MITEK SYSTEMS INC
Form 10-Q
August 12, 2011

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 June 30, 2011

or

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

For the transition period from _________ to ___________.

Commission File Number 0-15235

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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 for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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

Large Accelerated Filer ¨	Accelerated Filer ¨

Non-Accelerated Filer ¨ 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 ¨ No x

There were 23,978,561 shares outstanding of the registrant's common stock as of August 9, 2011.

MITEK SYSTEMS, INC.

FORM 10-Q

For the quarterly period ended June 30, 2011

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

Special Note About Forward-Looking Statements

We make forward-looking statements in this report, particularly in Part I, 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 at June 30, 2011 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, important factors could cause actual results to differ materially from our expectations. These factors include, but are not limited to:

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

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.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MITEK SYSTEMS, INC.
BALANCE SHEETS

	June 30, 2011 (Unaudited)	September 30, 2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$14,024,308	$ 1,305,049
Short-term investments	2,411,469	-
Accounts receivable including related party of $1,249 and $3,705, respectively, net of allowance of $38,020 and $6,003, respectively	3,045,886	1,221,599
Deferred maintenance fees	160,628	93,337
Inventory, prepaid expenses and other current assets	142,502	87,335
Total current assets	19,784,793	2,707,320
PROPERTY AND EQUIPMENT, net	113,212	34,293
SOFTWARE DEVELOPMENT COSTS, net	125,728	228,596
OTHER LONG-TERM ASSETS	29,465	38,247
TOTAL ASSETS	$20,053,198	$ 3,008,456
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Line of credit	$105,000	$ -
Accounts payable	518,446	228,514
Accrued payroll and related taxes	439,383	196,531
Deferred revenue	1,027,287	831,372
Deferred rent, current	9,193	9,193
Other accrued liabilities	70,026	21,870
Total current liabilities	2,169,335	1,287,480
Deferred rent, non-current	27,735	39,716
Convertible debt	-	679,801
TOTAL LIABILITIES	2,197,070	2,006,997
STOCKHOLDERS' EQUITY		
Preferred stock, $0.001 par value, 1,000,000 shares authorized, none issued and outstanding	-	-
Common stock, $0.001 par value, 40,000,000 shares authorized, 23,978,561 and 17,816,249 issued and outstanding, respectively	23,979	17,816
Additional paid-in capital	33,232,253	16,477,981

Accumulated other comprehensive income	(89)	-
Accumulated deficit	(15,400,015)	(15,494,338)
Total stockholders' equity	17,856,128	1,001,459
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$20,053,198	$ 3,008,456

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

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MITEK SYSTEMS, INC.
STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Nine Months Ended June 30, 2011	Nine Months Ended June 30, 2010
SALES:				
Software	$2,375,049	$370,464	$5,653,916	$2,076,220
Maintenance and professional services	578,869	452,026	1,571,920	1,422,246
Total sales	2,953,918	822,490	7,225,836	3,498,466
COSTS AND EXPENSES:				
Cost of sales-software	377,274	139,713	709,928	562,090
Cost of sales-maintenance and professional services	60,422	63,531	191,541	176,433
Selling and marketing	667,793	224,772	1,632,001	620,611
Research and development	738,368	491,619	1,970,687	1,505,443
General and administrative	784,573	458,184	2,242,009	1,289,969
Total costs and expenses	2,628,430	1,377,819	6,746,166	4,154,546
OPERATING INCOME (LOSS)	325,488	(555,329)	479,670	(656,080)
OTHER INCOME (EXPENSE):				
Interest and other expense (See Note 6)	(2,693)	(91,782)	(387,067)	(205,337)
Interest income	2,316	547	4,212	1,218
Total other income (expense), net	(377)	(91,235)	(382,855)	(204,119)
INCOME (LOSS) BEFORE INCOME TAXES	325,111	(646,564)	96,815	(860,199)
PROVISION FOR INCOME TAXES	-	-	(2,492)	(2,338)
NET INCOME (LOSS)	$325,111	$(646,564)	$94,323	$(862,537)
NET INCOME (LOSS) PER SHARE - BASIC	$0.01	$(0.04)	$0.00	$(0.05)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES AND COMMON SHARE EQUIVALENTS OUTSTANDING - BASIC	22,574,421	16,867,236	20,648,090	16,791,705
NET INCOME (LOSS) PER SHARE - DILUTED	$0.01	$(0.04)	$0.00	$(0.05)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES AND COMMON SHARE EQUIVALENTS OUTSTANDING - DILUTED	24,818,674	16,867,236	22,795,676	16,791,705

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 nine months ended June 30, 2011	2010
OPERATING ACTIVITIES		
Net income (loss)	$94,323	$(862,537)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Stock-based compensation expense	891,347	291,229
Non-cash interest expense on convertible debt	384,124	202,425
Depreciation and amortization	130,228	130,408
Amortization of capitalized debt issuance costs	53,945	25,091
Provision for bad debts	32,016	(18,265)
Changes in assets and liabilities:		
Accounts receivable	(1,856,303)	(175,321)
Deferred maintenance fees	(67,291)	(38,670)
Inventory, prepaid expenses and other current assets	(100,330)	4,358
Accounts payable	289,932	(21,051)
Accrued payroll and related taxes	242,852	23,912
Deferred revenue	195,915	108,383
Deferred rent	(11,981)	(116,563)
Other accrued liabilities	48,156	(3,376)
Net cash provided by (used in) operating activities	326,933	(449,977)
INVESTING ACTIVITIES		
Purchases of short-term investments	(2,411,558)	-
Purchases of property and equipment	(106,279)	(6,733)
Net cash used in investing activities	(2,517,837)	(6,733)
FINANCING ACTIVITIES		
Proceeds from the issuance of common stock, net of issuance costs of $1,154,634 and $0, respectively	14,595,367	345,000
Proceeds from exercise of warrants and stock options	209,796	10,800
Proceeds from line of credit	105,000	-
Proceeds from the issuance of convertible debt, net	-	922,223
Net cash provided by financing activities	14,910,163	1,278,023
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,719,259	821,313
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,305,049	674,115
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$14,024,308	$1,495,428
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$2,815	$2,353
Cash paid for income taxes	$2,492	$2,338

NON-CASH FINANCING AND INVESTING ACTIVITIES		
Conversion of debt to common stock	$1,063,926	$-
Debt discount on convertible note due to warrants	$-	$226,068
Beneficial conversion feature related to convertible debt issued	$-	$401,568

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 financial statements as of June 30, 2011 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, 2010 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 nine months ended June 30, 2011 are not necessarily indicative of results which may be reported for any other interim period or for the year as a whole.

Earnings (loss) per share

The computation of basic and diluted earnings or loss per share is as follows:

	Three months ended June 30,		Nine months ended June 30,	
	2011	2010	2011	2010
Net income (loss)	$ 325,111	$ (646,564)	$ 94,323	$ (862,537)
Weighted-average common shares and share equivalents outstanding - basic	22,574,421	16,867,236	20,648,090	16,791,705
Effect of dilutive stock options	2,244,253	-	2,147,586	-
Weighted-average common shares and share equivalents outstanding - diluted	24,818,674	16,867,236	22,795,676	16,791,705
Earnings per share:				
Basic	$ 0.01	$ (0.04)	$ 0.00	$ (0.05)
Diluted	$ 0.01	$ (0.04)	$ 0.00	$ (0.05)

For the three and nine months ended June 30, 2010, respectively, 1,917,085 and 1,548,066 potentially dilutive shares were not included in the diluted per share calculation as their inclusion would have been antidilutive.

