

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**Form 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

**For the quarterly period ended December 31, 2008**

or

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 0-15235**

**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., Suite B**  
**San Diego, California**  
(Address of principal executive offices)

**92123**  
(Zip Code)

Registrant's telephone number: **(858) 503-7810**

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 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.

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

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

There were 16,751,137 shares outstanding of the registrant's common stock as of February 13, 2009.

**MITEK SYSTEMS, INC.**

**FORM 10-Q**

**For the quarterly period ended December 31, 2008**

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### Special Note About Forward-Looking Statements

We make forward-looking statements in this report, particularly in Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations", and in the documents that are incorporated by reference into this report, if any. These forward-looking statements relate to Mitek's outlook or expectations for earnings, revenues, expenses, asset quality or other future financial or business performance, strategies or expectations, or the impact of legal, regulatory or supervisory matters on Mitek's business, results of operations or financial condition. Specifically, forward looking statements used in this report may include statements relating to future business prospects, revenue, income and financial condition of Mitek.

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

In addition to those factors discussed under the heading "Risk Factors" in Part II, Item 1A of this report, and in Mitek's other public filings with the Security and Exchange Commission, 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 Mitek products and services;
- intense competition (including entry of new competitors), including among competitors with substantially greater resources than Mitek;
- loss of key customers or contracts;
- increased or adverse federal, state and local government regulation;
- inadequate capital;
- unexpected costs;
- lower revenues and net income than forecast;
- inability to raise prices;
- the risk of litigation and administrative proceedings;
- higher than anticipated labor costs;
- the possible fluctuation and volatility of operating results and financial condition;
- adverse publicity and news coverage;
- inability to carry out marketing and sales plans;
- loss of key employees and executives;
- changes in interest rates; and
- inflationary factors.

You are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date hereof, or in the case of a document incorporated by reference, as of the date of that document. 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 after the date of this report or to reflect the occurrence of unanticipated events.

The above list is not intended to be exhaustive and there may be other factors that would preclude us from realizing the predictions made in the forward-looking statement. 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 their respective financial positions or results of operations.

In this report, unless the context indicates otherwise, the terms "Mitek," "Company," "we," "us," and "our" refer to Mitek Systems, Inc., a Delaware corporation.

**PART I - FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**MITEK SYSTEMS, INC  
BALANCE SHEETS**

	<b>December 31, 2008 (Unaudited)</b>	<b>September 30, 2008</b>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 868,698	\$ 1,300,281
Accounts receivable including related party of \$4,980 and \$203,466, respectively, net of allowance of \$43,648 and \$47,877, respectively	646,316	912,831
Inventory, prepaid expenses and other current assets	43,468	100,000
Total current assets	1,558,482	2,313,112
PROPERTY AND EQUIPMENT-net	90,422	91,066
SOFTWARE DEVELOPMENT COSTS	411,473	347,738
OTHER ASSETS	29,465	29,465
<b>TOTAL ASSETS</b>	<b>\$ 2,089,842</b>	<b>\$ 2,781,381</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
CURRENT LIABILITIES:		
Accounts payable	\$ 548,327	\$ 403,925
Accrued payroll and related taxes	290,265	289,300
Deferred revenue	446,611	676,085
Other accrued liabilities	53,378	24,712
Total current liabilities	1,338,581	1,394,022
Deferred rent, long-term portion	56,541	55,745
<b>TOTAL LIABILITIES</b>	<b>1,395,122</b>	<b>1,449,767</b>
STOCKHOLDERS' EQUITY:		
Preferred stock, \$0.001 par value, 1,000,000 shares authorized, none issued and outstanding	-	-
Common stock, \$.001 par value; 40,000,000 shares authorized, 16,751,137 issued and outstanding	16,751	16,751
Additional paid-in capital	14,836,105	14,804,884
Accumulated deficit	(14,158,136)	(13,490,021)
Total stockholders' equity	694,720	1,331,614
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 2,089,842</b>	<b>\$ 2,781,381</b>

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

**MITEK SYSTEMS, INC**  
**STATEMENTS OF OPERATIONS**  
(Unaudited)

	<b>For the three months ended December 31,</b>	
	<b>2008</b>	<b>2007</b>
	<u>          </u>	<u>          </u>
<b>SALES</b>		
Software including sales to a related party of \$0 and \$227,112 for the three months ended December 31, 2008 and 2007, respectively	\$ 496,658	\$ 785,261
Professional services including sales to a related party of \$15,779 and \$9,569 for the three months ended December 31, 2008 and 2007, respectively	514,790	478,338
	<u>1,011,448</u>	<u>1,263,599</u>
<b>COSTS AND EXPENSES:</b>		
Cost of sales-software	137,848	133,087
Cost of sales-professional services, education and other	57,730	41,777
Operations	23,324	24,399
Selling and marketing	361,041	345,506
Research and development	572,492	530,887
General and administrative	529,875	472,463
Total costs and expenses	<u>1,682,310</u>	<u>1,548,119</u>
<b>OPERATING LOSS</b>	<u>(670,862)</u>	<u>(284,520)</u>
<b>OTHER INCOME (EXPENSE):</b>		
Interest and other expense	(280)	-
Interest income	3,027	2,920
Total other income - net	<u>2,747</u>	<u>2,920</u>
<b>LOSS BEFORE INCOME TAXES</b>	(668,115)	(281,600)
<b>PROVISION FOR INCOME TAXES</b>	-	-
<b>NET LOSS</b>	<u>\$ (668,115)</u>	<u>\$ (281,600)</u>
<b>NET LOSS PER SHARE - BASIC AND DILUTED</b>	<u>\$ (0.04)</u>	<u>\$ (0.02)</u>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED</b>	<u>16,751,137</u>	<u>16,751,137</u>

