

MITEK SYSTEMS INC

FORM 10-K (Annual Report)

Filed 12/12/13 for the Period Ending 09/30/13

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

Form 10-K

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended September 30, 2013
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____
Commission File Number 001-35231

MITEK SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(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) 309-1700

Securities registered pursuant to Section 12(b) of the Act:
Common Stock, par value \$0.001 per share
(Title of class)

Securities registered pursuant to Section 12(g) of the Act:
None

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

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

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

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

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

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 (Do not check if a smaller reporting company) Smaller Reporting Company

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

The aggregate market value of the voting stock held by non-affiliates of the registrant, based upon the closing sale price of the registrant's common stock on March 29, 2013, the last business day of the registrant's most recently completed second fiscal quarter, as reported on the NASDAQ Capital Market, was \$111,210,030. Shares of stock held by officers and directors have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

There were 30,430,191 shares of the registrant's common stock outstanding as of November 29, 2013.

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FORM 10-K
For The Fiscal Year Ended September 30, 2013

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

IMPORTANT NOTE ABOUT FORWARD-LOOKING STATEMENTS

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

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

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

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

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

PART I

ITEM 1. BUSINESS.

Overview

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

We apply our patented technology in image capture, correction and intelligent data extraction in the mobile financial and business applications markets. Our technology allows users to remotely deposit checks, pay bills, transfer credit card balances, open accounts and get insurance quotes by taking pictures of various documents with their camera-equipped smartphones and tablets instead of using the device keyboard. Our products use advanced algorithms to correct image distortion, extract relevant data, route images to their desired location and process transactions through users' financial institutions. As of November 21, 2013, we have been granted 18 patents and have an additional 21 patent applications pending.

Our Mobile Deposit[®] product is software that allows users to remotely deposit a check using their camera-equipped smartphone or tablet. As of September 30, 2013, 1,420 financial institutions have signed agreements to deploy Mobile Deposit[®], and 805 of these financial institutions have deployed Mobile Deposit[®] to their customers, including all the top ten U.S. retail banks and more than two-thirds of the top 50 U.S. retail banks and payment processing companies, as ranked by SNL Financial for the second quarter of calendar 2013. Other mobile imaging software solutions we offer include Mobile Photo Bill Pay[®], a mobile bill payment product that allows users to pay their bills using their camera-equipped smartphone or tablet, Mobile Balance Transfer[™], a product that allows credit card issuers to provide an offer to users and transfer an existing credit card balance by capturing an image of the user's current credit card statement, Mobile Photo Account Opening[™], a product that enables users to open a checking, savings or credit card account by capturing an image of the front and back of their driver's license with their camera-equipped smartphone or tablet, and Mobile Photo Quoting[™], a product that enables users to receive insurance quotes by using their camera-equipped smartphone or tablet to take a picture of their driver's license and insurance card. Our mobile imaging software solutions can be accessed by smartphones and tablets using iOS and Android operating systems.

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

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

Product and Technology Overview

Our suite of mobile imaging solutions is provided as a software platform. During the fiscal year ended September 30, 2013, we had only one operating segment: the development, sale and service of our proprietary software solutions related to mobile imaging.

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

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

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

Mobile Imaging Solutions

The majority of our revenue in the fiscal years ended September 30, 2013, 2012 and 2011 was generated by our Mobile Deposit[®] product, which we sell to channel partners in the financial services industry. Our other mobile imaging solutions, which include Mobile Photo Bill Pay[®], Mobile Balance Transfer[™], Mobile Photo Account Opening[™], and Mobile Photo Quoting[™], are primarily sold directly to enterprise customers.

Mobile Deposit[®]

As of September 30, 2013, 1,420 financial institutions have signed agreements to deploy Mobile Deposit[®], and 805 of these financial institutions have deployed Mobile Deposit[®] to their customers, including all of the top 10 U.S. retail banks and more than two-thirds of the top 50 U.S. retail banks and payment processing companies, as ranked by SNL Financial for the second quarter of calendar 2013. Our Mobile Deposit[®] product was the first to utilize our mobile imaging analytics and character recognition software to allow financial institutions to accept check deposits via images of checks taken with camera-equipped smartphones and tablets. Mobile Deposit[®] allows users to make deposits by photographing the front and back of a check and submitting the image electronically to their bank using their smartphone or tablet. We began selling Mobile Deposit[®] in the second fiscal quarter of 2008, and received our first patent issued for this product in August 2010.

Mobile Photo Bill Pay[®]

Mobile Photo Bill Pay[®] provides a new level of service and convenience for customers who want to pay bills using their smartphone or tablet. Mobile Photo Bill Pay[®] connects to existing online bill pay systems and allows users to pay bills by taking pictures with their camera-equipped smartphone or tablet camera. The core technology of Mobile Photo Bill Pay[®], for which we have been granted two patents, enables this process by correcting image distortion, reading relevant data and processing the data into a bill payment form. With Mobile Photo Bill Pay[®], users can submit electronic payments from their smartphones or tablets without having to write checks, buy stamps, visit a payment location or even use their personal computers. As of September 30, 2013, 14 financial institutions have signed agreements to deploy Mobile Photo Bill Pay[®] and nine of these have deployed Mobile Photo Bill Pay to their customers, including the fifth largest U.S. commercial bank.

Mobile Balance Transfer[™]

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

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Mobile Photo Account Opening™

Mobile Photo Account Opening™ was launched in October 2013 and was awarded Best of Show at the national Finovate conference in 2013. Mobile Photo Account Opening™ makes it convenient and easy for customers to open a new account using their camera-equipped smartphone or tablet by capturing an image of the front and back of their driver's license. Our technology extracts data from the driver's license and automatically populates an account information form; thereby eliminating errors associated with manual account opening processes. Mobile Photo Account Opening™ can be used to open a new checking, savings or credit card account with a financial institution, retailer, or other organization with account opening needs. This process can be extended to capture the image of a check, allowing immediate funding of the newly-created account.

Mobile Photo Quoting™

Mobile Photo Quoting™ enables property and casualty insurance companies to provide an insurance quote to potential customers using their camera-equipped smartphone or tablet. Rather than requiring the user to manually complete a form, Mobile Photo Quoting™ extracts the data from the user's driver's license and insurance card to provide a quote via a smartphone or tablet. Mobile Photo Quoting™ allows customers to receive a quote simply, quickly, and without ever having to step foot in a store, call or complete an online application. As of September 30, 2013, two of the top five insurance carriers have signed agreements to deploy Mobile Photo Quoting™ and one of these has deployed Mobile Photo Quoting™ to its customers.

Maintenance and Support

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

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

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

Intellectual Property

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

As of November 12, 2013, the U.S. Patent and Trademark Office (the "PTO") had issued 18 patents to us and we have filed for 21 additional domestic and international patents. We have 25 registered trademarks and will continue to evaluate the registration of additional trademarks as appropriate. We claim common law protection for, and may seek to register, other trademarks. In addition, we generally enter into confidentiality agreements with our employees.

Sales and Marketing

We market our products and services through channel partners as well as through our internal, direct sales organization. We have an internal marketing group that develops corporate and product marketing strategies and

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executes marketing plans with the support of external resources as needed. We employ a technically oriented sales force with management assistance to identify the needs of existing and prospective customers. Our indirect sales strategy concentrates on OEMs, systems integrators, distributors, and software solution companies that we believe are key users and designers of automated document processing systems for high performance, large volume applications. Our direct sales strategy concentrates on large, financial institutions, non-bank financial services firms, and other large corporations that want to deliver innovative mobile services to their customers. The sales process is supported by a broad range of marketing programs, including trade shows, direct marketing, public relations and advertising.

For the fiscal year ended September 30, 2013, we derived revenue of \$3,607,417, or 24% of our total revenue, from one customer, compared to revenue of \$3,787,730 from three customers, with such customers accounting for 15%, 15% and 12%, respectively, of our total revenue for the fiscal year ended September 30, 2012. For the fiscal year ended September 30, 2011, we derived revenue of \$3,384,788 from two customers, with such customers accounting for 22% and 11%, respectively, of our total revenue.

International sales accounted for 3%, 5% and 12% of our total revenue for the fiscal years ended September 30, 2013, 2012 and 2011, respectively. We sell our products in U.S. currency only.

Market Opportunities, Challenges and Risks

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

To sustain our growth in 2014 and beyond, we believe we must continue to offer imaging technology for mobile applications that address a growing market for mobile banking and mobile imaging solutions sold into other vertical markets. Factors adversely affecting the pricing of or demand for our mobile applications, such as competition from other products or technologies, any decline in the demand for mobile applications, or negative publicity or obsolescence of the software environments in which our products operate, could result in lower revenues or gross margins. Further, because substantially all of our revenues are from a single type of technology, our product concentration may make us especially vulnerable to market demand and competition from other technologies, which could reduce our revenues.

The implementation cycles for our software and services by our channel partners and customers can be lengthy, often a minimum of three to six months and sometimes longer for larger customers, and require significant investments. For example, as of September 30, 2013, we executed agreements indirectly through channel partners or directly with customers covering 1,420 Mobile Deposit[®] customers, 805 of whom have completed implementation and launched Mobile Deposit[®] to their customers. If implementation of our products by our channel partners and customers is delayed or otherwise not completed, our business, financial condition and results of operations may be adversely affected.

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

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

We have 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 imaging and analytics 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 continue to further strengthen our portfolio of products through research and development to help us remain competitive. We may have difficulty adapting to 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 to sell such technologies.

Competition

Our mobile imaging products address a new market for the use of camera-equipped smartphones and tablets and therefore face emerging competition. We believe our products are among the first smartphone and tablet solutions of their kind, but we anticipate growing competition as the market matures.

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

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

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

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

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Research and Development

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

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

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

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

Our research and development expenses for the years ended September 30, 2013, 2012 and 2011 were \$6,793,412, \$6,664,030 and \$2,996,109, respectively. We expect research and development expenses during fiscal year 2014 to remain relatively consistent with those incurred in fiscal year 2013 as we continue our new product research and development efforts.

Employees and Labor Relations

As of September 30, 2013, we had 65 full-time employees, consisting of 22 in sales and marketing and professional services, 33 in research and development, product management and support, and 10 in executive, finance, network administration and other capacities. In addition, we engaged various consultants in the areas of research and development, product development, finance and marketing during fiscal year 2013. We have never had a work stoppage and none of our employees are represented by a labor organization. We consider our relations with our employees to be good.

Available Information

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

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ITEM 1A. RISK FACTORS.

The following risk factors and other information included in this Form 10-K should be carefully considered. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we presently deem less significant may also impair our business operations. If any of the following risks actually occur, our business, financial condition, results of operations, cash flows, projected results and future prospects could be materially and adversely affected. In these circumstances, the market price of our common stock could decline, and you could lose all or part of your investment or interest.

Risks Associated With Our Business

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

Our operations resulted in a net loss of \$7,275,706, \$7,839,996 and \$125,057 for the years ended September 30, 2013, 2012 and 2011, respectively. We have a history of losses and may continue to incur significant losses for the foreseeable future. As of September 30, 2013, we had an accumulated deficit of \$30,735,097. Our future profitability depends upon many factors, including several that are beyond our control. These factors include, without limitation:

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

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

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

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

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

Federal and state tax laws impose restrictions on the utilization of net operating loss (“NOL”) and tax credit carryforwards in the event of an “ownership change” as defined by Section 382 of the Internal Revenue Code of

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1986, as amended (“Section 382”). Generally, an ownership change occurs if the percentage of the value of the stock that is owned by one or more direct or indirect “five percent shareholders” increases by more than 50% over their lowest ownership percentage at any time during the applicable testing period (typically, three years). Under Section 382, if a corporation undergoes an “ownership change,” the corporation’s ability to use its pre-change NOL carryforwards and other pre-change tax attributes to offset its post-change income may be limited. We have not completed a study to assess whether an “ownership change” has occurred or whether there have been multiple ownership changes since we became a “loss corporation” as defined in Section 382. Future changes in our stock ownership, which may be outside of our control, may trigger an “ownership change.” In addition, future equity offerings or acquisitions that have equity as a component of the purchase price could result in an “ownership change.” If an “ownership change” has occurred or does occur in the future, utilization of the NOL carryforwards or other tax attributes may be limited, which could potentially result in increased future tax liability to us.

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

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

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

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

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

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

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

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

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

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

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

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

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

In fiscal years 2013, 2012 and 2011, sales of licenses to channel partners has comprised a significant part of our revenue. This is attributable to the timing of the purchase or renewal of licenses and does not represent a dependence on any channel partner. If we were to lose a channel partner relationship, we do not believe such a loss would adversely affect our operations because either we or another channel partner could sell our products to the end-users that purchased products from the channel partner we lost. However, in that case, we or another channel partner must establish a relationship with the end-users, which could take time to develop, if it develops at all.

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

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

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

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

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

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

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

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

Risks Related to Our Intellectual Property

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

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

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assure you that we can meaningfully protect all our rights in our unpatented proprietary technology or that others will not independently develop substantially equivalent proprietary products or processes or otherwise gain access to our unpatented proprietary technology.

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

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

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

In the past, third parties have asserted claims that certain technologies incorporated in our products infringe on their patent rights. Although we have resolved past claims, there is currently a claim pending against us by United Services Automobile Association (“USAA”) that we have utilized their proprietary information in our patents and Mobile Deposit[®] product and that they may have co-inventorship rights to such patents, and there can be no assurance that we will not receive notices in the future from parties asserting, directly or indirectly through our customers, that our products infringe, or may infringe, on their intellectual property rights, or otherwise utilize their proprietary information. If our technology and products are found to infringe upon or otherwise utilize the proprietary rights of other parties, we could incur substantial costs and we may have to:

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

Furthermore, we may, as we have with the USAA claims and our current claims against Top Image Systems Ltd., described elsewhere in this Form 10-K, initiate claims or litigation against parties for infringement of our proprietary rights or to establish the validity of our proprietary rights. Litigation, either as plaintiff or defendant, could result in significant expense to us, whether or not such litigation is resolved in our favor. Even if we were to prevail, any litigation could be costly and time-consuming and would divert the attention of our management and key personnel from our business operations. As a result of a patent infringement or other intellectual property suit brought against us or our channel partners or licensees, we or our channel partners or licensees may be forced to stop or delay developing, manufacturing or selling technologies or potential products that are claimed to infringe on a third party’s intellectual property rights unless that party grants us or our channel partners or

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licensees rights to use its intellectual property. Ultimately, we may be unable to develop some of our technologies or potential products or may have to discontinue development of a product candidate or cease some of our business operations as a result of patent infringement or other intellectual property claims, which could severely harm our business.

Risks Related to our Operations

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

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

We plan to grant stock options or other forms of equity awards in the future as a method of attracting and retaining employees, motivating performance and aligning the interests of employees with those of our stockholders. As of November 29, 2013, we had 371,503 shares of common stock available for issuance pursuant to future grants of equity awards under our existing equity compensation plans, which will limit our ability to provide equity incentive awards to existing and future employees. If we are unable to adopt, implement and maintain equity compensation arrangements that provide sufficient incentives, we may be unable to retain our existing employees and attract additional qualified candidates. If we are unable to retain our existing employees, including qualified technical personnel, and attract additional qualified candidates, our business and results of operations could be adversely affected.

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

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

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

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

The Dodd-Frank Act, enacted in July 2010, expands federal regulation of corporate governance matters and imposes requirements on publicly-held companies, including us, to, among other things, provide stockholders

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with a periodic advisory vote on executive compensation and also adds compensation committee reforms and enhanced pay-for-performance disclosures. While some provisions of the Dodd-Frank Act are effective upon enactment, others will be implemented upon the SEC's adoption of related rules and regulations. The scope and timing of the adoption of such rules and regulations is uncertain and accordingly, the cost of compliance with the Dodd-Frank Act is also uncertain.

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

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

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

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

We have entered into a separate Indemnification Agreement (the "Indemnification Agreement") with each of our directors. Under the Indemnification Agreement, each director is entitled to be indemnified against all expenses, judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by or on

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

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

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

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

Risks Related to Our Common Stock

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

As of November 29, 2013: (i) the Chairman of our board of directors and his spouse, who is also a member of our board of directors, beneficially owned approximately 8% of our outstanding common stock; and (ii) our directors and executive officers as a group beneficially owned approximately 15% of our outstanding common stock. Subject to any fiduciary duties owed to our other stockholders under Delaware law, these stockholders may be able to exercise significant influence over matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, and will have some control over our management and policies. Some of these persons may have interests that are different from yours. For example, these stockholders may support proposals and actions with which you may disagree. The concentration of ownership could delay or prevent a change in control of the Company or otherwise discourage a potential acquirer from attempting to obtain control of the Company, which in turn could reduce the price of our stock. In addition, these stockholders could use their voting influence to maintain our existing management and directors in office, delay or prevent changes in control of the Company, or support or reject other management and board proposals that are subject to stockholder approval, such as amendments to our employee stock plans and approvals of significant financing transactions.

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

A significant portion of our outstanding shares are held by directors and executive officers. Resales of a substantial number of shares of our stock by these stockholders, announcements of the proposed resale of substantial amounts of our stock or the perception that substantial resales may be made by such stockholders, could adversely impact the market price of our stock. Some of our directors and executive officers have entered

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into Rule 10b5-1 trading plans pursuant to which they have arranged to sell shares of our stock from time to time in the future. Actual or potential sales by these insiders, including those under a pre-arranged Rule 10b5-1 trading plan, could be interpreted by the market as an indication that the insider has lost confidence in our stock and adversely impact the market price of our stock.

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

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

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

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

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

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

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

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

The market price of our common stock has experienced significant price and volume fluctuations. For example, during the two year period ended September 30, 2013, the closing price of our common stock ranged from \$1.98 to \$12.58. In addition, the stock market has from time to time experienced significant price and volume fluctuations that have particularly affected the market prices for the common stock of technology

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companies and that have often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the market price of our common stock. You may not be able to resell your shares at or above the price you paid for them due to fluctuations in the market price of our stock caused by changes in our operating performance or prospects and other factors.

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

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

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

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

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ITEM 3. LEGAL PROCEEDINGS.

USAA

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

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

The courts consolidated the foregoing cases in the U.S. District Court for the Western District of Texas, and on November 19, 2012, we answered USAA's various claims and counterclaims, moved to dismiss USAA's Lanham Act cause of action and filed a counterclaim against USAA for violation of the Lanham Act. On February 15, 2013, the court granted our motion and dismissed USAA's Lanham Act claim.

We believe that USAA's claims are without merit and intend to vigorously defend against those claims and pursue our claims against USAA. We do not believe that the results of USAA's claims will have a material adverse effect on our financial condition or results of operations.

Top Image Systems Ltd.

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

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

Other Legal Matters

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

ITEM 4. MINE SAFETY DISCLOSURES.

None.

PART II

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

Market Information

Our common stock trades on the NASDAQ Capital Market under the ticker symbol "MITK." The closing sales price of our common stock on November 29, 2013 was \$6.99.

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

	<u>High</u>	<u>Low</u>
FISCAL YEAR ENDED SEPTEMBER 30, 2013		
Fourth Quarter	\$ 5.92	\$4.90
Third Quarter	7.36	4.00
Second Quarter	4.97	3.30
First Quarter	3.61	2.05
FISCAL YEAR ENDED SEPTEMBER 30, 2012		
Fourth Quarter	\$ 4.89	\$2.74
Third Quarter	9.37	1.98
Second Quarter	12.58	7.02
First Quarter	12.05	6.60

Holders

As of November 29, 2012, there were 340 shareholders of record of our common stock and an undetermined number of beneficial owners.

Dividends

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

Securities Authorized for Issuance Under Equity Compensation Plans

The information required by Item 201(d) of Regulation S-K is incorporated by reference to our definitive proxy statement filed in connection with our 2014 Annual Meeting of Stockholders or an amendment to this Form 10-K to be filed with the SEC within 120 days after the close of our fiscal year ended September 30, 2013.

Sales of Equity Securities During the Period

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

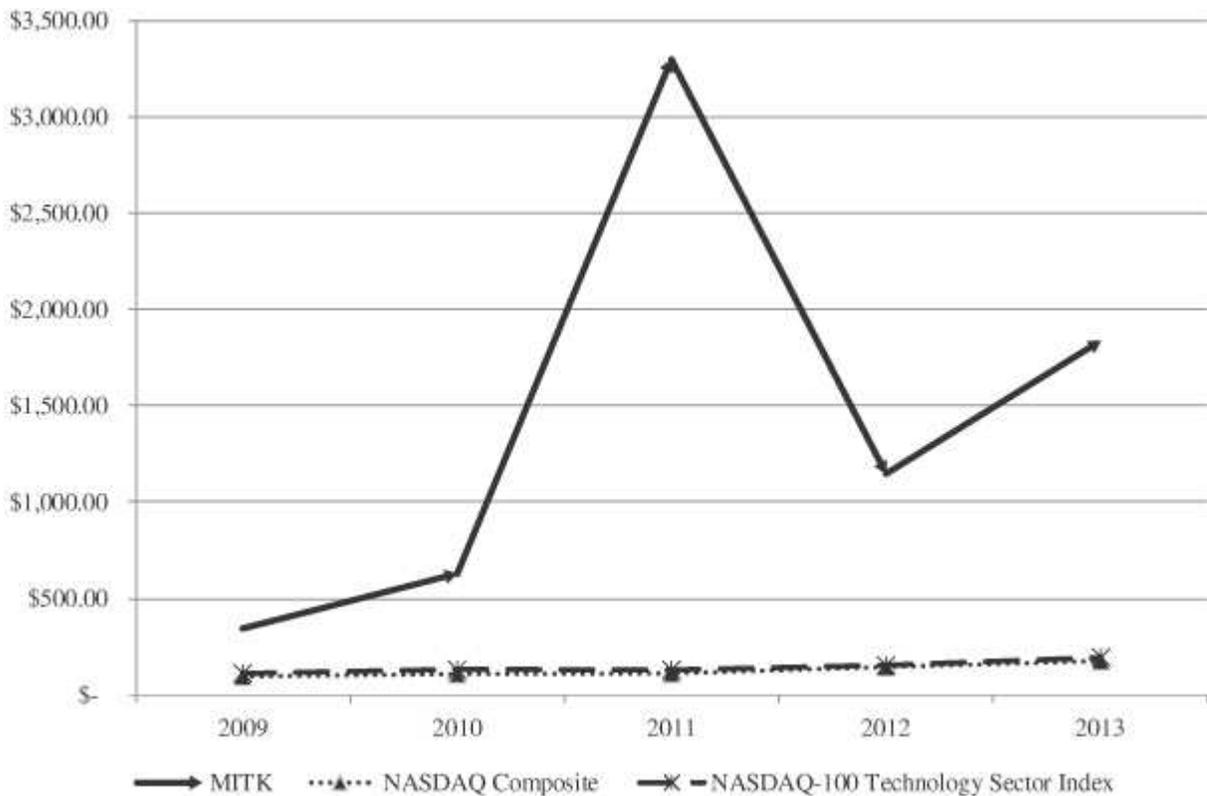
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Performance Graph

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

The following graph and table compare the cumulative total stockholder return data for our common stock from September 30, 2008 through September 30, 2013 to the cumulative return over such period of (i) a broad market index, the NASDAQ Composite Index and (ii) an industry index, the NASDAQ-100 Technology Sector Index. The graph and table assume that \$100 was invested in our common stock at \$0.28 per share on September 30, 2008, and in each of the referenced indices, and assumes reinvestment of all dividends. The stock price performance on the following graph and table is not necessarily indicative of future stock price performance.

Comparison of 5 Year Cumulative Total Return
Among Mitek Systems, Inc., the NASDAQ Composite Index and the NASDAQ-100 Technology Sector Index



The graph above reflects the following values:

	2008	2009	2010	2011	2012	2013
MITK	\$100.00	\$350.00	\$635.71	\$3,303.57	\$1,153.57	\$1,842.86
NASDAQ Composite	\$100.00	\$101.46	\$113.23	\$ 115.47	\$ 148.97	\$ 180.29
NASDAQ-100 Technology Sector Index	\$100.00	\$118.05	\$139.18	\$ 134.20	\$ 159.47	\$ 200.58

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ITEM 6. SELECTED FINANCIAL DATA.

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

Selected Financial Data
(In Thousands, Except Per Share Data)

	Year Ended September 30,				
	2013	2012	2011	2010	2009
Income Statement Data					
Revenue	\$14,803	\$ 9,093	\$10,266	\$5,119	\$ 3,619
Operating (loss) income	\$ (7,300)	\$ (7,881)	\$ 256	\$ (384)	\$(1,320)
Net (loss) income	\$ (7,276)	\$ (7,840)	\$ (125)	\$ (682)	\$(1,322)
Net loss per share—basic and diluted	\$ (0.26)	\$ (0.31)	\$ (0.01)	\$ (0.04)	\$ (0.08)
Balance Sheet Data					
Working capital	\$25,363	\$11,001	\$17,344	\$1,420	\$ (280)
Total assets	\$32,853	\$16,723	\$19,852	\$3,008	\$ 1,601
Long-term debt	\$ —	\$ —	\$ —	\$ 680	\$ —
Stockholders’ equity	\$25,729	\$13,557	\$18,055	\$1,001	\$ 126

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

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

Overview

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

We apply our patented technology in image capture, correction and intelligent data extraction in the mobile financial and business applications markets. Our technology allows users to remotely deposit checks, pay bills, transfer credit card balances, open accounts and get insurance quotes by taking pictures of various documents with their camera-equipped smartphones and tablets instead of using the device keyboard. Our products use advanced algorithms to correct image distortion, extract relevant data, route images to their desired location and process transactions through users' financial institutions. As of November 21, 2013, we have been granted 18 patents and have an additional 21 patent applications pending.

