AMERICAN WATER WORKS CO INC
Form 8-K
September 30, 2002

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

Form 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): September 30, 2002

AMERICAN WATER WORKS COMPANY, INC.
(Exact name of registrant specified in its charter)

Delaware	0001-03437	51-0063696
(State or other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

1025 Laurel Oak Road, P.O. Box 1770 Voorhees, NJ	08043
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (856) 346-8200

ITEM 9. REGULATION FD DISCLOSURE.

American Water Works Company, Inc. is furnishing herewith a copy of an employee communication relating to its proposed merger with a subsidiary of RWE. This information is attached to this Form 8-K as Exhibit 99.1.

SIGNATURE

Pursuant to 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 hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

By: /s/ W. Timothy Pohl

Name: W. Timothy Pohl
Title: General Counsel and Secretary

Date: September 30, 2002

EXHIBIT INDEX

Exhibit No.	Description
99.1	RWE Acquisition Update #28 dated September 30, 2002.

[LOGO]

RW Acquisition
Update #28

September 30, 2002

This is an update on the RWE/Thames transaction for American Water Associates. Future updates will be distributed in the coming weeks via email. They are then archived, along with other important materials, in the "RWE Acquisition Update" database on Lotus Notes. The information in this "Update" will also be filed with the US Securities and Exchange Commission and can be viewed on the commission's EDGAR database at www.sec.gov/edgar.shtml.

Responses to Recently Asked Questions

The following are responses to questions that have been received about the transaction. A portion of these questions request clarification of responses provided in previous updates and demonstrate associate interest in learning about the future direction of this company.

We continue to receive numerous questions about compensation and benefits and these fill the majority of this update. Questions that address similar issues have been combined wherever possible.

Future updates will continue to address these types of issues as more information becomes available. If you have questions or concerns that apply to your specific circumstances, please contact your HR representative.

1. Has RWE had any problems regarding business fraud/corruption that has surfaced in corporate America?

No. RWE operates with openness and the highest integrity in its relationships with employees, customers, regulators, vendors and shareholders. There is also a significant amount of regulatory oversight for the vast majority of RWE's businesses. A broad mixture of external and internal bodies provides the independent review of RWE's operation that is so vital to assuring its continued success under the highest ethical standards.

Continued . . .

2. Will our management team stay in place after the RWE acquisition is completed?

As RWE has previously stated, it considers the high caliber of management and associates of American Water Works one of the key aspects of its acquisition. Other than associate turnover that occurs naturally such as retirements or the continuation of American Water Works transition to shared services, it is not envisioned that there will be any significant workforce changes upon completion of the acquisition.

3. Previous updates have indicated that no "early retirement" program will be offered by RWE. Wouldn't such a program reduce on-going operating expenses?

As addressed in prior communications, RWE intends to grow this business and wants to make the existing workforce part of that growth. Therefore, the company has no plans to reduce the workforce or to offer special incentives to encourage early retirement.

4. What is RWE and Thames Water's current philosophy on benefits?

RWE and Thames Water's philosophy when designing compensation and benefit packages is very similar to the American Water Works philosophy. Reviews and studies are conducted regarding compensation and benefit packages within the market where they will be competing for talent. Based upon those studies, compensation packages are designed to pay market rates and provide market-related benefits. They believe it is important that compensation packages enable it to attract, appropriately reward and retain the caliber of people needed in the business to provide a high level of service to its customers.

5. What is the timeframe for developing and informing associates about the replacement of 401(k), ESOP matching and other benefit changes?

401(k) and ESOP

The ESOP and 401(k) plan changes are currently under review. The planned review will be completed in sufficient time prior to the financial close in order that new plans can become effective immediately after the transaction is closed. There will be detailed communication to associates describing the new arrangements and the choices individuals can make. The administration process will be in place to ensure an effective transition from current to new plans.

Healthcare, Pensions and Life Insurance

RWE and Thames Water have guaranteed continuation of these benefits for an 18-month period from financial close. Healthcare, pensions and life insurance plans will be reviewed and new plans developed when appropriate, during this 18-month period after financial close. Should any changes be planned thereafter these will be communicated in full.

Continued . . .

Other Benefits

All other associate benefits will be reviewed during the 18-month period after financial close. Once again, RWE and Thames Water are committed to providing competitive benefits and open communications.

6. Will associates that meet the "70 Rule" at the close of the RWE acquisition get the same postretirement benefits currently offered by the American Water Works retirement plan?

Yes. If you are at least 55 years of age and have 15 or more years of service prior to the financial close of the transaction, you will meet the "rule of 70" under the American Water Works Pension Plan. Provided you are covered by that plan, you will be eligible for the same post retirement health care and life insurance benefits defined in that plan when you retire.

7. Will associates that meet the "70 Rule" within the 12 months following the close of the RWE acquisition get the same postretirement benefits currently offered by the American Water Works retirement plan?

Yes. Thames Water has committed to maintain the benefits of American Water Works that exist on the closing date for a period of 12 months following that date. The commitment to "leave existing benefits unchanged" for 12 months is an additional promise that RWE and Thames Water willingly made to demonstrate their desire to retain associates and grow the business. Therefore, associates covered by the American Water Works Pension Plan who retire within the 12 months following the financial close will also be eligible for the post retirement health care and life insurance benefits defined in that plan.

8. Will the Retirement Committee consider including a Money Market Fund as part of 401(k) investments for those who wish to periodically get in and out of the stock market?

Similar options are currently available under the 401(k) Savings Plan. Please contact your Human Resource representative or Merrill Lynch for details.

9. During the Merrill Lynch seminars we were advised that the sale of American Water Works stock held in an ESOP account and the eventual discontinuance of the ESOP program would result in proceeds that could be "rolled over" into another qualified retirement plan. Can all ESOP "proceeds" be "rolled over", or simply the portion not funded by employee contributions?

All proceeds realized from the ESOP can be "rolled over" into an Individual Retirement Account (IRA). Since this decision must be made by each associate, investment and tax counseling is encouraged

Continued . . .

10. Since it may take several weeks for a "roll-over" transaction to close, will ESOP accounts be held open for some period of time to allow for those transactions to be completed?

It is anticipated that ESOP accounts will be closed within a few days of completing the merger agreement. Since IRA's can be set up now to prepare for the ESOP "roll-over", associates are encouraged to take steps to prepare for the closing. Associates will be notified as early as possible to enable this transition to occur smoothly.

11. When the RWE acquisition is completed, will associates simply receive a check for the after-tax portion of contributions made to the ESOP plan?

Associates will only receive a check if a cash distribution is requested.

12. Is RWE offering stock to be bought by employees?

No. RWE does not at present offer an employee stock ownership plan (ESOP) to employees in its US subsidiaries.

13. My 401(k) plan is currently in the "Aggressive" category of the Goal Manager guidelines and I would like to put a portion of my 401(k) growth into less aggressive investments after the RWE acquisition is completed. Do I have to wait until the transaction is completed to make that switch?

No. Changes can be made to 401(k) plans at any time. Associates need to examine their investment strategies since circumstances can change and dictate adjusting investment mixes. Merrill Lynch may be contacted to make the change.

14. If a collective bargaining agreement expires during the 18-month period after the RWE acquisition is completed, will the company continue to match 401(k) contributions in accordance with the current agreement, or withhold matching funds until a new collective bargaining agreement is reached?

Associates represented by bargaining units that participate in the current contract provisions under the National Benefit Negotiations will continue to have the same 401(k) benefits delivered to them until July 31, 2005. Other collective bargaining agreements will stay in place until their expiration.

15. Will future benefit plans consolidate benefit plans for employees that have been added to the American Water Works team in recent years so that all associates have the same early retirement options, etc?

All benefit plans will be reviewed as part of the integration process. Some benefit plans are included in collective agreements and any changes would be subject to negotiation. RWE and Thames Water are committed to providing competitive benefits.

Continued . . .

16. Are all associates part of the employee retention bonus program described in the Proxy?

No. The Proxy identifies certain individuals included in the program and the obligations required to qualify for those retention bonuses. The proxy also states that only certain "other key employees" will be eligible to receive retention bonuses. The selection of those individuals was determined by the compensation committee of the company's Board of Directors, based on the recommendation of the Chief Executive Officer.

17. Other than a review of benefits such as the ESOP and 401(k) plans what other transition work is being completed by the Human Resource function?

American Water Works and Thames Water human resource professionals are jointly working on a number of issues. Currently, they are reviewing the design and structure of our current and new organization, Thames Water's existing operations in North and South America, associate and labor relation issues and cultural integration. They are also developing an understanding of the needs of the new organization and developing ways to evaluate the skills, competencies and capabilities of the current organization to meet those needs. RWE and Thames Water are committed to a timely and full communication of the outcomes of these joint programs.

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U.S. and Parascript has operations outside of the U.S., including sales, research and development and customer support. Parascript s international operations are subject to special risks in addition to those faced by its domestic operations, including:

potential loss of proprietary information due to piracy, misappropriation or laws that may be less protective of Parascript s intellectual property rights than those in the U.S.;

imposition of foreign laws and other governmental controls, including trade and employment restrictions;

fluctuations in currency exchange rates and economic instability such as higher interest rates and inflation, which could reduce its customers ability to obtain financing for software products or which could make its products more expensive in those countries;

difficulties in hedging foreign currency transaction exposures;

longer payment cycles for sales in foreign countries and potential difficulties in collecting accounts receivable;

difficulties in staffing, managing and operating international operations, including difficulties related to administering stock plans in some foreign countries;

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- difficulties in coordinating the activities of its geographically dispersed and culturally diverse operations;
- seasonal reductions in business activity in the summer months in Europe and in other periods in other countries;
- costs and delays associated with developing software in multiple languages; and
- war or terrorism, particularly in Russia, in which Parascript has facilities.

The market for some of Parascript s products appears to be reaching maturity which could result in Parascript retaining its market share, but finding that the market itself is shrinking.

There may be a time-limited opportunity to achieve and maintain a significant share of the check and remittance processing market as financial institutions have been promoting electronic payments which could significantly reduce the amount of check processing traffic. The reduction in the size of the check and remittance processing market could result in declining revenues which could have a negative effect on Parascript s operating results.

Similarly, if the volume of mail currently being handled in the United States decreases due to changes in technology, cultural changes or economic uncertainties, the effect on Parascript s ability to license new products as well as decrease royalty revenues from existing licenses could be significant. This decrease could have a negative effect on Parascript s operating results.

Parascript incurs considerable expenses to develop products for operating systems that are either owned by others or that are part of the open source community. If it does not receive cooperation in its development efforts from others and access to operating system technologies, Parascript may face higher expenses or fail to expand its product lines and revenues

Many of Parascript s products operate primarily on the Linux, UNIX and Windows computer operating systems. As part of Parascript s efforts to develop products for operating systems that are part of the open source community, Parascript may have to license portions of its products on a royalty free basis or may have to expose its source code. Open source describes general practices in production and development which promote access to the end product s sources. The open source community emphasizes collaborative development and requires licensing that allows modifications and enhancements of registered open source code be made available to whoever would like to use it. Developers who use open source code in proprietary products risk exposing the intellectual property developed in conjunction with the open source code to the public. Parascript continues to develop new products for these operating systems. It may not accomplish its development efforts quickly or cost-effectively, and it is not clear what the relative growth rates of these operating systems will be. Parascript s development efforts require substantial capital investment, the devotion of substantial employee resources and the cooperation of the owners of the operating systems to or for which the products are being ported or developed. If the market for a particular operating system does not develop as anticipated, or demand for Parascript s products and services in such market does not materialize or occurs more slowly than it expects, Parascript may have expended substantial resources and capital without realizing sufficient revenue, and its business and operating results could be adversely affected.

In addition, for some operating systems, Parascript must obtain from the owner of the operating system a source code license to portions of the operating system software to port some of its products to or develop products for the operating system. Operating system owners have no obligation to assist in these porting or development efforts. If they do not grant Parascript a license or if they do not renew its license, Parascript may not be able to expand its product lines into other areas.

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Parascript faces increasing competition, which places pressure on its pricing and which could prevent Parascript from increasing revenue or maintaining profitability. In addition, Parascript may face competition from better-established companies that have significantly greater resources.

The market for Parascript s products is intensely competitive and is likely to become even more so in the future. Parascript s current principal competitors may offer their products at a significantly lower price than Parascript s products, which has resulted in pricing pressures on sales of Parascript s products. Parascript also faces the possibilities of competitors achieving technological success rates that are comparable with Parascript s. In addition, pricing pressures and increased competition generally could result in reduced sales, reduced margins or the failure of Parascript s products to achieve or maintain more widespread market acceptance, any of which could have a material adverse effect on its business, results of operations and financial condition.

Parascript also faces current and potential competition from current strategic partners and integrators who may develop or acquire comparable pattern recognition software in an attempt to differentiate their systems. If device manufacturers can develop their own software that is as reliable as the Parascript products, the demand for Parascript s products will decrease. Furthermore, even if Parascript s products provide greater functionality and are more effective than certain other competitive products, potential customers might accept limited functionality as part of a bundled solution in lieu of purchasing separate products which require more administration. Many of Parascript s potential competitors have substantial competitive advantages, such as:

- greater name recognition and larger marketing budgets and resources;

- established marketing relationships and access to larger customer bases; and

- substantially greater financial, technical and other resources.

As a result, they may be able to respond more quickly and effectively than Parascript can to new or changing opportunities, technologies, standards or customer requirements. For the foregoing reasons, the combined company may not be able to compete successfully against Parascript s current and future competitors, and its results of operations could be adversely affected.

Parascript s growth could strain its personnel and infrastructure resources, and if it is unable to implement appropriate controls and procedures to manage its growth, Parascript may not be able to successfully implement its business plan.

Parascript continues to experience rapid growth in its operations, which has placed, and will continue to place, a significant strain on its management, administrative, operational and financial infrastructure. Parascript s future success will depend in part upon the ability of its senior management to manage growth effectively. This will require the combined company to hire and train additional personnel to manage its expanding operations. In addition, the combined company will be required to continue to improve its operational, financial and management controls and its reporting systems and procedures. If the combined company fails to successfully manage its growth, it will be unable to execute its business plan.

Parascript products may contain significant errors and failures, which may subject it to liability for damages suffered by end-users.

Software products frequently contain errors or failures, especially when first introduced or when new versions are released. Parascript s end-user customers use its products in applications that are critical to their businesses, including for signature verification and fraud protection, and may have a greater sensitivity to defects in Parascript s products than to defects in other, less critical software products. Particularly in the area of payment and remittance processing, through an error in or failure of Parascript s software products or as a result of the customer s misuse of Parascript s software products, the customer could suffer significant damages and seek to recover those damages from Parascript. Although Parascript s software licenses generally contain protective provisions limiting its liability, a court could rule that these provisions are unenforceable. If a

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customer is successful in proving its damages and a court does not enforce the protective provisions in Parascript s software licenses, Parascript could be liable for the damages suffered by its customers and other related expenses, which could adversely affect its operating results.

Product errors or failures could cause delays in new product releases or product upgrades, or Parascript s products might not work in combination with other hardware or software, which could adversely affect market acceptance of Parascript s products or a strategic partner s ability to integrate the Parascript software into its equipment. If Parascript s customers were dissatisfied with product functionality or performance, or if Parascript were to experience significant delays in the release of new products or new versions of products, it could lose competitive position and revenue and its business and operating results could be adversely affected.

Parascript s customer base is heavily concentrated.

Parascript relies heavily upon and derives the majority of its revenues from sales to two companies that provide products and service to the United States Postal Service under multiple licensing agreements. During 2005, 2004, and 2003, Parascript generated approximately 65%, 76% and 64%, respectively, of its revenue from these two companies. Parascript will continue to have a relatively highly concentrated customer base for the foreseeable future. If existing contracts with these customers are terminated or if either of these customers were to use other suppliers for the software products that Parascript currently provides, Parascript may not be able to replace the business. This could have a material adverse effect on Parascript s business.

A significant portion of Parascript s postal revenues are based upon performance-improvement contracts, under which payment amounts are contingent and uncertain.

A significant portion of Parascript s postal revenues are based upon performance-improvement contracts. Parascript is paid based on pre-negotiated process improvement metrics such as read rate, error reduction and depth of sort. Payments on performance improvement contracts are fully contingent and based on actual improvements versus a test sample deck. If Parascript is unable to provide actual improvements, Parascript s financial condition and results of operations would be adversely affected.

Failure to protect its intellectual property rights could impair Parascript s ability to protect its proprietary technology and establish the Parascript brand.

Intellectual property is critical to Parascript s success, and it relies upon trademark, copyright and trade secret laws in the United States and other jurisdictions as well as confidentiality procedures and contractual provisions to protect its proprietary technology and the Parascript brand. Any of its trademarks may be challenged by others or invalidated through administrative process or litigation. Parascript currently has four issued patents in the United States with three additional patents pending and six corresponding patents applied for internationally, and it may be unable to obtain further patent protection in the future. In addition, any issued patents may not provide Parascript with any competitive advantages, or may be challenged by third parties. Furthermore, legal standards relating to the validity, enforceability and scope of protection of intellectual property rights are uncertain. Effective patent, trademark, copyright and trade secret protection may not be available to Parascript in every country in which its products are available. The laws of some foreign countries may not be as protective of intellectual property rights as United States laws, and mechanisms for enforcement of intellectual property rights may be inadequate. As a result Parascript s means of protecting its proprietary technology and brands may not be adequate. Furthermore, despite its efforts, Parascript may be unable to prevent third parties from infringing upon or misappropriating its intellectual property, including the misappropriation or misuse of the content of its proprietary databases. Any such infringement or misappropriation could have a material adverse effect on Parascript s business, results of operations and financial condition.

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Parascript s operating results may be volatile and difficult to predict.

The susceptibility of Parascript s operating results to significant fluctuations makes any prediction, including Parascript s estimates of future operating results, unreliable. In addition, Parascript believes that period-to-period comparisons of its operating results are not necessarily meaningful and you should not rely on them as indications of Parascript s future performance. Parascript s operating results have in the past varied, and may in the future vary significantly due to factors such as the following:

- demand for its products;
- size and timing of significant orders for its products;
- slowdown or a decrease in spending on information technology by its current and/or prospective customers;
- marketing by its competitors of products that are directly competitive with its products;
- management, performance and expansion of its international operations;
- foreign currency exchange rate fluctuations;
- customers desire to consolidate their purchases of enterprise reporting and business intelligence software to one or a very small number of vendors from which a customer has already purchased software;
- general domestic and international economic and political conditions, including war, terrorism, and the threat of war or terrorism;
- sales cycles and sales performance of its indirect channel partners;
- changes in the way it and its competitors price their respective products and services, including maintenance and transfer fees;
- continued successful relationships and the establishment of new relationships with integrators;
- changes in its level of operating expenses and its ability to control costs;
- outcome or publicity surrounding any pending or threatened lawsuits;
- ability to make new products and product enhancements commercially available in a timely manner;

- budgeting cycles of its customers;
- failure to successfully manage its acquisitions;
- defects in its products and other product quality problems;
- failure to successfully meet hiring needs and unexpected personnel changes;
- changes in perpetual licensing models to term or subscription-based models with respect to which license revenue is not fully recognizable at the time of initial sale; and
- changes in service models with respect to which consulting services are performed on a fixed-fee, rather than variable fee, basis.

Because the Parascript software products are typically shipped shortly after orders are received, total revenues in any quarter are substantially dependent on orders booked and shipped throughout that quarter. Furthermore, several factors may require Parascript, in accordance with accounting principles generally accepted in the United States, to defer recognition of license fee revenue for a significant period of time after entering into a license agreement, including:

- Whether the license agreement includes both software products that are then currently available and software products or other enhancements that are still under development;
- Whether the license agreement relates entirely or partly to software products that are currently not available;

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Whether the license agreement requires the performance of services that may preclude revenue recognition until successful completion of such services;

Whether the license agreement includes acceptance criteria that may preclude revenue recognition prior to customer acceptance; and

Whether the license agreement includes undelivered elements (including limited terms or durations) that may preclude revenue recognition prior to customer acceptance.

Parascript s business historically has been seasonal.

Parascript s business historically has been seasonal. Results for any quarter are not necessarily indicative of the results that may be achieved for a full fiscal year. Parascript s quarterly revenues have historically been highest in the fourth calendar quarter, corresponding to the typical installation and completion cycles of its largest integrators. Based on the historically higher revenues in the fourth quarter and the relatively consistent nature of Parascript s fixed costs throughout the year, Parascript has typically generated a very significant percentage of its full year profits during the calendar fourth quarter. Since Parascript typically earns a disproportionate part of its annual profits in the calendar fourth quarter as a result of the seasonal buying patterns, it is difficult to forecast future results with certainty. If for any reason Parascript s revenues fall below those normally expected during its fourth quarter, Parascript s business, financial condition, and results of operations could be adversely affected.

If Parascript is sued by third parties for alleged infringement of their proprietary rights, its results of operations could suffer.

The software and pattern recognition software industry is characterized by the existence of a large number of patents, trademarks and copyrights and by frequent litigation based on allegations of patent infringement or other violations of intellectual property rights. As the number of entrants into Parascript s market increases, the possibility of an intellectual property claim against it grows. Parascript s technologies and products may not be able to withstand any third-party claims or rights against their use. Any intellectual property claims, with or without merit, could be time-consuming and expensive to litigate or settle, and could divert management attention from executing its business plan. There can be no assurance that Parascript would be successful in any such suit.

Changing regulations in the check and remittance processing industry may affect Parascript adversely.

As electronic payment processing continues to evolve, increasing regulation by federal, state or foreign agencies becomes more likely. Such regulation is likely in the areas of electronic transmission, non-signature check verification, and digital processing. Any of these could potentially have a material adverse effect on Parascript s business, results of operations and financial condition.

Risks Related to Mitek

The following are risk related to Mitek s business as currently conducted. Parascript and Mitek anticipate that immediately following the merger, a substantial part of the business of the combined company will be the business conducted by Mitek immediately prior to the merger. As a result, the following risks, and the risk factors set forth under the heading Risks Related to the Combined Company, are among the most significant you will face if the merger is completed.

Mitek currently derives substantially all of its product revenues from a single product line.

Mitek currently derives substantially all of its product revenues from licenses and sales of software products incorporating its intelligent recognition technology. Because most of Mitek s revenues are from a single type of

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technology, product concentration may make it especially vulnerable to market demand and competition from other technologies, which could reduce Mitek s revenues and cause it to be unable to continue its business. As a result, any decline in the demand for automated entry of hand printed characters, negative publicity or obsolescence of the software environments in which its products operate could result in lower revenues or gross margins and would have a material adverse effect on Mitek s business, operating results and financial condition.

The market price of Mitek s securities prior to the merger has been and likely will continue to be highly volatile and could be subject to wide fluctuations in response to a number of factors that are beyond its control, including:

- announcements of technological innovations or new products or services by its competitors;
- demand for its products, including fluctuations in subscription renewals;
- changes in the pricing policies of its competitors; and
- changes in government regulations.

In addition, the market price of the combined company s securities could be subject to wide fluctuations in response to a number of factors, including:

- announcements of technological innovations or new products or services by Parascript;
- changes in its pricing policies;
- quarterly variations in its revenues and operating expenses; and
- its technological capabilities to accommodate the future growth in its operations or its customers.

Further, the stock market has experienced significant price and volume fluctuations that have particularly affected the market price of the stock of many Internet-related companies, and that often have been unrelated or disproportionate to the operating performance of these companies. Market fluctuations such as these may seriously harm the market price of Mitek s securities. In the past, securities class action suits have been filed following periods of market volatility in the price of a company s securities. If such an action were instituted, Mitek would incur substantial costs and a diversion of management attention and resources, which would seriously harm its business, results of operations and financial condition.

The market for Mitek s products is intensely competitive.

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

Mitek may also face competition from new competitors. Moreover, as the market for automated document processing, ICR, check imaging and fraud detection software develops, a number of companies with significantly greater resources than Mitek could attempt to enter or increase their presence in its market either independently or by acquiring or forming strategic alliances with Mitek s competitors or to 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 Mitek s current and prospective customers. Many of Mitek s competitors have existed longer and have far greater financial resources and industry connections than Mitek has. 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 the Mitek s business, operating results and financial condition.

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Mitek s quarterly operating results are subject to significant fluctuation.

Mitek s quarterly operating results have in the past and may in the future vary significantly depending on factors including the timing of customer projects and purchase orders, new product announcements and releases by Mitek and other companies, gain or loss of significant customers, price discounting of its products, the timing of expenditures, customer product delivery requirements, availability and cost of components or labor and economic conditions generally and in the information technology market specifically. Any unfavorable change in these or other factors could have a material adverse effect on Mitek s operating results for a particular quarter, which may cause downward pressure on Mitek s common stock price. Mitek expects quarterly fluctuations to continue for the foreseeable future.

The protection of Mitek s proprietary rights may be inadequate.

Mitek s success and ability to compete is dependent in part upon its proprietary technology. Mitek relies on a combination of patent, copyright and trade secret laws and non-disclosure agreements to protect its proprietary technology. Mitek may seek to file additional patents to expand the scope of patent coverage or to cover technologies under development. There can be no assurance that patents will be issued with respect to future patent applications or that Mitek s patents will be upheld as valid or will prevent the development of competitive products.

Mitek also seeks to protect its intellectual property rights by limiting access to the distribution of its software, documentation and other proprietary information. In addition, it enters into confidentiality agreements with its employees and certain customers, vendors and strategic partners. There can be no assurance that the steps Mitek takes in this regard will be adequate to prevent misappropriation of its technology or that Mitek s competitors will not independently develop technologies that are substantially equivalent or superior to its technologies.

Mitek is also subject to the risk of adverse claims and litigation alleging infringement on the intellectual property rights of others. In this regard, third parties may assert infringement claims in the future with respect to Mitek s current or future products and any such claims may require Mitek to enter into license arrangements or result in protracted and costly litigation, regardless of the merits of such claims. No assurance can be given that any necessary licenses will be available or that, if available, such licenses can be obtained on commercially reasonable terms.

Section 404 and other regulatory requirements may cause Mitek to incur increased costs and operating expenses and may make it more difficult for Mitek to attract and retain qualified officers and directors.

Mitek is not yet subject to Section 404 of the Sarbanes-Oxley Act of 2002; however when applicable, Section 404 will cause Mitek to incur significant increased costs as it implements and responds to its requirements. The standards that must be met for management to assess its internal controls over financial reporting under Section 404 are complex and require significant documentation, testing and possible remediation. This ongoing process of reviewing, documenting and testing Mitek s internal controls over financial reporting will likely result in, a significant strain on Mitek s management, information systems and resources. Furthermore, achieving and maintaining compliance with Section 404, other requirements of Sarbanes-Oxley and other constantly evolving rules and regulations will require Mitek to either hire additional personnel on contract with external sources and will continue to require it to use additional outside legal, accounting and advisory services.

Mitek s success is dependent on its key technical and management personnel.

Mitek s success depends in large part on the continued service of its key technical and management personnel. Mitek does not currently have employment contracts with, or key person life insurance policies on,

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any of its employees. Loss of services of key employees could have a material adverse effect on Mitek s operations and financial condition. Mitek is also dependent on its ability to identify, hire, train, retain and motivate high quality personnel, especially highly skilled engineers involved in the ongoing developments required to refine its 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. Mitek can make no assurances that it will be successful in attracting, assimilating and retaining additional qualified personnel in the future. If Mitek were to lose the services of one or more of its key personnel, or if it failed to attract and retain additional qualified personnel, it could materially and adversely affect its customer relationships, competitive position and revenues.

Mitek s stockholders will no longer control Mitek as a result of the merger and the merger financing.

The merger will result in a change of control of Mitek. Upon completion of the merger and on a fully-diluted and as-if converted basis, current Mitek stockholders will own approximately 22% of the company, Parascript unitholders will own approximately 55% and Plainfield will own approximately 23%. (Does not include certain shares of the combined company to be issued to certain officers thereof upon completion of the merger. Please see Agreements with Executive Officers Following the Merger on page 125.) Because Mitek stockholders will not control Mitek, they will not have the ability to control the election of directors or the adoption of proposals which require stockholder approval.

Risks Related to the Combined Company

Mitek and Parascript may be unable to successfully integrate their businesses and achieve the benefits expected to result from the merger.

Mitek and Parascript entered into the merger agreement with the expectation that the merger will result in mutual benefits including, among other things, shared administrative costs resulting in lower total expenses, improved research and development through a larger combined research group and the sharing of previously proprietary development, more complete products creating the possibility of better market share and better employee benefits due to a larger employee base after the combination. Achieving the benefits of the merger will depend in part on the integration of Mitek s and Parascript s operations and personnel in a timely and efficient manner so as to minimize the risk that the merger will result in the loss of market opportunity or key employees or the diversion of the attention of management. Factors that could affect Mitek s ability to achieve these benefits include:

- Difficulties in integrating and managing personnel, financial reporting and other systems used by Parascript into Mitek;
- The failure of Parascript s operations to perform in accordance with Mitek s expectations;
- Any future goodwill impairment charges that Mitek may incur with respect to the assets of Parascript;
- Failure to achieve anticipated synergies between Mitek s business units and the business units of Parascript;
- The loss of Parascript s customers; and
- The loss of any of the key employees of Parascript.

If the combination of the Parascript and Mitek businesses do not occur as planned, the businesses of each of Parascript and Mitek could be materially harmed.

Mitek and Parascript may be unable to realize the expected cost savings from the merger.

Even if Parascript and Mitek are able to successfully integrate the operations of the two companies, we cannot assure you that this integration will result in the realization of the full benefits of the cost savings or revenue enhancements that the companies expect or that these benefits will be achieved within the timeframe

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anticipated. The cost savings from the merger may be offset by costs incurred in integrating Parascript s and Mitek s operations, as well as by increases in other expenses, by operating losses or by problems with Mitek s or Parascript s businesses unrelated to the acquisition.

If the combined company is unable to maintain and expand, or enter into new, indirect sales channels relationships its operating results would decline.

Parascript s indirect sales channels accounted for approximately 28.9% and 33.4% of its revenues in 2005 and 2004, respectively. The combined company intends to continue to rely on Parascript s indirect sales channels for a significant portion of its revenue. Parascript depends on its indirect sales channels, including system integrators and resellers to offer its products to a larger customer base than can be reached through a direct sales effort. None of these parties is obligated to continue selling Parascript s products or to make any purchases from Parascript. If they are unsuccessful in their efforts or are unwilling or unable to market and sell Parascript s new product offerings, Parascript s operating results will suffer. Parascript cannot control the level of effort these parties expend or the extent to which any of them will be successful in marketing and selling its products. Some of Parascript s indirect sales channels also market and sell products that compete with Parascript s products or may decide to do so in the future. Parascript may not be able to prevent these parties from devoting greater resources to support its competitors products and/or eliminating their efforts to sell its products.

If the combined company is not able to develop new and enhanced products that achieve widespread market acceptance, it may be unable to recover product development costs, and its earnings and revenue may decline.

Recent changes in banking laws arising from the Check Clearing for the 21st Century Act (Check 21) have created an additional immediate need for banks to be able to process, verify and handle digital copies of checks. While Parascript has developed a product to address these new regulations, there is no certainty that the product will be accepted into the market, will reach the technological superiority of many of the other Parascript products or will be accepted and purchased by financial institutions as a solution to the challenges presented by Check 21. If companies do not address these emerging trends and laws, then the market for Parascript s products may develop more slowly than it expects, which could adversely affect its operating results. Developing and maintaining awareness of the Parascript brand is critical to achieving widespread acceptance of Parascript s existing and future products. Furthermore, Parascript believes that the importance of brand recognition will increase as competition in its market develops. Successful promotion of the Parascript brand will depend largely on the effectiveness of the combined company s marketing efforts and on its ability to develop reliable and useful products at competitive prices. If the combined company fails to successfully promote the Parascript brand, or if its expenses to promote and maintain the Parascript brand are greater than anticipated, its results of operations and financial condition could suffer.

Mitek intends to finance the business combination with Parascript with $95.0 million in debt financing. The combined company s ability to make required payments of principal and interest on the debt depends primarily on cash flow from operations, which may not be sufficient to service the debt.

In order to finance the merger Mitek intends to secure financing from Plainfield Offshore Holdings VIII Inc. Such financing will be provided in the form of a $55 million senior secured term facility at LIBOR plus 7.5% interest in the first year (interest rate as of September 30, 2006 was 12.87%), up to $5 million revolving line of credit at either LIBOR plus 7.5% interest in the first year or a rate based on the prime rate or federal funds rate plus 6.5% in the first year and the sale and issuance of $35 million senior subordinated convertible notes at 9.75% interest. The $55 million Senior Secured Term Facility will require quarterly payments of interest only commencing . X, 200X, and quarterly principal payments of $2,500,000 commencing in the fourth year after the financing, with any remaining principal balance due and payable at the end of the fifth year. The $35 million senior subordinated convertible notes will require quarterly payments of interest in cash or, prior to the fourth anniversary of the issuance of the notes, by adding to the principal of the senior subordinated convertible notes commencing on X, 2006 and the principal balance due and payable on the sixth anniversary of the

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date of issuance. See Financing the Merger below. Based on current interest rates, the quarterly cash interest payment associated with the Plainfield senior secured term facility and the senior subordinated convertible notes, beginning in the first calendar quarter of 2007, would be approximately , but interest rates could increase, resulting in a correspondingly higher rate of interest on the facilities. The actual required cash payments on the senior subordinated convertible notes will vary depending on whether and to what extent Mitek chooses to pay interest on the senior subordinated convertible notes by adding to the principal amount of the notes and the amount, if any, of the senior subordinated convertible notes which are converted into Mitek common stock.

The combined company s ability to make scheduled quarterly interest payments after year three of the senior subordinated convertible notes primarily will depend on its future performance and working capital, including its ability to increase revenues and cash flows. To a certain extent its ability to increase revenues and control costs are subject to a number of economic, financial, competitive, regulatory and other factors beyond its control. Mitek and Parascript believe that the combined company should have adequate available cash, available funds under the credit facility and cash flows from operations to meet its anticipated future requirements for working capital, capital expenditures, and scheduled payments of principal and interest on its debt through December 31, 2007.

However, if the combined company s cash flow is insufficient to enable us to service our debt, we may be forced to find alternative sources of financing, or to take further drastic measures, including significantly reducing operations, seeking to sell the company or significant assets, or pursuing liquidation. Any future alternative sources of debt or equity financing may not be available to us when needed or in amounts required and may not be permitted under the credit facilities or the senior subordinated convertible notes, and we currently do not have available to us a bank line of credit or other general borrowing facility. Alternatively, we may be forced to attempt to negotiate with our debt holders on our payment terms, which may not be successful or may be on terms onerous to us.

Upon completion of the merger Plainfield could exert considerable influence on Mitek by converting all or a substantial portion of the $35 million in subordinated convertible notes it is being issued in the merger.

Funding for the merger is to be provided by a combination of $35 million in subordinated convertible notes, $55 million in senior secured debt and a $5 million revolving line of credit from Plainfield. The senior subordinated notes will initially be convertible into approximately 21.9 million shares of Mitek common stock at a conversion price of $1.60 per share, subject to adjustment. Upon completion of the merger and on a fully-diluted basis, Plainfield will own approximately 23% of the common stock of Mitek on an as-if converted basis (not including certain shares of the combined company to be issued to certain officers thereof upon completion of the merger please see Agreements with Executive Officers Following the Merger on page 125). This high percentage of ownership could allow Plainfield to exert considerable influence over stockholder voting, such as regarding the election of directors or the adoption of other proposals presented to stockholders. To the extent Plainfield continues to hold a substantial portion of the secured debt after the closing of the financing, it will have interests which are different from those of other Mitek stockholders, and Plainfield may vote in a manner that is in alignment with its position as a Mitek creditor, rather than as a Mitek stockholder.

We are granting a blanket security interest in substantially all of our assets to the holders of our secured debt. If we are unable to make our required payments on the debt, or any other event of default under the credit facilities documents occurs, it could have a material adverse effect on our business and operations, and the debt holders may foreclose on our assets.

As part of our secured debt financing with Plainfield, we are granting to Plainfield a blanket security interest in substantially all of our assets. See Financing the Merger below. In the event we default in payment on the debt, or any other event of default occurs under the credit facilities documents, 100% of the outstanding principal amount under the credit facilities documents and accrued interest thereon may be accelerated and be due and payable in full. Events of default include, among others, the following:

- a failure to pay interest within three business days of when due or a failure to pay any principal payments on the loans;

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- a breach by us of any covenant or term or condition in the credit facilities documents (subject to a 30-day cure right for certain covenants, conditions or agreements);

- a breach by us of any representation or warranty in any material respect made in connection with any credit facilities documents;

- if we make an assignment for the benefit of our creditors, or a receiver or trustee is appointed for us, or any form of bankruptcy or insolvency proceeding is instituted by us, or any involuntary proceeding is instituted against us (and, in the case of such involuntary proceedings, continue undismissed or unstayed for 60 days); and

- the filing of any money judgment or similar final process against us for more than $1,000,000, which remains undischarged or unstayed for a period of 30 days.

The cash required to pay such accelerated amounts under the credit facilities documents following an event of default would most likely come out of our working capital. As we rely on our working capital for our day to day operations, such a default could have a material adverse effect on our business, operating results, or financial condition to such extent that we are forced to restructure, file for bankruptcy, sell assets or cease operations. In addition, upon an event of default, the holders of the secured debt could foreclose on our assets or exercise any other remedies available to them. If our assets were foreclosed upon, we were forced to file for bankruptcy or cease operations, stockholders may not receive any proceeds from disposition of our assets and may lose their entire investment in our stock.

The proposed credit facility may not be sufficient for our capital requirements.

While we believe that the proposed credit facility is sufficient, together with cash on hand and cash generated from operations, to finance our operations for the next twelve months, we can make no assurance that we will not need additional financing during the next twelve months or beyond. Actual sales, expenses, market conditions or other factors which could have a material effect upon us could require us to obtain additional financing. If such financing is not available, is not permitted under the terms of the credit facilities documents or senior subordinated convertible notes, or if available and permitted, is not available on reasonable terms, it could have a material adverse effect upon our results of operations and financial condition.

The combined company s business strategy includes possible growth through acquisitions, which involve special risks that could increase the combined company s expenses, and divert the time and attention of management.