2. Recently Issued Accounting Pronouncements

In October 2009, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2009-13, Revenue Recognition: Multiple-Deliverable Revenue Arrangements ("ASU 2009-13"), which amends Accounting Standards Codification ("ASC") Topic 605, Revenue Recognition. ASU 2009-13 revises the current accounting treatment to specifically address how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting. This guidance is applicable to revenue arrangements entered into or materially modified during the first fiscal year that begins after June 15, 2010. The guidance may be applied either prospectively from the beginning of the fiscal year for new or materially modified arrangements or retrospectively. The adoption of this guidance did not have a material impact on the financial statements.

In October 2009, the FASB issued ASU No. 2009-14, Certain Revenue Arrangements That Include Software Elements ("ASU 2009-14"), which amends ASC Topic 985, Software. ASU 2009-14 amends the ASC to change the accounting model for revenue arrangements that include both tangible products and software elements, such that tangible products containing both software and non-software components that function together to deliver the tangible product's essential functionality are no longer within the scope of software revenue guidance. The changes to the ASC as a result of this update are effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. The adoption of this guidance did not have a material impact on the financial statements.

In December 2009, the FASB issued ASU 2009-17, which amends the FASB ASC for the issuance of FASB Statement No. 167, Amendments to FASB Interpretation No. 46(R), to require a comprehensive qualitative analysis be performed to determine whether a holder of variable interests in a variable interest entity also has a controlling financial interest in that entity. In addition, the amendments require the same type of analysis be applied to entities that were previously designated as qualified special-purpose entities. This guidance is effective as of the start of the first annual reporting period beginning after November 15, 2009, for interim periods within the first annual reporting period, and for all subsequent annual and interim reporting periods. The adoption of this guidance did not have a material impact on the financial statements.

In January 2010, the FASB issued ASU No. 2010-06, Fair Value Measurements and Disclosures (“ASU 2010-06”), which amends ASC Topic 820, Fair Value Measurements and Disclosures, adding new requirements for disclosures for Levels 1 and 2, separate disclosures of purchases, sales, issuances, and settlements relating to Level 3 measurements and clarification of existing fair value disclosures. ASU 2010-06 is effective for interim and annual periods beginning after December 15, 2009, except for the requirement to provide Level 3 activity of purchases, sales, issuances, and settlements on a gross basis, which will be effective for fiscal years beginning after December 15, 2010; although, early adoption is permitted. The adoption of this guidance did not have a material impact on the financial statements.

In February 2010, the FASB issued ASU No. 2010-09, Subsequent Events – Amendments to Certain Recognition and Disclosure Requirements (“ASU 2010-09”) that amends ASC Subtopic 855-10, Subsequent Events – Overall. ASU 2010-09 requires an SEC filer to evaluate subsequent events through the date that the financial statements are issued but removed the requirement to disclose this date in the notes to the entity’s financial statements. The amendments are effective upon issuance of the final update and accordingly, the Company has adopted the provisions of ASU 2010-09. The adoption of this guidance did not have a material impact on the financial statements.

In March 2010, the FASB issued ASU No. 2010-11, Derivatives and Hedging: Scope Exception Related to Credit Derivatives (“ASU 2010-11”). ASU 2010-11 improves disclosures originally under SFAS No. 161. ASU 2010-11 is effective for interim and annual periods beginning after June 15, 2010. The adoption of this guidance did not have a material impact on the financial statements.

In April 2010, the FASB issued ASU No. 2010-17, Milestone Method of Revenue Recognition ("ASU 2010-17") to (i) limit the scope of this ASU to research or development arrangements and (ii) require that guidance in this ASU be met for an entity to apply the milestone method (record the milestone payment in its entirety in the period received). However, the FASB clarified that, even if the requirements in ASU 2010-17 are met, entities would not be precluded from making an accounting policy election to apply another appropriate accounting policy that results in the deferral of some portion of the arrangement consideration. ASU 2010-17 will apply to milestones in both single-deliverable and multiple-deliverable arrangements involving research or development transactions. ASU 2010-17 will be effective for fiscal years (and interim periods within those fiscal years) beginning on or after June 15, 2010; although, early adoption is permitted. Entities can apply this guidance prospectively to milestones achieved after adoption; however, retrospective application to all prior periods is also permitted. The adoption of this guidance did not have a material impact on the financial statements.

In May 2011, the FASB issued ASU 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS (“ASU 2011-04"). Under ASU 2011-04, the guidance amends certain accounting and disclosure requirements related to fair value measurements to ensure that fair value has the same meaning in U.S. GAAP and in IFRS and that their respective fair value measurement and disclosure requirements are the same. ASU 2011-04 is effective for public entities during interim and annual periods beginning after December 15, 2011. Early adoption by public entities is not permitted. The Company does not believe that the adoption of this guidance will have a material impact on the financial statements.

In June 2011, the FASB issued ASU No. 2011-05, Comprehensive Income (ASC Topic 220): Presentation of Comprehensive Income ("ASU 2011-05"), which amends current comprehensive income guidance. This accounting update eliminates the option to present the components of other comprehensive income as part of the statement of shareholders' equity. Instead, entities must report comprehensive income in either a single continuous statement of comprehensive income, which contains two sections, net income and other comprehensive income, or in two separate but consecutive statements. ASU 2011-05 will be effective for public companies during the interim and annual periods beginning after December 15, 2011 with early adoption permitted. The Company does not believe that the adoption of this guidance will have a material impact on the financial statements.

3. Short-term Investments

The Company determines the appropriate designation of short-term investments at the time of purchase and re-evaluates such designation as of each balance sheet date. All of the Company’s short-term investments were designated as available-for-sale debt securities with original maturity dates of greater than ninety days as of June 30, 2011.

Available-for-sale marketable securities are carried at fair value as determined by quoted market prices for identical or similar assets, with unrealized gains and losses, net of tax, and reported as a separate component of shareholders' equity. Management reviews the fair value of the portfolio at least monthly, and evaluates individual securities with fair value below amortized cost at the balance sheet date. For debt securities, in order to determine whether impairment is other than temporary, management must conclude whether the Company intends to sell the impaired security and whether it is more likely than not that the Company will be required to sell the security before recovering its amortized cost basis. If management intends to sell an impaired debt security or it is more likely than not the Company will be required to sell the security prior to recovering its amortized cost basis, an other-than-temporary impairment is deemed to have occurred. The amount of an other-than-temporary impairment related to a credit loss, or securities that management intends to sell before recovery, is recognized in earnings. The amount of an other-than-temporary impairment on debt securities related to other factors is recorded consistent with changes in the fair value of all other available-for-sale securities as a component of shareholders' equity in other comprehensive income. No other-than-temporary impairment charges were recognized in the three and nine months ended June 30, 2011.

The cost of securities sold is based on the specific identification method. Amortization of premiums, accretion of discounts, interest, dividend income and realized gains and losses are included in investment income. The Company classifies all marketable securities as current assets because the assets are available to fund current operations. No realized gains or losses were recognized and investment income was immaterial during the three and nine months ended June 30, 2011.

