) the Company moved to dismiss all remaining claims, including the Company's claims for trade defamation and violations of the Lanham Act. The Company agreed not to sue USAA for patent infringement for products currently sold, marketed, or advertised by USAA, including its Deposit@Mobile application. Neither the Company nor USAA admitted any liability on any claim, nor did either party make any payment to the other. USAA has retained its license to use the Company's Quick Strokes, Quick FX Pro, and Image Score software products.

Top Image Systems Ltd.

On September 26, 2012, the Company filed a lawsuit against Israeli-based Top Image Systems Ltd. and TIS America Inc. (collectively, "TISA") in the U.S. District Court for the District of Delaware, alleging that TISA infringes five of the Company's patents relating to image capture on mobile devices. The Company is seeking damages against TISA and injunctive relief to prevent them from selling their mobile imaging products.

On January 7, 2013, TISA answered the Company's complaint by denying the allegations and raising several affirmative defenses. On January 11, 2013, the Company amended its complaint to add its sixth patent, which had recently been issued and also relates to image capture on mobile devices. On January 28, 2013, TISA responded to the Company's amended complaint by again denying the allegations and raising the same affirmative defenses that they raised in their answer to the Company's initial complaint.

On September 8, 2014, the Company agreed to settle all pending litigation with TISA, because the cost of litigating the case would have been higher than any potential benefit to the Company. Pursuant to the settlement, the Company dismissed all claims against TISA and retained the right to pursue legal action in the future.

Rothschild Mobile Imaging Innovations, Inc.

On May 16, 2014, Rothschild Mobile Imaging Innovations, Inc. ("RMII") filed a complaint against the Company in the U.S. District Court for the District of Delaware alleging that certain of the Company's mobile imaging products infringe four RMII-owned patents related to mobile imaging technology. On June 1, 2014, RMII amended its complaint to add JPMorgan Chase & Co. and JPMorgan Chase Bank, N.A. (together, "Chase"), one of the Company's customers, as a defendant in the lawsuit (as amended, the "Initial Lawsuit"). On September 8, 2014, RMII filed three additional complaints (the "Subsequent Lawsuits" and together with the Initial Lawsuit, the "RMII Lawsuits") against the Company in the U.S. District Court for the District of Delaware. The Subsequent Lawsuits contain allegations substantially similar to the Initial Lawsuit regarding infringement by the Company's mobile imaging products of the four RMII-owned patents related to mobile imaging technology, but name as co-defendants Citibank, N.A., Citigroup Inc., Wells Fargo & Company, Wells Fargo Bank, N.A., Bank of America Corporation and Bank of America, N.A., respectively (together with Chase, the "Bank Defendants"), each of whom offers the Company's mobile imaging technology as part of its mobile banking applications.

The Company has filed motions to dismiss RMII's willful infringement claims against the Company in the Initial Lawsuit and motions to dismiss claims against the Company in the Subsequent Lawsuits. On November 10, 2014, the Company filed a motion to sever and stay the claims against Chase in the Initial Lawsuit pending resolution of RMII's claims against the Company and to transfer the claims against the Company to the

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Southern District of California. On November 19, 2014, the Company filed joinders to the motion to stay with respect to the Subsequent Lawsuits. All motions are still pending before the Court.

Based on the Company's current understanding of the claims, the Company has agreed to accept the demands for indemnity and defense tendered by three of the Bank Defendants in connection with their respective RMII Lawsuits. The Company is currently controlling the defense of such claims and has taken actions to defend the RMII Lawsuits, as more fully described above. The Company believes that RMII's claims are without merit and intends to vigorously defend against those claims. The Company does not believe that the results of the RMII Lawsuits will have a material adverse effect on its financial condition or results of operations.

Other Legal Matters

In addition to the foregoing, the Company is subject to various claims and legal proceedings arising in the ordinary course of its business. While any legal proceeding has an element of uncertainty, the Company believes that the disposition of such matters, in the aggregate, will not have a material effect on the Company's financial condition or results of operations.

Employee 401(k) Plan

The Company has a 401(k) plan that allows participating employees to contribute a percentage of their salary, subject to Internal Revenue Service annual limits. During the fiscal years ended September 30, 2014, 2013 and 2012, the Company did not match contributions to the plan.

Facility Lease

The Company's principal executive offices, as well as its research and development facility, are located in approximately 22,523 square feet of office space in San Diego, California. The term of the lease for the Company's offices continues through June 30, 2019. The annual base rent under the lease is approximately \$471,000 per year and is subject to annual increases of approximately 3% per year. In connection with the lease, the Company received tenant improvement allowances totaling \$675,690. These lease incentives are being amortized as a reduction of rent expense over the term of the lease. As of September 30, 2014, the unamortized balance of the lease incentives was \$498,297, of which \$104,905 has been included in other current liabilities and \$393,392 has been included in other non-current liabilities. Under the terms of the lease, the Company issued a standby letter of credit to the landlord that allows for one or more draws of up to \$210,000 over the term of the lease. The Company believes its existing properties are in good condition and are sufficient and suitable for the conduct of its business.

Future annual minimum rental payments payable under the lease are as follows:

Years ending September 30:	
2015	\$ 495,981
2016	510,861
2017	526,187
2018	541,972
2019	416,959
Thereafter	—
Total	<u>\$2,491,960</u>

Rent expense for the Company's operating lease for its facility for the years ended September 30, 2014, 2013 and 2012 totaled \$368,385, \$379,529 and \$335,946, respectively.

7. REVENUE AND VENDOR CONCENTRATIONS

Revenue Concentration

For the fiscal year ended September 30, 2014, the Company derived revenue of \$5,668,973, or 30% of the Company's total revenue, from one customer, compared to revenue of \$3,607,417, or 24% of the Company's total revenue, from one customer for the fiscal year ended September 30, 2013. For the fiscal year ended September 30, 2012, the Company derived revenue of \$3,787,730 from three customers, with such customers accounting for 15%, 15% and 12%, respectively, of the Company's total revenue. The corresponding accounts receivable balances of customers from which revenues were in excess of 10% of total revenue were \$1,431,163, \$588,475 and \$675,074 at September 30, 2014, 2013 and 2012, respectively.

The Company's revenue is derived primarily from the sale by the Company to channel partners, including systems integrators and resellers, and end-users of licenses to sell products covered by the Company's patented technologies. In most cases, the channel partners purchase the license from the Company after they receive an order from an end-user. The channel partners receive orders from various individual end-users; therefore, the sale of a license to a channel partner may represent sales to multiple end-users. End-users can purchase the Company's products through more than one channel partner.

