MITEK SYSTEMS INC

FORM 10-K
(Annual Report)

Filed 12/07/12 for the Period Ending 09/30/12

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Industry	Software & Programming
Sector	Technology
Fiscal Year	09/30

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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, 2012

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

For the transition period from to .

Commission File Number 001-35231

MITEK SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

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

Registrant's telephone number: (858) 309-1700

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

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

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

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 30, 2012, the last business day of the registrant's most recently completed second fiscal quarter, as reported on the NASDAQ Capital Market, was $266,738,474. 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 26,041,283 shares of the registrant's common stock outstanding as of November 23, 2012.

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MITEK SYSTEMS, INC.

FORM 10-K

For The Fiscal Year Ended September 30, 2012

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.

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PART I

ITEM 1. BUSINESS.

Overview

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

We apply our patented technology in image capture, correction and intelligent data extraction in the mobile financial and business applications market. Our technology for extracting data from any image taken using camera-equipped smartphones and tablets enables the development of consumer-friendly software products that use the camera as a simple mechanism to enter data and complete transactions. Users take a picture of the document and our products correct image distortion, extract relevant data, route images to their desired location and process transactions through users' financial institutions.

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, 2012, 564 financial institutions, including 28 of the top 50 U.S. retail banks and payment processing companies, have signed agreements to deploy our *Mobile Deposit* ® product. Of the 564 financial institutions, 205 have deployed our Mobile Deposit ® product with their customers. 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 Enrollment* ™ , a product that enables users to enroll their checking account as a funding source for mobile payments by taking a photo of a blank check 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 deployed on all major smartphone and tablet operating systems.

We market and sell our mobile imaging software solutions through channel partners or directly to enterprise customers and end-users 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 family of mobile imaging solutions and intelligent character recognition software is provided as a software platform. During the fiscal year ended September 30, 2012, we had one operating segment, document image processing and image analytics, based on our product and service offerings that use our intelligent character recognition and document capture technology.

Our proprietary character recognition software is used to enable the automation of costly, labor-intensive business functions. 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 repair and optimization, optical character recognition ("OCR") and intelligent character recognition ("ICR"), dynamic data location, distributed capture, courtesy amount recognition and legal amount recognition, and image analysis of signatures.

Our proprietary, patented technology is 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 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, resolution and quality 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 from the original document 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, 2012 and 2011 was generated by our Mobile Deposit ® product, which we sell to customers in the financial services industry including BankServ, Bluepoint Solutions, Inc., Cachet Financial Solutions, Ensenta Corporation, Fiserv, Inc., Fidelity National Information Services (FIS), Jack Henry & Associates, Inc., NCR Corporation, RDM Corporation, TransCentra, Inc., Wausau Financial Systems, Inc. and others. Our other imaging solutions, which include Mobile Photo Bill Pay ™, Mobile Balance Transfer ™, Mobile Enrollment ™, and Mobile Photo Quoting ™, are primarily sold directly to enterprise customers and end-users.

Mobile Deposit ®

As of September 30, 2012, 564 financial institutions, including 28 of the top 50 U.S. retail banks and payment processing companies, have signed agreements to deploy our Mobile Deposit ® product. Of the 564 financial institutions, 205 have deployed Mobile Deposit ® with their customers. 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 third fiscal quarter of 2009, and received our first of five patents issued for this product, Patent No. 7,778,497, in August, 2010, for the Method and Systems for Mobile Image Capture and Processing of Checks.

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 camera-equipped smartphone or tablet. Mobile Photo Bill Pay™ connects to existing online bill pay systems and allows users to pay bills by taking pictures with their smartphone or tablet camera. The core technology of Mobile Photo Bill Pay™ enables this process by correcting image distortion, reading relevant data and processing the transaction through the user's bank. 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.

Mobile Balance Transfer™

Mobile Balance Transfer™ is a simple, cost-effective way for financial institutions to acquire new credit card customers. Mobile Balance Transfer™ accurately and securely converts data from an image of the user's credit card statement to 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.

Mobile Enrollment ™

Mobile Enrollment ™ makes it convenient and easy for customers to use their camera-equipped smartphone or tablet to set up an auto debit from their bank account and enable electronic funds transfers; thereby eliminating manual enrollment processes.

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.

Intelligent Character Recognition Software Products

Our intelligent character recognition products are marketed under the brand ImageNet ®, which leverage our proprietary intelligent character recognition and data extraction software engines. Our ImageNet ® products are designed to provide a high level of accuracy in remittance processing, proof of deposit and lock box processing applications. These products are used to reduce manual labor by automatically extracting amounts and routing information from checks and distinguishing between common document types, such as personal and business checks, substitute checks, pre-authorized drafts and other document types specified by customers. We sell our ImageNet ® products to our channel partners who resell them as integrated components of their solutions and services.

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 September 30, 2012, the U.S. Patent and Trademark Office (the "PTO) had issued 12 patents to us and we have filed for nine 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 primarily through channel partners as well as through our internal, direct sales organization. We have an internal marketing group that develops corporate and product marketing strategies and executes marketing plans with the support of external resources as needed. We employ a technically oriented sales force with management assistance to identify the needs of existing and prospective customers. Our 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, in addition to financial institutions that are positioning themselves in the mobile remote capture market. In addition, we sell and support our products through foreign resellers. 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, 2012, we derived revenue of approximately $3,788,000 from three customers, with such customers accounting for 15%, 15% and 12%, respectively, of our total revenue. For the fiscal year ended September 30, 2011, we derived revenue of approximately $3,385,000 from two customers, with such customers accounting for 22% and 11%, respectively, of our total revenue. During fiscal years ended September 30, 2012 and 2011, sales of software licenses to channel partners have comprised a significant part of our revenue. This customer concentration is attributable to the timing of the purchase or renewal of licenses and does not represent a dependence on any one 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 the previously purchased products to customers. However, such a relationship could take time to develop, if it develops at all.

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

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, ICR, 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. Despite these advantages, ImageNet ® competitors have existed longer and have far greater financial resources and industry connections than we have.

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.

Maintenance and Support

We provide ongoing software support services to assist our customers with the use and maintenance of our software. We have an internal 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 incremental features. Substantially all of our customers purchase post-contract support from us. These services are a significant source of our recurring revenue and they are typically contracted on an annual basis.

Customers with maintenance agreements receive software updates from us on an if-and-when-available basis only. Foreign distributors generally provide customer training, service and support for the products they sell. Additionally, our products are supported internationally by distributors. Technical support is provided by telephone as well as by on-site technical visits, if necessary.

We believe that as the installed base of our products grows and as customers purchase additional complementary products, revenue from professional services will increase and the software support function will become a larger source of recurring revenue. Maintenance and support service fees are deferred and recognized as income over the contract period on a straight-line basis. Costs incurred by us to supply maintenance and support services are charged to cost of revenue as incurred.

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 along with technical sales support.

To improve the accuracy of our mobile image processing products, we devote significant research and development resources to enhance our core technology, including our extensive database of images that are used to “train” the neural network software that forms the core of our ICR technology. In addition, we have expanded our research and development tasks to include pre- and post-processing of data, when appropriate, to improve overall quality.

Our research and development organization includes software engineers and scientists, many of whom have advanced degrees, as well as additional personnel in product management, quality assurance and client services. We balance our engineering resources between the development of OCR/ICR, mobile image analytics technology and applications development. All of our software engineers are involved in applications development, including OCR/ICR research and development of our mobile imaging platforms and products with solutions for mobile image and data capture; mobile check deposits; mobile bill payments; form identification; real-time image quality analysis; fraud detection for signatures; quality assurance; and customer services and support.

Our research and development expenses for the years ended September 30, 2012 and 2011 were $6,664,030 and $2,996,109, respectively. We expect research and development expenses to increase during fiscal year 2013 as we continue to expand our research and new product development efforts.

Employees and Labor Relations

As of September 30, 2012, we had 46 full-time employees, consisting of eight in sales and marketing, 28 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 2012. 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* . Information contained in, or that can be accessed through, our website is not part of this Form 10-K.

ITEM 1A. RISK FACTORS.

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

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 $7,839,996 and $125,057 for the years ended September 30, 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, 2012, we had an accumulated deficit of $23,459,391. 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, including our credit facility and operating cash flow, 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.

We have a limited number of authorized shares of common stock available for issuance and may need to increase the number of authorized shares of our common stock in the future to fund continuing operations.

As of November 23, 2012, we had 40,000,000 authorized shares of common stock, of which 31,975,070 shares were either issued and outstanding, reserved for issuance under outstanding equity awards and warrants to purchase common stock or reserved for future issuance under existing equity plans. Therefore, we have a limited number of shares of common stock available for future issuance which may, should the need arise, hinder our ability to raise capital through the issuance of our common stock or securities convertible into, exchangeable or exercisable for our common stock to fund continuing operations, defend our intellectual property and pay obligations. In the event that we need to increase the number of authorized shares of our common stock to fund continuing operations, we will be required to further amend our amended and restated certificate of incorporation. Any such amendment would require the approval of a majority of our issued and outstanding common stock. There can be no assurance that we will be successful in obtaining the requisite vote to increase the number of authorized shares of our common stock, should the need arise. If we are unable to increase the number of authorized shares of our common stock when needed, our ability to raise capital to fund continuing operations could be impaired and our business, financial condition and results of operations could be adversely affected.

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” for tax purposes as defined by Section 382 of the Internal Revenue Code of 1986, as amended (“Section 382”). Under Section 382, if a corporation undergoes an “ownership change” (generally defined as a greater than 50% change (by value) in its equity ownership over a three year period), 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. At September 30, 2012, we do not believe that any “ownership change” has occurred that would materially limit the utilization of NOL carryforwards. However, 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” does occur in the future, utilization of the NOL carryforwards or other tax attributes may be limited.

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.

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 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 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 the previously purchased products to customers. However, such a relationship 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.

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.

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 be issued in a form that is advantageous to us. We could also incur substantial costs in proceedings before the PTO. Our issued and licensed patents and those that may be issued or licensed in the future may expire or may be challenged, invalidated or circumvented, which could limit our ability to stop competitors from marketing related technologies. Additionally, upon expiration of our issued or licensed patents, we may lose some of our rights to exclude others from making, using, selling or importing products using the technology based on the expired patents. We also must rely on contractual provisions with the third parties that license technology to us and that obligate these third parties to protect our rights in the technology licensed to us. There is no guarantee that these third parties would be successful in attempting to protect our rights in any such licensed technology. There is no assurance that competitors will not be able to design around our patents or other intellectual property or any intellectual property or technology licensed to us. We also rely on unpatented proprietary technology. We cannot assure you that we can meaningfully protect all our rights in our unpatented proprietary technology or that others will not independently develop substantially equivalent proprietary products or processes or otherwise gain access to our unpatented proprietary technology.

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 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.

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

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 23, 2012, we had 1,189,663 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 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 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 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 23, 2012: (i) the Chairman of our board of directors and his spouse, who is also a member of our board of directors, beneficially owned approximately 9% of our outstanding common stock; and (ii) our directors and executive officers as a group beneficially owned approximately 17% 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 stock, including those by our insiders, may cause our stock price to decline.

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

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.

The market price of our common stock could decline as a result of sales of a large number of shares of our common stock in the market, and the perception that these sales could occur may also depress the market price of our common stock.

On November 14, 2011, we filed a universal shelf registration statement on Form S-3 (File No. 333-177965), which provides for the possible 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. This registration statement was declared effective by the SEC on March 12, 2012. Sales of our common stock or other securities in the public market may make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. These sales also could cause our stock price to fall and make it more difficult for you to sell shares of our common stock at prices you may deem acceptable.

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 been, and is likely to continue to be, highly volatile. During the fiscal year ended September 30, 2012, 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 stocks of technology companies and that have often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the market price of our common stock. 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 24,012 square feet of office space in San Diego, California. The lease for such space was due to expire in December 2012. On July 3, 2012, we entered into an amendment to the existing lease (the "Lease Amendment"), which decreases the rentable square footage to approximately 22,523 square feet. The Lease Amendment commences on January 1, 2013 and extends the term of the existing lease through June 30, 2019. The annual base rent under the Lease Amendment is approximately $471,000 per year and is subject to annual increases of approximately three percent per year. In connection with the lease amendment, 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

extension. We believe that our existing properties are in good condition and are sufficient and suitable for the conduct of our business.

ITEM 3. LEGAL PROCEEDINGS.

USAA

On March 29, 2012, USAA filed a complaint in the U.S. District Court for the Western District of Texas San Antonio Division against us seeking, among other things, a declaratory judgment that USAA does not infringe certain of our patents relating to Mobile Deposit, and that such patents are not enforceable against USAA. In addition, USAA 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.

We believe that USAA's claims are without merit and intend to vigorously defend against these 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 its mobile imaging products.

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, management believes 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

On July 14, 2011, our common stock began trading on the NASDAQ Capital Market under the ticker symbol "MITK." Prior to July 14, 2011, our common stock was quoted on the Over-the-Counter Bulletin Board (the "OTCBB"). The closing sales price of our common stock on November 23, 2012 was $2.70.

The following table sets forth, for the fiscal period indicated, the high and low closing sales prices for our common stock as reported on the NASDAQ Capital Market after July 14, 2011 and the high and low bid information for our common stock on the OTCBB prior to July 14, 2011. The quotations for our common stock as traded on the OTCBB reflect inter-dealer prices, without retail mark-up, markdown or commission and may not necessarily represent actual transactions.

	High	Low
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
FISCAL YEAR ENDED SEPTEMBER 30, 2011		
Fourth Quarter*	$12.91	$6.81
Third Quarter	7.35	4.50
Second Quarter	6.56	3.65
First Quarter	6.05	1.75

* Reflects the high and low closing sales prices for our common stock after July 14, 2011. For the period from July 1, 2011 through July 13, 2011, the high and low bid information for our common stock on the OTCBB was $8.37 and $7.35, respectively.

Holders

As of November 23, 2012, there were 360 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 2013 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, 2012.

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 of 1933 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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ITEM 6. SELECTED FINANCIAL DATA.

As a smaller reporting company (as defined by Section 10(f)(1) of Regulation S-K) for fiscal year 2012, we have elected to use the scaled disclosure rules for smaller reporting companies and accordingly are not required to provide the information set forth in this Item.

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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 engaged in the development, sale and service of its proprietary software solutions related to mobile imaging solutions and intelligent character recognition software.

We apply our patented technology in image capture, correction and intelligent data extraction in the mobile financial and business applications market. Our technology for extracting data from any image taken using camera-equipped smartphones and tablets enables the development of consumer-friendly software products that use the camera as a simple mechanism to enter data and complete transactions. Users take a picture of the document and our products correct image distortion, extract relevant data, route images to their desired location and process transactions through users' financial institutions.

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, 2012, 564 financial institutions, including 28 of the top 50 U.S. retail banks and payment processing companies, have signed agreements to deploy our *Mobile Deposit* ® product. Of the 564 financial institutions, 205 have deployed our Mobile Deposit ® product with their customers. 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 Enrollment* ™, a product that enables users to enroll their checking account as a funding source for mobile payments by taking a photo of a blank check 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 deployed on all major smartphone and tablet operating systems.

We market and sell our mobile imaging software solutions through channel partners or directly to enterprise customers and end-users 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 acceptance of mobile banking by financial institutions and their customers has helped drive demand for our mobile imaging software products. During fiscal year 2012, a significant number of financial institutions deployed our mobile imaging software products, particularly Mobile Deposit ®, as part of their offering of mobile banking choices for their customers. We believe that financial institutions see our patented solutions as a way to provide an all-around better retail customer experience in mobile banking.

To continue the growth in market acceptance, we must continue to offer mobile imaging software products that address the 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 alternative technologies, any decline in the demand for mobile applications or negative publicity, or the 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 derived from a single type of technology, our product concentration may make us especially vulnerable to fluctuations in market demand and competition from alternative technologies, which could reduce our revenues.

The implementation cycles for our software products 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, subject to delays and require significant investments. If implementation of our software products by our channel partners and customers are 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 software licenses to use the products covered by our patented technologies, such as Mobile Deposit ®, and to a lesser extent, by providing maintenance and professional services for the products we offer. The revenue we derive from these software licenses is primarily derived from product sales to our channel partners. 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 timing of implementation of our products by our channel partners and customers and the timing of additional software licenses and/or license renewals by our channel partners and customers.

During fiscal years 2012 and 2011, sales of software licenses to channel partners have comprised a significant part of our revenue each quarter. This customer concentration 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 the previously purchased products to customers. However, such a relationship could take time to develop, if it develops at all.

Our mobile imaging products address a new market for the use of camera-equipped smartphone 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. We intend to continue to further strengthen our software product portfolio through continued research and development to help us remain competitive. We may have difficulty meeting changing market conditions and developing enhancements to our software applications on a timely basis in order to maintain our competitive advantage. Our continued growth will ultimately depend upon our ability to develop additional software products and attract strategic alliances that sell such technologies.

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*):

	2012	2011	Change $	Change %
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-software	$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 ® and ImageNet ® 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 includes the costs of royalties for third party products embedded in our products, personnel costs related to software support and billable professional services engagements, amortization of capitalized software development costs, cost of reproduction of compact discs and other media devices, and shipping costs. Cost of revenue increased $92,186, or 8%, to $1,263,920 in 2012 compared to $1,171,734 in 2011. 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. 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.

Selling and Marketing Expenses

Selling and marketing expenses include payroll, employee benefits and other headcount-related costs associated with sales and marketing personnel and marketing programs. 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 net

sales, 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 approximately $482,000 related to an increase in headcount associated with the growth of our business, as well as increased marketing program expenses totaling approximately $412,000.

Research and Development Expenses

Research and development expenses include payroll, employee benefits, consultant expenses and other headcount-related costs associated with software engineering, research and development, 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 $3,667,921, or 122%, to $6,664,030 in 2012 compared to $2,996,109 in 2011. The increase is primarily due to higher personnel-related costs, including stock-based and other incentive compensation expense, totaling approximately $2,672,000 related to an increase in headcount associated with the growth of our business, as well as an increase in outside services of approximately $961,000. As a percentage of net sales, research and development expenses increased to 73% in 2012 compared to 29% in 2011.

General and Administrative Expenses

General and administrative expenses include payroll, employee benefits, and other headcount-related costs associated with finance, facilities, legal, accounting, and other administrative fees. General and administrative expenses increased $2,164,820, or 63%, to $5,595,843 in 2012 compared to $3,431,023 in 2011. The increase is primarily due to increased personnel-related costs, including stock-based and other incentive compensation expenses, totaling approximately $1,254,000 related to an increase in headcount associated with the growth of our business and higher incentive compensation provided in 2012, and higher legal fees of approximately $747,000 primarily related to litigation and patent prosecution activity. As a percentage of net sales, general and administrative expenses increased to 62% in 2012 compared to 33% in 2011.

Other Income (Expense), Net

Interest and other expense, net was $239,984 in 2012 compared to $427,547 in 2011, a decrease of $187,563, or 44%. During fiscal year 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 approximately $320,000 related to the beneficial conversion feature at the time of the conversion of the debentures. These expenses did not recur in fiscal year 2012. This decrease was partially offset by an increase in amortization expense related to investment returns in fiscal year 2012. Interest income was $277,144 in 2012 compared to $48,584 in 2011, an increase of $228, 560 due to higher cash balances and related investment returns during 2012.

(Benefit from) Provision for Income Taxes

We recorded an income tax benefit of $4,008 in 2012. In 2011, we recorded a provision for income taxes of $2,492, primarily for state franchise taxes.

Liquidity and Capital Resources

On September 30, 2012, we had $14,607,317 in cash and cash equivalents and short-term and long-term investments compared to $16,260,584 on September 30, 2011, a decrease of $1,653,267, or 10%. The decrease in cash and cash equivalents and short-term and long-term investments was primarily due to an increase in cash used in operating activities.

Credit Facility

In January 2011, we entered into a loan and security agreement with our primary operating bank. The loan agreement permits us to borrow, repay and re-borrow, from time to time until January 31, 2013, up to $400,000 subject to the terms and conditions of the agreement. Our obligations under the loan agreement are secured by a security interest in our equipment and other personal property. Interest on the credit facility accrues at an annual rate equal to one percentage point above the Prime Rate, fixed on the date of each advance. Interest on the outstanding amount under the loan agreement is payable monthly. The loan agreement contains customary covenants for credit facilities of this type, including limitations on the disposition of assets, mergers and reorganizations. We are also obligated to meet certain financial covenants under the loan agreement, including minimum liquidity, for which we were in compliance as of September 30, 2012. We had no amounts outstanding under this credit facility as of September 30, 2012.

Net cash (used in) provided by operating activities

Net cash used in operating activities during the fiscal year ended September 30, 2012 was $1,778,764 and 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 of $2,599,858, accretion and amortization on debt securities of $261,398 and depreciation and amortization of $231,981. These changes in cash used in operating activities were 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 operating activities during the fiscal year ended September 30, 2011 was $316,168. The primary non-cash adjustments to operating activities were stock-based compensation expense of $1,271,238, non-cash interest expense on the convertible debentures of $384,124, and depreciation and amortization of $179,291. Cash provided by operating activities also increased due to increases in accrued payroll and related taxes and accounts payable of $299,478 and $130,393, respectively, associated with the growth of our business. These changes in cash provided by operating activities were offset by an increase in accounts receivable of $1,750,636 associated with increased sales and the timing of customer billings and receipt of payments.

Net cash provided by investing activities

Net cash provided by investing activities was $2,107,767 during fiscal year 2012, 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.

During the fiscal year ended September 30, 2011, net cash used in investing activities was $10,819,081, which consisted of $10,614,723 related to the purchase of investments and $204,358 related to the purchase of property and equipment.