Fair Value Measurements and Disclosures

FASB ASC Topic 820, Fair Value Measurements and Disclosures ("ASC 820"), defines fair value, establishes a framework for measuring fair value under U.S. GAAP and enhances disclosures about fair value measurements. Fair value is defined under ASC 820 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820 describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

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

The following table represents the fair value hierarchy for the Company's short-term investments measured at fair value on a recurring basis as of June 30, 2011:

	Level 1	Level 2	Level 3	Total
Corporate debt securities	$ 2,411,469	$ -	$ -	$ 2,411,469

Total	$	2,411,469	$	-	$	-	$	2,411,469

4. Revenue Recognition

During the three months ended December 31, 2010, the Company entered into an agreement with JP Morgan Chase, one of the world's leading financial institutions, for the licensing of the Company's Mobile Deposit product. The agreement included additional software products and services that the Company expected to deliver later in its fiscal year. In addition, the arrangement included extended payment terms. As a result, revenue under the arrangement was deferred at December 31, 2010 and would be recognized upon delivery of all products defined in the arrangement to the extent payments had become due for each product, in accordance with FASB ASC Topic 985-605, Software Revenue Recognition. As of June 30, 2011, the Company had delivered the additional software products and services defined under the agreement and therefore recognized the previously deferred revenue, representing that portion of the total contract value for which payments have come due.

5. Capitalized Software Development Costs

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 FASB ASC Topic 985-20, Costs of Software to Be Sold, Leased, or Marketed ("ASC 985-20"), requires making estimates and judgments in quantifying the appropriate amount to write off, if any. Actual amounts realized from the software products could differ from those estimates. Also, any future changes to the Company's product portfolio could result in significant increases to its cost of license revenue as a result of the write-off of capitalized software development costs. The Company completed its first production general release of ImageNet Mobile Deposit in October 2008, and entered into an agreement with a major financial institution in November 2008 to conduct a performance evaluation of the product. In accordance with ASC 985-20, the Company ceased capitalizing software development costs related to this product on the date that it completed its first production general release.

In June 2009, the Company began to recognize revenue from the sale of ImageNet Mobile Deposit, at which time it started amortizing the capitalized software development costs associated with the product in accordance with ASC 985-20. Under ASC 985-20, the annual amortization shall be the greater of the amount computed using (a) the ratio that current gross revenues for a product bear to the total of current and anticipated future gross revenues for that product or (b) the straight-line method over the remaining estimated economic life of the product including the period being reported on. The Company determined it was appropriate to amortize the related capitalized software development costs over the remaining economic life of the product, estimated to be three years. The Company recorded amortization of software development costs of approximately $34,000 in both the three months ended June 30, 2011 and 2010 and approximately $103,000 in both the nine months ended June 30, 2011 and 2010.

6. Debt

Convertible Debt

In December 2009, the Company entered into a securities purchase agreement with accredited investors pursuant to which the Company agreed to issue in exchange for aggregate consideration of approximately $1,000,000 the following securities: (i) 5% senior secured convertible debentures in the principal amount of approximately $1,000,000, and (ii) warrants to purchase an aggregate of 337,501 shares of the Company’s common stock with an exercise price of $0.91 per share. Each investor received a warrant to purchase that number of shares of the Company’s common stock that equals 25% of the quotient obtained by dividing such investor’s aggregate subscription amount by $0.75. The transaction resulted in proceeds to the Company of approximately $922,000, net of transaction costs and expenses.

In December 2010, the Company converted the then outstanding balance of the debentures of approximately $1,064,000, including accrued interest of approximately $51,000, into 1,418,573 shares of the Company’s common stock at a conversion price of $0.75 per share. In addition, the Company recognized as interest expense the remaining unamortized discount of approximately $320,000 related to the beneficial conversion feature at the time of conversion in accordance with ASC Topic 470-20, Debt with Conversion and Other Options.

Prior to the conversion, interest was payable in cash or stock at the rate of 5% per annum on each conversion date (as to the principal amount being converted), on each early redemption date (as to the principal amount being redeemed) and on the maturity date. The principal amount of the debentures, if not paid earlier, was due and payable on December 10, 2011. The Company had the right to redeem all or a portion of the debentures before maturity by payment in cash of the outstanding principal amount plus accrued and unpaid interest being redeemed. The Company agreed to honor any notices of conversion that it received from the holder before the date the Company paid off the debentures. The debentures were convertible into shares of the Company's common stock at any time at the discretion of the holder at a conversion price per share of $0.75, subject to adjustment for stock splits, stock dividends and the like. The Company had the right to force conversion of the debentures if (i) the closing price of its common stock exceeded 200% of the then effective conversion price for 20 trading days out of a consecutive 30 trading day period or (ii) the average daily trading volume for its common stock exceeded 100,000 shares per trading day for 20 trading days out of a consecutive 30 trading day period and the closing price of its common stock exceeded 100% of the then effective conversion price for 20 trading days out of a consecutive 30 trading day period. The debentures imposed certain covenants on the Company including restrictions against paying cash dividends or distributions on shares of its outstanding common stock. The debentures were secured by all of the Company's assets under the terms of a security agreement it entered into with the investors dated December 10, 2009.

In evaluating the accounting for the convertible debentures, the Company considered whether the conversion option related to the convertible debentures required bifurcation and separate accounting as a liability at fair value. Because the conversion option entitled the holder to convert to a fixed number of shares at a fixed price, the Company was not required to bifurcate the conversion option and the related debt host. Similarly, the warrant contract entitled the holder to convert to a fixed number of shares at a fixed price and was therefore recorded in stockholders' equity.

Of the gross proceeds, approximately $786,000 was allocated to the debentures and approximately $226,000 to the warrants. The value of the warrants was estimated using a Black-Scholes option valuation model. The amount allocated to the warrants was recorded as a discount on the debentures and was being amortized to interest expense over the term of the debentures. In addition, based on the conversion price of $0.75 and relative value of the debentures, a beneficial conversion feature of approximately $402,000 was recorded as an additional discount on the debentures and was being amortized to interest expense in the accompanying statements of operations over the term of the debentures.

The fair value of the vested warrants was estimated on the grant date using the Black-Scholes option valuation model with the following assumptions:

Risk-free interest rate	2.19	%
Expected term (in years)	5.00	
Stock price volatility	2.07	
Expected dividend yield	0	%

Credit Facility

In January 2011, the Company entered into a loan and security agreement with its primary operating bank. The loan agreement permits the Company to borrow, repay and reborrow, from time to time until January 31, 2013, up to $400,000 subject to the terms and conditions of the agreement. The Company's obligations under the loan agreement are secured by a security interest in its equipment and other personal property. Interest on the credit facility accrues at an annual rate equal to one percentage point (1.00%) above the Prime Rate, fixed on the date of each advance. Interest on the outstanding amount under the loan agreement is payable monthly. The loan agreement contains customary covenants for credit facilities of this type, including limitations on the disposition of assets, mergers and reorganizations. The Company is also obligated to meet certain financial covenants under the loan agreement, including minimum liquidity, for which the Company was in compliance as of June 30, 2011. The Company had borrowed $105,000 at an annual percentage rate of 5.00% on the line of credit as of June 30, 2011.

7. Income Taxes

At September 30, 2010, the Company had net deferred tax assets of approximately $7,110,000. The deferred tax assets are primarily comprised of federal and state net operating loss carryforwards (approximately 79% of the net deferred tax assets at October 1, 2010). Such carryforwards will begin to expire in 2016 and will continue to expire through 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 June 30, 2011 or September 30, 2010, and has not recognized interest and/or penalties in the statements of operations for the three and nine months ended June 30, 2011.