Revenues can fluctuate based on the timing of license renewals by channel partners. When a channel partner purchases or renews a license, the Company receives a license fee in consideration for the grant of a license to sell the Company's products and there are no future payment obligations related to such agreement; therefore, the license fee the Company receives with respect to a particular license renewal in one period does not have a correlation with revenue in future periods. During the last few years, sales of licenses to one or more channel partners have comprised a significant part of the Company's revenue. This is attributable to the timing of renewals or purchases of licenses and does not represent a dependence on any single channel partner. The Company believes that it is not dependent upon any single channel partner, even those from which revenues were in excess of 10% of the Company's total revenue in a specific reporting period, and that the loss or termination of the Company's relationship with any such channel partner would not have a material adverse effect on the Company's future operations because either the Company or another channel partner could sell the Company's products to the end-user that had purchased from the channel partner the Company lost.

International sales accounted for approximately 4%, 3% and 5% of the Company's total revenue for the fiscal years ended September 30, 2014, 2013 and 2012, respectively. The Company sells its products in U.S. currency only.

Vendor Concentration

The Company purchases its integrated software components from multiple third-party software providers at competitive prices. For the fiscal years ended September 30, 2014, 2013 and 2012, the Company did not make purchases from any one vendor comprising 10% or more of the Company's total purchases. The Company has entered into contractual relationships with some of its vendors; however, the Company does not believe it is substantially dependent upon nor exposed to any significant concentration risk related to purchases from any of its vendors, given the availability of alternative sources for its necessary integrated software components.

**RESTATED CERTIFICATE OF INCORPORATION
OF
MITEK SYSTEMS, INC.**

It is hereby certified that:

FIRST: The present name of the corporation (the "Corporation") is Mitek Systems, Inc. The name under which the Corporation was originally incorporated is Mitek Systems of Delaware, Inc.; and the date of filing the original Certificate of Incorporation of the Corporation with the Secretary of State of the State of Delaware is May 29, 1986.

SECOND: The provisions of the Certificate of Incorporation of the Corporation as heretofore amended and/or supplemented are hereby restated and integrated into the single instrument which is hereinafter set forth, and which is entitled Restated Certificate of Incorporation of Mitek Systems, Inc., without further amendment and without any discrepancy between the provisions of the Certificate of Incorporation of the Corporation as heretofore amended and supplemented and the provisions of the said single instrument hereinafter set forth.

THIRD: The Board of Directors of the Corporation has duly adopted this Restated Certificate of Incorporation of the Corporation pursuant to the provisions of Section 245 of the General Corporation Law of the State of Delaware in the form set forth as follows:

"RESTATED CERTIFICATE OF INCORPORATION
OF
MITEK SYSTEMS, INC.

1. The name of the corporation (the "Corporation") is Mitek Systems, Inc.
2. The address of its registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.
3. The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.
4. The total number of shares of all classes of stock which the Corporation shall have authority to issue is Forty-one Million (41,000,000) shares consisting of One million (1,000,000) shares of Preferred Stock, \$0.001 par value per share (the "Preferred Stock"), and Forty million (40,000,000) shares of Common Stock, \$0.001 par value per share (the "Common Stock").

The designation of, the number of shares constituting and the rights, preferences, privileges and restrictions relating to the initial series of Preferred Stock are as follows:

A. Designations. The initial series of Preferred Stock shall be designated "Class A Preferred Stock."

B. Number of Shares. The number of shares constituting the Class A Preferred Stock shall be 327,025 shares.

C. Dividend Provisions. The holders of the Class A Preferred Stock shall be entitled to share in all cash dividends and cash distributions declared on or with respect to the Common Stock on a basis that assumes that all shares of the Preferred Stock have been converted into Common Stock at the then effective Conversion Rate (as defined in Section 4(E)(iii)).

D. Liquidation Preference.

(i) In the event of any liquidation, dissolution or winding up of the Corporation, either voluntary or involuntary, the holders of Class A Preferred Stock shall be entitled to receive, prior and in preference to any distribution of any of the assets of the Corporation to the holders of Common Stock or other classes of preferred stock by reason of their ownership thereof, an amount per share equal to the sum of \$4.60 for each outstanding share of Class A Preferred Stock. If upon the occurrence of such event, the assets and funds thus distributed among the holders of the Class A Preferred Stock shall be insufficient to permit the payment to such holders of the full preferential amounts, then the entire assets and funds of the Corporation legally available for distribution shall be distributed ratably among the holders of the Class A Preferred Stock in proportion to the amount of such stock owned by each such holder.

(ii) After the distribution described in subsection (i) above has been paid, the holders of Common Stock shall be entitled to receive out of the remaining assets of the Corporation available for distribution to shareholders, an amount per share equal to the sum of \$0.46 for each outstanding share of Common Stock, as adjusted for any stock splits, dividends or combinations. If the assets and funds thus distributed among the holders of Common Stock shall be insufficient to permit the payment to such holders of the full amounts so specified, then those assets and funds of the Corporation legally available for distribution, after the distribution specified in subsection (i) above, shall be distributed ratably among the holders of the Common Stock in proportion to the amount of such stock owned by each such holder.

(iii) After the distributions described in subsections (i) and (ii) above have been paid, the remaining assets of the Corporation available for distribution to shareholders shall be distributed among the holders of Class A Preferred Stock and Common Stock pro rata based on the number of shares of Common Stock held by each (assuming conversion of all such Class A Preferred Stock at the then effective Conversion Rate).

(iv) A consolidation or merger of the Corporation with or into any other corporation or corporations, or a sale, conveyance or disposition of all or substantially all of the assets of the Corporation or the effectuation by the Corporation of a transaction or series of related transactions in which more than 50% of the voting power of the Corporation is

disposed of or transferred to one person or group of persons acting in concert, shall not be deemed to be a liquidation, dissolution or winding up within the meaning of this Section 4(D), but shall instead be treated pursuant to Section 4(F) hereof.

E. Conversion. The holders of the Class A Preferred Stock shall have conversion rights as follows (the "Conversion Rights"):

(i) Right to Convert. Each share of Class A Preferred Stock shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share, at the office of this Corporation or any transfer agent for the Class A Preferred Stock, into fully paid and nonassessable shares of Common Stock at the Conversion Rate in effect at the time of conversion, determined as hereinafter provided and upon the terms hereinafter set forth.

(ii) Mechanics of Conversion. Before any holder of Class A Preferred Stock shall be entitled to convert shares of Class A Preferred into shares of Common Stock, he/she shall surrender the certificate or certificates therefor, duly endorsed, at the office of this Corporation or of any transfer agent for the Class A Preferred Stock, and shall give written notice by mail, postage prepaid, to this Corporation at its principal corporate office, of the election to convert the same and shall state therein the name or names in which the certificate or certificates for shares of Common Stock are to be issued. The Corporation shall, as soon as practicable thereafter, issue and deliver at such office to such holder of Class A Preferred Stock, or to the nominee or nominees of such holder, a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled as aforesaid. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the shares of the Class A Preferred Stock to be converted, and the person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock as of such date. If the conversion is in connection with an underwritten offer of securities registered pursuant to the Securities Act of 1933, the conversion may, at the option of any holder tendering Class A Preferred Stock for conversion, be conditioned upon the closing with the underwriter of the sale of securities pursuant to such offering, in which event the person(s) entitled to receive the Common Stock issuable upon such conversion of the Class A Preferred Stock shall not be deemed to have converted such Class A Preferred Stock until immediately prior to the closing of such sale of securities.