Net cash provided by financing activities

Net cash provided by financing activities was $717,371 during fiscal year 2012, 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.

During the fiscal year ended September 30, 2011, net cash provided by financing activities included net proceeds of $14,595,366 from private placements of our common stock during fiscal year 2011 and $258,214 from the exercise of warrants and stock options.

Other Liquidity Matters

On September 30, 2012, we had investments of $7,905,227, 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, 2012, we had $5,819,537 of our available-for-sale securities classified as current and $2,085,690 classified as long-term. At September 30, 2011, we had $10,187,638 of our available-for-sale securities classified as current and $417,230 classified as long-term.

We had working capital of $11,001,447 at September 30, 2012, compared to $17,343,700 at September 30, 2011.

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.

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 end-users 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.

Accounts Receivable

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

Investments

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

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

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

Fair Value of Equity Instruments

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

Deferred Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. We maintain

a valuation allowance against deferred tax assets due to uncertainty regarding the future realization based on historical taxable income, projected future taxable income, and the expected timing of the reversals of existing temporary differences. Until such time as we can demonstrate that we will no longer incur losses or if we are unable to generate sufficient future taxable income, we could be required to maintain the valuation allowance against our deferred tax assets.

Capitalized Software Development Costs

Research and development costs are charged to expense as incurred. However, the costs incurred for the development of computer software that will be sold, leased or otherwise marketed are capitalized when technological feasibility has been established. These capitalized costs are subject to an ongoing assessment of recoverability based on anticipated future revenues and changes in hardware and software technologies. Costs that are capitalized include direct labor and related overhead. No such costs were capitalized during the fiscal years ended September 30, 2012 and 2011.

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.

As a smaller reporting company (as defined by Section 10(f)(1) of Regulation S-K)for fiscal year 2012, we have elected to use the scaled disclosure rules for smaller reporting companies and accordingly are not required to provide the information set forth in this Item.

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 Item 15(a)(1) and (a)(2), respectively, of this Form 10-K.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, that are designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required financial disclosures. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures as of the end of the period covered by this Form 10-K. We recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of September 30, 2012.

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, 2012.

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, 2012.

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, 2012 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

None.

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 2013 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, 2012.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this item is incorporated by reference to our definitive proxy statement filed in connection with our 2013 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, 2012.

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 2013 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, 2012.

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 2013 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, 2012.

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 2013 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, 2012.

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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

As a smaller reporting company (as defined by Section 10(f)(1) of Regulation S-K) for fiscal year 2012, we have elected to use the scaled disclosure rules for smaller reporting companies and accordingly are not required to provide the information set forth in this item.

(a)(3) Exhibits

Exhibit No.	Description	Incorporated by Reference from Document
3.1	Restated Certificate of Incorporation of Mitek Systems, Inc.	(1)
3.2	Amended and Restated Bylaws of Mitek Systems, Inc.	(2)
4.1	Form of debenture issued on December 10, 2009.	(3)
4.2	Form of warrant issued on December 10, 2009.	(3)
10.1	Mitek Systems, Inc. 2000 Stock Option Plan.	(4)
10.2	Mitek Systems, Inc. 2002 Stock Option Plan.	(5)
10.3	Mitek Systems, Inc. 2006 Stock Option Plan.	(6)
10.4	Mitek Systems, Inc. 2010 Stock Option Plan.	(7)
10.5	Mitek Systems, Inc. 2012 Incentive Plan.	(8)
10.6	Mitek Systems, Inc. Director Restricted Stock Unit Plan.	(9)
10.7	Mitek Systems, Inc. 401(k) Savings Plan.	(10)
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.	(3)
10.10	Form of Security Agreement dated, December 10, 2009, between Mitek Systems, Inc. and certain secured parties.	(3)
10.11	Form of Securities Purchase Agreement, dated September 30, 2010, between Mitek Systems, Inc. and certain accredited investors.	(12)
10.12	Executive Severance and Change in Control Plan, dated February 28, 2011, by and between Mitek Systems, Inc. and James B. DeBello.	(13)
10.13	Offer Letter, dated October 3, 2011, by and between Mitek Systems, Inc. and Russell C. Clark.	(14)
10.14	Executive Severance and Change in Control Plan, dated October 11, 2011, by and between Mitek Systems, Inc. and Russell C. Clark.	(14)

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Exhibit No.	Description	Incorporated by Reference from Document
10.15	Form of Executive Severance and Change in Control Plan.	(13)
10.16	Form of Indemnification Agreement.	(13)
10.17	Form of Securities Purchase Agreement, dated May 5, 2011, between Mitek Systems, Inc. and certain accredited investors.	(15)
10.18	Lease, dated September 13, 2005, by and between Arden Realty Finance V, L.L.C. and Mitek Systems, Inc., as amended.	*
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, 2012, 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.

** Pursuant to Rule 406T of Regulation S-T, this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Exchange Act of 1934, and otherwise is not subject to liability under these sections.

(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 Annual Report on Form 10-K for the fiscal year ended September 30, 1987.

(3) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on December 16, 2009.

(4) Incorporated by reference to the exhibits to the Company's Registration Statement on Form S-8 filed with the SEC on March 30, 2001.

(5) Incorporated by reference to the exhibits to the Company's Registration Statement on Form S-8 filed with the SEC on July 7, 2003.

(6) Incorporated by reference to the exhibits to the Company's Registration Statement on Form S-8 filed with the SEC on May 3, 2006.

(7) Incorporated by reference to the exhibits to the Company's Registration Statement on Form S-8 filed with the SEC on March 14, 2011.

(8) Incorporated by reference to the exhibits to the Company's Registration Statement on Form S-8 filed with the SEC on March 7, 2012.

(9) Incorporated by reference to Appendix A to the Company's Definitive Proxy Statement filed with the SEC on January 18, 2011.

(10) Incorporated by reference to the exhibits to the Company's Registration Statement on Form SB-2 filed with the SEC on July 9, 1996.

(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 March 1, 2011.
(14) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on October 13, 2011.
(15) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on May 9, 2011.

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SIGNATURES

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

December 7, 2012

MITEK SYSTEMS, INC.

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

POWER OF ATTORNEY

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

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

/s/ James B. DeBello James B. DeBello	President and Chief Executive Officer and Director (Principal Executive Officer)	December 7, 2012
/s/ Russell C. Clark Russell C. Clark	Chief Financial Officer (Principal Financial and Accounting Officer)	December 7, 2012
/s/ John M. Thornton John M. Thornton	Chairman of the Board of Directors and Director	December 7, 2012
/s/ Vinton P. Cunningham Vinton P. Cunningham	Director	December 7, 2012
/s/ Gerald I. Farmer Gerald I. Farmer	Director	December 7, 2012
/s/ Bruce E. Hansen Bruce E. Hansen	Director	December 7, 2012
/s/ Alex W. Hart Alex W. Hart	Director	December 7, 2012
/s/ Sally B. Thornton Sally B. Thornton	Director	December 7, 2012

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MITEK SYSTEMS, INC.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Mitek Systems, Inc.

We have audited the accompanying balance sheets of Mitek Systems, Inc. as of September 30, 2012 and 2011, and the related statements of operations and other comprehensive loss, stockholders' equity and cash flows for the years then ended. 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, 2012 and 2011, and the results of its operations and its cash flows for the years then ended, 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, 2012, 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 7, 2012 expressed an unqualified opinion.

/s/ Mayer Hoffman McCann P.C.
San Diego, California
December 7, 2012

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Mitek Systems, Inc.

We have audited Mitek Systems, Inc.'s internal control over financial reporting as of September 30, 2012, 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, 2012, 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 income, stockholders' equity, and cash flows of Mitek Systems, Inc., and our report dated December 7, 2012 expressed an unqualified opinion.

/s/ Mayer Hoffman McCann P.C.
San Diego, California
December 7, 2012

MITEK SYSTEMS, INC.
BALANCE SHEETS

	September 30, 2012	September 30, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 6,702,090	$ 5,655,716
Short-term investments	5,819,537	10,187,638
Accounts receivable, net	1,097,311	2,956,295
Other current assets	485,165	317,382
Total current assets	14,104,103	19,117,031
Long-term investments	2,085,690	417,230
Property and equipment, net	491,079	196,519
Other non-current assets	42,049	120,903
Total assets	$ 16,722,921	$ 19,851,683
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 711,950	$ 358,907
Accrued payroll and related taxes	726,965	496,009
Deferred revenue	1,632,085	873,230
Other current liabilities	31,656	45,185
Total current liabilities	3,102,656	1,773,331
Other non-current liabilities	63,586	23,061
Total liabilities	3,166,242	1,796,392
Stockholders' equity		
Preferred stock, $0.001 par value, 1,000,000 shares authorized, none issued and outstanding	—	—
Common stock, $0.001 par value, 40,000,000 shares authorized, 25,995,216 and 24,144,366 issued and outstanding, respectively	25,995	24,144
Additional paid-in capital	36,990,691	33,660,397
Accumulated other comprehensive loss	(616)	(9,855)
Accumulated deficit	(23,459,391)	(15,619,395)
Total stockholders' equity	13,556,679	18,055,291
Total liabilities and stockholders' equity	$ 16,722,921	$ 19,851,683

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

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

	For the years ended September 30, 2012	2011
Revenue		
Software	$ 6,386,361	$ 8,122,744
Maintenance and professional services	2,706,322	2,143,231
Total revenue	9,092,683	10,265,975
Operating costs and expenses		
Cost of revenue-software	540,321	662,080
Cost of revenue-maintenance and professional services	723,599	509,654
Selling and marketing	3,450,054	2,410,711
Research and development	6,664,030	2,996,109
General and administrative	5,595,843	3,431,023
Total costs and expenses	16,973,847	10,009,577
Operating (loss) income	(7,881,164)	256,398
Other income (expense), net		
Interest and other expense, net	(239,984)	(427,547)
Interest income	277,144	48,584
Total other income (expense), net	37,160	(378,963)
Loss before income taxes	(7,844,004)	(122,565)
(Benefit from) provision for income taxes	(4,008)	2,492
Net loss	$ (7,839,996)	$ (125,057)
Net loss per shares—basic and diluted	$ (0.31)	$ (0.01)
Shares used in calculating net loss per share—basic and diluted	25,124,179	21,506,508
Other comprehensive loss:		
Net loss	$ (7,839,996)	$ (125,057)
Unrealized gain (loss) on investments	9,239	(9,855)
Other comprehensive loss	$ (7,830,757)	$ (134,912)

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

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

	Common Stock Outstanding (Shares)	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders Equity
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	3,357,143	3,357	14,592,009	—	—	14,595,366
Exercise of stock options	651,951	651	219,646	—	—	220,297
Exercise of warrants	41,666	42	37,875	—	—	37,917
Cashless exercise of warrants	615,448	616	(616)	—	—	—
Cashless exercise of stock options	243,336	243	(243)	—	—	—
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	1,440,737	1,441	730,846	—	—	732,287
Cashless exercise of warrants	110,926	111	(111)	—	—	—
Cashless exercise of stock options	299,187	299	(299)	—	—	—
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 loss 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

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

MITEK SYSTEMS, INC.
STATEMENTS OF CASH FLOWS

	For the years ended September 30, 2012	2011
OPERATING ACTIVITIES		
Net loss	$ (7,839,996)	$ (125,057)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Stock-based compensation expense	2,599,858	1,271,238
Accretion and amortization on debt securities	261,398	—
Depreciation and amortization	231,981	179,291
Provision for bad debt	(3,571)	15,340
Non-cash interest expense on convertible debt	—	384,124
Amortization of capitalized debt issuance costs	—	53,945
Changes in assets and liabilities:		
Accounts receivable	1,862,555	(1,750,036)
Other assets	(180,367)	(181,873)
Accounts payable	353,043	130,393
Accrued payroll and related taxes	230,956	299,478
Deferred revenue	758,855	41,858
Other accrued liabilities	(53,476)	(2,533)
Net cash (used in) provided by operating activities	(1,778,764)	316,168
INVESTING ACTIVITIES		
Purchases of investments	(12,187,523)	(10,614,723)
Sales and maturities of investments	14,635,005	—
Purchases of property and equipment	(339,715)	(204,358)
Net cash provided by (used in) investing activities	2,107,767	(10,819,081)
FINANCING ACTIVITIES		
Proceeds from the issuance of common stock	—	14,595,366
Proceeds from exercise of warrants and stock options	732,287	258,214
Principal payments on capital lease obligations	(14,916)	—
Net cash provided by financing activities	717,371	14,853,580
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,046,374	4,350,667
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	5,655,716	1,305,049
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 6,702,090	$ 5,655,716
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 10,397	$ 5,333
Cash paid for income taxes	$ 800	$ 2,492
NON-CASH FINANCING AND INVESTING ACTIVITIES		
Capital lease obligations	$ 95,388	$ —
Unrealized holding gain (loss) on available for sale investments	$ 9,239	$ (9,855)
Cashless exercise of option and warrants	$ 410	$ 859
Conversion of debt to common stock	$ —	$ 1,063,926

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

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

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Mitek Systems, Inc. (the "Company") is engaged in the development, sale and service of its proprietary software solutions related to mobile imaging solutions and intelligent character recognition software.

The Company applies its patented technology in image capture, correction and intelligent data extraction in the mobile financial and business applications market. The Company's technology for extracting data from any image taken using camera-equipped smartphones and tablets enables the development of consumer-friendly software products that use the camera as a simple mechanism to enter data and complete transactions. Users take a picture of the document and the Company's products correct image distortion, extract relevant data, route images to their desired location and process transactions through users' financial institutions.

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, 2012, 564 financial institutions, including 28 of the top 50 U.S. retail banks and payment processing companies, have signed agreements to deploy *Mobile Deposit* ® . Of the 564 financial institutions, 205 have deployed Mobile Deposit ® with their customers. Other mobile imaging software solutions the Company offers 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 Enrollment* ™ , a product that enables users to enroll their checking account as a funding source for mobile payments by taking a photo of a blank check with their camera-equipped smartphone or tablet, and *Mobile Photo Quoting*™ , 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 deployed on all major smartphone and tablet operating systems.

The Company markets and sells its mobile imaging software solutions through channel partners or directly to enterprise customers and end-users that typically purchase licenses based on the number of transactions or subscribers that use the Company's 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 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.

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.

Earnings (Loss) Per Share

The Company calculates net income (loss) per share in accordance with 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 per share also gives effect to all potentially dilutive common shares outstanding during the period, such as convertible debt, options, warrants and restricted stock units, if dilutive.

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

	2012	2011
Stock options	3,512,286	4,553,904
Warrants	6,667	132,189
Restricted stock units	515,834	300,000
Total potentially dilutive common shares outstanding	4,034,787	4,986,093

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

	Twelve months ended September 30,	
	2012	2011
Net loss	$ (7,839,996)	$ (125,057)
Weighted-average common shares and share equivalents outstanding—basic	25,124,179	21,506,508
Effect of dilutive stock options	—	—
Weighted-average common shares and share equivalents outstanding—diluted	25,124,179	21,506,508
Earnings (loss) per share:		
Basic	$ (0.31)	$ (0.01)
Diluted	$ (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 ASC Topic 985-605, *Software Revenue Recognition* ("ASC 985-605"), including evidence of an arrangement, delivery, fixed or determinable fee, collectability and vendor specific objective evidence ("VSOE") about the fair value of an element are met. 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. Customer support services, or maintenance revenues, include post-contract support and the rights to unspecified upgrades and enhancements. VSOE of fair value for customer support is determined by reference to the price the customer pays for such element when sold separately; that is, the renewal rates 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. 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 relationship 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.

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.

Accounts Receivable and Allowance for Doubtful Accounts

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. The allowance for doubtful accounts reflects the Company's best estimate for probable losses inherent in accounts receivable balances. Management determines the allowance based on known troubled accounts, historical experience and other currently available evidence. The allowance for doubtful accounts was $17,773 and $21,344 as of September 30, 2012 and 2011, 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 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, 2012 and 2011:

	2012	2011
Property and equipment—at cost:		
Equipment	$ 684,552	$ 855,883
Furniture and fixtures	130,559	143,701
Leasehold improvements	65,227	49,300
	880,338	1,048,884
Less: accumulated depreciation and amortization	(460,223)	(852,365)
Construction in progress	70,964	—
Total property and equipment, net	$ 491,079	$ 196,519

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 shorter of the useful life of the lease or seven years. Depreciation and amortization of property and equipment totaled approximately $141,000 and $42,000 for the fiscal years ended September 30, 2012 and 2011, respectively. Included in property and equipment as of September 30, 2012 is approximately $95,000 of equipment 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 approximately $17,000 in fiscal year 2012 and accumulated depreciation was approximately$17,000 at September 30, 2012. The Company recorded no depreciation expense related to capital leases in fiscal year 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 approximately $58,000 and $43,000 for the fiscal years ended September 30, 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, 2012 and 2011.

Capitalized Software Development Costs

The Company evaluates its capitalized software development costs at each balance sheet date to determine if the unamortized balance related to any given product exceeds the estimated net realizable value of that product. Any such excess is written off through accelerated amortization in the quarter in which it is identified. Determining net realizable value, as defined by 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 amortization of software development costs of approximately $91,000 and $137,000 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 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.

Guarantees

In the ordinary course of business, the Company is not subject to potential obligations under guarantees that fall within the scope of 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 ASC Topic 740, *Income Taxes* . 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 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 approximately $72,000 and $76,000 during the fiscal years ended September 30, 2012, and 2011, respectively.

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

ASC Topic 280, *Segment Reporting* , requires the use of a management approach in identifying segments of an enterprise. The Company's family of products consists of mobile imaging solutions and intelligent character recognition software provided as development toolkits. During the fiscal year ended September 30, 2012, management has determined that the Company has only one operating segment, document image processing and image analytics, based on the Company's product and service offerings that use its intelligent character recognition and document capture technology.

Accumulated Other Comprehensive Loss

Comprehensive loss is comprised of net loss and other comprehensive loss. The Company has disclosed comprehensive loss as a component of stockholders' equity. Accumulated other comprehensive loss on the balance sheet at September 30, 2012 includes net unrealized gains on the Company's available-for-sale securities of $9,239. At September 30, 2011, accumulated other comprehensive loss includes net unrealized losses of $9,855 on available-for-sale securities.

2. INVESTMENTS

The following table summarizes investments by security type as of September 30, 2012:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
Available-for-sale securities:				
Corporate debt securities, short-term	$ 5,818,549	$ 3,343	$ (2,355)	$ 5,819,537
Corporate debt securities, long-term	2,087,294	684	(2,288)	2,085,690
Total	$ 7,905,843	$ 4,027	$ (4,643)	$ 7,905,227

The following table summarizes investments by security type as of September 30, 2011:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
Available-for-sale securities:				
Corporate debt securities, short-term	$10,195,487	$ -	$ (7,849)	$10,187,638
Corporate debt securities, long-term	419,236	-	(2,006)	417,230
Total	$10,614,723	$ -	$ (9,855)	$10,604,868

The cost of securities sold is based on the specific identification method. Amortization of premiums, accretion of discounts, interest, dividend income, and realized gains and losses are included in investment income.

The Company 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, 2012 and 2011, 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, 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, 2012 and 2011.

Fair Value Measurements and Disclosures

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.

Based on the fair value hierarchy, all of the Company's investments were classified as Level 2 at September 30, 2012 and 2011, as represented in the following table:

	2012	2011
Short-term investments:		
Corporate debt securities		
Industrial	$2,264,934	$ 2,773,546
Financial	1,604,618	1,246,154
Commercial paper		
Financial	1,197,730	2,398,570
Industrial	348,817	399,827
Agency bond	—	3,369,541
Certificate of deposit—financial	403,438	—
Total short-term investments	$5,819,537	$10,187,638
Long-term investments:		
Corporate debt securities		
Financial	$1,237,992	$ 417,230
Industrial	426,974	—
Utility	420,724	—
Total long-term investments	$2,085,690	$ 417,230

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 approximately $1,000,000: (i) 5% senior secured convertible debentures in the principal amount of approximately $1,000,000, and (ii) warrants to purchase an aggregate of 337,501 shares of the Company's common stock with an exercise price of $0.91 per share. Each investor received a warrant to purchase that number of shares of the Company's common stock that equals 25% of the quotient obtained by dividing such investor's aggregate subscription amount by $0.75. The transaction resulted in proceeds to the Company of approximately $922,000, net of transaction costs and expenses.

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

Prior to the conversion, interest was payable in cash or stock at the rate of 5% per annum on each conversion date (as to the principal amount being converted), on each early redemption date (as to the principal amount being redeemed) and on the maturity date. The principal amount of the debentures, if not paid earlier, was due and payable on December 10, 2011. The Company had the right to redeem all or a portion of the debentures before maturity by payment in cash of the outstanding principal amount plus accrued and unpaid interest 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

trading volume for its common stock exceeded 100,000 shares per trading day for 20 trading days out of a consecutive 30 trading-day period and the closing price of its common stock exceeded 100% of the then-effective conversion price for 20 trading days out of a consecutive 30 trading-day period. The debentures imposed certain covenants on the Company including restrictions against paying cash dividends or distributions on shares of its outstanding common stock. The debentures were secured by all of the Company's assets under the terms of a security agreement it entered into with the investors dated December 10, 2009.

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

Of the gross proceeds, approximately $786,000 was allocated to the debentures and approximately $226,000 to the warrants. The value of the warrants was estimated using a Black-Scholes option 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 approximately $402,000 was recorded as an additional discount on the debentures and was being amortized to interest expense in the accompanying Statements of Operations over the term of the debentures.

