MITEK SYSTEMS INC
Form 10-Q
May 15, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended March 31, 2009

or

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

For the transition period from _________ to ___________.

Commission File Number 0-15235

MITEK SYSTEMS, INC.
(Exact name of registrant as specified in its charter)

Delaware (State of Incorporation)	87-0418827 (I.R.S. Employer Identification No.)
8911 Balboa Ave., Suite B San Diego, California (Address of principal executive offices)	92123 (Zip Code)

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

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

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 o	Accelerated Filer o	Non-Accelerated Filer o (Do not tech if a smaller reporting company)	Smaller Reporting Company x

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

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

MITEK SYSTEMS, INC.

FORM 10-Q

For the quarterly period ended March 31, 2009

Special Note About Forward-Looking Statements

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

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

In addition to those factors discussed under the heading "Risk Factors" in Part II, Item 1A of this report, and in Mitek's other public filings with the Securities and Exchange Commission or "SEC," important factors could cause actual results to differ materially from our expectations. These factors include, but are not limited to:

- adverse economic conditions;
- general decreases in demand for Mitek products and services;
- competition (including entry of new competitors) with competitors with substantially greater resources than Mitek;
- loss of key customers or contracts;
- increased or adverse federal, state and local government regulation;
- inadequate capital;
- unexpected costs;
- lower revenues or lower net income than forecast;
- inability to raise prices;
- the risk of litigation and administrative proceedings;
- higher than anticipated labor costs;
- the possible fluctuation and volatility of operating results and financial condition;
- adverse publicity and news coverage;
- inability to carry out marketing and sales plans;
- loss of key employees and executives;
- changes in interest rates; and
- inflationary factors.

You are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date hereof, or in the case of a document incorporated by reference, as of the date of that document. Except as required by law, we undertake no obligation to publicly update or release any revisions to these forward-looking statements to reflect any events or circumstances after the date of this report or to reflect the occurrence of unanticipated events.

The above list is not intended to be exhaustive and there may be other factors that would preclude us from realizing the predictions made in the forward-looking statement. We operate in a continually changing business environment and new factors emerge from time to time. We cannot predict such factors or assess the impact, if any, of such factors on their respective financial positions or results of operations.

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

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MITEK SYSTEMS, INC
BALANCE SHEETS

	March 31, 2009 (Unaudited)	September 30, 2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 775,314	$ 1,300,281
Accounts receivable including related party of $1,956 and $4,591, respectively, net of allowance of $43,648 and $45,877, respectively	782,034	912,831
Inventory, prepaid expenses and other current assets	132,460	100,000
Total current assets	1,689,808	2,313,112
PROPERTY AND EQUIPMENT-net	79,017	91,066
SOFTWARE DEVELOPMENT COSTS	411,473	347,738
OTHER ASSETS	29,465	29,465
TOTAL ASSETS	$ 2,209,763	$ 2,781,381
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 563,914	$ 403,925
Accrued payroll and related taxes	186,080	289,300
Deferred revenue	833,194	676,085
Other accrued liabilities	80,086	24,712
Total current liabilities	1,663,274	1,394,022
Deferred rent, long-term portion	54,152	55,745
TOTAL LIABILITIES	1,717,426	1,449,767
STOCKHOLDERS' EQUITY:		
Preferred stock, $0.001 par value, 1,000,000 shares authorized, none issued and outstanding	-	-
Common stock, $.001 par value; 40,000,000 shares authorized, 16,751,137 issued and outstanding	16,751	16,751
Additional paid-in capital	14,873,634	14,804,884
Accumulated deficit	(14,398,048)	(13,490,021)
Total stockholders' equity	492,337	1,331,614
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 2,209,763	$ 2,781,381

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

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MITEK SYSTEMS, INC
STATEMENTS OF OPERATIONS
(Unaudited)