(iii) Conversion Rate. Each holder of the Class A Preferred Stock shall be entitled to convert such shares of Class A Preferred Stock into the number of shares of Common Stock which result from multiplying the number of shares of Class A Preferred Stock so held by the Conversion Rate. The initial Conversion Rate shall be ten, and such Conversion Rate shall be subject to adjustment as provided herein.

(iv) Adjustments for Subdivisions or Dividends. In the event the Corporation should at any time or from time to time after the Original Issue Date fix a record date for the effectuation of a split or subdivision of the outstanding shares of Common Stock or the determination of holders of Common Stock entitled to receive a dividend or other distribution payable in additional shares of Common Stock or other securities or rights convertible into, or

entitling the holder thereof to receive directly or indirectly, additional shares of Common Stock (hereinafter referred to as "Common Stock Equivalents") without payment of any consideration by such holder for the additional shares of Common Stock or the Common Stock Equivalents (including the additional shares of Common Stock issuable upon conversion or exercise thereof), then, as of such record date (or the date of such dividend distribution, split or subdivision if no record date is fixed), the Conversion Rate of the Class A Preferred Stock shall be appropriately increased so that the number of shares of Common Stock issuable on conversion of each share of such series shall be increased in proportion to such increase of outstanding shares, so that on a fully converted basis of all outstanding shares of the Corporation, the percentage of the total outstanding shares held by the holders of the Preferred Stock after the subdivision, combination or other reclassification is the same as the percentage of outstanding shares held by the holders of the Preferred Stock prior to such event. If the number of shares of Common Stock outstanding at any time after the Original Issue Date is decreased by a combination of the outstanding shares of Common Stock, then, following the record date of such combination, the Conversion Rate for the Class A Preferred Stock shall be appropriately decreased so that the number of shares of Common Stock issuable on conversion of each share of such series shall be decreased in proportion to such decrease in outstanding shares.

(v) Other Distributions. Except to the extent a distribution has caused an adjustment to the Conversion Rate pursuant to other provisions of this Section 4(E), in the event the Corporation shall declare a distribution payable in securities of other persons, evidences of indebtedness issued by the Corporation or other persons, assets (excluding cash dividends) or options or rights, then, in each such case for the purpose of this subsection, the holders of the Class A Preferred Stock shall be entitled to a proportionate share of any such distribution as though they were the holders of the number of shares of Common Stock of the Corporation into which their shares of Class A Preferred Stock are convertible as of the record date fixed for the determination of the holders of Common Stock of the Corporation entitled to receive such distribution.

(vi) Recapitalizations. If at any time or from time to time there shall be a recapitalization of the Common Stock (other than a subdivision, combination or merger or sale of assets transaction provided for elsewhere herein) provision shall be made so that the holders of the Class A Preferred Stock shall thereafter be entitled to receive upon conversion of the Class A Preferred Stock the number of shares of stock or other securities or property of the Corporation or otherwise, to which a holder of Common Stock deliverable upon conversion would have been entitled on such recapitalization. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 4(E) with respect to the rights of the holders of the Class A Preferred Stock after the recapitalization to the end that the provisions of this Section 4(E) (including adjustment of the Conversion Rate then in effect and the number of shares purchasable upon conversion of the Class A Preferred Stock) shall be applicable after that event as nearly equivalent as may be practicable.

(vii) No Impairment. Except as otherwise provided in Section 4(H) of this Certificate, the Corporation will not, by amendment of its Certificate of Incorporation or through any reorganization, recapitalization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the

observance or performance of any of the terms to be observed or performed hereunder by the Corporation, but will at all times in good faith assist in the carrying out of all the provisions hereunder and in the taking of all such action as may be necessary or appropriate in order to protect the Conversion Rights of the holders of the Class A Preferred Stock against impairment.

(viii) No Fractional Shares and Certificate as to Adjustments.

(a) No fractional shares shall be issued upon conversion of the Class A Preferred Stock, and the number of shares of Common Stock to be issued shall be rounded to the next larger whole share.

(b) Upon the occurrence of each adjustment or readjustment of the Conversion Rate of Class A Preferred Stock pursuant to this Section 4(E), the Corporation, at its expense, shall promptly compute such adjustment or readjustment in accordance with the terms hereof and prepare and furnish to each holder of Class A Preferred Stock a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Corporation shall, upon the written request at any time of any holder of Class A Preferred Stock and upon the surrender of the certificate representing outstanding share of Class A Preferred Stock held by the holder, furnish or cause to be furnished to such holder a like certificate setting forth (A) such adjustment and readjustment, (B) the Conversion Rate at the time in effect, and (C) the number of shares of Common Stock which at the time would be received upon the conversion of a share of Class A Preferred Stock.

(ix) Notices of Record Date. In the event of any taking by the Corporation of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend (other than a cash dividend) or other distribution, any right to subscribe for, purchase or otherwise acquire any shares of stock of any class or any other securities or property, or to receive any other right, the Corporation shall mail to each holder of Class A Preferred Stock, at least 20 days prior to the date specified therein, a notice specifying the date on which any such record is to be taken for the purpose of such dividend, distribution or right, and the amount and character of such dividend, distribution or right.

(x) Reservation of Stock Issuable Upon Conversion. The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock solely for the purpose of effecting the conversion of the shares of the Class A Preferred Stock such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of the Class A Preferred Stock; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Class A Preferred Stock, in addition to such other remedies as shall be available to the holder of such Class A Preferred Stock, this Corporation will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purposes.

(xi) Notices. Any notice required by the provisions of this Section 4(E) to be given to the holders of shares of Class A Preferred Stock shall be deemed given if deposited in the United States mail, postage prepaid, and addressed to each holder of record at his/her address appearing on the books of this Corporation.

F. Merger, Consolidation.

(i) Effect on Shares. At any time, in the event of any consolidation or merger of the Corporation with or into any other corporation or other entity or person, or any other corporate reorganization in which the Corporation shall not be the continuing or surviving entity of such consolidation, merger or reorganization the holders of the Class A Preferred Stock shall receive for each share of such stock in cash or in securities received from the acquiring Corporation, or in a combination thereof, at the closing of any such transaction, an amount equal to the amount of cash and/or securities which the holder would have received had he/she converted the Class A Preferred Stock into Common Stock immediately prior to such transaction.