The fair value of the vested warrants was estimated on the grant date using the Black-Scholes option 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 permits the Company to borrow, repay, and re-borrow, from time to time until January 31, 2013, up to $400,000 subject to the terms and conditions of the agreement. The Company's obligations under the loan agreement are secured by a security interest in its equipment and other personal property. Interest on the credit facility accrues at an annual rate equal to one percentage point above the Prime Rate, fixed on the date of each advance. Interest on the outstanding amount under the loan agreement is payable monthly. The loan agreement contains customary covenants for credit facilities of this type, including limitations on the disposition of assets, mergers and reorganizations. The Company is also obligated to meet certain financial covenants under the loan agreement, including minimum liquidity, for which the Company was in compliance as of September 30, 2012 and 2011. The Company had no amounts outstanding under this credit facility as of September 30, 2012.

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

Warrants

Historically, the Company has granted warrants to purchase its common stock to service providers and investors. As of September 30, 2012, 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, 2012. These warrants expire in December 2014.

The following table summarizes warrant activity in the fiscal year ended September 30, 2012:

	Number of warrants	Weighted-average exercise price
Oustanding and exercisable at September 30, 2011	132,189	$ 0.91
Issued	—	
Exercised	(125,522)	$ 0.91
Expired	—	
Oustanding and exercisable at September 30, 2012	6,667	$ 0.91

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, 2012 of approximately 14.85% 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, 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, 2012 and 2011 were based on the following assumptions:

	2012	2011
Risk-free interest rate	0.35% - 1.06%	0.26% - 2.26%
Expected life (years)	5	5.5
Expected volatility	110%	193%
Expected dividends	None	None

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

	2012	2011
Sales and marketing	$ 471,716	$ 235,710
Research and development	592,249	290,239
General and administrative	1,535,893	745,289
Stock-based compensation expense included in operating expenses	$2,599,858	$1,271,238

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, 2012:

	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value
Vested	2,074,410	$ 1.44	4.72	$ 4,322,186
Unvested	1,437,876	$ 6.20	8.97	440,698
Total	3,512,286	$ 3.39	6.46	$ 4,762,884

As of September 30, 2012, the Company had $6,161,479 of unrecognized compensation expense related to outstanding stock options expected to be recognized over a weighted-average period of approximately 3.3 years.

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

The following table summarizes significant ranges of outstanding and exercisable options as of September 30, 2012:

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 $0.70	358,840	5.27	$0.33	358,840	$0.33	—
$0.79 to $0.82	787,319	5.43	$0.80	695,145	$0.80	92,174
$1.06 to $2.32	729,302	2.56	$1.21	729,302	$1.21	—
$2.60 to $5.90	948,575	8.76	$3.34	199,448	$2.74	749,127
$6.39 to $11.68	688,250	9.22	$10.30	91,675	$9.54	596,575
	3,512,286	6.46	$3.39	2,074,410	$1.44	1,437,876

The total intrinsic value of options exercised during the fiscal year ended September 30, 2012 was $14,215,750. The per-share weighted average fair value of options granted during the fiscal year ended September 30, 2012 was $5.97.

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, restricted stock units 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, 2012,

stock options to purchase 723,000 shares of the Company's common stock and 215,834 restricted stock units were outstanding under the 2012 Plan, and 1,245,067 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, 2012:

2000 Stock Option Plan	317,812
2002 Stock Option Plan	255,663
2006 Stock Option Plan	405,490
2010 Stock Option Plan	1,410,321
Total stock options outstanding under the Prior Plans	2,389,286

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 restricted stock units to both employee and non-employee members of the board of directors of the Company. On February 23, 2011, the Director Plan was approved by the Company's stockholders at its annual meeting.

On March 15, 2011, the Company awarded an aggregate of 300,000 restricted stock units to its directors at a fair value of $5.12 per share. The restricted stock units vest monthly over five years. To the extent a restricted stock unit becomes vested, and subject to satisfaction of any tax withholding obligations, each vested restricted stock unit will entitle its holder to receive one share of the Company's common stock, which will be settled and deemed issued and outstanding upon the earlier to occur of: (i) a change in control; (ii) a director's separation from service; or (iii) the fifth anniversary of the award date. A holder of outstanding restricted stock units has none of the rights and privileges of a stockholder of the Company, including no right to vote or to receive dividends (if any), until such time as the awards are settled in shares of common stock.

The Company has awarded restricted stock units to certain of its employees at a weighted-average fair value of $8.44 per share. The restricted stock units vest in equal annual installments over four years.

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

	Number of Shares	Weighted Average Fair Market Value Per Share
Outstanding, September 30, 2010	—	—
Granted	300,000	$ 5.12
Settled	—	—
Cancelled	—	—
Outstanding, September 30, 2011	300,000	$ 5.12
Granted	255,835	$ 8.44
Settled	—	—
Cancelled	(40,001)	$ 11.05
Outstanding, September 30, 2012	515,834	$ 6.30

The cost of the restricted stock units is determined using the fair value of the Company's common stock on the award date, and the compensation expense is recognized ratably over the vesting period. The Company recognized $529,072 and $179,343 in stock-based compensation expense related to outstanding restricted stock units in the fiscal years ended September 30, 2012 and 2011, respectively. As of September 30, 2012, the Company had approximately $2,543,465 of unrecognized compensation expense related to outstanding restricted stock units expected to be recognized over a weighted-average period of approximately 3.5 years.

5. INCOME TAXES

For the fiscal years ended September 30, 2012 and 2011 the (benefit) provision for income taxes were as follows:

	2012	2011
Federal—current	$(4,808)	$ —
State—current	800	2,492
Total	$(4,008)	$2,492

Significant components of the Company's net deferred tax assets and liabilities as of September 30, 2012 and 2011 are as follows:

	2012	2011
Deferred tax assets (liabilities):		
Net operating loss carryforwards	$ 8,428,034	$ 6,031,376
Capitalized research and development costs	336,475	519,141
Stock based compensation	380,989	280,633
Prepaid License Fees	4,641	50,769
AMT credit carryforwards	66,320	71,128
Other	78,620	85,366
Research credit carryforwards	49,310	58,361
Total deferred assets	9,344,389	7,096,774
Valuation allowance for net deferred tax assets	(9,344,389)	(7,096,774)
Total	$ —	$ —

The Company has provided a valuation allowance against deferred tax assets recorded as of September 30, 2012 and 2011 due to uncertainties regarding the realization of such assets.

The net change in the total valuation allowance for the fiscal year ended September 30, 2012 was an increase of $2,247,615. The net change in the total valuation allowance for the year ended September 30, 2011 was a decrease of $17,388. 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, 2012, the Company has available net operating loss carryforwards of $38,161,579 for federal income tax purposes, which will start to expire in 2018. The net operating loss carryforwards for state purposes are $31,323,928 and will begin to expire in 2013. Included in these amounts are federal and state net operating losses of $15,665,767 attributable to stock option deductions of which the tax benefit will be credited to equity when realized. As of September 30, 2012, 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, 2012, the Company has available state research and development credit carryforwards and manufacturers' investment credit carryforwards of $21,963 and $16,568 respectively. The state research and development credits have no expiration date and the state manufacturers' investment credits start 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 differences between the provision for income taxes and income taxes computed using the U.S federal income tax rate was as follows for the fiscal years ended September 30, 2012 and 2011:

	2012	2011
Amount computed using statutory rate	$(2,666,961)	$(42,519)
Net change in valuation allowance for net deferred tax assets	2,247,615	(18,388)
Non-deductible items	807,533	798
Other	—	(18,378)
State income tax	(392,995)	78,487
State tax expense	800	2,492
(Benefit) provision for income taxes	$ (4,008)	$ 2,492

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 2000, respectively, the Company is subject to U.S. federal and state income tax examinations by tax authorities for all years since 1997 and 2000, as the case may be. The Company does not have any uncertain tax positions. As of September 30, 2012, 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 patents of the Company 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 a Company 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.

The Company believes that 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.

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, management of 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.

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, 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 24,012 square feet of office space in San Diego, California. The lease for such space was due to

expire in December 2012. On July 3, 2012, the Company entered into an amendment to the existing lease (the "Lease Amendment"), which decreases the rentable square footage to approximately 22,523 square feet. The Lease Amendment commences on January 1, 2013 and extends the term of the existing lease through June 30, 2019. The annual base rent under the Lease Amendment is approximately $471,000 per year and is subject to annual increases of approximately three percent per year. In connection with the lease amendment, 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 extension. 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:	
2013	$ 456,588
2014	481,535
2015	495,981
2016	510,861
2017	526,187
2018 and thereafter	958,931
Total	$3,430,083

Rent expense for the Company's operating lease for its facility for the fiscal years ended September 30, 2012 and 2011 totaled approximately $336,000 and $288,000, respectively.

7. REVENUE AND VENDOR CONCENTRATIONS

Revenue Concentration

For the fiscal year ended September 30, 2012, the Company derived revenue of approximately $3,788,000 from three customers, with such customers accounting for 15%, 15% and 12%, respectively, of the Company's total revenue, compared to revenue of approximately $3,385,000 from two customers, with such customers accounting for 22% and 11%, respectively, of the Company's total revenue in the fiscal year ended September 30, 2011. The corresponding accounts receivable balances of customers from which revenues were in excess of 10% of total revenue were approximately $675,000 and $840,000 at September 30, 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 software products covered by the Company's patented technologies. These contractual arrangements do not obligate the Company's channel partners to order, purchase or distribute any fixed or minimum quantities of the Company's products. In most cases, the channel partners purchase the software 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 software 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.

Revenues can fluctuate based on the timing of software license renewals by channel partners. When a channel partner purchases or renews a software license, the Company receives a license fee in consideration for the grant of a license to sell the Company's software 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 software licenses to channel partners have comprised a significant part of the Company's revenue. This is attributable to the timing of when a particular channel partner purchases or renews a software license from the Company 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 previously purchased products.

International sales accounted for approximately 5% and 12% of the Company's total revenue for the fiscal years ended September 30, 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 year ended September 30, 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.

EXHIBIT 10.18

STANDARD OFFICE LEASE

BY AND BETWEEN

ARDEN REALTY FINANCE V, L.L.C.,
A Delaware limited liability company,

AS LANDLORD,

AND

MITEKSYSTEMS, INC.,
a Delaware corporation,

AS TENANT

SUITE B

Balboa Corporate Center

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STANDARD OFFICE LEASE

This Standard Office Lease (“ **Lease** ”) is made and entered into as of the 13 th day of September, 2005, by and between ARDEN REALTYFINANCE V, L.L.C., a Delaware limited liability company (“ **Landlord”)** , and MITEK SYSTEMS, INC., A Delaware corporation (“ **Tenant** ”).

Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the premises described as Suite B, as designated on the plan attached hereto and incorporation herein as Exhibit “A” (“ **Premises** ”), of the project (“ **Project** ”) now known as Balboa Corporate Center whose address is 8911 Balboa Avenue, San Diego, California, for the Term and upon the terms and conditions hereinafter set forth, and Landlord and Tenant hereby agree as follows:

ARTICLE 1

BASIC LEASE PROVISIONS

A. **Term:** Seven (7) years.

Commencement Date: The earlier of (i) the date Tenant first commences to conduct business in the Premises, or (ii) the date of Substantial Completion of Improvements in the Premises. The Commencement Date is estimated to occur on or about November 15, 2005.

Expiration Date: The date immediately preceding the seventh (7 th) anniversary of the Commencement Date; provided, however, that if the Commencement Date is a date other than the first (1 st) day of a month, the Expiration Date shall be the last day of the month which is eight-four (84) months after the month in which the Commencement Date falls, unless extended or earlier terminated pursuant to this Lease.

B. **Square Footage:** 15,927 rentable square feet.

C. **Basic Rental:**

Lease Year	Annual Basic Rental	Monthly Basic Rental	Monthly Basic Rental Per Rentable Square Foot*
1	$296,242.20	$24,686.85	$ 1.55
2	$305,798.40	$25,483.20	$ 1.60
3	$315,354.60	$26,279.55	$ 1.65
4	$324,910.80	$27,075.90	$ 1.70
5	$334,467.00	$27,872.25	$ 1.75
6	$344,023.20	$28,668.60	$ 1.80
7	$353,579.40	$29,464.95	$ 1.85

* In addition, Tenant shall pay for electricity and janitorial service separately pursuant to Article 11 below.

D. **Base Year:** 2006

E. **Tenant’s Proportionate Share:** 22.79% (based on a total of 69,890 rentable square feet in the project

F. **Security Deposit:** A security deposit of $79,635.00 shall be due and payable by Tenant to Landlord upon Tenant’s execution of this Lease.

G.	**Permitted Use:**	General office use and uses incidental thereto which are permitted by law and are consistent with the character of the Project as a first-class office project.
H.	**Brokers:**	CB Richard Ellis, Inc. (for Landlord) and Burnham Real Estate (for Tenant)
I.	**Parking Passes:**	Tenant shall rent three point nine (3.9) parking passes for each 1,000 square feet contained in the Premises, which equals sixty two (62) passes, at the rate provided in Article 23 hereof.
J.	**Initial Installment of Basic Rental:**	The first full month's Basic Rental of $24,686.85 shall be due and payable by Tenant to Landlord upon Tenant's execution of this Lease.

ARTICLE 2

TERM/PREMISES

The Term of the Lease shall commence on the Commencement Date as set forth in Article 1.A. of the Basic Lease Provisions and shall end on the Expiration Date set forth in Article 1.A of the Basic Lease Provisions. For purposes of this Lease, the term " **Lease Year** " shall mean each consecutive twelve (12) month period during the Term, with the first (1 st) Lease Year commencing on the Commencement Date; however, (a) if the Commencement Date falls on a day other than the first (1 st) day of a calendar month, the first (1 st) Lease Year shall end on the last day of the eleventh (11 th) month after Commencement Date and the second (2 nd) and each succeeding Lease Year shall commence on the first (1 st) day of the next calendar month, and (b) the last Lease Year shall end on the Expiration Date. If Landlord does not deliver possession of the Premise to Tenant on or before the anticipated Commencement Date (as set forth in Article 1.A, above), except as provided in Section 5.3 of the Tenant Work Letter, Landlord shall not be subject to any liability for its failure to do so, and such failure shall not affect the validity of the Lease nor the obligations of Tenant hereunder. Landlord and Tenant hereby stipulate that the Premises contains the number of square feet specified in Article 1.B of the Basic Lease Provisions. Landlord may deliver to Tenant a Commencement Letter in a form substantially similar to that attached hereto as Exhibit "C", which Tenant shall execute and return to Landlord within fifteen (15) days of receipt thereof. Failure of Tenant to timely execute and deliver the Commencement Letter shall constitute acknowledgement by Tenant that the statements included in such notice are true and correct, without exceptions.

ARTICLE 3

RENTAL

(a) Basic Rental. Tenant agrees to pay the Landlord during the Term hereof, at Landlord's office or to such other person or at such other place as directed from time to time by written notice to Tenant from Landlord, the initial monthly and annual sums as set forth in Article 1.C. of the basic Lease Provisions, payable in advance on the first (1 st) day of each calendar month, without demand, setoff of deduction, and in the even this Lease commences or the date of expiration of this Lease occurs other than on the first (1 st) day or last day of a calendar month, the rent for such month shall be prorated. Notwithstanding the foregoing, the first full month's Basic Rental shall be paid to Landlord in accordance with Article 1.J. of the Basic Lease Provisions.

(b) Increase in Direct Costs . The term " **Base Year** " means the calendar year set forth in Article 1.D. of the Basic Lease Provisions. If, in any calendar year during the Term of this

Lease, the "Direct Costs" (as hereinafter defined) paid or incurred by Landlord shall be higher than the Direct Costs for the Base Year, Tenant shall pay an additional sum for each such subsequent calendar year equal to the product of the amount set forth in Article 1.E. of the Basic Lease Provisions multiplied by such increased amount of "Direct Costs." In the event either the Premises and/or the Project is expanded or reduced, the Tenant's Proportionate Share shall be appropriately adjusted, and as to the calendar year in which such change occurs, Tenant's Proportionate Share for such calendar year shall be determined on the basis of the number of days during that particular calendar year that such Tenant's Proportionate Share was in effect. In the event this Lease shall terminate on any date other than the last day of a calendar year the additional sum payable hereunder by Tenant during the calendar year in which this Lease terminates shall be prorated on the basis of the relationship which the number of days which have elapsed from the commencement of said calendar year to and including said date on which this Lease terminates bears to three hundred sixty five (365). Any and all amounts due and payable by Tenant pursuant to this Lease (other than Basic Rental) shall be deemed " **Additional Rent** " and Landlord shall be entitled to exercise the same rights and remedies upon default in these payments as Landlord is entitled to exercise with respect to defaults in monthly Basic Rental payments.

(c) Definitions . As used herein the term " **Direct Costs** " shall mean the sum of the following:

(i) " **Tax Costs** ", which shall mean any and all real estate taxes and other similar charges on real property or improvements, assessments, water and sewer charges, and all other charges assessed, reassessed or levied upon the Project and appurtenances thereto and the parking or other facilities thereof, or the real property thereunder (collectively the " **Real Property** " or attributable thereto or on the rents, issues, profits or income received or derived therefrom which are assessed, reassessed or levied by the United States, the State of California or any local government authority or agency or any political subdivision thereof and shall include Landlord's reasonable legal fees, costs and disbursements incurred in connection with proceedings for reduction of Tax Costs or any part thereof; provided, however if at any time after the date of the Lease the methods of taxation now prevailing shall be altered so that in lieu of or as a supplement to or substitute for the whole or any part of any Tax Costs, there shall be assessed, reassessed or levied (a) a tax, assessment, reassessment, levy imposition or charge wholly or partially as a net income, capital or franchise levy or otherwise on the rents, issues, profits or income derived therefrom, or (b) a tax, assessment reassessment, levy (including but not limited to any municipal, state, or federal levy), imposition or charge measured by or based in whole or in part upon the Real Property and imposed upon Landlord, then except to the extent such items are payable by Tenant under Article 6 below, such taxes, assessments, reassessments or levies or the part thereof so measured or based, shall be deemed to be included in the term "Direct Costs." Tax Costs includable in Direct Costs shall be reduced to the extent that Landlord prevails in any proceeds for a reduction of such charges, provided that (A) Tax Costs shall only include Landlord's legal fees incurred in connection with such proceedings to the extent such proceedings are reasonably expected to result in a reduction of Tax Costs, and (B) in no event shall Tax Costs included in Direct Costs for any year subsequent to the Base Year be less than the amount of Tax Costs included in Direct Costs for the Base Year (in such case Tenant shall not be responsible for the payment of any Tax Costs for such subsequent year). In addition, when calculating Tax Costs for the Base Year, special assessments shall only be deemed included in Tax Costs for Base Year to the extent that such special assessments are included in Tax Costs for the applicable subsequent calendar year during the Term. Any real estate tax assessments which are payable in installments shall be included in Tax Costs as if such costs were paid over the maximum number of installments permitted by law.

(ii) " **Operating Costs** ", which shall mean all costs and expenses incurred by Landlord in connection with the maintenance, operation, replacement, ownership and repair of the Project, the equipment, the intrabuilding cabling and wiring, adjacent walks, malls and landscaped and common areas and the parking structure, areas and facilities of the Project, including but not limited to, salaries, wages, medical surgical and general welfare benefits and pension payments, payroll taxes, fringe benefits, employment taxes, workers' compensation, uniforms and dry cleaning thereof for all persons who perform duties connected with the operation, maintenance and repair of the Project, its equipment, the intrabuilding cabling and wiring and the adjacent walks and landscaped areas, including janitorial, gardening, security, parking, operation engineer, elevator, painting, plumbing, electrical carpentry, heating,

ventilation, air conditioning, window washing, hired services, a reasonable allowance for depreciation of the cost of acquiring or the rental expense of personal property used in the maintenance, operation and repair of the Project, accountant's fees incurred in the preparation of rent adjustment statements, legal fees, real estate tax consulting fees, personal property taxes on property used in the maintenance and operation of the Project, fees, costs, expenses or dues payable pursuant to the terms of any covenants, conditions or restrictions or owners' association pertaining to the Project, capital expenditures incurred where the economies reasonably expected to be achieved each year are in excess of the reasonably expected annual amortized cost of such expenditure and capital expenditures required by governmental regulations, law, or ordinances not in effect as of the Commencement Date and costs incurred (capital or otherwise) on a regular recurring basis every three (3) or more years for certain maintenance projects (e.g. parking lot slurry coat or replacement of lobby and elevator cab carpeting), provided that any such permitted capital improvements shall be amortized over the reasonably determined useful life of the capital improvement and the amount considered as Operating Costs in any one (1) year shall be limited to the amount of such yearly amortization; the cost of all charges for electricity, gas water and other utilities furnished to the Project, including any taxes thereon; the cost of all charges for fire and extended coverage, liability and all other insurance in connection with the Project carried by Landlord; the cost of all building and cleaning supplies and materials; the cost of all charges for cleaning, maintenance and service contracts and other services with independent contractors and administration fees; a property management fee (which fee may be inputed if Landlord has internalized management or otherwise acts as its own property manager) and license, permit and inspection fees relating to the Project. In the event, during any calendar year, the Project is less than ninety-five percent (95%) occupied at all times, Operating Costs shall be adjusted to reflect the Operating Costs of the Project as though ninety-five percent (95%) were occupied at all times, and the increase or decrease in the sums owed hereunder shall be based upon such Operating Costs as so adjusted. In no event shall costs for any item of utilities included in Direct Costs for any year subsequent to the Base Year be less than the amount included in Direct Costs for the Base Year for such utility item. Notwithstanding anything to the contrary set forth in this Article 3, when calculating Operating Costs for the Base Year, unless Operating Costs for the applicable subsequent calendar year include the applicable following items, Operating Costs shall exclude (a) increases due to extraordinary circumstances including, but not limited to, labor-related boycotts and strikes, utility rate hikes, utility conservation surcharges, or other surcharges, insurance premiums resulting for terrorism coverage, catastrophic events and/or the management of environmental risks, and (b) amortization of any capital items including, but not limited to, capital improvements, capital repairs and capital replacements (including such amortized costs where the actual improvement, repair or replacement was made in prior years).