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

**MITEK SYSTEMS, INC**  
**STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

	<b>For the three months ended</b>	
	<b>December 31,</b>	
	<b>2008</b>	<b>2007</b>
<b>OPERATING ACTIVITIES</b>		
Net loss	\$ (668,115)	\$ (281,600)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	9,694	10,348
Provision for bad debts	6,771	-
Stock-based compensation expense	31,221	70,300
Changes in assets and liabilities:		
Accounts receivable	259,744	(337,484)
Inventory, prepaid expenses, and other current assets	56,532	33,134
Accounts payable	144,402	75,795
Accrued payroll and related taxes	965	42,873
Deferred revenue	(229,474)	(208,823)
Other accrued liabilities	28,666	12,031
Deferred rent	796	3,981
Net cash used in operating activities	<u>(358,798)</u>	<u>(579,445)</u>
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(9,050)	(18,146)
Investment in software development costs	<u>(63,735)</u>	<u>-</u>
Net cash used in investing activities	<u>(72,785)</u>	<u>(18,146)</u>
<b>FINANCING ACTIVITIES</b>	-	-
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(431,583)</u>	<u>(597,591)</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	1,300,281	2,096,282
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>\$ 868,698</u>	<u>\$ 1,498,691</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for interest	<u>\$ 280</u>	<u>\$ -</u>

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

**MITEK SYSTEMS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**

**1. Basis of Presentation**

The accompanying unaudited balance sheet as of December 31, 2008, which has been derived from audited financial statements as of September 30, 2008, and the unaudited interim financial statements of Mitek Systems, Inc. (the "Company") have been prepared in accordance with the instructions to Form 10-Q and, therefore, do not include all information and footnote disclosures that are otherwise required by Regulation S-K and that will normally be made in the Company's Annual Report on Form 10-K. Refer to the Company's financial statements on Form 10-K for the year ended September 30, 2008 for additional information. The financial statements do, however, reflect all adjustments (solely of a normal recurring nature) which are, in the opinion of management, necessary for a fair statement of the results of the interim periods presented.

Results for the three months ended December 31, 2008 are not necessarily indicative of results which may be reported for any other interim period or for the year as a whole.

*Going Concern*

The Company incurred net losses of approximately \$668,000 and \$282,000 for the three months ended December 31, 2008 and 2007, respectively, and has an accumulated deficit of approximately \$14.2 million as of December 31, 2008. Cash used for operations decreased from approximately \$579,000 in first quarter of fiscal 2008 to approximately \$359,000 in the same period of fiscal 2009. Cash used in investing activities during the three months ended December 31, 2008 was approximately \$73,000, compared to approximately \$18,000 in the three months ended December 31, 2007. The Company's cash balance was approximately \$869,000 as of December 31, 2008.

Based on its current operating plan, the Company's existing working capital may not be sufficient to meet the cash requirements to fund its planned operating expenses, capital expenditures, and working capital requirements through September 30, 2009 without additional sources of cash and/or the deferral, reduction or elimination of significant planned expenditures. The Company is taking expense reduction measures to conserve cash and has retained an investment banking firm to explore strategic alternatives. In addition, the Company may need to raise significant additional funds to continue its operations. In the absence of positive cash flows from operations, the Company may be dependent on its ability to secure additional funding through the issuance of debt or equity instruments. If adequate funds are not available, the Company may be forced to significantly curtail its operations or to obtain funds through entering into additional collaborative agreements or other arrangements that may be on unfavorable terms, if available at all.

These factors raise substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. This basis of accounting contemplates the recovery of the Company's assets and the satisfaction of liabilities in the normal course of business. In addition, these financial statements do not include any adjustments to the specific amounts and classifications of assets and liabilities, which might be necessary should the Company be unable to continue as a going concern.

On January 9, 2009, the Company implemented a plan to decrease its operating expenses by reducing its workforce in light of the economic contraction of the financial services market into which the Company primarily sells its products. The staff reduction included general and administrative, sales and marketing and technical staff. The Company has diligently maintained key resources to adequately pursue new sales opportunities and support its operations. The Company's management does not believe that such reductions will impair the Company's ability to develop its ImageNet Mobile Deposit application and other mobile capture products, or to provide technical support to its current and prospective customers.

## 2. Accounting for Stock-Based Compensation

Effective October 1, 2006, the Company adopted the fair value recognition provisions of Statement of Financial Accounting Standards ("SFAS") No. 123(R), Share-Based Payment ("SFAS No. 123(R)"), using the modified prospective transition method. Under that transition method, compensation expense that the Company recognized beginning on that date includes: (a) compensation expense for all share-based awards granted prior to, but not yet vested as of October 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123, and (b) compensation expense for all share-based awards granted on or after October 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123(R). Results for prior periods will not be restated.

SFAS No. 123(R) 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 rates at December 31, 2008 of approximately 19% for grants to all employees were based on historical forfeiture experience. The estimated expected remaining contractual life of stock option grants at December 31, 2008 was 1.7 years on grants to directors and 7.1 years on grants to employees.

SFAS No. 123(R) requires the cash flows resulting from the tax benefits resulting from tax deductions in excess of the compensation cost recognized for those options to be classified as financing cash flows. Due to the Company's valuation allowance from losses in the previous years, there was no such tax benefits during the three month period ended December 31, 2008. Prior to the adoption of SFAS No. 123(R) those benefits would have been reported as operating cash flows had the Company received any tax benefits related to stock option exercises.