8. Stockholders' Equity

In October 2010, the Company sold 500,000 shares of common stock at $1.50 per share to an accredited investor in a private placement, resulting in gross proceeds of $750,000.

In December 2010, the Company issued 1,418,573 shares of common stock upon the conversion of outstanding convertible debentures as discussed in greater detail in Note 6 to the financial statements included in this report.

In May 2011, the Company entered into a Securities Purchase Agreement with certain accredited investors pursuant to which, the Company sold to the investors an aggregate of 2,857,143 shares of the Company’s common stock at a purchase price of $5.25 per share for aggregate gross proceeds of $15,000,000. The Company paid cash compensation of approximately $1,050,000 in placement agent fees and reimbursed $25,000 of placement agent out-of-pocket expenses incurred in connection with the financing. In addition, the Company incurred legal fees of approximately $80,000 in connection with the private placement, resulting in net proceeds of approximately $13,845,000.

Warrants

Historically, the Company has granted warrants to purchase its common stock to service providers and investors. As of June 30, 2011, the Company had warrants to purchase 132,189 shares of its common stock outstanding, all of which had an exercise price of $0.91 per share, subject to adjustment for stock splits, stock dividends and the like.

In connection with the issuance of shares of common stock to John H. Harland Company ("JHH Co.") in February and May 2005, the Company issued warrants to purchase 321,428 shares of the Company’s common stock at an exercise price of $0.70 per share, subject to adjustment for stock splits, stock dividends and the like. In June 2011, JHH Co. exercised the warrants, which were due to expire between February and May 2012. The warrants were exercised under the cashless exercise method, resulting in the issuance of 288,582 shares of common stock to the warrant holder and the cancellation of the remaining 32,846 shares in consideration of the issuance. See Note 10 to the financial statements included in this report.

In connection with issuance of convertible debentures in December 2009, the Company issued warrants to purchase an aggregate of 337,501 shares of the Company’s common stock with an exercise price of $0.91 per share as discussed in greater detail in Note 6 to the financial statements included in this report. Of such warrants, warrants to purchase 205,312 shares of the Company's common stock have been exercised and warrants to purchase 132,189 shares of common stock remain outstanding as of June 30, 2011. These warrants expire in December 2014.

The following table summarizes warrant activity in the nine months ended June 30, 2011:

	Number of warrants	Weighted-average exercise price
Oustanding and exercisable at September 30, 2010	895,283	$ 0.84
Issued	-	-
Exercised	(763,094)	$ 0.83
Expired	-	-
Oustanding and exercisable at June 30, 2011	132,189	$ 0.91

Stock-based Compensation

The Company applies the fair value recognition provisions of the FASB ASC Topic 718, Compensation-Stock Compensation (“ASC 718”).

The fair value of stock options granted to employees and directors is calculated using the Black-Scholes option pricing model. The Black-Scholes 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 ASC 718. 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 estimated expected remaining contractual life of stock option grants at June 30, 2011 was approximately 1.3 years on grants to directors and 6.7 years on grants to employees.

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The fair value calculations for stock-based compensation awards to employees for the nine month periods ended June 30, 2011 and 2010 were based on the following assumptions:

	2011	2010
Risk-free interst rate	0.26% - 2.26%	0.35% - 2.58%
Expected life (years)	5.51	5.26
Expected volatility	193%	217%
Expected dividends	None	None

ASC 718 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 nine months ended June 30, 2011. Prior to the adoption of ASC 718 those benefits would have been reported as operating cash flows had the Company received any tax benefits related to stock option exercises.

The following table summarizes stock-based compensation expense related to stock options and restricted stock unit awards under ASC 718, which was allocated as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2011	2010	2011	2010
Selling and marketing	$ 65,324	$ 31,785	$ 168,471	$ 65,475
Research and development	76,892	10,199	196,666	19,772
General and administrative	219,547	32,561	526,210	205,982
Stock-based compensation expense related to stock options and restricted stock unit awards included in operating expenses	$ 361,763	$ 74,545	$ 891,347	$ 291,229

As of June 30, 2011, the Company had $4,594,632 of unrecognized compensation expense expected to be recognized over the weighted average remaining vesting life of approximately 4.2 years.

Stock Options

The Company granted stock options to purchase 60,000 and 940,031 shares of its common stock during the three and nine months ended June 30, 2011, respectively, all of which were granted pursuant to the Company’s available stock option plans.

The following table summarizes vested and unvested options, fair value per share, weighted average remaining term and aggregate intrinsic value at June 30, 2011:

	Number of Shares	Weighted Average Grant Date Fair Value Per Share	Weighted Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value
Vested	3,093,427	0.56	5.03	$ 19,895,217
Unvested	1,592,178	2.05	8.88	8,098,679

Total	4,685,605	1.07	6.33	$ 27,993,896

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A summary of option activity under the Company’s stock equity plans during the nine months ended June 30, 2011 is as follows:

	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (in Years)
Outstanding, September 30, 2010	4,534,328	$ 0.66	6.21
Granted:			
Board of Directors	50,000	$ 1.95	
Executive Officers	356,830	$ 2.60	
Employees	533,201	$ 4.06	
Exercised	(774,438)	$ 0.54	
Cancelled	(14,316)	$ 0.57	
Outstanding, June 30, 2011	4,685,605	$ 1.23	6.33

The following table summarizes significant ranges of outstanding and exercisable options as of June 30, 2011:

Range of Exercise Prices	Number of Options Outstanding	Weighted Average Remaining Contractual Life (in Years)	Weighted Average Exercise Price	Number of Exercisable Options	Weighted Average Exercise Price of Exercisable Options	Number of Unvested Options
$ 0.07 - $0.09	617,308	6.23	$ 0.09	465,307	$ 0.09	152,001
$ 0.35 - $0.70	1,020,060	5.16	$ 0.42	1,005,472	$ 0.42	14,588
$ 0.72 - $0.80	1,051,646	6.97	$ 0.79	637,053	$ 0.79	414,593
$ 0.82 - $1.95	1,093,060	4.78	$ 1.19	862,209	$ 1.13	230,851
$ 2.32 to $7.05	903,531	8.87	$ 3.46	123,386	$ 3.50	780,145
	4,685,605	6.33	$ 1.23	3,093,427	$ 0.77	1,592,178

Restricted Stock Units

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

On March 15, 2011, the Company awarded an aggregate of 300,000 restricted stock units to its directors. The restricted stock units vest monthly over five years. To the extent a restricted stock unit becomes vested, and subject to satisfaction of any tax withholding obligations, each vested restricted stock unit will entitle its holder to receive one share of the Company's common stock, which will be settled and deemed issued and outstanding upon the earlier to occur of: (i) a change in control, (ii) a director's separation from service or (iii) the fifth anniversary of the award date. A holder of outstanding restricted stock units has none of the rights and privileges of a stockholder of the Company, including no right to vote or to receive dividends (if any) until such time the awards are settled in shares.

The cost of the restricted stock units is determined using the fair value of the Company’s common stock on the award date, and the compensation expense is recognized ratably over the vesting period. In the three and nine months ended June 30, 2011, the Company recognized approximately $77,000 and $103,000, respectively, in stock-based compensation expense related to the outstanding restricted stock units. There was no such expense recognized in the three and nine months ended June 30, 2010. There were 700,000 shares available for grant under the Director Plan as of June 30, 2011.