Notwithstanding anything to the contrary contained herein, the aggregate Controllable Operating Costs, as that term is defined below, shall not increase more than six percent (6%) in any calendar year over the maximum amount of Controllable Operating Costs chargeable for the immediately preceding calendar year, with no limit on the Controllable Operating Costs during the Base Year (i.e. the actual Controllable Operating Costs for the Base Year shall be the maximum amount for the base Year for purposes of this provision). " **Controllable Operating Costs** " shall mean all Direct Costs except Tax Costs, utility charges and insurance charges.

In addition, notwithstanding anything above to the contrary, Operating Costs shall not include (1) the cost of providing any service directly to and paid directly by any tenant (outside of such tenant's Direct Cost payments); (2) the cost of any items for which Landlord is reimbursed by insurance proceeds, condemnation awards, ad tenant of the Project, or otherwise to the extent so reimbursed; (3) any real estate brokerage commissions or other costs incurred in procuring tenants, or any fee in lieu of commission; (4) amortization of principal and interest on mortgages or ground lease payments (if any); (5) costs of items considered capital repairs, replacements, improvements and equipment under generally accepted accounting principles consistently applied except as expressly included in Operating Costs pursuant to the definition above; (6) costs incurred by Landlord due to the violation by Landlord or any tenant of the terms and conditions of any lease of space in the Project or any law, code, regulation, ordinance or the like; (7) any compensation paid to clerks, attendants or other persons in commercial concessions operated by Landlord (other than in the parking facility for the Project); (8) costs incurred in connection with upgrading the Project to comply with disability, life, seismic, fire and safety codes, ordinances, statutes, or other laws in effect prior to the Commencement Date, including without limitation, the then applicable requirements of the Americans with Disabilities Act (" **ADA** "), including penalties or damages incurred due to such non-compliance; (9) bad debt

expenses and interest, principal, points and fees on debts (except in connection with the financing of items which may be included in Operating Costs); (10) marketing costs, including those costs described in (3) above, attorneys' fees in connection with the negotiation and preparation of letters, deal memos, letters of intent, leases, subleases and/or assignments, space planning costs, and other costs and expenses incurred in connection with lease, sublease and/or assignment negotiations and transactions with present or prospective tenants or other occupants of the Project, including attorneys' fees and other costs and expenditures incurred in connection with disputes with present or prospective tenants or other occupants of the Project; (11) costs, including permit, license and inspection costs, incurred with respect to the installation of other tenants' or occupants' improvements made for tenants or other occupants in the Project or incurred in renovating or otherwise improving, decorating, painting or redecorating vacant space for tenants or other occupants in the Project; (12) any costs expressly excluded from Operating Costs elsewhere in this Lease; (13) costs of any items (including, but not limited to, costs incurred by Landlord for the repair of damage to the Project) to the extend Landlord receives reimbursement form insurance proceeds or from a third party (except that any deductible amount under any insurance policy shall be included within Operating Costs); (14) (18) rentals and other related expenses for leasing an HVAC systems, elevators, or other items (except when needed in connection with normal repairs and maintenance of the Project) which if purchased, rather than rented, would constitute a capital improvement not included in Operating Costs pursuant to this Lease; (15) depreciation, amortization and interest payments, except as specifically included in Operating Costs pursuant to the terms of this Lease and except on materials, tools, supplies and vendor-type equipment purchased by Landlord to enable Landlord to supply services Landlord might otherwise contract for with a third party, where such depreciation, amortization and interest payments would otherwise have been included in the charge for such third party's services, all as determined in accordance with generally accepted accounting principles, consistently applied, and when depreciation or amortization is permitted or required the item shall be amortized over its reasonably anticipated useful life; (16) expenses in connection with services or other benefits which are not offered to Tenant or for which Tenant is charged for directly but which are provided to another tenant or occupant of the Project, without charge; (17) electric power costs or other utility costs for which any tenant directly contracts with the local public service company (but Landlord shall have the right to "gross up" as if such space was vacant); (18) costs incurred in connection with the operation of retail stores selling merchandise and restaurants in the Project to the extent such costs are in excess of the costs Landlord reasonably estimates would have been incurred had such space been used for general office use; (19) costs (including in connection therewith all attorneys' fees and costs of settlement, judgments and/or payments in lieu thereof) arising from claims, disputes or potential disputes in connection with potential or actual claims litigation or arbitrations pertaining to Landlord and/or the Project, other than such claims or disputes respecting any services or equipment used in the operation of the Building by Landlord; (20) costs associated with the operation of the business of the partnership which constitutes Landlord as the same are distinguished from the costs of operation of the Project; (21) costs incurred in connection with the original construction of the Project; (22) costs of correcting defect in or inadequacy of the initial design or construction of the Project; (23) costs incurred to (i) comply with laws relating to the removal of any "Hazardous Material," as that term is defined in Article 28 of this Lease, which was in existence on the Project prior to the Commencement Date, and was of such a nature that a federal, state or municipal governmental authority, if it had then had knowledge of the presence of such Hazardous Material, in the state, and under the conditions that it then existed on the Project, would have then required the removal of such Hazardous Material or other remedial or containment action with respect thereto, and (ii) remove, remedy, contain, or treat any Hazardous Material, which Hazardous Material is brought onto the Project after the date hereof by Landlord or any other tenant of the Project and is of such a nature, at that time, that a federal, state or municipal governmental authority, if it had then had knowledge of the presence of such Hazardous Material, in the state, and under the conditions, that it then exists on the Project, would have then required the removal of such Hazardous Material or other remedial or containment action with respect thereto; (24) costs incurred due to violation by Landlord or any tenant of the terms and conditions of any lease; (25) any overhead and/or profit increment paid to Landlord or to subsidiaries of affiliates of Landlord for services or materials in the Project to the extent the same exceeds the amount which would generally be expected to be the cost of such services or materials rendered or provided by comparably qualified unaffiliated third parties; (26) any reserves for equipment or capital replacement; and (27) Landlord's costs of any services sold or provided to tenants or other occupants to the extent Landlord is entitled to be

reimbursed by such tenants or other occupants as an additional charge or rental (other than pursuant to a comparable Direct Cost provision under the lease or other agreement with such tenant or other occupant).

(d) Determination of Payment

(i) If for any calendar year ending or commencing within the Term, Tenant's Proportionate Share of Direct Costs for such calendar year exceeds Tenant's Proportionate Share of Direct Costs for the Base Year, then Tenant shall pay to Landlord, in the manner set forth in Sections 3(d)(ii) and (iii), below, and as Additional Rent, an amount equal to the excess (the " **Excess** ").

(iii) Landlord shall give Tenant a yearly expense estimate statement (the " **Estimate Statement** ") which shall set forth Landlord's reasonable estimate (the " **Estimate"**) of what the total amount of Direct Costs for the then-current calendar year shall be and the estimated Excess (the " **Estimated Excess** ") as calculated by comparing Tenant's Proportionate Share of Direct Costs for such calendar year which shall be based upon the Estimate, to Tenant's Proportionate Share of Direct Costs for the Base Year. Landlord shall use reasonable efforts to provide the Estimate Statement on or before June 30 of each year after the Base Year; however, the failure of Landlord to timely furnish the Estimate Statement for any calendar year shall not preclude Landlord from subsequently enforcing its rights to collect any Estimated Excess under this Article 3, once such Estimated Excess has been determined by Landlord. If pursuant to the Estimated Statement an Estimated Excess is calculated for the then-current calendar year, Tenant shall pay, with its next installment of Monthly Basic Rental due, a fraction of the Estimated Excess for the then-current calendar year (reduced by any amounts paid pursuant to the last sentence of this Section 3(d)(ii)). Such fraction shall have as its numerator the number of months which have elapsed in such current calendar year to the month of such payment, both months inclusive, and shall have twelve (12) as its denominator. Until a new Estimate Statement is furnished, Tenant shall pay monthly, with the Monthly Basic Rental installments, an amount equal to one-twelfth (1/12) of the total Estimated Excess set forth in the previous Estimate Statement delivered by the Landlord to Tenant.

(iii) In addition, Landlord shall endeavor to give to Tenant as soon as reasonably practicable following the end of each calendar year, a statement (the " **Statement** ") which shall state the Direct Costs incurred or accrued for such preceding calendar year, and which shall indicate the amount, if any, of the Excess. Upon receipt of the Statement for each calendar year during the Term, if amounts paid by Tenant as Estimated Excess are less than the actual Excess as specified on the Statement, Tenant shall pay, with its next installment of monthly Basic Rental due, the full amount of the Excess for such calendar year, less the amounts, if any, paid during such calendar year as Estimated Excess. If, however, the Statement indicates that amounts paid by Tenant as Estimated Excess are greater than the actual Excess as specified on the Statement, such overpayment shall be credited against Tenant's next installments of Estimated Excess. Landlord shall use reasonable efforts to provide the Statement on or before June 30 of each year after the Base Year and shall in any event provide the Statement on or before December 31 of each year after the Base Year; however, the failure of Landlord to timely furnish the Statement for any calendar year shall not prejudice Landlord from enforcing its rights under this Article 3 for a period of two (2) years after the expiration of the calendar year for which the Statement applies, except where the failure to timely furnish the Statement as to any particular item includable in the Statement is beyond Landlord's reasonable control (e.g. tax assessments that are late in arriving from the assessor), in which case such two (2) year limit shall not be applicable. Even though the Term has expired and Tenant has vacated the Premises, when the final determination is made of Tenant's Proportionate Share of the Direct Costs for the calendar year in which this Lease terminates, if an Excess is present, Tenant shall immediately pay to Landlord an amount as calculated pursuant to the provisions of this Section 3(d). The provisions of this Section 3(d)(iii) shall survive the expiration or earlier termination of the Term.

(iv) If the Project is a part of a multi-building development, those Direct Costs attributable to such development as a whole (and not attributable solely to any individual building therein) shall be allocated by Landlord to the Project and to the other buildings within such development on an equitable basis.

(e) Audit Right . Within one hundred twenty (123) days after receipt of a Statement by Tenant (" **Review Period** "), if Tenant disputes the amount set forth in the Statement, Tenant's employees or an independent certified public accountant (which accountant is a member of a nationally or regionally recognized accounting firm and is not retained on a contingency fee basis), designated by Tenant, may, after reasonable notice to Landlord and at reasonable times, inspect Landlord's records at Landlord's offices, provided that Tenant is not then in default after expiration of all applicable cure periods (although Tenant shall be entitled to make payments "under protest" thereby preserving Tenant's right to contest such payments) and provided further that Tenant and such accountant or representative shall, and each of the shall use their commercially reasonable efforts to cause their respective agents and employees to, maintain all information contained in Landlord's records in strict confidence. Notwithstanding the foregoing, Tenant shall only have the right to review Landlord' records one (1) time during any twelve (12) month period. Tenant's failure to dispute the amounts set forth in any Statement within the Review Period shall be deemed to be Tenant's approval of such Statement and Tenant, thereafter, waives the right or ability to dispute the amounts set forth in such Statement. If after such inspection, nut within thirty (30) days after the Review Period, Tenant notifies Landlord in writing that Tenant still disputes such amounts, a certification as to the proper amount shall be made in accordance with Landlord's standard accounting practices, at Tenant's expense, by an independent certified public accountant selected by Landlord and who is a member of a nationally or regionally recognized accounting firm. Landlord shall cooperate in good faith with Tenant and the accountant to show Tenant and the accountant the information upon which the certification is to be based. However, if such certification by the accountant proves that the Direct Costs set forth in the Statement were overstated by more than ten percent (10%), then the cost of the accountant and the cost of such certification shall be paid by the Landlord. Promptly following the parties receipt of such certification, the parties shall make such appropriate payments or reimbursements, as the case may be, to each other, as are determined to be owing pursuant to such certification.

ARTICLE 4

SECURITY DEPOSIT

Tenant has deposited with Landlord the sum set forth in Article 1.F. of the Basic Lease Provisions as security for the full and faithful performance of every provision of this Lease to be performed by Tenant. If Tenant breaches any provision of this Lease, including but not limited to the payment of rent, Landlord may use all or any part of this security deposit for the payment of any rent or any other sums in default, or to compensate Landlord for any other loss or damage which Landlord may suffer by reason of Tenant's default. If any portion of said deposit is so used or applied, Tenant shall, within five (5) days after written demand therefore, deposit cash with Landlord in an amount sufficient to restore the security deposit to its full amount. Tenant agrees that Landlord shall not be required to keep the security deposit in trust, segregate it or keep it separate from Landlord's general funds, but Landlord may commingle the security deposit with its general funds and Tenant shall not be entitled to interest on such deposit. At the expiration of the Term, or earlier termination of this Lease (including any termination under Article 33 below), and provided there exists no default by Tenant hereunder, the security deposit or any balance thereof shall be returned to Tenant (or, at Landlord's option, to Tenant's "Transferee", as such term is defined in Article 15 below), provided that subsequent to the expiration of this Lease, Landlord may retain from said security deposit (i) an amount reasonably estimated by Landlord to cover potential Direct Cost reconciliation payments due with respect to the calendar year in which this Lease terminates or expires (such amount so retained shall not, in any event, exceed ten percent (10%) of estimated Direct Cost payments due from Tenant for amounts so retained and not applied to such reconciliation shall be returned to Tenant within thirty (30) days after Landlord's delivery of the Statement for such calendar year),(ii) any and all amounts reasonably estimated by Landlord to cover the anticipated costs to be incurred by Landlord to remove any signage provided to Tenant under this Lease, to remove cabling and other items required to be removed by Tenant under Section 29(b) below and to repair any damage caused by such removal (in which case any excess amount so retained by Landlord shall be returned to Tenant within thirty (30) days after such removal and repair), and (iii) any and all amounts permitted by law or this Article 4. Notwithstanding anything to the contrary contained in this Article 4, in the event that the Tenant, at the expiration of the twelfth (12 th) and thirteenth (13 th) full calendar months of the Lease Term is not in default of any of its obligations under this Lease after expiration of applicable cure periods, Landlord shall reduce the amount of the Security Deposit by the amount of the monthly Basic Rental due and payable to Landlord for

such months and Landlord shall apply such amounts against Tenant's monthly Basic Rental obligations for such months. Tenant hereby waives the provisions of Section 1950.7 of the California Civil Code and all other provisions of law, now or hereafter in effect, which provide that Landlord may claim form a security deposit only those sums reasonably necessary to remedy defaults in the payment of rent, to repair damage caused by Tenant or to clean the Premises, it being agreed that Landlord may, in addition, claim those sums specified in this Article 4 above, all of Landlord's damages under this Lease and California law including, but not limited to any damages accruing upon termination of this Lease in accordance with this Lease and Section 1951.2 of the California Civil Code and/or those sums reasonably necessary to compensate Landlord for any other loss or damage, foreseeable or unforeseeable, caused by the acts or omissions of Tenant or any officer, employee, agent, contractor or invite of Tenant.

ARTICLE 5

HOLDING OVER

Should Tenant, without Landlord's written consent, hold over after termination of this Lease, Tenant shall become a tenant at sufferance upon each and all of the terms herein provided as may be applicable to such a tendency and any such holding over shall not constitute an extension of this Lease. During such holding over, Tenant shall pay in advance, monthly, Basic Rental at a rate equal to one hundred fifty percent (150%) of the rate in effect for the last month of the Term of this Lease, in addition to, and not in lieu of, all other payments required to be made by Tenant hereunder including but not limited to Tenant's Proportionate Share of any increase in Direct Costs. Nothing contained in this Article 5 shall be construed as consent by Landlord to any holding over of the Premises by Tenant, and Landlord expressly reserves the right to require Tenant to surrender possession of the Premises to Landlord as provided in this Lease upon the expiration or early termination of this Lease, Tenant agrees to indemnify, defend, and hold Landlord harmless from all costs, loss, expense or liability, including without limitation, claims made by any succeeding tenant and real estate brokers claims and attorney's fees and costs.

ARTICLE 6

OTHER TAXES

Tenant shall pay, prior to delinquency, all taxes assessed against or levied upon trade fixtures, furnishings, equipment and all other personal property of Tenant located in the Premises. In the event any or all of Tenant's trade fixtures, furnishings, equipment and other personal property shall be assessed and taxed with property of Landlord, or if the cost or value of any leasehold improvements in the Premises exceeds the cost or value of a Project-standard buildout as determined by Landlord and, as a result, real property taxes for the Project are increased, Tenant shall pay to Landlord, within ten (10) days after delivery to Tenant by Landlord of a written statement setting forth such amount, the amount of such taxes applicable to Tenant's property or above-standard improvements. Tenant shall assume and pay to Landlord at the time Basic Rental next becomes due (or if assessed after the expiration of the Term, then within ten (10) days), any excise, sales, use, rent, occupancy, garage, parking, gross receipts or other taxes (other than net income taxes) which may be assessed against or levied upon Landlord on account of the letting of the Premises or the payment of Basic Rental or any other sums due or payable hereunder, and which Landlord may be required to pay or collect under any law now in effect or hereafter enacted. In addition to Tenant's obligation pursuant to the immediately preceding sentence, Tenant shall pay directly to the party or entity entitled thereto all business license fees, gross receipts taxes and similar taxes and impositions which may from time to time be assessed against or levied upon Tenant, as and when the same become due and before delinquency. Notwithstanding anything to the contrary contained herein, any sums payable by Tenant under this Article 6 shall not be included in the computation of "Tax Costs."

ARTICLE 7

USE

Tenant shall use and occupy the Premises only for the use set forth in Article 1.G of the Basic Lease Provisions and shall not use or occupy the Premises or permit the same to be used or occupied for any other purpose without the prior written consent of Landlord, which consent

may be given or withhold in Landlord's sole and absolute discretion, and Tenant agrees that it will use the Premises in such a manner so as not to interfere with or infringe upon the rights of other tenants or occupants in the Project. Tenant shall at its sole cost and expense, promptly comply with all laws, statues, ordinances, governmental regulations or requirements now in force or which may hereafter be in force relating to or affecting (i) the condition, use or occupancy of the Premises or the Project (excluding structural changes to the Project not related to Tenant's particular use of the Premises), and (ii) improvements installed or constructed in the Premises by or for the benefit of Tenant. Tenant shall not permit more than size (6) people per one thousand (1,000) rentable square feet of the Premises to occupy the Premises at any time. Tenant shall not do or permit to be done anything which would invalidate or increase the cost of any fire or extend coverage insurance policy covering the Project and/or the property located therein and Tenant shall comply with all rules, orders, regulations and requirements of any organization which sets out standards, requirements or recommendations commonly referred to by major fire insurance underwriters, and Tenant shall promptly upon demand reimburse Landlord for any additional premium charges for any such insurance policy assessed or increased by reason of Tenant's failure to comply with the provisions of this Article.

ARTICLE 8

CONDITION OF PREMISES

Landlord shall ensure that the systems of the project serving the Premises are in good working order as of the Commencement Date. Tenant hereby agrees that except as provided in this Article 8 above and in the Tenant Work Letter attached hereto as Exhibit "D" and made a part hereof, the Premises shall be taken "as is", "with all faults", "without any representations or warranties", and Tenant hereby agrees and warrants that it has investigated and inspected the condition of the Premises and the suitability of same for Tenant's purposes, and Tenant does hereby waive and disclaim any objection to, cause of action based upon, or claim that its obligations hereunder should be reduced or limited because of the condition of the Premises or the Project or the suitability of same for Tenant's purposes. Tenant acknowledges that neither Landlord nor any agent nor any employee of Landlord has made any representations or warranty with respect to the Premises or the Project or with respect to the suitability of either for the conduct of the Tenant's business and Tenant expressly warrants and represents that Tenant has relied solely on its own investigation and inspection of the Premises and the Project in its decision to enter into this Lease and let the Premises in the above-described condition. The Premises shall be initially improved as provided in, and subject to the Tenant Work Letter. The existing leasehold improvements in the Premises as of the date of the Lease, together with the Improvements (as defined in the Tenant Work Letter) may be collectively referred to herein as the " **Tenant Improvements** ." Subject to the completion/correction of "punch list" items as provided in Section 6.4 of the Tenant Work Letter, the taking of possession of the Premises by Tenant shall conclusively establish that the Premises and the Project were at such time in satisfactory condition. Tenant hereby waives subsection 1 of Section 1932 and Sections 1941 and 1942 of the Civil Code of California or any successor provision of law.

ARTICLE 9

REPAIRS AND ALTERATIONS

(a) Landlord's Obligations . Landlord shall maintain the structural portions of the Project, including the foundation, floor/ceiling slabs, roof, curtain wall, exterior glass, columns, beams, shafts, stairs, stairwells, elevator cabs and common areas, and shall also maintain and repair the basic mechanical, electrical, life safely, plumbing sprinkler systems and heating, ventilating and air-conditioning systems (provided, however, that Landlord's obligation with respect to any such system shall be to repair and maintain those portions of the system located in the core of the Project or in other areas outside of the Premises, but Tenant shall be responsible to repair and maintain any distribution of such systems throughout the Premises).