The fair value of stock-based awards to employees and directors is calculated using the Black-Scholes option pricing model. The Black-Scholes 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.

The value of stock-based compensation is based on the single option valuation approach under SFAS No. 123(R). It is assumed no dividends will be declared. The estimated fair value of stock-based compensation awards to employees is amortized using the straight-line method over the vesting period of the options.

The fair value calculations for stock-based compensation awards to employees for the three month period ended December 31, 2008 and 2007 were based on the following assumptions:

	<u>2008</u>	<u>2007</u>
Risk-free interest rate	2.29%	3.50% - 3.67%
Expected life (years)	6.0	5.3
Expected volatility	166%	94%
Expected dividends	None	None

The following table summarizes stock-based compensation expense related to stock options under SFAS No. 123(R) for the three month period ended December 31, 2008 and 2007 which was allocated as follows:

	Three Months Ended December 31,	
	2008	2007
Research and development	\$ 8,741	\$ 12,225
Sales and marketing	6,221	9,342
General and administrative	16,259	48,733
Stock-based compensation expense related to employee stock options included in operating expenses	<u>\$ 31,221</u>	<u>\$ 70,300</u>

The following table summarizes vested and unvested options, fair value per share weighted average remaining term and aggregate intrinsic value at December 31, 2008:

	Number of Shares	Weighted Average Grant Date Fair Value Per Share	Weighted Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value
Vested	2,704,261	0.46	5.81	\$ -
Unvested	966,883	0.26	9.18	-
Total	<u>3,671,144</u>	0.41	6.70	<u>\$ -</u>

As of December 31, 2008, the Company had \$149,937 of unrecognized compensation expense expected to be recognized over a weighted average period of approximately 0.98 years.

A summary of option activity under the Company's stock equity plans during the three months ended December 31, 2008 is as follows:

	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (in Years)
Outstanding, September 30, 2008	3,740,158	\$0.71	6.52
Granted:			
Board of Directors	-	-	-
Executive Officers	-	-	-
Employees	125,000	\$0.07	9.92
Forfeited	(194,014)	\$0.84	0.60
Outstanding, December 31, 2008	<u>3,671,144</u>	\$0.70	6.70

The following table summarizes significant ranges of outstanding and exercisable options as of December 31, 2008:

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
\$ 0.07 - \$ 0.69	2,051,216	7.63	\$0.37	1,096,166	\$0.42	955,050
\$ 0.70 - \$ 0.92	707,657	5.72	\$0.78	695,824	\$0.78	11,833
\$ 1.06 - \$ 1.68	847,500	5.57	\$1.12	847,500	\$1.12	-
\$ 2.13 - \$ 2.68	49,000	3.18	\$2.29	49,000	\$2.29	-
\$ 3.25 - \$12.37	15,771	1.22	\$6.63	15,771	\$6.63	-
	<u>3,671,144</u>	6.70	\$0.68	<u>2,704,261</u>	\$0.80	<u>966,883</u>

The per-share weighted average fair value of options granted during the three months ended December 31, 2008 was \$0.07.

#### *Stock Option Plans*

The Company currently has five stock option plans that allow the Company to grant options to purchase common stock to the Company's directors, executive officers and key individuals who make, or are expected to make, significant contributions to the Company. Under the terms of each of the Company's stock option plans, the exercise price of options granted to persons owning more than 10% of the total combined voting power of the Company's stock is not to be less than 110% of the fair market value of the Company's common stock as determined on the date of the grant of the options.

The 1996 Stock Option Plan (the "1996 Plan") provides for the purchase of up to 2,000,000 shares of the Company's common stock through incentive and non-qualified options. All options are granted with an exercise price equal to the fair market value of the Company's common stock at the grant date and for a term of not more than ten years. Options granted to individuals owning in excess of 10% of the Company's outstanding common stock must have a term of not more than five years. The 1996 Plan terminated on October 30, 2006; however options granted under the plan that were outstanding at such date remain in effect until such options are exercised or expire. As of December 31, 2008, no options to purchase shares of the Company's common stock granted under the 1996 Plan were outstanding.

Under the terms of the 1999 Stock Option Plan (the "1999 Plan"), the 2000 Stock Option Plan (the "2000 Plan"), the 2002 Stock Option Plan (the "2002 Plan") and the 2006 Stock Option Plan (the "2006 Plan"), each of which provides for the grant of incentive and non-qualified options: incentive stock options are granted with an exercise price equal to the fair market value of the Company's common stock at the grant date and for a term of not more than ten years; non-qualified stock options may be granted with an exercise price of not less than 85% of fair market value of the Company's common stock at the grant date and for a term of not more than five years; and to date, the Company has elected to grant non-qualified stock options under these plans with a three year term.

The 1999 Plan provides for the purchase of up to 1,000,000 shares of the Company's common stock. As of December 31, 2008, options to purchase 881,771 shares of the Company's common stock were outstanding and options to purchase up to 11,358 shares of the Company's common stock were available for grant under the 1999 Plan.

The 2000 Plan provides for the purchase of up to 1,000,000 shares of the Company's common stock. As of December 31, 2008, options to purchase 796,657 shares of the Company's common stock were outstanding and options to purchase up to 41,459 shares of the Company's common stock were available for grant under the 2000 Plan.

The 2002 Plan provides for the purchase of up to 1,000,000 shares of the Company's common stock. As of December 31, 2008, options to purchase 667,716 shares of the Company's common stock were outstanding and

options to purchase up to 299,229 shares of the Company's common stock were available for grant under the 2002 Plan.