As part of its business strategy subsequent to the business combination, the combined company will contemplate the future acquisition of other businesses, business units and technologies. Acquisitions involve a number of special risks and challenges, including:

- diversion of management s attention from Parascript s business;

- integration of acquired business operations and employees into its existing business, including coordination of geographically dispersed operations, which can take longer and be more complex than initially expected;

- incorporation of acquired products and business technologies into existing product lines, including consolidating technology with duplicative functionality or designed on different technological architecture, and the ability to sell the acquired products through existing or acquired sales channels;

- loss or termination of employees, including costs associated with the termination of those employees;

- dilution of then-current stockholders percentage ownership;

dilution of earnings if synergies with the acquired businesses are not achieved;

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inability to generate sufficient revenue to offset acquisition or investment costs;

assumption of liabilities of the acquired businesses, including litigation related to alleged liabilities of the acquired businesses;

presentation of a unified corporate image to customers and employees;

increased costs and efforts in connection with compliance with Section 404 of the Sarbanes-Oxley Act; and

risk of impairment charges related to potential write-down of acquired assets in future acquisitions.

The combined company cannot provide any assurance that any future acquisitions will achieve the desired objectives. If the combined company fails to properly evaluate and execute acquisitions or investments, its business and prospects may be seriously harmed.

We must continue extensive research and development in order to remain competitive. If our products fail to gain market acceptance, our business, operating results and financial condition could be materially adversely affected by lower sales.

Our ability to compete effectively with our character recognition product line will depend 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. Rapidly advancing technology and rapidly changing user preferences characterize the markets for products incorporating character recognition technology. Our continued growth will ultimately depend upon our ability to develop additional technologies and attract strategic alliances for related or separate product lines. 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.

If our new products fail to gain market acceptance, our business, operating results and financial condition would be materially adversely affected by the lower sales. If we are unable, for technological or other reasons, to develop and introduce products in a timely manner in response to changing market conditions or customer requirements, our business, operating results and financial condition may be materially and adversely affected by lower sales.

We do not intend to pay dividends in the foreseeable future.

Once the merger has been completed, we intend to retain earnings, if any, for use in the operation and expansion of our business and, therefore, do not anticipate paying any dividends in the foreseeable future.

Product defects could cause substantial damage to the combined company s reputation and operating results.

If the combined company s products have product defects, it could damage the combined company s reputation, revenues, profitability and result in other costs, any of which could adversely affect the combined company s operating results which could cause its common stock price to go down.

The parties products are extremely complex and are constantly being modified and improved, and as such they may contain undetected defects or errors when first introduced or as new versions are released. As a result, the parties could in the future face loss or delay in recognition of revenues as a result of software errors or defects. In addition, the parties products are typically intended for use in applications that are critical to a customer s business. As a result, the parties believe that its customers and potential customers have a greater sensitivity to product defects than the market for software products generally.

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There can be no assurance that, despite its 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 the combined company s reputation, adverse litigation, or increased service and warranty costs, any of which would have a material adverse effect upon its business, operating results and financial condition.

The planned reverse stock split may have an adverse effect on our market capitalization and stock price.

The intention of Mitek and Parascript is that Mitek will engage in a reverse split of its common stock after the close of the merger in order to satisfy the minimum market price requirement for listing securities on the NASDAQ Capital Market. See, Risk Factors, Intended NASDAQ Listing. A reverse split may have the effect of causing a reduction in the total market capitalization of Mitek, in which case securities held by investors may experience a corresponding drop in market value.

The ability of the combined company to list its common stock on the NASDAQ Capital Market is subject to various factors and uncertainties.

The listing of the common stock of Mitek on the NASDAQ Capital Market will be subject to numerous factors, including compliance with the NASDAQ listing requirements. Mitek and Parascript anticipate that Mitek will be required to undertake a reverse stock split after the close of the merger in order to satisfy the minimum market price requirement for listing securities on the NASDAQ Capital Market. See, Risk Factors, Planned Reverse Split. No assurance can be made that the intended reverse stock split will occur, that it will result in the common stock of Mitek meeting the minimum market price requirement for listing securities, or that it will be able to list, or maintain any listing of, its common stock on the NASDAQ Capital Market.

THE SPECIAL MEETINGS

Mitek Special Meeting

General; Date; Time and Place

This joint proxy statement/prospectus is being provided by, and the enclosed proxy is solicited by and on behalf of, Mitek s board of directors for use at a special meeting of Mitek stockholders. This joint proxy statement/prospectus is first being furnished to stockholders of Mitek on or about [ ], 2006.

A special meeting of stockholders of Mitek Systems, Inc., a Delaware corporation, will be held on [ ], [ ], 2006, at [ ] a.m., Central Time, at [ ].

Purpose of the Special Meeting

The purpose of the special meeting is:

1. To consider and vote upon the issuance of Mitek stock pursuant to the Amended and Restated Agreement and Plan of Merger, dated as of September 18, 2006, by and among Mitek, Mitek Acquisition Sub, LLC, Parascript, and Parascript Management, Inc., as member representative.

2. To consider and vote upon an amendment to Mitek s certificate of incorporation to change the corporate name of Mitek to Parascript, Inc.

3. To consider and vote upon an amendment to Mitek s certificate of incorporation to increase the number of authorized shares of Mitek common stock by 160,000,000 shares, from 40,000,000 to 200,000,000 which is necessary to provide Mitek with a sufficient number of authorized shares of common stock to issue in connection with the merger and to reserve for issuance upon conversion of the senior subordinated convertible notes.

4. To consider and vote upon the issuance of debt which is convertible into shares of common stock of Mitek, the proceeds of which will be used to effect the merger.

5. To consider and vote upon an amendment to the Mitek Systems, Inc. 2006 Stock Option Plan to increase the number of shares of Mitek common stock available for issuance under the plan by 22,000,000 shares to 23,000,000 shares, and to increase the maximum number of shares which can be granted to one person in any one year to 3,500,000.

6. To authorize the Mitek board of directors to amend in its discretion Mitek s certificate of incorporation to effect a reverse stock split of Mitek s issued and outstanding shares of common stock, at such ratio between 1:4 to 1:8 to be determined by the Mitek board of directors, which may be desirable for Mitek to list its common stock on NASDAQ upon completion of the merger with Parascript, as described in this joint proxy statement/prospectus.

7. To consider and vote upon a proposal to approve one or more adjournments of the special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to approve proposals.

Consummation of the merger is conditioned on the adoption of Mitek proposals 1 through 5.

Board Recommendation

The Mitek board of directors unanimously recommends that proposals 1 through 7 above be approved by the Mitek stockholders and that the Mitek stockholders vote FOR the approval of proposals 1 through 7 above.

Record Date; Voting Power

Only holders of shares of Mitek common stock as of the close of business on [ ], 2006, which is the record date for the Mitek special meeting, will be entitled to receive notice of and to vote at the Mitek special

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meeting and any adjournments or postponements thereof. Because many of such shares are held by brokers and other institutions on behalf of stockholders, Mitek is unable to estimate the total number of stockholders represented by these record holders. At the close of business on the record date, [ ] shares of Mitek common stock were issued and outstanding. Each share of Mitek common stock entitles the holder thereof to one vote on each matter submitted for stockholder approval. See Security Ownership of Certain Beneficial Owners and Officers and Directors of Mitek on page 123 of this joint proxy statement/prospectus for information regarding persons known to the management of Mitek to be the beneficial owners of more than 5% of the outstanding shares of Mitek common stock.

Required Vote; Quorum

The holders of a majority of the shares of the Mitek common stock outstanding on the record date must be present, either in person or by proxy, at the Mitek special meeting to constitute a quorum. Abstentions and broker non-votes are counted as present or represented at the special meeting for the purpose of determining a quorum for the Mitek special meeting.

The affirmative vote of the holders of a majority of the shares present at the Mitek special meeting, in person or by proxy, is required for approval of Mitek proposals 1, 4, 5 and 7. Approval of Mitek proposals 2, 3 and 6 requires the affirmative vote of holders of a majority of the Mitek common stock having voting power outstanding on the record date for the Mitek special meeting. Votes will be counted by the inspector of election appointed for the meeting, who will separately count For and Against votes, abstentions and broker non-votes. Abstentions will be counted towards the vote total for each proposal and will have the same effect as Against votes. Brokers holding shares of Mitek common stock as nominees will not have discretionary authority to vote shares in the absence of instructions from the beneficial owners thereof, so the failure to provide voting instructions to your broker will have no effect and will not be counted towards the vote total for Mitek proposals 1, 4, 5 and 7. Broker non-votes will have the same effect as Against votes for Mitek proposals 2, 3 and 6.

The obligation of Mitek and Parascript to consummate the merger is subject to, among other things, the condition that the Mitek stockholders approve the issuance of Mitek stock pursuant to the merger agreement. If Mitek s stockholders fail to approve the issuance of Mitek stock or the merger is not consummated by March 31, 2007, both Mitek and Parascript have the right to terminate the merger agreement. See The Merger Agreement Termination beginning on page 81.

How to Vote

The proxy accompanying this joint proxy statement/prospectus is solicited on behalf of the board of directors of Mitek for use at the Mitek special meeting.

If you are a stockholder of record of Mitek as of the applicable record date referred to above, you may vote in person at the Mitek special meeting or vote by proxy using the enclosed proxy card. Whether or not you plan to attend the Mitek special meeting, Mitek urges you to vote by proxy to ensure your vote is counted. You may still attend the Mitek special meeting and vote in person if you have already voted by proxy.

To vote in person, come to the Mitek special meeting and Mitek will give you a ballot when you arrive.

To vote using the proxy card, simply mark, sign and date your proxy card and return it promptly in the postage-paid envelope provided. If you return your signed proxy card to Mitek before the Mitek special meeting, Mitek will vote your shares as you direct.

All properly executed proxies that are not revoked will be voted at the Mitek special meeting and at any adjournments or postponements of the Mitek special meeting in accordance with the instructions contained in the proxy. If a holder of Mitek common stock executes and returns a proxy and does not specify otherwise, the

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shares represented by that proxy will be voted FOR each of the Mitek proposals. If you have questions or requests for assistance in completing and submitting proxy cards, please contact Ms. Martha Mijango, our Stock Transfer Agent, Mellon Shareholder Services at 213-553-9718 or e-mail at Mijango.m@mellon.

Revocation of Proxy

All properly executed proxies that are not revoked will be voted at the Mitek special meeting as instructed on those proxies. Proxies containing no instructions will be voted in favor of each of the Mitek proposals. A Mitek stockholder who executes and returns a proxy may revoke it at any time before it is voted. A proxy may be revoked by either:

- giving written notice of revocation; or
- executing and returning a new proxy bearing a later date; or
- attending the Mitek special meeting and voting in person.

Revocation of a proxy by written notice or execution of a new proxy bearing a later date should be submitted to Tesfaye Hailemichael, Secretary, Mitek Systems, Inc., 8911 Balboa Ave, Ste B, San Diego, California 92123.

Expenses of Solicitation

Mitek will bear the costs of soliciting proxies from its stockholders. Also, each of Mitek and Parascript has agreed to bear its own expenses incurred in connection with filing, printing and mailing this joint proxy statements/prospectus. In addition to soliciting proxies by mail, directors, officers and employees of Mitek, without receiving additional compensation therefore, may solicit proxies by telephone, by facsimile or in person. Arrangements may also be made with brokerage firms and other custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of shares held of record by such persons, and Mitek will reimburse the brokerage firms, custodians, nominees and fiduciaries for reasonable out-of-pocket expenses incurred by them in connection therewith. In addition, Mellon Investor Services Corporation has been retained by Mitek to assist in the solicitation of proxies. Mellon Investor Services Corporation may contact holders of shares of Mitek common stock by mail, telephone, facsimile, telegraph and personal interviews and may request brokers, dealers and other nominee stockholders to forward materials to beneficial owners of shares of Mitek common stock. Mitek will pay to Mellon Investor Services Corporation reasonable and customary compensation for its services (estimated at $ and reimburse Mellon Investor Services Corporation for certain reasonable out-of-pocket expenses.

Parascript Special Meeting

General; Date; Time and Place

This joint proxy statement/prospectus is being provided by, and the enclosed proxy is solicited by and on behalf of, Parascript s manager for use at a special meeting of Parascript unitholders.

A special meeting of unitholders of Parascript, LLC, a Wyoming limited liability company, will be held on [ ], [ ], 2006, at [ ] a.m., Mountain Time, at [ ].

Purpose of the Special Meeting

The purpose of the special meeting is to:

1. Approve and adopt the merger agreement, dated as of September 18, 2006, by and among Mitek Systems, Inc., Mitek Acquisition Sub, LLC, Parascript and Parascript Management, Inc., as member representative, and the transactions contemplated by the merger agreement.

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2. Consider and vote upon a proposal to approve one or more adjournments of the special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to approve the above proposals.

Manager Recommendation

Parascript s manager unanimously recommends that proposals 1 and 2 above be approved by the Parascript unitholders and that the Parascript unitholders vote FOR the approval of proposals 1 and 2 above.

Record Date; Voting Power

Only holders of Parascript units as of the close of business on [ ], 2006, which is the record date for the special meeting, will be entitled to receive notice of and to vote at the Parascript special meeting and any adjournments or postponements thereof. At the close of business on the record date, there were [ ] common units and [ ] preferred units outstanding. Each Parascript unit entitles the holder thereof to one vote on each matter submitted for member approval. See Security Ownership of Certain Beneficial Owners and Officers and Directors of Parascript on page 124 of this joint proxy statement/prospectus for information regarding persons known to the manager of Parascript to be the beneficial owners of more than 5% of the outstanding Parascript units.

Required Vote; Quorum

The holders of a majority of the outstanding Parascript units on the record date must be present, either in person or by proxy, at the Parascript special meeting to constitute a quorum. In general, abstentions are counted as present or represented at the Parascript special meeting for the purpose of determining a quorum for the Parascript special meeting.

The affirmative vote of the holders of at least 70% of the units voting as a single class is required for approval of proposal 1 above. Even if you plan to attend the special meeting in person, we request that you sign and return the enclosed proxy and thus ensure that your shares will be represented at the special meeting if you are unable to attend. If you sign, date and mail your proxy card without indicating how you wish to vote, your proxy will be counted as a vote in favor of the approval and adoption of the merger agreement and the approval of the merger and an adjournment of the Parascript special meeting, if necessary, if a quorum is present, to solicit additional proxies if there are not sufficient votes in favor of proposal 1.

Because the required vote of the Parascript unitholders with respect to the merger agreement is based upon the total number of outstanding units of Parascript, the failure to submit a proxy card (or to vote in person at the Parascript special meeting) or the abstention from voting by a Parascript unitholder will have the same effect as a vote against approval of the merger agreement.

The obligation of Mitek and Parascript to consummate the merger is subject to, among other things, the condition that the Parascript unitholders approve the merger agreement. If Parascript s unitholders fail to approve the merger agreement or if the merger is not consummated by March 31, 2007, both Parascript and Mitek have the right to terminate the merger agreement. See The Merger Agreement Termination beginning on page 81.

How to Vote

The proxy accompanying this joint proxy statement/prospectus is solicited on behalf of the manager of Parascript for use at the Parascript special meeting.

If you are a unitholder of record of Parascript as of the applicable record date referred to above, you may vote in person at the Parascript special meeting or vote by proxy using the enclosed proxy card. Whether or not

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you plan to attend the Parascript special meeting, Parascript urges you to vote by proxy to ensure your vote is counted. You may still attend the Parascript special meeting and vote in person if you have already voted by proxy.

- To vote in person, come to the Parascript special meeting and Parascript will give you a ballot when you arrive.

- To vote using the proxy card, simply mark, sign and date your proxy card and return it promptly in the postage-paid envelope provided. If you return your signed proxy card to Parascript before the Parascript special meeting, Parascript will vote your units as you direct.

All properly executed proxies that are not revoked will be voted at the Parascript special meeting and at any adjournments or postponements of the Parascript special meeting in accordance with the instructions contained in the proxy. If a holder of Parascript units executes and returns a proxy and does not specify otherwise, the shares represented by that proxy will be voted FOR each of the Parascript proposals. If you have questions or requests for assistance in completing and submitting proxy cards, please contact. Ms. Martha Mijango, our Stock Transfer Agent, Mellon Shareholder Services at 213-553-9718 or e-mail at Mijango.m@mellon.

Revocation of Proxy

All properly executed proxies that are not revoked will be voted at the Parascript special meeting as instructed on those proxies. Proxies containing no instructions will be voted in favor of each of the Parascript proposals. A Parascript unitholder who executes and returns a proxy may revoke it at any time before it is voted. A proxy may be revoked by either:

- giving written notice of revocation; or

- executing and returning a new proxy bearing a later date; or

- attending the Parascript special meeting and voting in person.

Revocation of a proxy by written notice or execution of a new proxy bearing a later date should be submitted to Jeff Gilb, President and Chief Executive Officer of Parascript.

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THE MERGER

General

The merger agreement contemplates the merger of Mitek Acquisition Sub LLC, a newly formed and wholly-owned subsidiary of Mitek, with and into Parascript, with Parascript as the surviving company in the merger. The merger agreement provides that the aggregate consideration to be paid to the Parascript unitholders will be (i) $80 million in cash, plus (ii) 51,869,458 shares of Mitek common stock. Certain adjustments will be made to the aggregate consideration for the outstanding units including (i) payments to third parties including Parascript s primary lender, (ii) the advances on distributions made by Parascript to certain unitholders since January 1, 2006, and (iii) a cash contribution to AIS Holdings, LLC. Further, from the shares of Mitek common stock received as consideration, shares having a value of $4 million will be placed in escrow to meet potential indemnification obligations.

For a more complete discussion on the cash and stock consideration, please see The Merger Agreement Consideration on page 72.

Spin-off of AIS

Prior to consummation of the merger, Parascript will spin off its 96% owned subsidiary, Applied Intelligence Solutions, LLC, or AIS, to Parascript s unitholders. To effect this transaction, Parascript will form a new wholly owned subsidiary, AIS Holdings, LLC, a Colorado limited liability company. Parascript will contribute approximately $3,000,000 of the total cash consideration payable to Parascript unitholders to AIS Holdings at the closing. In addition to cash, Parascript will contribute certain liabilities to AIS Holdings, including liabilities resulting from the business and operations of both AIS and Evernote Corporation, a subsidiary of Parascript spun-off to the Parascript preferred unitholders in December 2005. Additional liabilities to be contributed to AIS Holdings will include any liabilities of Parascript related to its loan agreement with Silicon Valley Bank, which is required to be paid in full at closing, as well as certain pre-closing obligations of Parascript to its members and pre-closing obligations under its option plan.

After Parascript has contributed such cash and liabilities, Parascript will distribute the ownership interests in AIS Holdings to the Parascript unitholders on a pro rata basis, based on relative ownership percentage of Parascript on the record date for such distribution. Concurrently with the distribution of AIS Holdings to the Parascript unitholders, the membership interests of AIS, currently held by Parascript (amounting to 96% of the units of AIS) will be contributed to AIS Holdings. After giving effect to these transactions, Parascript s unitholders will own 100% of AIS Holdings, which will in turn hold 96% of the units of AIS. Mitek and the combined company will have no ownership in AIS Holdings, AIS or the assets of AIS.

It is anticipated that the Parascript unitholders who execute the operating agreement for AIS Holdings following the merger will become members of AIS Holdings. It is also anticipated that any Parascript unitholder who does not execute the AIS Holdings operating agreement would only own an economic interest in distributions from, and profits and losses of, AIS Holdings, and would not be a member of AIS Holdings.

Background of the Merger

In May of 2005, James DeBello, Mitek s chief executive officer and Tesfaye Hailemichael, Mitek s chief financial officer, discussed business strategy including possible mergers and acquisitions. They identified companies they believed to be synergistic with Mitek. They identified seven companies including Parascript and agreed to get more information about those companies. Subsequently, they collected publicly available data about those companies and determined Parascript would be the ideal candidate for merger or acquisition. The CEO and CFO also discussed financing alternatives and potential investment bankers.

On May 26, 2005, Mr. Hailemichael made a telephone call to Alan Williamson, chief financial officer of Parascript, and introduced himself.

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On July 25, 2005, Mr. Hailemichael had a meeting with Mr. Williamson at Parascript s headquarters in Boulder, Colorado and discussed strategic relationships between Mitek and Parascript.

On September 29, 2005, Mitek contacted Jerry Anderson of Stephens Inc. about engaging Stephens as Mitek s financial advisor in connection with a potential merger involving Parascript, and signed an advisory agreement with Stephens in connection with a potential business combination with Parascript.

On October 18, 2005, Mr. DeBello, and Jeffrey Gilb, president and chief executive officer of Parascript met in Sunnyvale, California to discuss a possible acquisition of Parascript by Mitek. They discussed the financial services industry environment and Parascript s business in other industries such as postal delivery. They also discussed the trends towards consolidation in the industry. They agreed to discuss the idea of a potential merger with their management and meet again.

On October 19, 2005, the Mitek board of directors held a meeting to discuss a potential merger or acquisition involving Parascript. At this meeting, Mr. DeBello reported his meeting with Mr. Gilb to the board.

On October 25, 2005, Mr. Gilb discussed his meeting with Mr. DeBello with Aron (Ron) Katz, the controlling unitholder of Parascript and a member of the board of directors of Parascript Management, Inc., the manager of Parascript. Mr. Katz and Mr. Gilb agreed to continue the exploratory discussions with Mitek regarding a potential transaction.

Mitek and Parascript executed a mutual non-disclosure agreement on October 27, 2005 and both companies began to exchange financial, business and other information with the other. At such time, Mr. Gilb notified the other members of the board of directors of Parascript Management, Inc. of the initial discussions with Mitek.

On November 16, 2005 a meeting between Mr. DeBello, Mr. Gilb, Mr. Hailemichael and Mr. Anderson was held in Orlando, Florida to discuss a potential business combination between Mitek and Parascript. Mr. Anderson made a presentation to Mr. Gilb discussing alternative transaction structures and the synergies expected to be achieved through the proposed business combination. At the end of the meeting, Mr. Gilb agreed to discuss Mitek s proposal with his management and update Mr. DeBello regarding the outcome of his meeting.

On December 2, 2005, Mitek s board of directors held a telephonic meeting at which Mr. DeBello informed the Mitek board of directors of the November 16th meeting with Mr. Gilb. The Mitek board of directors authorized Mitek s management to continue discussions with Parascript and authorized management to retain Stephens Inc. as its financial advisor for a potential transaction with Parascript. Stephens Inc. was formally engaged on December 7, 2005 to act as exclusive financial advisor to Mitek in connection with the proposed acquisition by Mitek of Parascript.

On December 6, 2005, Mr. DeBello, Mr. Hailemichael and Mr. Anderson met with the board of directors of Parascript Management, Inc., in San Jose, California and discussed a potential transaction between Mitek and Parascript. They discussed the financial services industry, synergies and possible financing for the transaction. No definitive terms were discussed.

The board of Parascript Management, Inc. met on December 13, 2005 to discuss the terms under which a possible transaction with Mitek would be acceptable. The board agreed that continued consideration and discussion of a strategic transaction with Mitek was warranted.

On December 20, 2005, the board of Parascript Management, Inc. met for its year end meeting in Denver, Colorado. The board had open discussions of the proposed transaction with Mitek at this meeting. After the board meeting concluded, Mr. DeBello, Mr. Hailemichael and Mr. Anderson met with the board of directors of Parascript Management, Inc. and discussed terms of a potential business combination between Mitek and Parascript including financing alternatives for the transaction, the structure of the transaction and post-transaction management structure.

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On January 10, 2006, Mr. Katz, Mr. Gilb, Mr. Williamson and Stepan Pachikov, a director of Parascript Management, Inc., met in Manzanillo, Mexico to discuss the ramifications of a transaction with Mitek. The effects on Parascript of becoming a public company, changes in Parascript s management structure and the amount of company debt that may exist upon consummation of a transaction were discussed.

Throughout January 2006, Parascript and Mitek negotiated a non-binding letter of intent, and during such time, both Parascript and Mitek communicated with their respective legal and financial advisors concerning the proposed transaction. On January 26, 2006, Mitek and Parascript formalized their discussions regarding a possible business combination transaction by signing a letter of intent The letter of intent contemplated a purchase by Mitek of substantially all of Parascript s assets in exchange for cash and stock. After giving effect to the proposed transaction, the letter of intent provided that Mitek stockholders would own approximately 25%, Parascript unitholders would own approximately 45%, and Mitek s primary financing source would own up to approximately 30% of the combined company. The letter of intent outlined the structure, tax treatment, consideration, source of funds, ownership, board of directors, management, interim covenants and other customary requirements for the definitive agreement.

Between January 26, 2006 and July 13, 2006, Mitek, Parascript and their respective legal and financial advisors engaged in extensive negotiations regarding the terms of the definitive agreement and the ancillary agreements, and exchanged numerous drafts of these agreements. These discussions included a series of conversations between Mitek, Mitek s legal counsel, Mitek s financial advisors, Parascript senior executives and Parascript s legal counsel regarding financing, employment agreements for senior executives, product integration, employee stock options and planning of the future business relationships with customers and vendors. Mitek and Parascript and their respective advisors reviewed documents maintained in a secure online data room established by Stephens for the purpose of conducting preliminary due diligence. All the necessary disclosure for the definitive agreement was prepared or reviewed by management and outside legal counsel for both Mitek and Parascript.

Stephens, with the assistance of Parascript and Mitek, prepared a confidential offering memorandum to be used in obtaining financing for the proposed transaction. In March 2006, senior management of Mitek and Parascript participated in presentations to approximately 10 potential financing sources, including Plainfield Asset Management.

In May 2006, discussions continued on the definitive agreement, and a number of material issues continued to be outstanding. On May 23, 2006, the board of Parascript Management, Inc. held a telephonic meeting to review the status of the negotiations. The board instructed Mr. Gilb to continue the negotiations only if he could be convinced that the outstanding items could be reconciled. Mr. Gilb agreed to meet with Mitek s management to discuss the open items.

On May 26, 2006, Mitek s board of directors held a telephonic meeting to review the status of the negotiations with Parascript, including updates from Mitek s outside legal counsel, Duane Morris, regarding the material terms of the proposed definitive agreements and material open issues. The board advised Mitek s chief executive officer and chief financial officer to proceed with the negotiation of the definitive agreement.

On May 31, 2006, senior management of Mitek and its legal counsel, Duane Morris, met with Mr. Gilb and Parascript s legal counsel, Davis Graham & Stubbs LLP, in San Diego, California to negotiate terms of the definitive agreement. The parties made significant progress on several of the open items at this meeting.

Mitek s board of directors held a telephonic meeting on June 6, 2006 attended by Mitek s senior management and outside legal and financial advisors. Prior to the meeting the board received an information package which included a fairness opinion from Stephens Inc. and related documents. Senior management and outside legal counsel made presentations on the outcome of final negotiations of the terms of the proposed definitive agreements. Stephens Inc. reviewed with Mitek s board of directors financial analyses prepared in connection with the proposed transaction. A representative of Stephens Inc. also delivered to Mitek s board the

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fairness opinion which was distributed to the board prior to the meeting. Based upon and subject to the various considerations and assumptions described in the opinion Stephens opined that, the purchase price and the exchange ratio was fair, from a financial point of view, to Mitek s stockholders. Following extensive discussions, Mitek s board of directors, by unanimous vote (1) determined that the terms of the purchase agreement and the transaction contemplated by the purchase agreement were advisable, fair to and in the best interests of Mitek and its stockholders, (2) adopted resolutions approving the purchase agreement and the transactions contemplated by the purchase agreement and recommending that Mitek s stockholders adopt the purchase agreement and (3) approved the transactions contemplated by the purchase agreement.

In the next several weeks, Mitek, Parascript and their respective outside legal counsel negotiated the terms of the definitive agreement and related transaction documents.

On June 27, 2006 the board of Parascript Management, Inc. held a telephonic board meeting with legal counsel in attendance to review and discuss the status of the negotiations, the draft transaction documents and to identify remaining issues to be resolved prior to approval of the transaction.

Again on July 7, 2006 the board of Parascript Management, Inc. held a telephonic board meeting with Parascript s legal counsel to review the status of the negotiations, the draft transaction documents and to discuss the progress that had been made since the June 27th meeting. The board also discussed the final issues to be resolved prior to approval of the transaction.

On July 10, 2006 the board of Parascript Management, Inc. held a telephonic board meeting with Parascript s legal counsel in attendance to approve the transaction. Following extensive discussions, including regarding the aggregate purchase price amount, the amount of cash and the number of Mitek shares to be received, the indemnification holdback amount and the indemnification obligations, the board of directors, by unanimous vote (1) determined that the purchase agreement and the transactions contemplated by the purchase agreement were fair to and in the best interests of Parascript and its unitholders, (2) adopted resolutions approving the purchase agreement and recommending that Parascript s unitholders approve the purchase agreement and (3) approved the execution of the purchase agreement.

Mitek and Parascript executed the definitive asset purchase agreement on July 13, 2006. In connection with the execution of the purchase agreement, the Katz Family Limited Partnership, the Pearlman Family Limited Partnership, and the Pachikov Family Limited Partnership entered into a voting agreement and irrevocable proxy with Mitek obligating such entities to, among other things, vote all of their units to approve, authorize and adopt the purchase agreement.

On July 14, 2006, prior to the opening of trading markets in the United States, Mitek and Parascript issued a joint press release announcing the execution of the definitive asset purchase agreement.

On or about July 25, 2006, Parascript s legal counsel contacted Mitek s legal counsel to discuss potential adverse tax consequences to Parascript and its members based on the structure of the transaction. After discussions between Parascript and Mitek and their respective legal advisors, the parties decided to draft and enter into an amended and restated merger agreement, between Mitek, Parascript, a newly formed subsidiary of Mitek, and Parascript Management, Inc., as Parascript s member s representative. Between August 2, 2006 and September 18, 2006, Mitek, Parascript and their respective legal and financial advisors engaged in extensive negotiations regarding the terms of the merger agreement and the ancillary agreements and exchanged numerous drafts of these agreements. The discussions focused on maintaining the transactions on substantially similar terms as those of the asset purchase agreement, but adding to those terms the ability of Parascript to make distributions to its unitholders in the amount of thirty percent of Parascript s taxable income prior to closing.

On August 7, 2006, Mitek formed Mitek Acquisition Sub, LLC, a Wyoming limited liability company, which will merge with and into Parascript in the proposed transaction.

On September 12, 2006, Stephens Inc., at the request of Mitek, updated its fairness opinion to provide that, as of that date, the potential transaction was fair to Mitek s stockholders from a financial point of view.

On September 18, 2006 the board of Parascript Management, Inc. held a telephonic board meeting with Parascript s legal counsel in attendance. The board reviewed the differences between the structure of the transaction as an asset purchase and a merger, as well as the anticipated tax effects on Parascript and its unitholders. The board, by unanimous vote, (1) determined that the merger and the merger agreement and the transactions contemplated in the merger agreement were fair to and in the best interests of Parascript, Parascript Management, Inc. and their respective unitholders, (2) adopted resolutions approving, adopting, ratifying and consenting to, among other things, the merger, the merger agreement and the change in form of the transaction from an asset purchase to a merger and recommending the approval of the merger and the merger agreement by the Parascript unitholders and (3) the execution of the merger agreement. In connection with the execution of the purchase agreement, the Katz Family Limited Partnership, the Pearlman Family Limited Partnership, and the Pachikov Family Limited Partnership entered into a voting agreement and irrevocable proxy with Mitek obligating such entities to, amount other things, vote all of their units to approve, authorize and adopt the purchase agreement.

On September 18, 2006, Parascript and Mitek executed the merger agreement.

On September 22, 2006, Mitek and Parascript issued a joint press release announcing the execution of the merger agreement.

Recommendation of the Board of Directors of Mitek; Reasons for the Merger

The Mitek board of directors has approved the merger agreement, dated as of September 18, 2006, by and among Mitek, Mitek Acquisition Sub, LLC, Parascript and Parascript Management, Inc., as the member representative, and has determined that the merger agreement, the issuance of consideration for the merger, consisting of cash and shares of Mitek common stock, in accordance with the merger agreement, are advisable to the holders of Mitek common stock, and recommends that Mitek stockholders vote FOR approval of the merger agreement and the issuance of shares in accordance with the merger agreement.

In connection with the foregoing actions, the Mitek board of directors consulted with Mitek s management team, as well as Stephens Inc., Mitek s financial advisor, and Duane Morris LLP, Mitek s outside legal counsel, and considered various material factors, which are listed below. In view of the wide variety of factors considered in connection with the acquisition, the board of directors did not consider it practicable to, nor did it attempt to, quantify or otherwise assign relative weights to the specific material factors it considered in reaching its decision.

(a) *Consideration to Be Paid by Mitek*. The Mitek board of directors considered the amount of consideration to be paid by Mitek pursuant to the merger agreement.

(b) *Mitek s Business, Condition and Prospects*. The Mitek board of directors considered information with respect to the financial condition, results of operations and business of Mitek, on both a historical and prospective basis, and current industry, economic and market conditions. In particular, the board of directors considered Mitek s growth opportunities if Mitek continued in its current state of operations compared with the growth opportunities available resulting from the merger.

(c) *Parascript s Business, Condition and Prospects*. The Mitek board of directors considered information with respect to the financial condition, results of operations and business of Parascript, including the due diligence review of Mitek s management and financial and legal advisors regarding Parascript s financial condition and prospects. In particular, Mitek considered Parascript s sound business reputation and strong operating results over recent years.

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(d) *Advice of Mitek Senior Management*. The Mitek board of directors considered the judgment, advice and analyses of Mitek s senior management, including their favorable recommendation of the merger based, in part, on their consideration of current conditions and trends in the industry and their evaluation of the alternative strategic options available to Mitek.

(e) *Potential Price Appreciation of Mitek Common Stock*. The Mitek board of directors considered the recent and historical trading prices of Mitek common stock and the potential for appreciation in the value of Mitek common stock following the merger.

(f) *Opinion of Stephens Inc*. The Mitek board of directors considered the opinion delivered in writing on June 6, 2006 and updated on September 12, 2006, of Stephens Inc., Mitek s financial advisor, to the effect that, as of the date of the opinion and subject to the limitations and assumptions set forth in its opinion, the merger consideration was fair from a financial point of view to Mitek. The board of directors also considered the financial analyses performed by Stephens Inc. in connection with its opinion. See Opinion of Stephens Inc. beginning on page 58.

(g) *Terms of the Merger*. The Mitek board of directors considered the terms and provisions of the merger agreement and related agreements, including the form and amount of consideration and the representations, warranties, covenants, conditions to closing and termination rights contained in those agreements.

(h) *Termination Fee*. The Mitek board of directors considered the termination fee payable in specified circumstances, including the effect the termination fee may have on the ability of other parties to make competing acquisition proposals with respect to Parascript.

(i) *The Likelihood of Completion of the Merger*. The Mitek board of directors considered the likelihood of completion of the merger, such as the terms and conditions of the merger agreement and the conditions to the completion of the merger, including the likelihood of obtaining regulatory approvals.

(j) *Certain Long-Term Interests*. The Mitek board of directors considered the long-term interests of Mitek and its stockholders, as well as the interests of Mitek employees, customers, creditors, suppliers and the communities in which Mitek operates.

(k) *Ownership Interests*. The Mitek board of directors considered the relative ownership interests of Mitek stockholders and Parascript unitholders in Mitek following the merger, based on the shares of Mitek common stock outstanding at approximately the time the merger agreement was executed and based on the potential number of shares of Mitek common stock that may be issued as a result of the merger.

The Mitek board of directors also considered potentially negative factors in its deliberations concerning the acquisition, including, without limitation, the following:

(a) the possibility that the merger would not be completed following the execution of the merger agreement and the risks to the business of Mitek if that were to occur, including the potential loss of customers and/or employees;

(b) the assumption by Mitek of substantially all of Parascript s liabilities, including certain unknown and contingent liabilities;

(c) the possible disruption of Mitek s business pending completion of the merger, including the risk of losing customers and key employees; and

(d) the risk of whether the potential benefits sought in the merger will be fully realized and the risks associated with the integration of the assets of Parascript by Mitek.

The Mitek board of directors concluded that the benefit of the merger to Mitek and its stockholders outweighed the risks associated with the foregoing factors.

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Opinion of Stephens Inc.

Mitek retained Stephens Inc., or Stephens to act as its financial advisor in connection with its proposed merger with Parascript. In its role as financial advisor, Stephens was requested to furnish an opinion as to the fairness, from a financial point of view, of a business combination with Parascript to the Mitek shareholders. The board of directors of Mitek held a meeting to evaluate the proposed transaction with Parascript on June 6, 2006 during which Stephens delivered its opinion that, based upon the facts and circumstances as they existed at that time, and subject to the assumptions made, matters considered and limits of review set forth in the opinion, the proposed transaction was fair from a financial point of view to Mitek shareholders.

Mitek entered into an agreement to acquire substantially all of the assets and related liabilities of Parascript on July 13, 2006. The companies subsequently modified the structure of the transaction from an acquisition of assets to a merger. Stephens was requested by the board of directors of Mitek to furnish an updated opinion as to the fairness, from a financial point of view, of the transaction to Mitek shareholders. Stephens delivered its opinion that, based upon the facts and circumstances as they existed at that time, and subject to the assumptions made, matters considered and limits of review set forth in the opinion, the proposed merger was fair from a financial point of view to Mitek shareholders.

The full text of Stephens written opinion, dated September 12, 2006, which sets forth the assumptions made, general procedures followed, matters considered and limits on the review undertaken, is included as Annex B to this document. The summary of Stephens opinion set forth below is qualified in its entirety by reference to the full text of the opinion. **Mitek shareholders are urged to read Stephens opinion carefully and in its entirety.**

In connection with rendering its opinion, Stephens, among other things:

- analyzed certain publicly available financial statements, reports and other information regarding Mitek and Parascript;
- analyzed certain internal financial statements and other financial and operating data (including financial projections) concerning Mitek and Parascript as well as the amount and timing of the cost savings and related expenses expected to result from the merger prepared by managements of Mitek and Parascript;
- analyzed, on a pro forma basis, the effect of the merger on the combined financial statements of Mitek and Parascript;
- reviewed the reported prices and trading activity for Mitek shares;
- compared the financial performance of Mitek and Parascript and the prices and trading activity of Mitek stock with that of certain other comparable publicly-traded companies and their securities;
- reviewed the financial terms, to the extent publicly available, of certain precedent comparable acquisition transactions;
- reviewed the material terms of the merger and the draft Amended and Restated Agreement and Plan of Merger for the merger between Mitek and Parascript;
- discussed with management of Mitek and Parascript the operations of, risks associated with and future business prospects for Mitek and Parascript each separately on a stand-alone basis and both together on a combined basis as well as the anticipated financial consequences of the merger; and

performed such other analyses and provided such other services as Stephens has deemed appropriate.