(b) Tenant's Obligations . Except as expressly provided as Landlord's obligation in this Article 9, Tenant shall keep the Premises in good condition and repair, reasonable wear and tear excepted. All damage or injury to the Premises or the Project resulting from the act of negligence of Tenant, its employees, agents or visitors, guests, invitees or licensees or by the use of the Premises, shall be promptly repaired by Tenant at its sole cost and expense, to the

satisfaction of Landlord; provided, however, that for damage to the Project as a result of casualty or for any repairs that may impact the mechanical, electrical plumbing, heating, ventilation or air-conditioning systems of the Project, Landlord shall have the right (but not the obligation) to select the contractor and oversee all such repairs. Landlord may make any repairs which are not promptly made by Tenant after Tenant's receipt of written notice and the reasonably opportunity of Tenant to make said repair within five (5) business days from receipt of said written notice, and charge Tenant for the cost thereof, which cost shall be paid by Tenant within five (5) days from invoice from Landlord. Tenant shall be responsible for the design and function of all non-standard improvements of the Premises, whether or not installed by Landlord at Tenant's request. Tenant waives all rights to make repairs at the expense of Landlord, or to deduct the cost thereof from the rent.

(c) Alterations . Tenant shall make no alterations, installations, changes or additions in or to the Premises or the Project (collectively, " **Alterations** ") without Landlord's prior written consent, which shall not be unreasonably withheld. Notwithstanding anything to the contrary contained herein, Tenant may make strictly cosmetic changes to the finish work in the Premises (the " **Cosmetic Alterations** "), without Landlord's consent, provided that the aggregate cost of any such alterations does not exceed $25,000.00 in any twelve (12) month period, and further provided that such alterations do not (i) require any structural or other substantial modification to the Premises, (ii) require any changes to, nor adversely affect, the systems and equipment of the Project, or (iii) affect the exterior appearance of the Project. If the contractor(s) for any such Cosmetic Alterations could potentially place a lien on the Project, Tenant shall give Landlord at least fifteen (15) days prior notice of such Cosmetic Alterations, which notice shall be accompanied by reasonably adequate evidence that such changes meet the criteria contained in this Section 9(c). Any alterations approved by Landlord must be performed in accordance with the terms hereof, using only contractors or mechanics approved by Landlord in writing and upon the approval by Landlord in writing of fully detailed and dimensioned plans and specifications pertaining to the Alterations in questions, to be prepared and submitted by Tenant at its sole cost and expense. Tenant shall at its sole cost and expense obtain all necessary approvals and permits pertaining to any Alterations approved by Landlord. Tenant shall cause all Alterations to be performed in a good a workmanlike manner, in conformance with all applicable federal, state, county and municipal laws, rules and regulations, pursuant to a valid building permit, and in conformance with Landlord's construction rules and regulations. If Landlord, in approving any Alterations, specifies a commencement date therefor, Tenant shall not commence any work with respect to such Alterations prior to such date. Tenant hereby agrees to indemnify, defend, and hold Landlord free and harmless from all liens and claims of lien, and all other liability, claims and demands arising out of any work done or material supplied to the Premises by or at the request of Tenant in connection with any Alterations.

(d) Insurance ; Liens . Prior to the commencement of any Alterations, Tenant shall provide Landlord with evidence that Tenant carries "Builder's All Risk" insurance in an amount approved by Landlord covering the construction of such Alterations, and such other insurance as Landlord may reasonably require, it being understood that all such Alterations shall be insured by Tenant pursuant to Article 14 of this Lease immediately upon completion thereof. In addition, Landlord may, in its discretion, require Tenant to obtain a lien and completion bond or some alternate form of security satisfactory to Landlord in an amount sufficient to ensure the lien free completion of such Alterations and naming Landlord as a co-obligee.

(e) Cost and Fees; Removal . IF permitted Alterations are made, they shall be made at Tenant's sole cost and expense and shall be and become the property of Landlord, except that Landlord may, by written notice to Tenant given at the time of Tenant's request for consent to such Alteration (provided Tenant requests that Landlord make such determination at the time of Tenant's request for consent), require Tenant at Tenant's expense to remove all partitions, counters, railings, cabling and other Alterations installed by Tenant, and to repair any damage to the Premises and the Project caused by such removal. Any and all costs attributable to or related to the applicable building codes of the city in which the Project is located (or any other authority having jurisdiction over the Project) arising from Tenant's plans, specifications, improvements, Alterations or otherwise shall be paid by Tenant at its sole cost and expense. With regard to repairs, Alterations or any other work arising from or related to this Article 9, Landlord shall be entitled to receive an administrative/coordination fee (which fee shall vary depending upon whether or not Tenant orders the work directly from Landlord) sufficient to compensate the Landlord's involvement with such work. The construction of initial improvements to the Premises shall be governed by the terms of the Tenant Work Letter and not the terms of this Article 9.

ARTICLE 10

LIENS

Tenant shall keep the Premises and the Project free from any mechanics' liens, vendors liens or any other liens arising out of any work performed, materials furnished or obligations incurred by Tenant, and Tenant agrees to defend, indemnify and hold Landlord harmless from and against any such lien or claim of action thereon, together with costs of suit and reasonable attorneys' fees and costs incurred by Landlord in connection with any such claim or action. Before commencing any work of alteration, addition or improvement to the Premises (other than Cosmetic Alterations), Tenant shall give Landlord at least ten (10) business days' written notice of the proposed commencement of such work (to afford Landlord an opportunity to post appropriate notices of non-responsibility. In the even that there shall be recorded against the Premises or the Project or the property of which the Premises is a part any claim or lien arising out of any such work performed, materials furnished or obligations incurred by Tenant and such claim or lien shall not be removed or discharged within ten (10) days of filing, Landlord shall have the right but not the obligation to pay and discharge said lien without regard to whether such lien shall be lawful or correct, or to require that Tenant promptly deposit with Landlord in cash, lawful money of the United States, one hundred fifty percent (150%) of the amount of such claim, which sum may be retained by Landlord until such claim shall have been removed of record or until judgment shall have been rendered on such claim and such judgment shall have become final, at which time Landlord shall have the right to apply such deposit in discharge of the judgment on said claim and any costs, including attorneys' fees and costs incurred by Landlord, and shall remit the balance thereof to Tenant.

ARTICLE 11

PROJECT SERVICES

(a) Basic Services . Landlord agrees to furnish to the Premises, at a cost to be included in Operating Costs, from 8:00 a.m. to 6:00 pm. Mondays through Fridays and 8:00 a.m. to noon on Saturdays, excepting local and national holidays, air conditioning and heat all in such reasonable quantities as in the judgment of Landlord is reasonably necessary for the comfortable occupancy of the Premises. In addition, Landlord shall proved electric current for normal lighting and normal office machines, elevator service and water on the same floor as the Premises for lavatory and drinking purposes in such reasonable quantities as in the judgment of Landlord is reasonably necessary for general office use and in compliance with applicable codes. To the extent reasonably determined by Landlord to be practicable, all such electricity (including, without limitation, electricity in order to power the heating, ventilation and air conditioning system serving the Premises), shall be separately metered or submetered and Tenant shall make payment directly to the entity providing such electricity if such separate meters are installed. If, however, separate meters are not installed and the Premises are submetered or are jointly metered, then Landlord shall determine and Tenant shall pay the amount reasonably determined by Landlord to be Tenant's equitable share of the monthly charge for such electricity, as Additional Rent. Tenant shall be solely responsible for retaining a bonded janitorial company to provide janitorial service to the Premises on a regular basis as reasonably approved by Landlord and Landlord shall have no obligation to provide janitorial services to the Premises. Tenant shall comply with all rules and regulations which Landlord may establish for the proper functioning and protection of the common area air conditioning, heating, elevator, electrical, intrabuilding cabling and wiring and plumbing systems. Landlord shall not be liable for, and there shall be no rent abatement as a result of, any stoppage, reduction or interruption of any such services caused by governmental rules, regulations or ordinances, riot, strike, labor disputes, breakdowns, accidents, necessary repairs or other cause. Except as specifically provided in this Article 11, Tenant agrees to pay for all utilities and other services utilized by Tenant and any additional building services furnished to Tenant which are not uniformly furnished to all tenants of the Project, at the rate generally charged by Landlord to tenants of the Project for such utilities or services.

(b) Excess Usage . Tenant will not, without prior written consent of Landlord, use any apparatus or device in the Premises which will in any way increase the amount of electricity

or water usually furnished or supplied for use of the Premises as general office space; nor connect any apparatus, machine or devise with water pipes or electric current (except through existing electrical outlets in the Premises), for the purpose of using electric current or water.

(c) Additional Electrical Service . IF Tenant shall require electric current in excess of that which Landlord is obligated to furnish under Section 11(a) above, Tenant shall first obtain the written consent of Landlord, which Landlord may refuse in its reasonable discretion; provided, however, that Tenant shall be responsible for the cost of any additional equipment required in order to provide such additional electric current.

(d) HVAC Balance . If any lights, machines or equipment (including but not limited to computers and computer systems and appurtenances) are used by Tenant in the Premise which materially affect the temperature otherwise maintained by the air conditioning system, or generate substantially more heat in the Premises than would be generated by the building standard lights and usual office equipment, Landlord shall have the right to install any machinery and equipment which Landlord reasonably deems necessary to restore temperature balance, including but not limited to modifications to the standard air conditioning equipment, and the cost thereof, including the cost of installation and any additional cost of operation and maintenance occasioned thereby, shall be paid by Tenant to Landlord upon demand by Landlord.

(e) Telecommunications . Upon request from Tenant from time to time, Landlord will provide Tenant with a listing of telecommunications and media service providers serving the Project, and Tenant shall have the right to contract directly with the providers of its choice. Landlord confirms to Tenant that SBC and Time Warner Telecom are currently providers serving the Project. If Tenant wishes to contract with or obtain service from any provider which does not currently serve the Project or wishes to obtain from an existing carrier services which will require the installation of additional equipment, such provider must, prior to providing service, enter into a written agreement with Landlord setting forth the terms and conditions of the access to be granted to such provider. In considering the installation of any new or additional telecommunications cabling or equipment at the Project, Landlord will consider all relevant factors in a reasonable and non-discriminatory manner, including, without limitation, the existing availability of services at the Project, the impact of the proposed installations upon the Project and its operations and the available space and capacity for the proposed installations. Landlord may also consider whether the proposed service may result in interference with or interruption of other services at the Project or the business operations of other tenants or occupants of the Project. In no event shall Landlord be obligated to incur any costs or liabilities in connection with the installation or delivery of telecommunication services or facilities at the Project. All such installations shall be subject to Landlord’s prior approval and shall be performed in accordance with the terms of Article 9. If Landlord approves the proposed installations in accordance with the foregoing, Landlord will deliver its standard form agreement upon request and will use commercially reasonable efforts to promptly enter into an agreement on reasonable and non-discriminatory terms with a qualified, licensed and reputable carrier confirming the terms of installation and operation of telecommunications equipment consistent with the foregoing.

(f) After-Hours Use . If Tenant requires heating, ventilation and/or air conditioning during times other than the times provided in Section 11 (a) above, Tenant shall give Landlord such advance notice as Landlord shall reasonably require and shall pay Landlord’s standard charge for such after-hours use.

(g) Reasonable Charges . Landlord may impose a reasonable charge for any utilities or services (other than electric current and heating, ventilation and/or air conditioning which shall be governed by Sections 11(c) and (f) above) utilized by Tenant in excess of the amount of type that Landlord reasonably determines is typical for general office use.

(h) Sole Electrical Representative . Tenant agrees that Landlord shall be the sole and exclusive representative with respect to, and shall maintain exclusive control over, the reception, utilization and distribution of electrical power, regardless of point or means of origin, use or generation. Tenant shall not have the right to contract directly with any provider of electrical power or services.

(i) Independent HVAC Unit . Tenant shall be entitled to have Landlord install, as an initial Improvement, a dedicated heating, ventilation and air conditioning unit (“ **Package Unit** ”)

within the Premises with specifications reasonably determined by Landlord and at Landlord's sole cost and expense. If Tenant elects to install a Package Unit within the Premises, Landlord shall also install, at Landlord's sole cost and expense, a separate meter or at Landlord's option, submeter, in order to measure the amount of electricity furnished to such unit and Tenant shall be responsible for Landlord's actual cost of supplying electricity to such unit as reflected by such meter or submeter, which amounts shall be payable on a monthly basis as Additionally Rent. Tenant shall be solely responsible for maintenance and repair of the Package Unit and such unit shall, at Landlord's option, be considered to be a fixture within the Premises and shall remain upon the Premises upon the expiration or earlier termination of the Lease Term or any applicable Option Term.

ARTICLE 12

RIGHTS OF LANDLORD

(a) Right of Entry. Landlord and it agents shall have the right to enter the Premises at all reasonable times upon twenty-four (24) hours prior notice (except that no notice shall be required in the case of an emergency) for the purpose of examining or inspecting the same, serving or posting and keeping posted theron notices as provided by law, or which Landlord deems necessary for the protection of Landlord or the Project, showing the same to prospective tenants (during the last nine (9) months of the Lease Term), lenders or purchasers of the Project, in the case of an emergency, and for making such alterations, repairs, improvements or additions to the Premises or to the Project as Landlord may deem necessary or desirable. If Tenant shall not be personally present to open and permit entry into the Premises at any time when such an entry by Landlord is necessary or permitted hereunder, Landlord may enter by means of a master key, or may forcibly enter in the case of an emergency, in each even without liability to Tenant and without affecting this Lease.

(b) Maintenance Work . Landlord reserves the right from time to time, but subject to payment by and/or reimbursement from Tenant as otherwise provided herein: (i) to install, use, maintain, repair, replace, relocate and control for service to the Premise and/or other parts of the Project pipes, ducts, conduits, wires, cabling, appurtenant fixtures, equipment spaces and mechanical systems, wherever located in the Premises or the Project, (ii) to alter, close, or relocate any facility in the Premises or the common areas or otherwise conduct any of the above activities for the purpose of complying with a general place for fire/life safety for the Project or otherwise, and (iii) to comply with any federal, state or local law, rule or order. Landlord shall attempt to perform any such work with the least inconvenience to Tenant as is reasonably practicable, but in no event shall Tenant be permitted to withhold or reduce Basic Rental or other charges due hereunder as a result of same, make any claim for constructive eviction or otherwise make any claim against Landlord for interruption or interference with Tenant's business and/or operations.

(c) Rooftop . If Tenant desires to use the rooftop of the Project for any purpose, including the installation of communication equipment to be used from the Premises, such rights will be granted in Landlord's sole discretion and Tenant must negotiate the terms of any rooftop access with Landlord or the rooftop management company or lessee holding rights to the rooftop from time to time. Any rooftop access granted to Tenant will be at prevailing rates and will be governed by the terms of a separate written agreement or an amendment to this Lease.

ARTICLE 13

INDEMNITY; EXEMPTION OF LANDLORD FROM LIABILITY

(a) Indemnity . Tenant shall indemnify, defend and hold Landlord, Arden Realty, Inc., Arden Realty Limited Partnership, their subsidiaries, partners, affiliates and their respective officers, directors, employees and contractors (collectively, " **Landlord Parties** ") harmless from any and all claims arising from Tenant's use of the Premises or the Project or from the conduct of its business or from any activity, work or thing which may be permitted or suffered by Tenant in or about the Premises or the Project and shall further indemnify, defend and hold Landlord and the Landlord Parties harmless from and against any and all claims arising from any breach or default in the performance of any obligation on Tenant's part to be performed under this Lease or arising from any negligence or willful misconduct of Tenant or any of its agents, contractors,

employees or invitees, patrons, customers or members in or about the Project and from any and all costs, attorneys' fees and costs, expenses and liabilities incurred in the defense of any claim or any action or proceeding brought thereon, including negotiations in connection therewith. Tenant hereby assumes all risk of damage to property or injury to persons in or about the Premises from any cause, and Tenant hereby waives all claims in respect thereof against Landlord and the Landlord Parties, excepting where the damage is caused solely by the gross negligence or willful misconduct of Landlord or the Landlord Parties.

(b) Exemption of Landlord from Liability . Landlord and the Landlord Parties shall not be liable for injury to Tenant's business, or loss of income therefrom, however occurring (including, without limitation, from any failure or interruption of services or utilities or as a result of Landlord's negligence), or, except in connection with damage or injury resulting from the gross negligence or willful misconduct of Landlord or the Landlord Parties, for damage that may be sustained by the person, goods, wares, merchandise or property of Tenant, its employees, invitees, customers, agents, or contractors or any other person in, on or about the Premises directly or indirectly caused by or resulting from any cause whatsoever, including, but not limited to, fire, steam, electricity, gas, water, or rain which may leak or flow from or into any part of the Premises, or from the breakage, leakage, obstruction or other defects of the pipes, sprinklers, wires, appliances, plumbing, air conditioning, light fixtures, or mechanical or electrical systems, or from intrabuilding cabling or wiring, whether such damage or injury results from conditions arising upon the Premises or upon other portions of the Project or from other sources or places and regardless of whether the cause of such damage or injury or the means of repairing the same in inaccessible to Tenant. Landlord and the Landlord Parties shall not be liable to Tenant for any damages arising from any willful or negligent action or inaction of any other tenant of the Project.

(c) Security . Tenant acknowledges that Landlord's election whether or not to provide any type of mechanical surveillance or security personnel whatsoever in the Project is solely within the Landlord's discretion; Landlord and the Landlord Parties shall have no liability in connection with the provision, or lack, of such services, and Tenant hereby agrees to hold Landlord and Landlord Parties harmless with regard to any such potential claim. Landlord and the Landlord Parties shall not be liable for losses due to theft, vandalism, or like causes. Tenant shall defend, indemnify, and hold Landlord and Landlord Parties harmless from and such claims made by any employee, licensee, invitee, contractor, agent or other person whose presence in, on or about the Premises or the Project is attendant to the business of Tenant.

ARTICLE 14

INSURANCE

(a) Tenant's Insurance . Tenant, shall at all times during the Term of this Lease, and at its own cost and expense, procure and continue in force the following insurance coverage: (i) Commercial General Liability Insurance, written on an occurrence basis, with a combined single limit for bodily injury and property damages of not less than Two Million Dollars ($2,000,000) per occurrence and Three Million Dollars ($3,000,000) in the annual aggregate, including products liability coverage if applicable, blanket contractual coverage including written contracts, and personal injury coverage, covering the performance of Tenant of the indemnity and exemption of Landlord from liability agreements set forth in Article 13 hereof; (ii) a policy of standard fire, extended coverage and special extended coverage insurance (all risks), including a vandalism and malicious mischief endorsement and sprinkler leakage coverage where sprinklers are provided in an amount equal to the full replacement value new without deduction for depreciation of all (A) Tenant Improvements, Alterations, fixtures and other improvements in the Premises, including but not limited to all mechanical, plumbing, heating, ventilating, air conditioning, electrical telecommunication and other equipment, systems and facilities, and (B) trade fixtures, furniture, equipment and other personal property installed by or at the expense of Tenant; (iii) Worker's Compensation coverage as required by law; and (iv) business interruption, loss of income and extra expense insurance covering any failure or interruption of Tenant's business equipment (including, without limitation, telecommunications equipment) and covering all other perils, failures or interruptions in an amount of not less than Five Hundred Thousand Dollars ($500,000.00). Tenant shall carry and maintain during the entire Term (including any option periods, if applicable), at Tenant's sole cost and expense, increased amounts of the insurance required to be carried by Tenant pursuant to this Article 14 and such

other reasonable types of insurance coverage in such reasonable amounts covering the Premises and Tenant's operations therein, as may be reasonably required by Landlord, but Landlord shall only be entitled to require such increased amounts and/or other coverages if they are then generally required by owners of comparable office buildings in the San Diego, California area.

(b) Forms of Policies . The aforementioned minimum limits of policies and Tenant's procurement and maintenance thereof shall in no event limit the liability of Tenant hereunder. The Commercial General Liability Insurance policy shall name Landlord, the Landlord Parties, Landlord's property manager, Landlord's lender(s) and such other persons or firms as Landlord specifies from time to time, as additional insureds with an appropriate endorsement to the policy(s). All such insurance policies carried by Tenant shall be with companies having a rating of not less than A-VIII in Best's Insurance Guide. Tenant shall furnish to Landlord, for the insurance companies, or cause the insurance companies to furnish, certificates of coverage. No such policy shall be cancelable or subject to reduction of coverage or other modification or cancellation except after thirty (30) days prior written notice to Landlord by the insurer. All such polices shall be endorsed to agree that Tenant's policy is primary as to claims arising within the Premises and that any insurance carried by Landlord is excess and not contributing with any Tenant insurance requirement hereunder. Tenant shall, at least twenty (20) days prior to the expiration of such policies, furnish Landlord with renewals or binders. Tenant agrees that if Tenant does not take out and maintain such insurance or furnish Landlord with renewals or binders in a timely manner, upon notice to Tenant and the expiration of a three (3) business day cure period, Landlord may (but shall not be required to) procure said insurance on Tenant's behalf and charge Tenant the cost thereof, which amount shall be payable by Tenant upon demand with interest (at the rate set for the in Section 20(e) below) from the date such sums are expended. Tenant shall have the right to provide such insurance coverage pursuant to blanket policies obtained by Tenant, provided such blanked policies expressly afford coverage to the Premises and to Tenant as required by this Lease.

(c) Landlord's Insurance . Landlord may, as a cost to be included in Operating Costs, procure and maintain at all times during the Term of this Lease, a policy or policies of insurance covering loss or damage to the Project in the amount of the full replacement costs without deduction for depreciation thereof, providing protection against all perils included within the classification of fire and extended coverage, vandalism coverage and malicious mischief, sprinkler leakage, water damage, and special extended coverage on the building. Additionally, Landlord may carry; (i) Bodily Injury and Property Damage Liability Insurance and/or Excess Liability Coverage Insurance; and (ii) Earthquake and/or Flood Damage Insurance; and (iii) Rental Income Insurance' and (iv) any other forms of insurance Landlord may deem appropriate or any lender may require. However, notwithstanding the foregoing, Landlord shall either carry, or shall be deemed to have elected to self-insure, the Bodily Injury and Property Damage Liability Insurance coverage described in subsection (i) of the immediately preceding sentence, and if Landlord elects to self-insure any or all of such coverage, Tenant shall be deemed to be in the same position it would have been in had Landlord actually purchased such insurance from a third party carrier. The costs of all insurance carried by Landlord shall be included in Operating Costs.