	For the three months ended March 31, 2009	For the three months ended March 31, 2008	For the six months ended March 31, 2009	For the six months ended March 31, 2008
SALES				
Software including sales to a related party of $0 and $600 for the three months ended March 31, 2009 and 2008, respectively, and $0 and $227,712 for the six months ended March 31, 2009 and 2008, respectively	$ 431,433	$ 797,015	$ 928,091	$ 1,582,276
Professional services including sales to a related party of $14,733 and $15,394 for the three months ended March 31, 2009 and 2008, respectively and $30,512 and $24,963 for the six months ended March 31, 2009 and 2008, respectively	456,850	463,501	971,640	941,839
	888,283	1,260,516	1,899,731	2,524,115
COSTS AND EXPENSES:				
Cost of sales-software	82,951	101,289	220,800	234,376
Cost of sales-professional services, education and other	52,106	41,359	109,836	83,136
Operations	6,516	24,131	29,840	48,530
Selling and marketing	190,017	334,501	551,057	680,007
Research and development	431,192	500,957	1,003,685	1,031,844
General and administrative	362,230	479,374	892,105	951,837
Total costs and expenses	1,125,012	1,481,611	2,807,323	3,029,730
OPERATING LOSS	(236,729)	(221,095)	(907,592)	(505,615)
OTHER (EXPENSE) INCOME:				
Interest and other expense	(2,154)	-	(2,434)	-
Interest income	772	2,119	3,799	5,039
Total other (expense) income - net	(1,382)	2,119	1,365	5,039
LOSS BEFORE INCOME TAXES	(238,111)	(218,976)	(906,227)	(500,576)
PROVISION FOR INCOME TAXES	(1,800)	(2,800)	(1,800)	(2,800)
NET LOSS	$ (239,911)	$ (221,776)	$ (908,027)	$ (503,376)
NET LOSS PER SHARE - BASIC AND DILUTED	$ (0.01)	$ (0.01)	$ (0.05)	$ (0.03)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED	16,751,137	16,751,137	16,751,137	16,751,137

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

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MITEK SYSTEMS, INC
STATEMENTS OF CASH FLOWS
(Unaudited)

	For the six months ended March 31, 2009	For the six months ended March 31, 2008
OPERATING ACTIVITIES		
Net loss	$ (908,027)	$ (503,376)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation expense	68,750	118,540
Depreciation and amortization	19,262	19,375
Provision for bad debts	2,229	-
Loss on disposal of property and equipment	1,767	-
Changes in assets and liabilities:		
Accounts receivable	128,568	(641,454)
Inventory, prepaid expenses, and other current assets	(32,460)	16,421
Accounts payable	159,989	152,351
Accrued payroll and related taxes	(103,220)	57,622
Deferred revenue	157,109	182,593
Other accrued liabilities	55,374	27,544
Deferred rent	(1,593)	6,370
Net cash used in operating activities	(452,252)	(564,014)
INVESTING ACTIVITIES		
Investment in software development costs	(63,735)	-
Purchases of property and equipment	(9,050)	(25,678)
Proceeds from sale of property and equipment	70	-
Net cash used in investing activities	(72,715)	(25,678)
FINANCING ACTIVITIES	-	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(524,967)	(589,692)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,300,281	2,096,282
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 775,314	$ 1,506,590
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 667	$ -
Cash paid for income taxes	$ 1,800	$ 2,800

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

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

1. Basis of Presentation

The accompanying unaudited balance sheet as of March 31, 2009, which has been derived from audited financial statements as of September 30, 2008, and the unaudited interim financial statements of Mitek Systems, Inc. (the "Company") have been prepared in accordance with the instructions to Form 10-Q and Article 8 of Regulation S-X and accordingly, they do not include all information and footnote disclosures required by accounting principles generally accepted in the United States of America. Refer to the Company's financial statements on Form 10-K for the year ended September 30, 2008 for additional information. The financial statements do, however, reflect all adjustments (solely of a normal recurring nature) which are, in the opinion of management, necessary for a fair statement of the results of the interim periods presented.

Results for the three and six months ended March 31, 2009 are not necessarily indicative of results which may be reported for any other interim period or for the year as a whole.

Going Concern

The Company incurred net losses of approximately $240,000 and $908,000 for the three and six months ended March 31, 2009, respectively, compared to net losses of approximately $222,000 and $503,000 for the three and six months ended March 31, 2008. As of March 31, 2009, the Company has incurred an accumulated deficit of approximately $14.4 million. Cash used for operations decreased from approximately $564,000 in the first six months of fiscal 2008 to approximately $452,000 in the same period of fiscal 2009. Cash used in investing activities during the six months ended March 31, 2009 was approximately $73,000, compared to approximately $26,000 in the six months ended March 31, 2008. The Company's cash balance was approximately $775,000 as of March 31, 2009.

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

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

On January 9, 2009, the Company implemented a plan to decrease its operating expenses by reducing its workforce in light of the economic contraction of the financial services market into which the Company primarily sells its products. The staff reduction included general and administrative, sales and marketing and technical staff. The

Company has diligently maintained key resources to adequately pursue new sales opportunities and support its operations. The Company's management does not believe that such reductions will impair the Company’s ability to develop its ImageNet Mobile Deposit application and other mobile capture products, or to provide technical support to its current and prospective customers.