The 2006 Plan provides for the purchase of up to 1,000,000 shares of the Company's common stock. As of December 31, 2008, options to purchase 925,000 shares of the Company's common stock were outstanding and options to purchase up to 75,000 shares of the Company's common stock were available for grant under the 2006 Plan.

On January 27, 2009, the Board of Directors of the Company approved the 2009 Stock Option Plan (the "2009 Plan"), which will provide for the purchase of up to 2,000,000 shares of the Company's common stock. The Company has submitted the 2009 Plan to the stockholders of the Company for their approval at the next Annual Meeting of Stockholders to be held February 25, 2009. Upon proper approval of the 2009 Plan by the stockholders of the Company, such plan shall be deemed effective as of the date of approval by the Board of Directors.

### **3. Income Taxes**

On October 1, 2007, the Company adopted the provisions of the Financial Accounting Standards Board ("FASB") Interpretation No. 48, Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109 ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Further, FIN 48 gives guidance regarding the recognition of a tax position based on a "more likely than not" recognition threshold; that is, evaluating whether the position is more likely than not of being sustained upon examination by the appropriate taxing authorities, based on the technical merits of the position. The adoption of FIN 48 did not impact the Company's financial condition, results or operations or cash flows.

At September 30, 2008, the Company had net deferred tax assets of approximately \$6.72 million. The deferred tax assets are primarily comprised of federal and state net operating loss carryforwards (approximately 83% of the net deferred tax assets at October 1, 2008). Such carryforwards expire between 2008 and 2023. Under the Tax Reform Act of 1986, the amount of and the benefit from net operating losses that can be carried forward may be limited in certain circumstances. The Company carries a deferred tax valuation allowance equal to 100% of total net deferred assets. In recording this allowance, management has considered a number of factors, but chiefly, the Company's recent history of sustained operating losses. Management has concluded that a valuation allowance is required for 100% of the total deferred tax assets as it is more likely than not that the deferred tax assets will not be realized.

The Company has not determined the amount of the annual limitation on operating loss carryforwards that can be utilized in a taxable year. Any operating loss carryforwards that will expire prior to utilization as a result of such limitations will be removed from deferred tax assets with a corresponding reduction of the valuation allowance. Based on the 100% valuation allowance on the deferred tax assets, the Company does not anticipate that future changes in the Company's unrecognized tax benefits will impact its effective tax rate.

The Company's policy is to classify interest and penalties related to income tax matters as income tax expense. The Company had no accrual for interest or penalties as of September 30, 2008 or December 31, 2008, and has not recognized interest and/or penalties in the statement of operations the three month period ended December 31, 2008.

### **4. Commitments and Contingencies**

The Company leases office space under a non-cancelable operating lease. The lease costs are expensed on a straight-line basis over the lease term. In September 2005, the Company signed a lease with an initial term of seven years for a property located at 8911 Balboa Avenue, San Diego, California. The lease was effective and binding on the parties as of September 19, 2005; however, the term of the lease began on December 9, 2005, which was the date on which certain improvements were substantially complete. The Company may terminate the lease after the 48th calendar month following the commencement date; however, termination requires certain penalties to be paid equal to two months of base rent and all unamortized improvements and commissions. As of the date of this report, the Company does not have any intent to terminate this lease.

## 5. Related Party Transactions

John H. Harland Company ("JHH Co.") made investments in the Company in February and May 2005. JHH Co. acquired a total of 2,142,856 shares of unregistered common stock for an aggregate purchase price of \$1,500,000 or \$0.70 per share. As part of the acquisition of shares, JHH Co. received warrants to purchase 321,428 additional shares of common stock at \$0.70 per share. This transaction resulted in JHH Co. and its subsidiary, Harland Financial Solutions (collectively "John Harland"), being considered related parties of the Company due to the amount of the Company's common stock beneficially owned by John Harland. John Harland is not involved in the management decisions of the Company and does not participate in any board meetings, unless invited.

In the three months ended December 31, 2008, the Company realized revenue from John Harland of approximately \$16,000 for software maintenance, compared to revenue of approximately \$227,000 for software licenses and \$10,000 for related software maintenance in the three months ended December 31, 2007. There was an outstanding accounts receivable balance of approximately \$5,000 due from John Harland at December 31, 2008, compared to a balance of approximately \$222,000 at December 31, 2007.

## 6. Product Revenues and Sales Concentrations

### *Product Revenues*

During the three months ended December 31, 2008 and 2007, the Company's revenues were derived primarily from its Character Recognition Product line.

Below is a summary of the revenues by product lines (dollar amounts in thousands):

Revenue	Three Months Ended December 31,	
	2008	2007
Recognition toolkits	\$ 496	\$ 785
Professional services, maintenance and other	515	479
Total revenue	<u>\$ 1,011</u>	<u>\$ 1,264</u>

### *Sales Concentration*

The Company sells its products primarily to original equipment manufacturers, system integrators and resellers who ultimately sell to depository institutions. For the three months ended December 31, 2008 and 2007, the Company had the following sales concentrations:

Customers to which sales were in excess of 10% of total sales:	Three Months Ended December 31,	
	2008	2007
Number of customers	3	2
Aggregate percentage of sales	45.7%	39.0%

Sales to customers in excess of 10% of total sales were approximately \$462,000 and \$488,000 for the three months ended December 31, 2008 and 2007. The balance of accounts receivable from customers with sales in excess of 10% of total sales was approximately \$317,000 as of December 31, 2008, compared to \$433,000 as of December 31, 2007.