(d) Waiver of Subrogation . Landlord and Tenant each agree to require their respective insurers issuing the insurance descried in Sections 14(a)(ii), 14(a)(iv) and the first sentence of Section 14(c), waive any rights to subrogation that such companies may have against the other party. Tenant hereby waives any right that Tenant may have against Landlord and Landlord hereby waives any right that Landlord may have against Tenant as a result of any loss or damage to the extent such loss or damage is insurable under such policies.

(e) Compliance with Law . Tenant agrees that it will not, at any time, during the Term of this Lease, carry any stock of goods or do anything in or about the Premises that will in any way tend to increase the insurance rates upon the Project. Tenant agrees to pay Landlord forthwith upon demand the amount of any increase in premiums for insurance that may be carried during the Term of this Lease, or the amount of insurance to be carried by Landlord on the Project resulting from the foregoing, or from Tenant doing any act in or about the Premises that does so increase the insurance rates, whether or not Landlord shall have consented to such act on the part of Tenant. If Tenant installs upon the Premises any electrical equipment which causes an overload of electrical lines of the Premises, Tenant shall at its own cost and expense, in accordance with all other Lease provisions (specifically including, but not limited to, the

provisions of Article 9, 10 and 11 hereof), make whatever changes are necessary to comply with requirements of the insurance underwriters and any governmental authority having jurisdiction overloading. Tenant shall, at its own expense, comply with all insurance requirements applicable to the Premises including, without limitation, the installation of fire extinguishers or any automatic dry chemical extinguishing system.

ARTICLE 15

ASSIGNMENT AND SUBLETTING

Tenant shall have no power to, either voluntarily, involuntarily, by operation of law or otherwise, sell, assign, transfer or hypothecate this Lease, or sublet the Premises or any part thereof, or permit the Premises or any part thereof to be used or occupied by anyone other than Tenant or Tenant's employees without the prior written consent of Landlord, which consent shall not be unreasonably withheld. If Tenant is a corporation, unincorporated association, partnership or limited liability company, the sale, assignment, transfer or hypothecation of any class of stock or other ownership interest in such corporation, association, partnership or limited liability company in excess of twenty-five percent (25%) in the aggregate shall be deemed a "Transfer" within the meaning and provisions of this Article 15. Tenant may transfer its interest pursuant to this Lease only upon the following express conditions, which conditions are agreed by Landlord and Tenant to be reasonable:

(a) That the proposed Transferee (as hereafter defined) shall be subject to the prior written consent of Landlord, which consent will not be unreasonably withheld but, without limiting generality of the foregoing, it shall be reasonable for Landlord to deny such consent if:

(i) The use to be made of the Premises by the proposed Transferee is (a) not generally consistent with the character and nature of all other tenancies in the Project, or (b) a use which conflicts with any so-called "exclusive" then in favor of, or for any use which might reasonably be expected to diminish the rent payable pursuant to any percentage rent lease with other tenant of the Project of any other buildings which are in the same complex as the Project, or (c) a use which would be prohibited by any other portion of this Lease (including but not limited to any Rules and Regulations then in effect);

(ii) The financial responsibility of the proposed Transferee is not reasonably satisfactory to Landlord or in any event not at least equal to those which were possessed by Tenant as of the date of execution of this Lease;

(iii) The proposed Transferee is either a governmental agency or instrumentality thereof; or

(iv) Either the proposed Transferee or any person or entity which directly or indirectly controls, is controlled by or is under common control with the proposed Transferee (A) occupies space in the Project at the time of the request for consent, or (B) is negotiating with Landlord or has negotiated with Landlord during the six (6) month period immediately preceding the date of the proposed Transfer, to lease space in the Project.

(b) Upon Tenant's submission of a request for Landlord's consent to any such Transfer, Tenant shall pay to Landlord Landlord's then standard processing fee and reasonable attorneys' fees and costs incurred in connection with the proposed Transfer, which the parties hereby stipulate to be $1,000.00, unless Landlord provides to Tenant evidence that Landlord has incurred greater costs in connection with the proposed Transfer;

(c) That the proposed Transferee shall execute and agreement pursuant to which it shall agree to perform faithfully and be bound by all of the terms, covenants, conditions, provisions and agreements of this Lease applicable to that portion of the Premises so transferred; and

(d) That an executed duplicate original of said assignment and assumption agreement or other transfer on a form reasonably approved by Landlord shall be delivered to Landlord within five (5) days after the execution therof, and that such transfer shall not be binding upon Landlord until the deliver thereof to Landlord and the execution and delivery of Landlord's consent thereto. It shall be a condition to Landlord's consent to any subleasing, assignment or

other transfer of part or all of Tenant's interest in the Premises (" **Transfer** ") that (i) upon Landlord's consent to any Transfer, Tenant shall pay and continue to pay fifty percent (50%) of any "Transfer Premium" (defined below), received by Tenant from the transferee; (ii) any sublessee of part of all of Tenant's interest in the Premises shall agree that in the event Landlord gives such sublessee notice that Tenant is in default under this Lease, such sublessee shall thereafter make all sublease or other payments directly to Landlord, which will be received by Landlord without any liability whether to honor the sublease or otherwise (Except to credit such payments against sums due under this Lease), and any sublessee shall agree to attorn to Landlord or its successors and assigns at their requires should this Lease be terminated for any reason, except that in no event shall Landlord or its successors or assigns be obligated to accept such attornment; (iii) any such Transfer and consent shall be effected on forms supplied by Landlord and/or its legal counsel; (iv) Landlord may require that Tenant not then be in default hereunder in any respect; and (v) Tenant or the proposed subtenant or assignee (collectively, " **Transferee** ") shall agree to pay Landlord, upon demand, as Additional Rent, a sum equal to the additional costs, if any, incurred by Landlord for maintenance and repair as a result of any change in the nature of occupancy caused by such subletting or assignment. " **Transfer Premium** " shall mean all rent, Additional Rent or other consideration payable by Transferee in connection with a Transfer in excess of the Basic Rental and Direct Costs payable by Tenant under this Lease during the term of the Transfer and if such Transfer is for less than all of the Premises, the Transfer Premium shall be calculated on a rentable square foot basis. "Transfer Premium" shall also include, but not be limited to, key money, bonus money or other cash consideration paid by a Transferee to Tenant in connection with such Transfer, and any payment in excess of fair market value for services rendered by Tenant to the Transferee and any payment in excess of fair market value for assets, fixtures, inventory, equipment, or furniture transferred by Tenant to the Transferee in connection with such Transfer. Any Transfer of this Lease which is not in compliance with the provisions of this Article 15 shall be voidable by written notice from Landlord and shall, at the option of Landlord, terminate this Lease. In no event shall the consent by Landlord to any Transfer be construed as relieving Tenant or any Transferee from obtaining the express written consent of Landlord to any further Transfer, or as releasing Tenant from any liability or obligation hereunder whether or not then accrued and Tenant shall continue to be fully liable therefor. No collection or acceptance of rent by Landlord from any person other than Tenant shall be deemed a waiver of any provision of this Article 15 or the acceptance of any Transferee hereunder, or a release or Tenant (or of any Transferee of Tenant). Notwithstanding anything to the contrary in this Lease, if Tenant or any proposed Transferee claims that Landlord has unreasonably withheld or delayed its consent under this Article 15 or otherwise has breached or acted unreasonably under this Article 15, their sole remedies shall be a declaratory judgment and an injunction for the relief sought without any monetary damages, and Tenant hereby waives all other remedies, including, without limitation, any right at law or equity to terminate this Lease, on its own behalf and, to the extent permitted under all applicable laws, on behalf of the proposed Transferee.

Notwithstanding anything to the contrary contained in this Article 15, if Tenant contemplates a Transfer, then Tenant shall give Landlord notice (the " **Intention to Transfer Notice** ") of such contemplated Transfer (whether or not the contemplated Transferee or the terms of such contemplated Transfer have been determined). The Intention to Transfer Notice shall specify the portion of and number of rentable square feet of the Premises which Tenant intends to Transfer (the " **Contemplated Transfer Space** ") and the contemplated date of commencement of the contemplated Transfer (" **Contemplated Effective Date** "). Thereafter, Landlord shall have the option, by giving written notice to Tenant within ten (10) business days after Landlord's receipt of the Intention to Transfer Notice, to terminate this Lease as to the Contemplated Transfer Space effective as of the Contemplate Effective Date. If this Lease shall be so terminated with respect to less than the entire Premises, the monthly Basic Rental reserved herein shall be prorated on the basis of the number of rentable square feet retained by Tenant in proportion to the number of rentable square feet contained in the entire Premises, and this Lease as so amended shall continue thereafter in full force and effect, and upon request of either party, the parties shall execute written confirmation of the same. If Landlord declines, or fails to elect in a timely manner to terminate this Lease as to the Contemplated Transfer Space under this Article 15 within such ten (10) business day period, then provided Landlord has consented to the proposed Transfer, Tenant shall be entitle to proceed to transfer the Contemplated Transfer Space to a proposed Transferee and Landlord shall not have any right to recapture such Contemplated Transfer Space with respect to any Transfer thereof consummated within a period of six (6) months (the " **Six Month Period** ") commencing on the expiration of such ten (10)

business day period; provided, however that any such Transfer shall be subject to other terms of this Article 15. If such a Transfer is not so consummated within the Six Month Period (or if a Transfer is so consummated, then upon the expiration of the term of any Transfer of such Contemplated Transfer Space consummated within such Six Month Period), Tenant shall again be required to submit a new Intention to Transfer Notice to Landlord with respect to any contemplated Transfer, as provided in this Article 15.

Notwithstanding anything to the contrary contained in this Article 15, an assignment or subletting of all or a portion of the Premises to an affiliate (" **Affiliate** ") of Tenant (an entity which is controlled by, controls, or is under common control with, Tenant), shall not be deemed a Transfer under this Article 15, provided that Tenant notifies Landlord of any such assignment or sublease and promptly supplies Landlord with any documents or information requested by Landlord regarding such assignment or sublease or such affiliate, and further provided that such assignment or sublease is not a subterfuge by Tenant to avoid its obligations under this Lease. An assignee of Tenant's entire interest in this Lease pursuant to the immediately preceding sentence may be referred to herein as an " **Affiliated Assignee** ." " **Control** ," as used in this Article 15, shall mean the ownership, directly or indirectly, of greater than fifty percent (50%) of the voting securities of, or possession of the right to vote, in the ordinary direction of its affairs, of greater than fifty percent (50%) of the voting interest in, an entity.

ARTICLE 16

DAMAGE OR DESTRUCTION

If the Project is damaged by fire or other insured casualty and the insurance proceeds have been made available therefor by the holder or holders of any mortgages or deeds of trust covering the Premises or the Project, the damage shall be repaired by Landlord to the extent such insurance proceeds are available therefor and provided such repairs can, in Landlord's sole opinion, be completed within two hundred seventy (270) days after the necessity for repairs as a result of such damage becomes known to Landlord, without the payment of overtime or other premiums, and until such repairs are completed rent shall be abated in proportion to the part of the Premises which is unusable by Tenant in the conduct of its business (but there shall be no abatement of rent by reason of any portion of the Premises or Project parking facility being unusable for a period equal to one (1) day or less). Furthermore, if the Project parking facility is damaged by fire or other casualty and if Landlord is unable to make arrangements for substitute parking for Tenant's employees and to the extent, as a result, Tenant does not utilize all or a portion of the Premises which is not so used by Tenant's business, Tenant's rent shall be abated in proportion to the part of the Premises which is not so used by Tenant, its employees, agents, contractors, guests, invitees and the like, there shall be no abatement of rent, unless and to the extent Landlord receives rental income insurance proceeds. Within sixty (60) days after the date Landlord learns of the necessity for repairs as a result of damage, Landlord shall notify Tenant (" **Damage Repairs Estimate** ") of Landlord's estimated assessment of the period of time in which the repairs will be completed. Upon the occurrence of any damage to the Premises, Tenant shall assign to Landlord (or to any party designated by Landlord) all insurance proceeds payable to Tenant under Section 14(a)(ii)(A) above; provided, however, that if the costs of repair of improvements within the Premises by Landlord exceeds the amount of insurance proceeds received by Landlord from Tenant's insurance carrier, as so assigned by Tenant, such excess costs shall be paid by Tenant to Landlord prior to Landlord's repair of such damage. If repairs cannot, in Landlord's opinion, be completed within two hundred seventy (270) days after the after the necessity for repairs as a result of such damage becomes known to Landlord without the payment of overtime or other premiums, Landlord may, at is option, either (i) make such repairs in a reasonable time and in such event this Lease shall continue in effect and the rent shall be abated, if at all, in the manner provided in this Article 16, or (ii) elect not to effect such repairs and instead terminate this Lease, by notifying Tenant in writing of such termination within sixty (60) days after Landlord learns of the necessity for repairs as a result of damage, such notice to include a termination date giving Tenant sixty (60) days to vacate the Premises. In addition, Landlord may elect to terminate this Lease if the Project shall be damaged by fire or other casualty or cause, whether or not the Premises are affected, if the damage is not fully covered, except for deductible amounts, by Landlord's insurance policies. However, if Landlord does not elect to terminate this Lease pursuant to Landlord's termination rights as provided above, and if the Damage Repair Estimate indicates that repairs cannot be completed within two hundred seventy (270) days after being commenced and if such damage is not the result of the negligence or willful misconduct of Tenant or Tenant's employees, agents or contractors, Tenant may elect,

not later than thirty (30) days after Tenant's receipt of the Damage Repair Estimate, to terminate this Lease by written notice to Landlord effective as of the date specified in Tenant's notice. Finally, if the Premises or the Project is damaged to any substantial extent during the last twelve (12) months of the Term, then notwithstanding anything contained in this Article 16 to the contrary, Landlord shall have the option to terminate this Lease by giving written notice to Tenant of the exercise of such option within sixty (60) days after Landlord learns of the necessity for repairs as the result of such damage. A total destruction of the Project shall automatically terminate this Lease. Except as provided in this Article 16, there shall be no abatement of rent and no liability of Landlord by reason of any injury to or interference with Tenant's business or property arising from such damage or destruction or the making of any repairs, alterations or improvements in or to any portion of the Project of the Premises or in or to fixtures, appurtenances and equipment therein. Tenant understands that Landlord will not carry insurance of any kind on Tenant's furniture, furnishings, trade fixtures or equipment, and that Landlord shall not be obligated to repair any damage thereto or replace the same. Tenant acknowledges that Tenant shall have no right to any proceeds of insurance carried by Landlord relating to property damage. With respect to any damage which Landlord is obligated to repair or elects to repair, Tenant, as a material inducement to Landlord entering into this Lease, irrevocably waives and releases its rights under the provisions of Sections 1932 and 1933 of the California Civil Code.

ARTICLE 17

SUBORDINATION

This Lease is subject and subordinate to all ground or underlying leases, mortgages and deeds of trust which affect the property or the Project, including all renewals, modifications, consolidations, replacements and extensions thereof; provided, however, if the lessor under any such lease or the holder or holders of any such mortgage or deed of trust shall advise Landlord that they desire or require this Lease to be prior and superior thereto, upon written request of Landlord to Tenant, Tenant agrees to promptly execute, acknowledge and deliver any and all documents or instruments which Landlord or such lessor, holder or holders deem necessary or desirable for purposes thereof. Landlord shall have the right to cause this Lease to be and become and remain subject and subordinate to any and all ground or underlying leases, mortgages or deeds of trust which may hereafter be executed covering the Premises, the Project or the property or any renewals, modifications, consolidations, replacements or extensions thereof, for the full amount of all advances made or to be made thereunder and without regard to the time or character of such advances, together with interest thereon and subject to all the terms and provisions thereof; provided, however, that condition precedent to such subordination shall be that Landlord obtains from the lender or other party in question a commercially reasonable non-disturbance agreement in favor of Tenant. Subject to the foregoing, Tenant agrees, within ten (10) days after Landlord's written request therefor, to execute, acknowledge and deliver upon request any and all documents or instruments requested by Landlord or necessary or proper to assure the subordination of this Lease to any such mortgages, deed of trust, or leasehold estates. Tenant agrees that in the event of any proceedings are brought for the foreclosure of any mortgage or deed of trust in lieu thereof, to attorn to the purchaser or any successors thereto upon any such foreclosure sale or deed in lieu thereof as so requested to do so by such purchaser and to recognize such purchaser as the lessor under this Lease; Tenant shall, within five (5) days after request execute such further instruments or assurances as such purchaser may reasonably deem necessary to evidence or confirm such attornment. Tenant agrees to provide copies of any notices of Landlord's default under this Lease to any mortgagee or deed of trust beneficiary whose address has been provided to Tenant and Tenant shall provide such mortgagee or deed of trust beneficiary a commercially reasonable time after receipt of such notice within which to cure any such default. Tenant waives the provisions of any current or future statute, rule or law which may give or purport to give Tenant any right or election to terminate or otherwise adversely affect this Lease and the obligations of the Tenant hereunder in the event of any foreclosure proceeding or sale.

ARTICLE 18

EMINENT DOMAIN

If the whole of the Premises or the Project or so much of the Premises or Project parking facility as to render the Premises (or the balance thereof) unusable by Tenant shall be taken under power of eminent domain, or is sold, transferred or conveyed in lieu thereof, this Lease shall automatically terminate as of the date of such condemnation, or as of the date possession is taken by the condemning authority, at Landlord's option. No award for any partial or entire taking shall be apportioned and Tenant hereby assigns to Landlord any award which may be made in such taking or condemnation, together with any and all rights of Tenant now or hereafter arising in or to the same or any part thereof; provided, however, that nothing contained herein shall be deemed to give Landlord any interest in or to require Tenant to assign to Landlord any award made to Tenant for the taking of personal property and trade fixtures belonging to Tenant and removable by Tenant at the expiration of the Term hereof as provided hereunder or for the interruption of, or damage to, Tenant's business. In the event of a partial taking described in this Article 18, or a sale, transfer or conveyance in lieu thereof, which does not result in a termination or this Lease, the rent shall be apportioned according to the ration that the part of the Premises remaining useable by Tenant bears to the total area of the Premises. Tenant hereby waives any and all rights it might otherwise have pursuant to Section 1265.130 of the California Code of Civil Procedure.

ARTICLE 19

DEFAULT

Each of the following acts or omissions of Tenant or of any guarantor of Tenant's performance hereunder, or occurrences, shall constitute an " **Event of Default** ":

(a) Failure or refusal to pay Basic Rental, Additional Rent or any other amount to be paid by Tenant to Landlord hereunder within three (3) calendar days after notice that the same is due or payable hereunder; said three (3) day period shall be in lieu of, and not in addition to, the notice requirements of Section 1161 of the California Code of Civil Procedure or any similar or successor law;

(b) Except as set forth in items (a) above and (c) through and including (f) below, failure to perform or observe any other covenant or condition of this Lease to be performed or observed within thirty (30) days following written notice to Tenant of such failure; provided, however, if the nature of such default is such that the same cannot be reasonably cured within a thirty (30) day period, Tenant shall not be deemed to be in default if Tenant diligently commences such cure within such period and thereafter diligently proceeds to rectify and cure said default. Such thirty (30) day notice shall be in lieu of, and not in addition to, any required under Section 1161 of the California Code of Civil Procedure or any similar or successor law;

(c) The taking in execution or by similar process or law (other than by eminent domain) of the estate hereby created;

(d) The filing by Tenant or any guarantor hereunder in any court pursuant to any statute of a petition in bankruptcy or insolvency or for reorganization or arrangement for the appointment of a receiver of all or a portion of Tenant's property; the filing against Tenant or any guarantor hereunder of any such petition, or the commencement or a proceeding for the appointment of a trustee, receiver or liquidator for Tenant, or for any guarantor hereunder, or of any of the property of either, or a proceeding by any governmental authority for the dissolution or liquidation of Tenant or any guarantor hereunder, if such proceeding shall not be dismissed or trusteeship discontinued within thirty (30) days after commencement of such proceeding or the appointment of such trustee or receiver; or the making by Tenant or any guarantor hereunder of an assignment for the benefit of creditors. Tenant hereby stipulates to the lifting of the automatic stay in effect and relief from such stay for Landlord in the event Tenant files a petition under the United States Bankruptcy laws, for the purpose of Landlord pursuing its rights and remedies against Tenant and/or a guarantor of this Lease;

(e) Tenant's failure to cause to be released any mechanics liens filed against the Premises or the Project within twenty (20) days after the date the same shall have been filed or recorded; or

(f) Tenant's failure to observe or perform according to the provisions of Articles 7, 14, 17 or 25 within seven (7) business days after notice from Landlord.

All defaults by Tenant of any covenant or condition of this Lease shall be deemed by the parties hereto to be material.

