MITEK SYSTEMS INC
Form 10-K
December 05, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended September 30, 2014

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to .

Commission File Number 001-35231

MITEK SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**87-0418827**
(State of Incorporation)	**(I.R.S. Employer Identification No.)**
8911 Balboa Ave.	
San Diego, California	**92123**

(Address of principal executive offices) **(Zip Code)**

Registrant s telephone number: (858) 309-1700

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, par value $0.001 per share

(Title of class)

Securities registered pursuant to Section 12(g) of the Act:

None

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

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer	¨	Accelerated Filer	x
Non-Accelerated Filer	¨ (Do not check if a smaller reporting company)	Smaller Reporting Company	¨

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

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

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

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MITEK SYSTEMS, INC.

FORM 10-K

For The Fiscal Year Ended September 30, 2014

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

IMPORTANT NOTE ABOUT FORWARD-LOOKING STATEMENTS

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

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

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

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

- inability to carry out our marketing and sales plans; and

- the loss of key employees and executives.

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

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PART I

ITEM 1. BUSINESS.
Overview

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

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

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

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

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

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

Product and Technology Overview

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

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

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

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

Mobile Imaging Solutions

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

Mobile Deposit®

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

Mobile Photo Account Opening

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

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

Mobile Photo Payments

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

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Mobile Photo Bill Pay®

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

Mobile Balance Transfer

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

Maintenance and Support

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

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

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

Intellectual Property

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

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

Sales and Marketing

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

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

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

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

Market Opportunities, Challenges and Risks

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

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

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

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

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

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

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

Competition

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

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

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

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

Research and Development

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

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

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

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

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

Employees and Labor Relations

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

Available Information

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

ITEM 1A. RISK FACTORS.

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

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

Risks Associated With Our Business

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

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

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

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

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

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

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

Federal and state tax laws impose restrictions on the utilization of net operating loss (NOL) and tax credit carryforwards in the event of an ownership change as defined by Section 382 of the Internal Revenue Code of 1986, as amended (Section 382). Generally, an ownership change occurs if the percentage of the value of the stock that is owned by one or more direct or indirect five percent shareholders increases by more than

50% over their lowest ownership percentage at any time during the applicable testing period (typically, three years).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Related to Our Intellectual Property

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

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

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

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

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

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

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

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

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Risks Related to our Operations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Related to Our Common Stock

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

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

ITEM 3. LEGAL PROCEEDINGS.

USAA

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

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

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

Top Image Systems Ltd.

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

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

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

Rothschild Mobile Imaging Innovations, Inc.

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

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

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

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

Other Legal Matters

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

ITEM 4. MINE SAFETY DISCLOSURES.

None.

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PART II

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

Market Information

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

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

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

Holders

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

Dividends

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

Securities Authorized for Issuance Under Equity Compensation Plans

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

Sales of Equity Securities During the Period

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

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Performance Graph

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

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

Comparison of 5 Year Cumulative Total Return

Among Mitek Systems, Inc., the NASDAQ Composite Index and the NASDAQ-100 Technology Sector Index

The graph above reflects the following values:

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

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ITEM 6. SELECTED FINANCIAL DATA.

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

Selected Financial Data

(In Thousands, Except Per Share Data)

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

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

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

Overview

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

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

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

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

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

Market Opportunities, Challenges and Risks

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

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

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

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

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

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

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Results of Operations

Comparison of the Year Ended September 30, 2014 and 2013

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

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

Revenue

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

Cost of Revenue

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

Selling and Marketing Expenses

Selling and marketing expenses include payroll, employee benefits and other headcount-related costs associated with sales and marketing personnel, non-billable costs of professional services personnel and advertising, promotions, trade shows, seminars and other programs. Selling and marketing expenses increased $983,844, or 17%, to $6,836,292 in 2014 compared to $5,852,448 in 2013. As a percentage of revenue, selling and marketing expenses decreased to 36% in 2014 compared to 40% in 2013. The increase in selling and marketing expenses is primarily due to increased personnel-related costs, including stock-based and other incentive compensation expense, totaling $1,183,990, and the decrease in selling and marketing expenses as a percentage of revenues is primarily attributable to improved operating efficiencies resulting from our revenue growth.