## **7. Capitalized Software Development Costs**

The Company is currently developing Mobile Capture software, a software solution that captures and reads data from mobile devices using proprietary technology. The Company has completed all of the planning, designing, coding, and testing activities necessary to establish technological feasibility of the product and has determined that the product can be produced to meet its design specifications including functions, features, and technical performance requirements.

Costs of internally developed software are expensed until the technological feasibility of the software product has been established. Thereafter, software development costs, to the extent that management expects such costs to be recoverable against future revenues, are capitalized until the product's general availability to customers in accordance with SFAS No. 86, Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed ("SFAS No. 86"). Capitalized software development costs are amortized based upon the higher of (i.) the ratio of current revenue to total projected revenue or (ii.) the straight-lined charges, over the product's estimated economic life beginning at the date of general availability of the product to customers.

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 it is identified. Determining net realizable value, as defined by SFAS No. 86, 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. Capitalized software development costs during the three months ended December 31, 2008 were approximately \$64,000. No software development costs were capitalized during the three months ended December 31, 2007. The Company completed its first production general release of ImageNet Mobile Deposit™ on October 31, 2008, and entered into an agreement with a major financial institution on November 4, 2008 to conduct a performance evaluation of the product. In accordance with SFAS No. 86, the Company ceased capitalizing software development costs related to this product on the date that it completed its first production general release. No amortization of software development costs has been recorded, because sales of the related software products have not commenced.

## **8. Recently Issued Accounting Pronouncements**

Effective October 1, 2008, the Company adopted SFAS No. 157, Fair Value Measurements ("SFAS No. 157"). In February 2008, the FASB issued FASB Staff Position No. SFAS 157-2, Effective Date of FASB Statement No. 157, which provides a one year deferral of the effective date of SFAS No. 157 for non-financial assets and non-financial liabilities, except those that are recognized or disclosed in the financial statements at fair value at least annually. As a result, the Company only partially adopted SFAS No. 157 as it relates to its financial assets and liabilities until the Company is required to apply this pronouncement to its non-financial assets and liabilities beginning with fiscal year 2010. The adoption of SFAS No. 157 did not have a material impact on the Company's results of operations or financial condition.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities—Including an Amendment of FASB Statement No. 115 ("SFAS No. 159"). This standard permits an entity to choose to measure many financial instruments and certain other items at fair value. Most of the provisions in SFAS No. 159 are elective; however, the amendment to SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities, applies to all entities with available-for-sale and trading securities. The fair value option established by SFAS No. 159 permits all entities to choose to measure eligible items at fair value at specified election dates. Under SFAS No. 159, the Company would report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. The fair value option: (a) may be applied instrument by instrument, with a few exceptions, such as investments otherwise accounted for by the equity method; (b) is irrevocable (unless a new election date occurs); and (c) is applied only to entire instruments and not to portions of instruments. This statement became effective for the Company October 1, 2008; however, the Company did not elect the fair value option for any of its financial assets or financial liabilities.

## **9. Subsequent Events**

### *Workforce Reduction*

On January 9, 2009, the Company implemented a plan to decrease its operating expenses by reducing its workforce in light of the economic contraction of the financial services market into which the Company primarily sells its products. The staff reduction included general and administrative, sales and marketing and technical staff. The Company has diligently maintained key resources to adequately pursue new sales opportunities and support its operations. The Company's management does not believe that such reductions will impair the Company's ability to develop its ImageNet Mobile Deposit application and other mobile capture products, or to provide technical support to its current and prospective customers.

### *Departure and Appointment of Certain Officers*

On January 13, 2009, Tesfaye Hailemichael, Chief Financial Officer, Vice President, Treasurer and Secretary of the Company, tendered his resignation from all offices with the Company to pursue other interests, effective January 14, 2009. Mr. Hailemichael's resignation was not the result of any disagreement with the policies or practices of the Company or related to any accounting or financial disputes. The Board of Directors of the Company appointed James B. DeBello, the Company's President and Chief Executive Officer, as Chief Financial Officer and Secretary of the Company to replace Mr. Hailemichael, effective January 14, 2009. Mr. DeBello also continues his current responsibilities as President and Chief Executive Officer.

## **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **Special Note Regarding Forward-Looking Statements**

In addition to historical information, this management's discussion and analysis of financial condition and results of operation contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. As contained herein, the words "expects," "anticipates," "believes," "intends," "will," and similar types of expressions identify forward-looking statements, which are based on information that is currently available to us, speak only as of the date hereof, and are subject to certain risks and uncertainties. You should not place undue reliance on our forward-looking statements because the matters they describe are subject to known and unknown risks, uncertainties and other unpredictable factors, many of which are beyond our control. Also, new risks and uncertainties arise from time to time, and it is impossible for us to predict these matters or how they may affect us. We do not undertake and specifically decline any obligation to update any forward-looking statements or to publicly announce the results of any revisions to any statements to reflect new information or future events or developments.

To the extent that this management's discussion and analysis of financial condition and results of operation contains forward-looking statements regarding the financial condition, operating results, business prospects or any other aspect of the Company, please be advised that our actual financial condition, operating results and business performance may differ materially from that projected or estimated by us in forward-looking statements. We have attempted to identify certain of the factors that we currently believe may cause actual future experiences and results to differ from our current expectations. Please see "Note About Forward-Looking Statements" at the beginning of this report. Please consider our forward-looking statements in light of those risks as you read this report.