Our Mobile Deposit[®] product is software that allows users to remotely deposit a check using their camera-equipped smartphone or tablet. As of September 30, 2013, 1,420 financial institutions have signed agreements to deploy Mobile Deposit[®], and 805 of these financial institutions have deployed Mobile Deposit[®] to their customers, including all of the top ten U.S. retail banks and more than two-thirds of the top 50 U.S. retail banks and payment processing companies, as ranked by SNL Financial for the second quarter of calendar 2013. Other mobile imaging software solutions we offer include Mobile Photo Bill Pay[®], a mobile bill payment product that allows users to pay their bills using their camera-equipped smartphone or tablet, Mobile Balance Transfer[™], a product that allows credit card issuers to provide an offer to users and transfer an existing credit card balance by capturing an image of the user's current credit card statement, Mobile Photo Account Opening[™], a product that enables users to open a checking, savings or credit card account by capturing an image of the front and back of their driver's license with their camera-equipped smartphone or tablet, and Mobile Photo Quoting[™], a product that enables users to receive insurance quotes by using their camera-equipped smartphone or tablet to take a picture of their driver's license and insurance card. Our mobile imaging software solutions can be accessed by smartphones and tablets using iOS and Android operating systems.

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

Market Opportunities, Challenges and Risks

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

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To sustain our growth in 2014 and beyond, we believe we must continue to offer imaging technology for mobile applications that address a growing market for mobile banking and mobile imaging solutions sold into other vertical markets. Factors adversely affecting the pricing of or demand for our mobile applications, such as competition from other products or technologies, any decline in the demand for mobile applications, or negative publicity or obsolescence of the software environments in which our products operate, could result in lower revenues or gross margins. Further, because most of our revenues are from a single type of technology, our product concentration may make us especially vulnerable to market demand and competition from other technologies, which could reduce our revenues.

The implementation cycles for our software and services by our channel partners and customers can be lengthy, often a minimum of three to six months and sometimes longer for larger customers, and require significant investments. For example, as of September 30, 2013, we executed agreements indirectly through channel partners or directly with customers covering 1,420 Mobile Deposit[®] customers, 805 of whom have completed implementation and launched Mobile Deposit[®] to their customers. If implementation of our products by our channel partners and customers is delayed or otherwise not completed, our business, financial condition and results of operations may be adversely affected.

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

During each of the last few years, sales of licenses to one or more channel partners have comprised a significant part of our revenue each year. This is attributable to the timing of renewals or purchases a license 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 products from the channel partner we lost. However, in that case, we or another channel partner must establish a relationship with the end-users, which could take time to develop, if it develops at all.

We have 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 imaging and analytics 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 continue to further strengthen our portfolio of products through research and development to help us remain competitive. We may have difficulty adapting to 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 to sell such technologies.

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Results of Operations

Comparison of the Year Ended September 30, 2013 and 2012

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

	2013	2012	Change \$	Change %
Revenue				
Software	\$10,716	\$6,387	\$ 4,329	68%
Maintenance and professional services	4,087	2,706	1,381	51%
Total revenue	\$14,803	\$9,093	\$ 5,710	63%
Cost of revenue	\$ 1,604	\$1,264	\$ 340	27%
% of revenue	11%	14%		
Selling and marketing	\$ 5,852	\$3,450	\$ 2,402	70%
% of revenue	40%	38%		
Research and development	\$ 6,793	\$6,664	\$ 129	2%
% of revenue	46%	73%		
General and administrative	\$ 7,853	\$5,596	\$ 2,257	40%
% of revenue	53%	62%		
Other income (expense), net	\$ 25	\$ 37	\$ (12)	(32%)
% of revenue	0%	0%		

Revenue

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

Cost of Revenue

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

Selling and Marketing Expenses

Selling and marketing expenses include payroll, employee benefits and other headcount-related costs associated with sales and marketing personnel, non-billable time for professional services personnel and advertising, promotions, trade shows, seminars and other programs. Selling and marketing expenses increased

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\$2,402,394, or 70%, to \$5,852,448 in 2013 compared to \$3,450,054 in 2012. As a percentage of revenue, selling and marketing expenses increased to 40% in 2013 compared to 38% in 2012. The increase is primarily due to increased personnel-related costs, including stock-based and other incentive compensation expense and recruiting costs, totaling \$2,026,832 related to an increase in headcount associated with the growth of our business, as well as increased travel expenses of \$199,085 and depreciation of \$69,349.

Research and Development Expenses

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

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

General and Administrative Expenses

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

Other Income (Expense), Net

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

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Results of Operations

Comparison of the Year Ended September 30, 2012 and 2011

The following table summarizes certain aspects of our results of operations for the year ended September 30, 2012 compared to the year ended September 30, 2011 (*in thousands, except percentages*):

	<u>2012</u>	<u>2011</u>	<u>Change \$</u>	<u>Change %</u>
Revenue				
Software	\$6,387	\$ 8,123	\$(1,736)	(21%)
Maintenance and professional services	2,706	2,143	563	26%
Total revenue	\$9,093	\$10,266	\$(1,173)	(11%)
Cost of revenue	\$1,264	\$ 1,172	\$ 92	8%
% of revenue	14%	11%		
Selling and marketing	\$3,450	\$ 2,411	\$ 1,039	43%
% of revenue	38%	23%		
Research and development	\$6,664	\$ 2,996	\$ 3,668	122%
% of revenue	73%	29%		
General and administrative	\$5,596	\$ 3,431	\$ 2,165	63%
% of revenue	62%	33%		
Other income (expense), net	\$ 37	\$ (379)	\$ 416	(110%)
% of revenue	0%	(4%)		

Revenue

Total revenue decreased \$1,173,292, or 11%, to \$9,092,683 in 2012 compared to \$10,265,975 in 2011. The decrease was primarily due to a decrease in sales of software licenses of \$1,736,383, or 21%, to \$6,386,361 in 2012 compared to \$8,122,744 in 2011. The decrease in software license revenue primarily relates to decreases in sales of our Mobile Deposit[®] products due to fewer large software licenses by partners and customers in 2012, compared to 2011. Maintenance and professional services revenue increased \$563,091, or 26%, to \$2,706,322 in 2012 compared to \$2,143,231 in 2011 primarily due to an increase in recurring maintenance contracts, as well as additional software product sales during 2012.

Cost of Revenue

Cost of revenue increased \$92,186, or 8%, to \$1,263,920 in 2012 compared to \$1,171,734 in 2011. As a percentage of revenue, cost of revenue increased to 14% in 2012 compared to 11% in 2011 primarily due to a smaller mix of higher margin mobile products. The increase is primarily due to an increase in personnel costs related to software support due to additional headcount and increased professional services activity on billable engagements.

Selling and Marketing Expenses

Selling and marketing expenses increased \$1,039,343, or 43%, to \$3,450,054 in 2012 compared to \$2,410,711 in 2011. As a percentage of revenue, selling and marketing expenses increased to 38% in 2012 compared to 23% in 2011. The increase is primarily due to increased personnel-related costs, including stock-based and other incentive compensation expense, totaling \$482,024 related to an increase in headcount associated with the growth of our business, as well as increased marketing program expenses totaling \$411,109.

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Research and Development Expenses

Research and development expenses increased \$3,667,921, or 122%, to \$6,664,030 in 2012 compared to \$2,996,109 in 2011. As a percentage of revenue, research and development expenses increased to 73% in 2012 compared to 29% in 2011. The increase is primarily due to higher personnel-related costs, including stock-based and other incentive compensation expense, totaling \$2,671,638 related to an increase in headcount associated with the growth of our business, as well as an increase in outside contract services of \$961,020.

General and Administrative Expenses

General and administrative expenses increased \$2,164,820, or 63%, to \$5,595,843 in 2012 compared to \$3,431,023 in 2011. As a percentage of revenue, general and administrative expenses increased to 62% in 2012 compared to 33% in 2011. The increase is primarily due to increased personnel-related costs, including stock-based and other incentive compensation expenses, totaling \$1,254,414 related to an increase in headcount associated with the growth of our business, and an increase in legal fees of \$747,133 related to intellectual property litigation and patent prosecution activity.

Other Income (Expense), Net

Interest and other expense, net was \$7,224 in 2012 compared to \$389,494 in 2011, a decrease of \$382,270, or 98%. During 2011, we incurred expenses associated with the accretion of the discount on our convertible debentures and accrued interest on the principal amount of those convertible debentures, including the remaining unamortized discount of \$319,836 related to the beneficial conversion feature at the time of the conversion of the debentures. These expenses did not recur in 2012. Interest income was \$44,384 in 2012 compared to \$10,531 in 2011, an increase of \$33,853 due to higher cash balances and related investment returns during 2012.

Liquidity and Capital Resources

On September 30, 2013, we had \$29,025,328 in cash and cash equivalents and investments compared to \$14,607,317 on September 30, 2012, an increase of \$14,418,011, or 99%. The increase in cash and cash equivalents and investments was primarily due to an increase in cash provided by investing and financing activities. During June 2013, we sold 2,857,142 shares of our common stock at a price of \$5.25 per share in the Offering and received \$13,877,447 in net proceeds, after deducting underwriting discounts and commissions and other offering expenses of \$1,122,549. Under the terms of the underwriting agreement for the Offering, we granted the underwriter a 30-day option to purchase an additional 428,571 shares of our common stock to cover overallocments. The underwriter exercised its overallocment option during June 2013 and the closing of the sale of shares of our common stock pursuant to such option occurred during July 2013, resulting in \$2,127,350 in additional net proceeds to us.

Credit Facility

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

Net Cash Used in Operating Activities

Net cash used in operating activities during fiscal 2013 was \$615,061 and resulted primarily from hiring additional personnel and other investments in the business. The net loss was partially offset by increased cash provided by working capital of \$2,110,612, and increases in the non-current portion of deferred revenue of \$511,125 and other long-term liabilities of \$731,457. The primary non-cash adjustments to operating activities

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were stock-based compensation expense, depreciation and amortization, and accretion and amortization on debt securities totaling \$2,791,862, \$323,383, and \$182,162, respectively.

During fiscal 2012, net cash used in operating activities was \$1,778,764, which resulted primarily from hiring additional personnel and other investments in the business. The primary non-cash adjustments to operating activities were stock-based compensation expense, accretion and amortization on debt securities, and depreciation and amortization totaling \$2,599,858, \$261,398 and \$231,981, respectively. These changes in cash used in operating activities were partially offset by a decrease in accounts receivable of \$1,862,555 associated with decreased sales and the timing of customer billings and receipt of payments and an increase in deferred revenue of \$758,855.

Net Cash Provided by Investing Activities

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

During fiscal 2012, net cash provided by investing activities was \$2,107,767, which consisted of \$14,635,005 related to the sale and maturity of investments, partially offset by investments of \$12,187,523, and \$339,715 related to the purchase of property and equipment.

Net Cash Provided by Financing Activities

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

During fiscal 2012, net cash provided by financing activities was \$717,371, which included net proceeds of \$732,287 from the exercise of stock options partially offset by principal payments on capital lease obligations of \$14,916.

Other Liquidity Matters

On September 30, 2013, we had investments of \$5,730,872, designated as available-for-sale marketable securities, which consisted of commercial paper and corporate issuances, carried at fair value as determined by quoted market prices for identical or similar assets, with unrealized gains and losses, net of tax, and reported as a separate component of stockholders' equity. All securities whose maturity or sale is expected within one year are classified as "current" on the balance sheet. All other securities are classified as "long-term" on the balance sheet. At September 30, 2013, all of our available-for-sale securities were classified as current. At September 30, 2012, we had \$5,819,537 of our available-for-sale securities classified as current and \$2,085,690 classified as long-term.

We had working capital of \$25,363,197 at September 30, 2013, compared to \$11,001,447 at September 30, 2012.

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

Off-Balance Sheet Arrangements

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

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Contractual Obligations

The following table summarizes our contractual obligations as of September 30, 2013 (*in thousands*):

Contractual obligations by period as of September 30, 2013	Less than			More than	
	1 year	1-3 years	3-5 years	5 years	Total
Operating lease obligations	\$481,535	\$1,006,842	\$1,485,118	\$ —	\$2,973,495
Capital lease obligations	28,715	54,958	—	—	83,673
Purchase obligations	245,000	675,000	—	—	920,000
Total	<u>\$755,250</u>	<u>\$1,736,800</u>	<u>\$1,485,118</u>	<u>\$ —</u>	<u>\$3,977,168</u>

Critical Accounting Policies

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

Revenue Recognition

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

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

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

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

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Accounts Receivable

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

Investments

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

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

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

Fair Value of Equity Instruments

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

Deferred Income Taxes

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

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Capitalized Software Development Costs

Research and development costs are charged to expense as incurred. Costs incurred for the development of computer software that will be sold, leased or otherwise marketed are capitalized when technological feasibility has been established. These capitalized costs are subject to an ongoing assessment of recoverability based on anticipated future revenues and changes in hardware and software technologies. Costs that are capitalized include direct labor and related overhead. No such costs were capitalized during the fiscal years ended September 30, 2013 and 2012.

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

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

The primary objective of our investment activities is to preserve principal while at the same time maximizing after-tax yields without significantly increasing risk. To achieve this objective, we maintain our investment portfolio of cash equivalents and marketable securities in a variety of securities, including corporate debt securities, commercial paper and certificates of deposit. We have not used derivative financial instruments in our investment portfolio, and none of our investments are held for trading or speculative purposes. Short-term and long-term marketable securities are generally classified as available-for-sale and consequently are recorded on the balance sheet at fair value with unrealized gains or losses reported as a separate component of accumulated other comprehensive income, net of estimated tax. Marketable securities as of September 30, 2013 had remaining maturities between approximately one and eight months. Our short-term marketable securities had a fair market value of \$5,730,872 at September 30, 2013, representing approximately 17% of our total assets.

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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

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

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, that are designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal

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financial officer, as appropriate, to allow timely decisions regarding required financial disclosures. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures as of the end of the period covered by this Form 10-K. We recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of September 30, 2013.

Management’s Report on Internal Control over Financial Reporting

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

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management concluded that our internal control over financial reporting was effective as of September 30, 2013.

Our internal control over financial reporting has been audited by Mayer Hoffman McCann P.C., an independent registered public accounting firm, as stated in their report appearing below, which expresses an unqualified opinion on the effectiveness of our internal control over financial reporting as of September 30, 2013.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting during the quarter ended September 30, 2013 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

On November 5, 2012, our Board of Directors (the “Board”), based in part on input from management, approved our executive bonus program for the 2013 fiscal year ending September 30, 2013 (the “2013 Plan”). Pursuant to the terms of the 2013 Plan, our executives will be eligible to earn an annual cash bonus for their contributions to the achievement of corporate goals during the fiscal year. This Plan is intended to ensure a competitive total compensation opportunity and to foster a team effort in the attainment of corporate goals.

Under the 2013 Plan, annual cash bonuses are computed as a percentage of the participant’s annualized salary earned during the 2013 fiscal year. Our Chief Executive Officer’s (“CEO”) bonus target is equal to 80% of his annualized salary. The bonus target for our Chief Financial Officer, Chief Technology Officer, and Chief Marketing Officer is equal to 40% of their respective annualized salaries. The bonus target for our Chief Scientific Officer is 20% of his annualized salary.

Half of the annual cash bonus will be paid based on the achievement of a minimum percentage of the annual revenue plan as approved by the Board, and the remaining half paid on the achievement of a minimum percentage of individual performance goals determined by our CEO, or in the case of our CEO’s bonus, at the discretion of the Compensation Committee of the Board.

The foregoing description is intended only as a summary of the material terms of the executive bonus program for the 2013 fiscal year and is qualified in its entirety by reference to the full 2013 Plan, a copy of which is attached as Exhibit 10.22 to this Form 10-K and is incorporated herein by reference.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information required by this item is incorporated by reference to our definitive proxy statement filed in connection with our 2014 Annual Meeting of Stockholders or an amendment to this Form 10-K to be filed with the SEC within 120 days after the close of our fiscal year ended September 30, 2013.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this item is incorporated by reference to our definitive proxy statement filed in connection with our 2014 Annual Meeting of Stockholders or an amendment to this Form 10-K to be filed with the SEC within 120 days after the close of our fiscal year ended September 30, 2013.

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

The information required by this item is incorporated by reference to our definitive proxy statement filed in connection with our 2014 Annual Meeting of Stockholders or an amendment to this Form 10-K to be filed with the SEC within 120 days after the close of our fiscal year ended September 30, 2013.

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

The information required by this item is incorporated by reference to our definitive proxy statement filed in connection with our 2014 Annual Meeting of Stockholders or an amendment to this Form 10-K to be filed with the SEC within 120 days after the close of our fiscal year ended September 30, 2013.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The information required by this item is incorporated by reference to our definitive proxy statement filed in connection with our 2014 Annual Meeting of Stockholders or an amendment to this Form 10-K to be filed with the SEC within 120 days after the close of our fiscal year ended September 30, 2013.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a)(1) Financial Statements

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

(a)(2) Financial Statement Schedules

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

(a)(3) Exhibits

<u>Exhibit No.</u>	<u>Description</u>	<u>Incorporated by Reference from Document</u>
3.1	Restated Certificate of Incorporation of Mitek Systems, Inc.	(1)
3.2	Certificate of Amendment of the Restated Certificate of Incorporation of Mitek Systems, Inc.	(2)
3.3	Amended and Restated Bylaws of Mitek Systems, Inc.	(3)
4.1	Form of debenture issued on December 10, 2009.	(4)
4.2	Form of warrant issued on December 10, 2009.	(4)
10.1	Mitek Systems, Inc. 2000 Stock Option Plan.	(5)
10.2	Mitek Systems, Inc. 2002 Stock Option Plan.	(6)
10.3	Mitek Systems, Inc. 2006 Stock Option Plan.	(7)
10.4	Mitek Systems, Inc. 2010 Stock Option Plan.	(8)
10.5	Mitek Systems, Inc. 2012 Incentive Plan.	(9)
10.6	Mitek Systems, Inc. Director Restricted Stock Unit Plan.	(10)
10.7	Mitek Systems, Inc. 401(k) Savings Plan.	*
10.8	Stock Option Agreement, dated May 19, 2003, by and between James B. DeBello and Mitek Systems, Inc., as amended.	(11)
10.9	Form of Securities Purchase Agreement, dated December 10, 2009, between Mitek Systems, Inc. and certain accredited investors.	(4)
10.10	Form of Security Agreement dated, December 10, 2009, between Mitek Systems, Inc. and certain secured parties.	(4)
10.11	Form of Securities Purchase Agreement, dated September 30, 2010, between Mitek Systems, Inc. and certain accredited investors.	(12)
10.12	Form of Securities Purchase Agreement, dated May 5, 2011, between Mitek Systems, Inc. and certain accredited investors.	(13)
10.13	Underwriting Agreement, dated June 25, 2013, between Mitek Systems, Inc. and William Blair & Company, L.L.C.	(14)

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<u>Exhibit No.</u>	<u>Description</u>	<u>Incorporated by Reference from Document</u>
10.14	Executive Severance and Change of Control Plan, dated February 28, 2011, by and between Mitek Systems, Inc. and James B. DeBello.	(15)
10.15	Offer Letter, dated October 3, 2011, by and between Mitek Systems, Inc. and Russell C. Clark.	(16)
10.16	Executive Severance and Change of Control Plan, dated October 11, 2011, by and between Mitek Systems, Inc. and Russell C. Clark.	(16)
10.17	Offer Letter, dated June 6, 2012, by and between Mitek Systems, Inc. and Michael Diamond.	*
10.18	Offer Letter, dated June 11, 2012, by and between Mitek Systems, Inc. and Michael Strange.	*
10.19	Offer Letter, dated May 10, 2013, by and between Mitek Systems, Inc. and Scott Carter.	*
10.20	Form of Executive Severance and Change of Control Plan.	(15)
10.21	Form of Indemnification Agreement.	(15)
10.22	Mitek Systems, Inc. Executive Bonus Program Fiscal Year 2013	*
10.23	Lease, dated September 13, 2005, by and between Arden Realty Finance V, L.L.C. and Mitek Systems, Inc., as amended.	(17)
23.1	Consent of Mayer Hoffman McCann P.C.	*
24.1	Power of Attorney (included on the signature page).	*
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.	*
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.	*
32.1	Certification Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	*
101	Financial statements from the Annual Report on Form 10-K of Mitek Systems, Inc. for the year ended September 30, 2013, formatted in XBRL: (i) the Balance Sheets, (ii) the Statements of Operations and Other Comprehensive Loss, (iii) the Statements of Stockholders' Equity, (iv) the Statements of Cash Flows, (v) the Notes to the Financial Statements.	*

* Filed herewith.

- (1) Incorporated by reference to the Company's Registration Statement on Form S-3 (File No. 333-177965) filed with the SEC on November 14, 2011.
- (2) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on February 14, 2013.
- (3) Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1987.
- (4) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on December 16, 2009.
- (5) Incorporated by reference to the exhibits to the Company's Registration Statement on Form S-8 filed with the SEC on March 30, 2001.

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- (6) Incorporated by reference to the exhibits to the Company's Registration Statement on Form S-8 filed with the SEC on July 7, 2003.
- (7) Incorporated by reference to the exhibits to the Company's Registration Statement on Form S-8 filed with the SEC on May 3, 2006.
- (8) Incorporated by reference to the exhibits to the Company's Registration Statement on Form S-8 filed with the SEC on March 14, 2011.
- (9) Incorporated by reference to the exhibits to the Company's Registration Statement on Form S-8 filed with the SEC on March 7, 2012.
- (10) Incorporated by reference to Appendix A to the Company's Definitive Proxy Statement filed with the SEC on January 18, 2011.
- (11) Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2011 filed with the SEC on December 15, 2011.
- (12) Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended September, 30, 2010 filed with the SEC on November 16, 2010.
- (13) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on May 9, 2011.
- (14) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on June 25, 2013.
- (15) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on March 1, 2011.
- (16) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on October 13, 2011.
- (17) Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2012 filed with the SEC on December 7, 2012.

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MITEK SYSTEMS, INC.**

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Mitek Systems, Inc.

We have audited the accompanying balance sheets of Mitek Systems, Inc. as of September 30, 2013 and 2012, and the related statements of operations and other comprehensive loss, stockholders' equity and cash flows for each of the three years in the period ended September 30, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mitek Systems, Inc. as of September 30, 2013 and 2012, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2013, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Mitek Systems Inc.'s internal control over financial reporting as of September 30, 2013, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated December 12, 2013 expressed an unqualified opinion.

/s/ Mayer Hoffman McCann P.C.
San Diego, California
December 12, 2013

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Mitek Systems, Inc.

We have audited Mitek Systems, Inc.'s internal control over financial reporting as of September 30, 2013, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Mitek Systems, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Mitek Systems, Inc. maintained, in all material respects, effective internal control over financial reporting as of September 30, 2013, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the balance sheets and the related statements of operations and other comprehensive loss, stockholders' equity, and cash flows of Mitek Systems, Inc., and our report dated December 12, 2013 expressed an unqualified opinion.