Research and Development Expenses

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

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

General and Administrative Expenses

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

Other Income (Expense), Net

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

Results of Operations

Comparison of the Year Ended September 30, 2013 and 2012

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

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

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

Revenue

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

Cost of Revenue

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

Selling and Marketing Expenses

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

Research and Development Expenses

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

Research and development expenses increased $129,382, or 2%, to $6,793,412 in 2013 compared to $6,664,030 in 2012. The increase is primarily due to higher personnel-related costs, including stock-based and other incentive compensation expense and recruiting costs, totaling $378,201 related to an increase in headcount associated with the growth of our business, partially offset by a decrease in outside contract services of $278,350. As a percentage of revenue, research and development expenses decreased to 46% in 2013, compared to 73% in 2012, primarily due to the increase in revenue.

General and Administrative Expenses

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

Other Income (Expense), Net

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

Liquidity and Capital Resources

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

Credit Facility

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

Net Cash Used in Operating Activities

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

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

Net Cash (Used in) Provided by Investing Activities

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

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

Net Cash Provided by Financing Activities

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

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

Other Liquidity Matters

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

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

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

Off-Balance Sheet Arrangements

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

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Contractual Obligations

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

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

Critical Accounting Policies

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

Revenue Recognition

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

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

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

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

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Accounts Receivable

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

Investments

We determine the fair value of our assets and liabilities based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value maximize the use of observable inputs and minimize the use of unobservable inputs. We use a fair value hierarchy with three levels of inputs, of which the first two are considered observable and the last unobservable, to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities;

Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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

Fair Value of Equity Instruments

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

Deferred Income Taxes

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

Capitalized Software Development Costs

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

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

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

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

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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

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

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, that are designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required financial disclosures. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures as of the end of the period covered by this Form 10-K. We recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of September 30, 2014.

Management s Report on Internal Control over Financial Reporting

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

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

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

Changes in Internal Control over Financial Reporting

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

ITEM 9B. OTHER INFORMATION.

None.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

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

ITEM 11. EXECUTIVE COMPENSATION.

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

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

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

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

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

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

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

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a)(1) Financial Statements

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

(a)(2) Financial Statement Schedules

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

(a)(3) Exhibits

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

10.17	Offer Letter, dated June 6, 2012, by and between Mitek Systems, Inc. and Michael Diamond.	(9)
10.18	Offer Letter, dated June 11, 2012, by and between Mitek Systems, Inc. and Michael Strange.	(9)
10.19	Offer Letter, dated May 10, 2013, by and between Mitek Systems, Inc. and Scott Carter.	(9)
10.20	Form of Executive Severance and Change of Control Plan.	(11)

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

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

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

December 5, 2014

MITEK SYSTEMS, INC.

By: /s/ James B. DeBello
James B. DeBello
President and Chief Executive Officer
(Principal Executive Officer)

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby severally constitutes and appoints James B. DeBello and Russell C. Clark, his or her true and lawful agent and attorney-in-fact, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission, granting unto said attorney-in-fact full power and authority to do and perform each and every act and thing requisite or necessary fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ James B. DeBello	President and Chief Executive Officer and Director	December 5, 2014
James B. DeBello	(Principal Executive Officer)	
/s/ Russell C. Clark	Chief Financial Officer	December 5, 2014
Russell C. Clark	(Principal Financial and Accounting Officer)	
/s/ John M. Thornton	Chairman of the Board of Directors and Director	December 5, 2014
John M. Thornton		
/s/ Vinton P. Cunningham	Director	December 5, 2014
Vinton P. Cunningham		
/s/ Gerald I. Farmer	Director	December 5, 2014
Gerald I. Farmer		
/s/ James C. Hale	Director	December 5, 2014
James C. Hale		
/s/ Bruce E. Hansen	Director	December 5, 2014

Bruce E. Hansen		
/s/ Alex W. Hart	Director	December 5, 2014
Alex W. Hart		

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INDEX TO FINANCIAL STATEMENTS

MITEK SYSTEMS, INC.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of

Mitek Systems, Inc.

We have audited the accompanying balance sheets of Mitek Systems, Inc. as of September 30, 2014 and 2013, and the related statements of operations and other comprehensive loss, stockholders equity and cash flows for each of the three years in the period ended September 30, 2014. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mitek Systems, Inc. as of September 30, 2014 and 2013, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2014, in conformity with accounting principles generally accepted in the United States of America.

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

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

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of

Mitek Systems, Inc.

We have audited Mitek Systems, Inc. s internal control over financial reporting as of September 30, 2014, based on criteria established in *Internal Control Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Mitek Systems, Inc. s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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

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

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

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

/s/ Mayer Hoffman McCann P.C.

San Diego, California

December 5, 2014

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MITEK SYSTEMS, INC.

BALANCE SHEETS

	September 30,	
	2014	**2013**
ASSETS		
Current assets:		