### **Outlook**

Our primary strategy for fiscal 2009 is to expand our business focus to include a software product that captures and reads data from mobile devices using our proprietary technology. We refer to this software product as Mobile Capture. Mobile Capture technology converts a camera-equipped mobile phone into a mobile scanner that has the ability to read and extract data from any digital photo or video image. We will, however, also continue to grow the identified markets for our other products and enhance the functionality and marketability of our image based recognition and forgery detection technologies. In particular, we plan to expand the installed base of our Recognition Toolkits and leverage existing technology by devising recognition-based applications to detect potential fraud and loss at financial institutions. We also seek to expand the installed base of our Check Forgery

detection solutions by entering into reselling relationships with key resellers who we believe are better able to penetrate the market and provide us entrée into a larger base of community banks.

### **Application of Critical Accounting Policies**

Our financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. These estimates by management are affected by management's application of accounting policies, are subjective and may differ from actual results. Critical accounting policies for Mitek include revenue recognition, allowance for doubtful accounts receivable, fair value of equity instruments and accounting for income taxes.

#### *Revenue Recognition*

We enter into contractual arrangements with integrators, resellers and end users that may include licensing of our software products, product support and maintenance services, consulting services, resale of third-party hardware, 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 are fully described in the notes to our financial statements filed with our annual report on Form 10-K for the year ended September 30, 2008.

We consider many factors when applying generally accepted accounting principles to revenue recognition. These factors include, but are not limited to:

- The actual contractual terms, such as payment terms, delivery dates, and pricing of the various product and service elements of a contract;
- Time period over which services are to be performed;
- Creditworthiness of the customer;
- The complexity of customizations to our software required by service contracts;
- The sales channel through which the sale is made (direct, VAR, distributor, etc.);
- Discounts given for each element of a contract; and
- Any commitments made as to installation or implementation "go live" dates.

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. 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 affect on our future revenues and operating results.

#### *Accounts Receivable*

We constantly 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.

#### *Fair Value of Equity Instruments*

The valuation of certain items, including valuation of warrants, beneficial conversion feature related to convertible debt and compensation expense related to stock options granted, involve significant estimates with underlying assumptions judgmentally determined. The valuation of warrants and stock options are based upon a Black Scholes valuation model, which involve 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 the deferred tax asset 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.

### *Capitalized Software Development Costs*

Research and development costs are charged to expense as incurred. However, the 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.

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 two years or the sales ratio method. Unamortized capitalized software development costs determined to be in excess of net realizable value of the product are expensed immediately.

## **Analysis of Financial Condition and Results of Operations**

### **Three Months Ended December 31, 2008 and 2007**

#### *Net Sales*

Net sales were approximately \$1,011,000 and approximately \$1,264,000 for three months ended December 31, 2008 and 2007, respectively, a decrease of approximately \$253,000, or 20%. The decrease in revenue is due primarily to reduced sales of our core products. We recorded approximately \$227,000 in revenue during the first quarter of fiscal 2008 for software licenses we sold to John H. Harland Company. There was no software license revenue in the first quarter of fiscal 2008. John H. Harland Company and its subsidiary, Harland Financial Solutions, is a related party which is discussed in Note 5 to our financial statements included in this report.

#### *Cost of Sales*

Cost of sales for the three months ended December 31, 2008 was approximately \$196,000 compared to approximately \$175,000 for the three months ended December 31, 2007, an increase of approximately \$21,000 or 12%. Stated as a percentage of net sales, cost of sales were approximately 19% for the first fiscal quarter of 2009 compared to approximately 14% for the first quarter of fiscal 2008. The increase is primarily due to an increase in license fees paid to third-party software providers of integrated software products.

#### *Operations Expenses*

Operations expenses for the three months ended December 31, 2008 and 2007 included payroll, employee benefits, and other personnel-related costs associated with purchasing, shipping and receiving. Operations expenses were approximately \$23,000 and \$24,000 for the first fiscal quarter of 2009 and 2008, respectively, a decrease of approximately \$1,000 or 4%. Stated as a percentage of net sales, operations expenses were 2% in both the three months ended December 31, 2008 and 2007.

#### *Selling and Marketing Expenses*

Selling and marketing expenses include payroll, employee benefits, and other headcount-related costs associated with sales and marketing personnel and advertising, promotions, trade shows, seminars, and other programs. Selling and marketing expenses were approximately \$361,000 and \$346,000 for the three months ended December 31, 2008 and 2007, respectively. Stated as a percentage of net sales, selling and marketing expenses for

the three months ended December 31, 2008 and 2007 were approximately 36% and 27%, respectively. The \$15,000 increase in the current three-month period primarily relates to increased personnel costs, including salaries, taxes, vacation and other benefits, outside services and promotions and advertising costs.

#### *Research and Development Expenses*

Research and development expenses include payroll, employee benefits, consultant expenses and other headcount-related costs associated with product development. These costs are incurred to maintain and enhance existing products. We retain what we believe to be sufficient staff to sustain our existing product lines, including development of new, more feature-rich versions of our existing product, as we determine the marketplace demands. We also employ research personnel, whose efforts are instrumental in ensuring product paths from current technologies to anticipated future generations of products within our area of business.

Research and development expenses for the three months ended December 31, 2008 were approximately \$572,000, compared to approximately \$531,000 for the three months ended December 31, 2007, an increase of approximately \$41,000 or 8%. Stated as a percentage of net sales, research and development expenses were 57% and 42% in the three months ended December 31, 2008 and 2007, respectively. The increase in the current period is primarily due to increased personnel costs, including salaries, taxes, vacation and other benefits, due to increased headcount, partially offset by software development costs of approximately \$64,000 related to our Mobile Capture software application that were capitalized in the first quarter of 2009 in accordance with Statement of Financial Accounting Standards No. 86, Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed.