2. Accounting for Stock-Based Compensation

The Company adopted the fair value recognition provisions of Statement of Financial Accounting Standards ("SFAS") No. 123(R), Share-Based Payment ("SFAS No. 123(R)").

SFAS No. 123(R) requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The estimated average forfeiture rates at March 31, 2009 of approximately 18% for stock option grants were based on historical forfeiture experience. The estimated expected remaining contractual life of stock option grants at March 31, 2009 was approximately 2.0 years on grants to directors and 7.2 years on grants to employees.

SFAS No. 123(R) requires the cash flows resulting from the tax benefits ensuing from tax deductions in excess of the compensation cost recognized for those options to be classified as financing cash flows. Due to the Company's valuation allowance from losses in the previous years, there was no such tax benefits during the three and six month periods ended March 31, 2009. Prior to the adoption of SFAS No. 123(R) those benefits would have been reported as operating cash flows had the Company received any tax benefits related to stock option exercises.

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

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

The fair value calculations for stock-based compensation awards to employees for the six month periods ended March 31, 2009 and 2008 were based on the following assumptions:

	2009	2008
Risk-free interst rate	0.44% - 2.29%	3.50% - 3.67%
Expected life (years)	5.29	5.30
Expected volatility	192%	94%
Expected dividends	None	None

The following table summarizes stock-based compensation expense related to stock options under SFAS No. 123(R) for the three and six month periods ended March 31, 2009 and 2008 which was allocated as follows:

	Three Months Ended March 31,		Six Months Ended March 31,	
	2009	2008	2009	2008
Research and development	$ 8,828	$ 7,911	$ 17,569	$ 17,839
Sales and marketing	2,503	12,286	8,723	23,925
General and administrative	26,198	28,043	42,458	76,776

Stock-based compensation expense related to employee stock options included in operating expenses	$	37,529	$	48,240	$	68,750	$	118,540

The following table summarizes vested and unvested options, fair value per share weighted average remaining term and aggregate intrinsic value at March 31, 2009:

	Number of Shares	Weighted Average Grant Date Fair Value Per Share	Weighted Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value
Vested	2,954,667	0.44	5.55	$ 1,997
Unvested	1,126,903	0.16	9.44	9,893
Total	4,081,570	0.36	6.62	$ 11,890

As of March 31, 2009, the Company had $168,149 of unrecognized compensation expense expected to be recognized over a weighted average period of approximately 1.18 years.

A summary of option activity under the Company's stock equity plans during the six months ended March 31, 2009 is as follows:

	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (in Years)
Outstanding, September 30, 2008	3,740,158	$ 0.71	6.52
Granted:			
Board of Directors	150,000	$ 0.09	2.91
Executive Officers	249,000	$ 0.09	9.91
Employees	490,000	$ 0.08	9.85
Forfeited	(547,588)	$ 0.52	6.02
Outstanding, March 31, 2009	4,081,570	$ 0.59	6.62

The following table summarizes significant ranges of outstanding and exercisable options as of March 31, 2009:

Range of Exercise Prices	Number of Options Outstanding	Weighted Average Remaining Contractual Life (in Years)	Weighted Average Exercise Price	Number of Exercisable Options	Weighted Average Exercise Price of Eercisable Options	Number of Unvested Options
$ 0.07 - $ 0.69	2,463,467	7.51	$ 0.29	1,344,214	$ 0.37	1,119,253
$ 0.70 - $ 0.92	705,832	5.47	$ 0.78	698,182	$ 0.78	7,650
$ 1.06 - $ 1.68	847,500	5.33	$ 1.12	847,500	$ 1.12	-
$ 2.13 - $ 2.68	49,000	2.93	$ 2.29	49,000	$ 2.29	-
$ 3.25 - $12.37	15,771	0.97	$ 6.63	15,771	$ 6.63	-
	4,081,570	6.62	$ 0.59	2,954,667	$ 0.75	1,126,903

The per-share weighted average fair value of options granted during the six months ended March 31, 2009 was $0.08.

3. Income Taxes

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

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

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

The Company's policy is to classify interest and penalties related to income tax matters as income tax expense. The Company had no accrual for interest or penalties as of September 30, 2008 or March 31, 2009, and has not recognized interest and/or penalties in the statement of operations for the three and six month periods ended March 31, 2009.

4. Commitments and Contingencies

The Company leases office space under a non-cancelable operating lease. The lease costs are expensed on a straight-line basis over the lease term. In September 2005, the Company signed a lease with an initial term of seven years for a property located at 8911 Balboa Avenue, San Diego, California. The lease was effective and binding on the parties as of September 19, 2005; however, the term of the lease began on December 9, 2005, which was the date on which certain improvements were substantially complete.