Stephens relied on the accuracy and completeness of the information and financial data provided by Mitek and Parascript, and its opinion is based upon such information. Stephens did not independently verify such information or financial data, and Stephens inquired into the reliability of such information and financial data only to the limited extent necessary to provide a reasonable basis for its opinion, with the recognition that

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Stephens is rendering only an informed opinion and not an appraisal or certification of value. With respect to the financial projections prepared by management of Mitek and Parascript, Stephens assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of management of Mitek and Parascript as to the future financial performance of Mitek and Parascript. Stephens opinion is necessarily based upon market, economic and other conditions as they existed and can be evaluated, and on the information made available to them, as of the date of its opinion.

Stephens opinion does not address the merits of the underlying decision by Mitek to engage in the transaction and does not constitute a recommendation to any shareholder as to whether such shareholder should vote in favor of the proposed transaction or any other matter related thereto.

Summary of Analysis

The following is intended as a summary of the sources of information and valuation methodologies employed by Stephens in rendering its opinion. These analyses were presented to the board of directors at its meeting on June 6, 2006 and subsequently updated as of September 12, 2006.

This summary includes the financial analyses used by Stephens and deemed to be material, but does not purport to be a complete description of analyses performed by Stephens in arriving at its opinion. Furthermore, factors such as historical performance of Mitek and Parascript, background of the merger and initiatives contemplated by management to improve operating and financial performance previously discussed with management of Mitek and its board of directors are integral to the opinion rendered by Stephens.

This summary includes information presented in tabular format. In order to understand fully the financial analyses used by Stephens, these tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses.

Because the structure of the merger calls for an exchange of Mitek shares, Stephens analyzed the values of Mitek and Parascript both on a stand-alone basis and on a combined basis. The methodologies for calculating these value ranges are further explained in the sections below. Based on the results of these analyses, Stephens calculated that the expected value to current Mitek shareholders of their value per share of the combined entity would likely be greater than the pre-merger value per share of Mitek.

(In Thousands, Except per Share)	**Mitek Stand-Alone**		**Combined Company**	
	Low	**High**	**Low**	**High**
Total Equity Value	$ 25,248	$ 32,563	$ 151,618	$ 202,989
Fully-Diluted Shares Outstanding		20,748		94,492
Value per Share	**$ 1.22**	**$ 1.57**	**$ 1.61**	**$ 2.15**
Premium to Intrinsic Value			*32.0%*	*36.9%*

Comparable Company Analysis

Stephens compared certain publicly available financial and operating data of selected publicly traded companies engaged in similar or related lines of business to Mitek and Parascript. The selected comparable companies considered by Stephens were:

Business Automation Software

Fair Isaac Corp.

Nuance Communications, Inc.

Cogent Inc.

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Verint Systems Inc.

FileNet Corporation

Orbotech Ltd.

SPSS Inc.

Open Text Corp.

Hummingbird Ltd.

Dicom Group plc

Stellent Inc.

Interwoven Inc.

ReadSoft AB

Captaris Inc.

Docucorp International Inc.

Financial Services Technology

Fidelity National Information Services

Fiserv, Inc.

Jack Henry & Associates, Inc.

Digital Insight Corp.

Open Solutions Inc.

- Online Resources Corp.
- S1 Corporation
- Corillian Corporation
- Carreker Corporation

Stephens calculated various valuation multiples for these comparable companies based on the most recent publicly available information and estimates from selected research reports. With respect to the selected companies, Stephens calculated:

- Enterprise Value, which is the market value of common equity on a fully diluted basis plus net indebtedness (the book value of indebtedness less cash and marketable securities), as a multiple of estimated calendar year 2006 and 2007 revenue and EBITDA; and
- Price per share as a multiple of the estimated calendar year 2006 and 2007 cash earnings per diluted share (earnings per diluted share excluding the impact of purchase amortization and stock-based compensation).

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The results of these analyses are summarized as follows:

Ratio of Enterprise Value to:	Comparable Companies Business Automation Mean	Comparable Companies Financial Services Mean	Parascript Range		Mitek Range		New Parascript Range	
CYE 2006E Revenue	2.4x	2.4x	2.3x	3.3x	2.0x	3.0x	2.5x	3.5x
CYE 2007E Revenue	2.1x	2.1x	2.0x	3.0x	1.8x	2.8x	2.3x	3.3x
CY 2006E EBITDA	12.3x	13.0x	7.5x	9.5x	NM		8.0x	10.0x
CY 2007E EBITDA	10.1x	8.9x	6.5x	8.5x	7.0x	9.0x	7.0x	9.0x
Ratio of Price per Share to:								
CY 2006E Cash Earnings per Diluted Share	21.3x	18.4x					19.0x	22.0x
CY 2007E Cash Earnings per Diluted Share	17.8x	16.3x					17.0x	20.0x

No company utilized in the comparable company analysis is identical to Mitek or Parascript. Accordingly, Stephens analysis of comparable companies involved complex considerations and judgments concerning differences in financial and operational characteristics. Mathematical analysis, such as determining the median, average or range, is not by itself a meaningful method of using comparable transaction data.

Based on this data and our understanding of the relative operating and financial performance of the comparable companies and of Mitek, Parascript and the potential performance for the combined company, Stephens derived an implied value of Mitek s common stock, Parascript s enterprise value and the potential value per share of the combined company.

Stephens analyzed the value per share of Mitek s common stock by using Mitek s expected calendar year 2006 and 2007 revenue and calendar year 2007 EBITDA, applying a range of applicable multiples derived from the comparable company data, subtracting projected net debt at December 31, 2006 and dividing by Mitek s fully-diluted number of shares. Based on the analysis, the average implied value of Mitek s common stock was between $1.04 and $1.42 per share.

Stephens analyzed the implied enterprise value of Parascript by using Parascript s expected calendar year 2006 and 2007 revenue and calendar year 2006 and 2007 EBITDA, applying a range of applicable multiples derived from the comparable company data. Based on the analysis, the average implied enterprise value of Parascript was between $127.0 million and $171.4 million.

Stephens analyzed the potential value per share of the combined company s common stock by using the combined company s expected pro forma calendar year 2006 and 2007 revenue and EBITDA, applying a range of applicable multiples derived from the comparable company data, subtracting projected pro forma net debt at December 31, 2006 and dividing by the combined company s fully-diluted number of shares on an as converted basis. Stephens also analyzed the potential value per share of the combined company s common stock by using the combined company s expected pro forma calendar year 2006 and 2007 cash earnings per share, excluding any potential synergies or cost savings and applying a range of applicable multiples from the comparable company data. Based on the analysis, the implied value of the combined company s common stock was between $1.44 and $1.91 per share.

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Comparable Acquisition Analysis

Stephens reviewed the financial terms, to the extent publicly available, of twenty-nine transactions involving targets in the business automation software and financial service technology industries. The transactions analyzed by Stephens were:

Closing Date	Acquirer	Target
Business Automation Software		
Pending	Open Text Corp.	Hummingbird Ltd.
August 29, 2006	Viisage Technology Inc.	Identix Inc.
April 3, 2006	Business Objects SA	Firstlogic, Inc.
December 30, 2005	EMC Corporation	Captiva Software Corporation
December 27, 2005	Autonomy Corp. Plc.	Verity Inc
April 29, 2005	IBM	Ascential Software Corp
May 28, 2004	Stellent Inc.	Optika Inc.
March 15, 2004	Verity Inc	Cardiff Software Inc.
February 24, 2004	Open Text Corp.	IXOS Software AG
December 18, 2003	EMC Corporation	Documentum Inc.
Financial Services Technology		
May 10, 2006	Management (CEO & Chairman)	iPayment, Inc.
February 6, 2006	Sage Group	Verus Financial Management Inc.
August 13, 2006	Fiserv Inc.	BillMatrix Corporation
July 1, 2005	eFunds Corp.	Wildcard Systems Inc.
April 4, 2005	Harland Financial	Intrieve, Incorporated
March 15, 2005	Equifax	APPRO Systems, Inc.
November 22, 2004	Metavante Corporation	VECTORsgi
November 12, 2004	S1	Mosaic
November 8, 2004	Fidelity National Financial	InterCept, Inc.
October 29, 2004	Open Solutions, Inc.	Datawest Solutions Inc.
July 30, 2004	Metavante Corporation	NYCE
July 9, 2004	Open Solutions	re:Member Data Services
July 1, 2004	Metavante Corporation	Advanced Financial Solutions
May 28, 2004	Fair Isaac	London Bridge
May 28, 2004	Metavante Corporation	Kirchman Corporation
April 20, 2004	Siebel	Eontec
April 14, 2004	Fidelity National Financial	Sanchez Computer Associates

April 7, 2004	Fidelity National Financial	Bankware
March 11, 2004	Fidelity National Financial	Aurum Technology Inc.

No transaction utilized in the comparable acquisition analysis is identical to the transaction contemplated by Mitek. Accordingly, Stephens analysis of comparable transactions involved complex considerations and judgments concerning differences in financial and operational characteristics. Mathematical analysis, such as determining the median, average or range, is not by itself a meaningful method of using comparable transaction data.

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For each of the target companies in the selected transactions, Stephens calculated a multiple of enterprise value to LTM and projected revenue and EBITDA of the target company as of the date that the transaction was announced. The following table sets forth the results of this analysis:

	Comparable Acquisition			
Ratio of Enterprise Value of Target Company to:	**Business Automation Mean**	**Financial Services Mean**	**Parascript Range**	**Mitek Range**
LTM Revenue	3.1x	2.7x	2.0x 3.0x	2.5x 3.5x
NTM Revenue	2.9x	2.4x	1.8x 2.8x	2.3x 3.3x
LTM EBITDA	21.3x	15.1x		NM
NTM EBITDA	14.1x	10.3x	7.0x 9.0x	NM

Based on this data and our understanding of the relative operating and financial performance of the companies and of Mitek and Parascript, Stephens derived an implied value of Mitek s common stock and Parascript s enterprise value.

Stephens analyzed the value per share of Mitek s common stock by using Mitek s LTM and expected calendar year 2006 revenue, applying a range of applicable multiples derived from the comparable acquisition data, subtracting projected net debt at December 31, 2006 and dividing by Mitek s fully-diluted number of shares. Based on the analysis, the average implied value of Mitek s common stock was between $1.03 and $1.37 per share.

Stephens analyzed the implied enterprise value of Parascript by using Parascript s expected calendar year 2006 revenue and EBITDA, applying a range of applicable multiples derived from the comparable acquisition data. Based on the analysis, the average implied enterprise value of Parascript was between $134.5 million and $169.3 million.

Discounted Cash Flow Analysis

Stephens performed a discounted cash flow analysis on Mitek using projections developed by management of Mitek for calendar years 2007 and 2008. Utilizing these projections, Stephens calculated a range of implied prices per share based upon the discounted net present value of the sum of the projected stream of un-levered free cash flows for the years ending December 31, 2007 and December 31, 2008 and a projected terminal value at December 31, 2008. Stephens considered discount rates ranging from 20.0% to 25.0% (based on a weighted average cost of capital analysis). Stephens derived an implied value range of Mitek s common stock of $1.53 to $2.00 per share.

Stephens performed a discounted cash flow analysis on Parascript using projections developed by management of Parascript for calendar years 2007 and 2008. Utilizing these projections, Stephens calculated a range of implied enterprise values based upon the discounted net present value of the sum of the projected stream of un-levered free cash flows for the years ending December 31, 2007 and December 31, 2008 and a projected terminal value at December 31, 2008. Stephens considered discount rates ranging from 15.0% to 20.0% (based on a weighted average cost of capital analysis). Stephens derived an implied enterprise value range for Parascript of $238.6 million to $316.6 million.

Stephens performed a discounted cash flow analysis on the combined company using projections developed by management of Mitek and Parascript for calendar years 2007 and 2008. Utilizing these projections, Stephens calculated a range of implied prices per share based upon the discounted net present value of the sum of the projected stream of un-levered free cash flows for the years ending December 31, 2007 and December 31, 2008 and a projected terminal value at December 31, 2008. Stephens considered discount rates ranging from 12.5% to 17.5% (based on a weighted average cost of capital analysis). Stephens derived an implied value range of the potential combined company s common stock of $2.63 to $3.60 per share.

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Premiums Paid Analysis

Stephens reviewed comparable transactions since September 11, 2003 involving publicly traded companies with Enterprise Values between $15 and $50 million. Stephens calculated the premium paid over the target s share price one day, one week and four weeks prior to announcement of the transaction. The following table presents the mean and median premiums paid for these transactions:

Premiums paid to Target Stock Price:	Mean:	Median:
1 Day Prior to Announcement	34.8%	21.6%
1 Week Prior to Announcement	35.8%	23.0%
4 Weeks Prior to Announcement	42.0%	26.9%

Based on this data and our understanding of the relative operating and financial performance of the companies involved in these comparable transactions and of Mitek, Stephens derived an implied value range of Mitek s common stock of $1.84 to $2.00 per share based upon the closing price per share of Mitek s common stock on September 11, 2006.

Fairness Opinion Methodology

In arriving at its opinion, Stephens did not ascribe a specific range of values to the common stock, but rather made its determination as to the fairness, from a financial point of view, to unaffiliated Mitek shareholders of the Transaction on the basis of financial and comparative analyses. The preparation of a fairness opinion involves various determinations as to the most appropriate and relevant methods of financial and comparative analysis and the application of those methods to the particular circumstances, and therefore, such an opinion is not readily susceptible to summary description. It should be noted, however, that in arriving at its opinion, Stephens did not attribute any particular weight to any analysis or factor considered by it, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. Accordingly, Stephens believes that its analysis must be considered as a whole and that considering any portion of such analyses and factors, without considering all analyses and factors as a whole, could create a misleading or incomplete view of the process underlying its opinion. In its analyses, Stephens made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of Mitek. Neither Mitek, Stephens nor any other person assumes responsibility if future results are materially different from those discussed.

Fees Payable to Stephens

Pursuant to letter agreements between Stephens and Mitek, Mitek agreed to pay Stephens a fee for rendering its opinion. In addition, Mitek has agreed to pay Stephens a financial advisory fee of approximately $3.3 million upon completion of the transaction. Mitek has also agreed to reimburse Stephens for out-of-pocket expenses, including reasonable fees and expenses for its legal counsel. In addition, Mitek has agreed to indemnify Stephens for liabilities or expenses related to, or arising out, of Stephens engagement by Mitek.

As part of Stephens investment banking business, it regularly issues fairness opinions and is continually engaged in the valuation of companies and their securities in connection with business reorganizations, private placements, negotiated underwritings, mergers and acquisitions and valuations for estate, corporate and other purposes. Stephens is familiar with Mitek and regularly provides investment banking services to companies in the business automation software and financial service technology industries and issues periodic research reports regarding the prospects of Mitek s industry as a whole. In the ordinary course of business, Stephens and its affiliates at any time may hold long or short positions, and may trade or otherwise effect transactions as principal or for the accounts of customers, in debt or equity securities or options on securities of Mitek.

Recommendation of the Manager of Parascript; Reasons for the Merger

The board of directors of Parascript Management, Inc., Parascript s manager, has approved the merger agreement, dated as of September 18, 2006 by and among Mitek, Mitek Acquisition Sub, LLC,

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Parascript, and Parascript Management, Inc., and has determined that the merger agreement and the merger in the manner contemplated by the merger agreement is advisable to the holders of Parascript units, and recommends that Parascript unitholders vote FOR approval of the merger agreement and the merger.

In connection with the foregoing actions, the manager of Parascript consulted with Parascript s executive officers, as well as Davis Graham & Stubbs LLP, Parascript s outside legal counsel, and Anton Collins Mitchell LLP, Parascript s independent accountants, and considered various material factors, which are listed below. In view of the wide variety of factors considered in connection with the merger, Parascript s manager did not consider it practicable to, nor did it attempt to, quantify or otherwise assign relative weights to the specific material factors it considered in reaching its decision.

(a) *Consideration to Be Paid by Mitek*. Parascript s manager considered the financial terms of the merger, including the total value of the consideration as well as the allocation of the total consideration to be delivered to the unitholders between cash and Mitek stock. Parascript s manager considered the value to be received by the unitholders of Parascript in the merger in relation to the historical valuations of Parascript and its equity interests.

(b) *Liquidity of Mitek Common Stock*. Parascript s manager considered the opportunity of unitholders of Parascript to become stockholders of a larger combined software company with liquidity in its common stock.

(c) *Mitek s and Parascript s, Business, Condition and Prospects*. Parascript s manager considered information concerning the business, financial condition, results of operations and prospects of Parascript and Mitek as a combined company. The manager evaluated the anticipated technological and operational synergies as a result of the proposed transaction as well as the growth opportunities and financing alternatives that may be available to the combined company.

(d) *Terms of the Merger*. Parascript s manager considered all of the terms and conditions of the merger agreement and the related exhibits as reviewed with Parascript s legal advisors and senior executive officers.

(e) *Potential Price Appreciation of Mitek Common Stock*. Parascript s manager considered the recent and historical trading prices of Mitek common stock and the potential for appreciation in the value of Mitek common stock following the merger.

(f) *Anticipated Benefits*. Parascript s manager considered the anticipated benefits to the employees, suppliers, customers, and creditors of Parascript and the communities in which Parascript operates as a result of the merger due to based on the financial condition, operating history and prospects of Mitek and Parascript as a combined company following the merger.

(g) *The Likelihood of Completion of the Merger*. Parascript s manager considered the absence of any apparent regulatory or other impediments to the proposed acquisition and an assessment of the likelihood that the proposed acquisition would be consummated.

(h) *Strategic Alternatives*. Parascript s manager considered strategic alternatives for Parascript, including remaining independent with internal growth or growth through acquisitions and possible alternative partners.

(i) *Ownership Interests*. Parascript s manager considered the relative ownership interests of Mitek stockholders and Parascript unitholders in Mitek following the merger. Parascript s manager evaluated the shares of Mitek common stock outstanding at approximately the time the merger agreement was executed and the number of shares of Mitek common stock that are anticipated to be issued to Parascript unitholders in the merger.

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Interests of Certain Persons in the Merger

In considering the recommendation of Mitek s Board of Directors with respect to the Mitek proposals, Mitek stockholders should be aware that executive officers and directors of Mitek may have interests in the merger that are or may be different from, or in addition to, other Mitek stockholders interests. These interests include:

- employment agreements between certain Mitek officers and Mitek which become effective on the closing date;
- the grant to Mr. DeBello upon completion of the merger, of options to purchase shares of approximately 3% of the combined company s then outstanding and fully diluted shares of common stock; and
- the grant to Mr. Hailemichael upon completion of the merger, of options to purchase shares of approximately 1% of the combined company s then outstanding and fully diluted shares of common stock.

In considering the recommendation of Parascript s manager with respect to the merger and the merger agreement, Parascript unitholders should be aware that executive officers of Parascript and director s of Parascript s manager have interests in the merger that are or may be different from, or in addition to, other Parascript unitholders interests. These interests include:

- the designation of certain officers of Parascript as officers of Mitek upon completion of the merger and employment agreements between such officers and Mitek which become effective on the closing date;
- the grant to Mr. Gilb upon completion of the merger, of options to purchase shares of approximately 3% of the combined company s then outstanding and fully diluted shares of common stock;
- the grant to Mr. Filatov upon completion of the merger, of options to purchase shares of approximately 2% of the combined company s then outstanding and fully diluted shares of common stock;
- the acquisition by Plainfield of 6,670,000 shares for an aggregate of $5 million from the Katz Family Limited Partnership as part of the merger and related transactions which will be registered by Mitek with other shares issuable to Plainfield; and
- the appointment of Aron B. Katz, chairman of the board of directors of the manager of Parascript, and Jeffrey Gilb, president and chief executive officer of Parascript, to the board of directors of Mitek upon completion of the merger.

Resale of Mitek Common Stock

The shares of Mitek common stock issued to Parascript unitholders in connection with the merger will have been registered under the Securities Act. These shares may be freely traded without restriction by those Parascript unitholders who are not deemed to be affiliates, as that term is defined under the Securities Act, of Parascript prior to the merger. The shares of Mitek common stock received by Parascript unitholders who are deemed to be affiliates of Parascript may be resold as permitted by Rule 144 under the Securities Act or as otherwise permitted under the Securities Act. Persons who are affiliates of Parascript generally include individuals or entities that control, are controlled by, or are under common control with, Parascript and may include certain officers and directors of the manager of Parascript as well as principal unitholders of Parascript. Pursuant to the terms of the merger agreement, Parascript is required to use its commercially reasonable efforts to cause each person who it believes to be an affiliate of Parascript to deliver to Mitek, at or prior to the closing date of the merger, a written agreement to the effect that these affiliates will not offer or sell or otherwise dispose of any of the shares of Mitek common stock issued to him, her or it in connection with the merger in violation of the Securities Act or the rules and regulations promulgated by the SEC under the Securities Act.

Accounting Treatment

The merger will be accounted for as a reverse acquisition using the purchase method of accounting under generally accepted accounting principles. Although Mitek is the acquirer, Parascript will be treated as the

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acquiring company for accounting purposes in accordance with Statement of Financial Accounting Standards (SFAS) No. 141, Business Combinations. The factors influencing this accounting treatment include:

- Holders of Parascript s units will control a majority of the voting rights and receive approximately 55% of the common stock of the company on a fully-diluted basis, and assuming full conversion of the Plainfield debt;
- Parascript s business represents the larger market capitalization and revenues of the combined company;
- A current director of Parascript will be the Chairman of the combined company ;
- A director, and the President and Chief Operating Officer of the combined company will be the current CEO of Parascript;
- The Board of Directors of the combined company will be comprised of seven members, two from the current Mitek board, two from the current board of directors of Parascript s manager, Parascript Management, Inc., and three independent directors; and
- The CEO and CFO of Mitek will become CEO and CFO of the combined company.

Under the purchase method of accounting, the estimated purchase price of Mitek will be the fair value of all its assets acquired and liabilities assumed and the amount of direct incremental transaction costs incurred by Parascript and associated with the business combination. The fair value was determined based on Mitek common stock on the OTC for one business day prior to the signing of the definitive agreement or announcement of the business combination, July 12, 2006 and subsequently revised to the execution of the merger agreement on September 18, 2006.

The purchase price will then be allocated to the tangible and identifiable intangible assets acquired and liabilities assumed on the basis of their fair values at the date of the completion of the combination. To the extent that the estimated fair value of net assets acquired exceeds the estimated purchase price, the estimated fair values of long-lived assets and identifiable intangible assets would be proportionately reduced for purchase accounting purposes. After such reduction in values and in accordance with SFAS 141, Business Combinations any remaining excess would be recorded as extraordinary gain in Parascript s statement of operations upon consummation of the business combination.

The allocation of the purchase price is preliminary, and given Mitek s historical consumption of its working capital and the ultimate resolution of certain matters mentioned in the introduction to the unaudited pro forma condensed combined financial statements, the purchase price allocation will remain preliminary until Mitek completes a final third party valuation of identifiable intangible assets acquired, evaluates integration plans to be implemented in conjunction with the business combination, and determines the fair values of other assets acquired and liabilities assumed at the closing date. The final determination of the purchase price allocation is expected to be completed as soon as practicable after consummation of the business combination. The final amounts allocated to assets and liabilities acquired could be materially different from the amounts presented in the unaudited pro forma condensed combined financial statements.

Certain United States Federal Income Tax Consequences

The following is a summary of material U.S. federal income tax considerations of the merger and related transactions that are applicable to unitholders in Parascript. This discussion is based upon current provisions of the Internal Revenue Code of 1986, as amended, or the Code, existing and proposed regulations and current administrative rulings and court decisions, all of which are subject to change, possibly with retroactive effect. Changes in these authorities may cause the tax consequences to vary substantially from the consequences described below. This discussion does not address the tax consequences under any state, local or foreign tax laws.

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This summary does not purport to deal with all of the U.S. federal income tax consequences applicable to Parascript s unitholders, some of whom may be subject to special rules, including, without limitation, unitholders who are dealers in securities or currencies, financial institutions or financial services entities, life insurance companies, tax-exempt organizations, unitholders of interests held as part of a straddle, hedge, constructive sale or conversion transaction with other investments, U.S. persons whose functional currency is not the U.S. dollar, persons who have elected mark to market accounting, persons who have not acquired their membership interests upon original issuance, persons who hold their interest through a partnership or other entity which is a pass-through entity for U.S. federal income tax purposes, nonresident aliens present in the United States for 183 days or more during the taxable year, persons who have received their units in connection with the performance of services, or persons for whom an interest is not a capital asset.

The tax consequences of the acquisition to unitholders will vary depending upon each unitholder s individual circumstances and the U.S. federal tax principles applicable thereto. No advance rulings have been or will be sought from the Internal Revenue Service (the IRS) regarding any matter discussed in this joint proxy statement/prospectus.

THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER (INCLUDING FOR FOREIGN UNITHOLDERS) ARE COMPLEX AND UNITHOLDERS ARE URGED TO CONSULT WITH, AND DEPEND UPON, THEIR OWN TAX ADVISOR IN ANALYZING THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES PARTICULAR TO IT OF THE MERGER.

This discussion addresses material federal income tax aspects of the merger and related transactions both for U.S. unitholders and foreign unitholders. As used herein, the term U.S. unitholder means any person who holds Parascript units, acquires Mitek shares in the merger or receives common units in AIS Holdings prior to the merger, as applicable, and who is a U.S. person. The term U.S. person means a person that is for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any state thereof (including the District of Columbia);
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- trust, if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons control all of the substantial decisions of the trust.

As used herein, the term foreign unitholder means any person who is not a U.S. unitholder, as defined above, and who holds Parascript units, acquires Mitek shares in the merger or receives common units in AIS Holdings prior to the merger.

Consequences of Merger

Consequences for U.S. Unitholders. For United States federal income tax purposes, we anticipate that the merger will be treated for U.S. unitholders as a taxable disposition of membership units. Gain or loss will be recognized on a sale of units equal to the difference between the amount realized and the U.S. unitholder s tax basis for the units sold. The amount realized will equal the merger consideration payable to such U.S. unitholder (including both the amount of cash and the fair market value of Mitek shares payable to the U.S. unitholder, and, as discussed below, an amount of cash contributed to AIS Holdings on behalf of the U.S unitholder) plus the U.S. unitholder s share of Parascript s liabilities. The fair market value of Mitek shares payable to a U.S. unitholder may or may not differ from the trading value of those shares at the time of the merger, depending upon each U.S. unitholder s own circumstances, taking into account restrictions, if any, on the U.S. unitholder s ability to sell the shares, and the U.S. unitholder s degree of control of Mitek, if any. **U.S. UNITHOLDERS SHOULD CONSULT**

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THEIR OWN ADVISORS CONCERNING THE FAIR MARKET VALUE OF THE MITEK SHARES PAYABLE TO THEM IN THE MERGER. A U.S. unitholder s tax basis for its units generally will be the amount paid or contributed to Parascript in exchange for the units (i) increased by the U.S. unitholder s share of the Parascript s liabilities and income of Parascript allocated to the U.S. unitholder and (ii) decreased by distributions made to the U.S. unitholder and losses of Parascript allocated to the U.S. unitholder. A U.S. unitholder s tax basis for its units will be reduced as a result of the distribution by Parascript immediately prior to the merger of its interest in AIS Holdings. See Pre-Merger Distribution by Parascript to its Unitholders of AIS Holdings Common Units, below.

Mitek will contribute approximately $3 million of the merger consideration, or such lesser portion of the merger consideration as determined by Parascript, to AIS Holdings as a capital contribution on behalf of the Parascript unitholders. See Consideration to be Paid to Parascript Unitholders in the Merger AIS Adjustment. Each U.S. unitholder s amount realized on the merger will include the U.S. unitholder s allocable share, based on the percentage of outstanding Parascript units that are owned by the U.S. unitholder, of this contribution. Accordingly, each U.S. unitholder will be taxable on the U.S. unitholder s share of this contribution even though the U.S. unitholder will not receive this amount in cash.

Except as noted below, gain or loss recognized on the merger will generally be taxable to a U.S. unitholder as capital gain or loss. However, a portion of this gain or loss will be separately computed and taxed as ordinary income or loss under Section 751 of the Code to the extent attributable to assets giving rise to depreciation recapture or other unrealized receivables or to inventory items owned by Parascript immediately prior to the merger. The term unrealized receivables includes potential recapture items, including depreciation. Mitek and Parascript anticipate that the bulk of any gain realized by the U.S. unitholders will consist of capital gain. Any such capital gain will be short-term capital gain for a U.S. unitholder whose units have been held for one year or less at the time of the merger, and will be long-term capital gain to a U.S. unitholder whose units have been held for more than one year at the time of the merger. See Taxation of Capital Gain and Ordinary Income.

The IRS might attempt to recharacterize the merger as, in substance, a sale of assets by Parascript to Mitek. Such a recharacterization, if successful, could cause U.S. unitholders to recognize ordinary income rather than capital gain with respect to the merger. Under relevant existing authority, including administrative guidance issued by the IRS, the IRS would be unlikely to prevail in such a challenge. However, in the absence of authority that is directly on point, the matter is not free from doubt. The remainder of this discussion assumes that the merger will not be recharacterized in this manner.

A U.S. unitholder may defer recognition of a portion of any gain on the merger attributable to the escrowed Mitek shares pursuant to the installment method until the time the escrow is released and consideration is issued, unless the unitholder elects out of the installment method. The availability of the installment method to account for gain on the Merger is not free from doubt. The installment method is not applicable with respect to certain categories of income or gain or to losses. If a U.S. unitholder reports under the installment method, recovery of a portion of the U.S. unitholder s adjusted basis in the units of Parascript will be deferred. While not free from doubt, the portion of a U.S. unitholder s adjusted basis the recovery of which would be deferred under the installment method may be determined by the fair market value of the U.S. unitholder s allocable share of the escrowed shares as compared with the total amount of consideration payable to the U.S. unitholder in the merger. A U.S. unitholder who reports under the installment method would be subject to the special interest charge rules imposed by Section 453A of the Code to the extent the U.S. unitholder holds at the close of the year of the acquisition installment obligations that have face amounts in excess of $5 million in the aggregate.

If a U.S. unitholder elects out of the installment method for the escrowed Mitek shares and does not report under the open transaction method (discussed below), the U.S. unitholder would include the fair market value of the U.S. unitholder s allocable share of the escrowed shares as part of the merger consideration in calculating taxable gain or loss on the merger. Such a U.S. unitholder would recognize additional gain or loss when shares are payable from the escrow, based on the difference between the fair market value of the shares then payable

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and the fair market value of the escrowed shares at the time of the merger. Such additional gain or loss will either be short-term capital gain or loss or ordinary income. A U.S. unitholder who elects out of the installment method and reports under the open transaction method would recover the U.S. unitholder s entire adjusted basis in the units in the year of the merger, and would report gain with respect to the escrowed shares only when and as they are payable. However, the open transaction method of reporting will be available only if the fair market value of the escrowed shares is not reasonably ascertainable at the time of the merger. The IRS takes the position that open transaction treatment is available only in rare and extraordinary circumstances. It is uncertain whether open transaction treatment would be available for the escrowed shares. **UNITHOLDERS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS CONCERNING THE TAX CONSEQUENCES OF REPORTING UNDER THE INSTALLMENT METHOD AND THE CONSEQUENCES OF ELECTING OUT OF THE INSTALLMENT METHOD OF REPORTING WITH RESPECT TO THE ESCROWED SHARES.**

A U.S. unitholder s basis in the Mitek shares received in the merger will be equal to their fair market value on the day that they are payable. A U.S. unitholder s holding period in Mitek shares received in the merger will begin on the date of the merger.

Consequences for Foreign Unitholders. Under the position of the IRS in Revenue Ruling 1991-32, 1991-1 C.B. 107, income and gain recognized on the merger by a foreign unitholder will generally be treated as effectively connected with a U.S. trade or business and will be subject to U.S. income tax, to the extent such income and gain is attributable to Parascript s U.S. trade or business. Gain recognized on the merger by foreign unitholders will generally be determined in the same manner as for U.S. unitholders, and will consist of short-term or long-term capital gain and ordinary income, as discussed under *Consequences for U.S. Unitholders* . Any such taxable gain will be taxed at rates that apply to the effectively connected income nonresident individuals, foreign corporations, foreign estates or foreign trusts, as applicable. See ***Taxation of Capital Gain and Ordinary Income.*** A foreign unitholder that is taxable as a corporation for U.S. federal income tax purposes also may be liable for a U.S. branch tax on gain recognized on the merger at a rate of 30% or other lower treaty rate.

A foreign unitholder who recognizes taxable gain on the merger may report the escrowed Mitek shares under the installment method, or may elect out of the installment method, as discussed under Consequences for U.S. Unitholders.

Ownership of Mitek Shares by a Foreign Holder

A holder of Mitek shares who is not a U.S. person will not be subject to U.S. federal income tax with respect to gain or loss recognized in a subsequent sale or other disposition of the Mitek shares, unless such holder is engaged in the conduct of a trade or business in the United States and the gain or loss is effectively connected with that trade or business.

Pre-Merger Distribution by Parascript to its Unitholders of AIS Holdings Common Units

Prior to the Merger, Parascript will distribute all of its common units in AIS Holdings to its unitholders. See *The Merger Spin-off of AIS*. Prior to that distribution, AIS Holdings is a Colorado limited liability company and a wholly-owned subsidiary of Parascript. AIS Holdings will own 96% of the outstanding units in Applied Intelligence Solutions, LLC. For federal income tax purposes, AIS Holdings currently is considered a disregarded entity for so long as it is wholly owned by Parascript and (during that period) all of its assets and liabilities are treated as held directly by Parascript.

This discussion of U.S. income tax aspects of the distribution of AIS Holdings common units generally applies to both U.S. Unitholders and Foreign Unitholders.

The distribution by Parascript of AIS Holdings common units should not result in the recognition of taxable gain or loss to the Parascript unitholders, Parascript or AIS Holdings. Rather, the distribution should be treated

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for U.S. income tax purposes as a tax-free contribution by Parascript of its interests in Applied Intelligence Solutions, LLC, to a partnership, followed by a tax-free distribution of interests in that partnership to Parascript unitholders.

Each Parascript unitholder s holding period in AIS Holdings common units received in the distribution will be bifurcated into the following two portions: (1) a fraction of the unit where the numerator equals $3 million and the denominator equals the total value of the AIS common units (New Holding Period Portion); and (2) the remainder of the unit (Old Holding Period Portion). Each Parascript unitholder s holding period related to the New Holding Period Portion will begin on the date that Mitek makes the $3 million capital contribution on behalf of the Parascript unitholders. Each Parascript unitholder s holding period in the Old Holding Period Portion will include Parascipt s holding period with respect to the AIS Holdings units (which, in turn, included Parascript s holding period with respect to the AIS interests). Each Parascript unitholder s basis in the AIS Holdings common units received by such unitholder in the distribution will be equal to the lesser of: (1) Parascript s adjusted basis immediately before the distribution in the distributed AIS Holdings common units; or (2) the Parascript unitholder s adjusted basis immediately before the distribution in its Parascript units. A Parascript unitholder s basis in AIS Holdings common units will also be increased by the unitholder s share of the merger consideration that is contributed by Mitek on behalf of the Parascript unitholders to AIS Holdings as a contribution to capital. See Consideration to be Paid to Parascript Unitholders in the Merger AIS Adjustment.

As a result of the distribution, the basis of each Parascript unitholder in units of Parascript will be reduced by the amount of the unitholder s basis in the AIS Holdings common units received in the distribution. This reduction in basis will likely result in an increased amount of gain recognized with respect to the Merger.

Ownership of AIS Holdings Common Units

Considerations Applicable to both U.S. Unitholders and Foreign Unitholders. AIS Holdings will be treated as a partnership for federal income tax purposes following the distribution by Parascript of AIS Holdings common units.

It is anticipated that the Parascript unitholders who execute the operating agreement for AIS Holdings following the merger will become members of AIS Holdings. Any unitholder who does not execute the AIS Holdings operating agreement will only own an economic interest in distributions from, and profits and losses of, AIS Holdings, and will not be a member of AIS Holdings. See The Merger Spin-off of AIS This discussion applies generally to holders of AIS Holdings common units whether or not they elect to become members of AIS Holdings.

Holders of AIS Holdings common units will be treated as partners in AIS Holdings for federal income tax purposes. As a partnership for federal income tax purposes, AIS Holdings will not be taxable on its items of income, gain, loss and deduction. Instead, those items will pass-through to, and must be separately reported by, holders of the units of AIS Holdings. Each holder of AIS Holdings common units will receive a Form K-1 from AIS Holdings after the end of each taxable year that sets forth the holder s allocable share of income, gain, loss, deduction and credit from AIS Holdings for the year, as determined by the Operating Agreement for AIS Holdings, LLC. Each holder of AIS Holdings common units must report tax items of AIS Holdings on its separate income tax return in a manner consistent with the treatment of those items on AIS Holdings return or else file a statement identifying the inconsistency with their return.

A holder of AIS Holdings common units will not generally be taxable on cash distributions received from AIS Holdings except to the extent that those distributions exceed the holder s adjusted basis in the common units. Any excess of the holder s cash distributions over the holder s adjusted basis will be treated as gain on the sale of common units. A reduction in a holder s share of indebtedness of AIS Holdings will be treated as a cash distribution for tax purposes. A holder s share of taxable income of AIS Holdings may exceed distributions received from AIS Holdings and may be insufficient to fund income taxes due on income allocated to the holder.

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A holder of AIS Holdings common units may be unable to deduct all or a portion of the holder s allocable share of any losses incurred by AIS Holdings under certain loss limitation provisions of the Code, including the passive activity loss limitation and the at risk limitation. In addition, a holder of AIS Holdings common units may not claim losses from AIS Holding to the extent that the losses exceed the holder s adjusted basis in the common units. In general, losses that a holder may not deduct currently under any one of these limitations will carry forward to future taxable years subject to the same limitation.

If AIS Holdings were to sell its assets in a taxable sale, a holder of common units in AIS holdings would recognize the holder s allocable share of gains and losses from the sale. Any such gains or losses may be long-term and/or short-term capital gains or losses in part and ordinary in part.