(ii) Notice. The Corporation shall give each holder of record of Class A Preferred Stock written notice of such impending transaction not later than twenty (20) days prior to the shareholders' meeting called to approve such transaction, or twenty (20) days prior to the closing of such transaction, whichever is earlier, and shall also notify such holders in writing of the final approval of such transaction. The first of such notices shall describe the material terms and conditions of the impending transaction and the provisions of this Section 4(F), and the Corporation shall thereafter give such holders prompt notice of any material changes. The transaction shall in no event take place sooner than twenty (20) days after the Corporation has given the first notice provided for herein or sooner than ten (10) days after the Corporation has given notice of any material changes provided for herein; provided, however, that such periods may be shortened upon the written consent of the holders of two-thirds of the shares of Class A Preferred Stock then outstanding.

(iii) Cumulative Effect. The provisions of this Section 4(F) are in addition to the protective provisions of Section 4(H) hereof.

G. Voting Rights. Except as otherwise expressly provided herein (specifically including, but not limited to the provisions of Section 4(H) hereof) or as required by law, the holder of each share of Class A Preferred Stock shall be entitled to vote on all matters and shall be entitled to the number of votes equal to the largest number of shares of Common Stock into which such shares of Class A Preferred Stock could be converted, pursuant to the provisions of Section 4(E) hereof, at the record date for the determination of the shareholders entitled to vote on such matters or, if no such record date is established, at the date such vote is taken or any written consent of shareholders is solicited. Except as otherwise expressly provided for herein or as required by law, the holders of shares of Class A Preferred Stock and Common Stock shall vote together and not as separate classes.

H. Protective Provisions. So long as shares of Class A Preferred Stock are outstanding, this Corporation shall not without first obtaining the approval (by vote or written consent, as provided by law) of the holders of at least two-thirds of the shares of Class A Preferred Stock then outstanding:

- (i) alter or change the rights, preferences or privileges of the shares of such series of Preferred Stock so as to affect adversely the shares; or
- (ii) reduce the number of authorized shares of the Preferred Stock below the number of shares then outstanding or increase the number of shares of the Class A Preferred Stock; or
- (iii) create any new class or series of stock (i) having a preference over or being on parity with such series of Class A Preferred Stock with respect to dividends or upon liquidation, or (ii) having rights similar to any of the rights of such series of Class A Preferred Stock under this Section 4(H); or
- (iv) effect any consolidation or merger of the Corporation with or into any other corporation or other entity or person, or any other corporate reorganization or any transaction or series of related transactions by the Corporation in which in excess of 50% of the Corporation's voting power is transferred to a single person or group of persons acting in concert; or
- (v) effect the sale of all or substantially all of the assets of this Corporation; or
- (vi) do any act or thing which would result in taxation of the holders of shares of Class A Preferred Stock under Section 305 of the Internal Revenue Code of 1954, as amended (or any comparable provision of the Internal Revenue Code as hereafter from time to time amended).

I. Status of Converted Stock. In the event any share of Class A Preferred Stock shall be converted pursuant to Section 4(E) hereof, the shares so converted shall be cancelled and shall not be issuable by the Corporation, and the Certificate of Incorporation of this Corporation shall be appropriately amended to effect the corresponding reduction in the Corporation's authorized capital stock.

5. The Corporation is to have perpetual existence.

6. In furtherance and not in limitation of the powers conferred by statute, the board of directors is expressly authorized to make, alter or repeal the by-laws of the Corporation.

7. Elections of directors need not be by written ballot unless the by-laws of the Corporation shall so provide.

Meetings of stockholders may be held within or without the State of Delaware, as the by-laws may provide. The books of the Corporation may be kept (subject to any provision contained in the statutes) outside the State of Delaware at such place or places as may be designated from time to time by the board of directors or in the by-laws of the Corporation.

8. The Corporation reserves the right to amend, alter, change or repeal any provision contained in this certificate of incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

9. The personal liability of the directors of the Corporation is hereby eliminated to the fullest extent permitted by paragraph (7) of subsection (b) of Section 102 of the General Corporation Law of the State of Delaware, as the same may be amended and supplemented.”

Signed on November 14, 2011

MITEK SYSTEMS, INC.

By: /s/ James B. DeBello

Name: James B. DeBello

Title: President and Chief Executive Officer

**CERTIFICATE OF AMENDMENT
OF
RESTATED
CERTIFICATE OF INCORPORATION
OF
MITEK SYSTEMS, INC.**

MITEK SYSTEMS, INC., a Delaware corporation (the “**Corporation**”), does hereby certify that:

FIRST: The name of the Corporation is **MITEK SYSTEMS, INC.**

SECOND: The original Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on May 29, 1986.

THIRD: The Corporation’s Restated Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on November 14, 2011 (the “**Restated Certificate of Incorporation**”).

FOURTH: The Board of Directors of the Corporation (the “**Board**”), acting in accordance with the provisions of Sections 141 and 242 of the General Corporation Law of the State of Delaware (the “**DGCL**”), adopted resolutions amending the Restated Certificate of Incorporation as follows:

1. The first sentence of the fourth paragraph of the Restated Certificate of Incorporation is hereby amended and restated in its entirety to read as follows:

“The total number of shares of all classes of stock which the Corporation shall have authority to issue is Sixty-one Million (61,000,000) shares consisting of One million (1,000,000) shares of Preferred Stock, \$0.001 par value per share (the “Preferred Stock”), and Sixty million (60,000,000) shares of Common Stock, \$0.001 par value per share (the “Common Stock”).

FOURTH: Thereafter, pursuant to a resolution of the Board, this Certificate of Amendment was submitted to the stockholders of the Corporation for their approval, and was duly adopted in accordance with the provisions of Sections 222 and 242 of the DGCL.

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IN WITNESS WHEREOF, the Corporation has caused this **CERTIFICATE OF AMENDMENT** to be signed by its President and Chief Executive Officer as of the 14th day of February 2013.

MITEK SYSTEMS, INC.

By: /s/ James B. DeBello

Name: James B. DeBello

Title: President and Chief Executive Officer

**CERTIFICATE OF CORRECTION
OF
MITEK SYSTEMS, INC.
a Delaware corporation**

Mitek Systems, Inc. (the "Corporation"), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware does hereby certify as follows:

1. The name of the Corporation is Mitek Systems, Inc.

2. A Restated Certificate of Incorporation (the "Restated Certificate") was filed with the Secretary of State of Delaware on November 14, 2011 and that said Restated Certificate requires correction as permitted by Section 103 of the General Corporation Law of the State of Delaware.