ARTICLE 20

REMEDIES

(a) Upon the occurrence of an Event of Default under this Lease as provided in Article 19 hereof, Landlord may exercise all of its remedies as may be permitted by law, including but not limited to the remedy provided by Section 1951.4 of the California Civil Code, and including without limitation, terminating this Lease, reentering the Premises and removing all persons and property therefrom, which property may be stored by Landlord at a warehouse or elsewhere at the risk, expense and for the account of Tenant. If Landlord elects to terminate this Lease, Landlord shall be entitled to recover from Tenant the aggregate of all amounts permitted by law, including but not limited to (i) the worth at the time of award of the amount of any unpaid rent which had been earned at the time of such termination; plus (ii) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the Term after the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus (iv) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom; and (v) at Landlord's election, such other amounts in addition to or in lieu of the foregoing as many be permitted for time to time by applicable law. The term "rent" as used in this Section 20(a) shall be deemed to be and to mean all sums of every nature required to be paid by Tenant pursuant to the terms of this Lease, whether to Landlord or to others. As used in items (i) and (ii), above, the "worth at the time of award" shall be computed by allowing interest at the rate set forth in item (e), below, but in no other case greater than the maximum amount of such interest permitted by law. As used in item (iii), above, the "worth at the time of award" shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

(b) Nothing in this Article 20 shall be deemed to affect Landlord's right to indemnification for liability or liabilities arising prior to the termination of this Lease for personal injuries or property damage under the indemnification clause or clauses contained in this Lease.

(c) Notwithstanding anything to the contrary set forth herein, Landlord's re-entry to perform acts of maintenance or preservation of or in connection with efforts to relet the Premises or any portion thereof, or the appointment of a receiver upon Landlord's initiative to protect Landlord's interest under this Lease shall not terminate Tenant's right to possession of the Premises or any portion thereof and, until Landlord does elect to terminate this Lease, this Lease shall continue in full force and effect and Landlord may enforce all of Landlords' rights and remedies hereunder including, without limitation, the remedy described in California Civil Code Section 1951.4 (lessor may continue lease in effect after lessee's breach and abandonment an recover rent as it becomes due, if lessee has the right to sublet or assign, subject only to reasonable limitations). Accordingly, if Landlord does not elect to terminate this Lease on account of any default by Tenant, Landlord may from time to time, without terminating this Lease, enforce all of its rights and remedies under this Lease, including the right to recover all rent as it becomes due.

(d) All rights, powers and remedies of Landlord hereunder and under any other agreement now or hereafter in force between Landlord and Tenant shall be cumulative and not alternative and shall be in addition to all rights, powers and remedies give to Landlord by law, and the exercise of one or more rights or remedies shall not impair Landlord's right to exercise any other right or remedy.

(e) Any amount due from Tenant to Landlord hereunder which is not paid when due shall bear interest at the lower of eighteen percent (18%) per annum or the maximum lawful rate of interest from the due date until paid, unless otherwise specifically provided herein, gut the payment of such interest shall not excuse or cure any default by Tenant under this Lease. In addition to such interest: (i) if Basic Rental is not paid on or before the fifth (5 th) day of the calendar month for which the same is due, a late charge equal to ten percent (10%) of the amount overdue or $100, whichever is greater shall be immediately due and owing and shall accrue for each calendar month or part thereof until such rental, including the late charge, is paid in full, which late charge Tenant hereby agrees is a reasonable estimate of the damages Landlord shall suffer as a result of Tenant's late payment and (ii) an addition charge of $25 shall be assessed for any check give to Landlord by or on behalf of Tenant which is not honored by the drawee thereof; which damages include Landlord's additional administrative and other costs associated with such late payment and unsatisfied checks and the parties agree that it would be impracticable or extremely difficult to fix Landlord's actual damage in such event. Such charges for interest and late payments and unsatisfied checks are separate and cumulative and are in addition to and shall not diminish or represent a substitute for any or all of Landlord's rights or remedies under any other provision of this Lease.

ARTICLE 21

TRANSFER OF LANDLORD'S INTEREST

In the event of any transfer or termination of Landlord's interest in the Premises or the Project by sale, assignment, transfer, foreclosure, deed-in-lieu of foreclosure or otherwise whether voluntary or involuntary, Landlord shall be automatically relieved of any and all obligations and liabilities on the part of Landlord from and after the date of such transfer or termination to the extend such obligations are assumed by the transferee by operation of law or otherwise, including without limitation, the obligation of Landlord under Article 4 and California Civil Code 1950.7 above to return the security deposit, provided said security deposit is transferred to said transferee. Tenant agrees to attorn to the transferee upon any such transfer and to recognize such transferee as the lessor under this Lease and Tenant shall, within five (5) days after request, execute such further instruments or assurances as such transferee may reasonably deem necessary to evidence or confirm such attornment.

ARTICLE 22

BROKER

In connection with this Lease, Landlord and Tenant warrant and represent that they have had dealings only with firm(s) set forth in Article 1.H. of Basic Lease Provisions (who shall be compensated by Landlord pursuant to a separate agreement) and that they know of no other person or entity who is or might be entitled to a commission, finder's fee or other like payment in connection herewith. Each party does hereby indemnify and agree to hold the other and their agents, members, partners, representatives, officers, affiliates, shareholders, employees, successors and assigns harmless from and against any and all loss, liability and expenses that may be incurred should such warranty and representation prove incorrect, inaccurate or false.

ARTICLE 23

PARKING

Tenant shall rent from Landlord, commencing on the Commencement Date, the number of parking passes set forth in Article 1.I of the Basic Lease Provisions, which parking passes shall pertain to the Project parking facility. Tenant may elect to have up to five (5) of such parking passes designated for Tenant's use as reserved parking at locations mutually agreed upon in good faith by Landlord and Tenant and the remainder of such parking passes shall be for unreserved parking. Unreserved parking shall be free of charge throughout the initial Lease Term and for Tenant's reserved parking, Tenant shall pay to Landlord the prevailing rate charged from time to time at the location of such parking passes for reserved parking, which rate is currently $100.00 per reserved parking pass per month. In addition, Tenant shall be responsible for the full amount of any taxes imposed by any governmental authority in connection with the

renting of such parking passes by Tenant or the use of the parking facility by Tenant. Tenant's continued right to use the parking passes is conditioned upon Tenant abiding by all rules and regulations which are prescribed from time to time for the orderly operation and use of the parking facility where the parking passes are located, including any sticker or other identification system established by Landlord, Tenant's cooperation in seeing that Tenant's employees and visitors also comply with such rules and regulations, and Tenant not being in default under this Lease. Provided that Tenant continues to have the parking to which it is entitled under this Lease, Landlord specifically reserves the right to change the size, configuration, design, layout and all other aspects of the Project parking facility at any time and Tenant acknowledges and agrees that Landlord may, without incurring any liability to Tenant and without any abatement of rent under this Lease, from time to time, close-off or restrict access to the Project parking facility for purposes of permitting or facilitating any such construction, alteration or improvements. Landlord may, from time to time, relocate any reserved parking spaces (if any) rented by Tenant to another location in the Project parking facility. Landlord may delegate its responsibilities hereunder to a parking operator or a lessee of the parking facility in which case such parking operator or lessee shall have all the rights of control attributed hereby to the Landlord. The parking passes rented by Tenant pursuant to this Article 23 are provided to Tenant solely for use by Tenant's own personnel and such passes may not be transferred, assigned, subleased or otherwise alienated by Tenant without Landlord's prior approval. Tenant may validate visitor parking by such method or methods as the Landlord may establish, at the validation rate from time to time generally applicable to visitor parking.

ARTICLE 24

WAIVER

No waiver by Landlord of any provision of this Lease shall be deemed to be a waiver of any other provision here or of any subsequent breach by Tenant of the same or any other provision. No provision of this Lease may be waived by Landlord, except by an instrument in writing executed by Landlord. Landlord's consent to or approval of any act by Tenant requiring Landlord's consent or approval shall not be deemed to render unnecessary the obtaining of Landlord's consent to or approval of any subsequent act of Tenant, whether or not similar to the act so consented to or approved. No act or thing done by Landlord or Landlord's agents during the Term of this Lease shall be deemed an acceptance of a surrender of the Premises, and no agreement to accept such surrender shall be valid unless in writing and signed by Landlord. The subsequent acceptance of rent hereunder by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any Term, convenient or condition of this Lease, other than the failure of Tenant to pay the particular rent so accepted, regardless of Landlord's knowledge of such preceding breach at the time of acceptance of such rent. Any payment by Tenant or receipt by Landlord of an amount less than the total amount then due hereunder shall be deemed to be in partial payment only thereof and not a waiver of the balance due or an accord and satisfaction, notwithstanding any statement or endorsement to the contrary on any check or any other instrument delivered concurrently therewith or in reference thereto. Accordingly, Landlord may accept any such amount and negotiate any such check without prejudice to Landlord's right to recover all balances due and owing and to pursue its other rights against Tenant under this Lease, regardless of whether Landlord makes any notation on such instrument of payment or otherwise notifies Tenant that such acceptance or negotiation is without prejudice to Landlord's rights.

ARTICLE 25

ESTOPPEL CERTIFICATE

Tenant shall, at any time and from time to time, upon not less than ten (10) days' prior written notice from Landlord, execute, acknowledge and deliver to Landlord a statement in writing certifying the following information, (but not limited to the following information in the event further information is requested by Landlord): (i) that this Lease is unmodified an in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease, as modified, is in full force and effect); (ii) the dates to which the rental and other charges are paid in advance, if any; (iii) the amount of Tenant's security deposit, if any; and (iv) acknowledging that there are not, to Tenant's knowledge, any uncured defaults on the part of Landlord hereunder, and no events or conditions then in existence which, with the passage of time or notice or both, would constitute a default on the part of Landlord hereunder, or specifying such defaults, events or conditions, if any are claimed. It is expressly understood and

agreed that any such statement may be relied upon by any prospective purchaser or encumbrancer of all or any portion of the Real Property. Tenant's failure to deliver such statement within such time shall constitute an admission by Tenant that all statements contained therein are true and correct. Tenant hereby irrevocably appoints Landlord as Tenant's attorney-in-fact and in Tenant's name, place and stead to execute any and all documents described in this Article 25 if Tenant fails to do so within the specified time period.

ARTICLE 26

LIABILITY OF LANDLORD

Notwithstanding anything in this Lease to the contrary, any remedy of Tenant for the collection of a judgment (or other judicial process) requiring the payment of money by Landlord in the event of any default by Landlord hereunder or any claim, cause of action or obligation, I contractual, statutory or otherwise by Tenant against Landlord or the Landlord Parties concerning, arising out of or relating to any matter relating to this Lease and all of the covenants and conditions or any obligations, contractual, statutory, or otherwise set forth herein, shall be limited solely and exclusively to an amount which is equal to the lesser of (i) the interest of Landlord in and to the Project, and (ii) the interest Landlord would have in the Project if the Project were encumbered by third party debt in an amount equal to eight percent (80%) of the then current value of the Project. No other property or assets of Landlord or any Landlord Party shall be subject to levy, execution or other enforcement procedure for the satisfaction of Tenant's remedies under or with respect to this Lease, Landlord's obligations to Tenant, whether contractual, statutory or otherwise, the relationship of Landlord and Tenant hereunder, or Tenant's use or occupancy of the Premises.

ARTICLE 27

INABILITY TO PERFORM

This Lease and the obligations of Tenant hereunder shall not be affected or impaired because Landlord is unable to fulfill any of its obligations hereunder or is delayed in doing so, if such inability or delay is caused by reason of any prevention, delay, stoppage due to strikes, lockouts, acts of God, or any other cause previously, or at such time, beyond the reasonable control or anticipation of Landlord (collectively, a " **Force Majeure** ") and Landlord's obligations under this Lease shall be forgiven and suspended by any such Force Majeure.

ARTICLE 28

HAZARDOUS WASTE

(a) Tenant shall not cause or permit any Hazardous Material (as defined in Section 28(c) below) to be brought, kept or used in or about the Project by Tenant, its agents, employees, contractors, or invitees. Tenant indemnifies Landlord and the Landlord Parties from and against any breach by Tenant of the obligations stated in the preceding sentence, and agrees to defend and hold Landlord and the Landlord Parties harmless from and against any and all claims, judgments, damages, penalties, fines, costs, liabilities, or losses (including, without limitation, diminution in value of the Project, damages for the loss of restriction of use of rentable or usable space or of any amenity of the Project, damages arising from any adverse impact or marketing of space in the Project, and sums paid in settlement of claims, attorneys' fees and costs, consultant fees, and expert fees) which arise during or after the Term of this Lease as a result of such breach. This indemnification of Landlord and the Landlord Parties by Tenant includes, without limitation, costs incurred in connection with any investigation of site conditions or any cleanup, remedial, removal, or restoration work required by any federal, state, or local governmental agency or political subdivision because of Hazardous Material present in the soil or ground water on or under the project. Without limiting the foregoing, if the presence of any Hazardous Material on the Project caused or permitted by Tenant results in any contamination of the Project, then subject to the provisions of Articles 9, 10 and 11 hereof, Tenant shall promptly take all actions at its sole expense as are necessary to return the Project to the condition existing prior to the introduction of any such Hazardous Material and the contractors to be used by Tenant for such work must be approved by Landlord, which approval shall not be unreasonably withheld so long as such actions would not potentially have any material adverse long-term or short-term effect on the Project and so long as such actions do not materially interfere with the use and enjoyment of the Project by the other tenants thereof;

provided however, Landlord shall also have the right, by written notice to Tenant, to directly undertake any such mitigation efforts with regard to Hazardous Materials in or about the Project due to Tenant's breach of its obligations pursuant to this Section 28(a), and to charge Tenant as Additional Rent, for the costs thereof.

(b) It shall not be unreasonable for Landlord to withhold its consent to any proposed Transfer if (i) the proposed transferee's anticipated use of the Premises involves the generations, storage, use, treatment, or disposal of Hazardous Material; (ii) the proposed Transferee has been required by any prior landlord, lender, or governmental authority to take remedial action in connection with Hazardous Material contaminating a property if the contamination resulted from such Transferee's actions or use of the property in questions; or (iii) the proposed Transferee is subject to an enforcement order issued by any governmental authority in connection with the use, disposal, or storage of a Hazardous Material.

(c) As used herein, the term " **Hazardous Material** " means any hazardous or toxic substance, material, or waste which is or becomes regulated by any local governmental authority, the State of California or the United States Government. The term "Hazardous Material" includes, without limitation, any material or substance which is (i) defined as "Hazardous Waste," "Extremely Hazardous Waste," or "Restricted Hazardous Waste" under Sections 25115, 25117 or 25122.7, or listed pursuant to Section 25140, of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law), (ii) defined as a "Hazardous Substance" under Section 25316 of the California Health and Safety Code, Division 20, Chapter 6.8 (Carpenter-Presley-Tanner Hazardous Substance Account Act), (iii) defined as a "Hazardous Material," "Hazardous Substance," or "Hazardous Waste" under Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Materials Release Response Plans and Inventory), (iv) defined as a "Hazardous Substance" under Section 25281 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage of Hazardous Substances), (v) petroleum, (vi) asbestos, (vii) listed under Article 9 of defined as Hazardous or extremely hazardous pursuant to Article 11 of Title 22 of the California Administrative Code, Division 4, Chapter 20, (viii) designated as a "Hazardous Substance" pursuant to Section 311 of the Federal Water Pollution Control Act (33 U.S.C. § 1317), (ix) defined as a "Hazardous Waste" pursuant to Section 1004 of the Federal Resource Conservation and Recovery Act, 42 U.S.C. § 6901 et seq. (42 U.S.C. § 6903), or (x) defined as a "Hazardous Substance" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. § 9601 et seq. (42 U.S.C. § 9601).

(d) As used herein, the term " **Laws** " means any applicable federal, state or local law, ordinance, or regulation relating to any Hazardous Material affecting the Project, including, without limitation, the laws, ordinances, and regulations referred to in Section 28(c) above.

ARTICLE 29

SURRENDER OF PREMISES; REMOVAL OF PROPERTY

(a) The voluntary or other surrender of this Lease by Tenant to Landlord, or a mutual termination hereof, shall not work a merger, and shall at the option of Landlord, operated as an assignment to it of any or all subleases or subtenancies affecting the Premises.

(b) Upon the expiration of the Term of this Lease, or upon any earlier termination of this Lease, Tenant shall quit and surrender possession of the Premises to Landlord in good order and condition, reasonable wear and tear and repairs which are Landlord's obligation excepted, and shall, without expense to Landlord, remove or case to be removed from the Premises all debris and rubbish, all furniture, equipment, business and trade fixtures, free-standing cabinet work, moveable partitioning, telephone and data cabling and other articles of personal property owned by Tenant or installed or placed by Tenant at its own expense in the Premises, and all similar articles of any other persons claiming under Tenant (unless Landlord exercises its option to have any subleases or subtenancies assigned to it), and Tenant shall repair all damage to the Premises resulting from the removal of such items from the Premises.

(c) Whenever Landlord shall reenter the Premises as provided in Article 20 hereof, or as otherwise provided in this Lease, any property of Tenant not removed by Tenant upon the

expiration of the Term of this Lease (or within forty-eight (48) hours after a termination by reason of Tenant's default), as provided in this Lease, shall be considered abandoned and Landlord may remove any or all of such items and dispose of the same in any manner or store the same in a public warehouse or elsewhere for the account and at the expense and risk of Tenant, and if Tenant shall fail to pay the cost of storing any such property after it has been stored for a period of thirty (30) days or more, Landlord may sell any or all of such property at public or private sale, in such manner and at such times and places as Landlord, in its sole discretion, may deem proper, without notice to or demand upon Tenant, for the payment of all or any part of such charges or the removal of any such property, and shall apply the proceeds of such sale as follows; first, to the cost and expense of such sale, including reasonable attorneys' fees and costs for services rendered; second, to the payment of the cost of or charges for storing any such property; third, to the payment of any other sums of money which may then or thereafter be due to Landlord form Tenant under any of the terms hereof; and forth, the balance, if any, to Tenant.

(d) All fixtures, equipment, leasehold improvements, Alterations and/or appurtenances attached to or built into the Premises prior to or during the Term, whether by Landlord or Tenant and whether at the expense of Landlord or Tenant, or of both, shall be and remain part of the Premises and shall not be removed by Tenant at the end of the Term unless otherwise expressly provided for in this Lease or unless such removal is required by Landlord. Such fixtures, equipment, leasehold improvements, Alterations, additions, improvements and/or appurtenances shall include but not be limited to: all floor coverings, drapes, paneling, built-in cabinetry, molding, doors, vaults (including vault doors), plumbing systems, security systems, electrical systems, lighting systems, silencing equipment, communication systems, all fixtures and outlets for the systems mentioned above and for all telephone, radio, telegraph and television purposes, and any special flooring or ceiling installations.

ARTICLE 30

MISCELLANEOUS

(a) **SEVERABILITY; ENTIRE AGREEMENT . ANY PROVISION OF THIS LEASE WHICH SHALL ROVE TO BE INVALID, VOID, OR ILLEGAL SHALL IN NO WAY AFFECT, IMPAIR OR INVALIDATE ANY OTHER PROVISION HEREOF AND SUCH OTHER PROVISIONS SHALL REMAIN IN FULL LFORCEAND EFFECT. THIS LEASE AND THE EXHIBITS AND ANY ADDENDUM ATTACHED HERETO CONSTITUTE THE ENTIRE AGREEMENT BETWEEN THE PARTIES HERETO WITH REGARD TO TENANT'S OCCUPANCEY OR USE OF ALL OR ANY PORTION OF THE PROJECT, AND NO PIOR AGREEMENT OR UNDERSTANDING PERTAINING TO ANY SUCH MATTER SHALL BE EFFECTIVE FOR ANY PURPOSE. NO PROVISION OF THIS LEASE MAY BE AMENDED OR SUPPLEMENTED EXEPT BY AN AGREEMENT IN WRITING SIGNED BY THE PARTIES HERETO OR THEIR SUCCESSOR IN INTEREST. THE PARTIES AGREE THAT ANY DELETION OF LANGUAGE FROM THIS LEASE PRIOR TO ITS MUTUAL EXECUITION BY LANDLORD AND TENANT SHALL NOT BE CONSTRUED TO HAVE ANY PARTICULAR MEANING OR TO RAISE ANY PRESUMPTION, CANON OF CONSTRUCTION OR IMPLICATION INCLUDING, WITHOUT LIMITATION, ANY IMPLICATION THAT THE PARTIES INTEDED THERBY TO STATE THE CONVERSE, OBVERSE OR OPPOSITE OF THE DELETED LANGUAGE.**

(b) Attorneys' Fees; Waiver of Jury Trial .

(i) In any action to enforce the terms of this Lease, including any suite by Landlord for the recovery of rent or possession of the Premises, the losing party shall pay the successful party a reasonable sum for attorneys' fees and costs in such suit and attorneys' fees and costs shall be deemed to have accrued prior to the commencement of such action and shall be paid whether or not such action is prosecuted to judgment.

(ii) Should Landlord, without fault on Landlord's part, be make a party to any litigation instituted by Tenant or by any third party against Tenant, or by or against any person holding under or using the Premises by license of Tenant, or for the foreclosure of any lien for

labor or material furnished to or for Tenant or any such other person or otherwise arising out of or resulting from any act or transaction of Tenant or of any such other person, Tenant covenants to save and hold Landlord harmless from any judgment rendered against Landlord or the Premises or any part thereof and from all costs and expenses, including reasonable attorneys' fees and costs incurred by Landlord in connection with such litigation.

(iii) When legal services are rendered by an attorney at law who is an employee of a party, attorney's fees and costs incurred by that party shall be deemed to include an amount based upon the number of hours spent by such employee on such matters multiplied by an appropriate billing rate determined by taking into consideration the same factors, including but not limited by, the importance of the matter, time applied, difficulty and results, as are considered when an attorney not in the employ of a party is engaged to render such service.

(iv) **EACH PARTY HEREBY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION SEEKING SPECIFIC PERFORMANCE OF ANY PROVISION OF THIS LEASE, FOR DAMAGES FOR ANY BREACH UNDER THIS LEASE, OR OTHERWISE FOR ENFORECEMENT OF ANY RIGHT OR REMEDY HEREUNDER.**

(c) Time of Essence . Each of Tenant's covenants herein is a condition and time is of the essence with respect to the performance of every provision of this Lease.