9. Product Revenue and Concentrations

Product Revenues

Below is a summary of revenues:

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Nine Months Ended June 30, 2011	Nine Months Ended June 30, 2010
Revenue				
Software licenses	$ 2,375,049	$ 370,464	$ 5,653,916	$ 2,076,220
Maintenance and professional services	578,869	452,026	1,571,920	1,422,246
Total Revenue	$ 2,953,918	$ 822,490	$ 7,225,836	$ 3,498,466

Revenue Concentration

The Company had the following sales concentrations:

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Nine Months Ended June 30, 2011	Nine Months Ended June 30, 2010
Customers to which sales were in excess of 10% of total sales:				
Number of customers	3	1	3	3
Aggregate percentage of sales	70.5 %	17.0 %	47.3 %	40.2 %

Below is a summary of revenue from customers of which revenues were in excess of 10% of total revenue and the corresponding accounts receivable balances:

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Nine Months Ended June 30, 2011	Nine Months Ended June 30, 2010
Revenues	$ 2,082,345	$ 140,075	$ 3,415,139	$ 1,404,803
Accounts receivable balance	$ 1,599,766	$ 21,439	$ 1,739,166	$ 201,731

The Company’s revenue derives primarily from the sale by the Company to channel partners, including systems integrators and resellers, and end users of non-exclusive term licenses to sell products covered by the Company’s patented technologies. These contractual arrangements do not obligate the Company’s channel partners to order, purchase or distribute any fixed or minimum quantities of the Company’s products. In most cases, the channel partners purchase the license from the Company after they receive an order from an end-user. The channel partners receive orders from various individual end-users, so the sale of a license to a channel partner may represent sales to multiple end-users. End-users can purchase the Company’s products through more than one channel partner.

Quarterly sales can fluctuate based on the timing of license renewals by channel partners as well as the sale of new licenses. When a channel partner renews a license, the Company receives a paid-up, one-time license fee in consideration for the grant of a non-exclusive term license to sell the Company's products and there are no future payment obligations related to such agreement; therefore the license fee the Company receives with respect to a particular license renewal in one period does not have a correlation with sales in future periods. Consequently, the

Company believes that it is not dependent on any single channel partner, even those from which revenues were in excess of 10% of the Company’s total revenue in a specific reporting period, and the loss or termination of the Company's relationship with any such channel partner would not have a material adverse effect on the Company’s future operations.

Vendor Concentration

The Company had the following vendor purchase concentrations:

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Nine Months Ended June 30, 2011	Nine Months Ended June 30, 2010
Vendors from which purchases were in excess of 10% of total purchases:				
Number of vendors	1	-	-	1
Aggregate percentage of purchases	10.4 %	-	-	13.6 %

Below is a summary of purchases from vendors from which purchases were in excess of 10% of total purchases and the corresponding accounts payable balances:

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Nine Months Ended June 30, 2011	Nine Months Ended June 30, 2010
Purchases	$ 117,662	$ -	$ -	$ 315,650
Accounts payable balance	$ 33,814	$ -	$ -	$ 91,151

The Company purchases its integrated software components from multiple third-party software providers at competitive prices. The Company is under no obligation to purchase from any one vendor. The Company has entered into contractual relationships with some of its vendors; however, these agreements do not contain binding obligations on either party and either party may terminate the agreement at any time. The Company does not believe it is substantially dependent upon nor exposed to any significant concentration risk related to purchases from any of its vendors, given the availability of alternative sources for its necessary integrated software components.

10. Related Parties

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 has not been involved in the management decisions of the Company and does not participate in any board meetings, unless invited.

On May 16, 2011, John Harland sold their 2,142,856 shares of the Company’s common stock. As a result of the disposition, John Harland ceased to be beneficial owners of more than five percent of the Company’s common stock and thus, no longer considered a related party. On June 3, 2011, John Harland exercised warrants to purchase 321,428 shares of the Company’s common stock, which they subsequently sold on June 10, 2011.

The Company recognized revenues from John Harland of approximately $15,000 and $43,000 for the three and nine months ended June 30, 2011, respectively, for software maintenance. For the three and nine months ended June 30, 2010, the Company recognized revenues of approximately $14,000 and $45,000, respectively, from John Harland for software maintenance. There was an outstanding accounts receivable balance due from John Harland of approximately $1,000 at both June 30, 2011 and 2010.

11. Commitments and Contingencies

Facility Lease

The Company's principal executive office, as well as its research and development facility, is located in an office building in San Diego, California that the Company leases under a non-cancelable operating lease. The lease costs are expensed on a straight-line basis over the lease term. The term of the lease on this facility commenced in December 2005 and expires in December 2012. In February 2009, the lease was amended to allow the Company to defer the payment of 50% of the basic rent due for the months of February through September 2009. The Company repaid the deferred rent with interest at an annual rate of 6% in equal monthly installments between October 2009 and March 2010. In addition, in connection with the February 2009 amendment, the Company waived its right to exercise an early termination option. In September 2009, the lease was further amended to reduce the amount of office space subject to the lease by 1,722 square feet from 15,927 square feet to 14,205 square feet, which reduced the Company's basic rent proportionately starting in December 2009. The base monthly rent for the facility in fiscal 2011 under this lease is approximately $26,000. The base monthly rent increases every twelve months by approximately 3%.

The Company's facility is covered by adequate insurance and management believes the leased space is sufficient for the Company's current and future needs.

Change of Control and Severance Agreements

On February 28, 2011, the Company entered into an Executive Severance and Change of Control Plan with James B. DeBello, President, Chief Executive Officer, Chief Financial Officer and a director of the Company. Under the terms of the agreement, if the Company terminates Mr. DeBello's employment without cause or if Mr. DeBello terminates his employment for good reason, Mr. DeBello will be entitled to receive (i) a lump-sum cash amount equal to his then-current annual base salary; (ii) a lump-sum cash amount equal to twelve months of premium payments for continuation coverage under the Company's health plans; and (iii) accelerated vesting of 50% of all outstanding equity awards then held by Mr. DeBello. In the event of a change in control of the Company, Mr. DeBello will be entitled to receive (i) a lump-sum cash amount equal to two times his then-current annual base salary, with one-half of such amount being paid upon the date of the consummation of the change in control and one-half of such amount being paid on the date that is six months following the consummation of the change in control; and (ii) accelerated vesting of 100% of all outstanding equity awards then held by Mr. DeBello. In addition, if Mr. DeBello is terminated without cause or terminates his employment for good reason at any time within two months prior or twenty-four months following a change in control, Mr. DeBello will be entitled to receive a lump-sum cash amount equal to twenty-four months of premium payments for continuation coverage under the Company's health plans.

Also on February 28, 2011, the Company entered into Executive Severance and Change of Control Plans with certain key members of management of the Company. Such agreements are substantially similar to the Executive Severance and Change of Control Plan with Mr. DeBello, with the exception that such executives shall be entitled to receive a lump-sum cash amount equal to (i) one-half the executive's then-current annual base salary in the same circumstances where Mr. DeBello would be entitled to receive a lump-sum cash amount equal to one times his then-current annual base salary, and (ii) one times executive's then-current annual base salary in the same circumstances where Mr. DeBello would be entitled to receive a lump-sum cash amount equal to two times his then-current annual base salary. As of June 30, 2011, no such termination or change of control event, as defined in the agreements, had occurred that required the Company to make an accrual in the financial statements included in this report related to the agreements.