A holder who sells AIS Holdings common units in a taxable sale will recognize gain or loss on the sale, which also may be capital in part and ordinary in part. Any such capital gains or losses will be long-term capital gains or losses if the holder s holding period in the common units sold exceeds one year at the time of the sale.

The IRS could audit AIS Holdings, and any such audit could result in an adjustment to a holder s allocable share of AIS Holdings tax items. AIS Holdings will have a tax matters member who will represent AIS Holdings in any IRS audit. Holders will have certain rights to participate in such an audit or to appeal determinations of the IRS reached in the audit. Any adjustments to a partnership item made in the audit of AIS Holdings would result in corresponding adjustments to the separate income tax returns of holders of common units. An audit of AIS Holdings could result in a holder being audited.

Special Considerations for Foreign Unitholders. A foreign unitholder s allocable share of AIS Holdings taxable income (net of allocable deductions) generally will be treated as income that is effectively connected with a U.S. trade or business (effectively connected income), and will be subject to U.S. income tax, to the extent that income has a U.S. source,. Any such income will be taxed at rates that apply to nonresident individuals, foreign corporations, foreign estates or foreign trusts, as applicable. See Taxation of Capital Gain and Ordinary Income. A foreign unitholder generally will be required to file an annual U.S. income tax return and report the foreign unitholder s allocable share of effectively connected income of AIS Holdings. A foreign unitholder that is taxable as a corporation for U.S. federal income tax purposes also may be liable for a U.S. branch tax on the foreign unitholders share of effectively connected at a rate of 30% or lower treaty rate.

Under the Code, AIS Holdings will be required to withhold and pay over to the U.S. Treasury Department a tax, based on maximum marginal tax rates on each foreign unitholder s allocable share of effectively connected income of AIS Holdings. The amount that must be withheld and paid over to the IRS is determined without regard to whether a foreign unitholder has other effectively connected losses or a net operating loss carryforward. Any amount withheld and paid over to the IRS with respect to a foreign unitholder will be credited against the foreign unitholder s U.S. tax liability. A foreign unitholder will be entitled to apply for and receive a refund of any amount withheld and paid over to the IRS in excess of the foreign unitholder s actual U.S. tax liability.

If AIS Holdings recognizes U.S. source interest income that is not treated as effectively connected with a U.S. trade or business, a foreign unitholder generally will be taxable at a flat 30% tax rate on the foreign unitholder s allocable share of that income (determined without deductions). This rate may be reduced or eliminated if the foreign unitholder qualifies for benefits under an applicable U.S. income tax treaty.

If a foreign unitholder were to sell AIS Holdings common units, any gains and income resulting from that sale generally would be subject to U.S. income tax to the extent attributable to the sale of a U.S. trade or business, under the position of the IRS in Revenue Ruling 1991-32, 1991-1 C.B. 107. Any such taxable gain would generally consist of capital gain and/or ordinary income, and any such capital gain will be long term capital gain if the foreign unitholder s holding period in the common units sold exceeded one year. Any such taxable gain will be taxed at rates that apply to the effectively connected income of nonresident individuals, foreign corporations, foreign estates or foreign trusts, as applicable. See Taxation of Capital Gain and Ordinary Income.

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Taxation of Capital Gain and Ordinary Income

The maximum federal income tax rate applicable to long-term capital gains of individual taxpayers, trusts and estates is currently 15%. Short-term capital gains and ordinary income are subject to maximum federal income tax rates of 35%. Corporations are subject to a maximum federal income tax rate of 35% for both capital gains and ordinary income. These rates generally apply both to U.S. unitholders and to the effectively connected income of foreign unitholders.

Information Reporting and Backup Withholding

U.S. unitholders may be subject to information reporting and may be subject to backup withholding (currently at a rate of 28%) on the proceeds from the merger paid within the United States. Backup withholding will generally not apply, however, to a U.S. unitholder who:

- furnishes a correct taxpayer identification number and certifies that the U.S. unitholder is not subject to backup withholding on IRS Form W-9 (or substitute form); or

- is otherwise exempt from backup withholding.

In general, a foreign unitholder may be subject to information reporting and backup withholding unless the foreign unitholder establishes an exemption from information reporting and backup withholding by certifying the foreign unitholders s non-U.S. status on Form W 8BEN.

Backup withholding is not an additional tax. Any amounts withheld from a payment to a holder under the backup withholding rules may be credited against the holder s U.S. federal income tax liability, and a holder may obtain a refund of any excess amounts withheld by filing the appropriate claim for refund with the IRS in a timely manner.

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THE MERGER AGREEMENT

The following is a summary of the material provisions of the merger agreement. This summary is qualified in its entirety by reference to the merger agreement, which is incorporated by reference in its entirety and attached to this joint proxy statement/prospectus as Annex A. We urge you to read the merger agreement in its entirety.

General

On September 18, 2006, Mitek and Mitek Acquisition Sub, LLC, a wholly-owned subsidiary of Mitek formed for the specific purpose of this transaction, entered into an amended and restated merger agreement with Parascript and Parascript Management, Inc., as the member representative. Pursuant to this merger agreement, Mitek Acquisition Sub, LLC will merge with and into Parascript, with Parascript surviving as a wholly-owned subsidiary of Mitek.

Consideration

Merger Consideration Payable to Holders of Parascript Preferred and Common Units and Options.

The merger agreement provides that the aggregate consideration to be paid to Parascript s unitholders in the merger will be (i) approximately $80 million in cash subject to adjustment as described below, plus (ii) 51,869,458 shares of Mitek s common stock initially valued at $4 million will be placed into escrow to secure Parascript s indemnification obligations to Mitek under the merger agreement. For purposes of determining the amount of Mitek common stock that will be placed into escrow, the Mitek common stock will be valued at the average closing price for the 10 days prior to closing of the merger, as reported on the OTC Bulletin Board. Shares remaining in escrow after one year will be released, unless a claim for indemnification is made by Mitek prior to one year, in which case the shares remaining in escrow, if any, will be released upon satisfaction of the claim from the escrow.

The merger consideration is subject to various adjustments set forth below.

AIS Adjustment: The total cash consideration payable to Parascript unitholders will be reduced by approximately $3,000,000 which will be contributed to a Parascript subsidiary, AIS Holdings, LLC at the closing. At the closing, the interests of AIS Holdings will be distributed to the Parascript unitholders on a pro rata basis, based on their relative ownership percentage of Parascript on the record date for such distribution. Concurrently with the distribution of AIS Holdings to the Parascript unitholders, the unit interests of Applied Intelligence Solutions, LLC currently held by Parascript (approximately 96% of the units of Applied Intelligence Solutions) will be contributed to AIS Holdings.

Parascript Payments Adjustment: The total cash consideration payable to Parascript unitholders will be reduced by (i) the payoff, in full, of all outstanding principal and interest owed by Parascript to Silicon Valley Bank under certain loan agreements ($1,150,000 as of November 4, 2006); (ii) the payment of $50,000 to Parascript Management, Inc. to be used in its capacity as member representative under the terms of the merger agreement; and (iii) the payment of applicable withholding taxes required to be paid by Merger Sub or Parascript in connection with the merger.

Preferred Distribution to Preferred Unitholders and Preferred Optionholders: From the cash consideration remaining after the above-described adjustments, $44,415,000 will be distributed to the preferred unitholders and preferred optionholders of Parascript on a fully-diluted, as converted basis pursuant to the terms of the preferred units and preferred options.

Remaining Distribution to Preferred Unitholders, Preferred Optionholders and Common Unitholders: The remainder of the cash consideration will be distributed to the preferred unitholders, preferred optionholders and common unitholders on a fully-diluted as converted basis, adjusted as described below.

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Any unitholder who received an advance distribution of net income from Parascript since January 1, 2006, will have such unitholder s cash consideration reduced by the amount of such advances. The total amount of such advance distributions is approximately $3,600,000 as of October 31, 2006. This amount is expected to be increased approximately $360,000 per month until the closing of the merger. The aggregate amount of consideration held back due to the advance distributions will be distributed to all unitholders pro rata on a fully-diluted, as converted basis.

Representations and Warranties

The merger agreement contains various customary representations and warranties by Parascript relating to, among other things:

- organization, valid existence, good standing and similar matters;
- authorization, execution, delivery, performance and enforceability of the merger agreement;
- Parascript s capital structure;
- the absence of any breach or conflict with Parascript s governing documents or member and manager resolutions, with any material contract to which Parascript is a party, with any order applicable to Parascript or with any applicable law;
- the absence of any conflict or violation of any requirements of any governmental body or the terms of any governmental authorization or the imposition of any material encumbrance on Parascript s assets;
- the absence of any notice, consent, waiver, approval, permit or authorization required to be given or obtained under any material Parascript contract;
- the delivery of certain of Parascript s financial statements and the accuracy, in all material respects, of Parascript s financial statements in addition to their fair presentation of financial results and condition and conformity with generally accepted accounting principles;
- the accuracy of the books and records of Parascript;
- the absence of undisclosed liabilities;
- good title and condition of the assets of Parascript and the sufficiency of these assets to conduct its business;
- no material adverse change;
- tax matters;

real property interests;

employee matters;

absence of certain changes and events;

ownership and validity of intellectual property rights;

material contracts;

labor matters and employee benefit plans;

the absence of pending or threatened litigation;

compliance with all applicable legal requirements and governmental authorizations;

possession of all material permits required for the operation of the business;

insurance;

accounts receivable;

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- related party transactions;
- finder s and broker s fees related to the transaction;
- the accuracy of information supplied by Parascript and included in this joint proxy statement/prospectus; and
- absence of misleading or untrue statements of a material fact.

The merger agreement also contains various representations and warranties of Mitek relating to, among other things:

- organization, valid existence, good standing and similar corporate matters;
- authorization, execution, delivery, performance and enforceability of the merger agreement;
- employee matters;
- absence of certain changes and events;
- Mitek s capital structure;
- the absence of any breach or conflict with Mitek s certificate of incorporation, bylaws or corporate resolutions, with any material contract to which Mitek is a party, with any order applicable to Mitek or with any applicable law;
- the absence of any conflict or violation of any requirement of any governmental body or the terms of any governmental authorization or the imposition of any material encumbrance on Mitek s assets;
- the absence of any notice, consent, waiver, approval, permit or authorization required to be obtained under any material Mitek contract;
- accuracy, in all material respects, of Mitek s financial statements, in addition to their fair presentation of financial results and condition and conforming with generally accepted accounting principles;
- the accuracy of the books and records of Mitek;
- the absence of undisclosed liabilities;

good title and condition of the assets of Mitek and the sufficiency of these assets to conduct its business;

no material adverse change;

tax matters;

real property interests;

ownership and validity of intellectual property rights;

material contracts;

labor matters and employee benefit plans;

the absence of pending or threatened litigation;

compliance with all legal requirements and governmental authorizations;

possession of all material permits required for the operation of the business;

insurance;

accounts receivable;

related party transactions;

finder s and broker s fees related to the transaction;

Mitek s SEC filings;

- delisting from NASDAQ and ability to relist on NASDAQ;
- the accuracy of information supplied by Mitek and included in this joint proxy statement/prospectus; and
- absence of misleading or untrue statements of a material fact.

Covenants

Mutual Covenants

Mitek and Parascript mutually agree to do the following:

- notify the other of any circumstance or events likely to cause any of its representations or warranties in the merger agreement to be untrue or inaccurate;
- notify the other of material failures to comply with or satisfy a covenant, condition or agreement;
- notify the other of the institution or threat of institution of legal proceedings;
- prepare and file with the SEC this joint proxy statement/prospectus;
- cooperate in all respects with each other in connection with any filing or submission with a governmental entity;
- use commercially reasonable efforts to resolve any objections that may be asserted by a governmental entity or other person with respect to the merger agreement;
- use commercially reasonable efforts to take or cause to be taken all actions necessary or appropriate to fulfill their respective obligations under the merger agreement; and
- cooperate on publicity matters.

No Solicitation: Parascript, Mitek and their representatives are required to cease discussions or negotiations immediately with respect to a takeover proposal. Parascript and its representatives are also prohibited from soliciting proposals likely to lead to a takeover proposal, or participating in discussions or negotiations with any third party regarding any takeover proposal. However, if the board of managers of Parascript receives an unsolicited, bona fide written takeover proposal after the date of signing the merger agreement, then Parascript may furnish information to the person or entity submitting the takeover proposal in order for its board of managers to comply with its fiduciary duties. Furthermore, Parascript and Mitek must notify the other within 24 hours or receipt of awareness of a takeover proposal.

Parascript Covenants

Between the date of the merger agreement and the closing of the acquisition, Parascript has generally agreed not to, without the consent of Mitek or except as otherwise expressly permitted by the terms of the merger agreement:

enter into any compromise or settlement of any litigation, proceeding or governmental investigation relating to Parascript s assets or liabilities or its business;

increase the compensation payable to or to become payable to any executive officer;

acquire or agree to acquire, by merging or consolidating with, by purchasing an equity interest in or a portion of the assets of, or by any other manner, any business or any corporation, partnership, association or other business organization or division thereof, or otherwise acquire or agree to acquire any assets of any other person (other than the purchase of assets from suppliers or vendors in its ordinary course of business);

sell, lease, exchange, mortgage, pledge, transfer or otherwise dispose of, or agree to sell, lease, exchange, mortgage, pledge, transfer or otherwise dispose of, any of its material assets or any material assets of any of its subsidiaries;

release any third party from its obligations, or grant any consent, under any existing standstill provision relating to a competing transaction or otherwise under any confidentiality or other agreement, or fail to fully enforce any such agreement;

change any of its methods of accounting in effect at December 31, 2005, or make or rescind any express or deemed election relating to taxes, settle or compromise any claim, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy relating to taxes (except where the amount of such settlements or controversies, individually or in the aggregate, does not exceed Twenty Five Thousand Dollars ($25,000)), or change any of its methods of reporting income or deductions for federal income tax purposes from those employed in the preparation of the federal income tax returns for the taxable year ended December 31, 2005, except, in each case, as may be required by law or GAAP;

incur any obligation for borrowed money or purchase money indebtedness or guarantee, whether or not evidenced by a note, bond, debenture or similar instrument, except in the ordinary course of business consistent with past practice;

enter into any material arrangement, agreement or contract with any third party which provides for an exclusive arrangement with that third party or is substantially more restrictive on Parascript or substantially less advantageous to Parascript than arrangements, agreements or contracts existing on September 18, 2006;

adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other material reorganization;

pay, discharge or satisfy any claims, liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise), other than the payment, discharge or satisfaction of any such claims, liabilities or obligations: (i) incurred in its ordinary course of business, or (ii) which are legally required to be paid, discharged or satisfied;

knowingly take, or agree to commit to take, any action that would make any representation or warranty contained in the merger agreement inaccurate in any respect at, or as of any time prior to, the closing date of the acquisition;

agree to or approve any commitment, including any authorization for expenditure or agreement to acquire property, obligating Parascript for an amount in excess of Five Hundred Thousand Dollars ($500,000); or

do anything that would make the representations and warranties of Parascript untrue or incorrect in any material respect or that could result in any condition of closing not being satisfied or that could reasonably be expected to have a material adverse effect on Parascript.

Between the date of the merger agreement and the closing of the transaction, Parascript has generally agreed to:

afford to Mitek and its representatives, during normal business hours throughout the period prior to the closing of the merger, reasonable access to Parascript s financial information, books, contracts, commitments and records and will furnish to Mitek information concerning its businesses, properties and personnel;

conduct its business in the ordinary course of business;

use commercially reasonable efforts to preserve its present business operations and relationships;

maintain its assets in a state of repair and condition that complies with legal requirements and is consistent with Parascript s ordinary course of business;

keep in full force and effect, without amendment, all material rights relating to Parascript s business;

maintain the books, accounts and records of Parascript in the ordinary course of business, continue to collect accounts receivable and pay accounts payable, and comply with all contractual obligations;

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comply in all material respects with all applicable laws and contractual obligations;

continue in full force and effect its current insurance coverage;

except as required by applicable law, not to amend, modify or terminate any material Parascript employee plan, nor make any contribution to or with respect to any such plan;

make no distributions of cash in excess of $1,694,472, other than distributions in the aggregate amount of $360,000 per month in the ordinary course of business and other than tax distributions equal to 30 percent of Parascript s taxable income earned prior to the closing;

make no material changes in its management personnel without the prior written consent of Mitek; and

cooperate with Mitek in identifying required governmental authorizations and transferring or obtaining such permits for Mitek.

obtain required consents, waivers, approval and notices from certain third parties;

deliver monthly unaudited financial statements to Mitek;

notify Mitek prior to tax distributions to Parascript members;

not to disclose any confidential information from and after the date of the merger agreement;

provide assistance and cooperate with Mitek in connection with obtaining the necessary financing to consummate the acquisition;

hold a special meeting of its unitholders for the purpose of obtaining their approval of the merger agreement and the transactions contemplated by the merger agreement;

provide Mitek with additional financial, operating and other relevant information requested by Mitek; and

update and amend Parascript s disclosure schedules to reflect any events or circumstances occurring before closing that would have required listing on the schedules if the event or condition had existed prior to the signing of the merger agreement.

Mitek Covenants

Between the date of the merger agreement and the closing of the acquisition, Mitek has generally agreed not to, without the consent of Parascript or except as otherwise expressly permitted by the terms of the merger agreement:

make any material modification to any material Mitek contract or governmental authorization;

enter into any compromise or settlement of any litigation, proceeding or governmental investigation relating to Mitek s assets or liabilities or its business;

increase the compensation payable to or to become payable to any director or executive officer;

unless obligated pursuant to contract, policy or practice as of the date of the merger agreement, grant any severance or termination pay to, or enter into or amend any employment or severance agreement with, any director, officer or employee;

establish, adopt or enter into any employee benefit plan or arrangement;

except as required by applicable law, amend or take any other action with respect to any of the Mitek employee plans;

declare or pay any dividend on, or make any other distribution in respect of, outstanding shares of capital stock;

issue, deliver, award, grant or sell, or authorize any of the foregoing with respect to shares of any class of capital stock or securities convertible into or exercisable or exchangeable for any such shares, or any rights, warrants, or options to acquire any such shares (except for the issuance of shares upon exercise of outstanding stock options or the vesting of restricted stock in accordance with the terms of outstanding stock awards);

amend or otherwise modify the terms of any such rights, warrants or options;

take any action to accelerate the exercisability of stock options;

acquire or agree to acquire, by merging or consolidating with, by purchasing an equity interest in or a portion of the assets of, or by any other manner, any business or any corporation, partnership, association or other business organization or division thereof, or otherwise acquire or agree to acquire any assets of any other person (other than the purchase of assets from suppliers or vendors in its ordinary course of business and consistent with past practice);

sell, lease, exchange, mortgage, pledge, transfer or otherwise dispose of, or agree to sell, lease, exchange, mortgage, pledge, transfer or otherwise dispose of, any of its material assets or any material assets of any of its subsidiaries;

release any third party from its obligations, or grant any consent, under any existing standstill provision relating to a competing transaction or otherwise under any confidentiality or other agreement, or fail to fully enforce any such agreement;

adopt or propose to adopt any amendments to its charter or bylaws;

change any of its methods of accounting in effect at December 31, 2005, or make or rescind any express or deemed election relating to taxes, settle or compromise any claim, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy relating to taxes (except where the amount of such settlements or controversies, individually or in the aggregate, does not exceed Twenty Five Thousand Dollars ($25,000)), or change any of its methods of reporting income or deductions for federal income tax purposes from those employed in the preparation of the federal income tax returns for the taxable year ended December 31, 2005, except, in each case, as may be required by law or GAAP;

incur any obligation for borrowed money or purchase money indebtedness or guarantee, whether or not evidenced by a note, bond, debenture or similar instrument, except in the ordinary course of business consistent with past practice and in no event in excess of $100,000 in the aggregate;

enter into any material arrangement, agreement or contract with any third party which provides for an exclusive arrangement with that third party or is substantially more restrictive on it or substantially less advantageous to it than arrangements, agreements or contracts existing on September 18, 2006;

adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other material reorganization;

pay, discharge or satisfy any claims, liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise), other than the payment, discharge or satisfaction of any such claims, liabilities or obligations: (i) incurred in its ordinary course of business, or (ii) which are legally required to be paid, discharged or satisfied;

knowingly take, or agree to commit to take, any action that would make any representation or warranty contained in the merger agreement inaccurate in any respect at, or as of any time prior to, the closing date of the merger;

agree to or approve any commitment, including any authorization for expenditure or agreement to acquire property, obligating Mitek for an amount in excess of Five Hundred Thousand Dollars ($500,000); or

do anything that would make the representations and warranties of Mitek untrue or incorrect in any material respect or that could result in any condition of closing not being satisfied or that could reasonably be expected to have a material adverse effect on Mitek.

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Between the date of the merger agreement and the closing of the transaction, Mitek has generally agreed to:

- afford to Parascript and its representatives, during normal business hours throughout the period prior to the closing of the merger, reasonable access to Mitek s financial information, books, contracts, commitments and records and will furnish to Parascript information concerning its businesses, properties and personnel;
- conduct its business in the ordinary course of business;
- use commercially reasonable efforts to preserve its present business operations and relationships;
- maintain its assets in a state of repair and condition that complies with legal requirements and is consistent with Mitek s ordinary course of business;
- keep in full force and effect, without amendment, all material rights relating to Mitek s business;
- maintain the books, accounts and records of Mitek in the ordinary course of business, continue to collect accounts receivable and pay accounts payable, and comply with all contractual obligations;
- comply in all material respects with all applicable laws and contractual obligations;
- continue in full force and effect its current insurance coverage;
- except as required by applicable law, not to amend, modify or terminate any material Mitek employee plan, nor make any contribution to or with respect to any such plan;
- make no material changes in its management personnel;
- maintain the quotation of Mitek s common stock on the OTC and timely file all SEC reports and other documents required by state regulatory authorities;
- promptly make all filings required to consummate the merger and related transactions and cooperate with Parascript in identifying and obtaining all permits in a timely manner; and
- hold a special meeting of its stockholders for the purpose of obtaining their approval of the issuance of shares of Mitek common stock in accordance with the merger agreement.

Employees and Employee Benefits

It is contemplated that all employees currently providing services to Parascript will be employees of the combined company. Prior to the closing, Parascript and Mitek will formally document this agreement regarding such employees, including salaries, benefits, retirement and savings plans and general employee provisions. Mitek will assume sponsorship of the Parascript employee benefit plans at closing, and Mitek will continue to provide COBRA coverage after closing to former Parascript employees. Subject to applicable laws and the employment contracts, Mitek will have the right to dismiss any or all employees at any time, with or without cause, and to change the terms and conditions of their employment.

Member Representative

Parascript Management, Inc. will serve as the member representative and is authorized to act as the representative for the Parascript unitholders related to the consummation of the merger. The member representative may enter into agreements, enforce and protect the rights of the unitholders and take other actions on behalf of the unitholders related to the merger. At the closing of the merger, the member representative will receive $50,000 of the cash consideration to pay expenses related to its duties as the member representative but will not receive any fee, commission or other compensation for its services, and will be indemnified by all unitholders for its actions as the member representative. The member representative will distribute the balance of the $50,000, if any, when it determines that it will incur no additional expenses in its capacity as member representative. Mitek may rely on all actions of the member representative, and any actions or omissions of the member representative related to the merger will be legally binding on the unitholders

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Conditions to the Merger Agreement

Mutual Conditions

The obligations of Mitek and Parascript to consummate the transactions contemplated by the merger agreement are subject to the fulfillment, on or prior to the closing date, of each the following conditions (any or all of which may be waived by Mitek, Mitek Acquisition Sub or Parascript to the extent permitted under applicable law):

- no order by a governmental body of competent jurisdiction, statute, rule or regulation which has the effect of making the consummation of the transactions contemplated by the merger agreement unlawful or prohibited will have been entered or enacted;
- Mitek will have obtained financing proceeds sufficient to consummate the merger in an amount not less than $85,000,000 and not more than $90,000,000 (exclusive of revolving line of credit, working capital loan or similar arrangement);
- Mitek will have obtained stockholder approval of the amendment to its certificate of incorporation to increase the number of authorized shares to 200,000,000;
- the consummation of the merger and related transactions will not cause a material adverse consequence under applicable law to the other party;
- Mitek and Parascript will have obtained any required governmental authorizations; and
- Mitek will have appointed three independent directors to serve on its audit committee.

Parascript Conditions

The obligations of Parascript to consummate the transactions contemplated by the merger agreement is subject to the fulfillment, on or prior to the closing date, of each of the following conditions (any or all of which may be waived by Parascript to the extent permitted under applicable law):

- the representations and warranties of Mitek set forth in the merger agreement will be true and correct in all material respects as of the date of the merger agreement and as of the closing of the transaction as though made at and as of the closing of the merger;
- Mitek will have performed and complied in all material respects with all obligations and agreements required by the merger agreement;
- no change, occurrence or circumstance in the business, assets, liabilities, financial condition or results of operations of Mitek will have occurred that has or is reasonably likely to have, individually or in the aggregate, a material adverse effect on Mitek;
- Parascript will have obtained certain consents, and Mitek will have obtained any required consents;

the SEC will have declared the Form S-4 effective;

Mitek will have obtained the requisite approvals to effect the change in Mitek s name to Parascript, Inc. ;

Mitek will have increased the size of Mitek s board of directors to seven (7) members and caused the nomination and election to the board of two (2) individuals designated by Mitek s Board of Directors, who will be John M. Thornton and James De Bello, two (2) individuals designated by Parascript, who will be Aron Katz and Jeffrey Gilb, and three (3) additional individuals, with each of Mitek, Parascript and Plainfield to nominate one individual, subject in each case to the approval of Mitek and Parascript;

Jeffrey Gilb will have been appointed Mitek s President and Chief Operating Officer and Mitek will have amended Mitek s bylaws regarding the duties of its chairman of the board, chief operating officer, president and chief executive officer;

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- Certain employment agreements will not have been breached by Mitek, and Mitek or Parascript will have made written offers of employment acceptable to Parascript to all persons providing services to Parascript; and

- Mitek will have delivered to Parascript other documents that Parascript reasonably requests.

Mitek Conditions

The obligations of Mitek to consummate the transactions contemplated by the merger agreement are subject to the fulfillment, on or prior to the closing date, of the following conditions (any or all of which may be waived by Mitek to the extent permitted under applicable law):

- the representations and warranties of Parascript set forth in the merger agreement will be true and correct in all material respects as of the date of the merger agreement and as of the closing of the merger as though made at and as of the closing of the merger;

- Parascript will have performed and complied in all material respects with all obligations and agreements required by the merger agreement;

- Parascript will have obtained certain consents;

- Parascript will have caused certain assets, liabilities and contracts related to Parascript s business which are currently held by Parascript Management, Inc. and other subsidiaries of Parascript to be transferred and assigned to Parascript;

- Mitek will have received appropriate payoff letters relating to certain of Parascript s indebtedness;

- No change, occurrence or circumstance in the business, assets, liabilities, financial condition or results of operations of Parascript will have occurred that has or is reasonably likely to have, individually or in the aggregate, a material adverse effect on Parascript;

- Parascript will have delivered to Mitek a letter listing all Parascript unitholders expected to be affiliates of Mitek under Rule 145 of the Securities Act and Parascript will have used its best efforts to cause certain Parascript unitholders to sign an affiliate letter;

- Parascript will have delivered a license agreement satisfactory to Mitek between Parascript and Applied Intelligence Solutions, LLC regarding certain intellectual property; and

- Parascript will have delivered to Mitek other documents that Mitek reasonably request.

Termination

Reasons for Termination

Mitek and Parascript have the right to terminate the merger agreement prior to the completion of the merger for the following reasons:

by either Parascript or Mitek on or after March 31, 2007, if the closing has not occurred by the close of business on that date, unless the other party is in material breach of its obligations under the merger agreement;

by mutual consent of Parascript and Mitek;

by Parascript or Mitek if any closing condition of such party becomes impossible (other than as a result of such party s failure to comply with its obligations under the merger agreement) and such party has not waived such conditions;

by either Mitek or Parascript if an event has occurred that has had or could reasonably be expected to have a material adverse effect on the non-terminating party;

by either Mitek or Parascript if the other materially breaches any provision of the merger agreement and the breach is not cured within thirty days following delivery of a written notice of the breach by the non-breaching party;

by Mitek if Parascript s manager recommends a competing transaction to the Parascript unitholders;

by Parascript if (i) Mitek s board of directors withdraws, modifies or changes its recommendation of the contemplated transactions in a manner adverse to Parascript or shall have resolved to do any of the foregoing; (ii) the board of directors of Mitek shall have recommended to the stockholders of Mitek any competing transaction or shall have resolved to do so; (iii) a tender offer or exchange offer for 20% or more of the outstanding shares of capital stock of Mitek is commenced, and the board of directors of Mitek does not recommend that stockholders not tender their shares into such tender or exchange offer or; (iv) any person (other than Parascript or an affiliate thereof) shall have acquired beneficial ownership or the right to acquire beneficial ownership of, or any group (as such term is defined under Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder), shall have been formed which beneficially owns, or has the right to acquire beneficial ownership of, 20% or more of the then outstanding shares of capital stock of Mitek;

by Mitek or Parascript if the Parascript unitholder approval of the matters required to be approved by them is not obtained; or

by Parascript or Mitek if the Mitek stockholder approval of the matters required to be approved by them is not obtained.

Effect of Termination

If Mitek terminates the merger agreement due to Parascript s material breach of any provision of the merger agreement, which breach is not cured within thirty days following delivery of written notice to Parascript, then Parascript will pay to Mitek all fees and expenses incurred in connection with the transactions contemplated by the merger agreement, up to $500,000 in the aggregate.

If Parascript terminates the merger agreement due to Mitek s material breach of any provision of the merger agreement, which breach is not cured within thirty days following delivery of written notice to Mitek, then Mitek will pay to Parascript all fees and expenses incurred in connection with the transactions contemplated by the merger agreement, up to $500,000 in the aggregate.

If Mitek terminates the merger agreement because Parascript s manager recommends a competing transaction to the Parascript unitholders, Parascript will pay to Mitek a termination fee of $1 million in cash.

If Parascript terminates the merger agreement because (i) Mitek s board of directors withdraws, modifies or changes its recommendation of the contemplated transactions in a manner adverse to Parascript or shall have resolved to do any of the foregoing; (ii) the board of directors of Mitek has recommended to the stockholders of Mitek any competing transaction or has resolved to do so; (iii) a tender offer or exchange offer for 20% or more of the outstanding shares of capital stock of Mitek was commenced, and the board of directors of Mitek did not recommend that stockholders not tender their shares into such tender or exchange offer or; (iv) any person (other than Parascript or an affiliate thereof) has acquired beneficial ownership or the right to acquire beneficial ownership of, or any group (as such term is defined under Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder), has been formed which beneficially owns, or has the right to acquire beneficial ownership of, 20% or more of the then outstanding shares of capital stock of Mitek, Mitek will pay to Parascript a termination fee of $1 million in cash.

Indemnification and Escrow Fund

Mitek will be indemnified from the escrow fund for breaches of Parascript s representations, warranties, covenants and obligations contained in the merger agreement. All representations and warranties survive the closing for a period of one year. After closing, Parascript will indemnify and hold harmless Mitek and its affiliates for losses exclusively from the indemnity escrow, which will initially consist of $4 million dollars worth of shares of Mitek common stock.

To the extent it is not used for indemnification claims or reserved for unresolved indemnification claims, the escrow agent will release to the member representative the escrow shares one year following the closing of the merger.

Promptly following receipt of the escrowed Mitek common stock, if any, the Member Representative will distribute this stock to its unitholders in proportion to their respective membership interests as of the closing date; provided, however, that no fractional shares of Mitek common stock will be issued; and, provided further that the total number of shares of Mitek common stock distributed to each Parascript unitholder will be rounded to the nearest whole number.

Amendment and Waiver

Mitek and Parascript may amend, supplement, or change the merger agreement and waive any provision, only by written instrument making specific reference to the merger agreement signed by the party against whom enforcement of the amendment, supplement, modification or waiver is sought.

Expected Timing

The acquisition is expected to be completed in early 2007, subject to the receipt of necessary regulatory approvals and the satisfaction or waiver of other closing conditions.

The consummation of the merger will take place at 10:00 a.m. (Pacific standard time) on a date to be specified by the parties, which date shall be no later than the third business day after satisfaction or waiver of the conditions set forth in the merger agreement (other than conditions that by their nature are to be satisfied at closing, but subject to the satisfaction or waiver of those conditions at such time), unless another time, date or place is agreed to in writing by the parties.

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VOTING AGREEMENTS RELATED TO THE MERGER

In order to induce Mitek to enter into the merger agreement, several Parascript unitholders entered into voting agreements and irrevocable proxies with Mitek pursuant to which, among other things, each of these unitholders agreed, solely in his capacity as a unitholder, to vote all of his, her or its Parascript units in favor of the merger and the adoption of the merger agreement, against any action or agreement that would result in a breach of the merger agreement by Parascript, and against any other action which is intended, or could reasonably be expected to, impede, interfere with, delay, postpone, discourage or adversely delay or affect the merger or any of the other transactions contemplated by the merger agreement. These Parascript unitholders also granted Mitek an irrevocable proxy to their respective units in accordance with the voting agreement. These Parascript unitholders may vote their Parascript units on all other matters not referred to in such proxy.

As of September 18, 2006, the three unitholders of Parascript that entered into voting agreements collectively owned 6,642,611 preferred units of Parascript, representing approximately 64.9% of the outstanding units of Parascript.

Under these voting agreements executed by Parascript unitholders, subject to certain exceptions, such unitholders also have agreed not to sell or transfer Parascript units held by them until the earlier of the termination of the merger agreement or the completion of the merger. To the extent that any such sale or transfer is permitted pursuant to the exceptions included in the voting agreement, each person to whom any units are so sold or transferred must agree in writing to be bound by the terms and provisions of the voting agreement.

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FINANCING THE MERGER

Financing Transaction

Mitek lacks sufficient funds to consummate the merger. To finance the merger, Mitek will, subject to the satisfaction of certain conditions in the credit facilities and notes documents, obtain up to $95 million in financing from Plainfield Offshore Holdings VIII Inc. and/or its affiliates. Mitek has obtained financing commitments from Plainfield in which up to $95 million (including a $5 million revolving credit facility) will, subject to satisfaction of certain conditions in the credit facilities and notes documents, be available to Mitek to consummate the transaction with Parascript. Because the transaction cannot be consummated without this outside financing from Plainfield, the receipt of not less than $85 million nor more than $90 million (exclusive of revolving line of credit, working capital loan or similar arrangement) in private financing is a condition to the closing of the merger. The financing proceeds will be used as partial merger consideration and to pay the fees and expenses incurred in connection with the merger and related financing. These fees and expenses, which include legal, accounting and advisory costs, are estimated to be approximately $9 million.

The financing commitments contemplate two distinct sources of financing, namely, (i) Senior Secured Credit Facilities, secured by substantially all of the assets of the combined company, in the aggregate amount of $60 million (including a $5 million revolving line of credit to be used for working capital and other general corporate purposes) with an initial interest rate on the term facility of LIBOR plus 7.5% (such combined rate not to be less than 11%), and (ii) $35 million from the issuance and sale of 9.75% senior subordinated convertible notes (the Notes). The LIBOR rate as of September 30, 2006 was 5.37%.

The Senior Secured Credit Facilities will consist of a senior secured term loan facility in an aggregate principal amount of $55 million and a senior secured revolving credit facility in an aggregate principal amount of $5 million. The interest rate on the senior secured term loan facility is LIBOR plus 7.5% for the first year and thereafter subject to margin changes based on the senior leverage ratio. The revolving facility may also be based on LIBOR (with an interest rate of LIBOR plus 7.5% in the first year and thereafter subject to margin changes based on the senior leverage ratio), but may also be based on the prime rate or federal funds rate plus 6.5% in the first year and subject to changes thereafter based on the senior leverage ratio. The term facility will mature on the fifth anniversary of the closing date and will amortize in equal quarterly installments during each of the fourth and fifth years following the closing date in an aggregate amount equal to $2.5 million per quarter, with the unpaid balance payable on the final maturity date. The revolving facility will mature, and lending commitments thereunder will terminate, on the fifth anniversary of the closing date. Mandatory prepayments of the revolving facility are required if Revolving Exposures (as defined in the credit facilities documents) exceed Revolving Commitments (as defined in the credit facilities documents). Mandatory prepayments of the term facility are required (i) upon a Change of Control (as defined in the credit facilities documents), (ii) upon certain dispositions of assets (subject to a reinvestment right), (iii) upon receipt of insurance or condemnation payments (subject to a reinvestment right) and (iv) upon the issuance of equity or receipt of capital contributions, in the case of each of clauses (ii)-(iv), with baskets and exceptions as provided in the credit facilities documents. If Mitek voluntarily prepays or is required to prepay pursuant to clause (i) above any loans under the term facility within the first year, it must pay 103% of the outstanding principal. If Mitek makes such prepayment in the second or third year, it must pay 101% of the outstanding principal. Thereafter, it may prepay without penalty.

The Notes will bear interest at a rate of 9.75% per annum. The Closing Date will be the issue date of the Notes (the Issue Date). Interest payments will be due each quarter. Up to and including the fourth anniversary of the Issue Date, Mitek may, at its option, pay interest either in cash or by adding to the principal of the Notes. The Notes are convertible into Mitek common stock, in whole or in part, at the option of the holders, at any time. The conversion price is $1.60 per share of Mitek common stock, subject to adjustments. The Notes will mature on the sixth anniversary of the Issue Date. Mitek will be required to offer to purchase the Notes at the option of the holder (i) at a purchase price of 101% of the outstanding principal amount plus accrued interest upon a Change of Control (as defined in the indenture governing the Notes) and (ii) at a purchase price of 100% of the outstanding principal amount plus accrued interest upon certain asset sales.