/s/ Mayer Hoffman McCann P.C.
San Diego, California
December 12, 2013

Table of Contents**MITEK SYSTEMS, INC.
BALANCE SHEETS**

	September 30,	
	2013	2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 23,294,456	\$ 6,702,090
Short-term investments	5,730,872	5,819,537
Accounts receivable, net	1,494,627	1,097,311
Other current assets	661,706	485,165
Total current assets	<u>31,181,661</u>	<u>14,104,103</u>
Long-term investments	—	2,085,690
Property and equipment, net	1,629,664	491,079
Other non-current assets	42,049	42,049
Total assets	<u>\$ 32,853,374</u>	<u>\$ 16,722,921</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,875,909	\$ 711,950
Accrued payroll and related taxes	1,455,487	726,965
Deferred revenue, current portion	2,335,532	1,632,085
Other current liabilities	151,536	31,656
Total current liabilities	5,818,464	3,102,656
Deferred revenue, non-current portion	511,125	—
Other non-current liabilities	795,043	63,586
Total liabilities	<u>7,124,632</u>	<u>3,166,242</u>
Stockholders' equity		
Preferred stock, \$0.001 par value, 1,000,000 shares authorized, none issued and outstanding	—	—
Common stock, \$0.001 par value, 60,000,000 and 40,000,000 shares authorized, respectively; 30,361,442 and 25,995,216 issued and outstanding, respectively	30,361	25,995
Additional paid-in capital	56,431,640	36,990,691
Accumulated other comprehensive gain (loss)	1,838	(616)
Accumulated deficit	<u>(30,735,097)</u>	<u>(23,459,391)</u>
Total stockholders' equity	<u>25,728,742</u>	<u>13,556,679</u>
Total liabilities and stockholders' equity	<u>\$ 32,853,374</u>	<u>\$ 16,722,921</u>

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

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**MITEK SYSTEMS, INC.
STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE LOSS**

	For the years ended September 30,		
	2013	2012	2011
Revenue			
Software	\$10,716,505	\$ 6,386,361	\$ 8,122,744
Maintenance and professional services	4,086,680	2,706,322	2,143,231
Total revenue	<u>14,803,185</u>	<u>9,092,683</u>	<u>10,265,975</u>
Operating costs and expenses			
Cost of revenue-software	744,842	540,321	662,080
Cost of revenue-maintenance and professional services	858,757	723,599	509,654
Selling and marketing	5,852,448	3,450,054	2,410,711
Research and development	6,793,412	6,664,030	2,996,109
General and administrative	7,853,264	5,595,843	3,431,023
Total costs and expenses	<u>22,102,723</u>	<u>16,973,847</u>	<u>10,009,577</u>
Operating (loss) income	<u>(7,299,538)</u>	<u>(7,881,164)</u>	<u>256,398</u>
Other income (expense), net			
Interest and other expense	(6,862)	(7,224)	(389,494)
Interest income	31,770	44,384	10,531
Total other income (expense), net	<u>24,908</u>	<u>37,160</u>	<u>(378,963)</u>
Loss before income taxes	<u>(7,274,630)</u>	<u>(7,844,004)</u>	<u>(122,565)</u>
Income tax provision (benefit)	1,076	(4,008)	2,492
Net loss	<u>\$ (7,275,706)</u>	<u>\$ (7,839,996)</u>	<u>\$ (125,057)</u>
Net loss per share—basic and diluted	<u>\$ (0.26)</u>	<u>\$ (0.31)</u>	<u>\$ (0.01)</u>
Shares used in calculating net loss per share—basic and diluted	<u>27,492,670</u>	<u>25,124,179</u>	<u>21,506,508</u>
Other comprehensive loss:			
Net loss	\$ (7,275,706)	\$ (7,839,996)	\$ (125,057)
Unrealized gain (loss) on investments	2,454	9,239	(9,855)
Other comprehensive loss	<u>\$ (7,273,252)</u>	<u>\$ (7,830,757)</u>	<u>\$ (134,912)</u>

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

MITEK SYSTEMS, INC.
STATEMENTS OF STOCKHOLDERS' EQUITY
For the years ended September 30, 2013, 2012 and 2011

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive	Total Stockholders Equity
	Outstanding (Shares)	Common Stock			Income	
Balance, September 30, 2010	17,816,249	\$17,816	\$16,477,981	\$(15,494,338)	\$ —	\$ 1,001,459
Conversion of debentures	1,418,573	1,419	1,062,507	—	—	1,063,926
Issuance of common stock, net of issuance costs of \$1,154,634	3,357,143	3,357	14,592,009	—	—	14,595,366
Exercise of stock options	895,287	894	219,403	—	—	220,297
Exercise of warrants	657,114	658	37,259	—	—	37,917
Stock-based compensation expense	—	—	1,271,238	—	—	1,271,238
Components of comprehensive income:						
Net loss	—	—	—	(125,057)	—	(125,057)
Change in unrealized loss on investments	—	—	—	—	(9,855)	(9,855)
Total comprehensive loss						(134,912)
Balance, September 30, 2011	24,144,366	\$24,144	\$33,660,397	\$(15,619,395)	\$ (9,855)	\$18,055,291
Exercise of stock options	1,739,924	1,740	730,547	—	—	732,287
Exercise of warrants	110,926	111	(111)	—	—	—
Stock-based compensation expense	—	—	2,599,858	—	—	2,599,858
Components of other comprehensive income:						
Net loss	—	—	—	(7,839,996)	—	(7,839,996)
Change in unrealized gain on investments	—	—	—	—	9,239	9,239
Total other comprehensive loss						(7,830,757)
Balance, September 30, 2012	25,995,216	\$25,995	\$36,990,691	\$(23,459,391)	\$ (616)	\$13,556,679
Issuance of common stock, net of issuance costs of \$1,245,196	3,285,713	3,286	16,001,511	—	—	16,004,797
Exercise of stock options	1,042,872	1,043	713,426	—	—	714,469
Settlement of restricted stock units	37,641	37	(65,850)	—	—	(65,813)
Stock-based compensation expense	—	—	2,791,862	—	—	2,791,862
Components of other comprehensive income:						
Net loss	—	—	—	(7,275,706)	—	(7,275,706)
Change in unrealized gain on investments	—	—	—	—	2,454	2,454
Total other comprehensive loss						(7,273,252)
Balance, September 30, 2013	<u>30,361,442</u>	<u>\$30,361</u>	<u>\$56,431,640</u>	<u>\$(30,735,097)</u>	<u>\$ 1,838</u>	<u>\$25,728,742</u>

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

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**MITEK SYSTEMS, INC.
STATEMENTS OF CASH FLOWS**

	For the years ended September 30,		
	2013	2012	2011
OPERATING ACTIVITIES			
Net loss	\$ (7,275,706)	\$ (7,839,996)	\$ (125,057)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Stock-based compensation expense	2,791,862	2,599,858	1,271,238
Depreciation and amortization	323,383	231,981	179,291
Accretion and amortization on debt securities	182,162	261,398	—
Provision for bad debt	(5,773)	(3,571)	15,340
Gain on sale of property and equipment	(1,097)	—	—
Non-cash interest expense on convertible debt	—	—	384,124
Amortization of capitalized debt issuance costs	—	—	53,945
Changes in assets and liabilities:			
Accounts receivable	(391,543)	1,862,555	(1,750,036)
Other assets	(213,653)	(180,367)	(181,873)
Accounts payable	1,163,959	353,043	130,393
Accrued payroll and related taxes	728,522	230,956	299,478
Deferred revenue	1,214,572	758,855	41,858
Other liabilities	868,251	(53,476)	(2,533)
Net cash (used in) provided by operating activities	<u>(615,061)</u>	<u>(1,778,764)</u>	<u>316,168</u>
INVESTING ACTIVITIES			
Purchases of investments	(4,058,975)	(12,187,523)	(10,614,723)
Sales and maturities of investments	6,090,734	14,635,005	—
Purchases of property and equipment	(1,497,492)	(339,715)	(204,358)
Sale of property and equipment	36,621	—	—
Net cash provided by (used in) investing activities	<u>570,888</u>	<u>2,107,767</u>	<u>(10,819,081)</u>
FINANCING ACTIVITIES			
Proceeds from the issuance of common stock, net of issuance costs of \$1,245,196, \$0 and \$1,154,634, respectively	16,004,797	—	14,595,366
Proceeds from exercise of warrants and stock options	648,656	732,287	258,214
Principal payments on capital lease obligations	(16,914)	(14,916)	—
Net cash provided by financing activities	<u>16,636,539</u>	<u>717,371</u>	<u>14,853,580</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>16,592,366</u>	<u>1,046,374</u>	<u>4,350,667</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>6,702,090</u>	<u>5,655,716</u>	<u>1,305,049</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$23,294,456</u>	<u>\$ 6,702,090</u>	<u>\$ 5,655,716</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid for interest	<u>\$ 8,093</u>	<u>\$ 10,397</u>	<u>\$ 5,333</u>
Cash paid for income taxes	<u>\$ 1,076</u>	<u>\$ 800</u>	<u>\$ 2,492</u>
NON-CASH FINANCING AND INVESTING ACTIVITIES			
Unrealized holding gain (loss) on available for sale investments	<u>\$ 2,454</u>	<u>\$ 9,239</u>	<u>\$ (9,855)</u>
Cashless exercise of option and warrants	<u>\$ 125</u>	<u>\$ 410</u>	<u>\$ 859</u>
Cashless settlement of restricted stock units	<u>\$ 32</u>	<u>\$ —</u>	<u>\$ —</u>
Capital lease obligations	<u>\$ —</u>	<u>\$ 95,388</u>	<u>\$ —</u>
Conversion of debt to common stock	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,063,926</u>

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

**MITEK SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2013, 2012 AND 2011**

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Mitek Systems, Inc. (the “Company”) is a mobile solutions provider engaged in the development, sale and service of its proprietary software solutions.

The Company applies its patented technology in image capture, correction and intelligent data extraction in the mobile financial and business services markets. The Company’s technology allows users to remotely deposit checks, pay bills, transfer credit card balances, open accounts and get insurance quotes by taking pictures of various documents with their camera-equipped smartphones and tablets instead of using the device keyboard. The Company’s products use advanced algorithms to correct image distortion, extract relevant data, route images to their desired location and process transactions through users’ financial institutions. As of November 21, 2013, the Company’s has been granted 18 patents and it has an additional 21 patent applications pending.

The Company’s Mobile Deposit[®] product is software that allows users to remotely deposit a check using their camera-equipped smartphone or tablet. As of September 30, 2013, 1,420 financial institutions have signed agreements to deploy Mobile Deposit[®], and 805 of these financial institutions have deployed Mobile Deposit[®] to their customers, including all of the top ten U.S. retail banks and more than two-thirds of the top 50 U.S. retail banks and payment processing companies, as ranked by SNL Financial for the second quarter of calendar 2013. Other mobile imaging software solutions offered by the Company include Mobile Photo Bill Pay[®], a mobile bill payment product that allows users to pay their bills using their camera-equipped smartphone or tablet, Mobile Balance Transfer[™], a product that allows credit card issuers to provide an offer to users and transfer an existing credit card balance by capturing an image of the user’s current credit card statement, Mobile Photo Account Opening[™], a product that enables users to open a checking, savings or credit card account by capturing an image of the front and back of their driver’s license with their camera-equipped smartphone or tablet, and Mobile Photo Quoting[™], a product that enables users to receive insurance quotes by using their camera-equipped smartphone or tablet to take a picture of their driver’s license and insurance card. The Company’s mobile imaging software solutions can be accessed by smartphones and tablets using iOS and Android operating systems.

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

Basis of Presentation

The financial statements are prepared under the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 105-10, *Generally Accepted Accounting Principles*, in accordance with accounting principles generally accepted in the U.S. (“GAAP”).

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation. These reclassifications do not impact the reported net loss and do not have a material impact on the presentation of the overall financial statements.

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Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosure of contingent assets and liabilities. On an ongoing basis, management reviews its estimates based upon currently available information. Actual results could differ materially from those estimates.

Net Loss Per Share

The Company calculates net income (loss) per share in accordance with FASB ASC Topic 260, *Earnings Per Share*. Basic net income (loss) per share is based on the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share also gives effect to all potentially dilutive securities outstanding during the period, such as options, warrants and restricted stock units (“RSUs”), if dilutive. In a period with a net loss position, potentially dilutive securities are not included in the computation of diluted net loss because to do so would be antidilutive, and the number of shares used to calculate basic and diluted net loss is the same.

At September 30, 2013, 2012 and 2011, the following potentially dilutive common shares were excluded from the net loss per share calculation, as they would have been antidilutive:

	2013	2012	2011
Stock options	2,824,964	3,512,286	4,553,904
Warrants	6,667	6,667	132,189
Restricted stock units	692,504	515,834	300,000
Total potentially dilutive common shares outstanding	<u>3,524,135</u>	<u>4,034,787</u>	<u>4,986,093</u>

The computation of basic and diluted net loss per share for the fiscal years ended September 30, 2013, 2012 and 2011 is as follows:

	2013	2012	2011
Net loss	<u>\$ (7,275,706)</u>	<u>\$ (7,839,996)</u>	<u>\$ (125,057)</u>
Weighted-average common shares and share equivalents outstanding—basic	27,492,670	25,124,179	21,506,508
Effect of dilutive stock options	—	—	—
Weighted-average common shares and share equivalents outstanding—diluted	<u>27,492,670</u>	<u>25,124,179</u>	<u>21,506,508</u>
Net loss per share:			
Basic	\$ (0.26)	\$ (0.31)	\$ (0.01)
Diluted	\$ (0.26)	\$ (0.31)	\$ (0.01)

Revenue Recognition

Revenue from sales of software licenses sold through direct and indirect channels is recognized upon shipment of the related product, if the requirements of FASB ASC Topic 985-605, *Software Revenue Recognition* (“ASC 985-605”) are met, including evidence of an arrangement, delivery, fixed or determinable fee, collectability and vendor specific objective evidence (“VSOE”) of the fair value of the undelivered element. If the requirements of ASC 985-605 are not met at the date of shipment, revenue is not recognized until such elements are known or resolved. Revenue from customer support services, or maintenance revenue, includes post-contract support and the rights to unspecified upgrades and enhancements. VSOE of fair value for customer

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support services is determined by reference to the price the customer pays for such element when sold separately; that is, the renewal rate offered to customers. In those instances when objective and reliable evidence of fair value exists for the undelivered items but not for the delivered items, the residual method is used to allocate the arrangement consideration. Under the residual method, the amount of arrangement consideration allocated to the delivered items equals the total arrangement consideration less the aggregate fair value of the undelivered items. Revenue from post-contract customer support is recognized ratably over the term of the contract. Certain customers have agreements that provide for usage fees above fixed minimums. Fixed minimum transaction fees are recognized as revenue ratably over the term of the arrangement. Usage fees above fixed minimums are recognized as revenue when such amounts are reasonably estimable and billable. Revenue from professional services is recognized when such services are delivered. When a software sales arrangement requires professional services related to significant production, modification or customization of software, or when a customer considers professional services essential to the functionality of the software product, revenue is recognized based on predetermined milestone objectives required to complete the project, as those milestone objectives are deemed to be substantive in relation to the work performed. Any expected losses on contracts in progress are recorded in the period in which the losses become probable and reasonably estimable.

Cash and Cash Equivalents

Cash and cash equivalents are defined as highly liquid financial instruments with original maturities of three months or less. A substantial portion of the Company's cash is deposited with one financial institution. The Company monitors the financial condition of this financial institution and does not believe that funds on deposit are subject to a significant degree of risk.

Investments

Investments consist of corporate notes and bonds, and commercial paper. The Company classifies investments as available-for-sale at the time of purchase and reevaluates such classification as of each balance sheet date. All investments are recorded at estimated fair value. Unrealized gains and losses for available-for-sale securities are included in accumulated other comprehensive income, a component of stockholders' equity. The Company evaluates its investments to assess whether those with unrealized loss positions are other than temporarily impaired. Impairments are considered to be other-than-temporary if they are related to deterioration in credit risk or if it is likely that the Company will sell the securities before the recovery of its cost basis. Realized gains and losses and declines in value judged to be other-than-temporary are determined based on the specific identification method and are reported in other income (expense), net in the Statements of Operations. No other-than-temporary impairment charges were recognized in the fiscal years ended September 30, 2013, 2012 and 2011.

All investments whose maturity or sale is expected within one year are classified as "current" on the balance sheet. All other securities are classified as "long-term" on the balance sheet.

Fair Value Measurements

The carrying amounts of cash equivalents, investments, accounts receivable, accounts payable and other accrued liabilities are considered representative of their respective fair values because of the short-term nature of those instruments.

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Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable, net, is as follows (in thousands):

	September 30, 2013	September 30, 2012
Accounts receivable	\$1,506,627	\$1,115,084
Less: Allowance for doubtful accounts	(12,000)	(17,773)
Accounts receivable, net	<u>\$1,494,627</u>	<u>\$1,097,311</u>

Trade accounts receivable are recorded at the net invoice value and are not interest bearing. The Company considers receivables past due based on the contractual payment terms. Allowances for doubtful accounts are established based on various factors including credit profiles of the Company's customers, contractual terms and conditions, historical payments, and current economic trends. The Company reviews its allowances by assessing individual accounts receivable over a specific aging and amount. Accounts receivable are written off on a case-by-case basis, net of any amounts that may be collected. The Company had no write-offs of the allowance for doubtful accounts for the years ended September 30, 2013 and 2012, respectively.

Deferred Maintenance Fees

Deferred maintenance fees consist of capitalized costs associated with software maintenance fees paid to vendors who supply licenses and maintenance for software embedded in the Company's products that it sells to customers. These software maintenance fees, which are included in other current assets on the balance sheet, are typically billed annually to the Company and are amortized to cost of revenue-maintenance and professional services in the Statements of Operations over the maintenance period, which is typically one year.

Property and Equipment

Property and equipment are carried at cost. The following is a summary of property and equipment as of September 30, 2013 and 2012:

	2013	2012
Property and equipment—at cost:		
Equipment	\$1,054,868	\$ 684,552
Furniture and fixtures	227,189	130,559
Leasehold improvements	975,838	65,227
	<u>2,257,895</u>	<u>880,338</u>
Less: accumulated depreciation and amortization	(628,231)	(460,223)
Construction in progress	—	70,964
Total property and equipment, net	<u>\$1,629,664</u>	<u>\$ 491,079</u>

Depreciation and amortization of property and equipment are provided using the straight-line method over estimated useful lives ranging from three to five years. Leasehold improvements are amortized over the lease term. Depreciation and amortization of property and equipment totaled \$323,383, \$140,146 and \$42,133 for the fiscal years ended September 30, 2013, 2012 and 2011, respectively. Included in property and equipment as of September 30, 2013 and 2012 in the table above is equipment of \$95,388 purchased under a capital lease. There were no fixed assets acquired under capital leases at September 30, 2011. Depreciation expense related to the equipment purchased under the capital lease was \$19,078 and \$17,488 in the fiscal years ended September 30, 2013 and 2012, respectively, and accumulated depreciation was \$36,566 and \$17,488 at September 30, 2013 and 2012, respectively. The Company recorded no depreciation expense related to capital leases in the fiscal year

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ended September 30, 2011, nor was there any related accumulated depreciation at September 30, 2011. Expenditures for repairs and maintenance are charged to operations. Total repairs and maintenance expenses were \$97,532, \$57,815 and \$43,115 for the fiscal years ended September 30, 2013, 2012 and 2011, respectively.

Long-Lived Assets

The Company evaluates the carrying value of long-lived assets, including license agreements and other intangible assets, when events and circumstances indicate that these assets may be impaired or in order to determine whether any revision to the related amortization periods should be made. This evaluation is based on management's projections of the undiscounted future cash flows associated with each product or asset. If management's evaluation indicates that the carrying values of these intangible assets were impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. The Company did not record any impairment for the fiscal years ended September 30, 2013, 2012 and 2011.

Capitalized Software Development Costs

Costs incurred for the development of software that will be sold, leased, or otherwise marketed are capitalized when technological feasibility has been established. Software development costs consist primarily of compensation of development personnel and related overhead incurred to develop new products and upgrade and enhance the Company's current products, as well as fees paid to outside consultants. Capitalization of software development costs ceases and amortization of capitalized software development costs commences when the products are available for general release. For the fiscal years ended September 30, 2013 and 2012, no software development costs were capitalized because the time period and cost incurred between technological feasibility and general release for all software product releases were not material.

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 in which it is identified. Determining net realizable value, as defined by FASB ASC Topic 985-20, *Accounting for the Costs of Software to Be Sold, Leased or Otherwise Marketed*, 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 recorded no amortization of software development costs for the fiscal year ended September 30, 2013. The Company recorded amortization of software development costs of \$91,438 and \$137,157 for the fiscal years ended September 30, 2012 and 2011, respectively. The Company records amortization of software development costs as cost of revenue-software in the Statements of Operations.

Deferred Revenue

Deferred revenues represent advance payments or billings for software licenses, professional services and maintenance billed in advance of the time we recognize the related revenues. Deferred maintenance revenue represents customer billings, paid up front, generally annually at the beginning of each maintenance period, with revenue recognized ratably over such period. For certain other licensing arrangements, revenue attributable to undelivered elements, including post-contract customer support which typically includes telephone support and the right to receive unspecified upgrades and enhancements of software on a when-and-if-available basis, is based upon the sales price of those elements when sold separately and is recognized ratably on a straight-line basis over the term of the arrangement.

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Guarantees

In the ordinary course of business, the Company is not subject to potential obligations under guarantees that fall within the scope of FASB ASC Topic 460, *Guarantees* (“ASC 460”), except for standard indemnification and warranty provisions that are contained within many of the Company’s customer license and service agreements and certain supplier agreements, and give rise only to the disclosure requirements prescribed by ASC 460. Indemnification and warranty provisions contained within the Company’s customer license and service agreements and certain supplier agreements are generally consistent with those prevalent in the Company’s industry. The Company has not historically incurred significant obligations under customer indemnification or warranty provisions and does not expect to incur significant obligations in the future. Accordingly, the Company does not maintain accruals for potential customer indemnification or warranty-related obligations.

Income Taxes

The Company accounts for income taxes in accordance with FASB ASC Topic 740, *Income Taxes* (“ASC 740”). Deferred tax assets and liabilities arise from temporary differences between the tax bases of assets and liabilities and their reported amounts in the financial statements that will result in taxable or deductible amounts in future years.

Management evaluates the available evidence about future taxable income and other possible sources of realization of deferred tax assets. The valuation allowance reduces deferred tax assets to an amount that represents management’s best estimate of the amount of such deferred tax assets that more likely than not will be realized. See Note 5 for additional details.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Company recognizes interest and penalties related to income tax matters in income tax expense. See Note 5 for additional details.

Stock-Based Compensation

The Company records stock-based compensation in accordance with FASB ASC Topic 718, *Compensation-Stock Compensation* (“ASC 718”). The Company estimates the fair value of stock options using the Black-Scholes option pricing model. The fair value of stock options granted is recognized as an expense over the requisite service period. Stock-based compensation expense for all share-based payment awards is recognized using the straight-line single-option method.

The Black-Scholes option pricing 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.

Advertising Expense

Advertising costs are expensed as incurred and totaled \$123,905, \$72,053 and \$76,026 during the fiscal years ended September 30, 2013, 2012 and 2011, respectively.

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Research and Development

Research and development costs are expensed in the period incurred.

Leases

Leases are reviewed and classified as capital or operating at their inception. For leases that contain rent escalations, the Company records the total rent payable on a straight-line basis over the term of the lease. The difference between rent payments and straight-line rent expense is recorded as deferred rent.

Segment Reporting

FASB ASC Topic 280, *Segment Reporting*, requires the use of a management approach in identifying segments of an enterprise. During the fiscal year ended September 30, 2013, management determined that the Company has only one operating segment: the development, sale and service of our proprietary software solutions related to mobile imaging.

Comprehensive Loss

Comprehensive loss consists of net loss and unrealized gains and losses on available-for-sale securities. The following table summarizes the components of comprehensive loss for the fiscal years ended September 30, 2013, 2012 and 2011:

	2013	2012	2011
Net loss	\$(7,275,706)	\$(7,839,996)	\$(125,057)
Other comprehensive loss:			
Change in unrealized gains (losses) on marketable securities	2,454	9,239	(9,855)
Total comprehensive loss	<u>\$(7,273,252)</u>	<u>\$(7,830,757)</u>	<u>\$(134,912)</u>

Included on the balance sheet at September 30, 2013 is an accumulated other comprehensive gain of \$1,838, compared to an accumulated other comprehensive loss \$616 at September 30, 2012, related to the Company's available-for-sale-securities.

2. INVESTMENTS

The Company determines the appropriate designation of investments at the time of purchase and reevaluates such designation as of each balance sheet date. All of the Company's investments are designated as available-for-sale debt securities. As of September 30, 2013 and 2012, the Company's short-term investments have maturity dates of greater than 90 days and less than one year from the balance sheet date. The Company's long-term investments have maturity dates of greater than one year from the balance sheet date.

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 stockholders' 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,

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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 stockholders' equity in other comprehensive income. No other-than-temporary impairment charges were recognized in the fiscal years ended September 30, 2013, 2012 and 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 following table summarizes investments by security type as of September 30, 2013 and 2012:

	September 30, 2013			Fair Market Value
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	
Available-for-sale securities:				
Corporate debt securities, short-term	\$ 5,729,034	\$ 2,378	\$ (540)	\$ 5,730,872
Corporate debt securities, long-term	—	—	—	—
Total	<u>\$ 5,729,034</u>	<u>\$ 2,378</u>	<u>\$ (540)</u>	<u>\$ 5,730,872</u>
	September 30, 2012			Fair Market Value
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	
Available-for-sale securities:				
Corporate debt securities, short-term	\$5,818,549	\$ 3,343	\$ (2,355)	\$5,819,537
Corporate debt securities, long-term	<u>2,087,294</u>	<u>684</u>	<u>(2,288)</u>	<u>2,085,690</u>
Total	<u>\$7,905,843</u>	<u>\$ 4,027</u>	<u>\$ (4,643)</u>	<u>\$7,905,227</u>

Fair Value Measurements and Disclosures

FASB ASC Topic 820, *Fair Value Measurements* ("ASC 820") defines fair value, establishes a framework for measuring fair value under 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 consists of 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.

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Based on the fair value hierarchy, all of the Company's investments were classified as Level 2 at September 30, 2013 and 2012, as represented in the following table:

	2013	2012
Short-term investments:		
Corporate debt securities		
Financial	\$3,411,661	\$1,604,618
Industrial	1,517,327	2,264,934
Utility	401,984	—
Commercial paper		
Industrial	399,900	348,817
Financial	—	1,197,730
Certificate of deposit—financial	—	403,438
Total short-term investments	<u>\$5,730,872</u>	<u>\$5,819,537</u>
Long-term investments:		
Corporate debt securities		
Financial	\$ —	\$1,237,992
Industrial	—	426,974
Utility	—	420,724
Total long-term investments	<u>\$ —</u>	<u>\$2,085,690</u>

3. 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 the following securities in exchange for aggregate consideration of \$1,012,500: (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 \$922,223, net of transaction costs and expenses.

In December 2010, the Company converted the then-outstanding balance of the debentures of \$1,063,926, including accrued interest of \$51,426, 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 \$319,836 related to the beneficial conversion feature at the time of conversion in accordance with FASB 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 on the principal amount 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 of \$0.75 per share, 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

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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, \$786,432 was allocated to the debentures and \$226,068 to the warrants. The value of the warrants was estimated using a Black-Scholes option pricing model. The amount allocated to the warrants was recorded as a discount on the debentures and was being amortized to interest expense in the accompanying Statements of Operations 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 \$401,568 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 remaining unrecognized interest expense was recorded at the time of conversion.

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

Risk-free interest rate	2.19%
Expected term (in years)	5
Stock price volatility	207%
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"). The Loan Agreement permitted the Company to borrow, repay and re-borrow up to \$400,000 from time to time until January 31, 2013, subject to the terms and conditions of the Loan Agreement. The Loan Agreement expired on January 31, 2013, at which time there were no borrowings outstanding.