12. Subsequent Events

Subsequent to the end of the quarter, on July 14, 2011, the Company’s common stock began trading on the NASDAQ Capital Market under the ticker symbol “MITK.” In connection with the approval to list the Company’s shares of common stock on the NASDAQ Capital Market, the Company will hire a chief financial officer within 90 days of such listing. Prior to July 14, 2011, the Company’s common stock was quoted on the Over-the-Counter Bulletin Board.

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

Special Note Regarding Forward-Looking Statements

To the extent that this management’s discussion and analysis of financial condition and results of operations 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 "Special 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.

Overview

For more than 20 years, we have provided financial institutions with advanced imaging and analytics software to authenticate and extract data from imaged checks and other financial documents. Today, we are applying our patented technology and expertise in image correction, optical character recognition and intelligent data extraction to mobile devices. As of June 30, 2011, we had ten patents for our mobile applications and we have been notified by the United States Patent and Trademark Office that we will receive two additional new patents for our mobile check deposit technology subsequent to the end of the quarter.

During 2010, we leveraged our technology and industry customer relationships to enter the rapidly growing market for mobile financial and business applications. Our mobile applications, including our flagship Mobile Deposit® solution, use our proprietary technology to capture and read data from photos of documents taken using camera-equipped smartphones. Users simply take a picture of the document and our applications do the rest — correcting image distortion, extracting relevant data, routing images to their desired location, and processing transactions through users' financial institutions. Our mobile applications are offered by financial institutions and payment facilitating companies.

Mobile Deposit is a software application that allows users to remotely deposit a check using their smartphone camera. Currently, approximately 80 financial institutions, including many of the top U.S. retail banks and payment facilitating companies, deploy Mobile Deposit. Other mobile applications we offer include Mobile Photo Bill Pay™, a mobile bill paying application that allows users to pay their bills using their smartphone camera, Mobile Imaging Cloud™, an application that allows users to capture, extract and route information contained in documents and can be used to create camera-based mobile solutions, Mobile ACH Enrollment™, an application that enables consumers to enroll their checking accounts as funding sources for mobile payments by taking photos of blank checks with their smartphones, Mobile Receipt™, a receipt archival and expense report application and Mobile Phax™, a mobile document faxing application using our proprietary technology. Our mobile applications support all major smart phone operating systems, including the iPhone, Blackberry, Android and Windows Mobile handsets.

We market and sell our mobile applications through channel partners and directly to end-users. End-users purchase, either directly from us or from one of our channel partners, a term license to use our mobile applications.

We recognized approximately $2,954,000 and $7,226,000 in revenue during the three and nine months ended June 30, 2011, respectively. At June 30, 2011, we had cash and cash equivalents of approximately $14,024,000, working capital of approximately $17,616,000 and stockholders' equity of approximately $17,856,000.

Common Stock Private Placement

In May 2011, we entered into a Securities Purchase Agreement with certain accredited investors pursuant to which, we sold to the investors an aggregate of 2,857,143 shares of our common stock at a purchase price of $5.25 per share for aggregate gross proceeds of $15,000,000. We paid cash compensation of approximately $1,050,000 in placement agent fees and reimbursed $25,000 of placement agent out-of-pocket expenses incurred in connection with the financing. In addition, we incurred legal fees of approximately $80,000 in connection with the private placement.

Listing on the NASDAQ Capital Market

Subsequent to the end of the quarter, on July 14, 2011, our common stock began trading on the NASDAQ Capital Market under the ticker symbol "MITK." In connection with the approval to list our shares of common stock on the NASDAQ Capital Market, we will hire a chief financial officer within 90 days of such listing. Prior to July 14, 2011, our common stock was quoted on the Over-the-Counter Bulletin Board.

Management Discussion Regarding Opportunities, Challenges and Risks

The growth in the acceptance of mobile-banking by financial institutions and their customers has helped drive our recent growth. During fiscal 2011, we experienced a significant increase in the number of financial institutions that have integrated and launched our mobile applications, particularly our Mobile Deposit application, 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 all-around better retail customer experience in mobile-banking.

To sustain our growth, we must continue to offer 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 sales 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 sales and revenues.

We derive revenue predominately from the sale of non-exclusive term licenses to use the products covered by our patented technologies, such as our Mobile Deposit application, and to a lesser extent by providing maintenance and professional services for the products we offer. The revenue we derive from the sale of non-exclusive term licenses to use the products covered by our patented technologies is primarily derived from the sale to our channel partners of non-exclusive term licenses to sell the applications we offer.

During the last few quarters, sales of non-exclusive term licenses to one or two channel partners has comprised a significant part of our revenue each quarter. This is attributable to the timing of when a particular channel partner renews or purchases a non-exclusive term license from us and does not represent a dependence on any 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 purchased from the channel partner we lost. However in that case, we or other channel partners must establish a relationship with the end-user, which could take time to develop, if it develops at all.

We face numerous competitors in the mobile-payments industry, many of which have greater financial, technical, marketing and other resources than we do. However, we believe our patented image-analysis technology, our growing portfolio of products for the financial services industry and our position as a pure play mobile-payments company provides us with a competitive advantage. To remain competitive, we must be able to continue to offer products that are attractive to the ultimate end-user and that are secure, accurate and convenient. We intend to use the proceeds we received from our recent private placement to further strengthen our portfolio of products to help us remain competitive. We may have difficulty meeting changing market conditions and developing enhancements to our software applications on a timely basis in order to maintain our competitive advantage. Our continued growth will ultimately depend upon our ability to develop additional applications and attract strategic alliances that sell such technologies.

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, or GAAP. 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. Our critical accounting policies include revenue recognition, allowance for 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.

We consider many factors when applying GAAP 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, 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.

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 estimations 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 values of the product are expensed immediately.

Analysis of Financial Condition and Results of Operations

Comparison of the Three Months Ended June 30, 2011 and 2010

Net Sales

Net sales were approximately $2,954,000 and $822,000 for the three months ended June 30, 2011 and 2010, respectively, an increase of approximately $2,132,000 or 259%, primarily due to an increase in sales of software licenses, which increased by approximately $2,005,000 or 542% to approximately $2,375,000 in the three months ended June 30, 2011 from approximately $370,000 in the three months ended June 30, 2010. The increase in software license sales in the current three-month period primarily relates to an increase in sales of our Mobile Deposit software application of approximately $1,772,000. Sales of maintenance and professional services were approximately $579,000 and $452,000 in the three months ended June 30, 2011 and 2010, respectively, an increase of approximately $127,000 or 28%, primarily due to an increase in maintenance contracts and the timing of the maintenance renewals.

We recognized revenue from software maintenance and professional services from John H. Harland Company and its subsidiary, Harland Financial Solutions, of approximately $15,000 and $14,000 in the three months ended June 30, 2011 and 2010, respectively. John H. Harland Company and its subsidiary, Harland Financial Solutions, was a related party as discussed in greater detail in Note 10 to the financial statements included in this report.

Cost of Sales

Cost of sales was approximately $438,000 in the three months ended June 30, 2011, compared to approximately $203,000 in the three months ended June 30, 2010, an increase of approximately $235,000 or 116%, primarily the result of increased sales of products containing third-party software on which we pay royalties. Stated as a percentage of net sales, cost of sales was 15% for the three months ended June 30, 2011, compared to 25% for the three months ended June 30, 2010.