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Dilution Due to the Financing Transaction

As of September 1, 2006, Mitek had 20,747,783 shares of common stock outstanding or reserved for issuance upon exercise of outstanding options or warrants. Mitek s stockholders will be substantially diluted by the merger and financing transaction undertaken in connection with the merger. Specifically, assuming full conversion of the Notes by Plainfield, on a fully diluted and as-if converted basis, Mitek s current stockholders will own 22%, Parascript s current members will own 55% and Plainfield will own 23% of the combined company after the merger and the financing (does not include certain shares of the combined company to be issued to certain officers thereof upon completion of the merger, please see Agreements with Executive Officers Following the Merger on page 125). If and to the extent Mitek elects to pay interest on the Notes by issuing additional Notes, Plainfield s as-converted ownership of Mitek will increase. Assuming Mitek pays all interest by issuing additional Notes, no Notes are converted, and no other shares of Mitek common stock are issued, after the fourth anniversary of the Issue Date, assuming full conversion at that time of the Notes by Plainfield, Mitek s current stockholders would own %, Parascript s current members would own % and Plainfield would own %.

Registration Rights; Future Stock Sales

The Notes will be issued to Plainfield pursuant to the exemption from the registration requirements of Section 5 of the Securities Act provided by Section 4(2) of the Securities Act. Under the terms of documentation governing the Notes, Mitek is required to register the Notes and the common stock underlying the Notes and certain other shares of Mitek common stock acquired by Plainfield on a shelf registration statement. Other shares acquired by Plainfield and included within the shares required to be registered by Mitek are 6,670,000 shares Plainfield will acquire for an aggregate of $5 million from the Katz Family Limited Partnership as part of the merger and related transactions. The Katz Family Limited Partnership is an affiliate of Aron Katz, the Chairman of the manager of Parascript. The documentation governing the Notes provides that Mitek shall (i) file a shelf registration statement with the SEC as within a reasonable time period after the Issue Date, (ii) use all commercially reasonable efforts to cause such shelf registration statement to be declared effective by the SEC within one hundred twenty (120) days after the Issue Date and (iii) maintain the effectiveness and availability of such shelf registration statement until the Notes and shares of common stock registered thereunder may be sold without registration, with certain exceptions. Mitek must pay additional interest of fifty (50) basis points for the first ninety (90) day period following failure to file and/or register with the SEC within the specified time period or to maintain such registration as required. The amount of additional interest will increase by fifty (50) basis points for each subsequent ninety (90) day period until such filing or registration is completed or such registration statement is again effective and available, up to a maximum of two hundred (200) basis points of additional interest. After the registration statement becomes effective, and upon conversion of the Notes by Plainfield, Plainfield s shares will be freely tradable in the public market. Unless demand significantly increases, the market price of a security will generally decline due to market forces if a substantial number of shares are sold at or around the same time. Therefore, if Plainfield seeks to sell a substantial number of its shares in the public market within a relatively short time period, the market price of Mitek s stock could decline as a result.

Changes to Company s Board Due to the Financing Transaction

Under the terms negotiated for the merger and the related financing, the size of the combined company s board of directors will be seven (7) members. It will consist of two (2) individuals designated by Mitek s board of directors, who shall initially be John M. Thornton and James B. DeBello, two (2) individuals designated by Parascript, who shall initially be Aron Katz and Jeffrey Gilb and three (3) individuals who qualify as independent directors under applicable NASDAQ rules, with one (1) nominated by Mitek subject to the approval of Parascript one (1) nominated by Parascript subject to the approval of Mitek and one (1) nominated by Plainfield subject to the approval of Mitek and Parascript.

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MATTERS BEING SUBMITTED TO A VOTE OF MITEK S STOCKHOLDERS

Mitek Proposal 1: Approval of the Issuance of Common Stock in the Merger

At the Mitek special meeting, Mitek stockholders will be asked to approve the issuance of shares of Mitek common stock in accordance with the merger agreement, dated as of September 18, 2006, by and among Mitek, Mitek Acquisition Sub, LLC, Parascript, LLC, and Parascript Management, Inc., as member representative. The number of shares of Mitek common stock Parascript unitholders will be entitled to receive pursuant to the merger are expected to represent approximately 55% of the fully diluted shares of the combined company immediately following the consummation of the merger.

The terms of, reasons for and other aspects of the merger agreement, the merger and the issuance of Mitek common stock pursuant to the merger agreement are described in detail in the other sections of this joint proxy statement/prospectus.

Required Vote

The affirmative vote of the holders of a majority of Mitek common stock having voting power present in person or represented by proxy at the Mitek special meeting is required for approval of Mitek proposal 1.

The Mitek board of directors recommends that Mitek stockholders vote FOR Mitek proposal 1 to approve the issuance of Mitek common stock pursuant to the merger agreement.

Mitek Proposal 2: Approval of Name Change

At the Mitek special meeting, holders of Mitek stock will be asked to approve the amendment to Mitek s certificate of incorporation to change the name of the corporation from Mitek Systems, Inc. to Parascript, Inc. upon consummation of the merger. The primary reason for the corporate name change is that management believes this will allow for greater visibility in the marketplace following the consummation of the merger. Mitek s management believes that the current name will no longer accurately reflect the business of the combined company and the mission of the combined company subsequent to the consummation of the merger.

Insofar as the proposed new corporate name will only reflect Parascript s business following the merger, the proposed name change and the amendment of Mitek s certificate of incorporation, even if approved by the stockholders at the special meeting, will only be filed with the office of the Secretary of State of the State of Delaware and, therefore, become effective if the merger is consummated.

Required Vote

The affirmative vote of holders of a majority of the Mitek common stock having voting power outstanding on the record date for the Mitek special meeting is required to approve the amendment to Mitek s certificate of incorporation to change the name of Mitek Systems, Inc. to Parascript, Inc.

The Mitek board of directors recommends that Mitek stockholders vote FOR Mitek proposal 2 to approve the name change.

Mitek Proposal 3: Approval of Amendment to Certificate of Incorporation to Increase Number of Authorized Shares

Mitek is currently authorized under its certificate of incorporation to issue 40,000,000 shares of common stock and 1,000,000 shares of preferred stock. Mitek currently has enough authorized shares to satisfy its obligations to option and warrant holders. The Mitek board of directors proposes to increase the number of authorized shares of common stock to 200,000,000 shares. The proposed certificate of amendment will amend

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Mitek s certificate of incorporation to increase the number of authorized shares of common stock, from 40,000,000 shares to 200,000,000 shares. The certificate of amendment will not affect the authorized number of shares of preferred stock, which will remain at 1,000,000.

Purpose and Effect of the Proposed Amendment

The authorized number of shares of common stock must be increased to issue the 51,869,458 shares of common stock comprising part of the merger consideration to Parascript unitholders and for future issuances of common stock if and when the senior subordinated convertible notes are converted. On the Closing Date, Mitek will need shares of common stock reserved for issuance upon conversion of the senior subordinated convertible notes. Assuming Mitek pays all interest on the senior subordinated convertible notes for the first four years after the Closing Date by issuing additional senior subordinated convertible notes and none of the senior subordinated convertible notes are converted during that period, Mitek would need shares of common stock reserved for issuance upon conversion of the senior subordinated convertible notes. Mitek s board of directors believes that such number should be further increased to provide the board of directors with the ability to issue additional shares of common stock for the other potential corporate purposes described above, without having to incur the delay and expense incident to holding a special meeting of the stockholders to approve an increase in the authorized shares of common stock at that time.

Furthermore, Mitek is contemplating the advisability of acquiring other companies or rights to properties or strategic alliances with third parties. The additional shares of common stock that Mitek is seeking authorization for may be used for such corporate purposes as the board of directors may determine from time to time to be necessary or desirable. These purposes may include, without limitation: raising capital through the sale of common stock; acquiring other businesses in exchange for shares of common stock; and attracting and retaining employees by the issuance of additional securities under the Mitek 2006 Stock Option Plan, including the options to be granted to certain officers upon consummation of the merger, and other employee equity compensation arrangements.

If the amendment is approved, the board of directors will have the authority to issue additional shares of common stock up to the 200,000,000 authorized shares without further stockholder approval, except as may be required for a particular transaction by applicable law, regulatory agencies or any other rules to which Mitek may be subject.

The authorization of the additional shares of common stock by this proposal could have a dilutive effect on the proportionate voting power or other rights of existing stockholders. To the extent that the additional authorized shares are issued in the future, it will decrease existing stockholders percentage equity ownership and, depending on the price at which they are issued, could be dilutive to existing stockholders and have a negative effect on the trading price of our common stock. Under the certificate of incorporation, stockholders do not have preemptive rights with respect to the issuance of shares of common stock, which means that current stockholders do not have a prior right to purchase any new issue of common stock in order to maintain their proportionate ownership of common stock.

Other Considerations

The increase in the number of authorized shares of common stock could have unintended effects. For example, if Mitek s board of directors issues additional shares in the future, such issuance could dilute the stock ownership and voting power of, or increase the cost to, a person seeking to obtain control of the Company, thereby deterring or rendering more difficult a merger, tender offer, proxy contest or other extraordinary transaction. To the extent that it impedes any such attempts, the amendment may serve to perpetuate our management. The amendment is not being proposed in response to any known effort or threat to acquire control of the Company and is not part of a plan by management to adopt a series of amendments to the certificate of incorporation and our bylaws that would thwart such efforts.

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Required Vote

The affirmative vote of holders of a majority of the Mitek common stock having voting power outstanding on the record date for the Mitek special meeting is required to approve the amendment to Mitek s certificate of incorporation to increase the number of authorized shares of common stock from 40,000,000 to 200,000,000.

The Mitek board of directors recommends that Mitek stockholders vote FOR Mitek proposal 3 to approve the increase in the number of authorized shares of Mitek common stock.

Mitek Proposal 4: Approval of Issuance of Debt Convertible into Shares of Mitek Common Stock

Financing Transaction

Mitek lacks sufficient funds to consummate the merger. To finance the merger, Mitek will, subject to the satisfaction of certain conditions in the credit facilities and notes documents, obtain up to $95 million in financing from Plainfield Offshore Holdings VIII Inc. and/or its affiliates. Mitek has obtained financing commitments from Plainfield in which up to $95 million (including a $5 million revolving credit facility) will, subject to satisfaction of certain conditions in the credit facilities and notes documents, be available to Mitek to consummate the transaction with Parascript. Because the transaction cannot be consummated without this outside financing from Plainfield, the receipt of not less than $85 million nor more than $90 million (exclusive of revolving line of credit, working capital loan or similar arrangement) in private financing is a condition to the closing of the merger. The financing proceeds will be used as partial merger consideration and to pay the fees and expenses incurred in connection with the merger and related financing. These fees and expenses, which include legal, accounting and advisory costs, are estimated to be approximately $9 million.

The financing commitments contemplate two distinct sources of financing, namely, (i) Senior Secured Credit Facilities, secured by substantially all of the assets of the combined company, in the aggregate amount of $60 million (including a $5 million revolving line of credit to be used for working capital and other general corporate purposes) with an initial interest rate on the term facility of LIBOR plus 7.5% (such combined rate not to be less than 11%), and (ii) $35 million from the issuance and sale of 9.75% senior subordinated convertible notes (the Notes). The LIBOR rate as of September 30, 2006 was 5.37%.

The Notes will bear interest at a rate of 9.75% per annum. The Closing Date will be the issue date of the Notes (the Issue Date). Interest payments will be due each quarter. Up to and including the fourth anniversary of the Issue Date, Mitek may, at its option, pay interest either in cash or by adding to the principal of the Notes. The Notes are convertible into Mitek common stock, in whole or in part, at the option of the holders, at any time. The conversion price is $1.60 per share of Mitek common stock, subject to adjustments. The Notes will mature on the sixth anniversary of the Issue Date. Mitek will be required to offer to purchase the Notes at the option of the holder (i) at a purchase price of 101% of the outstanding principal amount plus accrued interest upon a Change of Control (as defined in the indenture governing the Notes) and (ii) at a purchase price of 100% of the outstanding principal amount plus accrued interest upon certain asset sales.

Dilution Due to the Financing Transaction

As of September 1, 2006, Mitek had 20,747,783 shares of common stock outstanding or reserved for issuance upon exercise of outstanding options or warrants. Mitek s stockholders will be substantially diluted by the merger and financing transaction undertaken in connection with the merger. Specifically, assuming full conversion of the Notes by Plainfield, on a fully diluted and as-if converted basis, Mitek s stockholders will own 22%, Parascript s current members will own 55% and Plainfield will own 23% of the combined company after the merger and the financing (does not include certain shares of the combined company to be issued to certain officers thereof upon completion of the merger, please see Agreements with Executive Officers Following the Merger on page 125). If and to the extent Mitek elects to pay interest on the Notes by issuing additional Notes, Plainfield s as-if-converted ownership of Mitek will increase. Assuming Mitek pays all interest by issuing additional Notes, no Notes are converted, and no other shares of Mitek common stock are issued, after the fourth anniversary of the Issue Date, assuming full conversion at that time of the Notes by Plainfield, Mitek stockholders would own approximately 20%, Parascript s current members would own approximately 51% and Plainfield would own approximately 30%.

Registration Rights; Future Stock Sales

The Notes will be issued to Plainfield pursuant to the exemption from the registration requirements of Section 5 of the Securities Act provided by Section 4(2) of the Securities Act. Under the terms of documentation governing the Notes, Mitek is required to register the Notes and the common stock underlying the Notes and certain other shares of Mitek common stock acquired by Plainfield on a shelf registration statement. Other shares acquired by Plainfield and included within the shares required to be registered by Mitek are 6,670,000 shares Plainfield will acquire for an aggregate of $5 million from the Katz Family Limited Partnership as part of the Merger and related transactions. The Katz Family Limited Partnership is an affiliate of Aron Katz, the Chairman of the manager of Parascript. The documentation governing the Notes provides that Mitek shall (i) file a shelf registration statement with the SEC as within a reasonable time period after the Issue Date, (ii) use all commercially reasonable efforts to cause such shelf registration statement to be declared effective by the SEC within one hundred twenty (120) days after the Issue Date and (iii) maintain the effectiveness and availability of such shelf registration statement until the Notes and shares of common stock registered thereunder may be sold without registration, with certain exceptions. Mitek must pay additional interest of fifty (50) basis points for the first ninety (90) day period following failure to file and/or register with the SEC within the specified time period or to maintain such registration as required. The amount of additional interest will increase by fifty (50) basis points for each subsequent ninety (90) day period until such filing or registration is completed or such registration statement is again effective and available, up to a maximum of two hundred (200) basis points of additional interest. After the registration statement becomes effective, and upon conversion of the Notes by Plainfield, Plainfield s shares will be freely tradable in the public market. Unless demand significantly increases, the market price of a security will generally decline due to market forces if a substantial number of shares are sold at or around the same time. Therefore, if Plainfield seeks to sell a substantial number of its shares in the public market within a relatively short time period, the market price of Mitek s stock could decline as a result.

Required Vote

Mitek s common stock is traded on the OTC Bulletin Board, however, Mitek intends to apply to have its common stock listed on the NASDAQ Capital Market following closing of the merger. NASDAQ Marketplace Rule 4350(i), generally requires shareholder approval for the issuance or potential issuance of securities representing 20% or more of an issuer s outstanding listed securities or 20% or more of the voting power outstanding before the transaction. The senior subordinated notes to be issued to Plainfield will initially be convertible into greater than 20% or more of Mitek s outstanding securities and 20% or more of the voting power outstanding before the Merger. In order to be in compliance with NASDAQ rules, Mitek is soliciting stockholder approval for the issuance of the senior subordinated convertible notes, and the underlying shares of common stock, to Plainfield.

The affirmative vote of the holders of a majority of Mitek common stock having voting power present in person or represented by proxy at the Mitek special meeting is required for approval of Mitek proposal 4.

The Mitek board of directors recommends that Mitek stockholders vote FOR Mitek proposal 4 to approve the issuance of debt convertible into shares of Mitek common stock.

Mitek Proposal 5: Amendment to the 2006 Stock Option Plan to Increase the Number of Authorized Shares Issuable Under the Plan and Increase the Maximum Number of Shares Permitted to be Granted to an Individual on an Annual Basis

At the Mitek special meeting, Mitek s stockholders will be asked to approve an amendment, effective immediately following the consummation of the merger, to the Mitek Systems, Inc. 2006 Stock Option Plan, or the 2006 Plan , to increase the total number of shares reserved for issuance thereunder by 22,000,000, from 1,000,000 shares to 23,000,000 shares, and to increase the maximum number of shares which can be granted to

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one person in any one year from 500,000 to 3,500,000. The 22,000,000 share increase would be added to the 1,000,000 shares that remained available for stock option grants as of September 30, 2006, under the 2006 Plan and the 492,472 shares that remained available for stock option grants under other Mitek stock plans. The 22,000,000 share increase represents approximately [ ]% of Mitek s [ ] outstanding shares as of the record date of [ ].

The Board of Directors believes it is in the best interests of Mitek to be able to continue to create equity incentives to attract and retain top quality employees and consultants, including officers and directors, and to provide these persons with an incentive to enhance stockholder returns. In addition, amendment of the 2006 Plan will permit the combined company to fulfill its obligations to grant options to certain officers upon consummation of the merger.

Summary of the 2006 Stock Option Plan

The following summary of the material features of the 2006 Plan is qualified by reference to the text of the 2006 Plan attached as an exhibit to Mitek s definitive proxy statement filed with the SEC on January 13, 2006.

Stock Options. The compensation committee of Mitek s board of directors, or the committee, is authorized to grant stock options, including both incentive stock options, or ISOs, which can result in potentially favorable tax treatment to the participant, and nonqualified stock options. Except as provided in the 2006 Plan, generally the exercise price per share of common stock subject to an option is determined by the committee, provided that the exercise price of an ISO may not be less than the fair market value of the common stock on the date of grant. The term of each such option and the times at which each such option shall be exercisable generally will be fixed by the committee, except no option will have a term exceeding ten years. Upon the termination of an optionholder s employment with Mitek other than for cause, all the unvested options will immediately expire and the vested options will expire three months after the occurrence giving rise to termination. Upon the termination of an optionholder s employment for cause, all of his/her options will expire on the date of the occurrence giving rise to the termination. Options may be exercised by payment of the exercise price in cash, stock or promissory note, or as the committee may determine from time to time in accordance with applicable law.

Shares Subject to the Plan. Under the 2006 Plan, 1,000,000 shares of common stock are currently authorized of which 1,000,000 shares remain available for issuance. The maximum number of shares of common stock which may be granted to any individual under the 2006 Plan in any one-year period shall not exceed 500,000 shares, subject to the adjustments described in the next paragraph. The proposed amendment to the 2006 Plan will increase the total number of shares reserved for issuance thereunder to 23,000,000 shares, and increase the maximum number of shares which can be granted to one person in any one year to 3,500,000.

Adjustments Upon Changes in Capitalization. The 2006 Plan provides that, in the event of any change in Mitek s capital structure that effects an increase or decrease in the number of outstanding shares of Mitek common stock without receipt of consideration, the number of shares of common stock covered by each outstanding option, and the exercise price thereof, shall be proportionately adjusted by the committee. The 2006 Plan provides that, in the event of certain capital transactions, all outstanding options will terminate upon such capital transaction unless they are assumed by a successor corporation, provided that all vested options may be exercised during the 15 days prior to the capital transaction. The committee may choose to accelerate the vesting of any option.

Eligibility. Any officer, director or employee of, and certain persons rendering services to Mitek or its subsidiaries is eligible to receive awards under the 2006 Plan. Only employees may receive ISO s under the 2006 Plan.

Administration. The committee administers the 2006 Plan. Subject to the terms and conditions of the 2006 Plan, the committee is authorized to designate participants who are employees, directors or consultants of Mitek and its subsidiaries, determine the number of options to be granted, set terms and conditions of such options, interpret the 2006 Plan, specify rules and regulations relating to the 2006 Plan, and make all other determinations which may be necessary or advisable for the administration of the 2006 Plan.

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Other Terms of Options. The flexible terms of the 2006 Plan permit the committee to impose performance conditions with respect to any option. Performance conditions may require that an option be forfeited, in whole or in part, if performance objectives are not met, or require that the time of exercisability of an option be linked to achievement of performance conditions.

No options may be granted under the 2006 Plan after January 8, 2016.

The exercise of an option is conditioned on the withholding of taxes. Options granted under the 2006 Plan may not be pledged or otherwise encumbered and are not transferable except by will or by the laws of intestate succession.

The board of directors may, subject to any stockholder approval required by applicable law, amend the 2006 Plan with respect to any shares of common stock at that time not subject to options.

Federal Tax Consequences of the 2006 Plan. The federal income tax consequences of the grant, exercise and disposition of stock options are complex. A summary of the more significant federal income tax consequences of options granted pursuant to the 2006 Plan is set forth below; however, each optionee is advised to consult his or her individual tax advisor concerning their personal tax consequences. In addition, optionees may be subject to state taxation, which may vary from the federal income tax treatment described below.

Incentive Stock Options. No gain or loss is realized upon the grant or exercise of an ISO. However, the excess of the fair market value of the stock received upon the exercise of an ISO over the exercise price is an item of tax preference for purposes of the alternative minimum tax described under Code Section 55.

Gain or loss realized on the disposition of stock acquired pursuant to the exercise of an ISO is long-term capital gain or loss if the stock is held for at least 2 years from the date of the grant and 1 year from the date of exercise. There are no tax consequences to the Company upon the grant or exercise of an ISO if these holding requirements are met. If stock acquired pursuant to the exercise of an ISO is disposed of without satisfying the holding requirements at a price in excess of the exercise price, the optionee will recognize, at the time of sale, ordinary income equal to the lesser of (1) the gain on the sale, or (2) the excess of the fair market value over the option exercise price on the date of exercise. Any additional gain in such event will be capital gain. Further, the Company would be allowed a deduction for federal income tax purposes equal to the ordinary income recognized by the optionee.

Nonqualified Stock Option. A participant who is granted a nonqualified stock option under the 2006 Plan will not recognize taxable income upon the grant of the option. An optionee will recognize ordinary income upon the exercise of an option in an amount equal to the excess of the fair market value of the stock at the time of exercise over the exercise price. However, if the underlying stock is restricted, the recognition of the ordinary income will be deferred until the lapse of the restriction. A deduction for federal income tax purposes will be allowed to Mitek in an amount equal to the ordinary income taxable to an optionee upon exercise, provided that such amount constitutes an ordinary and necessary business expense to Mitek and Mitek satisfies certain withholding and reporting requirements.

An optionee s tax basis in the shares received on exercise of a nonqualified stock option will be equal to the amount of any cash paid by the optionee on exercise, plus the amount of ordinary income recognized as a result of the receipt of such shares. Any gain or loss recognized upon the disposition of a nonqualified stock option will be capital gain.

The ordinary income recognized by an employee with respect to the exercise of an option, will be subject to both wage withholding and employment taxes. The holding period for such shares will begin on the date of exercise.

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The foregoing statement is based on present federal tax laws and regulations, and is not a complete description of the federal income tax aspects of the 2006 Plan. In addition, participants may be subject to certain state taxes, which are not described herein. Accordingly, each participant should consult his or her tax advisor with regard to the tax aspects of his or her participation in the 2006 Plan.

Required Vote

The affirmative vote of the holders of a majority of Mitek common stock having voting power present in person or represented by proxy at the Mitek special meeting is required for approval of Mitek proposal 5.

The Mitek board of directors recommends that Mitek stockholders vote FOR Mitek proposal 5 to approve an amendment to the Mitek 2006 Stock Option Plan to increase the number of authorized shares issuable under the plan and increase the maximum number of shares permitted to be granted to one person in any one year.

Mitek Proposal 6: Approval of Reverse Stock Split

Mitek s board of directors adopted a resolution seeking stockholder approval to grant the board of directors discretionary authority to amend Mitek s Certificate of Incorporation to effect a reverse stock split of its common stock. If the reverse stock split is approved by Mitek s stockholders, the board of directors may subsequently effect, in its sole discretion, the reverse stock split based upon any of the following five ratios: one-for-four, one-for-five, one-for-six, one-for-seven or one-for-eight. The approval of holders of a majority of Mitek s outstanding shares of common stock present in person or represented by proxy and entitled to vote at the special meeting is required to approve the grant of discretionary authority to Mitek s board of directors to amend Mitek s certificate of incorporation to effect a reverse stock split of Mitek s common stock. A reverse stock split would not be effective until the amendment to Mitek s certificate of incorporation is filed with the Secretary of State of the State of Delaware. Approval of Mitek proposal 6 would give the board of directors authority to implement a reverse stock split at any time prior to the date of Mitek s 2007 annual meeting of stockholders. Even if Mitek s stockholders approve the amendment, the board of directors has reserved the discretion not to effect the reverse stock split and abandon affecting the reverse stock split without further action by stockholders.

Reasons for a Reverse Stock Split

Mitek s common stock currently trades on the OTC Bulletin Board under the symbol MITK.OB. Mitek and Parascript desire to have Mitek s common stock listed on the NASDAQ Capital Market after consummation of the merger. Mitek is required to meet the NASDAQ Capital Market initial listing criteria, as set forth in Marketplace Rule 4310(c), including a minimum bid price requirement. Mitek s board of directors believes that it is in the best interests of Mitek s stockholders, Mitek and the combined company for the board of directors to have the discretionary authority to effect a reverse stock split in an effort to ensure that Mitek s stock price meets NASDAQ s requirements. Mitek s board of directors believes that if Mitek s common stock maintains a higher price after a reverse stock split, the higher price may facilitate Mitek s ability to satisfy the listing requirements of the NASDAQ Capital Market. Mitek s board of directors also believes that if Mitek s common stock maintains a higher price after a reverse stock split, the higher price may meet investing guidelines for certain institutional investors and investment funds. In addition, Mitek s board of directors believes that Mitek s stockholders will benefit from relatively lower trading costs for a higher priced stock because brokers commissions on low-priced stocks generally represent a higher percentage of the stock price than commissions on higher priced stocks.

Mitek s board of directors believes that stockholder approval of several potential exchange ratios (rather than a single exchange ratio) will provide it with the flexibility necessary to achieve the desired results of the reverse stock split. If Mitek s stockholders approve this proposal, the reverse stock split will be effected, if at all, only upon a determination by Mitek s board of directors that the reverse stock split is in the best interests of

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Mitek s stockholders and Mitek at that time. In connection with any determination to effect a reverse stock split, Mitek s board of directors will set the timing for such a split and select the specific ratio from among the five ratios described in this proxy statement. No further action on the part of the stockholders will be required to either implement or abandon the reverse stock split. If Mitek s board of directors does not implement the reverse stock split prior to the date of Mitek s 2007 annual meeting of stockholders, the authority granted in this proposal to implement the reverse stock split on these terms will terminate. Mitek s board of directors reserves its right to elect not to proceed and to abandon the reverse stock split if it determines, in its sole discretion, that this proposal is no longer in the best interests of Mitek and its stockholders.

Certain Risks Associated with the Reverse Stock Split

There can be no assurance that the total market capitalization of Mitek s common stock (the aggregate value of all Mitek s common stock at the then current market price) after the reverse stock split will be equal to or greater than the total market capitalization before the reverse stock split or that the per share market price of Mitek s common stock following the reverse stock split will either equal or exceed the then current per share market price.

There can be no assurance that the market price per share of Mitek s common stock after the reverse stock split will remain unchanged or increase in proportion to the reduction in the number of old shares of Mitek s common stock outstanding before the reverse stock split. Accordingly, the total market capitalization of Mitek s common stock after the reverse stock split may be lower than the total market capitalization before the reverse stock split and, in the future, the market price of Mitek s common stock following the reverse stock split may not exceed or remain higher than the market price prior to the reverse stock split.

While Mitek s board of directors believes a reverse stock split will help it satisfy the listing requirements of the NASDAQ Capital Market, there can be no assurance that the common stock will be listed on the NASDAQ Capital Market.

While Mitek s board of directors believes that a higher stock price may help generate investor interest, there can be no assurance that the reverse stock split will result in a per-share price that will attract institutional investors or investment funds or that such share price will satisfy the investing guidelines of institutional investors or investment funds.

A decline in the market price of Mitek s common stock after the reverse stock split may result in a greater percentage decline than would occur in the absence of a reverse stock split, and the liquidity of Mitek s common stock could be adversely affected following such a reverse stock split.

If the reverse stock split is effected and the market price of Mitek s common stock declines, the percentage decline may be greater than would occur in the absence of a reverse stock split, and the liquidity of Mitek s common stock could be adversely affected.

Material Effects of the Proposed Reverse Stock Split

If approved and effected, the reverse stock split will be realized simultaneously for all of our common stock and the ratio will be the same for all of our common stock. The reverse stock split will affect all of our stockholders uniformly and will not affect any stockholder s percentage ownership interests or proportionate voting power in us, except to the extent that the reverse stock split would otherwise result in any of our stockholders owning a fractional share or option. As described below, stockholders otherwise entitled to fractional shares as a result of the reverse stock split will be entitled to cash payments in lieu of such fractional shares. Such cash payments will reduce the number of post-reverse stock split stockholders to the extent there are stockholders presently who would otherwise receive less than one share of our common stock after the reverse stock split. However, because the number of authorized shares of our common stock will not be reduced, the

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reverse stock split will increase the board of directors ability to issue authorized and unissued shares in certain cases without further stockholder action. The board of directors has no current plans or intentions to issue any of such available authorized and unissued shares.

The principal effect of the reverse stock split will be that:

- the number of shares of Mitek common stock issued and outstanding will be reduced from approximately million shares after giving effect to the merger to a range of approximately million to million shares, depending on the reverse stock split ratio determined by the board of directors;

- the number of shares that may be issued upon the exercise of conversion rights by holders of securities convertible into Mitek common stock will be reduced proportionately based upon the reverse stock split ratio selected by the board of directors;

- based on the reverse stock split ratio selected by the board of directors, proportionate adjustments will be made to the per-share exercise price and the number of shares issuable upon the exercise of all outstanding options and warrants entitling the holders to purchase shares of Mitek common stock, which will result in approximately the same aggregate price being required to be paid for such options upon exercise immediately preceding the reverse stock split; and

- the number of shares reserved for issuance under Mitek s 2006 Stock Option Plan will be reduced proportionately based on the reverse stock split ratio selected by the board of directors.

In addition, the reverse stock split will increase the number of stockholders who own odd lots (less than 100 shares). Stockholders who hold odd lots typically may experience an increase in the cost of selling their shares, and may have greater difficulty in effecting sales.

Effect on Fractional Shares

After the consummation of a reverse stock split, you will not receive fractional shares as a result of the reverse stock split. Instead, our transfer agent, Mellon Investor Services LLC, will aggregate all fractional shares and sell them as soon as practicable after the effective date at the then prevailing prices on the open market, on behalf of holders who would otherwise be entitled to receive fractional shares. We expect that our transfer agent will conduct the sale in an orderly fashion at a reasonable pace and that it may take several days to sell all of the aggregated fractional shares of common stock. After the completion of such sale, you will receive a cash payment from our transfer agent in an amount equal to your pro rata share of the total net proceeds of that sale. No transaction costs will be assessed on this sale; however, the proceeds will be subject to federal income tax (and may be subject to state or local income taxes). In addition, you will not be entitled to receive interest for the period of time between the effective date of the reverse stock split and the date you receive your payment for the cashed-out shares. The payment amount will be paid to the stockholder in the form of a check in accordance with the procedures outlined below.

After the reverse stock split, you will have no further interest in us with respect to your cashed-out shares. A person otherwise entitled to a fractional interest will not have any voting, dividend or other rights except to receive payment as described above.

If you do not hold sufficient shares to receive at least one share in the reverse stock split and you want to continue to hold our common stock after the reverse stock split, you may do so by taking either of the following actions far enough in advance so that it is completed by the effective date:

- purchase a sufficient number of shares of our common stock so that you hold at least an amount of shares of common stock in your account prior to the reverse stock split that would entitle you to receive at least one share of common stock on a post-reverse stock split basis; or if applicable, consolidate your accounts so that you hold at least an amount of shares of our common stock in one account prior to the reverse stock split that would entitle you to receive at least one share of common stock on a post-reverse stock split basis. Shares held in registered form (that is, shares held by you in your own name in our stock records maintained by our transfer agent) and shares held in street name (that is, shares held by you through a bank, broker or other nominee) for the same investor will be considered held in separate accounts and will not be aggregated when effecting the reverse stock split.

You should be aware that, under the escheat laws of the various jurisdictions where you reside, where we are domiciled and where the funds will be deposited, sums due for fractional interests that are not timely claimed after the effective time may be required to be paid to the designated agent for each such jurisdiction. Thereafter, stockholders otherwise entitled to receive such funds may have to seek to obtain them directly from the state to which they were paid.

Effect on Registered and Beneficial Stockholders

Upon the commencement of a reverse stock split, we intend to treat stockholders holding Mitek common stock in street name , through a bank, broker or other nominee, in the same manner as registered stockholders whose shares are registered in their names. Banks, brokers or other nominees will be instructed to effect the reverse stock split for their beneficial holders holding Mitek common stock in street name . However, such banks, brokers or other nominees may have different procedures than registered stockholders for processing the reverse stock split. If you hold your shares with such a bank, broker or other nominee and if you have any questions in this regard, we encourage you to contact your nominee.

Effect on Registered Book-Entry Stockholders

Mitek s registered stockholders may hold some or all of their shares electronically in book-entry form under the direct registration system for securities. After the consummation of a reverse stock split, these stockholders will not have stock certificates evidencing their ownership of Mitek common stock. They are, however, provided with a statement reflecting the number of shares registered in their accounts.

If you hold registered shares in a book-entry form, you do not need to take any action to receive your post-reverse stock split shares or your cash payment in lieu of any fractional share interest, if applicable. If you are entitled to post-reverse stock split shares, a transaction statement will automatically be sent to your address of record indicating the number of shares you hold.

If you are entitled to a payment in lieu of any fractional share interest, a check will be mailed to you at your registered address as soon as practicable after the effective date. By signing and cashing this check, you will warrant that you owned the shares for which you received a cash payment. Such cash payment is subject to applicable federal income tax (and may be subject to state or local income taxes) and state abandoned property laws. In addition, you will not be entitled to receive interest for the period of time between the effective date of the reverse stock split and the date you receive your payment.

Effect on Registered Certificated Shares

Some of Mitek s registered stockholders hold all their shares in certificate form or a combination of certificate and book-entry form. If any of your shares are held in certificate form, you will receive a transmittal letter from Mitek s transfer agent as soon as practicable after the effective date of the reverse stock split. The letter of transmittal will contain instructions on how to surrender your certificate(s) representing your pre-reverse stock split shares to the transfer agent. Upon receipt of your stock certificate you will be issued the appropriate number of shares electronically in book-entry form under the direct registration system. No new shares in book-entry form will be issued to you until you surrender your outstanding certificate(s), together with the properly completed and executed letter of transmittal, to the transfer agent. If you are entitled to a payment in lieu of any

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fractional share interest, such payment will be made as described above under Effect on Fractional Stockholders . At any time after receipt of your direct registration system statement, you may request a stock certificate representing your ownership interest.

Stockholders should not destroy any stock certificate(s) and should not submit any certificate(s) until requested to do so.

Authorized Shares

The reverse stock split would affect all issued and outstanding shares of Mitek common stock and outstanding rights to acquire Mitek common stock. Upon the effectiveness of the reverse stock split, the number of authorized shares of Mitek common stock that are not issued or outstanding would increase due to the reduction in the number of shares of Mitek common stock issued and outstanding based on the reverse stock split ratio selected by the board of directors. Assuming approval of Mitek proposal 3 and amendment of Mitek s certificate of incorporation, Mitek will have 200,000,000 shares of authorized common stock, of which, at September 1, 2006, 16,739,498 shares of common stock were issued and outstanding and 51,869,458 shares of common stock will be issued to Parascript unitholders upon consummation of the merger. We will continue to have 1,000,000 authorized shares of Preferred Stock. Authorized but unissued shares will be available for issuance, and we may issue such shares in the future. If we issue additional shares, the ownership interest of holders of Mitek common stock will be diluted.

Accounting Matters

The reverse stock split will not affect the par value of Mitek common stock. As a result, as of the effective time of the reverse stock split, the stated capital attributable to Mitek common stock on our balance sheet will be reduced proportionately based on the reverse stock split ratio selected by the board of directors, and the additional paid-in capital account will be credited with the amount by which the stated capital is reduced. The per-share net loss and net book value of our common stock will be restated because there will be fewer shares of common stock outstanding.

Potential Anti-Takeover Effect

Although the increased proportion of unissued authorized shares to issued shares could, under certain circumstances, have an anti-takeover effect (for example, by permitting issuances that would dilute the stock ownership of a person seeking to effect a change in the composition of the board of directors or contemplating a tender offer or other transaction for the combination of us with another company), the reverse stock split proposal is not being proposed in response to any effort of which Mitek is aware to accumulate shares of Mitek common stock or obtain control of Mitek, nor is it part of a plan by management to recommend to the board of directors and stockholders a series of amendments to Mitek s certificate of incorporation. Other than the reverse stock split proposal, the board of directors does not currently contemplate recommending the adoption of any other amendments to Mitek s certificate of incorporation that could be construed to affect the ability of third parties to take over or change the control of Mitek.

Procedure for Effecting Reverse Stock Split

If the stockholders approve the proposal to authorize the reverse stock split and the board of directors decides to implement the reverse stock split at any time prior to the date of Mitek s 2007 annual meeting of stockholders, Mitek will promptly file a certificate of amendment with the Secretary of State of the State of Delaware to amend Mitek s certificate of incorporation. The reverse stock split will become effective on the date of filing the Certificate of Amendment, which is referred to as the effective date . Beginning on the effective date, each certificate representing pre-reverse stock split shares will be deemed for all corporate purposes to evidence ownership of post-reverse stock split shares.

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If the stockholders approve the proposal to authorize the Mitek board of directors to implement the reverse stock split and the Mitek board of directors implements the reverse stock split, Mitek will amend the existing provision of its restated certificate of incorporation relating to Mitek s authorized capital to add the following new sentences to the end of the first paragraph of Article Fourth thereof:

Upon the effectiveness of the Certificate of Amendment to the Certificate of Incorporation, as amended, containing this sentence, to effect a plan of recapitalization of the Corporation s Common Stock by effecting a 1-for- reverse stock split with respect to the issued and outstanding shares of Common Stock, without any change in the powers, preferences and rights or qualifications, limitations or restrictions thereof, such that, without further action of any kind on the part of the Corporation or its stockholders every ( ) shares of Common Stock outstanding or held by the Corporation in its treasury on the date of the filing of the Certificate of Amendment (the Effective Time) shall be changed and reclassified into one (1) share of Common Stock, $0.001 par value per share, which shares shall be fully paid and nonassessable shares of Common Stock. There shall be no fractional shares issued. A holder of record of Common Stock at the Effective Time who would otherwise be entitled to a fraction of a share shall, in lieu thereof, be entitled to receive a cash payment in an amount equal to the fraction to which the stockholder would otherwise be entitled multiplied by the closing price of the Common Stock on OTC Bulletin Board on the last trading day prior to the Effective Time (or if such price is not available, the average of the last bid and asked prices of the Common Stock on such day or other price determined by the corporation s Board of Directors).