3. The inaccuracy or defect of said Restated Certificate is that (a) the second paragraph of the Article thereof numbered "4", the text of which was filed with the Secretary of State on September 25, 1987, was inadvertently omitted from such Article and (b) the Article numbered "5" of the Corporation's original certificate of incorporation filed with the Secretary of State on May 29, 1986 was inadvertently omitted from the Restated Certificate and should have appeared in the Restated Certificate as the Article numbered "5" and the subsequent Articles renumbered accordingly.

4. Article 4 of the Restated Certificate is corrected by inserting the following as the second paragraph of such Article:

"The Board of Directors is authorized, subject to any limitations prescribed by law, to provide for the issuance of the shares of Preferred Stock in one or more series, and by filing a certificate pursuant to the applicable law of the State of Delaware, to establish from time to time the number of shares of each such series and any qualifications, limitations or restrictions thereof. The number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the Common Stock, without a vote of the holders of the Preferred Stock, or of any series thereof, unless a vote of any such holders is required pursuant to the certificate or certificates establishing the series of Preferred Stock."

5. Article 5 of the Restated Certificate is corrected by inserting the following as Article 5 thereof and renumbering the subsequent Articles accordingly (as described in paragraph 6 below):

“The name and mailing address of each incorporator is as follows:

NAME	MAILING ADDRESS
D.A. Hampton	Corporation Trust Center 1209 Orange Street Wilmington, Delaware 19801
J.A. Grodzicki	Corporation Trust Center 1209 Orange Street Wilmington, Delaware 19801
K. Bowman	Corporation Trust Center 1209 Orange Street Wilmington, Delaware 19801”

6. Articles 5, 6, 7, 8 and 9 of the Restated Certificate are corrected by renumbering such Articles as 6, 7, 8, 9 and 10, respectively. The text of such Articles remains unchanged.

7. All other provisions of the Restated Certificate remain unchanged.

(Signature page follows)

IN WITNESS WHEREOF, Mitek Systems, Inc. has caused this Certificate of Correction to be signed by the undersigned officer of the Corporation this 23rd day of September, 2014.

/s/ Russell C. Clark

Name: Russell C. Clark

Title: Chief Financial Officer and Secretary

INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT (this “*Agreement*”) is made and entered into as of [], 20[], by and among MITEK SYSTEMS, INC., a Delaware corporation (the “*Company*”) and [] (the “*Indemnitee*”).

RECITALS

WHEREAS, the Company values Indemnitee’s service to the Company as a director and desires that Indemnitee continue to serve the Company in such capacity;

WHEREAS, Indemnitee does not regard the protection available under the organizational documents of the Company and any insurance policies maintained by the Company as adequate in the present circumstances, and Indemnitee may not be willing to continue to serve in his capacity as a director of the Company without the additional protections set forth in this Agreement;

WHEREAS, the Board of Directors of the Company (the “*Board*”) has determined that, on the basis of the foregoing, it is reasonable, prudent and necessary for the Company to obligate itself contractually to indemnify, and to advance expenses on behalf of, Indemnitee to the fullest extent permitted by applicable law so that Indemnitee will serve or continue to serve the Company free from undue concern that he will not be so indemnified; and

WHEREAS, this Agreement is a supplement to and in furtherance of the organizational documents of the Company and any resolutions adopted pursuant thereto, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder;

NOW, THEREFORE, in consideration of the mutual promises and agreements herein contained, and intending to be legally bound, the parties hereto agree as follows:

AGREEMENT

1. INDEMNIFICATION OF INDEMNITEE. The Company hereby agrees to hold harmless and indemnify Indemnitee to the fullest extent permitted by applicable law, as such may be amended from time to time. In furtherance of the foregoing indemnification, and without limiting the generality thereof:

(a) Indemnitee shall be entitled to the rights of indemnification provided in this Section 1(a) if, by reason of his Corporate Status (as defined in Section 13(a)), the Indemnitee is, or is threatened to be made, a party to or participant in any Proceeding (as defined in Section 13(e)) other than a Proceeding by or in the right of the Company. Pursuant to this Section 1(a), Indemnitee shall be indemnified against all Expenses (as defined in Section 13(f)), judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by him, or on his behalf, in connection with such Proceeding or any claim, issue or matter therein, if the Indemnitee acted in good faith and in a manner the Indemnitee reasonably believed to be in or not opposed to the best interests of the Company, and with respect to any criminal Proceeding, had no reasonable cause to believe the Indemnitee’s conduct was unlawful.

(b) Indemnitee shall be entitled to the rights of indemnification provided in this Section 1(b) if, by reason of his Corporate Status, the Indemnitee is, or is threatened to be made, a party to or participant in any Proceeding brought by or in the right of the Company. Pursuant to this Section 1(b), Indemnitee shall be indemnified against all Expenses actually and reasonably incurred by the Indemnitee, or on the Indemnitee’s behalf, in connection with such Proceeding if the Indemnitee acted in good faith and in a manner the Indemnitee reasonably believed to be in or not opposed to the best interests of the Company; provided, however, that if applicable law so provides, no indemnification against such Expenses shall be made in respect of any claim, issue or matter in such Proceeding as to which Indemnitee shall have been adjudged to be liable to the Company unless and to the extent that a court of competent jurisdiction shall determine that such indemnification may be made.

(c) Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of his Corporate Status, a party to and is successful, on the merits or otherwise, in any Proceeding, he shall be indemnified to the maximum extent permitted by law, as such may be amended from time to time, against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by him or on his behalf in connection with each successfully resolved claim, issue or matter. For purposes of this Section 1(c) and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

2. ADDITIONAL INDEMNITY. In addition to, and without regard to any limitations on, the indemnification provided for in Section 1 of this Agreement, the Company shall and hereby does indemnify and hold harmless Indemnitee against all Expenses, judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by him or on his behalf if, by reason of his Corporate Status, he is, or is threatened to be made, a party to or participant in any Proceeding (including a Proceeding by or in the right of the Company), including, without limitation, all liability arising out of the negligence or active or passive wrongdoing of Indemnitee. The only limitation that shall exist upon the Company's obligations pursuant to this Agreement shall be that the Company shall not be obligated to make any payment to Indemnitee that is finally determined (under the procedures, and subject to the presumptions, set forth in Sections 6 and 7 hereof) to be unlawful.

3. CONTRIBUTION.

(a) Whether or not the indemnification provided in Sections 1 and 2 hereof is available, in respect of any Proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such Proceeding), the Company shall pay, in the first instance, the entire amount of any judgment or settlement of such Proceeding without requiring Indemnitee to contribute to such payment and the Company hereby waives and relinquishes any right of contribution it may have against Indemnitee. The Company shall not enter into any settlement of any Proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such Proceeding) unless such settlement provides for a full and final release of all claims asserted against Indemnitee.