Selling and Marketing Expenses

Selling and marketing expenses include payroll, employee benefits, and other headcount-related costs associated with sales and marketing personnel and advertising, promotions, trade shows, seminars, and other programs. Selling and marketing expenses were approximately $668,000 and $225,000 for the three months ended June 30, 2011 and 2010, respectively, an increase of approximately $443,000 or 197%. The increase in selling and marketing expenses in the current quarter primarily relates to increased personnel costs of approximately $226,000 due to an increase in headcount, increased commissions of approximately $102,000 due to increased sales and increases in stock-based compensation expense of approximately $55,000, advertisement and promotion expenses of approximately $48,000 and travel and other direct operating expenses of approximately $31,000, partially offset by a decrease in outside services of approximately $19,000. Stated as a percentage of net sales, selling and marketing expenses for the three months ended June 30, 2011 and 2010 were 23% and 27%, respectively.

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 develop new products and 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 were approximately $738,000 and $492,000 for the three months ended June 30, 2011 and 2010, respectively, an increase of approximately $246,000 or 50%. The increase in research and development expenses in the current quarter primarily relates to increased personnel costs of approximately $189,000 due to an increase in headcount and increases in stock-based compensation expense of approximately $45,000 and other direct operating expenses of approximately $12,000. Stated as a percentage of net sales, research and development expenses were 25% and 60% in the three months ended June 30, 2011 and 2010, respectively.

General and Administrative Expenses

General and administrative expenses include payroll, employee benefits, and other personnel-related costs associated with the finance department and legal, accounting and other administrative fees. General and administrative expenses were approximately $785,000 in the three months ended June 30, 2011, compared to approximately $458,000 in the three months ended June 30, 2010, an increase of approximately $327,000 or 71%. The increase in general and administrative expenses in the current quarter primarily relates to increases in stock-based compensation expense of approximately $186,000, outside services of approximately $107,000, and other direct operating expenses of approximately $99,000, including travel expenses, legal fees, D&O insurance costs and bad debt expense due to an increase in the reserve for doubtful accounts, partially offset by decreased personnel costs of approximately $65,000 in the current period due to a one-time management performance bonus paid in the prior year period. Stated as a percentage of net sales, general and administrative expenses were 27% and 56% in the three months ended June 30, 2011 and 2010, respectively.

Other (Expense) Income

Interest and other expense was approximately $3,000 in the three months ended June 30, 2011, compared to approximately $92,000 for the three months ended June 30, 2010. The decrease in the current period primarily relates to a decrease of approximately $90,000 in interest expense related to the conversion of debentures to common stock in December 2010. Interest income was approximately $2,000 in the three months ended June 30, 2011, compared to a negligible amount in the three months ended June 30, 2010.

Comparison of the Nine Months Ended June 30, 2011 and 2010

Net Sales

Net sales were approximately $7,226,000 and $3,498,000 for the nine months ended June 30, 2011 and 2010, respectively, an increase of approximately $3,728,000 or 107%, primarily due to an increase in sales of software licenses, which increased by approximately $3,578,000 or 172% to approximately $5,654,000 in the nine months ended June 30, 2011 from approximately $2,076,000 in the nine months ended June 30, 2010. The increase in software license sales in the current nine-month period primarily relates to an increase in sales of our Mobile Deposit software application of approximately $3,728,000. Sales of maintenance and professional services were approximately $1,572,000 and $1,422,000 in the nine months ended June 30, 2011 and 2010, respectively, an increase of approximately $150,000 or 11%, primarily due to an increase in maintenance contracts and the timing of the maintenance renewals.

We recognized revenue from software maintenance and professional services from John H. Harland Company and its subsidiary, Harland Financial Solutions, of approximately $43,000 and $45,000 in the nine months ended June 30, 2011 and 2010, respectively.

During the three months ended December 31, 2010, we entered into an agreement with JP Morgan Chase, one of the world's leading financial institutions, for the licensing of our Mobile Deposit product. The agreement included additional software products and services that we expected to deliver later in its fiscal year. In addition, the arrangement included extended payment terms. As a result, revenue under the arrangement was deferred at December 31, 2010 and would be recognized upon delivery of all products defined in the arrangement to the extent payments had become due for each product, in accordance with ASC Topic 985-605, Software Revenue Recognition. As of June 30, 2011, we had delivered the additional software products and services defined under the agreement and had recognized the previously deferred revenue, representing that portion of the total contract value for which payments have come due.

Cost of Sales

Cost of sales was approximately $901,000 in the nine months ended June 30, 2011, compared to approximately $739,000 in the nine months ended June 30, 2010, an increase of approximately $162,000 or 22%, primarily the result of increased sales of products containing third-party software on which we pay royalties. Stated as a percentage of net sales, cost of sales was 12% for the nine months ended June 30, 2011, compared to 21% for the nine months ended June 30, 2010.

Selling and Marketing Expenses

Selling and marketing expenses were approximately $1,632,000 and $621,000 for the nine months ended June 30, 2011 and 2010, respectively, an increase of approximately $1,011,000 or 163%. The increase in selling and marketing expenses in the current nine-month period primarily relates to increased personnel costs of approximately $558,000 due to an increase in headcount, increased commissions of approximately $204,000 due to increased sales and increases in stock-based compensation expense of approximately $94,000, advertisement and promotion expenses of approximately $87,000 and travel and other direct operating expenses of approximately $73,000, partially offset by a decrease in outside services of approximately $60,000. Stated as a percentage of net sales, selling and marketing expenses for the nine months ended June 30, 2011 and 2010 were 23% and 18%, respectively.

Research and Development Expenses

Research and development expenses were approximately $1,971,000 and $1,505,000 for the nine months ended June 30, 2011 and 2010, respectively, an increase of approximately $466,000 or 31%. The increase in research and development expenses in the current nine-month period primarily relates to increased personnel costs of approximately $402,000 due to an increase in headcount and increases in stock-based compensation expense of approximately $131,000 and other direct operating expenses of approximately $31,000, partially offset by decreased outside services of approximately $98,000. Stated as a percentage of net sales, research and development expenses were 27% and 43% in the nine months ended June 30, 2011 and 2010, respectively.

General and Administrative Expenses

General and administrative expenses were approximately $2,242,000 in the nine months ended June 30, 2011, compared to approximately $1,290,000 in the nine months ended June 30, 2010, an increase of approximately $952,000 or 74%. The increase in general and administrative expenses in the current nine-month period primarily relates to an increases in stock-based compensation expense of approximately $320,000, legal fees of approximately

$260,000, outside services of approximately $196,000 and travel and other direct operating expenses of approximately $176,000, including SEC and other public reporting costs, directors' fees and D&O insurance expense and bad debt expense, due to an increase in the reserve for doubtful accounts. Stated as a percentage of net sales, general and administrative expenses were 31% and 37% in the nine months ended June 30, 2011 and 2010, respectively.

Other (Expense) Income

Interest and other expense was approximately $387,000 for the nine months ended June 30, 2011, compared to approximately $205,000 for the nine months ended June 30, 2010, an increase of approximately $182,000 or 89%. The increase in the current period primarily relates to accretion of the discount on the convertible debentures issued in December 2009 and accrued interest on the principal amount of those convertible debentures, including the remaining unamortized discount of approximately $320,000 related to the beneficial conversion feature at the time of conversion of the debentures in December 2010. Interest income was approximately $4,000 in the nine months ended June 30, 2011, compared to approximately $1,000 in the nine months ended June 30, 2010.