4. STOCKHOLDERS' EQUITY

Common Stock

In October 2010, the Company sold 500,000 shares of common stock at \$1.50 per share to accredited investors in a private placement, resulting in net 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 3.

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

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incurred legal fees of approximately \$80,000 in connection with the private placement, resulting in net proceeds of approximately \$13,845,000.

In June, 2013, the Company sold 2,857,142 shares of its common stock at a price of \$5.25 per share in an underwritten public offering (the "Offering") and received \$13,877,447 in net proceeds, after deducting underwriting discounts and commissions and other offering expenses of \$1,122,549. Under the terms of the underwriting agreement for the Offering, the Company granted the underwriter a 30-day option to purchase an additional 428,571 shares of its common stock to cover overallocments. The underwriter exercised its overallocation option during June 2013 and the closing of the sale of shares of the Company's common stock pursuant to such option occurred during July 2013, resulting in \$2,127,350 in additional net proceeds to the Company.

Warrants

Historically, the Company has granted warrants to purchase its common stock to service providers and investors. As of September 30, 2013, there were warrants to purchase 6,667 shares of the Company's common stock outstanding with an exercise price of \$0.91 per share, subject to adjustment for stock splits, stock dividends and the like. These warrants expire in December 2014.

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 to JHH Co. 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.

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 3. Of such warrants, warrants to purchase 330,834 shares of the Company's common stock have been exercised and warrants to purchase 6,667 shares of common stock remain outstanding as of September 30, 2013. These warrants expire in December 2014.

The following table summarizes warrant activity in the fiscal years ended September 30, 2013, 2012 and 2011:

	Number of shares	Weighted-average exercise price
Outstanding and exercisable at September 30, 2010	895,283	\$ 0.84
Granted	—	
Exercised	(763,094)	\$ 0.83
Cancelled	—	
Outstanding and exercisable at September 30, 2011	132,189	\$ 0.91
Granted	—	
Exercised	(125,522)	\$ 0.91
Cancelled	—	
Outstanding and exercisable at September 30, 2012	6,667	\$ 0.91
Granted	—	
Exercised	—	
Cancelled	—	
Outstanding and exercisable at September 30, 2013	<u>6,667</u>	\$ 0.91

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Stock-based Compensation

The Company applies the fair value recognition provisions of 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 option pricing 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 is amortized using the straight-line method over the vesting period of the option.

ASC 718 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The estimated average forfeiture rate for the fiscal year ended September 30, 2013 of 15.3% for all stock option grants was based on historical forfeiture experience.

ASC 718 requires the cash flows from tax benefits resulting from tax deductions in excess of the compensation cost recognized for options to be classified as financing cash flows. Due to the Company's valuation allowance from losses in the previous years, there were no such tax benefits during the fiscal years ended September 30, 2013, 2012 and 2011. Prior to the adoption of ASC 718, any tax benefits received by the Company related to stock option exercises would have been reported as operating cash flows.

The fair value calculations for stock-based compensation awards to employees for the fiscal years ended September 30, 2013, 2012 and 2011 were based on the following assumptions:

	2013	2012	2011
Risk-free interest rate	0.18% - 1.20%	0.35% - 1.06%	0.26% - 2.26%
Expected life (years)	5.3	5.0	5.5
Expected volatility	175%	110%	193%
Expected dividends	None	None	None

The following table summarizes stock-based compensation expense related to stock options and RSUs under ASC 718 for the fiscal years ended September 30, 2013, 2012 and 2011, which were allocated as follows:

	2013	2012	2011
Sales and marketing	\$ 433,130	\$ 471,716	\$ 235,710
Research and development	617,377	592,249	290,239
General and administrative	1,741,355	1,535,893	745,289
Stock-based compensation expense related to employee stock options included in operating expenses	<u>\$2,791,862</u>	<u>\$2,599,858</u>	<u>\$1,271,238</u>

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The following table summarizes vested and unvested options, weighted average exercise price per share, weighted average remaining term and aggregate intrinsic value at September 30, 2013:

	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value
Vested	1,454,952	\$ 3.26	6.05	\$ 4,177,830
Unvested	1,370,012	\$ 4.97	8.61	1,821,844
Total	2,824,964	\$ 4.09	7.29	\$ 5,999,673

The Company recognized \$2,023,023, \$2,070,786 and \$1,091,894 in stock-based compensation expense related to outstanding stock options in the fiscal years ended September 30, 2013, 2012 and 2011, respectively. As of September 30, 2013, the Company had \$5,350,198 of unrecognized compensation expense related to outstanding stock options expected to be recognized over a weighted average period of approximately 2.73 years.

The following table summarizes stock option activity under the Company's stock option plans during the fiscal years ended September 30, 2013, 2012 and 2011:

	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	976,531	\$ 3.70	
Exercised	(942,639)	\$ 0.53	
Cancelled	(14,316)	\$ 0.57	
Outstanding, September 30, 2011	4,553,904	\$ 1.34	6.15
Granted	1,095,750	\$ 8.54	
Exercised	(1,812,215)	\$ 0.81	
Cancelled	(325,153)	\$ 6.41	
Outstanding, September 30, 2012	3,512,286	\$ 3.39	6.46
Granted	651,563	\$ 3.63	
Exercised	(1,103,582)	\$ 0.90	
Cancelled	(235,303)	\$ 7.26	
Outstanding, September 30, 2013	<u>2,824,964</u>	\$ 4.09	7.29

The following table summarizes significant ranges of outstanding and exercisable options as of September 30, 2013:

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
\$0.09 to \$0.79	405,841	6.27	\$ 0.74	405,841	\$ 0.74	—
\$0.80 to \$1.95	360,695	2.43	\$ 0.94	360,695	\$ 0.94	—
\$2.34 to \$2.60	802,258	7.83	\$ 2.51	290,015	\$ 2.60	512,243
\$3.33 to \$9.97	951,586	8.76	\$ 5.81	271,013	\$ 7.17	680,573
\$11.05 to \$11.68	304,584	8.38	\$ 11.08	127,388	\$ 11.08	177,196
	<u>2,824,964</u>	7.29	\$ 4.09	<u>1,454,952</u>	\$ 3.26	<u>1,370,012</u>

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The total intrinsic value of options exercised during the fiscal years ended September 30, 2013, 2012 and 2011 was \$3,832,374, \$14,215,750 and \$4,731,689, respectively. The per-share weighted average fair value of options granted during the fiscal years ended September 30, 2013, 2012 and 2011 was \$3.57, \$5.97 and \$3.54, respectively.

2012 Incentive Plan

In January 2012, the Company's board of directors adopted the Mitek Systems, Inc. 2012 Incentive Plan (the "2012 Plan"), upon the recommendation of the compensation committee of the board of directors. The total number of shares of the Company's common stock reserved for issuance under the 2012 Plan is 2,000,000 shares, plus that number of shares of the Company's common stock that would otherwise return to the available pool of unissued shares reserved for awards under the Company's 1999 Stock Option Plan, 2000 Stock Option Plan, 2002 Stock Option Plan, 2006 Stock Option Plan and 2010 Stock Option Plan (collectively, the "Prior Plans"). There were no awards granted under the Prior Plans after the approval of the 2012 Plan by the Company's stockholders on February 22, 2012. Stock options granted under the Prior Plans that were outstanding at such date remain in effect until such options are exercised or expire.

The 2012 Plan authorizes the grant of stock options, stock appreciation rights, restricted stock, RSUs and cash awards. Stock options granted under the 2012 Plan may be either options intended to constitute incentive stock options or nonqualified stock options, in each case as determined by the compensation committee of the board of directors in accordance with the terms of the 2012 Plan. As of September 30, 2013, stock options to purchase 1,214,397 shares of the Company's common stock and 217,504 RSUs were outstanding under the 2012 Plan, and 776,308 shares of the Company's common stock were reserved for future grants.

The following table summarizes the number of stock options outstanding under the Prior Plans as of September 30, 2013:

2000 Stock Option Plan	215,412
2002 Stock Option Plan	226,100
2006 Stock Option Plan	49,000
2010 Stock Option Plan	<u>1,120,055</u>
Total stock options outstanding under the Prior Plans	<u>1,610,567</u>

In May 2003, the Chief Executive Officer of the Company was granted an option to purchase up to 400,000 shares of the Company's common stock in connection with his appointment as President and Chief Executive Officer. This grant was made without shareholder approval as an inducement award pursuant to Rule 5635(c)(4) of the NASDAQ Listing Rules. The Company filed a registration statement on Form S-8 with the Securities and Exchange Commission registering the shares subject to the grant on December 15, 2011.

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 RSUs 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.

In addition, the Company has awarded RSUs to certain of its employees under the 2012 Plan. The RSUs vest in equal annual installments over four years.

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The following table summarizes RSU activity in the fiscal years ended September 30, 2013, 2012 and 2011:

	Number of shares	Weighted-average fair value per share
Outstanding at September 30, 2010	—	—
Granted	300,000	\$ 5.12
Settled	—	—
Cancelled	—	—
Outstanding at September 30, 2011	300,000	\$ 5.12
Granted	255,835	\$ 8.44
Settled	—	—
Cancelled	(40,001)	\$ 11.05
Outstanding at September 30, 2012	515,834	\$ 6.30
Granted	255,000	\$ 3.15
Settled	(50,829)	\$ 7.76
Cancelled	(27,501)	\$ 11.05
Outstanding at September 30, 2013	<u>692,504</u>	\$ 4.85

The cost of a RSU 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. The Company recognized \$768,839, \$529,072 and \$179,343 in stock-based compensation expense related to outstanding RSUs in the fiscal years ended September 30, 2013, 2012 and 2011, respectively. As of September 30, 2013, the Company had approximately \$2,274,490 of unrecognized compensation expense related to outstanding RSUs expected to be recognized over a weighted-average period of approximately 3.1 years.

5. INCOME TAXES

For the fiscal years ended September 30, 2013, 2012 and 2011 the income tax provision (benefit) was as follows:

	2013	2012	2011
Federal—current	\$ —	\$(4,808)	\$ —
State—current	1,076	800	2,492
Total	<u>\$1,076</u>	<u>\$(4,008)</u>	<u>\$2,492</u>

Significant components of the Company's net deferred tax assets and liabilities as of September 30, 2013 and 2012 are as follows:

	2013	2012
Deferred tax assets (liabilities):		
Net operating loss carryforwards	\$ 10,473,905	\$ 8,428,034
Capitalized research and development costs	134,550	336,475
Stock based compensation	408,588	380,989
Prepaid License Fees	—	4,641
AMT credit carryforwards	66,320	66,320
Other	186,212	78,620
Research credit carryforwards	43,802	49,310
Total deferred assets	<u>11,313,377</u>	<u>9,344,389</u>
Valuation allowance for net deferred tax assets	<u>(11,313,377)</u>	<u>(9,344,389)</u>
Total	<u>\$ —</u>	<u>\$ —</u>

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The Company has provided a valuation allowance against deferred tax assets recorded as of September 30, 2013 and 2012 due to uncertainties regarding the realization of such assets.

The net change in the total valuation allowance for the fiscal years ended September 30, 2013 and 2012 was an increase of \$1,968,988 and \$2,247,615, respectively. In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during periods in which those temporary differences become deductible. The Company considers projected future taxable income and planning strategies in making this assessment. Based on the level of historical operating results and projections for future taxable income, the Company has determined that it is more likely than not that the deferred tax assets will not be realized. Accordingly, the Company has recorded a valuation allowance to reduce deferred tax assets to zero. There can be no assurance that the Company will ever be able to realize the benefit of some or all of the federal and state loss carryforwards or the credit carryforwards, either due to ongoing operating losses or due to ownership changes, which limit the usefulness of the loss carryforwards.

As of September 30, 2013, the Company has available net operating loss carryforwards of \$45,392,347 for federal income tax purposes, which will start to expire in 2018. The net operating loss carryforwards for state purposes are \$35,164,486 and will begin to expire in 2013. Included in these amounts are federal and state net operating losses of \$17,654,877 attributable to stock option deductions of which the tax benefit will be credited to equity when realized. As of September 30, 2013, the Company has available federal research and development credit carryforwards of \$29,306 and alternative minimum tax credit carryforwards of \$66,320. The research and development credits will start to expire in 2023. As of September 30, 2013, the Company has available state research and development credit carryforwards and manufacturers' investment credit carryforwards of \$21,963 and \$8,346, respectively. The state research and development credits have no expiration date and the state manufacturers' investment credits started to expire in the current year.

The Company's ability to use its net operating loss and research and development credit carryforwards may be substantially limited due to ownership change limitations that may have occurred or that could occur in the future, as required by Section 382 of the Internal Revenue Code of 1986, as amended ("Section 382"), as well as similar state provisions. The Company has not completed a study to assess whether an ownership change has occurred or whether there have been multiple ownership changes since the Company became a "loss corporation" as defined in Section 382. Due to the existence of the valuation allowance, it is not expected that any possible limitation will have an impact on the results of operations or financial position of the Company.

The difference between the income tax provision (benefit) and income taxes computed using the U.S. federal income tax rate was as follows for the years ended September 30, 2013, 2012 and 2011:

	2013	2012	2011
Amount computed using statutory rate	\$(2,473,374)	\$(2,666,961)	\$(42,519)
Net change in valuation allowance for net deferred tax assets	1,968,987	2,247,615	(18,388)
Non-deductible items	548,839	807,533	798
Other	—	—	(18,378)
State income tax	(43,376)	(392,195)	80,979
Income tax provision (benefit)	<u>\$ 1,076</u>	<u>\$ (4,008)</u>	<u>\$ 2,492</u>

The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. Because the Company is carrying forward federal and state net operating losses from 1997 and 2002, respectively, the Company is subject to U.S. federal and state income tax examinations by tax authorities for all

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years since 1997 and 2002, as the case may be. The Company does not have any uncertain tax positions. As of September 30, 2013, no accrued interest or penalties are recorded in the financial statements.

6. COMMITMENTS AND CONTINGENCIES

Legal Matters

USAA

On March 29, 2012, United Services Automobile Association (“USAA”) filed a complaint in the U.S. District Court for the Western District of Texas San Antonio Division against the Company seeking, among other things, a declaratory judgment that USAA does not infringe certain of the Company’s patents relating to Mobile Deposit[®], and that such patents are not enforceable against USAA. In addition, USAA alleges that it disclosed confidential information to the Company and that the Company used such information in its patents and Mobile Deposit[®] product in an unspecified manner. USAA seeks damages and injunctive relief. USAA subsequently amended its pleadings to assert a claim for false advertising and reverse palming off under the Lanham Act, and to seek reimbursement under the parties’ license agreement.

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

The courts consolidated the foregoing cases in the U.S. District Court for the Western District of Texas, and on November 19, 2012, the Company answered USAA’s various claims and counterclaims, moved to dismiss USAA’s Lanham Act cause of action and filed a counterclaim against USAA for violation of the Lanham Act. On February 15, 2013, the court granted the Company’s motion and dismissed USAA’s Lanham Act claim.

The Company believes USAA’s claims are without merit and intends to vigorously defend against those claims and pursue its claims against USAA. The Company does not believe that the results of USAA’s claims will have a material adverse effect on its financial condition or results of operations.

Top Image Systems Ltd.

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

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

Other Legal Matters

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

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Employee 401(k) Plan

The Company has a 401(k) plan that allows participating employees to contribute a percentage of their salary, subject to Internal Revenue Service annual limits. The Company's board of directors may, at its sole discretion, approve matching contributions by the Company. During the fiscal years ended September 30, 2013, 2012 and 2011, the Company's board of directors did not approve any Company matching contributions to the plan.

Facility Lease

The Company's principal executive offices, as well as its research and development facility, are located in approximately 22,523 square feet of office space in San Diego, California. The term of the lease for the Company's offices continues through June 30, 2019. The annual base rent under the lease is approximately \$471,000 per year and is subject to annual increases of approximately 3% per year. In connection with the lease, the Company received tenant improvement allowances totaling \$675,690. These lease incentives are being amortized as a reduction of rent expense over the term of the lease. As of September 30, 2013, the unamortized balance of the lease incentives was \$603,202, of which \$104,905 has been included in other current liabilities and \$498,297 has been included in other non-current liabilities. Under the terms of the lease, the Company issued a standby letter of credit to the landlord that allows for one or more draws of up to \$210,000 over the term of the lease. The Company believes its existing properties are in good condition and are sufficient and suitable for the conduct of its business.

Future annual minimum rental payments payable under the lease are as follows:

Years ending September 30:	
2014	\$ 481,535
2015	495,981
2016	510,861
2017	526,187
2018	541,972
Thereafter	416,959
Total	<u>\$2,973,495</u>

Rent expense for the Company's operating lease for its facility for the years ended September 30, 2013, 2012 and 2011 totaled \$379,529, \$335,946 and \$288,041, respectively.

7. REVENUE AND VENDOR CONCENTRATIONS

Revenue Concentration

For the fiscal year ended September 30, 2013, the Company derived revenue of \$3,607,417, or 24% of the Company's total revenue, from one customer, compared to revenue of \$3,787,730 from three customers, with such customers accounting for 15%, 15% and 12%, respectively, of the Company's total revenue for the fiscal year ended September 30, 2012. For the fiscal year ended September 30, 2011, the Company derived revenue of \$3,384,788 from two customers, with such customers accounting for 22% and 11%, respectively, of the Company's total revenue. The corresponding accounts receivable balances of customers from which revenues were in excess of 10% of total revenue were \$588,475, \$675,074 and \$2,235,500 at September 30, 2013, 2012 and 2011, respectively.

The Company's revenue is derived primarily from the sale by the Company to channel partners, including systems integrators and resellers, and end-users of licenses to sell products covered by the Company's patented technologies. 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; therefore, 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.

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Revenues can fluctuate based on the timing of license renewals by channel partners. When a channel partner purchases or renews a license, the Company receives a license fee in consideration for the grant of a 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 revenue in future periods. During the last few years, sales of licenses to one or more channel partners have comprised a significant part of the Company's revenue. This is attributable to the timing of renewals or purchases of licenses and does not represent a dependence on any single channel partner. The Company believes that it is not dependent upon 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 that 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 because either the Company or another channel partner could sell the Company's products to the end-user that purchased from the channel partner the Company lost.

International sales accounted for approximately 3%, 5% and 12% of the Company's total revenue for the fiscal years ended September 30, 2013, 2012 and 2011, respectively. The Company sells its products in U.S. currency only.

Vendor Concentration

The Company purchases its integrated software components from multiple third-party software providers at competitive prices. For the fiscal years ended September 30, 2013 and 2012, the Company did not make purchases from any one vendor comprising 10% or more of the Company's total purchases. The Company made purchases from one vendor that comprised approximately 13% of the Company's total purchases for the fiscal year ended September 30, 2011. The Company has entered into contractual relationships with some of its vendors; however, 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.

**VOLUME SUBMITTER
DEFINED CONTRIBUTION PLAN
(PROFIT SHARING /401(K) PLAN)
FIDELITY VOLUME SUBMITTER PLAN**

**Adoption Agreement No. 001
For use With
Fidelity Basic Plan Document No. 14**

Plan Number 38088
Fidelity Advisor 401(k) Program
Volume Submitter Defined Contribution Plan

38088-1362405370

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**A DOPTION AGREEMENT
ARTICLE 1
PROFIT SHARING /401(k) PLAN**

1.01 PLAN INFORMATION

(a) Name of Plan :

This is the Mitek Systems, Inc. 401(k) Savings Plan (the "Plan")

(b) Type of Plan :

(1) 401(k) Only

401(k) and Profit Sharing

(2)

Profit Sharing Only

(3)

(c) Administrator Name (if not the Employer):

(d) Plan Year End (month/day) : 12/31

(e) Three Digit Plan Number : 001

(f) Limitation Year (check one):

Calendar Year

(1)

Plan Year

(2)

Other: _____

(3)

(g) Plan Status (check appropriate box(es)):

(1) Adoption Agreement Effective Date: 05/01/2013

Note: The effective date specified above must be after the last day of the 2001 Plan Year.

(2) The Adoption Agreement Effective Date is:

A new Plan Effective Date

(A)

An amendment Effective Date (check one):

(B)

(i) an amendment and restatement of this Basic Plan Document No. 14 and its Adoption Agreement previously executed by the Employer;

(ii) a conversion from Fidelity Basic Plan Document No.12 and its Adoption Agreement to Basic Plan Document No. 14 and its Adoption Agreement; or

(iii) a conversion to Basic Plan Document No. 14 and its Adoption Agreement.

(iii)

The original effective date of the Plan: 5/29/1986

- (3) **Special Effective Dates.** Certain provisions of the Plan shall be effective as of a date other than the date specified in Subsection 1.01(g)(1) above. Please complete the Special Effective Dates Addendum to the Adoption Agreement indicating the affected provisions and their effective dates.
- (4) **Plan Merger Effective Dates.** Certain plan(s) were merged into the Plan on or after the date specified in Subsection 1.01(g)(1) above. The merged plans are listed in the Plan Mergers Addendum. Please complete the appropriate subsection(s) of the Plan Mergers Addendum to the Adoption Agreement indicating the plan(s) that have merged into the Plan and the effective date(s) of such merger(s).

- (5) **Frozen Plan.** The Plan is currently frozen. Unless the Plan is amended in the future to provide otherwise, no further contributions shall be made to the Plan. Plan assets will continue to be held on behalf of Participants and their Beneficiaries until distributed in accordance with the Plan terms. *(If this provision is selected, it will override any conflicting provision selected in the Adoption Agreement.)*

Note: While the Plan is frozen, no further contributions, including Deferral Contributions, Employee Contributions, and Rollover Contributions, may be made to the Plan and no employee who is not already a Participant in the Plan may become a Participant.

1.02 EMPLOYER

(a) **Employer Name :** Mitek Systems, Inc.

- (1) Employer's Tax Identification Number: 87-0418827
(2) Employer's fiscal year end: 9/30

(b) The term "Employer" includes the following participating employers (choose one) :

- (1) No other employers participate in the Plan.

Certain other employers participate in the Plan. Please complete the Participating Employers Addendum.

(2)

1.03 TRUSTEE

(a) **Trustee Name :** Fidelity Management Trust Company

Address: 82 Devonshire Street
Boston, MA 02109

1.04 COVERAGE

All Employees who meet the conditions specified below shall be eligible to participate in the Plan :

(a) **Age Requirement (check one):**

no age requirement.

(1)

must have attained age: 21 (**not to exceed 21**).

(2)

(b) **Eligibility Service Requirement(s)**— There shall be no eligibility service requirements for contributions to the Plan unless selected below for the following contributions:

- (1) For Deferral Contributions, Employee Contributions, and Qualified Nonelective Employer Contributions, Employees must meet the following service requirement (select one):

(A) _____ (**not to exceed 365**) days of Eligibility Service requirement (no minimum Hours of Service can be required).

(B) _____ (**not to exceed 12**) months of Eligibility Service requirement (no minimum Hours of Service can be required).

(C) one year of Eligibility Service requirement (at least _____ (**not to exceed 1,000**) Hours of Service are required during the Eligibility Computation Period).

For Nonelective Employer Contributions, Employees must meet the following service requirement (select one):

(2)

_____ (not to exceed 730) days of Eligibility Service requirement (no minimum Hours of Service can be required).

(A)

_____ (not to exceed 24) months of Eligibility Service requirement (no minimum Hours of Service can be required).

(B)

one year of Eligibility Service requirement (at least _____ (not to exceed 1,000) Hours of Service are required during the Eligibility Computation Period).

(C)

two years of Eligibility Service requirement (at least _____ (not to exceed 1,000) Hours of Service are required during each Eligibility Computation Period).

(D)

For Matching Employer Contributions, Employees must meet the following service requirement (select one):

(3)

(A) _____ (not to exceed 730) days of Eligibility Service requirement (no minimum Hours of Service can be required).

_____ (not to exceed 24) months of Eligibility Service requirement (no minimum Hours of Service can be required).

(B)

one year of Eligibility Service requirement (at least _____ (not to exceed 1,000) Hours of Service are required during the Eligibility Computation Period).

(C)

two years of Eligibility Service requirement (at least _____ (not to exceed 1,000) Hours of Service are required during each Eligibility Computation Period).

(D)

Note: If the Employer selects an Eligibility Service requirement of more than 365 days in Option 1.04(b)(2)(A) or 1.04(b)(3)(A) or 12 months in Option 1.04(b)(2)(B) or 1.04(b)(3)(B) or the two year Eligibility Service requirement in Option 1.04(b)(2)(D) or 1.04(b)(3)(D), then contributions subject to such Eligibility Service requirement must be 100% vested when made.

Note: If different eligibility requirements are selected for Deferral Contributions in Subsection 1.04(a)(1) or 1.04(b)(1) than for Employer Contributions and a more stringent eligibility requirement is elected in Subsection 1.04(a) or (b) either (1) with respect to Matching Employer Contributions and Option 1.11(a)(3), 401(k) Safe Harbor Matching Employer Contributions, is selected or (2) with respect to Nonelective Employer Contributions and Option 1.12(a)(3), 401(k) Safe Harbor Formula, is selected, then the Plan may be disaggregated for testing purposes as described in Section 6.09 of the Basic Plan Document. If a more stringent eligibility requirement is elected in Subsection 1.04(a) or (b) for Nonelective Employer Contributions than for Matching Employer Contributions and Option 1.12(a)(3), 401(k) Safe Harbor Formula, is selected for Nonelective Employer Contributions, then Matching Employer Contributions may be similarly disaggregated.

Note: If different eligibility requirements are selected for Deferral Contributions in Subsection 1.04(a)(1) or 1.04(b)(1) than for Employer Contributions and the Plan becomes a “top-heavy plan,” the Employer may need to make a minimum Employer Contribution on behalf of non-key Employees who have satisfied the eligibility requirements for Deferral Contributions and are employed on the last day of the Plan Year, but have not satisfied the eligibility requirements for Employer Contributions.