(b) Without diminishing or impairing the obligations of the Company set forth in Section 3(a), if, for any reason, Indemnitee shall elect or be required to pay all or any portion of any judgment or settlement in any Proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such Proceeding), the Company shall contribute to the amount of Expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred and paid or payable by Indemnitee in proportion to the relative benefits received by the Company and all officers, directors or employees of the Company, other than Indemnitee, who are jointly liable with Indemnitee (or would be if joined in such Proceeding), on the one hand, and Indemnitee, on the other hand, from the transaction from which such Proceeding arose; provided, however, that the proportion determined on the basis of relative benefit may, to the extent necessary to conform to law, be further adjusted by reference to the relative fault of the Company and all officers, directors or employees of the Company other than Indemnitee who are jointly liable with Indemnitee (or would be if joined in such Proceeding), on the one hand, and Indemnitee, on the other hand, in connection with the events that resulted in such expenses, judgments, fines or settlement amounts, as well as any other equitable considerations which the Law may require to be considered. The relative fault of the Company and all officers, directors or employees of the Company, other than Indemnitee, who are jointly liable with Indemnitee (or would be if joined in such

Proceeding), on the one hand, and Indemnitee, on the other hand, shall be determined by reference to, among other things, the degree to which their actions were motivated by intent to gain personal profit or advantage, the degree to which their liability is primary or secondary and the degree to which their conduct is active or passive.

(c) The Company hereby agrees to fully indemnify and hold Indemnitee harmless from any claims of contribution which may be brought by officers, directors or employees of the Company, other than Indemnitee, who may be jointly liable with Indemnitee.

(d) To the fullest extent permissible under applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by Indemnitee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in connection with any claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect: (i) the relative benefits received by the Company and Indemnitee as a result of the event(s) and/or transaction(s) giving cause to such Proceeding; and/or (ii) the relative fault of the Company (and its directors, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s).

4. INDEMNIFICATION FOR EXPENSES OF A WITNESS. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of his Corporate Status, a witness, or is made (or asked) to respond to discovery requests, in any Proceeding to which Indemnitee is not a party, he shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith.

5. ADVANCEMENT OF EXPENSES. Notwithstanding any other provision of this Agreement, the Company shall advance all Expenses incurred by or on behalf of Indemnitee in connection with any Proceeding by reason of Indemnitee's Corporate Status within fourteen (14) days after the receipt by the Company of a statement or statements from Indemnitee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by Indemnitee and shall include or be preceded or accompanied by a written undertaking by or on behalf of Indemnitee to repay any Expenses advanced if it shall ultimately be determined that Indemnitee is not entitled to be indemnified against such Expenses. Any advances and undertakings to repay pursuant to this Section 5 shall be unsecured and interest free.

6. PROCEDURES AND PRESUMPTIONS FOR DETERMINING ENTITLEMENT TO INDEMNIFICATION. It is the intent of this Agreement to secure for Indemnitee rights of indemnification that are as favorable as may be permitted under applicable law. Accordingly, the parties agree that the following procedures and presumptions shall apply in the event of any question as to whether Indemnitee is entitled to indemnification under this Agreement:

(a) To obtain indemnification under this Agreement, Indemnitee shall submit to the Company a written request, including therein or therewith such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification. The Secretary of the Company shall, promptly upon receipt of such a request for indemnification, advise the Board in writing that Indemnitee has requested indemnification. Notwithstanding the foregoing, any failure of Indemnitee to provide such a request to the Company, or to provide such a request in a timely fashion, shall not relieve the Company of any liability that it may have to Indemnitee unless, and to the extent that, such failure actually and materially prejudices the interests of the Company.

(b) Upon written request by Indemnitee for indemnification pursuant to the first sentence of Section 6(a) hereof, a determination with respect to Indemnitee's entitlement thereto shall be made in the

specific case by one of the following four methods, which shall be at the election of the Board: (i) by a majority vote of the Disinterested Directors (as defined in Section 13(b)), even though less than a quorum; (ii) by a committee of those Disinterested Directors designated by a majority vote of the Disinterested Directors, even though less than a quorum; (iii) if there are no Disinterested Directors or if the Disinterested Directors so direct, by independent legal counsel in a written opinion to the Board, a copy of which shall be delivered to the Indemnitee, or (iv) if so directed by the Board, by the stockholders of the Company.

(c) If the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 6(b) hereof, the Independent Counsel shall be selected as provided in this Section 6(c). The Independent Counsel shall be selected by the Board. Indemnitee may, within 10 days after such written notice of selection shall have been given, deliver to the Company a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Section 13 of this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Independent Counsel. If a written objection is made and substantiated, the Independent Counsel selected may not serve as Independent Counsel unless and until such objection is withdrawn or a court has determined that such objection is without merit. If, within 20 days after submission by Indemnitee of a written request for indemnification pursuant to Section 6(a) hereof, no Independent Counsel shall have been selected and not objected to, either the Company or Indemnitee may petition a court of competent jurisdiction for resolution of any objection which shall have been made by the Indemnitee to the Company's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the court or by such other person as the court shall designate, and the person with respect to whom all objections are so resolved or the person so appointed shall act as Independent Counsel under Section 6(b) hereof. The Company shall pay any and all reasonable fees and expenses of Independent Counsel incurred by such Independent Counsel in connection with acting pursuant to Section 6(b) hereof, and the Company shall pay all reasonable fees and expenses incident to the procedures of this Section 6(c), regardless of the manner in which such Independent Counsel was selected or appointed.

(d) In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall presume that Indemnitee is entitled to indemnification under this Agreement. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion by clear and convincing evidence. Neither the failure of the Company (including by its directors or independent legal counsel) to have made a determination prior to the commencement of any action pursuant to this Agreement that indemnification is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor an actual determination by the Company (including by its directors or independent legal counsel) that Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct.

(e) Indemnitee shall be deemed to have acted in good faith if Indemnitee's action is based on the records or books of account of the Enterprise (as defined in Section 13(c)), including financial statements, or on information supplied to Indemnitee by the officers of the Enterprise in the course of their duties, or on the advice of legal counsel for the Enterprise or on information or records given or reports made to the Enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Enterprise. In addition, the knowledge and/or actions, or failure to act, of any director, officer, agent or employee of the Enterprise shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement. Whether or not the foregoing provisions of this Section 6(e) are satisfied, it shall in any event be presumed that Indemnitee has at all times acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion by clear and convincing evidence.