Liquidity and Capital Resources

On June 30, 2011, we had approximately $14,024,000 in cash and cash equivalents compared to approximately $1,305,000 on September 30, 2010, an increase of approximately $12,719,000 or 975%. The increase in cash was primarily due to the proceeds from the following private placements:

(i) in October 2010, we sold 500,000 shares of our common stock at $1.50 per share to an accredited investor, resulting in gross proceeds of $750,000; and

(ii) in May 2011, we sold an aggregate of 2,857,143 shares of our common stock at a purchase price of $5.25 per share to accredited investors for aggregate gross proceeds of $15,000,000.

In January 2011, we entered into a loan and security agreement with our primary operating bank. The loan agreement permits us to borrow, repay and reborrow, from time to time until January 31, 2013, up to $400,000 subject to the terms and conditions of the agreement. Our obligations under the loan agreement are secured by a security interest in our equipment and other personal property. Interest on the credit facility accrues at an annual rate equal to one percentage point (1.00%) above the Prime Rate, fixed on the date of each advance. Interest on the outstanding amount under the loan agreement is payable monthly. The loan agreement contains customary covenants for credit facilities of this type, including limitations on the disposition of assets, mergers and reorganizations. We are also obligated to meet certain financial covenants under the loan agreement, including minimum liquidity, for which we were in compliance as of June 30, 2011. We had borrowed $105,000 at an annual percentage rate of 5.00% on the line of credit as of June 30, 2011.

On June 30, 2011, we had short-term investments, designated as available-for-sale marketable securities, of approximately $2,411,000, 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 shareholders' equity. We classify all marketable securities as current assets because the assets are available to fund current operations.

The balance of accounts receivable was approximately $3,046,000 at June 30, 2011, compared to approximately $1,222,000 at September 30, 2010, an increase of approximately $1,824,000 or 149%. The increase in accounts receivable was primarily due to increased sales and the timing of customer billings and the receipt of payments.

Deferred revenue was approximately $1,027,000 at June 30, 2011, compared to approximately $831,000 at September 30, 2010, an increase of approximately $196,000 or 24%. Included in deferred revenue are maintenance and support service fees that are deferred and recognized as income over the contract period on a straight-line basis. 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 as those recognized as income over the contract term, will increase.

Net cash provided by operating activities during the nine months ended June 30, 2011 was approximately $327,000. The primary use of cash from operating activities was an increase in accounts receivable of approximately $1,856,000 and an increase in inventory, prepaid expenses and other current assets of approximately $100,000. The primary source of cash from operating activities was increases in accounts payable of $290,000, accrued payroll and related taxes of approximately $243,000 and deferred revenue of approximately $196,000. The primary non-cash adjustments to operating activities were stock-based compensation expense of approximately $891,000, non-cash interest expense on the convertible debentures of approximately $384,000, depreciation and amortization of approximately $130,000, amortization of capitalized debt issuance costs of approximately $54,000 and an increase in the bad debt reserve of approximately $32,000.

Net cash used in investing activities was approximately $2,518,000 during the nine months ended June 30, 2011, which consisted of approximately $2,412,000 related to the purchase of short-term investments and approximately $106,000 related to the purchase of capital equipment. Net cash used in investing activities to purchase capital equipment during the nine months ended June 30, 2010 was approximately $7,000.

We had working capital of approximately $17,616,000 and a 9.1 current ratio at June 30, 2011, compared to approximately $1,420,000 and a 2.1 current ratio at September 30, 2010. At June 30, 2011, our total liability to equity ratio was 0.12 to 1 compared to 2.00 to 1 on September 30, 2010.

Cash generated from financing activities during the nine months ended June 30, 2011 included the following:

(i) the sale in October 2010 of 500,000 shares of our common stock at $1.50 per share to an accredited investor in a private placement, resulting in net proceeds of $750,000;

(ii) the sale in May 2011of 2,857,143 shares of our common stock at a purchase price of $5.25 per share to accredited investors in a private placement, resulting proceeds of approximately $13,845,000, net of placement agent fees and other related financing costs;

(iii) proceeds of approximately $210,000 from the exercise of warrants and stock options; and

(iv) proceeds of $105,000 from borrowing on the bank line of credit.

Based on our current operating plan, we believe the current cash balance, including the cash raised in the recently completed private placement, and cash expected to be generated from operations will be adequate to satisfy our working capital needs for the next twelve months.

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 our 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. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer has concluded that as of June 30, 2011, 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

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 June 30, 2011 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, 2010. 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, 2010.

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

Although our operations resulted in net income of approximately $325,000 and $94,000 in the three and nine months ended June 30, 2011, respectively, we have a history of losses and we had an accumulated deficit of approximately $15,000,000 at June 30, 2011. In the three and nine months ended June 30, 2010, we incurred losses of approximately $647,000 and $863,000, respectively. 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 those previously disclosed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2010, 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.

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 June 30, 2011: (i) John M. Thornton, who is the Chairman of our Board of Directors and his spouse, Sally B. Thornton, who is also a member of our Board of Directors, beneficially owned approximately 12% of our outstanding common stock; and (ii) our directors and executive officers as a group, including Mr. and Mrs. Thornton, beneficially owned approximately 20% of our outstanding common stock. The foregoing 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, 2010, the closing price of our common stock ranged from $0.56 to $1.78. During the nine months ended June 30, 2011, the closing price of our common stock price ranged from $1.75 to $7.35.

From time to time our Board of Directors explores and considers strategic alternatives, including financings, strategic alliances 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 may 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 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 a specific transaction is recommended by our Board of Directors or appropriate committee thereof, or the process is concluded.

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

On May 6, 2011, we entered into a Securities Purchase Agreement with certain accredited investors pursuant to which, we sold to the investors an aggregate of 2,857,143 shares of our common stock at a purchase price of $5.25 per share for aggregate gross proceeds of $15,000,000.

On June 3, 2011, a warrant holder elected to exercise a common stock purchase warrant to acquire 321,428 shares of our common stock at $0.70 per share. The warrant holder exercised under the cashless exercise method, resulting in the issuance of 288,582 shares of common stock to the warrant holder and the cancellation of the remaining 32,846 shares in consideration of the issuance.

On June 10, 2011, a warrant holder elected to exercise a common stock purchase warrant to acquire 8,333 shares of our common stock at $0.91 per share, resulting in gross proceeds of approximately $8,000.

The foregoing transactions did not involve any underwriters, underwriting discounts or commissions, or any public offering, and we believe the transactions were exempt from the registration requirements of the Securities Act of 1933 in reliance on Section 4(2) there of and/or Section 3(a)(9) thereof, and the rules and regulations promulgated thereunder, as transactions by an issuer not involving a public offering. The purchasers of our common stock disclosed above were accredited and either received adequate information about us or had access, through their relationships with us, to such information. Appropriate legends were affixed to the share certificates issued in the above transactions.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. (REMOVED AND RESERVED)

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.

August 12, 2011	MITEK SYSTEMS, INC.	
	By:	/s/ James B. DeBello James B. DeBello President, Chief Executive Officer, and Chief Financial Officer (Principal Executive Officer and Principal Accounting Officer)

EXHIBIT INDEX

Exhibit No.	Exhibit Title
10.1	Securities Purchase Agreement, dated May 5, 2011, by and among Mitek Systems, Inc. and certain accredited investors (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Mitek Systems, Inc., filed with the SEC on May 9, 2011)
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
101*	Mitek Systems, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, formatted in XBRL (Extensible Business Reporting Language); (i) Balance Sheets (Unaudited), (ii) Statements of Operations (Unaudited), (iii) Statements of Cash Flows (Unaudited), and (iv) Notes to Financial Statements (Unaudited).

* Furnished herewith