- (c) **Eligibility Computation Period** - The Eligibility Computation Period is the 12-consecutive-month period beginning on an Employee’s Employment Commencement Date and each 12-consecutive-month period beginning on an anniversary of his Employment Commencement Date.

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(d) Eligible Class of Employees :

(1) Generally, the Employees eligible to participate in the Plan are (choose one):

(A) all Employees of the Employer.

only Employees of the Employer who are covered by (choose one):

(B)

any collective bargaining agreement with the Employer, provided that the agreement requires the employees to be included under the Plan .

(ii) the following collective bargaining agreement(s) with the Employer:

(2) Notwithstanding the selection in Subsection 1.04(d)(1) above, certain Employees of the Employer are excluded from participation in the Plan (check the appropriate box(es)):

Note : Certain employees (e.g., residents of Puerto Rico) are excluded automatically pursuant to Subsection 2.01(s) of the Basic Plan Document, regardless of the Employer's selection under this Subsection 1.04(d)(2).

(A) employees covered by a collective bargaining agreement, unless the agreement requires the employees to be included under the Plan. *(Do not choose if Option 1.04(d)(1)(B) is selected above.)*

(B) Highly Compensated Employees as defined in Subsection 2.01(cc) of the Basic Plan Document.

(C) Leased Employees as defined in Subsection 2.01(gg) of the Basic Plan Document.

(D) nonresident aliens who do not receive any earned income from the Employer which constitutes United States source income.

(E) other:

Note : The eligible group defined above must be a definitely determinable group and cannot be subject to the discretion of the Employer. In addition, the design of the classifications cannot be such that the only Non-Highly Compensated Employees benefiting under the Plan are those with the lowest compensation and/or the shortest periods of service and who may represent the minimum number of such employees necessary to satisfy coverage under Code Section 410(b).

- (i) Notwithstanding this exclusion, any Employee who is excluded from participation solely because he is in a group described below shall become an Eligible Employee eligible to participate in the Plan on the Entry Date coinciding with or immediately following the date on which he first satisfies the following requirements: (I) he attains age 21 and (II) he completes at least 1,000 Hours of Service during an Eligibility Computation Period. This Subsection 1.04(d)(2)(E)(i) applies to the following excluded Employees (***Must choose if an exclusion in (E) above directly or indirectly imposes an age and/or service requirement for participation, for example by excluding part-time or temporary employees***):

Note : The Employer should exercise caution when excluding employees from participation in the Plan. Exclusion of employees may adversely affect the Plan's satisfaction of the minimum coverage requirements, as provided in Code Section 410(b).

(e) **Entry Date(s)** - The Entry Dates shall be as indicated below with respect to the applicable type(s) of contribution. (Complete the table below by checking the appropriate boxes to indicate Entry Dates for the contributions listed.)

	(1) Deferral Contributions, Employee Contributions, Qualified Nonelective Employer Contributions	(2) Nonelective Employer Contributions	(3) Matching Employer Contributions	
(A)				N/A – not applicable – type(s) of contribution not selected
(B)				Immediate upon meeting the eligibility requirements specified in Subsections 1.04(a) and 1.04(b)
(C)				the first day of each Plan Year and the first day of the seventh month of each Plan Year
(D)				the first day of each Plan Year and the first day of the fourth, seventh, and tenth months of each Plan Year
(E)	X	X	X	the first day of each month
(F)				the first day of each Plan Year (<i>Do not select if there is an Eligibility Service requirement of more than six months in Subsection 1.04(b) for the type(s) of contribution or if there is an age requirement of more than 20 1/2 in Subsection 1.04(a) for the type(s) of contribution.</i>)

Note: If another plan is merged into the Plan, the Plan may provide on the Plan Mergers Addendum that the effective date of the merger is also an Entry Date with respect to certain Employees.

(f) **Date of Initial Participation** - An Employee shall become a Participant unless excluded by Subsection 1.04(d) above on the Entry Date coinciding with or immediately following the date the Employee completes the service and age requirement(s) in Subsections 1.04(a) and (b), if any, except (check one):

- (1) no exceptions.
- (2) Employees employed on _____ (*insert date*) shall become Participants on that date.
- (3) Employees who meet the age and service requirement(s) of Subsections 1.04(a) and (b) on _____ (*insert date*) shall become Participants on that date.

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Compensation for purposes of determining contributions shall be as defined in Subsection 2.01(k) of the Basic Plan Document, modified as provided below.

(a) **Compensation Exclusions** - Compensation shall exclude the item(s) selected below.

- (1) No exclusions.
- (2) Overtime pay.
- (3) Bonuses.
- (4) Commissions.
- (5) The value of restricted stock or of a qualified or a non-qualified stock option granted to an Employee by the Employer to the extent such value is includable in the Employee's taxable income.
- (6) Severance pay received prior to termination of employment. (*Severance pay received following termination of employment is always excluded for purposes of contributions.*)
- (7) see Additional Provisions Addendum .

Note : If the Employer selects an option, other than (1) above, with respect to Nonelective Employer Contributions, Compensation must be tested to show that it meets the requirements of Code Section 414(s) or the allocations must be tested to show that they meet the general test under regulations issued under Code Section 401(a)(4). These exclusions shall not apply for purposes of the "Top-Heavy" requirements in Section 15.03, for allocating safe harbor Matching Employer Contributions if Subsection 1.11(a)(3) is selected, for allocating safe harbor Nonelective Employer Contributions if Subsection 1.12(a)(3) is selected, or for allocating non-safe harbor Nonelective Employer Contributions if the Integrated Formula is elected in Subsection 1.12(b)(2).

(b) **Compensation for the First Year of Participation** - Contributions for the Plan Year in which an Employee first becomes a Participant shall be determined based on the Employee's Compensation as provided below. (Complete by checking the appropriate boxes.)

- (1) Compensation for the entire Plan Year. (Complete (A) below, if applicable, with regard to the initial Plan Year of the Plan.)
 - (A) For purposes of determining the amount of Nonelective Employer Contributions, other than 401(k) Safe Harbor Nonelective Employer Contributions, for all Employees who become Active Participants during the initial Plan Year, Compensation for the 12-month period ending on the last day of the initial Plan Year shall be used.
- (2) Only Compensation for the portion of the Plan Year in which the Employee is eligible to participate in the Plan. (Complete (A) below, if applicable, with regard to the initial Plan Year of the Plan.)
 - (A) For purposes of determining the amount of Nonelective Employer Contributions, other than 401(k) Safe Harbor Nonelective Employer Contributions, for those Employees who become Active Participants on the Effective Date of the Plan, Compensation for the 12-month period ending on the last day of the initial Plan Year shall be used. For all other Employees, only Compensation for the period in which they are eligible shall be used.

1.06 TESTING RULES

- (a) **ADP/ACP Present Testing Method** - The testing method for purposes of applying the “ADP” and “ACP” tests described in Sections 6.03 and 6.06 of the Basic Plan Document shall be the (check one):
- (1) **Current Year Testing Method** - The “ADP” or “ACP” of Highly Compensated Employees for the Plan Year shall be compared to the “ADP” or “ACP” of Non-Highly Compensated Employees for the same Plan Year. *(Must choose if Option 1.11(a)(3), 401(k) Safe Harbor Matching Employer Contributions, or Option 1.12(a)(3), 401(k) Safe Harbor Formula, with respect to Nonelective Employer Contributions is checked.)*
 - (2) **Prior Year Testing Method** - The “ADP” or “ACP” of Highly Compensated Employees for the Plan Year shall be compared to the “ADP” or “ACP” of Non-Highly Compensated Employees for the immediately preceding Plan Year. *(Do not choose if Option 1.10(a)(1), alternative allocation formula for Qualified Nonelective Contributions.)*
 - (3) Not applicable. *(Only if Option 1.01(b)(3), Profit Sharing Only, is checked and Option 1.08(a)(1), Future Employee Contributions, and Option 1.11(a), Matching Employer Contributions, are not checked or Option 1.04(d)(2)(B), excluding all Highly Compensated Employees from the eligible class of Employees, is checked.)*

Note: Restrictions apply on elections to change testing methods.

- (b) **First Year Testing Method** - If the first Plan Year that the Plan, other than a successor plan, permits Deferral Contributions or provides for either Employee or Matching Employer Contributions, occurs on or after the Effective Date specified in Subsection 1.01(g), the “ADP” and/or “ACP” test for such first Plan Year shall be applied using the actual “ADP” and/or “ACP” of Non-Highly Compensated Employees for such first Plan Year, unless otherwise provided below.
- (1) The “ADP” and/or “ACP” test for the first Plan Year that the Plan permits Deferral Contributions or provides for either Employee or Matching Employer Contributions shall be applied assuming a 3% “ADP” and/or “ACP” for Non-Highly Compensated Employees. *(Do not choose unless Plan uses prior year testing method described in Subsection 1.06(a)(2).)*
- (c) **HCE Determinations: Look Back Year** - The look back year for purposes of determining which Employees are Highly Compensated Employees shall be the 12-consecutive-month period preceding the Plan Year unless otherwise provided below.
- (1) **Calendar Year Determination** - The look back year shall be the calendar year beginning within the preceding Plan Year. *(Do not choose if the Plan Year is the calendar year.)*
- (d) **HCE Determinations: Top Paid Group Election** - All Employees with Compensation exceeding the dollar amount specified in Code Section 414(q)(1)(B)(i) adjusted pursuant to Code Section 415(d) (e.g., \$95,000 for “determination years” beginning in 2005 and “look-back years” beginning in 2004) shall be considered Highly Compensated Employees, unless Top Paid Group Election below is checked.
- (1) **Top Paid Group Election** - Employees with Compensation exceeding the dollar amount specified in Code Section 414(q)(1)(B)(i) adjusted pursuant to Code Section 415(d) (e.g., \$95,000 for “determination years” beginning in 2005 and “look-back years” beginning in 2004) shall be considered Highly Compensated Employees only if they are in the top paid group (the top 20% of Employees ranked by Compensation).

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Note: Plan provisions for Sections 1.06(c) and 1.06(d) must apply consistently to all retirement plans of the Employer for determination years that begin with or within the same calendar year (except that Option 1.06(c)(1), Calendar Year Determination, shall not apply to calendar year plans).

1.07 **DEFERRAL CONTRIBUTIONS**

(a) **Deferral Contributions** - Participants may elect to have a portion of their Compensation contributed to the Plan on a before-tax basis pursuant to Code Section 401(k). Pursuant to Subsection 5.03(a) of the Basic Plan Document, if Catch-Up Contributions are selected below, the Plan's deferral limit is 75%, unless the Employer elects an alternative deferral limit in Subsection 1.07(a)(1)(A) below. If Catch-Up Contributions are selected below, and the Employer has specified a percentage in Subsection 1.07(a)(1)(A) that is less than 75%, a Participant eligible to make Catch-Up Contributions shall (subject to the statutory limits in Treasury Regulation Section 1.414-1(b)(1)(i)) in any event be permitted to contribute in excess of the specified deferral limit up to 100% of the Participant's "effectively available Compensation" (*i.e.*, Compensation available after other withholding), as required by Treasury Regulation Section 1.414(v)-1(e)(1)(ii)(B).

(1) **Regular Contributions** - The Employer shall make a Deferral Contribution in accordance with Section 5.03 of the Basic Plan Document on behalf of each Participant who has an executed salary reduction agreement in effect with the Employer for the payroll period in question. Such Deferral Contribution shall not exceed the deferral limit specified in Subsection 5.03(a) of the Basic Plan Document or in Subsection 1.07(a)(1)(A) below, as applicable. Check and complete the appropriate box(es), if any.

(A) The deferral limit is **100** % (*must be a whole number multiple of one percent*) of Compensation. (*Unless a different deferral limit is specified, the deferral limit shall be 75%. If Option 1.07(a)(4), Catch-Up Contributions, is selected below, complete only if deferral limit is other than 75%.*)

(B) Instead of specifying a percentage of Compensation, a Participant's salary reduction agreement may specify a dollar amount to be contributed each payroll period, provided such dollar amount does not exceed the maximum percentage of Compensation specified in Subsection 5.03(a) of the Basic Plan Document or in Subsection 1.07(a)(1)(A) above, as applicable.

(C) A Participant may increase or decrease, on a prospective basis, his salary reduction agreement percentage or, if Roth 401(k) Contributions are selected in Subsection 1.07(a)(5) below, the portion of his Deferral Contributions designated as Roth 401(k) Contributions (check one):

- (i) as of the beginning of each payroll period.
- (ii) as of the first day of each month.
- (iii) as of each Entry Date . (*Do not select if immediate entry is elected with respect to Deferral Contributions in Subsection 1.04(e).*)
- (iv) as of the first day of each calendar quarter.
- (v) as of the first day of each Plan Year.
- (vi) other. (Specify, but must be at least once per Plan Year).

Note: Notwithstanding the Employer's election hereunder, if Option 1.11(a)(3), 401(k) Safe Harbor Matching Employer Contributions, or Option 1.12(a)(3), 401(k) Safe Harbor Formula, with respect to Nonelective Employer Contributions is checked, the Plan provides that an Active Participant may change his salary reduction agreement percentage for the Plan Year within a reasonable period (not fewer than 30 days) of receiving the notice described in Section 6.09 of the Basic Plan Document.

- (D) A Participant may revoke, on a prospective basis, a salary reduction agreement at any time upon proper notice to the Administrator but in such case may not file a new salary reduction agreement until (check one):
- (i) the beginning of the next payroll period.
 - (ii) the first day of the next month.
 - (iii) the next Entry Date . (*Do not select if immediate entry is elected with respect to Deferral Contributions in Subsection 1.04(e).*)
 - (iv) as of the first day of each calendar quarter.
 - (v) as of the first day of each Plan Year.
 - (vi) other. (Specify, but must be at least once per Plan Year).
-
-

- (2) **Additional Deferral Contributions** - The Employer shall allow a Participant upon proper notice and approval to enter into a special salary reduction agreement to make additional Deferral Contributions in an amount up to 100% of their effectively available Compensation for the payroll period(s) designated by the Employer.
- (3) **Bonus Contributions** - The Employer shall allow a Participant upon proper notice and approval to enter into a special salary reduction agreement to make Deferral Contributions in an amount up to 100% of any Employer paid cash bonuses designated by the Employer on a uniform and nondiscriminatory basis that are made for such Participants during the Plan Year. The Compensation definition elected by the Employer in Subsection 1.05(a) must include bonuses if bonus contributions are permitted. Unless a Participant has entered into a special salary reduction agreement with respect to bonuses, the percentage deferred from any Employer paid cash bonus shall be (check (A) or (B) below):
- (A) Zero.
 - (B) The same percentage elected by the Participant for his regular contributions in accordance with Subsection 1.07(a)(1) above or deemed to have been elected by the Participant in accordance with Option 1.07(a)(6) below.

Note: A Participant's contributions under Subsection 1.07(a)(2) and/or (3) may not cause the Participant to exceed the percentage limit specified by the Employer in Subsection 1.07(a)(1)(A) for the full Plan Year. If the Administrator anticipates that the Plan will not satisfy the "ADP" and/or "ACP" test for the year, the Administrator may reduce the rate of Deferral Contributions of Participants who are Highly Compensated Employees to an amount objectively determined by the Administrator to be necessary to satisfy the "ADP" and/or "ACP" test.

(4) **Catch-Up Contributions** - The following Participants who have attained or are expected to attain age 50 before the close of the calendar year will be permitted to make Catch-Up Contributions to the Plan, as described in Subsection 5.03(a) of the Basic Plan Document:

(A) All such Participants.

(B) All such Participants except those covered by a collective-bargaining agreement under which retirement benefits were a subject of good faith bargaining unless the bargaining agreement specifically provides for Catch-Up Contributions to be made on behalf of such Participants.

Note: The Employer must *not* select Option 1.07(a)(4) above unless all “applicable plans” (except any plan that is qualified under Puerto Rican law or that covers only employees who are covered by a collective bargaining agreement under which retirement benefits were a subject of good faith bargaining) maintained by the Employer and by any other employer that is treated as a single employer with the Employer under Code Section 414(b), (c), (m), or (o) also permit Catch-Up Contributions in the same dollar amount. An “applicable plan” is any 401(k) plan or any SIMPLE IRA plan, SEP, plan or contract that meets the requirements of Code Section 403(b), or Code Section 457 eligible governmental plan that provides for elective deferrals.

(5) **Roth 401(k) Contributions.** Participants shall be permitted to irrevocably designate pursuant to Subsection 5.03(b) of the Basic Plan Document that a portion or all of the Deferral Contributions made under this Subsection 1.07(a) are Roth 401(k) Contributions that are includable in the Participant’s gross income at the time deferred .

(6) **Automatic Enrollment Contributions.** Beginning on the effective date of this paragraph (6) (the “Automatic Enrollment Effective Date”) and subject to the remainder of this paragraph (6), unless an Eligible Employee affirmatively elects otherwise, his Compensation will be reduced by _____% (the “Automatic Enrollment Rate”), such percentage to be increased in accordance with Option 1.07(b) (if applicable), for each payroll period in which he is an Active Participant, beginning as indicated in Subsection 1.07(a)(6)(A) below, and the Employer will make a pre-tax Deferral Contribution in such amount on the Participant’s behalf in accordance with the provisions of Subsection 5.03(c) of the Basic Plan Document (an “Automatic Enrollment Contribution”).

(A) With respect to an affected Participant, Automatic Enrollment Contributions will begin as soon as administratively feasible on or after (check one):

(i) The Participant’s Entry Date.

(ii) _____ (minimum of 30) days following the Participant’s date of hire, but no sooner than the Participant’s Entry Date.

Within a reasonable period ending no later than the day prior to the date Compensation subject to the reduction would otherwise become available to the Participant, an Eligible Employee may make an affirmative election not to have Automatic Enrollment Contributions made on his behalf. If an Eligible Employee makes no such affirmative election, his Compensation shall be reduced and Automatic Enrollment Contributions will be made on his behalf in accordance with the provisions of this paragraph (6), and Option 1.07(b) if applicable, until such Active Participant elects to change or revoke such Deferral Contributions as provided in Subsection 1.07(a)(1)(C) or (D). Automatic Enrollment Contributions shall be made only on behalf of Active Participants who are first hired by the Employer on or after the Automatic Enrollment Effective Date and do not have a Reemployment Commencement Date, unless otherwise provided below.

- Additionally, unless such affected Participant affirmatively elects otherwise within the reasonable period established by the Plan Administrator, Automatic Enrollment Contributions will be made with respect to the Employees described below. (Check all that apply.)

- (i)** Inclusion of Previously Hired Employees. On the later of the date specified in Subsection 1.07(a)(6)(A) with regard to such Eligible Employee or as soon as administratively feasible on or after the 30th day following the Notification Date specified in Subsection 1.07(a)(6)(B)(i)(I) below, Automatic Enrollment Contributions will begin for the following Eligible Employees who were hired before the Automatic Enrollment Effective Date and have not had a Reemployment Commencement Date. (Complete (I), check (II) or (III), and complete (IV), if applicable.)

(I) Notification Date: _____. (Date must be on or after the Automatic Enrollment Effective Date.)

- (II)** Unless otherwise elected in Subsection 1.07(a)(6)(B)(i)(IV) below, all such Employees who have never had a Deferral Contribution election in place.

- (III)** Unless otherwise elected in Subsection 1.07(a)(6)(B)(i)(IV) below, all such Employees who have never had a Deferral Contribution election in place and were hired by the Employer before the Automatic Enrollment Effective Date, but on or after the following date: _____.

- (IV)** In addition to the group of Employees elected in Subsection 1.07(a)(6)(B)(i)(II) or (III) above, any Employee described in Subsection 1.07(a)(6)(B)(i)(II) or (III) above, as applicable, even if he has had a Deferral Contribution election in place previously, provided he is not suspended from making Deferral Contributions pursuant to the Plan and has a deferral rate of zero on the Notification Date.

- (ii)** Inclusion of Rehired Employees. Unless otherwise stated herein, each Eligible Employee having a Reemployment Commencement Date on the date indicated in Subsection 1.07(a)(6)(A) above. If Subsection 1.07(a)(6)(B)(i)(III) is selected, only such Employees with a Reemployment Commencement on or after the date specified in Subsection 1.07(a)(6)(B)(i)(III) will be automatically enrolled. If Subsection 1.07(a)(6)(B)(i) is not selected, only such Employees with a Reemployment Commencement on or after the Automatic Enrollment Effective Date will be automatically enrolled. If Subsection 1.07(a)(6)(A)(ii) has been elected above, for purposes of Subsection 1.07(a)(6)(A) only, such Employee's Reemployment Commencement Date will be treated as his date of hire.

- (b) **Automatic Deferral Increase: (Choose only if Automatic Enrollment Contributions are selected in Option 1.07(a)(6) above) -**
- Unless an Eligible Employee affirmatively elects otherwise after receiving appropriate notice, Deferral Contributions for each Active Participant having Automatic Enrollment Contributions made on his behalf shall be increased annually by the whole percentage of Compensation stated in Subsection 1.07(b)(1) below until the deferral percentage stated in Subsection 1.07(a)(1) is reached (except that the increase will be limited to only the percentage needed to reach the limit stated in Subsection 1.07(a)(1), if applying the percentage in Subsection 1.07(b)(1) would exceed the limit stated in Subsection 1.07(a)(1)), unless the Employer has elected a lower percentage limit in Subsection 1.07(b)(2) below.
- (1) Increase by _____% (**not to exceed 10%**) of Compensation. Such increased Deferral Contributions shall be pre-tax Deferral Contributions.
- (2) Limited to _____% of Compensation (**not to exceed the percentage indicated in Subsection 1.07(a)(1)**).
-
- (3) Notwithstanding the above, the automatic deferral increase shall not apply to a Participant within the first six months following the date upon which Automatic Enrollment Contributions begin for such Participant.

1.08 EMPLOYEE CONTRIBUTIONS (AFTER - TAX CONTRIBUTIONS)

- Future Employee Contributions** - Participants may make voluntary, non-deductible, after-tax Employee Contributions pursuant to Section 5.04 of the Basic Plan Document. The Employee Contribution made on behalf of an Active Participant each payroll period shall not exceed the contribution limit specified in Subsection 1.08(a)(1) below.
-
- (1) The contribution limit is _____% (**must be a whole number multiple of one percent**) of Compensation.
- (2) Instead of specifying a percentage of Compensation, a Participant may specify a dollar amount to be contributed each payroll period, provided such dollar amount does not exceed the maximum percentage of Compensation specified in Subsection 1.08(a)(1) above.
-
- Frozen Employee Contributions** - Participants may not currently make after-tax Employee Contributions to the Plan, but the Employer does maintain frozen Employee Contributions Accounts.
- (b)

1.09 ROLLOVER CONTRIBUTIONS

- Rollover Contributions** - Employees may roll over eligible amounts from other qualified plans to the Plan subject to the additional following requirements:
- (a)
- (1) The Plan will not accept rollovers of after-tax employee contributions.
-
- (2) The Plan will not accept rollovers of designated Roth contributions. (**Must be selected if Roth 401(k) Contributions are not elected in Subsection 1.07(a)(5).**)
-

1.10 QUALIFIED NONELECTIVE EMPLOYER CONTRIBUTIONS

- (a) **Qualified Nonelective Employer Contributions** – If any of the following Options is checked: 1.07(a), Deferral Contributions, 1.08(a)(1), Future Employee Contributions, or 1.11(a), Matching Employer Contributions, the Employer may contribute an amount which it designates as a Qualified Nonelective Employer Contribution to be included in the “ADP” or “ACP” test. Unless otherwise provided below, Qualified Nonelective Employer Contributions shall be allocated to all Participants who were eligible to participate in the Plan at any time during the Plan Year and are Non-Highly Compensated Employees in the ratio which each such Participant’s “testing compensation”, as defined in Subsection 6.01(r) of the Basic Plan Document, for the Plan Year bears to the total of all such Participants’ “testing compensation” for the Plan Year.

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- (1) Qualified Nonelective Employer Contributions shall be allocated only among those Participants who are Non-Highly Compensated Employees and are designated by the Employer as eligible to receive a Qualified Nonelective Employer Contribution for the Plan Year. The amount of the Qualified Nonelective Employer Contribution allocated to each such Participant shall be as designated by the Employer, but not in excess of the "regulatory maximum." The "regulatory maximum" means 5% (10% for Qualified Nonelective Contributions made in connection with the Employer's obligation to pay prevailing wages under the Davis-Bacon Act) of the "testing compensation" for such Participant for the Plan Year. The "regulatory maximum" shall apply separately with respect to Qualified Nonelective Contributions to be included in the "ADP" test and Qualified Nonelective Contributions to be included in the "ACP" test. *(Cannot be selected if the Employer has elected prior year testing in Subsection 1.06(a)(2).)*

1.11 MATCHING EMPLOYER CONTRIBUTIONS

- Matching Employer Contributions** - The Employer shall make Matching Employer Contributions on behalf of each of its "eligible" Participants as provided in this Section 1.11. For purposes of this Section 1.11, an "eligible" Participant means any Participant who is an Active Participant during the Contribution Period and who satisfies the requirements of Subsection 1.11(e) or Section 1.13. (Check one):

- (1) **Non-Discretionary Matching Employer Contributions** - The Employer shall make a Matching Employer Contribution on behalf of each "eligible" Participant in an amount equal to the following percentage of the eligible contributions made by the "eligible" Participant during the Contribution Period (complete all that apply):

- (A) Flat Percentage Match :

(i) _____% to all "eligible" Participants.