(f) If the person, persons or entity empowered or selected under this Section 6 to determine whether Indemnitee is entitled to indemnification shall not have made a determination within sixty (60) days after receipt by the Company of the request therefor, the requisite determination of entitlement to indemnification shall be deemed to have been made and Indemnitee shall be entitled to such indemnification absent: (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification; or (ii) a prohibition of such indemnification under applicable law; provided, however, that such 60-day period may be extended for a reasonable time, not to exceed an additional thirty (30) days, if the person, persons or entity making such determination with respect to entitlement to indemnification in good faith requires such additional time to obtain or evaluate documentation and/or information relating thereto; and provided, further, that the foregoing provisions of this Section 6(f) shall not apply if the determination of entitlement to indemnification is to be made by the stockholders pursuant to Section 6(b) of this Agreement and if (A) within fifteen (15) days after receipt by the Company of the request for such determination, the Board or the Disinterested Directors, if appropriate, resolve to submit such determination to the stockholders for their consideration at an annual meeting thereof to be held within seventy-five (75) days after such receipt and such determination is made thereat or (B) a special meeting of stockholders is called within fifteen (15) days after such receipt for the purpose of making such determination, such meeting is held for such purpose within sixty (60) days after having been so called and such determination is made thereat.

(g) Indemnitee shall cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any Independent Counsel, member of the Board or stockholder of the Company shall act reasonably and in good faith in making a determination regarding the Indemnitee's entitlement to indemnification under this Agreement. Any costs or expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom.

(h) The Company acknowledges that a settlement or other disposition short of final judgment may be successful if it permits a party to avoid expense, delay, distraction, disruption and uncertainty. In the event that any Proceeding to which Indemnitee is a party is resolved in any manner other than by adverse judgment against Indemnitee (including, without limitation, settlement of such Proceeding with or without payment of money or other consideration) it shall be presumed that Indemnitee has been successful on the merits or otherwise in such Proceeding. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion by clear and convincing evidence.

(i) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that his conduct was unlawful.

7. REMEDIES OF INDEMNITEE.

(a) In the event that: (i) a determination is made pursuant to Section 6 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement; (ii) advancement of Expenses is not timely made pursuant to Section 5 of this Agreement; (iii) no determination of entitlement to indemnification is made pursuant to Section 6(b) of this Agreement within ninety (90) days after receipt

by the Company of the request for indemnification; (iv) payment of indemnification is not made pursuant to this Agreement within ten (10) days after receipt by the Company of a written request therefor; or (v) payment of indemnification is not made within ten (10) days after a determination has been made that Indemnitee is entitled to indemnification or such determination is deemed to have been made pursuant to Section 6 of this Agreement, Indemnitee shall be entitled to an adjudication in any court of competent jurisdiction of Indemnitee's entitlement to such indemnification. Indemnitee shall commence such proceeding seeking an adjudication within one hundred eighty (180) days following the date on which Indemnitee first has the right to commence such proceeding pursuant to this Section 7(a). The Company shall not oppose Indemnitee's right to seek any such adjudication.

(b) In the event that a determination shall have been made pursuant to Section 6(b) of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding commenced pursuant to this Section 7 shall be conducted in all respects as a de novo trial on the merits, and Indemnitee shall not be prejudiced by reason of the adverse determination under Section 6(b).

(c) If a determination shall have been made pursuant to Section 6(b) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding commenced pursuant to this Section 7, absent: (i) a misstatement by Indemnitee of a material fact or an omission of a material fact necessary to make Indemnitee's misstatement not materially misleading in connection with the application for indemnification; or (ii) a prohibition of such indemnification under applicable law.

(d) In the event that Indemnitee, pursuant to this Section 7, seeks a judicial adjudication of his rights under, or to recover damages for breach of, this Agreement, or to recover under any directors' and officers' liability insurance policies maintained by the Company, the Company shall pay on his behalf, in advance, any and all expenses (of the types described in the definition of "Expenses" in Section 13(d) of this Agreement) actually and reasonably incurred by him in such judicial adjudication, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advancement of expenses or insurance recovery.

(e) The Company shall be precluded from asserting in any judicial proceeding commenced pursuant to this Section 7 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court that the Company is bound by all the provisions of this Agreement. The Company shall indemnify Indemnitee against any and all Expenses and, if requested by Indemnitee, shall (within ten (10) days after receipt by the Company of a written request therefor) advance, to the extent not prohibited by law, such expenses to Indemnitee, which are incurred by Indemnitee in connection with any action brought by Indemnitee for indemnification or advance of Expenses from the Company under this Agreement or under any directors' and officers' liability insurance policies maintained by the Company, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advancement of Expenses or insurance recovery, as the case may be.

(f) Notwithstanding anything in this Agreement to the contrary, no determination as to entitlement to indemnification under this Agreement shall be required to be made prior to the final disposition of the Proceeding.

8. NON-EXCLUSIVITY, SURVIVAL OF RIGHTS, ETC.

(a) The rights of indemnification as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the organizational documents of the Company, any other agreement with the Company, a vote of the Company's stockholders, a resolution of the Board or otherwise. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this

Agreement in respect of any action taken or omitted by such Indemnitee in his Corporate Status prior to such amendment, alteration or repeal. To the extent that a change in any applicable law, whether by statute or judicial decision, permits greater indemnification than would be afforded currently under the Company's organizational documents and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

(b) To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, officers, employees, or agents or fiduciaries of the Company or of any other Enterprise, Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any director, officer, employee, agent or fiduciary under such policy or policies. If, at the time of the receipt of a notice of a claim pursuant to the terms hereof, the Company has directors' and officers' liability insurance in effect, the Company shall give prompt notice of the commencement of such proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such policies.

9. EXCEPTION TO RIGHT OF INDEMNIFICATION. Notwithstanding any provision in this Agreement, the Company shall not be obligated under this Agreement to provide any indemnification in connection with any claim made against Indemnitee: (i) for which payment has actually been made to or on behalf of Indemnitee under any insurance policy or other indemnity provision, except with respect to any excess beyond the amount paid under any insurance policy or other indemnity provision; (ii) for an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Securities Exchange Act of 1934, as amended, or similar provisions of state statutory law or common law; or (iii) in connection with any Proceeding (or any part of any Proceeding) initiated by Indemnitee, including any Proceeding (or any part of any Proceeding) initiated by Indemnitee against the Company or its directors, officers, employees or other indemnitees, unless (A) the Board authorized the Proceeding (or any part of any Proceeding) prior to its initiation or (B) the Company provides the indemnification, in its sole discretion, pursuant to the powers vested in the Company under applicable law; it being understood that a counterclaim or cross-complaint by Indemnitee shall not be deemed the initiation of a Proceeding by Indemnitee.

10. DURATION OF AGREEMENT. All agreements and obligations of the Company contained herein shall continue until the date that is six (6) years after the date upon which Indemnitee's Corporate Status terminates and shall continue thereafter so long as Indemnitee shall be subject to any Proceeding (or any proceeding commenced under Section 7 hereof) by reason of his Corporate Status, whether or not he is acting or serving in any such capacity at the time any liability or expense is incurred for which indemnification can be provided under this Agreement. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company), assigns, spouses, heirs, executors and personal and legal representatives.