The reverse stock split will be effected simultaneously for all outstanding shares of Mitek common stock and the exchange ratio will be the same for all shares of Mitek common stock. The reverse stock split will affect all of Mitek s stockholders uniformly and will not affect any stockholder s percentage ownership interests in Mitek, except to the extent that the reverse stock split results in any of Mitek s stockholders owning a fractional share. Common Stock issued pursuant to the reverse stock split will remain fully paid and nonassessable. The reverse stock split will not affect Mitek s continuing to be subject to the periodic reporting requirements of the Securities Exchange Act of 1934, as amended.

The text of the Certificate of Amendment is subject to modification to include such changes as may be required by the office of the Secretary of State of the State of Delaware and as the board of directors deems necessary and advisable to affect the reverse stock split, including the applicable ratio for the reverse stock split.

No Appraisal Rights

Under the General Corporation Law of the State of Delaware, Mitek stockholders are not entitled to appraisal rights with respect to the reverse stock split, and Mitek will not independently provide stockholders with any such rights.

Federal Income Tax Consequences of the Reverse Stock Split

The following is a summary of certain material United States federal income tax consequences of the reverse stock split to a U.S. holder of Mitek common stock. It does not purport to be a complete discussion of all of the possible federal income tax consequences of the reverse stock split and is included for general information only. Further, it does not address any state, local or foreign income or other tax consequences. Also, it does not address the tax consequences to holders that are subject to special tax rules, including, without limitation, banks, insurance companies, regulated investment companies, personal holding companies, foreign entities, nonresident alien individuals, broker-dealers, tax exempt entities, holders of stock or interests in stock held as part of a hedge, straddle, constructive sale, or conversion transaction, U.S. persons whose functional currency is not the U.S. dollar, persons who have elected mark to market accounting, persons who hold stock through a partnership or other entity which is a pass-through entity for U.S. federal income tax purposes, persons who have received stock in connection with the performance of services, and persons not holding stock as a capital asset. This discussion is based upon current provisions of the Code, existing and proposed regulations and current administrative

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rulings and court decisions, all of which are subject to change, possibly with retroactive effect. Changes in these authorities may cause the tax consequences to vary substantially from the consequences described below. This summary also assumes that the pre-reverse stock split shares were, and the post-reverse stock split shares will be, held as a capital asset, as defined in the Code (i. e., generally, property held for investment). The tax treatment of a stockholder may vary depending upon the particular facts and circumstances of such stockholder. Each stockholder is urged to consult with such stockholder s own tax advisor with respect to the tax consequences of the reverse stock split. As used herein, the term U.S. holder means a stockholder that is, for federal income tax purposes: an individual or resident who is a citizen or resident of the United States; a corporation (or other entity taxed as a corporation) created or organized in or under the laws of the United States, any state of the United States or the District of Columbia; an estate the income of which is subject to federal income tax regardless of its source; or a trust if a U.S. court is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust. This discussion only applies to you if you are a U.S. holder of Mitek common stock.

Other than the cash payments for fractional shares discussed below, no gain or loss should be recognized by a U.S. holder upon such U.S. holder s exchange of pre-reverse stock split shares for post-reverse stock split shares pursuant to the reverse stock split. The aggregate tax basis of the post-reverse stock split shares received in the reverse stock split will be the same as the U.S. holder s aggregate tax basis in the pre-reverse stock split shares exchanged therefor, except that, as described below, if cash is received in lieu of fractional shares, the U.S. holder s aggregate tax basis will be reduced by the amount attributable to the fractional shares. In general, U.S. holders who receive cash in exchange for their fractional share interests in the post-reverse stock split shares as a result of the reverse stock split will recognize a gain or loss based on their adjusted basis in the fractional share interests redeemed. The U.S. holder s holding period for the post-reverse stock split shares will include the period during which the U.S. holder held the pre-reverse stock split shares surrendered in the reverse stock split.

The receipt of cash instead of a fractional share of Mitek common stock by a U.S. holder of Mitek common stock will result in a taxable gain or loss to such U.S. holder for federal income tax purposes based upon the difference between the amount of cash received by such holder and the adjusted tax basis in the fractional shares as set forth above. The gain or loss will constitute a capital gain or loss and will constitute long-term capital gain or loss if the U.S. holder s holding period is greater than one year as of the effective date. If you receive cash in lieu of a fractional share of Mitek common stock, your aggregate tax basis in the post-reverse stock split shares will be reduced by the basis attributable to such fractional shares.

The maximum federal income tax rate applicable to long-term capital gains of individual taxpayers, trusts and estates is currently 15%. Short-term capital gains and ordinary income are subject to maximum federal income tax rates of 35%. Corporations are subject to a maximum federal income tax rate of 35% for both capital gains and ordinary income. These rates generally apply to U.S. holders.

Our view regarding the tax consequences of the reverse stock split is not binding on the Internal Revenue Service or the courts. **Each stockholder should consult with his or her own tax advisor with respect to all of the potential tax consequences to him or her of the reverse stock split.**

Required Vote

The affirmative vote of the holders of a majority of Mitek common stock having voting power present in person or represented by proxy at the Mitek special meeting is required for approval of Mitek proposal 6.

The Mitek board of directors recommends that Mitek stockholders vote FOR Mitek proposal 6 to approve the reverse stock split.

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Mitek Proposal 7: Approval of Possible Adjournment of the Mitek Special Meeting

If Mitek fails to receive a sufficient number of votes to approve Mitek proposals 1, 2, 3, 4, 5 and 6, Mitek may propose to adjourn the Mitek special meeting, for a period of not more than 30 days, for the purpose of soliciting additional proxies to approve Mitek proposals 1, 2, 3, 4, 5 and 6. Mitek currently does not intend to propose adjournment at the Mitek special meeting if there are sufficient votes to approve Mitek proposals 1, 2, 3, 4, 5 and 6.

Required Vote

The affirmative vote of the holders of a majority of the Mitek common stock having voting power present in person or represented by proxy at the Mitek special meeting is required to approve the adjournment of the Mitek special meeting for the purpose of soliciting additional proxies to approve Mitek proposals 1, 2, 3, 4, 5 and 6.

The Mitek board of directors recommends that Mitek s stockholders vote FOR Mitek proposal 7 to adjourn the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of Mitek proposals 1, 2, 3, 4, 5 and 6.

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MATTERS BEING SUBMITTED TO A VOTE OF PARASCRIPT S UNITHOLDERS

Parascript Proposal No. 1: Adoption of the Merger Agreement

At the Parascript special meeting and any adjournment or postponement thereof, Parascript unitholders will be asked to consider and vote upon a proposal to adopt the merger agreement. The merger agreement provides that at the effective time of the merger, Mitek Merger Subsidiary, LLC will be merged with and into Parascript. Upon the consummation of the merger, Parascript will continue as the surviving corporation and will be a wholly-owned subsidiary of Mitek. The terms of, reasons for and other aspects of the merger agreement are described in detail in the other sections of this joint proxy statement/prospectus.

Required Vote

The adoption of the merger agreement requires the affirmative vote of the holders of at least 70% of the outstanding units voting as a single class.

Parascript s board of directors recommends a vote FOR the adoption of the merger agreement

Parascript Proposal No. 2: Adjournment of the Parascript Special Meeting, if Necessary, to Solicit Additional Proxies if There are Not Sufficient Votes in Favor of the Adoption of the Merger Agreement

At the Parascript special meeting and any adjournment or postponement thereof, Parascript unitholders will be asked to consider and vote upon a proposal to adjourn the Parascript special meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of the adoption of the merger agreement.

Required Vote

The adjournment of the Parascript special meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of the adoption of the merger agreement requires the affirmative vote of the holders of a majority of the units having voting power present in person or by proxy at the Parascript special meeting.

Parascript s board of directors recommends a vote FOR the adjournment of the Parascript special meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of the adoption of the merger agreement.

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PARASCRIPT S BUSINESS

Overview

Parascript is a limited liability company formed in 1996 under the laws of Wyoming and is a developer of intelligent pattern recognition software which can be used in a variety of applications. Parascript s intelligent recognition technology mimics human thinking patterns and is based on cognitive science, pattern recognition, neural networks and artificial intelligence. Applying our intelligent recognition technology to image based data, a user can automatically and accurately capture all character types, cursive handwriting, and handprint and machine print from forms, checks, and all types of mail. After data capture, the software interprets the mass of data, and makes patterns and contextual meanings clear. Finally, the data is transformed into accurate and actionable electronic information.

Currently, commercial and government organizations use Parascript s intelligent recognition technology for mail processing, check and remittance processing, fraud detection and prevention, and forms processing. Recognized revenues have been consistent growing since 2002 and reached just over $24 million in fiscal 2005.

Parascript s products are designed to increase productivity while reducing costs using the intelligent recognition software originally developed in Russia nearly two decades ago. Parascript s products are normally integrated into the software systems of other companies to provide for the information flow from the original documents to the application using the information. Parascript has directed its product development efforts to allow for its software to be compatible with an extensive number of devices and operating systems.

Parascript s revenue stream consists of licenses, royalties and usage fees for various products, and maintenance and other professional fees associated with the installation and usage of the products. Our primary market focus is in the area of mail sorting and related services with our products being used extensively by the United States Postal Service, several foreign postal services and numerous companies in their mailing and shipping services. Although other companies compete in the mail sorting and address recognition market, Parascript has continued to maintain a substantial share of this market due to the high level of performance of our products. In Parascript s second largest market the financial services industry, Parascript s products are used in various check and remittance processing applications. In this market, software solutions are used to read the various pieces of information on a check or remittance receipt. Of special interest is the recognition of the legal amount (commonly referred to as LAR) on checks which is the handwritten representation that spells out how much the check is worth. Parascript s products are also used to verify the quality of the digital image and to provide fraud prevention functions including signature verification.

Two of Parascript s subsidiaries, Evernote Corporation (formerly Pen & Internet, LLC) and Applied Intelligence Solutions or AIS have been or will be spun-off to the Parascript unitholders. On December 20, 2005, Parascript s ownership in Evernote Corporation was distributed to the Parascript preferred unitholders in accordance with Parascript s Fourth Amended Operating Agreement. As a part of the merger, AIS will be spun-off to the Parascript unitholders immediately prior to the proposed business combination and will not be a part of the combined company on a going forward basis. Pursuant to the guidelines in SFAS No. 144, Accounting for the Impact or Disposal of Long-lived Assets or SFAS 144, a subsidiary which is to be spun-off must be included as held and used (included in operations) until such time as the spin-off has been completed. Both subsidiaries have continually incurred losses, primarily because of research and development expenditures. Parascript is retaining no equity or other economic or cash flow interest in either of these entities.

Products

Parascript offers a wide range of software products based on its intelligent recognition technologies to a number of diverse customers. Demand for its products is driven by the desire to process information more quickly, at lower cost and with greater accuracy. Upon consummation of the merger, Parascript intends to integrate the software technology obtained from Mitek to enhance its offerings and to increase the value they represent to its customers.

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Parascript s products are grouped into four basic categories including:

- check and payment processing
- forms processing
- fraud detection and prevention
- mailing and shipping.

Check and Payment Processing. These products automate check courtesy amount and legal amount recognition (CAR/LAR), check number, payee block and MICR lines, verify signature presence, locate payor blocks and ensure that images meet rigid quality and usability assurance tests. These products include:

- *CheckPlus*®: Developed for banks, financial institutions and payment processors, CheckPlus® enables efficient processing of digitized check images and makes sense of the important data encountered on checks.
- *CheckUsability*®. Addresses the opportunities presented by the federal legislation known as Check 21. It analyzes personal and business checks for scanning distortions, field entry mistakes and provides an automatic analysis of field readability.
- *SignatureXpert*®. Detects signature presence and verifies signatures on checks and other documents and reveals all types of signature fraud, including random and skilled forgery. It is easily integrated with applications that require signature verification.

Forms Processing. These products allow businesses to process all types of forms. The tools contained in the product allow for integrated keying as well as adjustable quality control and error checking. The software is designed so new applications can be implemented with minimal setup while allowing for customization to address high-volume, highly complex form processing. These products include:

- *FormXtra® Enterprise*. Provides all software modules required for a complete forms processing workflow, including intelligent recognition, form definition and registration, dynamic quality control, data keying module, reporting and administration tools.
- *FormXtra® Standard*. Enables customized form processing by combining Parascript s flagship intelligent recognition technology with a form definition module. Integrators can tailor specific solutions by identifying form fields and defining formats of extracted data.
- *FieldScript*®. Reads all styles of text including cursive, handprint, machine print, or any combination. FieldScript® also recognizes nearly all form field type, including name, address, amount, and check boxes.

Fraud Detection and Protection. The fraud protection products are designed to combat the growing various forms of check fraud. Two of the products deal with signature verification which can be done in a payment processing center or on-line in real time. In addition, Parascript offers a product which examines the check layout itself for potential fraudulent check stock. These products include:

SignatureXpert®. Detects signature presence and verifies signatures on checks and other documents and identifies types of signature fraud, including random and skilled forgery.

SignatureOnline. Offers dynamic verification of signatures in an on-line environment. The product delivers superior performance by combining spatial characteristics analysis with behavioral biometrics of hand written signatures resulting in efficient detection of signature fraud, including skilled forgery.

CheckStock®. Provides an element of   fail safe   fraud detection, by detecting potentially counterfeit checks

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Mailing and Shipping. These products are used in address recognition for sorting mail and parcels, verifying and correcting zip codes, locating and recognizing addresses and sorting incoming mail and parcels. These products may be used in both governmental and commercial applications. These products include:

- AddressScript®. Provides automatic recognition of a complete U.S. mailing address as it appears on letter envelopes, flats, parcels or mailing labels and is uniquely able to handle all types of address data including machine print, handprint and cursive. AddressScript® automatically recognizes and cross-validates U.S. mailing addresses against the USPS database, ensuring deliverability of up to 250 million pieces of mail per day. Versions of AddressScript® have been delivered to a number of foreign posts as well as the United States Postal Service.

- AddressSelect. Is a high-performance address validation engine that reduces incorrect address entries so postage discounts and compliance with USPS guidelines are realized.

- AddressParcel®. Uses the proven intelligent recognition technology implemented in Parascript s flagship AddressScript® software to recognize the destination address on packages with the highest read rates available in the industry enabling them to function in a fully automated environment.

- AddressLocator®. Tackles the challenges associated with locating address blocks on parcel images which allows postal and shipping agencies to process greater volumes of mail more accurately and quickly.

- InMailRouter®. Addresses the labor-intensive sorting of incoming mail by automatically reading and sorting the entire spectrum of mail, including letters, postcards and flats to reduce labor costs.

Research and Development

Parascript believes that technical leadership is essential to its success and expects to continue to commit substantial resources to research and development. Parascript s future success will depend in large part on its ability to enhance existing products, respond to changing customer requirements and develop and introduce new products in a timely manner that keep pace with technological developments and emerging industry standards.

Parascript s recent major research and development initiatives include, but are not limited to:

- Continuing to refine and develop existing products to maintain technological position in the industries that Parascript serves;

- Developing uses for the pattern recognition software which will allow Parascript to create and/or enter new markets; and

- Modifying existing products to run on new versions of operating systems as they are released and adopted by Parascript s customer base.

Marketing, Sales and Distribution

Parascript s products are marketed primarily through integrators and strategic relationships, direct sales, and resellers. End users of Parascript s products include domestic and international postal organizations, several large banking and remittance processing companies, leading global corporations and small and medium sized enterprises around the world operating in a wide variety of industries.

Integrators and Strategic Relationships. The primary method of distribution is through third parties that integrate Parascript s software products with other software products to form an integrated solution to a customer s processing needs. In general, Parascript receives a fee for each sublicense of its products granted by its partners as well as maintenance fees and, in some instances, royalties.

Direct Sales. Parascript does limited direct marketing of its own products, including advertising, trade shows, web sites and promotional material. The primary objective of these marketing efforts is to create demand for Parascript s products, to educate companies in targeted industries about the benefits of using Parascript s software and to identify targeted sales opportunities.

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Resellers. A third element of the sales and distribution strategy is the use of resellers. These companies incorporate Parascript s software and engines in their products and sell the combined products under their own brand names. Parascript receive sublicenses fees, usage royalties and maintenance fees from the reseller for the licensing and on-going use of the products.

Maintenance and Technical Support

Parascript believes that providing a high level of customer service and technical support is critical to customer satisfaction and its success in increasing the adoption rate of its solutions. Most of its integrators, strategic partners and direct customers have maintenance and technical support agreements with Parascript that provide for fixed fee, renewable annual maintenance and technical support, consisting of technical and emergency support, bug fixes and product upgrades. Parascript offers seven-days a week, 24-hours a day telephone and e-mail support. Some of the value-added resellers, system integrators and original equipment manufacturers that offer Parascript s products also provide customer technical support for its products through an arrangement whereby the partner handles the initial customer contact and Parascript provides secondary support and engineering assistance.

Intellectual Property Rights/Protective Measures

Parascript s intellectual property is an important and valuable asset that enhances its competitive position. Parascript relies on patents, trademarks and trade secret laws, confidentiality procedures, contractual obligations and other measures to protect its proprietary information.

In addition to the legal protections applicable to trademarks, patents and copyrights, Parascript employs technological measures to monitor the use of its software and to protect it against unauthorized use, copying and disclosure. In this regard, Parascript increasingly uses soft lock software which allows Parascript to gather information on the usage or access to the software for purposes of calculating and verifying royalties and license fees owed for use of the software.

As part of Parascript s confidentiality procedures, it generally enters into non-disclosure agreements with its employees, distributors, and integrators. Parascript s license agreements all include confidentiality obligations with respect to software, documentation and other proprietary information. These license agreements are generally non-transferable without Parascript s consent. Parascript also employs appropriate measures to protect its facilities, equipment and networks.

Trademarks, Patents and Copyrights

Parascript and the Parascript logo are trademarks or registered trademarks in the United States and other countries. In addition to Parascript and the Parascript logo, it has used, registered and/or applied to register other specific trademarks and service marks to help distinguish its products, technologies and services from those of its competitors in the U.S. and foreign countries and jurisdictions. Parascript enforces its trademark, service mark and trade name rights both in the U.S. and abroad. The duration of Parascript s trademark registrations varies from country to country and in the U.S. Parascript generally is able to maintain its trademark rights and renew any trademark registrations for as long as the trademarks are in use.

Parascript s software and related documentation are protected by copyrights. Parascript has several U.S. issued patents and pending patent applications which relate to various aspects of its products and technology. Parascript filed its first patent application in July 1999 and its most recent application in November 2004. In addition, Parascript has applied for patents in a number of foreign jurisdictions based on existing patents in the United States.

Parascript has several U.S. issued patents and pending patent applications which relate to various aspects of its products and technology. The duration of its patent for the U.S. is typically 17 years from the date of issuance

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of the patent or 20 years from the date of filing of the patent application resulting in the patent, which Parascript believes is adequate relative to the expected lives of its products. In addition, the Company has applied for patents in a number of foreign countries based on existing patents in the United States.

A summary of the patents and patent applications is as follows.

Patent or Application Number	Date Filed	Date of Patent	Description of Patent/application	Product	Country
6501855	7/20/1999	12/31/2002	Manual Search Restriction on Documents not having an ASCII Index	Parascript	USA
6917709	12/16/2002	7/12/2005	Automated Search on Cursive Records not Having an ASCII Index	Parascript	USA
6950555	2/17/2001	9/27/2005	Holistic Analytical Recognition of Handwritten Text	Gov t/Postal	USA
10/997707	11/23/2004	pending	Holistic Analytical Recognition of Handwritten Text	Gov t/Postal	USA
10/093184	3/6/2002	3/28/2006	Extracting Text Written on a Check	TR (Checks)	USA
10/093180	3/6/2002	pending	Payee Match Positive Pay Application	TR (Checks)	USA
10/155453	5/23/2002	pending	Distributed Signature Verification with Dynamic Database of Reference Signatures	TR (Checks)	USA
200251727	7/24/2003	pending	Holistic Analytical Recognition of Handwritten Text	Gov t/Postal	Canada
EP 02720749.7	7/24/2003	pending	Holistic Analytical Recognition of Handwritten Text	Gov t/Postal	European Union
PCT US03/06575	3/5/2003	pending	Extracting Text Written on a Check	TR (Checks)	PCT
2003225656	3/5/2003	pending	Extracting Text Written on a Check	TR (Checks)	Australia
03 744 169.8-2218	3/5/2003	pending	Extracting Text Written on a Check	TR (Checks)	European Union
PCT/US 03/06575 NZ # 535451	3/5/2003	pending	Extracting Text Written on a Check	TR (Checks)	New Zealand

Parascript s products are protected under U.S. and international copyright laws and laws related to the protection of intellectual property and proprietary information. Parascript takes measures to label such products with the appropriate proprietary rights notices and is actively enforcing such rights in the U.S. and abroad. However, these measures may not provide sufficient protection, and Parascript s intellectual property rights may be infringed or the validity of these rights may be challenged. While Parascript believes that its ability to maintain and protect its intellectual property rights is important to its success, it also believes that its business as a whole is not materially dependent on any particular patent, trademark, license or other intellectual property right.

Customers

While Parascript s software solutions are used by customers in a wide variety of industries, most of their sales are done through a limited number of integrators and strategic relationships. As of December 31, 2005, Parascript had approximately 50 customers supporting approximately 10,000 installations. During 2005 and 2004, Parascript generated approximately 75% and 90%, respectively, of its revenue from the licenses and royalties related to one product, AddressScript®. Parascript s revenue is also concentrated, with one customer being responsible for 40% and 65% of revenue in 2005 and 2004, respectively, and a second customer accounting for 25% and 11% of revenue in 2005 and 2004, respectively.

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Competition

The market for Parascript s products includes few competitors, and Parascript is in a unique competitive situation in that it provides products which are either the only ones in the market or are the industry leader. The products focus on the accuracy of the data read and the ability to electronically process a high percentage of the documents in question. As such, product performance and quality are generally more important factors in the purchasing decision than price. To this point, Parascript has been able to lead the industry in the quality factors described above and therefore maintains a significant portion of the market (75% of the check processing market in 2003 per Arthur Gingrande, a partner with Imerge Consulting, a business-process consulting firm based in Boston).

Parascript s competitive position is such that its products are often presented as a part of a bundled solution by two or more competitors on any given opportunity.

Seasonality

As is typical for many software companies, Parascript s business is seasonal. Product sales are generally higher in its fourth fiscal quarter. In addition, Parascript generally receives a higher volume of sales orders in the last month of a quarter, with orders concentrated in the later part of that month. Parascript believes that this seasonality primarily reflects customer spending patterns and budget cycles. Product revenue generally lags several months behind the sales orders because product revenue is not recognized until a system is installed and operational and other revenue recognition criteria are met.

In addition to annual seasonality, Parascript can experience fluctuations in their annual sales volumes as revenues are often associated with large opportunities subject to delays caused by circumstances beyond the control of Parascript.

Properties

Parascript s properties consist of leased office facilities for sales, research and development, and administrative personnel. Parascript s corporate headquarters consist of approximately 20,100 square feet located in Boulder, Colorado. Parascript s facilities are occupied under a lease that expires in 2010. It also leases approximately 6,000 square feet of space in Moscow, Russia on a month to month basis (which is customary in the Moscow market) which is primarily used for research and development facilities.

Parascript believes its existing facilities will be suitable for its needs. See Parascript s historical consolidated financial statements and accompanying notes included in this joint proxy statement/prospectus for information regarding Parascript s operating lease obligations.

Employees

As of December 31, 2005, Parascript had 91 employees, including 56 employees in technical operations including research and development, 12 in sales, marketing, consulting, customer support and strategic initiatives and 23 in general and administrative services. Of the 91 employees, 38 are based in Moscow and the remaining 53 are based in Boulder, Colorado. Parascript has not entered into any collective bargaining agreements with its employees and believes that relations with its employees are good. Parascript believes that its future success will depend in part upon the continued service of its key employees and on its continued ability to hire and retain qualified personnel.

Legal Proceedings

Parascript has no current or pending litigation.

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Deferred Revenue

A sale of a Parascript product may consist of several pieces including a licensing agreement, usage royalty agreements, annual maintenance agreements, and agreements for additional installation, training and professional services. The Company recognizes revenue in accordance with Statement of Position (SOP) 97-2, *Software Revenue Recognition*, as amended and interpreted by SOP 98-9, Modification of SOP 97-2, *Software Revenue Recognition, with Respect to Certain Transactions*, as well as Technical Practice Aids issued from time to time by the American Institute of Certified Public Accountants. Revenue from the initial license fees of Parascript s software products is recognized upon receipt of an executed license agreement containing a fixed or determinable license fee, delivery of the software, and acceptance by the customer, provided that the collection of the license fee is probable and payment is due within 12 months. Software maintenance revenue related to software licenses is recognized ratably over the term of each maintenance agreement.

For software arrangements with multiple elements, Parascript applies the residual method prescribed by SOP 98-9. Revenue applicable to undelivered elements, principally software maintenance and support, training, and limited professional services, is deferred based on vendor-specific objective evidence (VSOE) of the fair value of those elements. VSOE is established by the price of the element when it is sold separately (i.e., the renewal rate for software maintenance and support as stipulated in the related customer arrangement). Revenue applicable to the delivered elements is deemed equal to the remaining amount of the fixed contract price. Assuming none of the undelivered elements is essential to the functionality of any of the delivered elements, Parascript recognizes the residual revenue attributed to the delivered elements when all other criteria for revenue recognition for these elements have been met. Certain of Parascript s software license arrangements result in deferring all revenue and recognizing the revenue ratably over the term of the arrangement.

The maintenance agreements will vary depending on the agreement with the customer (which may be an integrator, end-user or a reseller). Maintenance agreements are generally for a period of one year. Renewals of the maintenance agreements are a relatively small, but an important and growing part of Parascript s business. Due to high customer satisfaction and high product value, Parascript enjoys renewal rates greater than 80% and as high as 95% depending on product line which results in very significant recurring revenue opportunity. Even though the full payment for the maintenance agreement or the renewal, as the case may be, is received at the beginning of the contract period, the revenue is recognized over the agreement or renewal period resulting in deferred revenue on the consolidated balance sheet. Deferred revenue was approximately $4.2 million and $0.9 million at December 31, 2005 and 2004, respectively. Deferred revenue represents product maintenance orders for Parascript s software products that have been billed to and paid by its customers and for which revenue will generally be earned within the next few months although some carry over for several years and at December 31, 2005, represented certain license fees for the AddressScript product.

Product maintenance revenue recognized was approximately $1.0 million and $0.7 million for the years ended December 31, 2005 and 2004, respectively. Maintenance revenue is generally recognized over the maintenance period of twelve months.

Other Information

Parascript s principal offices are located at 6899 Winchester Circle, Suite 200, Boulder, Colorado 80301 and its telephone number is (303) 547-4033. Parascript s home page on the internet is at www.parascript.com. The information on the Parascript website is not a part of this joint proxy statement/prospectus.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF PARASCRIPT

The following discussion should be read in conjunction with Parascript s financial statements and accompanying notes, which appear elsewhere in this joint proxy statement/prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. As a result of many factors, including those set forth under the section entitled Risk Factors and elsewhere in this joint proxy statement/prospectus, Parascript s actual operating results, financial condition, business performance or any other aspect may differ materially from those anticipated in these forward-looking statements.

Overview

The following Management s Discussion and Analysis of Financial Condition and Results of Operations, or MD&A, is intended to help the reader understand Parascript s historical results and anticipated future outlook prior to the close of the proposed business combination with Mitek. This MD&A is provided as a supplement to, and should be read in conjunction with, Parascript s consolidated financial statements and accompanying notes.

Spin-off of Applied Intelligence Solutions, LLC

As a part of the proposed business combination, the subsidiary Applied Intelligence Solutions, LLC (AIS) will be spun off to the unit holders prior to the business combination. Because the results of operations from this subsidiary will not be included in the on-going operations, this subsidiary has been considered as an Asset Held for Sale and the results of its operations excluded from the totals in the Management Discussion and Analysis below. It has also been excluded from all comparative financial statements and selected financial information included in the body of this registration statement. An analysis of the results of operations for the discontinued operations is shown at the end of this analysis. This is not consistent with the principals of SFAS 144 and US GAAP, which requires the inclusion of subsidiaries that are to be spun-off as held and used until such time as the spin-off occurs. However, the audited financial statements that are included as a portion of this filing have been prepared in accordance with SFAS 144 and include the results of AIS operations as held and used in operating income.

Parascript s Business

Parascript develops, licenses and distributes intelligent pattern recognition software which interprets human thinking and behavioral patterns based on cognitive science, pattern recognition, neural networks and artificial intelligence. Parascript s software applies intelligent pattern recognition to handwriting, allowing a user to automatically and accurately capture all character types, cursive, handprint and machine print from forms, checks, and mail, while dramatically reducing data entry expenses. After data capture, the software interprets the data to make patterns and contextual meanings clear, and to transform the data into accurate and actionable electronic information.

Parascript s software is compatible with a number of devices and operating systems and can often be integrated into customer software or used in OEM scanning devices. Currently, commercial and government organizations use Parascript s software for mail processing, check and remittance processing, fraud detection and prevention, and forms processing. Parascript s revenues have been growing since 2001, and exceeded $24 million in 2005.

The primary implementation of Parascript s software has been for mail sorting, handling, routing and shipping functions. This application of Parascript s software is used by the United States Postal Service, several foreign postal services and numerous large corporations. Parascript s software is also implemented for check and remittance authentication and processing functions by end users such as banks and retail stores. A further implementation of Parascript s software is by governmental and commercial end users to automate the entry and processing of a large variety of forms, such as applications, and forms used in human services and benefits administration departments.

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Parascript s revenue is derived from software licensing fees, professional services fees, and ongoing maintenance services fees, with the services provided most commonly to its software resellers and strategic partners, and occasionally directly to end users. End users of Parascript s software include corporations, banking and remittance processing institutions, strategic technology partners, domestic and foreign governmental agencies, and a number of large to medium-sized enterprises around the world operating in a wide variety of industries. Parascript s marketing and sales force is relatively small as most of its sales come through integrators and strategic partnerships. Parascript s fee structure typically includes any combination of an ongoing royalty or license fee, software usage fees, and periodic maintenance service fees. This structure often involves a continuing revenue stream from a single licensing transaction or installation.

Parascript invests significantly in research and development activities. In addition to maintaining its technological edge in its current markets, Parascript s research and development efforts are directed toward developing new applications for the intelligent pattern recognition software in new markets. This involves developing new features and functionality for existing products and integrating existing products into new products and applications of its strategic partners. Research and development costs are included in operations expenses.

Parascript s Strategy

Parascript s strategy since inception has been to provide the most technologically efficient and advanced product in the market. Parascript identified the niches in which intelligent pattern recognition had the most widespread commercial use and established a significant presence in those markets. By developing strategic relationships with a number of integrators, OEMs and other suppliers in the industry, Parascript has not limited itself to a single hardware supplier or platform, which Parascript believes allows more penetration into the overall market. Parascript is continuing to devote significant investments into research and development into products associated with these highly saturated niches because of the need to remain the technology leader in throughput and accuracy, and to maintain its market position.

Critical Accounting Policies and Estimates

There are several accounting policies that are critical to understanding Parascript s historical and future performance, because these policies affect the reported amounts of revenue and other significant areas in Parascript s reported financial statements and involve management s judgments and estimates. These critical accounting policies and estimates include:

- revenue recognition;
- research and development costs;
- accounting for discontinued operations;
- accounting for income taxes; and
- accounting for stock options.

These policies and estimates and Parascript s procedures related to these policies and estimates are described in detail below and under specific areas within the discussion and analysis of its financial condition and results of operations. Please refer to Note 2, Basis of Presentation and Summary of Significant Accounting Policies in the Notes to Consolidated Financial Statements of Parascript for the year ended December 31, 2005 included herein for further discussion of Parascript s accounting policies and estimates.

Revenue Recognition

Parascript makes significant judgments related to revenue recognition. For each arrangement, Parascript makes significant judgments regarding the fair value of multiple elements contained in its arrangements and judgments regarding whether collection is probable. Parascript also makes significant judgments when accounting for potential product returns and warranty costs. These judgments, and their effect on revenue recognition, are discussed below.

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Multiple Element Arrangements

For software arrangements with multiple elements, Parascript applies the residual method prescribed by SOP 98-9. Revenue applicable to undelivered elements, principally software maintenance and support, training, and limited professional services, is deferred based on vendor-specific objective evidence (VSOE) of the fair value of those elements. VSOE is established by the price of the element when it is sold separately (i.e., the renewal rate for software maintenance and support as stipulated in the related customer arrangement). Revenue applicable to the delivered elements is deemed equal to the remaining amount of the fixed contract price. Assuming none of the undelivered elements is essential to the functionality of any of the delivered elements, Parascript recognizes the residual revenue attributed to the delivered elements when all other criteria for revenue recognition for these elements have been met. Certain of Parascript s software license arrangements result in deferring all revenue and recognizing the revenue ratably over the term of the arrangement.

Collection is Probable

Revenue related to services is generally recognized as the services are provided and amounts due from customers are deemed collectible and are contractually nonrefundable.

Royalty Revenue

Royalty revenue is derived from the licensing of Parascript s software products to third parties, who (i) publish the software, (ii) bundle the software with their own products, or (iii) incorporate such software into their own products. Royalty revenue is recognized upon notification to us by these third parties of the number of units of such third-party products sold, and the royalty to be paid.

Product Returns and Exchanges and Warranty Costs

Parascript s license arrangements do not typically provide customers a contractual right of return. Parascript generally offers a warranty on its products for a period of 90 days only. Parascript has not incurred any expense in connection with the warranty of its products and accordingly has not recorded an accrual for warranty provisions as of December 31, 2005.

Allowance for Doubtful Accounts

Parascript management reviews its accounts receivable on a monthly basis to determine if any receivables will be potentially uncollectible. At December 31, 2005, Parascript management has determined that all accounts receivable will be collected and therefore no allowance for doubtful accounts has been established.

Research and Development Software Development Costs

Research and development costs are expensed as incurred and consist of salaries and other direct costs. Capitalization of software development costs commences upon the establishment of technological feasibility of the product. Parascript s software products are deemed to be technologically feasible at the point a working model of the software product is developed, which is generally at or near the point Parascript commences field testing of the software. Through December 31, 2005, for the products developed by Parascript, the period from field-testing to general customer release of the software has been brief, and accordingly, Parascript has not capitalized any software development costs.

Discontinued Operations

In accordance with SFAS 144, Parascript has classified a certain subsidiary (Evernote Corporation) as held for sale. The operating results of such entity are presented in discontinued operations in both current periods and all comparable periods presented. Depreciation was included in operating expenses for the current fiscal year as the underlying assets are all personal property, are immaterial in amount and not subject to appreciation on the disposition of the operations. Any gain or loss on sale and any impairment losses are presented in discontinued operations when recognized.

Accounting for Income Taxes

Parascript and its subsidiaries are limited liability companies under the provisions of Wyoming law. Under those provisions, Parascript does not pay federal or state corporate income taxes on its taxable income. Income is reported on the unitholders individual federal or state income tax returns. Accordingly, no income tax provision has been recorded for these entities in the accompanying consolidated financial statements. After the business combination, Parascript will no longer be a limited liability company and will begin reflecting appropriate tax calculations. It is anticipated that this will have a significant impact on Parascript s Balance Sheet, Statement of Profit and Loss and Earnings per Unit.

Parascript Management, Inc. is the manager of Parascript. It is a taxable corporation under Subchapter C of the Internal Revenue Code of 1986, as amended, and is consolidated in these financial statements. As such, it is subject to federal income taxes and any state and local income taxes that may attributable to its operations.

Parascript Management, Inc. reports income taxes in accordance with SFAS No. 109, Accounting for Income Taxes, which requires an asset and liability approach. This approach results in the recognition of deferred tax assets (future tax benefits) and liabilities for the expected future tax consequences of temporary differences between the book carrying amounts and the tax basis of assets and liabilities. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be deductible or taxable when the assets and liabilities are recovered or settled. Management s judgments, assumptions and estimates relative to the current provisions for income tax take into account current tax laws, management s interpretation of current tax laws and possible outcomes of current and future audits conducted by foreign and domestic tax authorities. Changes in tax laws or management s interpretation of tax laws, including the provisions of the American Jobs Creation Act of 2004, and the resolution of current and future tax audits could significantly impact the amounts provided for income taxes in Parascript s balance sheet and results of operations.

Stock Based Compensation

Through December 31, 2005, the Company accounted for its stock-based compensation using the intrinsic value method prescribed by Accounting Principles Board Opinion (APB) No. 25, *Accounting for Stock Issued to Employees,* and related interpretations. As allowed by SFAS No. 123, *Accounting for Stock-Based Compensation*, the Company applied the intrinsic-value method of accounting and adopted only the disclosure requirements of SFAS No. 148, *Accounting for Stock-Based Compensation Transition and Disclosure, an Amendment of FASB Statement No. 123*. These are more fully described in Note 7 Members Options in the footnotes to Financial Statements presented herein. Effective January 1, 2006, the Company adopted SFAS No. 123(R), *Share-Based Payment,* which requires companies to recognize compensation expense for all share-based payment awards made to employees and directors based on estimated fair values. SFAS 123(R) is being applied on the modified prospective basis. Under the modified prospective approach, SFAS 123(R) applies to new awards and to awards that were outstanding on January 1, 2006 that are subsequently modified, repurchased or cancelled.