- (B) Tiered Match: _____% of the first _____% of the "eligible" Participant's Compensation contributed to the Plan,

_____% of the next _____% of the "eligible" Participant's Compensation contributed to the Plan,

_____% of the next _____% of the "eligible" Participant's Compensation contributed to the Plan.

Note: The group of "eligible" Participants benefiting under each match rate must satisfy the nondiscriminatory coverage requirements of Code Section 410(b).

- (C) Limit on Non-Discretionary Matching Employer Contributions (check the appropriate box(es)):

- (i) Contributions in excess of _____% of the "eligible" Participant's Compensation for the Contribution Period shall not be considered for non-discretionary Matching Employer Contributions.

Note: If the Employer elected a percentage limit in (i) above and requested the Trustee to account separately for matched and unmatched Deferral and/or Employee Contributions made to the Plan, the non-discretionary Matching Employer Contributions allocated to each “eligible” Participant must be computed, and the percentage limit applied, based upon each payroll period.

(ii) Matching Employer Contributions for each “eligible” Participant for each Plan Year shall be limited to \$ _____.

- (2) **Discretionary Matching Employer Contributions** - The Employer may make a discretionary Matching Employer Contribution on behalf of each “eligible” Participant in accordance with Section 5.08 of the Basic Plan Document in an amount equal to a percentage of the eligible contributions made by each “eligible” Participant during the Contribution Period. Discretionary Matching Employer Contributions may be limited to match only contributions up to a specified percentage of Compensation or limit the amount of the match to a specified dollar amount.

Note: If the Matching Employer Contribution made in accordance with this Subsection 1.11(a)(2) matches different percentages of contributions for different groups of “eligible” Participants, it may need to be tested to show that it meets the requirements of Code Section 401(a)(4), nondiscrimination in benefits, rights, and features.

- (A) 4% Limitation on Discretionary Matching Employer Contributions for Deemed Satisfaction of “ACP” Test—In no event may the dollar amount of the discretionary Matching Employer Contribution made on an “eligible” Participant’s behalf for the Plan Year exceed 4% of the “eligible” Participant’s Compensation for the Plan Year. (**Only if Option 1.12(a)(3), 401(k) Safe Harbor Formula, with respect to Nonelective Employer Contributions is checked.**)

- (3) **401(k) Safe Harbor Matching Employer Contributions** - If the Employer elects one of the safe harbor formula Options provided in the 401(k) Safe Harbor Matching Employer Contributions Addendum to the Adoption Agreement and provides written notice each Plan Year to all Active Participants of their rights and obligations under the Plan, the Plan shall be deemed to satisfy the “ADP” test and, under certain circumstances, the “ACP” test. (**Only if Option 1.07(a), Deferral Contributions is checked.**)

- (b) **Additional Matching Employer Contributions** - The Employer may at Plan Year end make an additional Matching Employer Contribution on behalf of each “eligible” Participant in an amount equal to a percentage of the eligible contributions made by each “eligible” Participant during the Plan Year. (**Only if Option 1.11(a)(1) or (3) is checked.**) The additional Matching Employer Contribution may be limited to match only contributions up to a specified percentage of Compensation or limit the amount of the match to a specified dollar amount.

Note: If the additional Matching Employer Contribution made in accordance with this Subsection 1.11(b) matches different percentages of contributions for different groups of “eligible” Participants, it may need to be tested to show that it meets the requirements of Code Section 401(a)(4), nondiscrimination in benefits, rights, and features.

- (1) **4% Limitation on additional Matching Employer Contributions for Deemed Satisfaction of “ACP” Test** - In no event may the dollar amount of the additional Matching Employer Contribution made on an “eligible” Participant’s behalf for the Plan Year exceed 4% of the “eligible” Participant’s Compensation for the Plan Year. (**Only if Option 1.11(a)(3), 401(k) Safe Harbor Matching Employer Contributions, or Option 1.12(a)(3), 401(k) Safe Harbor Formula, with respect to Nonelective Employer Contributions is checked.**)

Note: If the Employer elected Option 1.11(a)(3), 401(k) Safe Harbor Matching Employer Contributions, above and wants to be deemed to have satisfied the “ADP” test, the additional Matching Employer Contribution must meet the requirements of Section 6.09 of the Basic Plan Document. In addition to the foregoing requirements, if the Employer elected Option 1.11(a)(3), 401(k) Safe Harbor Matching Employer Contributions, or Option 1.12(a)(3), 401(k) Safe Harbor Formula, with respect to Nonelective Employer Contributions, and wants to be deemed to have satisfied the “ACP” test with respect to Matching Employer Contributions for the Plan Year, the eligible contributions matched may not exceed the limitations in Section 6.10 of the Basic Plan Document.

(c) **Contributions Matched** - The Employer matches the following contributions (check appropriate box(es)):

(1) **Deferral Contributions** - Deferral Contributions made to the Plan are matched at the rate specified in this Section 1.11. Catch-Up Contributions are not matched unless the Employer elects Option 1.11(c)(1)(A) below.

(A) Catch-Up Contributions made to the Plan pursuant to Subsection 1.07(a)(4) are matched at the rates specified in this Section 1.11.

Note: Notwithstanding the above, if the Employer elected Option 1.11(a)(3), 401(k) Safe Harbor Matching Employer Contributions, Deferral Contributions shall be matched at the rate specified in the 401(k) Safe Harbor Matching Employer Contributions Addendum to the Adoption Agreement without regard to whether they are Catch-Up Contributions.

(d) **Contribution Period for Matching Employer Contributions** - The Contribution Period for purposes of calculating the amount of Matching Employer Contributions is:

(1) each calendar month.

(2) each Plan Year quarter.

(3) each Plan Year.

(4) each payroll period.

The Contribution Period for additional Matching Employer Contributions described in Subsection 1.11(b) is the Plan Year.

Note: If Matching Employer Contributions are made more frequently than for the Contribution Period selected above, the Employer must calculate the Matching Employer Contribution required with respect to the full Contribution Period, taking into account the “eligible” Participant’s contributions and Compensation for the full Contribution Period, and contribute any additional Matching Employer Contributions necessary to “true up” the Matching Employer Contribution so that the full Matching Employer Contribution is made for the Contribution Period.

(e) **Continuing Eligibility Requirement(s)** - A Participant who is an Active Participant during a Contribution Period and makes eligible contributions during the Contribution Period shall only be entitled to receive Matching Employer Contributions under Section 1.11 for that Contribution Period if the Participant satisfies the following requirement(s) (Check the appropriate box (es). Options (3) and (4) may not be elected together; Option (5) may not be elected with Option (2), (3), or (4); Options (2), (3), (4), (5), and (7) may not be elected with respect to Matching Employer Contributions if Option 1.11(a)(3), 401(k) Safe Harbor Matching Employer Contributions, is checked or if Option 1.12(a)(3), 401(k) Safe Harbor Formula, with respect to Nonelective Employer Contributions is checked and the Employer intends to satisfy the Code Section 401(m)(11) safe harbor with respect to Matching Employer Contributions):

(1) No requirements.

(2) Is employed by the Employer or a Related Employer on the last day of the Contribution Period.

- (3) Earns at least 501 Hours of Service during the Plan Year. *(Only if the Contribution Period is the Plan Year.)*
- (4) Earns at least **1,000 (not to exceed 1,000)** Hours of Service during the Plan Year. *(Only if the Contribution Period is the Plan Year.)*
- (5) Either earns at least 501 Hours of Service during the Plan Year or is employed by the Employer or a Related Employer on the last day of the Plan Year. *(Only if the Contribution Period is the Plan Year.)*
- (6) Is not a Highly Compensated Employee for the Plan Year.
- (7) Is not a partner or a member of the Employer, if the Employer is a partnership or an entity taxed as a partnership.
- (8) Special continuing eligibility requirement(s) for additional Matching Employer Contributions. **(Only if Option 1.11(b), Additional Matching Employer Contributions, is checked.)**
- (A) The continuing eligibility requirement(s) for additional Matching Employer Contributions is/are: ____ (Fill in number of applicable eligibility requirement(s) from above. Options (2), (3), (4), (5), and (7) may not be elected with respect to additional Matching Employer Contributions if Option 1.11(a)(3), 401(k) Safe Harbor Matching Employer Contributions, is checked or if Option 1.12(a)(3), 401(k) Safe Harbor Formula, with respect to Nonelective Employer Contributions is checked and the Employer intends to satisfy the Code Section 401(m)(11) safe harbor with respect to Matching Employer Contributions.)

Note: If Option (2), (3), (4), or (5) is adopted during a Contribution Period, such Option shall not become effective until the first day of the next Contribution Period. Matching Employer Contributions attributable to the Contribution Period that are funded during the Contribution Period shall not be subject to the eligibility requirements of Option (2), (3), (4), or (5). If Option (2), (3), (4), (5), or (7) is elected with respect to any Matching Employer Contributions and if Option 1.12(a)(3), 401(k) Safe Harbor Formula, is also elected, the Plan will not be deemed to satisfy the “ACP” test in accordance with Section 6.10 of the Basic Plan Document and will have to pass the “ACP” test each year.

- (f) **Qualified Matching Employer Contributions** - Prior to making any Matching Employer Contribution hereunder (other than a 401(k) Safe Harbor Matching Employer Contribution), the Employer may designate all or a portion of such Matching Employer Contribution as a Qualified Matching Employer Contribution that may be used to satisfy the “ADP” test on Deferral Contributions and excluded in applying the “ACP” test on Employee and Matching Employer Contributions. Unless the additional eligibility requirement is selected below, Qualified Matching Employer Contributions shall be allocated to **all** Participants who were Active Participants during the Contribution Period and who meet the continuing eligibility requirement(s) described in Subsection 1.11(e) above for the type of Matching Employer Contribution being characterized as a Qualified Matching Employer Contribution.
- (1) To receive an allocation of Qualified Matching Employer Contributions a Participant must also be a Non-Highly Compensated Employee for the Plan Year.

Note: Qualified Matching Employer Contributions may not be excluded in applying the “ACP” test for a Plan Year if the Employer elected Option 1.11(a)(3), 401(k) Safe Harbor Matching Employer Contributions, or Option 1.12(a)(3), 401(k) Safe Harbor Formula, with respect to Nonelective Employer Contributions, and the “ADP” test is deemed satisfied under Section 6.09 of the Basic Plan Document for such Plan Year.

NONELECTIVE EMPLOYER CONTRIBUTIONS

If (a) or (b) is elected below, the Employer may make Nonelective Employer Contributions on behalf of each of its “eligible” Participants in accordance with the provisions of this Section 1.12. For purposes of this Section 1.12, an “eligible” Participant means a Participant who is an Active Participant during the Contribution Period and who satisfies the requirements of Subsection 1.12(d) or Section 1.13.

Note: An Employer may elect both a fixed formula and a discretionary formula. If both are selected, the discretionary formula shall be treated as an additional Nonelective Employer Contribution and allocated separately in accordance with the allocation formula selected by the Employer.

(a) **Fixed Formula** (check one or more):

(1) **Fixed Percentage Employer Contribution** - For each Contribution Period, the Employer shall contribute for each
 “eligible” Participant a percentage of such “eligible” Participant’s Compensation equal to:

(A) _____% (**not to exceed 25%**) to all “eligible” Participants.

Note: The allocation formula in Option 1.12(a)(1)(A) above generally satisfies a design-based safe harbor pursuant to the regulations under Code Section 401(a)(4).

(2) **Fixed Flat Dollar Employer Contribution** - The Employer shall contribute for each “eligible” Participant an
 amount equal to:

(A) \$ _____ to all “eligible” Participants. (Complete (i) below).

(i) The contribution amount is based on an “eligible” Participant’s service for the following period (check one of the following):

Each paid hour.

(I)

Each Plan Year.

(II)

(III) Other: _____ (**must be a period within the Plan Year that does not exceed one week and is uniform with respect to all “eligible” Participants**).

Note: The allocation formula in Option 1.12(a)(2)(A) above generally satisfies a design-based safe harbor pursuant to the regulations under Code Section 401(a)(4).

(3) **401(k) Safe Harbor Formula** - The Nonelective Employer Contribution specified in the 401(k) Safe Harbor
 Nonelective Employer Contributions Addendum is intended to satisfy the safe harbor contribution requirements under Sections 401(k) and 401(m) of the Code such that the “ADP” test (and, under certain circumstances, the “ACP” test) is deemed satisfied. Please complete the 401(k) Safe Harbor Nonelective Employer Contributions Addendum to the Adoption Agreement. (**Choose only if Option 1.07(a), Deferral Contributions is checked.**)

(b) **Discretionary Formula** - The Employer may decide each Contribution Period whether to make a discretionary Nonelective
 Employer Contribution on behalf of “eligible” Participants in accordance with Section 5.10 of the Basic Plan Document.

(1) **Non-Integrated Allocation Formula** - In the ratio that each “eligible” Participant’s Compensation bears to the total
 Compensation paid to all “eligible” Participants for the Contribution Period.

(2) **Integrated Allocation Formula** - As (1) a percentage of each “eligible” Participant’s Compensation plus (2) a
 percentage of each “eligible” Participant’s Compensation in excess of the “integration level” as defined below. The percentage of Compensation in excess of the “integration level” shall be equal to the lesser of the percentage of the “eligible” Participant’s Compensation allocated under (1) above or the “permitted disparity limit” as defined below.

Note: An Employer that has elected Option 1.12(a)(3), 401(k) Safe Harbor Formula, may not take Nonelective Employer Contributions made to satisfy the 401(k) safe harbor into account in applying the integrated allocation formula described above.

(A) “Integration level” means the Social Security taxable wage base for the Plan Year, unless the Employer elects a lesser amount in (i) or (ii) below.

(i) ____% (**not to exceed 100%**) of the Social Security taxable wage base for the Plan Year, or

(ii) \$ ____ (**not to exceed the Social Security taxable wage base**) .

“Permitted disparity limit” means the percentage provided by the following table:

The “Integration Level” is ____% of the Taxable Wage Base	The “Permitted Disparity Limit” is
20% or less	5.7%
More than 20%, but not more than 80%	4.3%
More than 80%, but less than 100%	5.4%
100%	5.7%

Note: An Employer who maintains any other plan that provides for Social Security Integration (permitted disparity) may not elect Option 1.12(b)(2).

(c) **Contribution Period for Nonelective Employer Contributions** - The Contribution Period for purposes of calculating the amount of Nonelective Employer Contributions is the Plan Year, unless the Employer elects another Contribution Period below. Regardless of any selection made below, the Contribution Period for 401(k) Safe Harbor Nonelective Employer Contributions or Nonelective Employer Contributions allocated under an integrated formula, a cross-tested formula, or pursuant to the Davis-Bacon Act is the Plan Year.

(1) each calendar month.

(2) each Plan Year quarter.

(3) each payroll period.

Note: If Nonelective Employer Contributions are made more frequently than for the Contribution Period selected above, the Employer must calculate the Nonelective Employer Contribution required with respect to the full Contribution Period, taking into account the “eligible” Participant’s Compensation for the full Contribution Period, and contribute any additional Nonelective Employer Contributions necessary to “true up” the Nonelective Employer Contribution so that the full Nonelective Employer Contribution is made for the Contribution Period.

(d) **Continuing Eligibility Requirement(s)** - A Participant shall only be entitled to receive Nonelective Employer Contributions for a Plan Year under this Section 1.12 if the Participant is an Active Participant during the Plan Year and satisfies the following requirement(s) (Check the appropriate box(es) - Options (3) and (4) may not be elected together; Option (5) may not be elected with Option (2), (3), or (4); Options (2), (3), (4), (5), and (7) may not be elected with respect to Nonelective Employer Contributions under the fixed formula if Option 1.12(a)(3), 401(k) Safe Harbor Formula, is checked):

- (1) No requirements.
- (2) Is employed by the Employer or a Related Employer on the last day of the Contribution Period.
- (3) Earns at least 501 Hours of Service during the Plan Year. (*Only if the Contribution Period is the Plan Year.*)
- (4) Earns at least **1,000 (not to exceed 1,000)** Hours of Service during the Plan Year. (*Only if the Contribution Period is the Plan Year.*)
- (5) Either earns at least 501 Hours of Service during the Plan Year or is employed by the Employer or a Related Employer on the last day of the Plan Year. (*Only if the Contribution Period is the Plan Year.*)
- (6) Is not a Highly Compensated Employee for the Plan Year.
- (7) Is not a partner or a member of the Employer, if the Employer is a partnership or an entity taxed as a partnership.
- (8) Special continuing eligibility requirement(s) for discretionary Nonelective Employer Contributions. (Only if both Options 1.12(a) and (b) are checked.)

The continuing eligibility requirement(s) for discretionary Nonelective Employer Contributions is/are: _____

(A) (Fill in number of applicable eligibility requirement(s) from above.)

Note: If Option (2) (3), (4), or (5) is adopted during a Contribution Period, such Option shall not become effective until the first day of the next Contribution Period. Nonelective Employer Contributions attributable to the Contribution Period that are funded during the Contribution Period shall not be subject to the eligibility requirements of Option (2), (3), (4), or (5).

1.13 EXCEPTIONS TO CONTINUING ELIGIBILITY REQUIREMENTS

- Death, Disability, and Retirement Exceptions** - All Participants who become disabled, as defined in Section 1.15, retire, as provided in Subsection 1.14(a), (b), or (c), or die are exempted from any last day or Hours of Service requirement.

1.14 RETIREMENT

(a) **The Normal Retirement Age under the Plan is** (check one):

- (1) age 65.
- (2) age **55.0** (specify between 55 and 64).
- (3) later of age _____ (**not to exceed 65**) or the _____ (**not to exceed 5th**) anniversary of the Participant's
 Employment Commencement Date.

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- (b) *The Early Retirement Age is the date the Participant attains age _____ (specify 55 or greater) and completes _____ years of Vesting Service.*

Note: If this Option is elected, Participants who are employed by the Employer or a Related Employer on the date they reach Early Retirement Age shall be 100% vested in their Accounts under the Plan.

- (c) *A Participant who becomes disabled, as defined in Section 1.15, is eligible for disability retirement.*

Note: If this Option is elected, Participants who are employed by the Employer or a Related Employer on the date they become disabled shall be 100% vested in their Accounts under the Plan. Pursuant to Section 11.03 of the Basic Plan Document, a Participant is not considered to be disabled until he terminates his employment with the Employer.

1.15 DEFINITION OF DISABLED

A Participant is disabled if he/she meets any of the requirements selected below (check the appropriate box(es)):

- (a) The Participant satisfies the requirements for benefits under the Employer's long-term disability plan.
- (b) The Participant satisfies the requirements for Social Security disability benefits.
- (c) The Participant is determined to be disabled by a physician approved by the Employer.

1.16 VESTING

A Participant's vested interest in Matching Employer Contributions and/or Nonelective Employer Contributions, other than 401(k) Safe Harbor Matching Employer and/or 401(k) Safe Harbor Nonelective Employer Contributions elected in Subsection 1.11(a)(3) or 1.12(a)(3), shall be based upon his years of Vesting Service and the schedule selected in Subsection 1.16(c) below, except as provided in Subsection 1.16(d) or (e) below and the Vesting Schedule Addendum to the Adoption Agreement or as provided in Subsection 1.22(c).

- (a) *When years of Vesting Service are determined, the elapsed time method shall be used.*
Years of Vesting Service shall exclude service prior to the Plan's original Effective Date as listed in Subsection 1.01(g)(1) or Subsection 1.01(g)(2), as applicable.
- (b)
- (c) *Vesting Schedule(s)*

(1) Nonelective Employer Contributions (check one):

- (A) N/A - No Nonelective Employer Contributions other than 401(k) Safe Harbor Nonelective Employer Contributions
- (B) 100% Vesting immediately
- (C) 3 year cliff (see C below)
- (D) 6 year graduated (see D below)
- (E) Other vesting (complete E1 below)

(2) Matching Employer Contributions (check one):

- (A) N/A - No Matching Employer Contributions other than 401(k) Safe Harbor Matching Employer Contributions
- (B) 100% Vesting immediately
- (C) 3 year cliff (see C below)
- (D) 6 year graduated (see D below)
- (E) Other vesting (complete E2 below)

<u>Years of Vesting Service</u>	<u>Applicable Vesting Schedule(s)</u>			
	<u>C</u>	<u>D</u>	<u>E1</u>	<u>E2</u>
0	0%	0%	0.00%	0.00%
1	0%	0%	0.00%	0.00%
2	0%	20%	33.00%	33.00%
3	100%	40%	66.00%	66.00%
4	100%	60%	100.00%	100.00%
5	100%	80%	100.00%	100.00%
6 or more	100%	100%	100.00%	100%

Note: A schedule elected under E1 or E2 above must be at least as favorable as one of the schedules in C or D above.

Note: If the vesting schedule is amended and a Participant's vested interest calculated using the amended vesting schedule is less in any year than the Participant's vested interest calculated under the Plan's vesting schedule in effect immediately before the amendment, the amended vesting schedule shall apply only to Employees hired on or after the effective date of the amendment. Please select paragraph (e) below and complete Section (b) of the Vesting Schedule Addendum to the Adoption Agreement describing the vesting schedule in effect for Employees hired before the effective date of the amendment.

Note: If the vesting schedule is amended, the amended vesting schedule shall apply only to Participants who are Active Participants on or after the effective date of the amendment not subject to the prior vesting schedule as provided in the preceding Note. Participants who are not Active Participants on or after that date shall be subject to the prior vesting schedule. Please select paragraph (e) below and complete Section (b) of the Vesting Schedule Addendum to the Adoption Agreement describing the prior vesting schedule.

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(d) A less favorable vesting schedule than the vesting schedule selected in 1.16(c)(2) above applies to Matching Employer
 Contributions made for Plan Years beginning before the EGTRRA effective date. Please complete Section (a) of the Vesting Schedule Addendum to the Adoption Agreement.

(e) A vesting schedule or schedules different from the vesting schedule(s) selected above applies to certain Participants. Please complete Section (b) of the Vesting Schedule Addendum to the Adoption Agreement.

(f) Application of Forfeitures - If a Participant forfeits any portion of his non-vested Account balance as provided in Section 6.02, 6.04, 6.07, or 11.08 of the Basic Plan Document, any portion of such forfeitures not used to pay Plan administrative expenses in accordance with Section 11.09 of the Basic Plan Document shall be applied to reduce Employer Contributions unless otherwise specified below:

(1) Forfeitures attributable to the following contributions shall be allocated among the Accounts of eligible Participants otherwise eligible to receive an allocation of Nonelective Employer Contributions pursuant to Section 1.12 in the manner described in Section 1.12(b)(1) (regardless of whether the Employer has selected Option 1.12(b)(1)).

(A) Matching Employer Contributions.

(B) Nonelective Employer Contributions.

1.17 PREDECESSOR EMPLOYER SERVICE

(a) For the following purposes, the following entities shall be treated as predecessor employers:

(1) Eligibility Service, as described in Subsection 1.04(b), shall include service with the following predecessor employer(s):

(2) Vesting Service, as described in Subsection 1.16(a), shall include service with the following predecessor employer(s):

1.18 PARTICIPANT LOANS

(a) Participant loans are allowed in accordance with Article 9 and loan procedures outlined in the Service Agreement.

1.19 IN - SERVICE WITHDRAWALS

Participants may make withdrawals prior to termination of employment under the following circumstances (check the appropriate box(es)):

(a) Hardship Withdrawals - Hardship withdrawals shall be allowed in accordance with Section 10.05 of the Basic Plan Document, subject to a \$500 minimum amount.

(1) Hardship withdrawals will be permitted from (check one):

(A) A Participant's Deferral Contributions Account only.

- (B) The Accounts specified in the In-Service Withdrawals Addendum. Please complete Section (c) of the In-Service Withdrawals Addendum.

(b) **Age 59 1/2** - Participants shall be entitled to receive a distribution of all or any portion of the following Accounts upon attainment of age 59 1/2 (check one):

Deferral Contributions Account.

- (1)

- (2) All vested Account balances.

(c) **Withdrawal of Employee Contributions and Rollover Contributions**

- (1) Unless otherwise provided below, Employee Contributions may be withdrawn in accordance with Section 10.02 of the Basic Plan Document at any time.

Employees may not make withdrawals of Employee Contributions more frequently than:

- (A)

- (2) Rollover Contributions may be withdrawn in accordance with Section 10.03 of the Basic Plan Document at any time.

(d) **Protected In-Service Withdrawal Provisions** - Check if the Plan was converted by plan amendment or received transfer contributions from another defined contribution plan, and benefits under the other defined contribution plan were payable as (check the appropriate box(es)):

- (1) an in-service withdrawal of vested amounts attributable to Employer Contributions maintained in a Participant's Account (check (A) and/or (B)):

- (A) for at least _____ (24 or more) months.

- (i) Special restrictions applied to such in-service withdrawals under the prior plan that the Employer wishes to continue under the Plan as restated hereunder. Please complete the In-Service Withdrawals Addendum to the Adoption Agreement identifying the restrictions.

- (B) after the Participant has at least 60 months of participation.

- (i) Special restrictions applied to such in-service withdrawals under the prior plan that the Employer wishes to continue under the Plan as restated hereunder. Please complete the In-Service Withdrawals Addendum to the Adoption Agreement identifying the restrictions.

- (2) another in-service withdrawal option that is a "protected benefit" under Code Section 411(d)(6). Please complete the In-Service Withdrawals Addendum to the Adoption Agreement identifying the in-service withdrawal option(s).

1.20 FORM OF DISTRIBUTIONS

Subject to Section 13.01, 13.02 and Article 14 of the Basic Plan Document, distributions under the Plan shall be paid as provided below. (Check the appropriate box(es).)

- (a) **Lump Sum Payments** - Lump sum payments are always available under the Plan.