On February 1, 2009, the facility lease was amended to allow the Company to defer the payment of fifty percent (50%) of the basic rent due for the months of February through September 2009. The Company will repay the deferred rent with interest at an annual rate of six percent (6%) in equal monthly installments payable on the first day of each calendar month commencing October 1, 2009 and continuing through March 1, 2010. In addition, as a result of the amendment, the Company gave up the early termination option in the original lease.

5. Related Party Transactions

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

Below is a summary of revenues recognized from John Harland during the three and six months ended March 31, 2009 and 2008:

	Three Months Ended March 31,		Six Months Ended March 31,	
	2009	2008	2009	2008
Related party revenue				
Software	-	600	-	227,712
Professional services	14,733	15,394	30,512	24,963
Total related party revenue	14,733	15,994	30,512	252,675

There was an outstanding accounts receivable balance due from John Harland of approximately $2,000 and $4,000 at March 31, 2009 and 2008, respectively.

6. Product Revenues and Sales Concentrations

Product Revenues

During the three and six months ended March 31, 2009 and 2008, the Company's revenues were derived primarily from its Character Recognition Product line.

Below is a summary of the revenues by product lines:

	Three Months Ended March 31,		Six Months Ended March 31,	
Revenue	2009	2008	2009	2008
Recognition toolkits	$ 431,433	$ 797,015	$ 928,091	$ 1,582,276
Professional services, maintenance and other	456,850	463,501	971,640	941,839
Total revenue	$ 888,283	$ 1,260,516	$ 1,899,731	$ 2,524,115

Sales Concentration

The Company sells its products primarily to original equipment manufacturers, system integrators and resellers who ultimately sell to depository institutions. For the three and six months ended March 31, 2009 and 2008, the Company had the following sales concentrations:

	Three Months Ended March 31,		Six Months Ended March 31,	
	2009	2008	2009	2008
Customers to which sales were in excess of 10% of otal sales:				
Number of customers	2	2	2	3
Aggregate percentage of sales	31.3%	24.8%	27.9%	32.3%

Sales to customers in excess of 10% of total sales were approximately $278,000 and $313,000 for the three months ended March 31, 2009 and 2008, respectively, and $531,000 and $814,000 for the six months ended March 31, 2009 and 2008, respectively. The balance of accounts receivable from customers with sales in excess of 10% of total sales was approximately $522,000 and $532,000 as of March 31, 2009 and 2008, respectively.

7. Capitalized Software Development Costs

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

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

The Company evaluates its capitalized software development costs at each balance sheet date to determine if the unamortized balance related to any given product exceeds the estimated net realizable value of that product. Any such excess is written off through accelerated amortization in the quarter it is identified. Determining net realizable value, as defined by SFAS No. 86, requires making estimates and judgments in quantifying the appropriate amount to write off, if any. Actual amounts realized from the software products could differ from those estimates. Also, any future changes to the Company's product portfolio could result in significant increases to its cost of license revenue as a result of the write-off of capitalized software development costs. Software development costs of approximately $0 and $64,000 were capitalized in the three and six months ended March 31, 2009, respectively. The Company completed its first production general release of ImageNet Mobile DepositTM on October 31, 2008, and entered into an agreement with a major financial institution on November 4, 2008 to conduct a performance evaluation of the product. In accordance with SFAS No. 86, the Company ceased capitalizing software development costs related to this product on the date that it completed its first production general release. No amortization of software development costs has been recorded because sales of the related software products have not commenced.

8. Recently Issued Accounting Pronouncements

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

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

On April 1, 2009, the FASB issued FSP FAS 141(R)-1, "Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies." The FSP amends the guidance in FASB Statement No. 141 (Revised 2007) ("SFAS No. 141R"), "Business Combinations," to: (i) require that assets acquired and liabilities assumed in a business combination that arise from contingencies be recognized at fair value if fair value can be reasonably estimated. If fair value of such an asset or liability cannot be reasonably estimated, the asset or liability would generally be recognized in accordance with FASB Statement No. 5, "Accounting for Contingencies," and FASB Interpretation No. 14, "Reasonable Estimation of the Amount of a Loss;" (ii) eliminate the requirement to disclose an estimate of the range of outcomes of recognized contingencies at the acquisition date. For unrecognized contingencies, the FASB decided to require that entities include only the disclosures required by Statement No. 5 and that those disclosures be included in the business combination footnote; and (iii) require that contingent consideration arrangements of an acquiree assumed by the acquirer in a business combination be treated as contingent consideration of the acquirer and should be initially and subsequently measured at fair value in accordance with Statement No. 141R. This FSP is effective for assets or liabilities arising from contingencies in business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company is currently evaluating the impact, if any, that the adoption of this FSP will have on its financial statements.