11. SECURITY. To the extent requested by Indemnitee and approved by the Board, the Company may at any time and from time to time provide security to Indemnitee for the Company's obligations hereunder through an irrevocable bank line of credit, funded trust or other collateral. Any such security, once provided to Indemnitee, may not be revoked or released without the prior written consent of the Indemnitee.

12. ENFORCEMENT. The Company expressly confirms and agrees that it has entered into this Agreement and assumes the obligations imposed on it hereby in order to induce Indemnitee to serve as an officer or director of the Company, and the Company acknowledges that Indemnitee is relying upon this Agreement in serving as an officer or director of the Company.

13. DEFINITIONS. For purposes of this Agreement:

(a) **“Corporate Status”** describes the status of a person who is or was at any time (including, without limitation, any time prior to the date of this Agreement) a director, officer, employee, agent or fiduciary of the Company or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise that such person is or was serving at the express written request of the Company.

(b) **“Disinterested Director”** means a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.

(c) **“Enterprise”** shall mean the Company and any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise that Indemnitee is or was serving at the express written request of the Company as a director, officer, employee, agent or fiduciary.

(d) **“Expenses”** shall include all reasonable attorneys’ fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, participating, or being or preparing to be a witness in a Proceeding, or responding to, or objecting to, a request to provide discovery in any Proceeding. Expenses also shall include Expenses incurred in connection with any appeal resulting from any Proceeding and any federal, state, local or foreign taxes imposed on the Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement, including without limitation the premium, security for, and other costs relating to any cost bond, supersedeas bond, or other appeal bond or its equivalent. Expenses, however, shall not include amounts paid in settlement by Indemnitee or the amount of judgments or fines against Indemnitee.

(e) **“Independent Counsel”** means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term “Independent Counsel” shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee’s rights under this Agreement. The Company agrees to pay the reasonable fees of the Independent Counsel referred to above and to fully indemnify such counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

(f) **“Proceeding”** includes any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding (including one pending on or before the date of this Agreement but excluding one initiated by an Indemnitee pursuant to Section 7 of this Agreement to enforce his rights under this Agreement), whether brought by or in the right of the Company or otherwise and whether civil, criminal, administrative or investigative, in which Indemnitee was, is or will be involved as a party or otherwise, by reason of the fact that Indemnitee is or was an officer or director of the Company, by reason of any action taken by him or of any inaction on his part while acting as an officer or director of the Company, or by reason of the fact that he is or was serving at the request of the Company as a director,

officer, employee, agent or fiduciary of another corporation, partnership, joint venture, trust or other Enterprise, in each case whether or not he is acting or serving in any such capacity at the time any liability or expense is incurred for which indemnification can be provided under this Agreement.

14. SEVERABILITY. The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision. Without limiting the generality of the foregoing, this Agreement is intended to confer upon Indemnitee indemnification rights to the fullest extent permitted by applicable laws. In the event any provision hereof conflicts with any applicable law, such provision shall be deemed modified, consistent with the aforementioned intent, to the extent necessary to resolve such conflict.

15. MODIFICATION AND WAIVER. No supplement, modification, termination or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

16. NOTICE BY INDEMNITEE. Indemnitee agrees to promptly notify the Company in writing upon being served with or otherwise receiving any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding or matter which may be subject to indemnification covered hereunder. The failure to so notify the Company shall not relieve the Company of any obligation which it may have to Indemnitee under this Agreement or otherwise unless and only to the extent that such failure or delay materially prejudices the Company.

17. NOTICES. All notices and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed effectively given: (i) upon personal delivery to the party to be notified; (ii) 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; (iii) five (5) business days after having been sent by registered or certified mail, return receipt requested, postage prepaid; or (iv) one business (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All notices and other communications shall be sent:

(a) To Indemnitee at the address set forth below Indemnitee's signature hereto.

(b) To the Company at:

Mitek Systems, Inc.
8911 Balboa Avenue
San Diego, CA 92123
Attention: Board of Directors

or to such other address as may have been furnished to Indemnitee by the Company or to the Company by Indemnitee, as the case may be.

18. HEADINGS. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

19. GOVERNING LAW. This Agreement and the legal relations among the parties shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without regard to its conflict of laws rules

20. ENTIRE AGREEMENT. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof

21. COUNTERPARTS. This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement. This Agreement may also be executed and delivered by facsimile signature (or other similar electronic means) and in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on and as of the day and year first written above.

COMPANY:

MITEK SYSTEMS, INC.

JAMES B. DEBELLO
PRESIDENT AND CEO

INDEMNITEE:

[]

ADDRESS: _____

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

As independent registered public accountants, we hereby consent to the incorporation by reference in Registration Statement Nos. 333-80567, 333-58032, 333-106843, 333-133765, 333-172810, 333-172811, 333-178527 and 333-179942 on Form S-8 and Registration Statement No. 333-177965 on Form S-3 of our report dated December 5, 2014, relating to the financial statements of Mitek Systems, Inc. and the effectiveness of Mitek Systems, Inc.'s internal control over financial reporting, as of September 30, 2014, included in this Annual Report on Form 10-K for the year ended September 30, 2014.

/s/ Mayer Hoffman McCann P.C.

San Diego, California

December 5, 2014

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
Pursuant to Rule 13a-14(a) adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, James B. DeBello, certify that:

1. I have reviewed this annual report on Form 10-K of Mitek Systems, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 5, 2014

/s/ James B. DeBello

James B. DeBello, Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF CHIEF FINANCIAL OFFICER
Pursuant to Rule 13a-14(a) adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Russell C. Clark, certify that:

1. I have reviewed this annual report on Form 10-K of Mitek Systems, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 5, 2014

/s/ Russell C. Clark

Russell C. Clark, Chief Financial Officer
(Principal Financial Officer)

CERTIFICATIONS
PURSUANT TO SECTION 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Each of the undersigned, in his capacity as the principal executive officer and principal financial officer of Mitek Systems, Inc. (the "Company"), as the case may be, hereby certifies, pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), that, to the best of his knowledge:

1. This Annual Report on Form 10-K for the period ended September 30, 2014 (this "Annual Report") fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
2. The information contained in this Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the period covered by this Annual Report.

Date: December 5, 2014

/s/ James B. DeBello

James B. DeBello
Chief Executive Officer
(Principal Executive Officer)

Date: December 5, 2014

/s/ Russell C. Clark

Russell C. Clark
Chief Financial Officer
(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission ("SEC") or its staff upon request.

This certification accompanies the Form 10-K to which it relates, is not deemed filed with the SEC and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act (whether made before or after the date of this Annual Report), irrespective of any general incorporation language contained in such filing.