Installment Payments - Participants may elect distribution under a systematic withdrawal plan (installments).

- (b)

- (c) **Partial Withdrawals** - A Participant whose employment has terminated and whose Account is distributable in accordance with the provisions of Article 12 of the Basic Plan Document may elect to withdraw any portion of his vested interest in his Account in cash at any time.
- (d) **Annuities** (Check if the Plan is retaining any annuity form(s) of payment.)

(1) An annuity form of payment is available under the Plan for the following reason(s) (check (A) and/or (B), as applicable):

- (A) As a result of the Plan's receipt of a transfer of assets from another defined contribution plan or pursuant to the Plan terms prior to the Adoption Agreement Effective Date specified in Subsection 1.01(g)(1), benefits were previously payable in the form of an annuity that the Employer elects to continue to be offered as a form of payment under the Plan.
- (B) The Plan received a transfer of assets from a plan that was subject to the minimum funding requirements of Code Section 412 and therefore an annuity form of payment is a protected benefit under the Plan in accordance with Code Section 411(d)(6).

(2) The normal form of payment under the Plan is (check (A) or (B)):

- (A) A lump sum payment.

(i) Optional annuity forms of payment (check (I) and/or (II), as applicable). (**Must check and complete (I) if a life annuity is one of the optional annuity forms of payment under the Plan.**)

- (I) A married Participant who elects an annuity form of payment shall receive a qualified joint and _____% (at least 50% but not more than 100%) survivor annuity. An unmarried Participant shall receive a single life annuity.

The qualified preretirement survivor annuity provided to the spouse of a married Participant who elects an annuity form of payment is purchased with _____% (at least 50%) of the Participant's Account.

- (II) Other annuity form(s) of payment. Please complete Section (a) of the Forms of Payment Addendum describing the other annuity form(s) of payment available under the Plan.

- (B) A life annuity (complete (i) and (ii) and check (iii) if applicable.)

(i) The normal form for married Participants is a qualified joint and _____% (at least 50% but not more than 100%) survivor annuity. The normal form for unmarried Participants is a single life annuity.

(ii) The qualified preretirement survivor annuity provided to a Participant's spouse is purchased with _____% (at least 50%) of the Participant's Account.

(iii) Other annuity form(s) of payment. Please complete Subsection (a) of the Forms of Payment Addendum describing the other annuity form(s) of payment available under the Plan.

- (e) **Eliminated Forms of Payment Not Protected Under Code Section 411(d)(6)**. Check if benefits were payable in a form of payment that is no longer being offered after either the Adoption Agreement Effective Date specified in Subsection 1.01(g)(1) or, if forms of payment are being eliminated by a separate amendment, the amendment effective date indicated on the Amendment Execution Page.

Note: A life annuity option will continue to be an available form of payment for any Participant who elected such life annuity payment before the effective date of its elimination.

(f) Cash Outs and Implementation of Required Rollover Rule

(1) If the vested Account balance payable to an individual is less than or equal to the cash out limit utilized for such individual under Section 13.02 of the Basic Plan Document, such Account will be distributed in accordance with the provisions of Section 13.02 or 18.04 of the Basic Plan Document. Unless otherwise elected below, the cash out limit is \$1,000.

(A) The cash out limit utilized for Participants is the maximum cash out limit permitted under Code Section 411(a)(11)(A) (\$5,000 as of January 1, 2005). Any distribution greater than \$1,000 that is made to a Participant without the Participant's consent before the Participant's Normal Retirement Age (or age 62, if later) will be rolled over to an individual retirement plan designated by the Plan Administrator.

1.21 TIMING OF DISTRIBUTIONS

Except as provided in Subsection 1.21(a) (b) or (c) and the Postponed Distribution Addendum to the Adoption Agreement, distribution shall be made to an eligible Participant from his vested interest in his Account as soon as reasonably practicable following the Participant's request for distribution pursuant to Article 12 of the Basic Plan Document.

(a) *Distribution shall be made to an eligible Participant from his vested interest in his Account as soon as reasonably practicable following the date the Participant's application for distribution is received by the Administrator, but in no event later than his Required Beginning Date, as defined in Subsection 2.01(uu).*

(b) **Postponed Distributions** - Check if the Plan was converted by plan amendment from another defined contribution plan that provided for the postponement of certain distributions from the Plan to eligible Participants and the Employer wants to continue to administer the Plan using the postponed distribution provisions. Please complete the Postponed Distribution Addendum to the Adoption Agreement indicating the types of distributions that are subject to postponement and the period of postponement.

Note: An Employer may not provide for postponement of distribution to a Participant beyond the 60th day following the close of the Plan Year in which (1) the Participant attains Normal Retirement Age under the Plan, (2) the Participant's 10th anniversary of participation in the Plan occurs, or (3) the Participant's employment terminates, whichever is latest.

(c) **Preservation of Same Desk Rule** - Check if the Employer wants to continue application of the same desk rule described in Subsection 12.01(b) of the Basic Plan Document regarding distribution of Deferral Contributions, Qualified Nonelective Employer Contributions, Qualified Matching Employer Contributions, 401(k) Safe Harbor Matching Employer Contributions, and 401(k) Safe Harbor Nonelective Employer Contributions. *(If any of the above-listed contribution types were previously distributable upon severance from employment, this Option may not be selected.)*

1.22 TOP - HEAVY STATUS

(a) *The Plan shall be subject to the Top-Heavy Plan requirements of Article 15* (check one):

(1) for each Plan Year, whether or not the Plan is a "top-heavy plan" as defined in Subsection 15.01(g) of the Basic Plan Document.

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- (2) for each Plan Year, if any, for which the Plan is a “top-heavy plan” as defined in Subsection 15.01(g) of the Basic Plan Document.
- (3) Not applicable. *(Choose only if (A) Plan covers only employees subject to a collective bargaining agreement, or (B) Option 1.11(a)(3), 401(k) Safe Harbor Matching Employer Contributions, or Option 1.12(a)(3), 401(k) Safe Harbor Formula, is selected, Option 1.16(f)(1) is not selected, and the Plan does not provide for Employee Contributions or any other type of Employer Contributions.)*
- (b) ***If the Plan is or is treated as a “top-heavy plan” for a Plan Year, each non-key Employee shall receive an Employer Contribution of at least 3.0 (3 or 5)% of Compensation for the Plan Year in accordance with Section 15.03 of the Basic Plan Document. The minimum Employer Contribution provided in this Subsection 1.22(b) shall be made under this Plan only if the Participant is not entitled to such contribution under another qualified plan of the Employer, unless the Employer elects otherwise below :***
- (1) The minimum Employer Contribution shall be paid under this Plan in any event.
- (2) Another method of satisfying the requirements of Code Section 416. Please complete the 416 Contributions Addendum to the Adoption Agreement describing the way in which the minimum contribution requirements will be satisfied in the event the Plan is or is treated as a “top-heavy plan”.
- (3) Not applicable. *(Choose only if (A) Plan covers only employees subject to a collective bargaining agreement, or (B) Option 1.11(a)(3), 401(k) Safe Harbor Matching Employer Contributions, or Option 1.12(a)(3), 401(k) Safe Harbor Formula, is selected, Option 1.16(f)(1) is not selected, and the Plan does not provide for Employee Contributions or any other type of Employer Contributions.)*

Note: The minimum Employer contribution may be less than the percentage indicated in Subsection 1.22(b) above to the extent provided in Section 15.03 of the Basic Plan Document.

- (c) ***If the Plan is or is treated as a “top-heavy plan” for a Plan Year, the following vesting schedule shall apply instead of the schedule(s) elected in Subsection 1.16(c) for such Plan Year and each Plan Year thereafter (check one):***
- (1) Not applicable. *(Choose only if one of the following applies: (A) Plan provides for Nonelective Employer Contributions and the schedule elected in Subsection 1.16(c)(1) is at least as favorable in all cases as the schedules available below, (B) Option 1.11(a)(3), 401(k) Safe Harbor Matching Employer Contributions, or Option 1.12(a)(3), 401(k) Safe Harbor Formula, is selected, Option 1.16(f)(1) is not selected, and the Plan does not provide for Employee Contributions or any other type of Employer Contributions, or (C) the Plan covers only employees subject to a collective bargaining agreement.)*
- (2) 100% vested after _____ (not in excess of 3) years of Vesting Service.
- (3) Graded vesting:

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<u>Years of Vesting Service</u>	<u>Vesting Percentage</u>	<u>Must be At Least</u>
0	0.00%	0%
1	0.00%	0%
2	0.00%	20%
3	0.00%	40%
4	0.00%	60%
5	0.00%	80%
6 or more	0.00%	100%

Note: If the Plan provides for Nonelective Employer Contributions and the schedule elected in Subsection 1.16(c)(1) is more favorable in all cases than the schedule elected in Subsection 1.22(c) above, then the schedule in Subsection 1.16(c)(1) shall continue to apply even in Plan Years in which the Plan is a “top-heavy plan”.

1.23 CORRECTION TO MEET 415 REQUIREMENTS UNDER MULTIPLE DEFINED CONTRIBUTION PLANS

- Other Order for Limiting Annual Additions** – If the Employer maintains other defined contribution plans, annual additions to a Participant’s Account shall be limited as provided in Section 6.12 of the Basic Plan Document to meet the requirements of Code Section 415, unless the Employer elects this Option and completes the 415 Correction Addendum describing the order in which annual additions shall be limited among the plans.

1.24 INVESTMENT DIRECTION

Investment Directions – Subject to Section 8.03 of the Basic Plan Document, Participant Accounts shall be invested (check one):

- (a) in accordance with the investment directions provided to the Trustee by the Employer for allocating all Participant Accounts among the Options listed in the Service Agreement.
- (b) in accordance with the investment directions provided to the Trustee by each Participant for allocating his entire Account among the Options listed in the Service Agreement, except, in the event the Employer contributes shares of Employer Stock, as defined in Section 20.12 of the Basic Plan Document, the Participant’s election shall be subject to the provisions of (b)(1) and/or (2), as elected (check one):
 - (1) Nonelective Employer Contributions shall remain invested in Employer Stock until the Participant who receives an allocation of such contribution elects to invest amounts attributable to such contribution in another available investment option.
 - (2) Matching Employer Contributions shall remain invested in Employer Stock until the Participant who receives an allocation of such contribution elects to invest amounts attributable to such contribution in another available investment option.
- (c) in accordance with the investment directions provided to the Trustee by each Participant for all contribution sources in his Account, except that the following sources shall be invested in accordance with the investment directions provided by the Employer (check (1) and/or (2)):

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- (1) Nonelective Employer Contributions
- (2) Matching Employer Contributions

The Employer must direct the applicable sources among the investment options listed in the Service Agreement.

Note: If the Employer directs that a portion or all of the applicable sources be invested in Employer Stock, such investment must be discontinued with respect to any Participant who has completed three or more years of Vesting Service, and investment of the applicable sources must be diversified among the other investment options listed in the Service Agreement.

1.25 ADDITIONAL PROVISIONS

The Employer may elect Option (a) below and complete the Additional Provisions Addendum to describe provisions which cannot be shown by making the elections provided in this Adoption Agreement.

- (a) The Employer has completed Additional Provisions Addendum to show the provisions of the Plan which supplement and/or alter provisions of this Adoption Agreement.

1.26 SUPERSEDING PROVISIONS

The Employer may elect Option (a) below and complete the Superseding Provisions Addendum to describe overriding provisions which cannot be shown by making the elections provided in this Adoption Agreement.

- (a) The Employer has completed Superseding Provisions Addendum to show the provisions of the Plan which supersede provisions of this Adoption Agreement and/or the Basic Plan Document.

Note: If the Employer elects superseding provisions in Option (a) above, the Employer may not be permitted to rely on the Volume Submitter Sponsor's advisory letter for qualification of its Plan and may be required to apply for a determination letter as described in Section 1.27 below. In addition, such superseding provisions may in certain circumstances affect the Plan's status as a pre-approved volume submitter plan eligible for the 6-year remedial amendment cycle.

1.27 RELIANCE ON ADVISORY LETTER

An adopting Employer may rely on an advisory letter issued by the Internal Revenue Service as evidence that this Plan is qualified under Code Section 401 only to the extent provided in Section 19.02 of Revenue Procedure 2005-16. The Employer may not rely on the advisory letter in certain other circumstances or with respect to certain qualification requirements, which are specified in the advisory letter issued with respect to this Plan and in Section 19.03 of Revenue Procedure 2005-16. In order to have reliance in such circumstances or with respect to such qualification requirements, application for a determination letter must be made to Employee Plans Determinations of the Internal Revenue Service.

Failure to properly complete the Adoption Agreement and failure to operate the Plan in accordance with the terms of the Plan document may result in disqualification of the Plan.

This Adoption Agreement may be used only in conjunction with Fidelity Basic Plan Document No. 14. The Volume Submitter Sponsor shall inform the adopting Employer of any amendments made to the Plan or of the discontinuance or abandonment of the volume submitter plan document.

1.28 ELECTRONIC SIGNATURE AND RECORDS

This Adoption Agreement, and any amendment thereto, may be executed or affirmed by an electronic signature or electronic record permitted under applicable law or regulation, provided the type or method of electronic signature or electronic record is acceptable to the Trustee.

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1.29 VOLUME SUBMITTER INFORMATION

Name of Volume Submitter Sponsor:

Fidelity Management & Research Company

Address of Volume Submitter Sponsor:

82 Devonshire Street

Boston, MA 02109

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EXECUTION PAGE
(Employer's Copy)

The Fidelity Basic Plan Document No. 14 and the accompanying Adoption Agreement together comprise the Volume Submitter Defined Contribution Plan. It is the responsibility of the adopting Employer to review this volume submitter plan document with its legal counsel to ensure that the volume submitter plan is suitable for the Employer and that Adoption Agreement has been properly completed prior to signing.

IN WITNESS WHEREOF, the Employer has caused this Adoption Agreement to be executed this _____ day of _____, _____.

Employer: Mitek Systems, Inc.

By: _____

Title: _____

Note: Only one authorized signature is required to execute this Adoption Agreement unless the Employer's corporate policy mandates two authorized signatures.

Employer: Mitek Systems, Inc.

By: _____

Title: _____

Accepted by: Fidelity Management Trust Company, as Trustee

By: _____

Title: Authorized Signatory

Date: _____

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EXECUTION PAGE

(Trustee's Copy)

The Fidelity Basic Plan Document No. 14 and the accompanying Adoption Agreement together comprise the Volume Submitter Defined Contribution Plan. It is the responsibility of the adopting Employer to review this volume submitter plan document with its legal counsel to ensure that the volume submitter plan is suitable for the Employer and that Adoption Agreement has been properly completed prior to signing.

IN WITNESS WHEREOF, the Employer has caused this Adoption Agreement to be executed this _____ day of _____, _____.

Employer: Mitek Systems, Inc.

By: _____

Title: _____

Note: Only one authorized signature is required to execute this Adoption Agreement unless the Employer's corporate policy mandates two authorized signatures.

Employer: Mitek Systems, Inc.

By: _____

Title: _____

Accepted by: Fidelity Management Trust Company, as Trustee

By: _____

Title: Authorized Signatory

Date: _____

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A MENDMENT EXECUTION PAGE

(Fidelity's Copy)

Plan Name Mitek Systems, Inc. 401(k) Savings Plan (the "Plan")

Employer : Mitek Systems, Inc.

(Note : These execution pages are to be completed in the event the Employer modifies any prior election(s) or makes a new election(s) in this Adoption Agreement. Attach the amended page(s) of the Adoption Agreement to these execution pages.)

The following section(s) of the Plan are hereby amended effective as of the date(s) set forth below:

Section Amended

Effective Date

IN WITNESS WHEREOF, the Employer has caused this Amendment to be executed on the date given below.

Employer Mitek Systems, Inc.

Employer Mitek Systems, Inc.

By: _____

By: _____

Title: _____

Title: _____

Date: _____

Date: _____

Note: Only one authorized signature is required to execute this Adoption Agreement unless the Employer's corporate policy mandates two authorized signatures.

Accepted by: Fidelity Management Trust Company, as Trustee

By: _____

Date: _____

Title: Authorized Signatory

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A MENDMENT EXECUTION PAGE

(Employer's Copy)

Plan Name : Mitek Systems, Inc. 401(k) Savings Plan (the "Plan")

Employer : Mitek Systems, Inc.

(Note : These execution pages are to be completed in the event the Employer modifies any prior election(s) or makes a new election(s) in this Adoption Agreement. Attach the amended page(s) of the Adoption Agreement to these execution pages.)

The following section(s) of the Plan are hereby amended effective as of the date(s) set forth below:

Section Amended

Effective Date

IN WITNESS WHEREOF, the Employer has caused this Amendment to be executed on the date given below.

Employer Mitek Systems, Inc.

Employer Mitek Systems, Inc.

By: _____

By: _____

Title: _____

Title: _____

Date: _____

Date: _____

Note: Only one authorized signature is required to execute this Adoption Agreement unless the Employer's corporate policy mandates two authorized signatures.

Accepted by: Fidelity Management Trust Company, as Trustee

By: _____

Date: _____

Title: Authorized Signatory

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for

Plan Name: Mitek Systems, Inc. 401(k) Savings Plan

(a) **Additional Provision(s)** – The following provisions supplement and/or, to the degree described herein, supersede other provisions of this Adoption Agreement in the following manner:

(1) **The following modifies Subsection 1.05(a):**

(a) **Compensation Exclusions** - Compensation shall exclude the item(s) below.

(8) The following other items are excluded from Compensation:

Any amounts received after participant termination date

Note: If the Employer has selected Option 1.11(a)(3), Safe Harbor Matching Employer Contributions, or Option 1.12(a)(3), 401(k) Safe Harbor Formula, any exclusion listed above must be a permitted exclusion under Section 1.414(s)-1(d)(2) of the Treasury Regulations. If the Employer has selected Option 1.11(a)(3), Safe Harbor Matching Employer Contributions, a Participant must also be permitted to make Deferral Contributions under the Plan sufficient to receive the full 401(k) Safe Harbor Matching Employer Contribution, determined as a percentage of Compensation meeting the requirements of Code Section 414(s).

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Volume Submitter Defined Contribution Plan

ADDENDUM TO ADOPTION AGREEMENT

Fidelity Basic Plan Document No. 14

RE: Pension Protection Act of 2006,

The Heroes Earnings Assistance and Relief Act of 2008,

The Worker, Retiree and Employee Recovery Act of 2008

And Code Sections 401(k) and 401(m) 2009 Proposed Regulations

Plan Name: Mitek Systems, Inc. 401(k) Savings Plan

Fidelity 5-digit Plan Number: 38088

PREAMBLE

Adoption and Effective Date of Amendment. This amendment of the Plan is adopted to reflect certain provisions of the Pension Protection Act of 2006 (the "PPA"). This amendment is intended as good faith compliance with the PPA and is to be construed in accordance with applicable guidance. Except as otherwise provided below, this amendment shall be effective with respect to Fidelity's Volume Submitter plan for Plan Years beginning after December 31, 2006.

Supersession of Inconsistent Provisions. This amendment shall supersede the provisions of the Plan to the extent those provisions are inconsistent with the provisions of this amendment. *(Execution of this PPA Addendum is not required unless one of (a) through (h) is being selected below and no provision of this PPA Addendum will be interpreted to supersede the provisions of the Plan unless selected below.)*

(a) ***In-service, Age 62 Distribution of Money Purchase Benefits.*** A Participant who has attained at least age 62 shall be eligible to elect to receive a distribution of benefit amounts accrued as a result of the Participant's participation in a money purchase pension plan (either due to a merger into this Plan of money purchase pension plan assets and liabilities or because this Plan is a money purchase pension plan), if any. This subsection (a) shall be effective to permit such distributions on and after the following effective date: _____ (can be no earlier than the first day of the first plan year beginning after December 31, 2006).

(b) ***Automatic Enrollment Contributions. (Choose only if selecting (d) or (e) below.)***

(1) ***Adoption of Automatic Enrollment Contributions.*** Beginning on the effective date of this paragraph (1), as provided in paragraph (A) below (the "Automatic Enrollment Effective Date") and subject to the remainder of this Subsection (b), unless an Eligible Employee affirmatively elects otherwise, his Compensation will be reduced by _____% (except as such percentage may be modified for certain Eligible Employees through the Additional Provisions Addendum to the Adoption Agreement, the "Automatic Enrollment Rate"), such percentage to be increased in accordance with Subsection (c) (if applicable), for each payroll period in which he is an Active Participant, beginning as indicated in (2) below, and the Employer will make a pre-tax Deferral Contribution in such amount on the Participant's behalf in accordance with the provisions of Section 5.03 of the Basic Plan Document (an "Automatic Enrollment Contribution").

(A) Automatic Enrollment Effective Date: _____

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(B) If the Plan had an automatic contribution arrangement before the Automatic Enrollment Effective Date provided in (A) above (the "Pre-existing Arrangement"), the effective date of the Pre-existing Arrangement was: _____.

Please also check (i) and/or (ii) below if applicable:

(i) The Pre-existing Arrangement was a Qualified Automatic Contribution Arrangement described in Code section 401(k)(13)(B).

(ii) The Pre-existing Arrangement was an Eligible Automatic Contribution Arrangement described in Code section 414(w)(3).

(2) With respect to an affected Participant, Automatic Enrollment Contributions will begin as soon as administratively feasible on or after (check one):

The Participant's Entry Date.

(A)

_____ (minimum of 30) days following the Participant's date of hire, but no sooner than the Participant's Entry Date.

(B)

Within a reasonable period ending no later than the day prior to the date Compensation subject to the reduction would otherwise become available to the Participant, an Eligible Employee may make an affirmative election not to have Automatic Enrollment Contributions made on his behalf. If an Eligible Employee makes no such affirmative election, his Compensation shall be reduced and Automatic Enrollment Contributions will be made on his behalf in accordance with the provisions of this Subsection (b), and Subsection (c), if applicable, until such Active Participant elects to change or revoke such Deferral Contributions as provided in Subsection 1.07(a)(1). Automatic Enrollment Contributions shall be made only on behalf of Active Participants who are first hired by the Employer on or after the Automatic Enrollment Effective Date and do not have a Reemployment Commencement Date, unless otherwise provided below.

(3) Additionally, subject to the Note below, unless such affected Participant affirmatively elects otherwise within the reasonable period established by the Plan Administrator, Automatic Enrollment Contributions will be made with respect to the Employees described below. (Check all that apply).

(A) Inclusion of Previously Hired Employees. On the later of the date specified in Subsection (b)(2) with regard to such Eligible Employee or as soon as administratively feasible on or after the 30th day following the Notification Date specified in (iii) below, Automatic Enrollment Contributions will begin for the following Eligible Employees who were hired before the Automatic Enrollment Effective Date and have not had a Reemployment Commencement Date. (Check (i) or (ii), complete (iii), and complete (iv), if applicable).

(i) Unless otherwise elected in (iv) below, all such Employees who have never had a Deferral Contribution election in place. If the Employer has elected a QACA in Subsection (d) below, then for the effective date of this election, all Participants for whom contributions are being made pursuant to an automatic contribution arrangement at a percentage not at least equal to the rate specified above (or the limit of automatic increase(s) as specified in Subsection (c)(2) below, if greater) will be automatically enrolled on the 30th day following the Notification Date at the rate given in Subsection (b)(1) above.

(ii) Unless otherwise elected in (iv) below, all such Employees who have never had a Deferral Contribution election in place and were hired by the Employer before the Automatic Enrollment Effective Date, but after the following date: _____.

(iii) Notification Date: _____.

In addition to the group of Employees elected in (i) or (ii) above, any Employee described in (i) or (ii) above, as applicable, even if he has had a Deferral Contribution election in place previously, provided he is not suspended from making Deferral Contributions pursuant to the Plan and has a deferral rate of zero on the Notification Date. If the Employer has elected a QACA in Subsection (d) below, then for the effective date of this election, all Participants not deferring a percentage at least equal to the rate specified above (or the limit of automatic increase(s) as specified in Subsection (c)(2) below, if greater) will be automatically enrolled on the 30th day following the Notification Date at the rate given in Subsection (b)(1) above.

(B) Inclusion of Rehired Employees. Unless otherwise stated herein, each Eligible Employee having a Reemployment Commencement Date on the Automatic Enrollment Effective Date. If Subsection (b)(3)(A)(ii) is selected, only such Employees with a Reemployment Commencement on or after the date specified in Subsection (b)(3)(A)(ii) will be automatically enrolled. If Subsection (b)(3)(A) is not selected, only such Employees with a Reemployment Commencement on or after the Automatic Enrollment Effective Date will be automatically enrolled. If Subsection (b)(2)(B) has been elected above, for purposes of Subsection (b)(2) only, such Employee's Reemployment Commencement Date will be treated as his date of hire.

(c) **Automatic Deferral Increase (Choose only if Automatic Enrollment Contributions are elected in Subsection (b) above)** - Unless an Eligible Employee affirmatively elects otherwise after receiving appropriate notice, Deferral Contributions for each Active Participant having Automatic Enrollment Contributions made on his behalf shall be increased annually by the (whole number) percentage of Compensation stated in (1) below until the deferral percentage stated in Section 1.07(a)(1) is reached (except that the increase will be limited to only the percentage needed to reach the limit stated in Section 1.07(a)(1), if applying the percentage in (1) would exceed the limit stated in Section 1.07(a)(1)), unless the Employer has elected a lower percentage limit in Subsection (c)(2) below.

(1) Increase by _____% (except as such percentage may be modified for certain Eligible Employees through the Additional Provisions Addendum to the Adoption Agreement, but not to exceed 10%) of Compensation. Such increased Deferral Contributions shall be pre-tax Deferral Contributions regardless of any election made by the Participant to have any portion of his Deferral Contributions treated as a Roth 401(k) Contribution.