On April 9, 2009, the FASB issued FSP FAS 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly," providing guidelines for making fair value measurements more consistent with the principles presented in SFAS No. 157. FSP FAS 157-4 must be applied prospectively and retrospective application is not permitted. FSP FAS 157-4 is effective for interim and annual periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. An entity early adopting FSP FAS 157-4 must also early adopt FSP FAS 115-2 and FAS 124-2. The Company is currently evaluating the impact, if any, that the adoption of this FSP will have on its financial statements.

On April 9, 2009, the FASB issued FSP FAS 115-2 and FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments," providing additional guidance designed to create greater clarity and consistency in accounting for and presenting impairment losses on debt securities. FSP FAS 115-2 and FAS 124-2 is effective for interim and annual periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. An entity may early adopt this FSP only if it also elects to early adopt FSP FAS 157-4. The Company is currently evaluating the impact, if any, that the adoption of this FSP will have on its financial statements.

On April 9, 2009, the FASB issued FSP FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments," enhancing consistency in financial reporting by increasing the frequency of fair value disclosures. FSP 107-1 and APB 28-1 is effective for interim periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. However, an entity may early adopt these interim fair value disclosure requirements only if it also elects to early adopt FSP FAS 157-4 and FSP FAS 115-2 and FAS 124-2. The Company is currently evaluating the impact, if any, that the adoption of this FSP will have on its financial statements.

On April 13, 2009, the SEC Office of the Chief Accountant and Division of Corporation Finance issued SEC Staff Accounting Bulletin 111 ("SAB 111"). SAB 111 amends and replaces SAB Topic 5M, "Miscellaneous Accounting—Other Than Temporary Impairment of Certain Investments in Equity Securities" to reflect FSP FAS 115-2 and FAS 124-2. SAB 111 provides guidance for assessing whether an impairment of a debt security is other than temporary, as well as how such impairments are presented and disclosed in the financial statements. The amended SAB Topic 5M maintains the prior staff views related to equity securities but has been amended to exclude debt securities from its scope. SAB 111 is effective upon the adoption of FSP FAS 115-2 and FAS 124-2. The Company is currently evaluating the impact, if any, that the adoption of SAB 111 will have on its financial statements.

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

Special Note Regarding Forward-Looking Statements

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

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

Outlook

Historically, our business has been primarily focused on document image processing and image analytics. Our business also focuses on intelligent character recognition and forms processing technology, products and services used in the financial services markets. We also develop fraud detection and prevention products, which find signatures on any document and, using patented algorithms, convert them into compact numeric codes, which are then compared against one or more reference codes of trusted signatures for highly accurate signature verification.

Our primary strategy for fiscal 2009 has been and continues to be to expand our business focus to include a software product that captures and reads data from mobile devices using our proprietary technology. We refer to this software product as Mobile Capture. Mobile Capture technology converts a camera-equipped mobile phone into a mobile scanner that has the ability to read and extract data from any digital photo or video image. We have, however, continued to devote efforts to growing the identified markets for our other products and enhance the functionality and marketability of our image based recognition and forgery detection technologies. In particular, we have been working on expanding the installed base of our Recognition Toolkits and leveraging existing technology by devising recognition-based applications to detect potential fraud and loss at financial institutions. We also continue to seek to expand the installed base of our Check Forgery detection solutions by entering into reselling relationships with key resellers who we believe are better able to penetrate the market and provide us entrée into a larger base of community banks.

Application of Critical Accounting Policies

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

Revenue Recognition

We enter into contractual arrangements with integrators, resellers and end users that may include licensing of our software products, product support and maintenance services, consulting services, resale of third-party hardware, or various combinations thereof, including the sale of such products or services separately. Our accounting policies regarding the recognition of revenue for these contractual arrangements are fully described in the notes to our financial statements filed with our annual report on Form 10-K for the year ended September 30, 2008.

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

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

Each of the relevant factors is analyzed to determine its impact, individually and collectively with other factors, on the revenue to be recognized for any particular contract with a customer. Management is required to make judgments regarding the significance of each factor in applying the revenue recognition standards. Any misjudgment or error by management in its evaluation of the factors and the application of the standards, especially with respect to complex or new types of transactions, could have a material adverse affect on our future revenues and operating results.

Accounts Receivable

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

Fair Value of Equity Instruments

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

Deferred Income Taxes

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

Capitalized Software Development Costs

Research and development costs are charged to expense as incurred. However, the costs incurred for the development of computer software that will be sold, leased, or otherwise marketed are capitalized when technological feasibility has been established. These capitalized costs are subject to an ongoing assessment of recoverability based on anticipated future revenues and changes in hardware and software technologies. Costs that are capitalized include direct labor and related overhead.