#### *General and Administrative Expenses*

General and administrative expenses include payroll, employee benefits, and other personnel-related costs associated with the finance, facilities, and legal, accounting and other administrative fees. General and administrative expenses were approximately \$530,000 in the three months ended December 31, 2008 compared to approximately \$472,000 in the three months ended December 31, 2007, an increase of approximately \$58,000 or 12%. The increase in the current period primarily relates to increased legal and accounting fees and other outside services, partially offset by decreased stock-based compensation expense due to the lower average share price in the three months ended December 31, 2008. Stated as a percentage of net sales, general and administrative expenses were 52% and 37% for the three months ended December 31, 2008 and 2007, respectively.

#### *Interest and Other Income – Net*

Interest and other income (net) was approximately \$3,000 in both the three months ended December 31, 2008 and 2007. Higher interest rates in the current period compensated for the lower average cash balance during the three months ended December 31, 2008, as compared to the cash balances during the first three months of fiscal 2007.

#### **Liquidity and Capital Resources**

On December 31, 2008, we had approximately \$869,000 in cash and cash equivalents compared to approximately \$1,300,000 on September 30, 2008, a decrease of approximately \$431,000 or 33%. The balance of accounts receivable at December 31, 2008 was approximately \$646,000, a decrease of approximately \$267,000 from the September 30, 2008 balance of approximately \$913,000. The decrease in accounts receivable was primarily due to the timing of customer billings and the receipt of payments.

Deferred revenue, which consists of maintenance and support service fees that are deferred and recognized as income over the contract period on a straight-line basis, was approximately \$447,000 and \$676,000 at December 31, 2008 and September 30, 2008, respectively, a decrease of approximately \$229,000 or 34%. We believe that as the installed base of our products grows and as customers purchase additional complementary products, the maintenance and support service fees that are deferred, as well those recognized as income over the contract term, will increase.

We financed our cash needs during the three months ended December 31, 2008 and for the same period ended December 31, 2007 primarily from collections of accounts receivable and existing cash and cash equivalents.

Net cash used in operating activities during the three months ended December 31, 2008 was approximately \$359,000. The primary uses of cash from operating activities included the net loss of approximately \$668,000, a decrease in deferred revenue of approximately \$229,000, a decrease in the balance accounts receivable of approximately \$259,000, net of the provision for bad debt and an increase in the accounts payable balance of approximately \$144,000. Net cash used in operating activities also included non-cash stock-based compensation of approximately \$31,000, depreciation and amortization of fixed assets of approximately \$10,000 and an increase in the provision for bad debts of approximately \$7,000.

Net cash used in investing activities during the three months ended December 31, 2008 was approximately \$73,000, compared to approximately \$18,000 during the three months ended December 31, 2007. The increase in cash used in investing activities in the current period is primarily due to an increase of approximately \$64,000 in software development costs related to our Mobile Capture software application, partially offset by reduced purchases of property and equipment. We do not have any significant capital expenditures planned for the foreseeable future.

Our working capital and current ratio were approximately \$219,000 and 1.16, respectively, at December 31, 2008, compared to approximately \$919,000 and 1.66, respectively, at September 30, 2008. On December 31, 2008, the total liability to equity ratio was 2.01 to 1 compared to 1.09 to 1 on September 30, 2008. We have experienced a significant decline in working capital over the last fiscal year. We do not currently have any credit facilities in place, or any arrangement that we can draw upon for additional capital.

We evaluate our cash requirements on a quarterly basis. Historically, we have managed our cash requirements principally from cash generated from operations and financing transactions, and we may need to raise additional capital to fund continuing operations in the future. If our financing efforts are not successful, we will need to explore alternatives to continue operations, which may include a merger, asset sale, joint venture, loans or further expense reductions. Based on our current operating plan, our existing working capital may not be sufficient to fund our planned operating expenses, capital expenditures, and working capital requirements through September 30, 2009 without additional sources of cash and/or the deferral, reduction or elimination of significant planned expenditures

After the quarter ended, on January 9, 2009, we implemented a plan to decrease our operating expenses by reducing our workforce in light of the economic contraction of the financial services market into which we primarily sells our products. The staff reduction included general and administrative, sales and marketing and technical staff. We have diligently maintained key resources to adequately pursue new sales opportunities and support our operations. Our management does not believe that such reductions will impair our ability to develop our ImageNet Mobile Deposit application and other mobile capture products, or to provide technical support to our current and prospective customers.

While we believe our strategy to reduce our operating expenses will allow us to support our operations in the short term, if our cost cutting efforts are not successful, we may not be able to continue as a going concern.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Disclosure not required as a result of the Company's status as a smaller reporting company.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### **Disclosure Controls and Procedures**

As of the end of the period covered by this report, under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rules 13a-15 as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that as of December 31, 2008, our disclosure controls and procedures were designed and functioning effectively to provide reasonable assurance that the information required to be disclosed by us in reports filed under the Exchange Act is (i) recorded, processed, summarized and reported within the time

periods specified in the SEC's rules and forms and (ii) accumulated and communicated to management including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure.

### **Changes in Internal Controls over Financial Reporting**

On January 13, 2009, Tesfaye Hailemichael, our Chief Financial Officer, Vice President, Treasurer and Secretary, tendered his resignation to pursue other interests, effective January 14, 2009 and our Board of Directors appointed James B. DeBello, our President and Chief Executive Officer, as Chief Financial Officer and Secretary. Mr. DeBello also continues his current responsibilities as President and Chief Executive Officer.