Results of Operations of Parascript

Six Months Ended June 30, 2006 and 2005 (Unaudited)

Net revenue

Net revenue increased to $8.0 million from $5.1 million, approximately $2.9 million, or 57%, during the six months ended June 30, 2006 as compared to the same period in the prior year. The revenue increase was primarily due to an increase in licensing revenue, which increased to $5.6 million from $2.6 million, or approximately $3.0 million, or 115%, during the six months ended June 30, 2006. The largest changes were in CheckPlus® which increased by approximately $3.3 million in 2006 due to a single large order. This was off set by license fees from the AddressScript® product which declined by $0.3 million in 2006 due to a large sale to a single customer in 2005 that was not repeated in 2006. Net royalty revenues decreased to $1.4 million from $1.7 million, approximately $0.3 million, or 18%, during the six months ended June 30, 2006 as compared to the same period in the prior year due primarily to lower royalties from CheckPlus®. This is partially offset by the increased license fees which may result in additional royalties in future periods. Net development, support and professional services revenue increased to $1.0 million from $0.8 million, approximately $0.2 million, or 25%, during the six months ended June 30, 2006 as compared to the same period in the prior year. This was due primarily to a $0.3 million contract for custom work on the FieldScript® product.

Cost of revenue

Cost of revenue consists primarily of the cost of salaries and related payroll overhead and employee logistics and transportation costs. The cost of revenue decreased by less than $0.1 million to $0.6 million in 2006 from $0.7 million in 2005. As a percentage of net revenue, such costs declined during the six months ended June 30, 2006 to 8%, as compared to 13% for the same period in the prior year. The difference was primarily due to decreased costs in the professional services department. Head count had decreased in this department in 2006 compared to 2005 due to employee attrition and delays in replacing personnel. Because Parascript s products are primarily intellectual property, the underlying costs of revenue is relatively fixed as the staff size and related expenses remain relatively constant even with changes in income levels. These costs continue to be incurred on a regular basis regardless of when the revenue is recognized as the latter is contingent on meeting revenue recognition criteria, while the expenses are not.

Research and development

Research and development expenditures increased to $3.6 million from $3.2 million, approximately $0.4 million, or 15%, for the six months ended June 30, 2006 compared to the same period in 2005. As a percentage of net revenue, research and development costs declined to 45%, from 63%, for the six months ended June 30, 2006. The increase in the absolute cost of the research and development is related to personnel and support costs. The increase related primarily to additional personnel required to meet current and future development demands. In addition, bonuses and the corresponding payroll taxes increased due to Parascript meeting its financial targets under certain of its incentive plans. The decrease in costs as a percentage of revenue is primarily a result of increased revenue.

Sales and marketing

Sales and marketing expenditures increased to $1.5 million from $0.8 million, approximately $0.7 million, or 88%, for the six months ended June 30, 2006 compared to the same period in 2005. As a percentage of net revenue, sales and marketing costs rose to 18% of net revenue, for the six months ended June 30, 2006 compared to 16% for the six months ended June 30, 2005. The increase in costs relates primarily to the increase in sales and marketing staff assigned to the Applied Intelligence Solutions (AIS) subsidiary which is nearing the completion of the development of their products and are beginning to market the product line. Marketing costs for advertising and trade shows increased substantially as a result of the focus on introducing the AIS products into the market.

General and administrative

General and administrative costs increased to $1.5 million from $1.2 million, approximately $0.3 million, or 24% for the six months ended June 30, 2006 compared to the same period in 2005. As a percentage of net revenue, general and administrative costs declined to 19% for the six months ended June 30, 2006, from 23% for the six months ended June 30, 2005. The increase in absolute costs was primarily attributable to increased salaries and bonuses in the finance and administration department in 2006 as well as approximately $113,000 in expenses related to the merger with Mitek. The decrease in costs as a percentage of revenue is a result of increased revenue.

Other income (expense) net

Other income (expense) net increased by $42,000 for the six months ended June 30, 2006. As a percentage of net revenue, such income (expense) increased to 1% of net revenue for the six months ended June 30, 2006 compared to 0% for the six months ended June 30, 2005. The increase in absolute dollars was primarily attributable to increased interest income and an exchange rate gain on a completed contract receivable collected in 2006.

Loss from discontinued operations

Loss from discontinued operations decreased approximately $1.2 million for the six months ended June 30, 2006 compared to the same period in 2005 due primarily to the spin-off of Evernote Corporation in December, 2005. No Evernote loss is therefore included in the 2006 results of operations.

Comparison of Fiscal Years Ended December 31, 2005 and 2004

Net revenue

Net revenue increased to $24.1 million, from $23.0 million, approximately $1.1 million, or 5%, during the year ended December 31, 2005 as compared to the year ended December 31, 2004. The revenue increase was primarily due to an increase in royalties arising from new licenses and royalty customers obtained in 2004 and 2005. Royalties increased to $3.7 million from $2.0 million, or approximately $1.7 million, or 85%, from 2004. The increase was primarily related to CheckPlus® products which increased $1.0 million from 2004 to 2005 due to an increase in orders during 2005 from Unisys, Orbograph and NCR. In addition, royalties from Addresscript® increased $0.5 million between the years due to an increase in orders from Bowe Bell & Howell. This increase was slightly offset by a decrease in net license revenue. Such revenue decreased to $19.2 million from $19.7 million or approximately $0.5 million, or 3%, over 2004. During 2003 and 2004, Parascript entered into several strategic marketing relationships and completed several projects with existing partners which expanded Parascript s market penetration and product line (through the OEM s product lines). Those new products remained in place in 2005 allowing license revenue to continue at a relatively similar pace. The license sales tend to be for large amounts on a non-recurring basis, so it is not unusual for there to be upward and downward fluctuations in revenue based on when contracts are completed and revenue recognition criterion are met. During 2005, license revenue from the AddressScript® increased by $0.7 million due to greater sales through postal integrators including foreign installation. This was offset to the extent of $0.6 million in check verification products and $0.5 million in the FormXtra® product due to lower or no orders in 2005 from IOS, Siemens and Mitek compared to 2004. For the year ended December 31, 2005, Parascript s revenue from development, support and professional services decreased to $1.2 million from $1.3 million or approximately $0.1 million, or 8%, over 2004. Parascript had major development contracts in 2004 for approximately $0.5 million related to new alliances that were not repeated in 2005.

Costs of revenue

Costs of revenue consists primarily of the costs related to technical support and customer support, including the cost of salaries and related payroll overhead and employee logistics and transportation costs. The cost of revenue decreased to $1.4 million from $1.8 million, approximately $0.4 million, or 23%, for the year ended December 31, 2005 compared to 2004. As a percentage of net revenue, such costs declined to 6%, from 8%, for the twelve months ended December 31, 2005 compared to 2004. The primary driving factor in the cost of revenue is the amount of personnel time devoted to support and professional services activities as both royalties and licenses have very few direct costs associated with their production. The higher dollar spending relates to the

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increase in revenue that was experienced in 2004 as indicated above. In general, payroll costs declined by approximately a full time engineer while related travel costs also declined. In addition, there was a change in depreciable lives on computer software as discussed in Note 3 of the Notes to the Financial Statements that resulted in approximately $0.1 more depreciation expense in 2004 than in 2005.

Research and development

Research and development expenditures increased to $6.9 million from $6.5 million, approximately $0.4 million, or 6%, for the twelve months ended December 31, 2005 compared to 2004. As a percentage of net revenue, research and development costs increased to 29%, from 28% for the year ended December 31, 2005 compared to 2004. Payroll expenses increased in 2005 by approximately $0.3 million due to increase in head count by two persons. In addition, there was an extra $0.2 million in depreciation expense due to the change in the useful life of computer equipment from five years to three years.

Sales and marketing

Sales and marketing costs for the year ended December 31, 2005 increased to $2.3 million from $1.4 million, approximately $0.9 million, or 64%, from the year ended December 31, 2004. As a percentage of net revenue, sales and marketing costs increased to 9%, from 6% for the year ended December 31, 2005 compared to the year ended December 31, 2004. The increase in absolute dollar spending is primarily related to the addition of two new vice presidents of sales for the Government and Postal Recognition Systems (GPRS) and Applied Intelligence Solutions (AIS) subsidiaries, as well as a new Marketing manager in AIS. In addition, Parascript increased its marketing expenditures at the parent level to increase brand awareness for the Parascript products and its related products. Lastly, sales and marketing activities were increased by $0.1 million for the AIS subsidiary product introduction and marketing efforts.

General and administrative

General and administrative expenses include all other departments not specifically tied to an expense area above such as Information Technology, Accounting and Finance, Executive and Administration and New Concept Development. This latter department is not technical in nature and therefore is not included in research and development nor is it associated with a current product or subsidiary so it is included in Parascript s general overhead costs. General and administrative costs for the twelve months ended December 31, 2005 increased to $4.0 million from $3.1 million, approximately $0.9 million, or 29% from 2004. As a percentage of net revenue, general and administrative costs increased to 17%, from 13% for the year ended December 31, 2005 compared to 2004. The increase was all attributable to increases in executive compensation in 2005 due to higher bonuses under Parascript s incentive programs.

Other income (expense) net

Other income (expense)-net for the year ended December 31, 2005 resulted in a loss of approximately $0.1 million as compared with a gain of $0.1 million for the year ended December 31, 2004. The gain in 2004 was attributable to foreign exchange gains due to Euro denominated contracts.

Loss from discontinued operations

The results from discontinued operations are all the operations of the Evernote Corporation subsidiary which was completely spun-off by December 31, 2005. The loss decreased to $1.7 million from $2.4 million, or approximately $0.7 million, or 29%, for the year ended December 31, 2005 compared to 2004. The Evernote subsidiary reflected no revenue in 2005 as the amounts received were considered deferred revenue under SOP 98-9 which resulted in a decline in gross profit of approximately $0.2 million. This was offset by an approximately $0.5 decrease in sales and marketing costs and the allocation of approximately $0.3 million of loss to the newly acquired minority interest.

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Liquidity and Capital Resources

Parascript s aggregate cash, cash equivalents and marketable securities at June 30, 2006 were $0.8 million (unaudited) compared with $0.4 million at June 30, 2005 (unaudited), $3.1 million at December 31, 2005, and $2.1 million at December 31, 2004. Cash equivalents are comprised of highly liquid investments purchased with an original or remaining maturity of 90 days or less at the date of purchase.

The table below, for the periods indicated, provides selected consolidated cash flow information (in thousands):

	Six months ended June 30,		Years ended December 31,	
	2006	2005	2005	2004
Net cash provided by operating activities	$ 5,240	$ (620)	$ 7,674	$ 9,245
Net cash used in investing activities	$ (381)	$ (119)	$ (308)	$ (195)
Net cash used in financing activities	$ (7,095)	$ (928)	$ (6,378)	$ (7,703)

Cash Flows from Operating Activities

Parascript s cash flows from operating activities represent the most significant source of funding for its operations. The major uses of Parascript s operating cash include funding payroll (salaries, bonuses, training and benefits), professional services and general operating expenses (marketing, travel and office facilities costs).

Operating activities provided $5.2 million in cash during the six months ended June 30, 2006 and used $0.6 million during the same period in 2005. The cash provided in 2006 came primarily from net income of $0.8 million and net collections on accounts receivable of $6.0 million. This was offset by decreases in accounts payable and accrued expenses of $0.9 million and deferred revenue of $0.8 million. The cash used for operations during the six months ended June 30, 2005 was primarily from the loss from operations of $2.0 million offset by net collections of receivables of $0.5 million and cash from discontinued operations of $0.5 million.

Operating activities provided $7.7 million and $9.2 million in cash in the years ended December 31, 2005 and 2004, respectively. Parascript s cash provided by operating activities generally follows the trend in its net revenues and operating results. Cash provided by operating activities of $7.7 million during 2005 primarily consisted of net income of $7.7 million and non-cash charges including depreciation and amortization of $0.5 million. Other sources of cash included increases in accounts payable and accrued liabilities of $1.8 million and deferred revenues of $3.7 million. The increase in accrued liabilities primarily reflected increases in accrued bonuses and accrued vacation. The increase in deferred revenues reflected new maintenance contracts, existing maintenance contracts renewed at higher prices, and more contracts signed on a term model. These sources of cash were offset by increases in accounts receivable of $6.0 million. The increase reflects increase volume at the end of the fiscal year which was collected within the first few months of the following year and represents no changes in either credit policy, collection policy or the credit worthiness of Parascript s customers. Other major uses of Parascript s operating cash include funding payroll (salaries, bonuses, training and benefits), professional services and general operating expenses (marketing, travel and office facilities costs).

Cash provided by operating activities of $9.2 million during fiscal 2004 primarily consisted of our net income of $7.9 million and non-cash charges including depreciation and amortization of $0.9 million. Other sources of cash included increases in accounts payable and accrued liabilities of $0.4 million and deferred revenues of $0.5 million. The increase in accrued liabilities primarily reflected increases in accrued bonuses and accrued vacation. The increase in deferred revenues reflected the significant increase in business experienced during the year. These sources of cash were offset by increases in accounts receivable of $0.5 million. The increase reflects increased revenue and billing volume for the fiscal year and was collected within the first few months of the following year. Other major uses of our operating cash include funding payroll (salaries, bonuses, training and benefits), professional services and general operating expenses (marketing, travel and office facilities costs).

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Parascript expects that cash provided by operating activities may fluctuate in future periods as a result of a number of factors including fluctuations in its net revenue and operating results, collection of accounts receivable, and timing of payments.

Cash Flows from Investing Activities

Net cash used in investing activities for the six months ended June 30, 2006 of $0.4 million was used primarily for capital expenditures and leasehold improvements for a new facility in Moscow. Net cash used in investing activities for the six months ended June 30, 2005 of $0.1 million was used primarily for capital expenditures.

Net cash used in investing activities in 2005 consisted of $0.3 million in capital expenditures.

Net cash used in investing activities in 2004 consisted of $0.2 million in capital expenditures.

Parascript expects an increase in its capital expenditures in 2006 due to the costs associated with consolidating the operations of Mitek into its current operations and leasehold improvements in Moscow. Generally, Parascript does not anticipate its capital expenditures will significantly increase as its headquarters lease does not expire until 2010 and there are no significant additional capital acquisitions needed to maintain or increase revenues or otherwise efficiently perform its administrative functions.

Cash Flows from Financing Activities

Net cash used in financing activities during the six months ended June 30, 2006 of $7.1 million which consisted almost entirely of distributions to unit holders. Cash used in financing activities for the six months ended June 30, 2005 of $0.9 million came primarily from distributions to unit holders.

Net cash used in financing activities in 2005 of $6.4 million which consisted almost entirely of distributions to unit holders.

Net cash used in financing activities in 2004 of $7.7 million consisted primarily of $6.9 million of unit holder distributions and $0.7 million payment on the Company s line of credit.

Parascript s cash position will change in future periods as it will no longer be taxed as a limited liability corporation. It is anticipated that the distributions to members which has been the largest use of cash after operating expenses will decrease substantially and may be eliminated depending on the dividend policy established by the combined entities after the business combination or its operating results. This will be offset to some degree by interest expenses and the payment of income taxes at the corporate level which will affect net income, earnings per share (unit) and cash flow.

At June 30, 2006, Parascript had a deficit in working capital of $1.4 million as compared to a deficit of $1.1 million at June 30, 2005. At December 31, 2005, Parascript had $5.1 million in working capital up from $2.1 million at December 31, 2004. Parascript currently has no significant capital commitments under operating leases, which declined from $1.6 million at December 31, 2004 to $1.2 million at December 31, 2005, as a result of lease payments made during the course of fiscal 2005.

The following table summarizes Parascript s contractual obligations as of December 31, 2005 (in thousands):

	Fiscal Years						
	2006	**2007**	**2008**	**2009**	**2010**	**Thereafter**	**Total**
Operating lease obligations	$ 366	$ 253	$ 261	$ 268	$ 91	$ 0	$ 1,239

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At June 30, 2006 and 2005 and at December 31, 2005 and 2004, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

Parascript has taken numerous actions over the last several years to strengthen its cash position and balance sheet and to improve its ability to generate positive cash flow from operating activities.

Parascript expects that for the foreseeable future, its operating expenses will continue to constitute a significant use of cash flow. In addition, Parascript may use cash to fund acquisitions or invest in other businesses. Based upon Parascript s past performance and current expectations, Parascript believes that its cash and cash equivalents, marketable securities and cash generated from operations will be sufficient to satisfy its working capital needs, capital expenditures, investment requirements, stock repurchases and financing activities for the foreseeable future.

Line of Credit

In July 2005, Parascript amended a line of credit it had entered into in 2003. Under the amended terms, there is a $7 million line which is secured by substantially all of the assets of Parascript. Of that amount $4 million (Formula Line) has availability of credit based upon current accounts receivable balances and bears interest at prime + 0.25%, but not less than 6%, (7.5% at December 31, 2005). The remaining $3 million (Non-formula Line) is based on 90 day projections and bears interest at prime + 2%, but not less than 7%, (9.25% at December 31, 2005). Both lines require monthly interest payments and mature in July 2007. As of December 31, 2005, Parascript had no borrowings against either line of credit.

Off-Balance Sheet Arrangements

Except for the commitments arising from Parascript s operating leases arrangements disclosed in the preceding section, Parascript has no other off-balance sheet arrangements that are reasonably likely to have a material effect on Parascript s financial statements.

Recent Accounting Pronouncements

SFAS No. 123, revised in December 2004, (SFAS No. 123(R)), became effective for Parascript beginning January 1, 2006. SFAS No. 123(R) supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees , and amends SFAS No. 95, Statement of Cash Flows . SFAS No. 123(R) requires that all unit-based payments to employees be recorded based on fair value on the date of grant and expensed over the expected service period. Prior to January 1, 2006, the Black-Scholes option pricing model was used to calculate pro forma compensation expense, this standard will also allow a binomial method. Parascript has chosen the modified prospective method of adoption. Under the modified prospective approach, SFAS 123(R) applies to new awards and to awards that were outstanding on January 1, 2006 that are subsequently modified, repurchased or cancelled. SFAS No. 123(R) also requires the benefits of tax deductions in excess of recognized compensation cost be reported as a financing cash flow rather than as an operating cash flow. The adoption of this statement did not have a material effect on Parascript s consolidated financial statements.

In November 2004, the FASB issued SFAS No. 151 Inventory Costs, an Amendment of ARB No. 43 Chapter 4 (FAS 151). FAS 151 requires that items such as idle facility expense, excessive spoilage, double freight, and re-handling be recognized as current-period charges rather than be included in inventory regardless of whether the costs meet the criterion of abnormal as defined in ARB 43. FAS 151 is applicable for inventory costs incurred during fiscal years beginning after June 15, 2005. Parascript adopted this standard beginning in the first quarter of fiscal year 2006 and the adoption did not have any impact on the consolidated financial statements

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On June 7, 2005, the FASB issued Statement No. 154, Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20, Accounting Changes, and Statement No. 3, Reporting Accounting Changes in Interim Financial Statements. FAS No. 154 changes the requirements for the accounting for, and reporting of, a change in accounting principle. Previously, most voluntary changes in accounting principles were required to be recognized by way of a cumulative effect adjustment within net income during the period of the change. SFAS No. 154 requires retrospective application to prior periods financial statements, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. The company adopted SFAS No. 154 effective January 1, 2006 by applying the principles to previously issued financial statements for fiscal 2004 as if the principles had always been used. SFAS No. 154 also requires changes in depreciation, amortization or depletion methods be accounted for in the period the change occurs and in future periods if the change affects both. SFAS No. 154 carries forward the previously existing guidance of APB Opinion No. 20 for reporting changes in accounting estimates and correction of an error in a previously issued financial statement. The adoption of this statement did not have a material impact on the Company s consolidated financial statements.

In February 2006, the FASB issued SFAS No. 155, Accounting for Certain Hybrid Financial Instruments. This statement amends FASB Statements No. 133, Accounting for Derivative Instruments and Hedging Activities, and No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. This statement resolves issues addressed in Statement 133 Implementation Issue No. D1, Applications of Statement 133 to Beneficial Interests in Securitized Financial Assets. Parascript is still evaluating the impact of SFAS No. 155.

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MANAGEMENT FOLLOWING THE MERGER

Executive Officers and Directors

Mitek s board of directors is currently comprised of seven directors. Following the merger, the board of directors of the combined company will be comprised of seven directors. Following the merger, the management team of the combined company is expected to be composed of certain members of the management team of Parascript and Mitek. The following table lists the names and ages as of November 1, 2006 and positions of the individuals who are expected to serve as executive officers and directors of the combined company upon completion of the merger:

Name	Age	Position
Aron B. Katz	70	Chairman of the Board
James B. DeBello	48	Chief Executive Officer, Director
Jeffrey Gilb	48	President and Chief Operating Officer, Director
John M. Thornton	74	Director
Michael Bealmear	59	Director
Tesfaye Hailemichael	56	Chief Financial Officer
Alexander Filatov	47	Chief Technical Officer

Aron B. Katz. Mr. Katz has been a director of Parascript since its inception. He began his career as an attorney, after graduating from Yale Law School, where he was an editor of the Yale Law Journal, in 1960. In 1975 Mr. Katz left the practice of law, moved to Boulder, Colorado, and created an integrated real estate company, American Residential Properties, Inc. which developed, built and operated luxury garden apartment projects in the Sunbelt (particularly in Texas). Mr. Katz created a high-tech incubator company, Astarte, Inc., specializing in identifying early stage technologies, buying a controlling position in such technologies and in creating a functioning company around such technologies. Astarte developed and sold several such companies, including ParaGraph and Astarte Fiber Networks. Astarte developed Parascript (a spin off from ParaGraph), for off-line hand writing recognition technology currently used by the U.S. Postal Service.

James B. DeBello. Mr. DeBello has been a director of Mitek since November 1994. He has been President and Chief Executive Officer of Mitek since May 2003. Previously he was Chief Executive Officer of AsiaCorp Communications, Inc., a wireless data infrastructure and software company, from July 2001 to May 2003. He was Venture Chief Executive Officer for IdeaEdge Ventures, Inc., a venture capital company, from June 2000 to June 2001. From May 1999 to May 2000 he was President, Chief Operating Officer and a member of the Board of Directors of CollegeClub.com, an internet company. From November 1998 to April 1999 he was Chief Operating Officer of WirelessKnowledge, Inc., a joint venture company formed between Microsoft and Qualcomm, Inc. Before that, from November 1996 to November 1998, Mr. DeBello held positions as Vice President, Assistant General Manager and General Manager of Qualcomm, Inc. s Eudora Internet Software Division, and Vice President of Product Management of Qualcomm, Inc. s Subscriber Equipment Division. Mr. DeBello holds a B.A., magna cum laude and MBA from Harvard Business School and was a Rotary Scholar at the University of Singapore where he studied economics and Chinese.

Jeffrey Gilb. Mr. Gilb has served as the President, CEO and a Director of Parascript since he joined the company in September 2000. Prior to that, he had been a Vice President and General Manager for Siemens ElectroCom L.P. in the Flats Mail Business Unit and the ElectroCom Imaging Divisions from June 1995 through September 2000. From June 1988 through June 1995 he worked for Recognition International, serving in several capacities. His career began at Unisys Corporation where we worked from June 1980 through June 1988 as a Marketing Manager. Mr. Gilb has an MBA from Claremont Graduate School and a BS in a Business Administration from California State Polytechnic Institute. Mr. Gilb is a member of the Economic Club of Colorado.

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John M. Thornton. Mr. Thornton has been a director of Mitek since March 1986. He was appointed Chairman of the Board as of October 1, 1987 and served as President, Chief Executive Officer and Chief Financial Officer from September 1998 to May 2003, when he resigned from his positions as President and Chief Executive Officer. He resigned from his position as Chief Financial Officer in May 2005. He continues to serve as Chairman of the Board. Previously, he served as President of Mitek from May 1991 through July 1991 and Chief Executive Officer from May 1991 through February 1992. From 1976 through 1988, Mr. Thornton served as Chairman and Vice Chairman of the Board at Micom Systems, Inc. Mr. Thornton was Chairman and President of Wavetek Corporation for 18 years. Mr. Thornton is also Chairman of the Board of Thornton Winery Corporation in Temecula, California.

Michael Bealmear. Mr. Bealmear has been a director of Mitek since April 2004. He has been President and Chief Executive Officer of Hyperroll since 2004. He was EVP and President of Worldwide Operations at Sybase, Inc. from 2002 to 2004. From 2001 to 2000 he was CEO at Convansys, Inc., from 1999 to 2000 he was CEO at Spear Technologies, and from 1997 to 1998 he was EVP at Cadence Design Systems.

Tesfaye Hailemichael. Mr. Hailemichael joined Mitek in May 2005 as Chief Financial Officer. Prior to joining Mitek, he served as Chief Financial Officer at Maxwell Technologies from 2003 to 2005. Prior to that, he served as Chief Financial Officer at Raidtec Ltd from 2001 to 2003. Prior to that, he served as Executive Vice President and Director of Transnational Computer Technology, Inc. from 1998 to 2001. Mr. Hailemichael served as Vice President of Finance and Chief Financial Officer of Dothill Systems, Inc. from 1990 to 1998.

Alexander Filatov. Dr. Filatov has been with Parascript since it was founded in 1996, serving as Senior Vice President Product Development and Engineering. Prior to 1996, Dr. Filatov was a key member of the research and development management team at ParaGraph International, where he worked in the area of handwriting recognition technology. Dr. Filatov received his Ph.D. in Applied Mathematics from the Moscow State Technical University and earned his masters degree in Applied Mathematics from the Moscow Institute of Oil and Gas.

Executive Compensation and Option Grants

Summary Compensation Tables

MITEK EXECUTIVE COMPENSATION

The following table shows the compensation Mitek paid to its Chief Executive Officer and other executive officers who served as such at the end of fiscal 2005 and received annual compensation over $100,000.

Principal Position	Year	Salary ($)	Bonus ($)	Common Stock Underlying Options (#)
John M. Thornton, Chairman (1)	2005	190,962		
	2004	187,500		
	2003	262,500		
James B. DeBello	2005	300,385		
	2004	275,000		
President & Chief Executive Officer	2003	98,000		800,000
Tesfaye Hailemichael (2)	2005	67,872		150,000
Chief Financial Officer				
Murali Narayanan (3)	2005	165,000		
	2004	165,000		
V.P., Development	2003	36,000		160,000
Emmanuel DeBoucaud (4)				
	2005	150,000	$ 49,879	
V.P., Sales	2004	37,500		200,000

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(1) Mr. Thornton served as Chief Executive Officer of Mitek through May 19, 2003 and served as Chief Financial Officer of Mitek through May 9, 2005.
(2) Mr. Hailemichael joined Mitek in May 2005 and has an annualized salary of $173,250.
(3) Mr. Narayanan joined Mitek in July 2003 and left Mitek in January 2006.
(4) Mr. DeBoucaud joined Mitek in July 2004 and has an annualized salary of $150,000. He received sales commissions of $49,879 during fiscal 2005.

PARASCRIPT EXECUTIVE COMPENSATION

The following table sets forth certain information with respect to annual and long-term compensation for services in all capacities for fiscal year 2005, 2004 and 2003 paid to the chief executive officer of Parascript who is expected to serve the combined company as chief operating officer following the merger and those other executive officers of Parascript, who would have been included in the Summary Compensation Table of Mitek if they had been serving as executive officers of Mitek as of September 30, 2005.

		Annual Compensation		
Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation
Jeffrey Gilb	2005	$ 313,088	$ 72,424	$ 1,494,192(1)
President and Chief	2004	$ 302,500	$ 199,927	$ 8,463(1)
Executive Officer	2003	$ 302,500	$ 89,165	$ 385,748(1)
Alexander Filatov	2005	$ 206,020	$ 30,172	$ 4,200(2)
Senior Vice President,	2004	$ 197,148	$ 24,408	$ 4,100(2)
Product Development and Engineering	2003	$ 184,250	$ 34,060	$ 4,000(2)

(1) These amounts include 401(k) matching contributions, profit sharing retirement plan contributions, gross-up compensation to offset taxes payable upon exercise of options to purchase units, and excess life insurance.
(2) These amounts include 401(k) matching contributions.

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BENEFICIAL OWNERSHIP OF SECURITIES

Security Ownership of Certain Beneficial Owners and Officers and Directors of Mitek

The following table sets forth information regarding the beneficial ownership of our common stock as of September 1, 2006 and after consummation of the merger by:

each person known by us to be the beneficial owner of more than 5% of our outstanding shares of common stock either on September 1, 2006 or after the consummation of the merger;

each of our current officers and directors and those persons who will serve as officers and directors after consummation of the merger;

each director nominee; and

all our current officers and directors as a group, both currently and after the consummation of the merger.

This table assumes that (i) 51,869,458 shares of Mitek common stock are issued to Parascript unitholders in the merger, and (ii) all shares held in escrow are released to the unitholders and not cancelled.

	Beneficial Ownership of Mitek Common Stock on September 1, 2006		Beneficial Ownership of Mitek Common Stock After the Consummation of the Merger	
Name and Address of Beneficial Owner[1]	**Number of Shares**	**Percent of Class before Merger**	**Number of Shares**	**Percent of Class after Merger**
John M. and Sally B. Thornton[2]	2,814,959	16.7%	2,814,959	4.1%
James B. DeBello[3]	1,150,000	6.6%	1,150,000	1.7%
Tesfaye Hailemichael[4]	275,000	1.6%	275,000	*
Michael Bealmear[5]	45,000	*	45,000	*
Gerald I. Farmer[6]	55,000	*	55,000	*
William Tudor[7]	65,000	*	65,000	*
Vinton Cunningham[8]	30,000	*	30,000	*
Emmanuel DeBoucaud[9]	250,000	1.5%	250,000	*
John Harland Company[10]	2,464,284	11.47%	2,464,284	3.6%
White Pine Capital, LLC[11]	984,900	5.88%	984,900	1.4%
Aron Katz[12]	0		25,290,744	36.9%
Jeffrey Gilb[13]	0		2,064,120	3.0%
Alexander Filatov[14]	0		1,403,235	2.0%
Stepan Pachikov[15]	0		5,346,117	7.8%
Pearlman Family Limited Partnership[16]	0		4,517,832	6.6%
All current Mitek directors and executive officers as a group (9 individuals)[17]	4,684,959	25.5%	4,684,959	6.6%
All post-merger directors and executive officers as a group (7 individuals)[18]	4,284,959	23.8%	33,043,058	47.3%

* Less than 1%.

(1) Unless otherwise indicated, the business address of each of the following is 8911 Balboa Avenue, Suite B, San Diego, CA 92123.

(2) Consists of 2,699,959 shares held by The Thornton Family Trust, of which both John M. Thornton and Sally B. Thornton, husband and wife, are trustees, as well as options to purchase 100,000 and 15,000 shares of common stock held respectively by Mr. and Ms. Thornton that are exercisable upon consummation of the merger. Ms. Thornton will not serve as a director of the combined company following

consummation of the merger.

(3) Includes 350,000 shares of common stock and options to purchase 800,000 shares of common stock that are exercisable upon consummation of the merger. Does not include options to be issued upon consummation of the merger pursuant to an employment agreement which becomes effective at such time.

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(4) Consists of options to purchase 275,000 shares of common stock that are exercisable upon consummation of the merger. Does not include options to be issued upon consummation of the merger pursuant to an employment agreement which becomes effective at such time.
(5) Consists of options to purchase 45,000 shares of common stock that are exercisable upon consummation of the merger.
(6) Consists of options to purchase 55,000 shares of common stock that are exercisable upon consummation of the merger.
(7) Consists of 35,000 shares of common stock and options to purchase 30,000 shares of common stock that are exercisable upon consummation of the merger.
(8) Consists of options to purchase 30,000 shares of common stock that are exercisable upon consummation of the merger.
(9) Consists of options to purchase 250,000 shares of common stock that are exercisable upon consummation of the merger.
(10) Based solely on Schedule 13G filed by the beneficial owner with the SEC on May 13, 2005. The beneficial owner s address is 2939 Miller Road, Decatur, Georgia 30035.
(11) Based solely on Schedule 13G filed by the beneficial owner with the SEC on February 10, 2006. The beneficial owner s address is 60 South 6th Street, Suite 2530, Minneapolis, Minnesota 55402.
(12) Mr. Katz will serve as chairman of the board after consummation of the merger. Consists of 24,852,330 shares of common stock held by Katz Family Limited Partnership and 438,414 shares of common stock held by Parascript Management, Inc. Mr. Katz is the sole shareholder of KFLP, Inc., the general partner of Katz Family Limited Partnership. Mr. Katz is a director and owns approximately 45% of the shares of Parascript Management, Inc. Mr. Katz s business address is 6899 Winchester Circle, Suite 200, Boulder, Colorado 80301-3696.
(13) Mr. Gilb will serve as the chief operating officer of the combined company after consummation of the merger. Consists of shares held by J.E. Gilb and B.F. Gilb Revocable Living Trust, dated March 1, 2004. Does not include options to be issued upon consummation of the merger pursuant to an employment agreement which becomes effective at such time. Mr. Gilb s business address is 6899 Winchester Circle, Suite 200, Boulder, Colorado 80301-3696.
(14) Mr. Filatov will serve as the chief technology officer of the combined company after consummation of the merger. Does not include options to be issued upon consummation of the merger pursuant to an employment agreement which becomes effective at such time. Mr. Filatov s business address is 6899 Winchester Circle, Suite 200, Boulder, Colorado 80301-3696.
(15) Consists of 4,907,703 shares of common stock held by Pachikov Kondratieva Family LLC and 438,414 shares of common stock held by Parascript Management, Inc. Mr. Pachikov serves as a manager and together with holdings of his wife, has a 60% beneficial ownership in Pachikov Kondratieva Family LLC. Mr. Pachikov is a director and owns approximately 25% of Parascript Management, Inc.
(16) The general partner of the Pearlman Family Limited Partnership is William Pearlman.
(17) Includes options to purchase 1,600,000 shares of common stock that are exercisable upon consummation of the merger.
(18) Includes options to purchase 1,235,000 shares of common stock that are exercisable upon consummation of the merger.

Security Ownership of Certain Beneficial Owners and Officers and Directors of Parascript

The following table sets forth information pertaining to the beneficial ownership of the outstanding units of Parascript as of September 1, 2006 by (a) persons known to Parascript to own more than five percent of the outstanding common units of Parascript, (b) each director and executive officer of Parascript s manager and (c) the directors and executive officers of Parascript s manager as a group. The information contained herein has been obtained from Parascript s records and from information furnished to Parascript by each individual.

Name and Address of Beneficial Owner(1)	Number of Units	Approximate Percentage of Outstanding Units
Aron B. Katz	4,901,022(2)	48.96%
Stepan Pachikov	1,036,009(3)	10.35%
William H. Pearlman	875,498(4)	8.75%
Jeffrey Gilb (6)	400,000(5)	4.00%
Paula Barton (7)	41,173(5)	*
All directors and executive officers as a group (5 individuals)	7,168,743(5)	71.62%

* Less than 1%.
(1) Unless otherwise indicated, the business address of each of the following 6899 Winchester Circle, Suite 200, Boulder, Colorado 80301-3696.
(2) Mr. Katz is a member of the board of directors of Parascript s manager. Consists of 4,816,063 preferred units held by Katz Family Limited Partnership and 84,959 preferred units held by Parascript Management, Inc. Mr. Katz is the sole

shareholder of KFLP, Inc., the general partner of Katz Family Limited Partnership. Mr. Katz is a director and owns approximately 45% of the shares of Parascript Management, Inc.

(3) Mr. Pachikov is a member of the board of directors of Parascript s manager. Consists of 951,050 preferred units held by Pachikov Kondratieva Family LLC and 84,959 preferred units held by Parascript Management, Inc. Mr. Pachikov is a manager and together with holdings of his wife, has a 60% beneficial ownership in, Pachikov Kondratieva Family LLC. Mr. Pachikov is a director and owns approximately 25% of Parascript Management, Inc.

(4) Mr. Pearlman is a member of the board of directors of Parascript s manager. Consists of preferred units held by Pearlman Family Limited Partnership. Mr. Pearlman is the general partner of Pearlman Family Limited Partnership.

(4) Consists of preferred units.

(5) Mr. Gilb is a member of the board of directors of Parascript s manager and the president and chief executive officer of Parascript s manager.

(6) Ms. Barton is the Vice President-Human Resources of Parascript.

Agreements with Executive Officers Following the Merger

Mitek is party to an employment agreement with each of James DeBello, Jeffrey Gilb, Tesfaye Hailemichael and Alexander Filatov dated September 18, 2006, to be effective upon consummation of the merger, pursuant to which each will be employed as an executive officer beginning upon the consummation of the merger and continuing for a minimum term of two (2) years for each of Messrs. DeBello and Gilb and one (1) year for each of Messrs. Hailemichael and Filatov, subject to termination for cause as defined in the agreement.

If the merger is consummated, Mr. DeBello will continue to serve as the combined company s Chief Executive Officer, Mr. Gilb, currently Parascript s President and Chief Executive Officer, will be employed as the combined company s President and Chief Operating Officer, Mr. Hailemichael will continue to serve as the combined company s Chief Financial Officer, and Mr. Filatov, currently Parascript s Senior Vice President, Product Development and Engineering, will be employed as the combined company s Chief Technical Officer. The employment agreements provide for an annual base salary for each of Messrs. DeBello, Gilb, Hailemichael and Filatov of $325,612, $325,612, $225,000 and $213,437, respectively, subject to annual increases at the discretion of the compensation committee of Mitek s board of directors, and annual bonus compensation on the terms and conditions set forth in the agreements. Each agreement provides that, during the term of employment, the executive will be (i) entitled to participate in the group medical, dental, and long term and short term disability insurance on the same terms and conditions applicable to other senior officers of Mitek, (ii) entitled to participate in the Mitek 401(k) retirement plan, (iii) reimbursed up to $3,000 annually for monthly dues for membership in a health and fitness exercise facility and an annual physical health examination, (iv) entitled to either four or five weeks of paid vacation each year, and (v) entitled to any other fringe benefits which are provided to other senior officers of Mitek. In addition, Mr. DeBello and Mr. Gilb will be provided a $1,000,000 term life insurance policy at Mitek s cost. Each agreement also provides that, upon commencement of the agreement, Mr. DeBello, Mr. Gilb, Mr. Hailemichael and Mr. Filatov will be granted options to purchase shares of the combined company s common stock, with the number of options equal to 3%, 3%, 1% and 2%, respectively, of the combined company s then-outstanding and fully diluted shares, and with one-third vesting upon completion of one full year of service and the remaining two-thirds vesting in equal monthly increments over the next 24 months.