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

Analysis of Financial Condition and Results of Operations

Comparison of the Three and Six Months Ended March 31, 2009 and 2008

Net Sales

Net sales were approximately $888,000 and $1,261,000 for three months ended March 31, 2009 and 2008, respectively, a decrease of approximately $373,000, or 30%. In the six months ended March 31, 2009, net sales were approximately $1,900,000, compared to approximately $2,524,000 in the six months ended March 31, 2008, a decrease of approximately $624,000, or 25%. The decrease in revenue primarily relates to reduced sales of our core products due to, among other factors, the recent downturn in the banking and financial services industry.

We recognized revenue from Harland Financial Solutions, a subsidiary of John H. Harland Company (collectively “John Harland”), of approximately $0 and $1,000 for software licenses in the three months ended March 31, 2009 and 2008, respectively. Revenue from John Harland for maintenance support fees was approximately $15,000 in both the three months ended March 31, 2009 and 2008. In the six months ended March 31, 2009 and 2008, revenue recognized from software licenses sold to John Harland was approximately $0 and $228,000, respectively. Revenue from maintenance support fees was approximately $31,000 and $25,000 in the six months ended March 31, 2009 and 2008, respectively. John Harland is a related party as discussed in greater detail in Note 5 to our financial statements included in this report.

Cost of Sales

Cost of sales were approximately $135,000 and $143,000 for the three months ended March 31, 2009 and 2008, respectively, a decrease of approximately $8,000 or 6%. The decrease in the current period primarily relates to the decrease in sales, partially offset by an increase in license fees paid to third-party software providers of integrated software products. Stated as a percentage of net sales, cost of sales were approximately 15% for the three months ended March 31, 2009, compared to approximately 11% in the same period in fiscal 2008. Cost of sales were approximately $331,000 and $318,000 for the six months ended March 31, 2009 and 2008, respectively, an increase of approximately $13,000 or 4%. The increase in the current six-month period is primarily due to an increase in third-party license fees. Cost of sales, as a percentage of net sales, were 18% in the six months ended March 31, 2009, compared to 13% in the six months ended March 31, 2008.

Operations Expenses

Operations expenses include payroll, employee benefits, and other personnel-related costs associated with purchasing, shipping and receiving. Operations expenses were approximately $7,000 and $24,000 for the three months ended March 31, 2009 and 2008, respectively, a decrease of approximately $17,000 or 71%. The decrease in the current three month period primarily relates to reduced personnel costs, including salaries, taxes, vacation and other benefits due to the workforce reduction implemented in January 2009. Stated as a percentage of net sales, operations expenses were approximately 1% in the three months ended March 31, 2009, compared to 2% in the same period of fiscal 2008.

Operations expenses decreased by approximately $19,000 or 39% to approximately $30,000 in the six months ended March 31, 2009 from approximately $49,000 in the six months ended March 31, 2008. The decrease in the first six months of fiscal 2009 primarily relates to reduced personnel-related cost and other direct operating expenses due to the workforce reduction. Stated as a percentage of net sales, operations expenses were 2% for both the six months ended March 31, 2009 and 2008.

Selling and Marketing Expenses

Selling and marketing expenses include payroll, employee benefits, and other headcount-related costs associated with sales and marketing personnel and advertising, promotions, trade shows, seminars, and other programs. In the three months ended March 31, 2009 and 2008, selling and marketing expenses were approximately $190,000 and $335,000, respectively, a decrease of approximately $145,000 or 43%. The decrease in the current three-month period primarily relates to a decrease in personnel costs due to the workforce reduction implemented in January 2009, reduced commissions due to the lower sales volume, cost savings in public relations and other promotion expenses and reduced travel and other direct operating expenses. Stated as a percentage of net sales, selling and marketing expenses for the three months ended March 31, 2009 and 2008 were 21% and 27%, respectively.

Selling and marketing expenses were approximately $551,000 in the six months ended March 31, 2009, compared to approximately $680,000 in the same period in fiscal 2008, a decrease of approximately $129,000 or 19%. The decrease in the first six months of fiscal 2009 primarily relates to cost savings in outside services, travel expenses, materials and supplies, website development and stock-based compensation. Stated as a percentage of net sales, selling and marketing expenses were 29% in the six months ended March 31, 2009, compared to 27% in the first six months of fiscal 2008.