(2) Limited to _____% of Compensation (**not to exceed the percentage indicated in Subsection 1.07(a)(1)**) .

(3) The Automatic Deferral Increase for each Participant still subject to it pursuant to Section 5.03(c) of the Basic Plan Document shall occur:

(A) On each anniversary of such Participant's automatic enrollment date pursuant to (b)(2) or (b)(3) above, as applicable.

Except if selected below with regard to the first such annual increase, each year on the following date: _____

(B)

(i) The automatic deferral increase shall not apply to a Participant within the first six months following the automatic enrollment date pursuant to (b)(2) or (b)(3) above, as applicable.

(d) **Qualified Automatic Contribution Arrangement.** The automatic contribution arrangement described in Sections (b) and (c) (if applicable) of this Addendum shall constitute a qualified automatic contribution arrangement described in Code Section 401(k)(13) ("QACA"), initially effective as of the following date: _____(can be no earlier than the first day of the first plan year beginning after December 31, 2007).

- (1)** QACA Matching Employer Contribution Formula. Matching Employer Contributions used to satisfy the QACA must vest at least as rapidly as 100% once the Participant is credited with two Years of Service.

(A) 100% of the first 1% of the Active Participant's Compensation contributed to the Plan and 50% of the next 5% of the Active Participant's Compensation contributed to the Plan.

Note: If the Employer selects this formula and does not elect Subsection 1.11(b) (or Subsection 1.11(f) through the Additional Provisions Addendum, as appropriate), Additional Matching Employer Contributions, Matching Employer Contributions will automatically meet the safe harbor contribution requirements for deemed satisfaction of the "ACP" test. (Employee Contributions must still be tested for "ACP" test purposes.)

(B) Other Enhanced Match: _____% of the first _____% of the Active Participant's Compensation contributed to the Plan,
(i)

_____ % of the next _____ % of the Active Participant's Compensation contributed to the Plan,
_____ % of the next _____ % of the Active Participant's Compensation contributed to the Plan.

Note: To satisfy the safe harbor contribution requirement for the "ADP" test, the percentages specified above for Matching Employer Contributions may not increase as the percentage of Compensation contributed increases, and the aggregate amount of Matching employer contributions at such rates must at least equal the aggregate amount of Matching Employer Contributions that would be made under the percentages described in (d)(1)(A) of this Addendum.

- (ii)** The formula in (i) of this paragraph (B) is also intended to satisfy the safe harbor contribution requirement for deemed satisfaction of the "ACP" test with respect to Matching Employer Contributions. (Employee Contributions must still be tested for "ACP" test purposes.)

(C) Safe harbor Matching Employer Contributions shall not be made on behalf of Highly Compensated Employees.

- (2)** QACA Nonelective Employer Contribution. Nonelective Employer Contributions used to satisfy the QACA must vest at least as rapidly as 100% once the Participant is credited with two Years of Service.

(A) For each Plan Year, the Employer shall contribute for each eligible Active Participant an amount equal to _____% (not less than 3% nor more than 25%) of such Active Participant's Compensation.

(B) The Employer may decide each Plan Year whether to amend the Plan by electing and completing (i) below to provide for a contribution on behalf of each eligible Active Participant in an amount equal to at least 3% of such Active Participant's Compensation.

Note: An employer that has selected paragraph (B) above must amend the Plan by electing (i) below no later than 30 days prior to the end of each Plan Year for which the QACA Nonelective Employer Contributions are being made.

- For the Plan Year beginning _____, the Employer shall contribute for each eligible Active Participant an amount equal to _____% (not less than 3% nor more than 25%) of such Active Participant's Compensation.
- (i)

- (C) QACA Nonelective Employer Contributions shall not be made on behalf of Highly Compensated Employees.
-

- (D) The employer has elected to make Matching Employer Contributions under Subsection 1.11 of the Adoption Agreement, if any, that are intended to meet the requirements for deemed satisfaction of the "ACP" test with respect to Matching Employer Contributions.
-

- (3) The Plan previously had a QACA, but the Plan was amended to remove the QACA effective: _____.
-

- (e) **Eligible Automatic Contribution Arrangement.** The automatic contribution arrangement described in Sections (b) and (c) (if applicable) of this Addendum shall constitute an eligible automatic enrollment arrangement described in Code Section 414(w) ("EACA"), effective as of the following date: _____ (can be no earlier than the first day of the first plan year beginning after December 31, 2007).

- (1) Permissible Withdrawal. A Participant who has made an Automatic Enrollment Contribution pursuant to the EACA (an "EACA Participant") shall be eligible to elect to withdraw the amount attributable to such Automatic Enrollment Contribution pursuant to the following rules:
-

- (A) The EACA Participant must make any such election within ninety days of his automatic enrollment date pursuant to (b)(2) or (b)(3) above, as applicable. Upon making such an election, the EACA Participant's Deferral Contribution election will be set to zero until such time as the EACA Participant's Deferral Contribution rate has changed pursuant to Section 1.07(a)(1) or this Addendum.
- (B) The amount of such withdrawal shall be equal to the amount of the EACA Deferrals through the end of the fifteen day period beginning on the date the Participant makes the election described in (A) above, adjusted for allocable gains and losses to the date of such withdrawal.
- (C) Any amounts attributable to Employer Matching Contributions allocated to the Account of an EACA Participant with respect to EACA Deferrals that have been withdrawn pursuant to this Section (e)(1) shall be forfeited. In the event that Employer Matching Contributions would otherwise be allocated to the EACA Participant's Account with respect to EACA Deferrals that have been so withdrawn, the Employer shall not contribute such Employer Matching Contributions to the Plan.

- (2) An Active Participant who is otherwise covered by the EACA but who makes an affirmative election regarding the amount of Deferral Contributions shall remain covered by the EACA solely for purposes of receiving any required notice from the Plan Administrator in connection with the EACA and for purposes of determining the period applicable to the distribution of certain excess contributions pursuant to Sections 6.04 and 6.07 of the Basic Plan Document.

- (3) The Plan previously allowed the Permissible Withdrawal described in (e)(1) above, but the Plan was amended to remove the Permissible Withdrawal effective for Participants automatically enrolled on or after the following date: .
-

(f) *Coverage under the QACA and/or EACA* . The QACA and/or EACA described in the previous sections of this PPA Addendum shall cover only those Active Participants eligible to affirmatively elect to make Deferral Contributions described below (Check all that apply. If Option (e)(1), Permissible Withdrawal, has been selected by the Employer, then all Employees subject to an automatic enrollment arrangement through the Plan must be covered by the EACA.):

Those who are not employees of an unrelated employer listed in Section (c) of the Participating Employers Addendum and are not collectively bargained employees, as defined in Treasury Regulation section 1.410(b)-6(d)(2).

Those who are not employees of an unrelated employer listed in Section (c) of the Participating Employers Addendum and are collectively bargained employees, as defined in Treasury Regulation section 1.410(b)-6(d)(2), except for those covered under the following collective bargaining agreement(s):

Those who are employees of an unrelated employer listed in Section (c) of the Participating Employers Addendum, except as provided in (A) below if selected.

(A) Employees of the following unrelated employer(s) listed in Section (c) of the Participating Employers Addendum shall not be covered by the QACA and/or EACA:

Note: In the event the Plan's automatic contribution arrangement is both an EACA and a QACA, the Employer's elections in this subsection (f) apply to both the EACA and the QACA.

(g) Qualified Reservist Distribution. A Participant called to active duty after September 11, 2001 for a period that is either indefinite or to exceed 179 days and the Participant takes the distribution between the date of the call to active duty and the close of the active duty period. The distribution may be made only from amounts attributable to 401(k) deferrals and is exempt from the 10% income tax penalty that would otherwise apply if the Participant has not yet attained age 59-1/2. The PPA would further permit the Participant to repay the distribution to an IRA only (not to the plan) within two years after the end of the active duty period. This subsection (g) shall be effective to permit such distributions after the following date: 05/01/2013 (can be no earlier than September 11, 2001).

(h) Change to Addendum Provisions. The Employer has amended the provisions of Subsection (a), (b), (c), (d), (e), (f) and/or (g) to be as indicated above.

Amendment Execution

IN WITNESS WHEREOF, the Employer has caused this Amendment to be executed this _____ day of _____, _____.

Employer : Mitek Systems, Inc.

Employer : Mitek Systems, Inc.

By: _____

By: _____

Title: _____

Title: _____

Accepted by : Fidelity Management Trust Company, as Trustee

By: _____

Date: _____

Title: Authorized Signatory

Plan Number 38088
Fidelity Advisor 401(k) Program
Volume Submitter Defined Contribution Plan

38088-1362405370

Volume Submitter Defined Contribution Plan

ADDENDUM TO ADOPTION AGREEMENT

Fidelity Basic Plan Document No. 14

RE: Small Business Jobs Act of 2010

Plan Name: Mitek Systems, Inc. 401(k) Savings Plan

Fidelity 5-digit Plan Number: 38088

PREAMBLE

Adoption and Effective Date of Amendment. This amendment of the Plan is adopted to reflect certain provisions of the Small Business Jobs Act of 2010 (the "SBJA"). This amendment is intended as good faith compliance with the SBJA and is to be construed in accordance with applicable guidance. This amendment shall be effective with respect to Fidelity's Volume Submitter plan as provided below.

Supersession of Inconsistent Provisions. This amendment shall supersede the provisions of the Plan to the extent those provisions are inconsistent with the provisions of this amendment.

(a) **In-Plan Roth Rollover Contributions .** Unless Section (a)(1) is selected below and in accordance with Section 5.06 of the Basic Plan Document, any Participant or Beneficiary may elect to have otherwise distributable portions of his Account, which are not part of an outstanding loan balance pursuant to Article 9 of the Basic Plan Document and are not "designated Roth contributions" under the Plan, be considered "designated Roth contributions" for purposes of the Plan. This subsection (a) shall be effective to permit such distributions on and after the following effective date: (can be no earlier than September 28, 2010).

- (1) Except as otherwise required by IRS Notice 2010-84, only a Participant who is still employed by the Employer may elect to make such an in-plan Roth Rollover.

Amendment Execution

IN WITNESS WHEREOF, the Employer has caused this Amendment to be executed this _____ day of _____, _____.

Employer: Mitek Systems, Inc.

Employer: Mitek Systems, Inc.

By: _____

By: _____

Title: _____

Title: _____

Accepted by: Fidelity Management Trust Company, as Trustee

By: _____

Date: _____

Authorized Signatory

Plan Number 38088
Fidelity Advisor 401(k) Program
Volume Submitter Defined Contribution Plan

38088-1362405370



June 6, 2012

Michael Diamond
via email

Dear Mike:

On behalf of Mitek Systems, Inc. (referred to herein as “Mitek” or the “Company”), I am pleased to confirm the offer of regular, full-time employment extended to you for the position of SVP, Sales & Business Development, reporting to Jim DeBello, President & Chief Executive Officer. Your hire date is expected to be on or about June 11, 2012, and is subject to Mitek’s standard reference and background checks. Further details of this offer are as follows:

- Base Salary:** You will earn an annualized base salary of \$175,000 paid bi-weekly in the amount of \$6,730.77.
- Incentives:** You will have the opportunity to earn an annual “on target” variable compensation of \$175,000. The provision of the “on target” variable compensation shall be established by Mitek, and an annualized pro rata amount guaranteed through September 20, 2012.
- Stock Options:** Pending your acceptance of this offer, we will request that the Board of Directors approves your participation in the Mitek 2012 Incentive Plan with a stock option grant of 175,000 shares of Mitek Common Stock and a restricted stock grant of 25,000 shares of Mitek Common Stock. The option grant will vest over 4 years from your hire date, 25% of which will vest on the one-year anniversary of your date of hire and the remaining 75% will vest in equal monthly increments over the next 36 months following the anniversary of the date of grant. The restricted stock grant will vest over 4 years from your hire date, 25% on each anniversary of your date of hire. The price of your stock options will be based on the fair market value of Mitek’s common stock on the later of your hire date or the date your option grant is approved by the Board of Directors. You will be provided details of the 2012 Incentive Plan at that time.
- Change in Control:** Any severance and accelerated vesting of stock options or other equity awards shall be pursuant to the terms and conditions of a change of control agreement to be provided.
- Benefits:** As a regular, full-time employee of Mitek you will be eligible for group benefits for yourself and your eligible dependents effective on the first day of the month following your hire date. Basic benefits include a comprehensive health insurance plan; dental insurance and vision care insurance. In addition you will be eligible for term life insurance and long-term disability insurance. You will also accrue three weeks, equal to fifteen days, of paid vacation per year; seven paid sick days and ten paid holidays, in accordance with Company policy. In addition, you will be eligible to participate in the Mitek Systems Inc. 401(k) Savings Plan and Mitek’s Flexible Spending Plan.
- You will be asked to contribute a portion of the cost of your own insurance coverage and any dependent coverage you elect. The cost of coverage will vary based upon the number of dependents covered and plan selection. Any premiums, you pay, however, will be paid pre-tax. Full details of employee benefits will be provided once you are on board.

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Mitek Systems Inc. is an at-will employer and as such your employment must be entered into voluntarily and for no specified period. As a result, you are free to resign or the company may terminate your employment at any time, for any reason, with or without cause. No one other than the Chief Executive Officer has the authority to alter this employment relationship, either verbally or in writing.

The terms described in this letter shall be the terms of your employment, provided, however, that your duties are performed in accordance with all standards and policies adopted by the Company. Your employment, pursuant to this offer, is contingent upon your executing the Company's standard proprietary information agreement and a confidential disclosure agreement, which will be provided to you on your first day of employment.

We are very excited about the prospect of your joining our team. If the terms described herein are acceptable to you, please acknowledge your acceptance by signing below and returning a copy to me to rclark@miteksystems.com. If not accepted, this offer expires at 5:00 P.M. PST on Friday, June 8, 2012.

Sincerely,

MITEK SYSTEMS, INC.

/s/ James B. DeBello

James B. DeBello

President and Chief Executive Officer

Accepted:

/s/ Michael Diamond

Michael Diamond

June 7, 2012



June 11, 2012

Michael Strange

Dear Michael:

On behalf of Mitek Systems, Inc. (referred to herein as “Mitek” or the “Company”), I am pleased to confirm the offer of regular, full-time employment extended to you for the position of Chief Technology Officer, reporting to Jim DeBello, President & Chief Executive Officer. Your hire date is expected to be on or about July 9 2012, and is subject to Mitek’s standard reference and background checks. Further details of this offer are as follows:

Base Salary: You will earn an annualized base salary of \$260,000 paid bi-weekly in the amount of \$10,000.

Incentives: You will have the opportunity to earn an annual bonus up to \$91,000 based upon meeting objectives to be determined within the first month of your employment.

You have represented that the timing of your departure from your current employer will make you ineligible to receive a first half bonus of \$25,000. Should you not be paid this bonus by your current employer, we will pay you \$25,000, less applicable withholding taxes, subsequent to our fiscal year ending September 30, 2012 in connection with our annual bonus process. In addition, Mitek will pay the amount of your target bonus for the fiscal year ending September 30, 2012, prorated based on your date of hire. Should you voluntarily terminate your employment with Mitek prior to the first anniversary of your hire date with Mitek, you agree to repay this bonus to the Company.

Stock Options: We will request that the Board of Directors approves your participation in the Mitek 2012 Incentive Plan (“the Plan”) with a stock option grant of 175,000 shares of Mitek Common Stock and a restricted stock grant of 25,000 shares of Mitek Common Stock. The option grant will be subject to our normal vesting schedule as provided in the Plan. The price of your stock options will be based upon the fair market value of Mitek Common Stock on the later of the date the Board approves your options or your hire date. You will be provided details of the Plan shortly after your options have been approved.

Severance and Change in Control: Any severance and accelerated vesting of stock options or other equity awards shall be pursuant to the terms and conditions of a change of control agreement to be provided.

Benefits: As a regular, full-time employee of Mitek you will be eligible for group benefits for yourself and your eligible dependents effective on the first day of the month following your hire date. Basic benefits include a comprehensive health insurance plan; dental insurance and vision care insurance. In addition, you will be eligible for term life insurance and long-term disability insurance. You will also accrue three weeks, equal to fifteen days, of paid vacation per year; seven paid sick days and ten paid holidays, in accordance with Company policy. In addition, you will be eligible to participate in the Mitek Systems Inc. 401(k) Savings Plan and Mitek’s Flexible Spending Plan.

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You will be asked to contribute a portion of the cost of your own insurance coverage and any dependent coverage you elect. The cost of coverage will vary based upon the number of dependents covered and plan selection. Any premiums, you pay, however, will be paid pre-tax. Full details of employee benefits will be provided once you are on board.

Relocation: We will reimburse you for reasonable qualified moving expenses incurred within fourteen months from your hired date related to moving to San Diego and will provide San Diego lodging during that period of time.

Mitek is an "at-will" employer and as such your employment must be entered into voluntarily and is for no specified period. As a result, you are free to resign or Mitek may terminate your employment at any time, for any reason, with or without cause. No one has the authority to amend or modify this employment relationship, either verbally or in writing, except the Chief Executive Officer and any amendment or modification hereto must be made in writing, signed by you and the Chief Executive Officer.

The terms described in this letter shall be the terms of your employment, provided, however, that your duties are performed in accordance with all standards and policies adopted by the Company. Your employment, pursuant to this offer, is contingent upon your executing the Company's standard proprietary information agreement and a confidential disclosure agreement, which will be provided to you on your first day of employment.

We are very excited about the prospect of your joining our team. Mitek is an exciting company with what we believe is an excellent opportunity for growth and success. If the terms described herein are acceptable to you, please acknowledge your acceptance by signing below and returning a copy to me at jdebello@miteksystems.com. If not accepted, this offer expires at 5:00 P.M. PST on June 13, 2012.

Sincerely,

MITEK SYSTEMS, INC.

/s/ Russell C. Clark
Russell C. Clark
Chief Financial Officer

Accepted:

/s/ Michael Strange
Michael Strange
June 15, 2012



May 10, 2013

Scott Carter

Dear Scott:

On behalf of Mitek Systems, Inc. (referred to herein as “Mitek” or the “Company”), I am pleased to confirm the offer of regular, full-time employment extended to you for the position of Chief Marketing Officer, reporting to James DeBello, President & Chief Executive Officer. Your hire date is expected to be on or about Monday, July 1, 2013 and is subject to Mitek’s standard reference and background checks. Further details of this offer are as follows:

- Base Salary:** You will earn an annualized base salary of \$250,000 paid bi-weekly in the amount of \$9,615.38.
- Incentives:** You will have the opportunity to earn an annual bonus up to \$100,000 for each Fiscal Year based upon meeting mutually agreed upon objectives to be determined within the first month of employment. You will be guaranteed the full pro rata amount of your annual bonus for the remaining Fiscal Year 2013 period beginning with your date of employment and ending September 30, 2013.
- Stock Options:** Pending your acceptance of this offer, we will request that the Board of Directors approves your participation in the Mitek 2012 Incentive Plan (“the Plan”) with a stock option grant of 160,000 shares of Mitek Common Stock and a restricted stock grant of 40,000 shares of Mitek Common Stock. The option grant will vest over 4 years from your hire date, 25% of which will vest on the one-year anniversary of your date of hire and the remaining 75% will vest in equal monthly increments over the next 36 months following the anniversary of the date of grant. The restricted stock grant will vest over 4 years from your hire date, 25% on each anniversary of your date of hire. The price of your stock options will be based on the fair market value of Mitek’s common stock on the later of your hire date or the date your option grant is approved by the Board of Directors. You will be provided details of the Plan shortly after your options have been approved.
- Benefits:** As a regular, full-time employee of Mitek you will be eligible for group benefits for yourself and your eligible dependents effective on the first day of the month following your hire date. Basic benefits include a comprehensive health insurance plan; dental insurance and vision care insurance. In addition, you will be eligible for term life insurance and long-term disability insurance. You will also accrue three (3) weeks, equal to fifteen (15) days, of paid vacation per year; seven (7) paid sick days and ten (10) paid holidays, in accordance with Company policy. In addition, you will be eligible to participate in the Mitek Systems Inc. 401(k) Savings Plan and Mitek’s Flexible Spending Plan.
- You will be asked to contribute a portion of the cost of your own insurance coverage and any dependent coverage you elect. The cost of coverage will vary based upon the number of dependents covered and plan selection. Any premiums, you pay, however, will be paid pre-tax. Full details of employee benefits will be provided once you are on board.

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Relocation: The Company will pay you \$40,000, net of applicable withholding taxes and provide you with the services of a relocation coordinator in order to help cover the costs and logistics of your relocation to San Diego. Should you terminate your employment with Mitek within 12 months of your start date, this amount will be repayable by you to the Company. This repayment obligation will lapse at the rate of 1/12 of the total for each full month you are employed by the Company.

Mitek is an "at-will" employer and as such your employment must be entered into voluntarily and is for no specified period. As a result, you are free to resign or Mitek may terminate your employment at any time, for any reason, with or without cause. The terms of this written offer of employment supersede any prior offer. No one has the authority to amend or modify this employment relationship, either verbally or in writing, except the Chief Executive Officer and any amendment or modification hereto must be made in writing, signed by you and the Chief Executive Officer.

The terms described in this letter shall be the terms of your employment, provided, however, that your duties are performed in accordance with all standards and policies adopted by the Company. Your employment, pursuant to this offer, is contingent upon your executing the Company's standard proprietary information agreement and a confidential disclosure agreement, which will be provided to you on your first day of employment.

We are very excited about the prospect of your joining our team. Mitek is an exciting company with what we believe is an excellent opportunity for growth and success.

If the terms described herein are acceptable to you, please acknowledge your acceptance by signing below and returning a copy to me at jdebello@miteksystems.com. If not accepted, this offer expires at 5:00 P.M. PST on Monday, May 20, 2013.

Sincerely,

MITEK SYSTEMS, INC.

/s/ James B. DeBello

James B. DeBello

President and Chief Executive Officer

Accepted:

/s/ Scott Carter

Scott Carter

May 17, 2013

Mitek Systems, Inc.
Executive Bonus Program Fiscal Year 2013

Objective

The objective of the Mitek Executive Bonus Program (“the Program”) is to reward executives with an opportunity to earn an annual cash bonus for their contributions to the achievement of corporate goals during the fiscal year. This Plan is intended to ensure a competitive total compensation opportunity and to foster a team effort in the attainment of corporate goals.

Program Design

The Program provides for the payment of an annual cash bonus that is based upon the percentage achievement of the fiscal 2013 annual revenue plan and individual performance goals.

Annual cash bonuses are computed as a percentage of the participant’s annualized salary earned during the 2013 fiscal year. The CEO bonus target is equal to 80% of his annualized salary. The bonus target for the CFO, CTO, and CMO is equal to 40% of their respective annualized salaries. The bonus target for the CSO is 20% of his annualized salary.

Half of the annual cash bonus will be paid based on the achievement of a minimum percentage of the annual revenue plan as approved by the Board of Directors, and the remaining half paid on the achievement of a minimum percentage of individual performance goals determined by the CEO, or in the case of the CEO’s bonus, at the discretion of the Compensation Committee of the Board of Directors.

Eligibility

In order to be eligible for a bonus award, the participant must be employed by the Company for a minimum of a full quarter of the fiscal year for which an annual bonus is earned. Each participant will be paid after the close of the books at the end of the 2013 fiscal year, and any bonus payable will be calculated pro rata to the number of days of employment with the Company during the 2013 fiscal year.

Limitations

The Program is administered by the Compensation Committee. Final authority and full discretion in all matter pertaining to the development, or amendment of the Program and the granting of any bonus awarded under the Program rests with the Compensation Committee.

Participation in the Program does not in any way imply a contractual relationship for employment or in any way alter the at-will employment relationship with the Company.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

As independent registered public accountants, we hereby consent to the incorporation by reference in Registration Statement Nos. 333-80567, 333-58032, 333-106843, 333-133765, 333-172810, 333-172811, 333-178527 and 333-179942 on Form S-8 and Registration Statement No. 333-177965 on Form S-3 of our report dated December 12, 2013, relating to the financial statements of Mitek Systems, Inc. as of and for the year ended September 30, 2013, included in this Annual Report on Form 10-K for the year ended September 30, 2013.

/s/ Mayer Hoffman McCann P.C.

San Diego, California

December 12, 2013

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
Pursuant to Rule 13a-14(a) adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, James B. DeBello, certify that:

1. I have reviewed this annual report on Form 10-K of Mitek Systems, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 12, 2013

/s/ James B. DeBello

James B. DeBello, Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF CHIEF FINANCIAL OFFICER
Pursuant to Rule 13a-14(a) adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Russell C. Clark, certify that:

1. I have reviewed this annual report on Form 10-K of Mitek Systems, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 12, 2013

/s/ Russell C. Clark

Russell C. Clark, Chief Financial Officer
(Principal Financial Officer)

CERTIFICATIONS
PURSUANT TO SECTION 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Each of the undersigned, in his capacity as the principal executive officer and principal financial officer of Mitek Systems, Inc. (the "Company"), as the case may be, hereby certifies, pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), that, to the best of his knowledge:

1. This Annual Report on Form 10-K for the period ended September 30, 2013 (this "Annual Report") fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
2. The information contained in this Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the period covered by this Annual Report.

Date: December 12, 2013

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

Date: December 12, 2013

/s/ Russell C. Clark
Russell C. Clark
Chief Financial Officer
(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission ("SEC") or its staff upon request.

This certification accompanies the Form 10-K to which it relates, is not deemed filed with the SEC and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act (whether made before or after the date of this Annual Report), irrespective of any general incorporation language contained in such filing.