Other than the aforementioned change, there have not been any changes in our internal controls over financial reporting (as such term is defined in Rules 13a-15(f) and 15d - 15(f) under the Exchange Act) during the quarter ended December 31, 2008 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

## **PART II – OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

We are not aware of any legal proceedings or claims that we believe may have, individually or in the aggregate, a material adverse effect on our business, financial condition, operating results, cash flow or liquidity.

### **ITEM 1A. RISK FACTORS.**

In addition to the other information set forth in this report, you should carefully consider the factors discussed in “Part I. Item 1—Description of Business—Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended September 30, 2008. These risks and uncertainties have the potential to materially affect our business, financial condition, results of operations, cash flows, projected results and future prospects. As of the date of this report, other than the risk factors set forth below, we do not believe that there have been any material changes to the risk factors previously disclosed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2008.

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

Our operations resulted in a net loss of approximately \$668,000 and \$282,000 for the three months ended December 31, 2008 and 2007, respectively. In addition, as a public company, 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 not achieve sufficient revenue to achieve or maintain profitability. We have incurred and may continue to incur significant losses in the future for a number of reasons, including due to the other risks described in this report, and we may encounter unforeseen expenses, difficulties, complications, delays, and other unknown factors. Accordingly, we may not be able to achieve or maintain profitability and we may continue to incur significant losses for the foreseeable future.

#### **We depend upon our key personnel.**

Our future success depends in large part on the continued service of our key technical and management personnel. We do not have employment contracts with or "key person" life insurance policies on, any of our employees, including Mr. John M. Thornton, our Chairman and Mr. James B. DeBello, our President, Chief Executive Officer and Chief Financial Officer. Loss of services of key employees could have a material adverse effect on our operations and financial condition. We are also dependent on our ability to identify, hire, train, retain and motivate high quality personnel, especially highly skilled engineers involved in the ongoing developments required to refine our technologies and to introduce future applications. The high technology industry is characterized by a high level of employee mobility and aggressive recruiting of skilled personnel.

We cannot assure you that we will be successful in attracting, assimilating and retaining additional qualified personnel in the future. 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.

**A few of our stockholders have significant control over our voting stock which may make it difficult to complete some corporate transactions without their support and may prevent a change in control.**

As of December 31, 2008, John M. Thornton, who is our Chairman of the Board and his spouse, Sally B. Thornton, who is also a member of our board of directors, beneficially owned 2,804,959 shares of common stock or approximately 17% of our outstanding common stock. Our directors and executive officers as a whole, beneficially own approximately 2,464,284 shares of common stock, or 25% of our common stock. John H. Harland Company ("John Harland") beneficially owns 2,142,856 shares of common stock or approximately 14%, which includes 321,428 shares of common stock issuable upon exercise of warrants held by John Harland. Laurus Funds may acquire up to 1,060,000 shares of our common stock upon exercise of its warrant or approximately 6% of our common stock.

The above-described significant stockholders may have considerable influence over the outcome of all matters submitted to our stockholders for approval, including the election of directors. In addition, this ownership could discourage the acquisition of our common stock by potential investors and could have an anti-takeover effect, possibly depressing the trading price of our common stock.

**Our common stock price has been volatile. You may not be able to sell your shares of our common stock for an amount equal to or greater than the price at which you acquire your shares of common stock.**

The market price of our common stock has been, and is likely to continue to be, highly volatile. Future announcements concerning us or our competitors, quarterly variations in operating results, announcements of technological innovations, the introduction of new products or changes in our product pricing policies or those of our competitors, claims of infringement of proprietary rights or other litigation, changes in earnings estimates by analysts or other factors could cause the market price of our common stock to fluctuate substantially. 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 stocks 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. During the fiscal year ended September 30, 2008, the closing price of our common stock ranged from \$0.16 to \$0.55. During the first three months of fiscal 2009, our common stock price ranged from \$0.06 to \$0.34.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**

None.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

None.

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.**

None.

**ITEM 5. OTHER INFORMATION.**

None.

**ITEM 6. EXHIBITS**

See the exhibit index immediately following signature page to this report.

## SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

February 17, 2009

MITEK SYSTEMS, INC.

By:           /s/ James B. De Bello            
James B. DeBello  
President, Chief Executive Officer, and  
Chief Financial Officer

## EXHIBIT INDEX

Exhibit No.	Exhibit Title
31.1	Certification of Periodic Report by the Chief Executive Officer Pursuant to Rules 13a-14(a) of the Securities Exchange Act of 1934
31.2	Certification of Periodic Report by the Chief Financial Officer Pursuant to Rules 13a-14(a) of the Securities Exchange Act of 1934
32.1	Certification of Periodic Report by the Chief Executive Officer Pursuant to Section 906 of the Sarbanes Oxley Act of 2002
32.2	Certification of Periodic Report by the Chief Financial Officer Pursuant to Section 906 of the Sarbanes Oxley Act of 2002

**Exhibit 31.1**

**CERTIFICATION OF  
CHIEF EXECUTIVE OFFICER**

I, James B. DeBello, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 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 cause 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: February 17, 2009

\_\_\_\_\_  
/s/ James B. DeBello  
James B. DeBello, Chief Executive Officer  
(Principal Executive Officer)

**Exhibit 31.2**

**CERTIFICATION OF  
CHIEF FINANCIAL OFFICER**

I, James B. DeBello, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 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 cause 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: February 17, 2009

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/s/ James B. DeBello  
James B. DeBello, Chief Financial Officer  
(Principal Financial Officer)