Research and Development Expenses

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

Research and development expenses for the three months ended March 31, 2009 were approximately $431,000, compared to approximately $501,000 for the three months ended March 31, 2008, a decrease of approximately $70,000 or 14%. The decrease in the current three month period primarily relates to decreases in personnel costs due to the workforce reduction implemented in January 2009 and decreases in other direct operating expenses, including outside services and recruitment. Stated as a percentage of net sales, research and development expenses were 49% and 40% in the three months ended March 31, 2009 and 2008, respectively.

In the six months ended March 31, 2009 and 2008, research and development expenses were approximately $1,004,000 and $1,032,000, respectively, a decrease of approximately $28,000 or 3%. The decrease in the current six month period is primarily due to decreases in certain direct operating expenses, such as outside services, materials and supplies and recruitment costs, partially offset by increases in telephone, repairs and maintenance, subscriptions and dues and travel expenses. Stated as a percentage of net sales, research and development expenses were 53% and 41% in the six months ended March 31, 2009 and 2008, respectively.

General and Administrative Expenses

General and administrative expenses include payroll, employee benefits, and other personnel-related costs associated with the finance, facilities, and legal, accounting and other administrative fees. General and administrative expenses were approximately $362,000 in the three months ended March 31, 2009 compared to approximately $479,000 in the three months ended March 31, 2008, a decrease of approximately $117,000 or 24%. The decrease in the current three month period primarily relates to reduced personnel costs, including salaries, taxes, vacation and other benefits due to the workforce reduction implemented in January 2009 and decreases in other direct operating expenses, including legal, accounting and annual reporting fees, travel expenses and charitable donations. Stated as a percentage of net sales, general and administrative expenses were 41% and 38% for the three months ended March 31, 2009 and 2008, respectively.

In the six months ended March 31, 2009 and 2008, general and administrative expenses were approximately $892,000 and $952,000, respectively, a decrease of approximately $60,000 or 6%. The decrease in the first six months of fiscal 2009 was primarily due to decreased personnel costs due to the workforce reduction implemented in January 2009 and decreases in other direct operating expenses, including stock-based compensation, travel and charitable contributions, partially offset by increased accounting and legal fees and other outside services.

Other (Expense) Income

We recorded interest expense of approximately $1,000 for both the three and six months ended March 31, 2009. No interest expense was recorded in the three and six months ended March 31, 2008. In the three and six months ended March 31, 2009, we recorded a loss on the disposal of fixed assets of approximately $2,000. There was no loss related to the disposal of fixed assets in the three and six months ended March 31, 2008. Interest income in the three months ended March 31, 2009 and 2008 was approximately $1,000 and $2,000, respectively. In the six months ended March 31, 2009 and 2008, interest income was approximately $4,000 and $5,000, respectively. The decrease in interest income in the current periods was due to lower average cash balances.

Liquidity and Capital Resources

On March 31, 2009, we had approximately $775,000 in cash and cash equivalents compared to approximately $1,300,000 on September 30, 2008, a decrease of approximately $525,000 or 40%. The balance of accounts receivable at March 31, 2009 was approximately $782,000, a decrease of approximately $131,000 from the September 30, 2008 balance of approximately $913,000. The decrease in accounts receivable was primarily due to the timing of customer billings and the receipt of payments.

Deferred revenue, which consists of maintenance and support service fees that are deferred and recognized as income over the contract period on a straight-line basis, was approximately $833,000 and $676,000 at March 31, 2009 and September 30, 2008, respectively, an increase of approximately $157,000 or 23%. We believe that as the installed base of our products grows and as customers purchase additional complementary products, the maintenance and support service fees that are deferred, as well those recognized as income over the contract term, will increase.

We financed our cash needs during the six months ended March 31, 2009 and for the same period in fiscal 2008 primarily from collections of accounts receivable and existing cash and cash equivalents.

Net cash used in operating activities during the six months ended March 31, 2009 was approximately $452,000, compared to approximately $564,000 during the six months ended March 31, 2008. The primary uses of cash from operating activities during the six months ended March 31, 2009 included the net loss of approximately $908,000, a decrease in accounts receivable of approximately $129,000, an increase in the balance of accounts payable of approximately $160,000 and an increase in deferred revenue of approximately $157,000. Net cash used in operating activities also included non-cash stock-based compensation of approximately $69,000 and depreciation and amortization of fixed assets of approximately $19,000.

Net cash used in investing activities during the six months ended March 31, 2009 was approximately $73,000, compared to approximately $26,000 during the six months ended March 31, 2008. The increase in cash used in investing activities in the current period is primarily due to an increase of approximately $64,000 in software development costs related to our Mobile Capture software application, partially offset by a reduction of approximately $17,000 in purchases of property and equipment. We do not have any significant capital expenditures planned for the foreseeable future.