The employment agreements provide that, if Mr. DeBello or Mr. Gilb is terminated without cause, the combined company will pay him severance compensation equal to two times his then-current base salary, and if Mr. Hailemichael or Mr. Filatov is terminated without cause, the combined company will pay him severance compensation equal to one times his then-current base salary, with one-half of the severance paid on the day immediately following the effective date of the general release executed by the executive officer, and one-half of the severance paid on the 180th day immediately following termination. In addition, Mr. DeBello and Mr. Gilb will be provided, for twenty-four months, and Mr. Hailemichael and Mr. Filatov will be provided, for twelve months, with health and medical benefits substantially identical to those he was entitled to immediately before termination. Also in the event of the executive s termination without cause, all of his unvested options will accelerate and immediately vest and all options will be immediately exercisable at any time in the one year and ninety days following termination.

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Additionally, the employment agreements contain non-solicitation, confidentiality, and non-competition provisions. During the period including the executive s employment and two (2) years thereafter, the executive officer agrees that, without the consent of the board of directors, he or any individual or entity he controls will not directly or indirectly (i) solicit for employment or employ any person who is or was an employee, agent, or representative of Mitek, Parascript, Parascript Management, Inc., or any affiliate thereof during that period, or (ii) render any services as an employee, officer, consultant, or in any other capacity, to any individual or entity engaged in activity which is competitive with any activity of the combined company or its subsidiaries or affiliates engaged in or contemplated by the business plan at the time of the executive s termination anywhere in Colorado, any other state where Mitek has engaged in business in the past year, or any foreign continent where it conducts business. For Mr. Filatov, the period for which these restrictions applies includes only one year following the termination of Mr. Filatov s employment. The officers are prohibited from communicating or making accessible to any other entity, any trade secrets or confidential information proprietary to the combined company without the consent of the board of directors.

Related Party Transactions of Directors and Executive Officers

There have been no related party transactions with Mitek directors or executive officers in the last three fiscal years. None of the directors or executive officers of Parascript who will be directors or executive officers of the combined company after the merger, are, or have been, involved in a related party transaction with Mitek.

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UNAUDITED PRO FORMA CONDENSED COMBINED

FINANCIAL STATEMENTS OF MITEK AND PARASCRIPT

The following selected unaudited pro forma condensed combined financial statements give effect to the merger under the Reverse Purchase Accounting (Reverse Acquisition) method, as described in the section entitled The Merger Accounting Treatment . The pro forma adjustments are made as if the merger had been completed at the beginning of the period presented on January 1, 2005 for the proforma results of operations data for the year ended December 31, 2005, and for the six months ended June 30, 2006 and as of June 30, 2006 for balance sheet purposes.

We are providing the following information to aid you in your analysis of the financial aspects of the merger. We derived this information for the year ended December 31, 2005 and six months ended June 30, 2006 from the audited financial statements of Parascript for the year ended December 31, 2005, the unaudited financial statements of Parascript as of and for the six month period ended June 30, 2006, audited financial statements of Mitek for the year ended September 30, 2005 and unaudited financial statements of Mitek for the period ended June 30, 2006, December 31, 2005 and December 31, 2004. The Mitek statements have been modified to reflect a December fiscal year end to be consistent with the Parascript financial statements. The financial statements of Mitek for the year ended December 31, 2005 were obtained from audited and unaudited financial statements. We derived the financial information by adding September 30, 2005 Mitek operating results to the three months ended December 31, 2005 and subtracting the operating results for the three months ended December 31, 2004. Neither Parascript nor Mitek assumes any responsibility for the accuracy or completeness of the information provided by the other party. This information should be read together with the Parascript audited and unaudited financial statements and related notes included in this document under Parascript Consolidated Financial Statements and the Mitek audited and unaudited financial statements included in this document under Mitek Financial Statements.

The historical financial information has been adjusted to give effect to pro forma events that are directly attributable to the merger, factually supportable, and expected to have a continuing impact on the combined results. The merger will be accounted for as a reverse acquisition using the purchase method of accounting under generally accepted accounting principles. Although Mitek is the acquirer, Parascript will be treated as the acquiring company for accounting purposes. Under the purchase method of accounting for a reverse acquisition, the aggregate consideration paid is allocated to the tangible and identifiable intangible assets acquired and liabilities assumed of the accounting acquirer, Mitek is recorded at their fair values at the date of the completion of the transaction. Any excess of the enterprise value in excess of the acquired entity is recognized as goodwill. Since Parascript unit holders will retain control, among other factors, on a post merger basis, the total merger purchase price consideration paid to the unit holders of Parascript is treated similar to a distribution for accounting purposes. A preliminary valuation was conducted in order to assist the management of Mitek in determining the fair values of a significant portion of these assets and liabilities. This preliminary valuation has been considered in management s estimates of fair values reflected in these unaudited pro forma condensed combined financial statements. A final determination of these fair values cannot be made prior to the completion of the merger. The final valuation will be based on the actual net tangible and intangible assets and liabilities assumed of Mitek that exist as of the date of the completion of the merger. The fair value was determined based on Mitek common stock on the OTC for one day prior to the signing of the definitive agreement or announcement of the business combination, (July 13, 2006).

These unaudited pro forma condensed combined financial statements have been prepared based on preliminary estimates of fair values. The actual amounts recorded as of the completion of the merger may differ materially from the information presented in these unaudited pro forma condensed combined financial statements. In addition, the impact of ongoing integration activities, the timing of completion of the acquisition and other changes in Mitek s net tangible and intangible assets that occur prior to completion of the merger could cause material differences in the information presented.

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The unaudited pro forma combined information is for illustrative purposes only. The financial results may have been different had the companies always been combined. Because the plans for these activities have not been finalized, we are not able to reasonably quantify the cost of such activities. You should not rely on the pro forma combined financial information as being indicative of the historical results that would have been achieved had the companies always been consolidated or the future results that the combined company will experience.

The following information should be read in conjunction with the unaudited pro forma condensed combined financial statements:

Accompanying notes to the unaudited pro forma condensed combined financial statements.

Separate historical audited consolidated financial statements of Parascript as of December 31, 2005 and for the year ended December 31, 2005 and the unaudited consolidated financial statements as of June 30, 2006 and for the six months ended June 30, 2006 included elsewhere in this document.

Separate historical financial statements for Mitek Systems, Inc for the year ended September 30, 2005 and the nine months ended June 30, 2006 included elsewhere in this document.

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UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEETS AS OF JUNE 30, 2006 (In Thousands)

	Historical				
	Parascript, LLC (unaudited)	Mitek Systems, Inc. (unaudited)	Pro Forma Adjustments (unaudited)	Note 2	Pro Forma Combined (unaudited)
Assets					
Current Assets:					
Cash and cash equivalents	$ 836	$ 1,876	$ 1,000	c	$ 3,703
			(9)	d	
Accounts receivable net of allowance for doubtful accounts	1,607	1,286			2,893
Inventories, prepaid expenses and other current assets	252	152	(8)	d	396
Total current assets	2,695	3,314	983		6,992
Property and equipment (net)	884	96	(18)	d	962
Fees and expenses related to financing			5,800	c	5,800
Amortizable intangible assets			17,473	b, c	17,473
Other assets	64	100			164
Total assets	$ 3,643	$ 3,510	$ 24,238		$ 31,391

See Notes to Unaudited Pro forma Condensed Combined Financial statements

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UNAUDITED PRO FORMA CONDENSED

COMBINED BALANCE SHEETS AS OF JUNE 30, 2006 (continued)

(In Thousands)

	Historical				
	Parascript, LLC (unaudited)	Mitek Systems, Inc. (unaudited)	Pro Forma Adjustments (unaudited)	Note 2	Pro Forma Combined (unaudited)
Liabilities					
Current liabilities:					
Current portion of capitalized lease obligations	$ 4	$	$		$ 4
Accounts payable	212	457	(28)	d	641
Accrued expenses and other current liabilities	919	372	(116)	d	1,175
Deferred revenue	2,847	530	(261)	d	3,116
Total current liabilities	3,982	1,359	(405)		4,936
Long-term liabilities:					
Capitalized lease obligations, less current portion	10				10
Deferred revenue	556				556
Deferred rent	51	17			68
Convertible senior subordinated notes			35,000	c	35,000
Senior secured credit facility			55,000	c	55,000
Total long-term liabilities	617	17	90,000		90,634
Total liabilities	4,599	1,376	89,595		95,570
Shareholder s Equity (Deficit):					
Preferred members	1,330		(1,330)	a	
Common members equity	193		(193)	a	
Common stock		17	52	a	69
			(17)	b	
			17	b	
Additional paid-in capital		14,331	1,471	a	
			(14,331)	b	
			19,065	b	
			(20,536)	c	
Accumulated deficit	(2,479)	(12,214)	12,214	b	(64,248)
			(59,464)	c	
			(2,675)	c	
			370	d	
Total stockholders equity (deficit)	(956)	2,134	(65,357)		(64,179)
Total liabilities and stockholders equity (deficit)	$ 3,643	$ 3,510	$ 24,238		$ 31,391

See Notes to Unaudited Pro forma Condensed Combined Financial Statements

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UNAUDITED PRO FORMA CONDENSED COMBINED

STATEMENT OF OPERATIONS

FOR THE SIX MONTHS ENDED JUNE 30, 2006

(In Thousands-except share and per share data)

	Historical Parascript LLC (unaudited)	Historical Mitek Systems, Inc. (unaudited)	Pro-forma Adjustment (unaudited)	Note 2	Pro-forma Combined (unaudited)
Net revenue	$ 8,026	$ 3,154	$ (103)	h	$ 11,032
			(45)	i	
Operating expenses:					
Cost of revenue	647	570	(83)	h	1,236
			(45)	i	
			147	e	
Sales and marketing	1,458	707	(624)	h	1,802
			261	e	
Research and development	3,632	706	(127)	h	4,733
			522	e	
General and administrative	1,486	1,161	(186)	h	5,455
			319	e	
			2,675	c	
Total operating expenses	7,223	3,144	2,859		13,226
Income (loss) from operations	803	10	(3,007)		(2,194)
Other income (expense)					
Interest and other income, net	49	43			92
Interest expense	(1)	(153)	(561)	f	(5,830)
			46	j	
			(5,161)	g	
Operating income (loss) before income taxes	851	(100)	(8,683)		(7,932)
Income tax expense	18	1			19
Income (loss) from continuing operations	$ 833	$ (101)	$ (8,683)		$ (7,951)
Pro forma loss from operations per share -basic and diluted					$ (0.12)
Pro forma shares used to compute net loss per share basic and diluted					68,608,956

See Notes to Unaudited Pro forma Condensed Combined Financial Statements

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UNAUDITED PRO FORMA CONDENSED COMBINED

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2005

(In Thousands -except share and per share data)

	Historical Parascript, LLC (unaudited)	Historical Mitek Systems, Inc. (unaudited)	Pro-forma Adjustment (unaudited)		Pro-forma Combined (unaudited)
Net revenue	$ 24,068	$ 6,815	$ (313)	h	$ 30,409
			(161)	i	
Operating expenses:					
Cost of revenues	1,362	1,357	(176)	h	2,690
			308	e	
			(161)	i	
Sales and marketing	2,258	1,893	(760)	h	3,862
			471	e	
Research and development	6,860	1,464	(257)	h	9,011
			944	e	
General and administrative	4,039	2,780	(362)	h	10,337
			773	e	
			432	l	
			2,675	c	
Gain on sale of long-term assets		(1,106)			(1,106)
Total operating expenses	14,519	6,388	3,887		24,794
Income (loss) from operations	9,549	427	(4,361)		5,615
Other income (expense):					
Interest and other income, net	(45)	97			52
Interest expense	(58)	(1,107)	(1,122)	f	(11,578)
			(9,537)	g	
			376	j	
			(130)	k	
Operating income (loss) before income taxes	9,446	(583)	(14,774)		(5,911)
Income tax expense (benefit)	18	(1)			17
Income (loss) from continuing operations	$ 9,428	$ (582)	$ (14,774)		(5,928)
Pro forma loss from operations per share basic and diluted					$ (0.09)
Pro forma shares used to compute net loss per share basic and diluted					68,608,956

See Notes to Unaudited Pro forma Condensed Combined Financial Statements

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NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED

FINANCIAL STATEMENTS

Note 1. Basis of Presentation

On September 18, 2006, Mitek, Mitek Acquisition Sub LLC, Parascript and Parascript Management, Inc, as member representative, entered into a definitive agreement under which Mitek Acquisition Sub LLC will be merged with and into Parascript with Parascript as the surviving company in the merger, in a transaction to be accounted for as a reverse acquisition of Mitek. For accounting purposes, Parascript will be treated as the acquirer and the continuing reporting entity, while Mitek will be treated as the acquiree. The costs of the transaction incurred by Parascript will be treated as acquisition costs and the costs of the transaction incurred by Mitek will be expensed.

The unaudited pro forma condensed combined financial statements assume the issuance of approximately 52 million shares of Mitek common stock as a portion of the consideration paid in the merger transaction which will be distributed to the Parascript shareholders in accordance with the operating agreement of Parascript. After completion of the merger, the name of Mitek will be changed to Parascript.

The following information should be read in conjunction with the pro forma condensed combined financial statements:

- Accompanying notes to the unaudited pro forma condensed combined financial statements.

- Separate historical audited consolidated financial statements of Parascript for the year ended December 31, 2005 and the unaudited consolidated financial statements as of June 30, 2006 and for the six months ended June 30, 2006 and 2005 included elsewhere in this joint proxy statement/prospectus.

- Separate historical audited financial statements of Mitek as of September 30, 2005 and 2004, and the unaudited financial statements for the nine months ended June 30, 2006 and 2005 included in this joint proxy statement/prospectus.

The unaudited pro forma condensed combined financial statements are presented for informational purposes only. The pro forma information is not necessarily indicative of what the financial position or results of operations actually would have been had the merger been completed at the dates indicated. In addition, the unaudited pro forma condensed combined financial statements do not purport to project the future financial position or operating results of the combined company.

The unaudited pro forma condensed combined financial statements were prepared using the reverse acquisition method of accounting with Parascript treated as the acquirer in accordance with US generally accepted accounting principles for accounting and financial reporting purposes. Accordingly, the assets and liabilities of Mitek have been presented at the equivalent of estimated fair value.

Note 2. Pro Forma Adjustments

There were no inter-company receivables or payables as of June 30, 2006. All inter-company revenue and expense transactions between Mitek and Parascript for the periods of these pro forma condensed combined financial statements have been eliminated in these pro forma financial statements.

The pro forma combined provision for income taxes does not reflect the amounts that would have resulted had Mitek and Parascript filed consolidated income tax returns during the periods presented. Parascript is a limited liability company and, as such, pays no federal or state income taxes. Rather, all net income and other tax attributes are passed on to the members of the limited liability company, and the responsibility for reporting such income rests with each member. Income taxes reflected on the Parascript statement of income are from the related VIE which is a Subchapter-C corporation, which corporation is responsible for paying tax on its taxable income. On a pro forma combined basis, Parascript and Mitek has a book and tax loss and therefore no pro forma tax provision is reflected. No pro forma deferred tax asset has been shown with respect to Mitek s net operating loss carryforwards since, in order to show such an asset, it must be determined that it is more likely than not that

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there will be taxable income in future years from the combined operations. Historically, Mitek has not had taxable income and management had not yet determined that is more likely than not that there will be future taxable income which would allow the net operating losses to be used. Moreover, such losses are not allowed to be carried back to offset any income of Parascript, LLC realized in years prior to the combination. Consequently, no pro forma adjustments have been made to reflect an asset for deferred taxes.

The pro forma adjustments included in the unaudited pro forma condensed combined financial statements are as follows (in 000 s):

Adjustments to proforma financial statements. (in thousands)

Balance sheet adjustments:

a) Record the recapitalization of Parascript as a fully taxable corporation and reflect the par value and additional paid in capital received in exchange for the Parascript units.

b) Record the issuance of approximately 16,739 shares of Mitek common stock to acquire Mitek based on the end-of-day-close value per share on the day before the merger agreement was initially signed (July 13, 2006). The Company believes the value of the shares may change at the closing of the transaction. The fair value of $1.14 for each share issued was based on the trading price of Mitek s common stock as of July 13, 2006. No assurances can be provided that certain terms of the agreement may or may not be change. See Risk Factors.

c) Record the borrowing from Plainfield associated with the funding for the merger of $90,000 as more fully described below in Note 4. The company expects to use $80,000 to pay for the cash portion of the merger consideration and retain the remaining $1,000 for working capital purposes. The $9,000 charged at the closing represents expenses expected to be paid out at closing which will be amortized over the life of the loan, $0.5 million of intangible assets that will be amortized over a period of 84 months and transaction related expenses of $2.7 million that will be expensed at closing, all of which are reflected in results of operations and balance sheet. The balance of the cash will be distributed directly to Parascript shareholders and is offset on the balance sheet against retained earnings, then additional paid in capital or member units balances and eventually accumulated deficit.

d) To eliminate the assets and liabilities of the Applied Information Solutions (AIS) subsidiary which is not a part of the merger and will not be included in the combined company. The following is a summary of the AIS assets and liabilities at June 30, 2006:

ASSETS AND LIABILITIES OF APPLIED INTELLIGENCE SOLUTIONS, LLC (AIS)

(in thousands)

As of June 30, 2006:	
Assets	
Current assets	
Cash	$ 9
Prepaid expenses	8
Total current assets	17
Property and equipment (net)	18
Total assets	$ 35
Liabilities	
Current liabilities	
Accounts payable	$ 28
Accrued payroll costs	79
Other accrued expenses	37
Deferred revenue	261
Total current liabilities	405

Total liabilities	$ 405

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Income statement adjustments

e) Reflect the amortization of the intangible assets of Mitek acquired by Parascript over an average seven year life as estimated by management based on the intangible assets identified.

f) Record the amortization of loan fees associated with the borrowing from Plainfield over the term of the borrowing (5 to 5.5 years) using the effective interest method.

g) Interest expense on the long-term borrowing associated with the merger transaction, calculated based upon the terms of the borrowing but using the assumption that the loan was in place for the entire period reported as per SEC guidelines.

h) To eliminate the operations of the Applied Information Solutions (AIS) subsidiary to be spun off immediately prior to the consummation of the merger as it will not be included in the combined company.

Statement of Income of Applied Intelligence Solutions, LLC (AIS)

(in thousands)

	Six months ended June 30, 2006		Year ended December 31, 2005	
Revenue	$	103	$	313
Operating expenses				
Cost of revenue		83		176
Sales and marketing		624		760
Research and development		127		257
General and administrative		186		362
Total operating expenses		1,020		1,555
Net operating loss	$	(917)	$	(1,242)

i) To eliminate revenue reflected in Parascript income from sales to Mitek and the related expense reflected in the Mitek costs of revenue.

j) To eliminate interest paid on convertible debt that would not have been incurred if the loan had been paid off as of the start of the year. The terms of the borrowing preclude additional equity raises without the conversion of the loan to stock or the payoff of the loan. Therefore, a January 1, 2005 or January 1, 2006 merger would have precipitated either the conversion or payoff of the loan and there would have been no interest paid during the period. All loan fees and beneficial conversion costs were included in interest expense for the year as they would have been incurred as a part of the loan payoff.

k) To fully amortize loan fees related to convertible debt described above upon conversion of the debt to common stock.

l) To amortize the balance of deferred compensation associated with a common unit options which vests over 4 years, but which is immediately vested at the time of the merger under the terms of the option agreement.

Note 3. Pro Forma Net Loss Per Share

The pro forma basic and diluted net loss per share are based on the number of shares of Parascript common stock adjusted for the recapitalization and conversion ratio and the issuance of the common stock to Mitek.

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The following is a computation of the shares outstanding for the combined company without dilution:

Parascript conversion of units to shares:

Common units outstanding at 9/01/06	205,000
Preferred units outstanding at 9/01/06	9,804,653
Options outstanding at 9/01/06	42,071
Total units estimated outstanding at time of sale (assuming 9/30/06)	10,051,724
Shares received in sale transaction	51,869,458
Shares to be received per unit	5.1603
Shares to be issued to Parascript per above	51,869,458
Mitek shares outstanding as of September 7, 2006	16,739,498
Shares outstanding for pro forma calculations	68,608,956

Note 4. Convertible notes

An integral part of this merger is the borrowing of up to $95 million through a combination of a Senior Secured Credit Facility from Plainfield and senior subordinated convertible notes issued to Plainfield which are due in 2013. Without obtaining additional cash which is currently anticipated through this borrowing, Mitek would be unable to raise the cash and would be unable to consummate the transaction. Therefore, for purposes of the pro forma financial statements which are prepared on the basis of the transaction being consummated as of the first day of Parascript s fiscal year, the transaction which generates the cash to complete the merger is included as a consolidation transaction.

Calculation of interest on variable rate facility and related sensitivity

The interest expense on the term credit facility is calculated based on the terms of the credit agreements which adjust the interest rate based on LIBOR rates. For purposes of the proforma, the LIBOR rates for 2005 and the six months ended June 30, 2006 were used. This resulted in an effective interest rate of 11.13% for 2005 and 12.56% for the six months ended June 30, 2006. As the rates are based on LIBOR, an average annual increase or decrease in the LIBOR of 1% would result in a change in interest expense of $550,000. The related effect on earnings per share would be approximately $.008 per share for each 1% annual change in the LIBOR rate.

Senior Secured Credit Facility

Mitek will enter into a 5-year Senior Secured Credit Facility with Plainfield Offshore Holdings VIII Inc. Term loans, and, at Mitek s election, revolving loans under the credit facility will bear interest for the first year at the three-month adjusted LIBOR rate plus an interest rate spread of 750 basis points (12.87% at September 30, 2006) (at Mitek s election, revolving loans may bear interest at a rate based on the prime rate or the federal funds rate and an interest spread of 650 basis points in the first year). In subsequent years, the interest rate spread on term loans and LIBOR-based revolving loans will fluctuate between 550 and 750 basis points (or 450 and 650 basis points for revolving loans based on the prime rate or federal funds rate), depending upon the senior leverage ratio of the Company. In no event, will the interest rate be less than 11%. Interest payments will be payable quarterly. Principal payments on the term loans under the senior secured credit facility begin in the fourth year, and are made quarterly in the amount of $2,500,000. Any remaining principal is due at the end of the fifth year. Mitek may prepay any or all of the credit facility at any time. Mandatory prepayments of the revolving facility are required if Revolving Exposures (as defined in the credit facilities documents) exceed Revolving Commitments (as defined in the credit facilities documents). Mandatory prepayments of the term facility are required (i) upon a Change of Control (as defined in the credit facilities documents), (ii) upon certain dispositions of assets (subject to a reinvestment right), (iii) upon receipt of insurance or condemnation payments (subject to a reinvestment right) and (iv) upon the issuance of equity or receipt of capital contributions, in the case of each of clauses (ii)-(iv), with baskets and exceptions as provided in the credit facilities documents. If Mitek voluntarily prepays or is required to prepay pursuant to clause (i) above any amounts outstanding under the term facility within the first year, it must pay 103% of the outstanding principal. If Mitek makes such prepayment in the second or third year, it must pay 101% of the outstanding principal. Thereafter, it may prepay without penalty. The effective interest rate of this debt for the six months ended June 30, 2006, after considering the total debt issue costs, is approximately 14.1%.

Convertible Senior Subordinated Note

Mitek also will issue $35 million in senior subordinated convertible notes that bear interest at the rate of 9.75% and have a term of six years from date of closing (XX, 2013). The notes are convertible into shares of the combined company s common stock at $1.60 a share which is a 14% premium to the XX-day average closing share price as of June XX, 2006. As a result of the premium there is no beneficial conversion feature to account for in the pro forma financial statements. The conversion price of the notes is subject to adjustment upon the occurrence of certain events. These events include, but are not limited to, stock splits, dividends, or grants of options in connection with the financing at prices below the conversion price. Interest payments are made quarterly. For the first four years of these notes, Mitek may elect to pay the interest either in cash or by adding to the principal of the senior subordinated convertible notes. The notes are convertible in whole or in part at any time, at the option of the holder. The effective annual interest rate of this convertible debt, after considering the total debt issue costs, is approximately 11.72%

Mitek will record debt issue costs for fees and transaction costs associated with the issuance of the senior subordinated convertible notes, and will amortize this fee over the term of the notes. Mitek will record a debt discount of $1,050,000 for debt issue costs paid to affiliates of Plainfield. The debt issue costs will be amortized over the term of the notes.

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DESCRIPTION OF MITEK CAPITAL STOCK

The following information describes Mitek s common stock and preferred stock, as well as options to purchase Mitek s common stock, and provisions of Mitek s certificate of incorporation and bylaws, all as in effect upon the date of this joint proxy statement/prospectus. This description is only a summary. You should also refer to Mitek s certificate of incorporation and bylaws, which have been previously filed with the SEC and are incorporated by reference as exhibits into the registration statement of which this joint proxy statement/prospectus is a part and more fully described below.

Mitek s authorized capital stock consists of 40 million shares of common stock, par value $.001 per share, and 1 million shares of preferred stock, par value $.001 per share.

Common Stock

As of September 1, 2006, 16,739,498 shares of common stock were issued and outstanding and held by approximately 434 record holders. 3,108,718 shares of common stock have been reserved for issuance under Mitek s stock option plans and 1,381,428 shares of common stock have been reserved for issuance under outstanding warrants. Upon the consummation of the merger, there will be approximately 68,608,956 shares of Mitek common stock outstanding after issuing approximately 51,869,458 shares of common stock to Parascript s unitholders pursuant to the merger.

The holders of Mitek common stock are entitled to one vote for each share of common stock held of record on all matters submitted to a vote of Mitek stockholders. Common stockholders have no conversion, preemptive, subscription or redemption rights. All outstanding shares of Mitek common stock are duly authorized, validly issued, fully paid and nonassessable. Upon satisfaction of Mitek s obligations to preferred stockholders, if any, the common stockholders receive dividends when declared by the board of directors. If Mitek liquidates, dissolves or winds up its business, holders of Mitek common stock will share equally in the assets remaining after Mitek pays all of its creditors and satisfies all of its obligations to preferred stockholders.

Listing

Mitek s common stock is quoted on the OTC Bulletin Board, under the symbol MITK.OB . Mitek has agreed to cause the shares of Mitek common stock Parascript unitholders will be entitled to receive pursuant to the merger to be traded on the OTC Bulletin Board.

The intention of Mitek and Parascript is that Mitek will engage in a reverse split of its common stock after the close of the merger in order to satisfy the minimum market price requirement for listing securities on the NASDAQ Capital Market. At such time, the combined company intends to file an initial listing application with the NASDAQ Capital Market. If such application is accepted, the combined company anticipates that its common stock will be listed on the NASDAQ Capital Market under the trading symbol .

Transfer Agent

The transfer agent and registrar for Mitek s common stock is Mellon Investor Services LLC, P.O. Box 3315, South Hackensack, NJ 07606, (800) 356-2017.

Preferred Stock

The Mitek board of directors can, without approval of stockholders, issue one or more series of preferred stock. The board can determine the number of shares of each series and the designation and relative rights and preferences of preferred stock, including dividend rights, conversion rights, voting rights, and redemption rights. In some cases, the issuance of preferred stock could delay, defer or prevent a change in control of Mitek and make it harder to remove present management, without further action by Mitek stockholders. Under some

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circumstances, preferred stock could also decrease the amount of earnings and assets available for distribution to holders of Mitek common stock if Mitek liquidates or dissolves and could also restrict or limit dividend payments to holders of Mitek common stock.

Mitek has blank check preferred stock authorized under its certificate of incorporation, which may be issued by the Mitek board of directors in one or more designated series. Currently, the only designated series is the Class A Preferred Stock, of which there are currently 1,000,000 shares designated. There are currently no shares of Class A Preferred Stock issued or outstanding.

Anti-Takeover Provisions

The provisions of the DGCL, Mitek s certificate of incorporation and bylaws may have the effect of delaying, deferring, or discouraging another person from acquiring control of Mitek. Such provisions could limit the price that some investors might be willing to pay in the future for Mitek common stock. These provisions of the DGCL and Mitek s certificate of incorporation and bylaws may also have the effect of discouraging or preventing certain types of transactions involving an actual or threatened change of control of Mitek, including unsolicited takeover attempts, even though such a transaction may offer Mitek stockholders the opportunity to sell their stock at a price above the prevailing market price.

Mitek is subject to Section 203 of the DGCL, which, subject to certain exceptions, prohibits a Delaware corporation from engaging in any business combination with an interested stockholder for a period of three years following the time that such stockholder became an interested stockholder, unless:

- the board of directors of the corporation approves either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder, prior to the time the interested stockholder attained that status;

- upon the closing of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding those shares owned (a) by persons who are directors and also officers and (b) by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

- at or subsequent to such time, the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least two thirds of the outstanding voting stock that is not owned by the interested stockholder.

With certain exceptions, an interested stockholder is a person or group who or which owns 15% or more of the corporation s outstanding voting stock (including any rights to acquire stock pursuant to an option, warrant, agreement, arrangement or understanding, or upon the exercise of conversion or exchange rights, and stock with respect to which the person has voting rights only), or is an affiliate or associate of the corporation and was the owner of 15% or more of such voting stock at any time within the previous three years.

In general, Section 203 of the DGCL defines a business combination to include:

- any merger or consolidation involving the corporation and the interested stockholder;

- any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder;

- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;

any transaction involving the corporation that has the effect of increasing the proportionate share of the stock or any class or series of the corporation beneficially owned by the interested stockholder; or

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- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

A Delaware corporation may opt out of this provision with an express provision in its original certificate of incorporation or an express provision in its amended and restated certificate of incorporation or bylaws resulting from a stockholders amendment approved by at least a majority of the outstanding voting shares. However, Mitek has not opted out of this provision. Section 203 could prohibit or delay mergers or other takeover or change in control attempts and, accordingly, may discourage attempts to acquire Mitek.

Indemnification

Mitek has included in its certificate of incorporation and bylaws provisions to (i) eliminate the personal liability of Mitek s directors for monetary damages resulting from breaches of their fiduciary duty to the extent permitted by the DGCL and (ii) indemnify Mitek s directors and officers to the fullest extent permitted by Section 145 of the DGCL.

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COMPARATIVE RIGHTS OF MITEK STOCKHOLDERS AND

PARASCRIPT UNITHOLDERS

If the merger is completed, Parascript unitholders will become Mitek stockholders. Mitek is a Delaware corporation, and the rights of Mitek stockholders are governed by the DGCL and Mitek s certificate of incorporation and bylaws, as amended, and to the extent applicable, as described in Mitek proposals 2, 3 and 6, the amendment to Mitek s certificate of incorporation. For more information on these proposed amendments to Mitek s certificate of incorporation, see Matters Being Submitted to a Vote of Mitek Stockholders on page 87 of this joint proxy statement/prospectus.

The following is a summary of the material differences between the rights of Mitek stockholders and Parascript unitholders, but it may not contain all information important to you. Parascript unitholders should read carefully the relevant provisions of the DGCL, the certificate of incorporation and bylaws of Mitek, the Wyoming Limited Liability Company Act, and the articles of organization and operating agreement of Parascript. This summary is not intended to be a complete discussion of the respective rights of Mitek stockholders and Parascript unitholders and is qualified in its entirety by reference to the DGCL, the Wyoming Limited Liability Company Act and the various documents of Mitek and Parascript that are referred to in this summary. You should read carefully this entire joint proxy statement/prospectus and the other documents referred to in this joint proxy statement/prospectus for a more complete understanding of the differences between being a stockholder of Mitek and being a unitholder of Parascript. Mitek has filed copies of its certificate of incorporation and bylaws with the SEC and will send copies of these documents to you upon your request. Parascript will also send copies of its documents referred to in this summary to you upon request. See the section entitled Where You Can Find More Information on page 152 of this joint proxy statement/prospectus.

	Mitek Stockholder Rights	Parascript Unitholder Rights
Authorized Capital Stock:	The authorized capital stock of Mitek consists of a total of 41,000,000 shares: 1,000,000 shares of preferred stock, $0.001 par value par share and 40,000,000 shares of common stock, $0.001 par value per share. Upon approval of Mitek proposal 3, the authorized number of shares of common stock will increase to 200,000,000.	The total number of units of all classes of Parascript is 14,000,000: 4,000,000 common units and 10,000,000 preferred units.
Number of Directors:	Mitek s bylaws provide that the number of directors shall be not less than three (3) and no more than nine (9). Within the limits above specified, the number of directors shall be determined by resolution of the board of directors or by the stockholders. The Mitek board of directors currently consists of seven directors and will consist of seven directors upon the consummation of the merger.	Parascript Management, Inc. is the sole manager of Parascript. Parascript Management, Inc. s bylaws provide that the number of directors of shall be five (5) and cannot be increased without the approval of the Parascript Management, Inc. shareholders.
Election of Directors/Managers:	Mitek s directors are to be elected at an annual meeting of the stockholders, and each director elected shall hold office until his	The manager of Parascript is to serve until such time as it is removed for any reason with or without cause as manager by the

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	Mitek Stockholder Rights	Parascript Unitholder Rights
	successor is elected. Vacancies and newly created directorships (resulting from an increase in the authorized number of directorships) may be filled by a majority of the directors then in office, though less than a quorum, or by the sole remaining director, and the directors so chosen shall hold office until the next annual election and until their successors are duly elected.	affirmative vote of the members holding at least 70% in interest of the members or until such time as it shall resign as manager. If the manager is removed or resigns, a successor manager shall be appointed as promptly as practical by the affirmative vote of more than 50% in interest of the members.
Classification of Directors:	Mitek s certificate of incorporation and bylaws do not provide for the division of the board of directors into classes.	The organizational documents of Parascript Management, Inc. do not provide for the division of the board of directors into classes.
Removal of Directors/Managers:	Any director or the entire board of directors may be removed, with or without cause, by the holders of a majority of shares entitled to vote at an election of directors.	Parascript Management, Inc. shall serve as the manager of Parascript until such time as it is removed for any reason with or without cause as manager by the affirmative vote of the members holding at least 70% in interest of the members or until such time as it shall resign as manager. At a meeting called expressly for the purpose of removal, the entire board of directors of Parascript Management, Inc., or any lesser number may be removed, with or without case, by vote of the holders of the majority of the shares then entitled to vote at an election of the directors.
Vacancies on the Board:	Vacancies in Mitek s board of directors and newly created directorships resulting from any increase in the authorized number thereof may be filled by a majority of the remaining directors then in office, though less than a quorum, or by a sole remaining director, and the directors so elected will hold office until the next annual election and until their successors are duly elected and qualified, unless sooner displaced.	If the manager is removed or resigns, a successor manager shall be appointed as promptly as practical by the affirmative vote of more than 50% in interest of the members. Newly created directorships resulting from an increase in the number of directors of Parascript Management, Inc. and vacancies occurring in the board of directors for any reason except the removal of directors without cause may be filled by a vote of the shareholders. Vacancies occurring by reason of the removal of directors without cause shall be

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	Mitek Stockholder Rights	Parascript Unitholder Rights
		filled by a vote of the shareholders. A director elected to fill a vacancy caused by resignation, death or removal shall be filled by a vote of the shareholders. A director elected to fill a vacancy caused by resignation, death or removal shall be elected to hold office for the unexpired terms of his predecessor.
Board/Manager Quorum and Vote Requirements:	At all meetings of Mitek s board of directors, a majority of directors constitutes a quorum for the transaction of business, and the act of a majority present at any meeting at which there is quorum is the act of the board of directors.	The manager shall have complete authority, power and discretion to manage and control the business, affairs and properties of Parascript. However, the manager may take action upon the following matters only upon receiving the consent of those members holding at least 70% of the units entitled to vote, and without such consent neither Parascript nor the manager shall have any authority to engage in the following transactions: i) sell, transfer, whether in a single transaction or series of transactions, all or substantially all of the assets of Parascript; ii) convert, consolidate or merge Parascript with and into any other company; iii) dissolve or liquidate Parascript, with some exceptions; iv) amend the operating agreement; v) increase or decrease authorized units of Parascript. A majority of the number of Parascript Management, Inc. directors fixed in accordance with the bylaws shall constitute a quorum for the transaction of business at any meeting of the board of directors. The current number of directors of Parascript Management, Inc. is five.
Board/Manager Action without a Meeting:	Any action required or permitted to be taken at any meeting of Mitek s board of directors (or any committee thereof) may be taken without a meeting if all members of the board of directors or committee consent to the action in writing, and that writing or those	Any action required or permitted to be taken by the board of directors of Parascript Management, Inc. at a meeting may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the directors.

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	Mitek Stockholder Rights	Parascript Unitholder Rights
	writings are filed with the minutes of proceedings of the board of directors or committee.	
Stockholder/Unitholder Annual Meetings:	All meetings of the stockholders for the election of directors shall be held in the City of San Diego, State of California at such place as may be fixed from time to time by the board of directors, or at such place either within or without the State of Delaware as shall be designated from time to time by the board of directors and stated in the notice of the meeting. Annual meetings of stockholders shall be held on the third Thursday of May if not a legal holiday, and if a legal holiday, then on the next secular following day at 10:00 am, or at such other time as shall be designated from time to time by the board of directors and state in the notice of the meeting. Written notice of the annual meeting shall be given to each stockholder entitled to vote not less than ten (10) nor more than thirty (30) days before the date of the meeting.	Regular meetings of the members shall be held at least once each fiscal year. A notice with respect to each such meeting containing the place and date thereof and a proposed agenda therefor shall be given to each member no earlier than sixty (60) days and no later than ten (10) days, in the case of a regular meeting, and no earlier than thirty (30) days and no later than five (5) days, in the case of a special meeting, prior to the scheduled date of such meeting (members may waive notice).
Special Meetings of Stockholders/Unitholders:	Meetings of stockholders for any other purpose other than election of directors may be held at such time and place, within or without the State of Delaware, as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof. Special meetings of the stockholders for any purpose or purposes may be called by the chairman of the board or the president and shall be called by the chairman of the board, the president or the secretary at the request in writing of a majority of the board of directors or at the request in writing of stockholders owning not less than ten percent (10%) of the entire capital stock of the corporation issued and outstanding and entitled to vote. Written notice shall be given not	Special meetings of the members shall be held at such times as the manager may request. A notice with respect to each such meeting containing the place and date thereof and a proposed agenda therefor shall be given to each member no earlier than sixty (60) days and no later than ten (10) days, in the case of a regular meeting, and no earlier than thirty (30) days and no later than five (5) days, in the case of a special meeting, prior to the scheduled date of such meeting (members may waive notice).

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	Mitek Stockholder Rights	Parascript Unitholder Rights
	less than ten (10) nor more than thirty (30) days before the date of the meeti	