Our working capital and current ratio were approximately $26,000 and 1.02, respectively, at March 31, 2009, compared to approximately $919,000 and 1.66, respectively, at September 30, 2008. On March 31, 2009, the total liability to equity ratio was 3.49 to 1 compared to 1.09 to 1 on September 30, 2008. We have experienced a significant decline in working capital since September 30, 2008. We do not currently have any credit facilities in place, or any arrangement that we can draw upon for additional capital.

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

On January 9, 2009, we implemented a plan to decrease our operating expenses by reducing our workforce in light of the economic contraction of the financial services market into which we primarily sells our products. The staff reduction included general and administrative, sales and marketing and technical staff. We have diligently maintained key resources to adequately pursue new sales opportunities and support our operations. Our management does not believe that such reductions have impaired or will impair our ability to develop our ImageNet Mobile Deposit application and other mobile capture products, or to provide technical support to our current and prospective customers. While we believe our strategy to reduce our operating expenses will allow us to support our operations in the short term, if our cost cutting efforts are not successful, we may not be able to continue as a going concern.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of the end of the period covered by this report, under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rules 13a-15 as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that as of March 31, 2009, our disclosure controls and procedures were designed and functioning effectively to provide reasonable assurance that the information required to be disclosed by us in reports filed under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to management including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure.

Changes in Internal Controls over Financial Reporting

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

Other than the aforementioned change, there have not been any changes in our internal controls over financial reporting (as such term is defined in Rules 13a-15(f) and 15d - 15(f) under the Exchange Act) during the quarter ended March 31, 2009 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS.

In addition to the other information set forth in this report, you should carefully consider the factors discussed in “Part I. Item 1—Description of Business—Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended

September 30, 2008. These risks and uncertainties have the potential to materially affect our business, financial condition, results of operations, cash flows, projected results and future prospects. As of the date of this report, other than the risk factors set forth below, we do not believe that there have been any material changes to the risk factors previously disclosed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2008.

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

Our operations resulted in net losses of approximately $240,000 and $908,000 for the three and six months ended March 31, 2009, respectively. In addition, as a public company, we incur significant legal, accounting, and other expenses related to being a public company. As a result of these expenditures, we will have to generate and sustain increased revenue to achieve and maintain future profitability. We may not achieve sufficient revenue to achieve or maintain profitability. We have incurred and may continue to incur significant losses in the future for a number of reasons, including due to the other risks described in this report, and we may encounter unforeseen expenses, difficulties, complications, delays, and other unknown factors. Accordingly, we may not be able to achieve or maintain profitability and we may continue to incur significant losses for the foreseeable future.

We depend upon our key personnel.

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

We cannot assure you that we will be successful in attracting, assimilating and retaining additional qualified personnel in the future. If we were to lose the services of one or more of our key personnel, or if we failed to attract and retain additional qualified personnel, it could materially and adversely affect our customer relationships, competitive position and revenues.

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

As of March 31, 2009, John M. Thornton, who is our Chairman of the Board and his spouse, Sally B. Thornton, who is also a member of our board of directors, beneficially owned 2,869,959 shares of common stock or approximately 17% of our outstanding common stock. Our directors and executive officers as a whole, beneficially own 4,560,707 shares of common stock, or approximately 25% of our common stock. John H. Harland Company beneficially owns 2,464,284 shares of common stock or approximately 14%, which includes 321,428 shares of common stock issuable upon exercise of warrants. Laurus Funds may acquire up to 1,060,000 shares of our common stock upon exercise of its warrant or approximately 6% of our common stock.

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

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

The market price of our common stock has been, and is likely to continue to be, highly volatile. Future announcements concerning us or our competitors, quarterly variations in operating results, announcements of technological innovations, the introduction of new products or changes in our product pricing policies or those of our competitors, claims of infringement of proprietary rights or other litigation, changes in earnings estimates by analysts or other factors could cause the market price of our common stock to fluctuate substantially. In addition, the stock market has from time to time experienced significant price and volume fluctuations that have particularly affected the market prices for the common stocks of technology companies and that have often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the market price of our common stock. During the fiscal year ended September 30, 2008, the closing price of our common stock ranged from $0.16 to $0.55. During the first six months of fiscal 2009, the closing price our common stock price ranged from $0.05 to $0.29.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

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

None.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS

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

SIGNATURES

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

May 15, 2009	MITEK SYSTEMS, INC.
	By: /s/ James B. De Bello James B. DeBello President, Chief Executive Officer, and Chief Financial Officer

EXHIBIT INDEX

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