(d) Headings; Joint and Several . The article headings contained in this Lease are for convenience only and do not in any way limit or amplify any term or provision hereof. The terms "Landlord" and "Tenant" as used herein shall include the plural as well as the singular, the neuter shall include the masculine and feminine genders and the obligations herein imposed upon Tenant shall be joint and several as to each of the persons, firms or corporations of which Tenant may be composed.

(e) Reserved Area . Tenant hereby acknowledges and agrees that the exterior walls of the Premises and the area between the finished ceiling of the Premises and the slab of the floor of the project thereabove have not been demised hereby and the use thereof together with the right to install, maintain, use, repair, and replace pipes, ducts, conduits, wiring and cabling leading through, under above the Premises or throughout the Project in locations which will not materially interfere with Tenant's use of the Premises and serving other parts of the Project are hereby excepted and reserved unto Landlord.

(f) **NO OPTION . THE SUBMISSION OF THIS LEASE BY LANDLORD, ITS AGENT OR REPRESENTATIVE FOR EXAMINATION OR EXECUTION BY TENANT DOES NOT CONSTITUTE AN OPTION OR OFFER TO LEASE THE PREMISES UPON THE TERMS AND CONDITIONS CONTAINED HEREIN OR A RESERVAITON OF THE PREMISES IN FAVOR OF TENANT, IT BEING INTENDED HEREBY THAT THIS LEASE SHALL ONLY BECOME EFFECTIVE UPON THE EXECUTION HEREOF BY LANDLORD AND TENANT AND DELIVERY OF A FULLY EXECUTED LEASE TO TENANT.**

(g) Use of Project Name; Improvements . Tenant shall not be allowed to use the name, picture or representation of the Project, or words to that effect, in connection with any business carried on in the Premises or otherwise (except as Tenant's address) without the prior written consent of Landlord. In the event that Landlord undertakes any additional improvements on the Real Property including but not limited to new construction or renovation or additions to the existing improvements, Landlord shall use commercially reasonable efforts to avoid material interference with Tenant's business operations; however, Landlord shall not be liable to Tenant for any noise, dust, vibration or interference with access to the Premises or disruption in Tenant's business caused thereby.

(h) Rules and Regulations . Tenant shall observe faithfully and comply strictly with the Rules and Regulations attached to this Lease as Exhibit "B" and made a part hereof, and such other Rules and Regulations as Landlord may from time to time reasonably adopt for the safety, care and cleanliness of the Project, the facilities thereof, or the preservation of good order therein. Landlord shall not be liable to Tenant for violation of any such Rules and Regulations, or for the breach of any covenant or condition in any lease by any other tenant in the Project. A waiver by Landlord of any Rule or Regulation for any other tenant shall not constitute nor be deemed a waiver of the Rule or Regulation for this Tenant.

(i) Quiet Possession . Upon Tenant's paying the Basic Rental, Additional Rent and other sums provided hereunder and observing and performing all of the covenants, conditions and provisions on Tenant's part to be observed and performed hereunder, Tenant shall have quiet possession of the Premises for the entire Term hereof, subject to all of the provisions of this Lease.

(j) Rent . All payments required to make hereunder to Landlord shall be deemed to be rent, whether or not described as such.

(k) Successors and Assigns . Subject to the provisions of Article 15 hereof, all of the covenants, conditions and provisions of this Lease shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and assigns.

(l) Notices . Any notice required or permitted to be given hereunder shall be in writing and may be given by personal service evidenced by a signed receipt or sent by registered or certified mail, return receipt requested, or via overnight courier, and shall be effective upon proof of delivery, addressed to Tenant at the Premises (Attention: CEO/CFO) or to Landlord at the management office for the Project, with a copy to Landlord, c/o Arden Realty, Inc., 11601 Wilshire Boulevard, Fourth Floor, Los Angeles, California 90025, Attn: Legal Department. Either party may by notice to the other specify a different address for notice purposes except that, upon Tenant's taking possession of the Premises, the Premises shall constitute Tenant's address for notice purposes. A copy of all notices to be given to Landlord hereunder shall be concurrently transmitted by Tenant to such party hereafter designated by notice from Landlord to Tenant. Any notices sent by Landlord regarding or relating to eviction procedures, including without limitation three day notices, may be sent by regular mail.

(m) Persistent Delinquencies . In the event that Tenant shall be delinquent by more than fifteen (15) days in the payment of rent on three (3) separate occasions in any twelve (12) month period, Landlord shall have the right to terminate this Lease by thirty (30) days written notice given by Landlord to Tenant within thirty (30) days of the last such delinquency.

(n) Right of Landlord to Perform . All covenants and agreements to be performed by Tenant under any of the terms of this Lease shall be performed by Tenant at Tenant's sole cost and expense and without any abatement of rent. If Tenant shall fail to pay any sum of money, other than rent, required to be paid by it hereunder or shall fail to perform any other act on its part to be performed hereunder, and such failure shall continue beyond any applicable cure period set forth in this Lease, Landlord may, but shall not be obligated to, without waiving or releasing Tenant from any obligations of Tenant, make any such payment or perform any such other act on Tenant's part to be made or performed as is in this Lease provided. All sums so paid by Landlord and all reasonable incidental costs, together with interest thereon at the rate of ten percent (10%) per annum form the date of such payment by Landlord, shall be payable to Landlord on demand and Tenant covenants to pay any such sums, and Landlord shall have (in addition to any other right or remedy of Landlord) the same rights and remedies in the event of the nonpayment thereof by Tenant as in the case of default by Tenant in the payment of the rent.

(o) Access, Changes in Project, Facilities, Name .

(i) Every part of the Project except the inside surfaces of all walls, windows and doors bounding the Premises (including exterior building walls, the rooftop, core corridor walls and doors and any core corridor entrance), and any space in or adjacent to the Premises or within the Project used for shafts, stacks, pipes, conduits, fan rooms, ducts, electric or other utilities, sinks or other building facilities, and the sue thereof, as well as access thereto through the Premises for the purposes of operation, maintenance, decoration and repair, are reserved to Landlord.

(ii) Tenant shall permit Landlord to install, use and maintain pipes, ducts and conduits within the walls, columns and ceilings of the Premises and throughout the Project.

(iii) Landlord reserves the right, without incurring any liability to Tenant thereof, to make such changes in or to the Project and the fixtures and equipment thereof, as well as in or to the street entrances, halls, passages, elevators, stairways and other improvements thereof, as it may deem necessary or desirable; provided, however that no such changes shall preclude Tenant from accessing the Premises and Landlord shall use commercially reasonable efforts to avoid material interference with Tenant's business operations.

(iv) Landlord may adopt any name for the Project and Landlord reserves the right, from time to time, to change the name and/or address of the Project at any time.

(p) Signing Authority . If Tenant is a corporation, partnership or limited liability company, each individual executing this Lease on behalf of said entity represents and warrants that he or she is duly authorized to execute and deliver the Lease on behalf of said entity in accordance with: (i) if Tenant is a corporation, a duly adopted resolution of the Board of Directors of said corporation or in accordance with the By-laws of said corporation, (ii) if Tenant is a partnership, the terms of the partnership agreement, and (iii) if Tenant is a limited liability company, the terms of its operating agreement, and that this Lease is binding upon said entity in accordance with its terms. Concurrently with Tenant's execution of this Lease, Tenant shall provide to Landlord a copy of: (i) if Tenant is a corporation, such resolution of the Board of Directors authorizing the execution of this Lease on behalf of such corporation, which copy of resolution shall be duly certified by the secretary or an assistant secretary of the corporation to be a true copy of a resolution duly adopted by the Board of Directors of said corporation and shall be in a form reasonably acceptable to Landlord, (ii) if Tenant is a partnership, a copy of the provisions of the partnership agreement granting the requisite authority to each individual executing this Lease on behalf of said partnership, and (iii) if Tenant is a limited liability company, a copy of the provisions of its operating agreement granting the requisite authority to each individual executing this Lease on behalf of said limited liability company. In the event Tenant fails to comply with the requirements set forth in this subparagraph (p), then each individual executing this Lease shall be personally liable, jointly and severally along with Tenant, for all of Tenant's obligations in this Lease.

(q) Identification of Tenant .

(i) If Tenant constitutes more than one person or entity, (A) each of the shall be jointly and severally liable for keeping, observing and performing of all of the terms, covenants, conditions and provisions of this Lease to be kept, observed and performed by Tenant, (B) the term "Tenant" as used in this Lease shall mean and include each of them jointly and severally, and (C) the act of or notice from, or notice or refund to, or the signature of, any one or more of them, with respect to the tenancy of this Lease, including, but not limited to, any renewal, extension, expiration, termination or modification of this Lease, shall be binding upon each and all of the persons or entities executing this Lease as Tenant with the same force and effect as if each and all of them had so acted or so given or received such notice or refund or so signed.

(ii) If Tenant is a partnership (or is comprised of two or more persons, individually and as co-partners of a partnership) or if Tenant's interest in this Lease shall be assigned to a partnership (or to two or more persons, individually and as co-partners of a partnership) pursuant to Article 15 hereof (any such partnership and such person hereinafter referred to in this Section 30(q)(ii) as " **Partnership Tenant** "), the following provisions of this Lease shall apply to such Partnership Tenant:

(A) The liability of each of the parties comprising Partnership Tenant shall be joint and several.

(B) Each of the parties comprising Partnership Tenant hereby consents in advance to, and agrees to be bound by, any written instrument which may hereafter be executed, changing, modifying or discharging this Lease, in whole or in part, or surrendering all or any part of the Premises to the Landlord, and by notices, demands, requests or other communication which may hereafter be given, by the individual or individuals authorized to execute this Lease on behalf or Partnership Tenant under Subparagraph (p) above.

(C) Any bills, statements, notices, demands, requests or other communications given or rendered to Partnership Tenant or to any of the parties comprising Partnership Tenant shall be deemed given or rendered to Partnership Tenant and to all such parties and shall be binding upon Partnership Tenant and all such parties.

(D) If Partnership Tenant admits new partners, all of such new partners shall, by their admission to Partnership Tenant, be deemed to have assumed performance of all of the terms, covenants and conditions of this Lease on Tenant's part to be observed and performed.

(E) Partnership Tenant shall give prompt notice to Landlord of the admission of any such new partners, and, upon demand of Landlord, shall cause each such new partner to execute and deliver to Landlord an agreement in form satisfactory to Landlord, wherein each such new partner shall assume performance of all of the terms, covenants and conditions of this Lease on Partnership Tenant's part to be observed and performed (but neither Landlord's failure to requires any such agreement nor the failure of any such new partner to execute or deliver any such agreement to Landlord shall terminate the provisions of clause (D) of this Section 30(q)(ii) or relieve any such new partner of its obligations thereunder).

(r) Intentionally Deleted .

(s) Survival of Obligations . Any obligations of Tenant occurring prior to the expiration or earlier termination of this Lease shall survive such expiration or earlier termination.

(t) Confidentiality . Tenant acknowledges that the content of this Lease and any related documents are confidential information. Tenant shall keep such confidential information strictly confidential and shall not disclose such confidential information to any person or entity other than Tenant's financial, legal and space planning consultants and anyproposed Transferees.

(u) Governing Law . This Lease shall be governed by and construed in accordance with the laws of the State of California. No conflicts of law rules of any state or country (including, without limitation, California conflicts of law rules) shall be applied to result in the application of any substantive or procedural laws of any state or country other than California. All controversies, claims, actions or causes of action arising between the parties hereto and/or their respective successors and assigns, shall be brought, heard and adjudicated by the courts of the State of California, with venue in the County of San Diego. Each of the parties hererto hereby consents to personal jurisdiction by the courts of the State of California in connection with any such controversy, claim, action or cause of action, and each of the parties hereto consents to service of process by any means authorized by the California law and consent to the enforcement of any judgment so obtained in the courts of the State of California on the same terms and conditions as if such controversy, claim, action or cause of action had been originally heard and adjudicated to a final judgment in such courts. Each of the parties hereto further acknowledges that the laws and courts of California were freely and voluntarily chosen to govern this Lease and to adjudicate any claims or disputes hereunder.

(v) Office or Foreign Assets Control . Tenant certifies to Landlord that Tenant is not entering into this Lease, nor acting, for or on behalf of any person or entity named as a terrorist or other banned or blocked person or entity pursuant to any law, order, rule or regulation of the United States Treasury Department or the office of Foreign Assets Control. Tenant hereby agrees to indemnify, defend and hold Landlord and the Landlord Parties harmless from any and all Claims arising from or related to any breach of the foregoing certification.

(w) Financial Statements . If Tenant is not then publicly traded on NASDAQ or a nationally recognized securities exchange, within ten (10) days after Tenant's receipt of Landlord's written request, Tenant shall provide Landlord with current financial statements of Tenant and financial statements for the two (2) calendar or fiscal years (if Tenant's fiscal year is other than a calendar year) prior to the current financial statement year. Any such statements shall be prepared in accordance with generally accepted accounting principles and, if the normal practice of Tenant, shall be audited by an independent certified public accountant.

(x) Exhibits . The Exhibits attached hereto are incorporated herein by this reference as if fully set forth herein.

(y) Independent Covenants . This Lease shall be construed as though the covenants herein between Landlord and Tenant are independent (and not dependent) and Tenant hereby expressly waives the benefit of any statute to the contrary and agrees that if Landlord fails to perform its obligations set forth herein, Tenant shall not be entitled to make any repairs or perform any acts hereunder at Landlord's expense or to set off of any of the rent or other amounts owing hereunder against Landlord.

(z) Counterparts . This Lease may be executed in counterparts, each of which shall be deemed an original, but such counterparts, when taken together, shall constitute one agreement.

ARTICLE 31

OPTION TO EXTEND

(a) Option Right . Landlord hereby grants the Tenant named in this Lease (the " **Original Tenant** ") one (1) option (" **Option** ") to extend the Term for the entire Premises for a period of five (5) years (**Option Term** "), which Option shall be exercisable only by written notice delivered by Tenant to Landlord as set forth below. The right contained in this Article 31 shall be personal to the Original Tenant or an Affiliated Assignee and may only be exercised by the Original Tenant or an Affiliated Assignee (and not any other transferee) if the Original Tenant or Affiliated Assignee occupies the entire Premises as of the date of Tenant's Acceptance (as defined in Section 31(c) below).

(b) Option Rent . The rent payable by Tenant during the Option Term (" **Option Rent** ") shall be equal to the "Market Rent" (defined below). " **Market Rent** " shall mean the applicable Monthly Basic Rental, including all escalations, Direct Costs, additional rent and other charges at which tenants, as of the time of Landlord's "Option Rent Notice" (as defined below), are entering into leases for non-sublease, non-encumbered, space comparable in size, location and quality to the Premises in renewal transactions for a term comparable to the Option Term, which comparable space is located in office buildings comparable to the Project in the immediate vicinity of the Project, in San Diego, California, taking into consideration the value of the existing improvements in the Premises to Tenant, as compared to the value of the existing improvements in such comparable space, with such value to be based upon the age, quality and layout of the improvements and the extent to which the same could be utilized by Tenant with consideration given to the fact that the improvements existing in the Premises are specifically suitable to Tenant.

(c) Exercise of Option . The Option shall be exercised by Tenant only in the following manner: (i) Tenant shall not be in default on the delivery date of the Interest Notice and Tenant's Acceptance; (ii) Tenant shall deliver written notice (" **Interest Notice** ") to Landlord not more than twelve (12) months nor less than nine (9) months prior to the expiration of the Term, stating that Tenant is interested in exercising the Option, (iii) within fifteen (15) business days of Landlord's receipt of Tenant's written notice, Landlord shall deliver notice (" **Option Rent Notice** ") to Tenant setting forth the Option Rent; and (iv) if Tenant desires to exercise such Option, Tenant shall provide Landlord written notice within fifteen (15) business days after receipt of the Option Rent Notice (" **Tenant's Acceptance** "). Tenant's failure to deliver the Interest Notice or Tenant's Acceptance on or before the dates specified above shall be deemed to constitute Tenant's election not to exercise the Option. If Tenant timely and properly exercises its Option, the Term shall be extended for the Option Term upon all of the terms and conditions set forth in this Lease, except that the rent for the Option Term shall be as indicated in the Option Rent Notice.

ARTICLE 32

SIGNAGE

Provided Tenant is not in default hereunder, Tenant, at Tenant's sole cost and expense, shall have the non-exclusive right to install a strip at a location designated by Landlord on the Project's existing "monument" sign (" **Tenant's Signage** "). Tenant's Signage shall be subject to Landlord's approval as to size, design, graphics, materials, colors and similar specifications and shall be consistent with the exterior design, materials and appearance of the Project and the Project's signage program and shall be further subject to all applicable local government laws, rules, regulations, codes and Tenant's receipt of all permits and other governmental approvals and any applicable covenants, conditions and restrictions. Tenant's Signage rights may not be assigned or transferred by Tenant to any other person or entity except that in connection with any assignment of Tenant's interest under this Lease to an Affiliated Assignee, Tenant's Signage may be assigned to the assignee with Landlord's prior consent, which consent shall not be unreasonably withheld by Landlord so long as the name of the assignee is not an "Objectionable Name," as that term is defined below. In addition, should the name of the Original Tenant change, Tenant shall be entitle to modify, at Tenant's sole cost and expense, Tenant's Signage to reflect Tenant's new name, but only if Tenant's new name in not an "Objectionable Name." The term " **Objectionable Name** " shall mean any name that (i) relates to an entity that is of a character or reputation, or is associated with a political orientation or faction that is materially inconsistent with the quality of the Project, or which would otherwise reasonably offend a landlord of a building comparable to the Project, taking into consideration the level and visibility of Tenant's Signage, or (ii) conflicts with an covenants in other leases of space in the Project. Landlord shall have the right, but not the obligations, to oversee the installation of Tenant's Signage. The cost to maintain and operate, if any, Tenant's Signage shall be paid for by Tenant. Upon expiration of the Term, or other earlier termination of this Lease, Tenant shall be responsible for any and all costs associated with the removal of Tenant's Signage, including, but not limited to, the cost to repair and restore the monument to its original condition, normal wear and tear excepted.

ARTICLE 33

TERMINATION OPTION

Provided Tenant fully and completely satisfies each of the conditions set forth in this Article 33, Tenant shall have the on-going option (" **Termination Option** ") to terminate this Lease as of a date specified by Tenant, which date (the " **Termination Date** ") must be during the initial Lease Term and after expiration of the fourth (4 th) Lease Year. In order to exercise the Termination Option, Tenant must fully and completely satisfy each and every one of the following conditions: (a) Tenant must give Landlord written notice (" **Termination Notice** ") of its exercise of the Termination Option, Which Termination Notice shall specify the Termination Date (which date shall be writing the parameters described in the immediately preceding sentence) and which Termination Notice must be delivered to Landlord at least nine (9) months prior to such Termination Date, (b) at the time of the Termination Notice Tenant shall not be in default under this Lease after expiration of applicable cure periods, and (c) concurrently with Tenant's delivery of the Termination Notice to Landlord, Tenant shall pay to Landlord a termination fee (" **Termination Fee** ") equal to the sum of (i) the unamortized balance, as of the Termination Date, of the (A) amount expended by Landlord in connection with the design and construction of the Improvements pursuant to the Tenant Work Letter, and (B) brokerage commissions paid by Landlord in connection with this Lease, plus (ii) Fifty-Five Thousand Seven Hundred Forty-Four and 50/100 Dollars ($55,744.50). Amortization pursuant to subsection (i), above, shall be calculated on a seven (7) year amortization schedule commencing as of the Commencement Date based upon equal monthly payments of principal and interest, with interest imputed on the outstanding principal balance at the rate of ten percent (10%) per annum. Upon written inquiry from Tenant, Landlord shall provide Tenant with Landlord's calculation of the Termination Fee.

ARTICLE 34

COMMUNICATION EQUIPMENT

Subject to all governmental laws, rules and regulations, Tenant and Tenant's contractors (which shall firs be reasonably approved by Landlord) shall have the right and access to install, repair, replace, remove, operate and maintain one (1) so-called "satellite dish" or other similar devise, such as antennae (collectively, " **Communication Equipment** ") no greater than one (1) meter in diameter, together with aesthetic screener designated by Landlord and all cable, wiring, conduits and related equipment, for the purpose of receiving and sending radio, television, computer, telephone or other communication signals, at a location on the roof of the Project designated by Landlord. Landlord shall have the right to require Tenant to relocate the Communication Equipment, at Landlord's expense, at any time to another location on the roof of the Project reasonably approved by Tenant. Tenant shall retain Landlord's designated roofing contractor to make any necessary penetrations and associated repairs to the roof in order to preserve Landlord's roof warranty. Tenant's installation and operation of the Communication Equipment shall be governed by the following terms and conditions:

(a) Tenant's right to install, replace, repair, remove, operate and maintain the Communication Equipment shall be subject to all governmental laws, rules and regulations and Landlord makes no representation that such laws, rules and regulations permit such installation and operation.

(b) All plans and specifications for the Communication Equipment shall be subject to Landlord's reasonable approval.

(c) All Costs of installation, operation and maintenance of the Communication Equipment and any necessary related equipment (including, without limitation, costs of obtaining any necessary permits and connections to the Project's electrical system) shall be borne by Tenant.

(d) It is expressly understood that Landlord retains the right to use the roof of the Project for any purpose whatsoever provided that Landlord shall not unduly interfere with Tenant's use of the Communication Equipment.

(e) Tenant shall use the Communication Equipment so as not to cause any interference to other tenants in the Project or with any other tenant's Communication Equipment, and not to damage the Project or interfere with the normal operation of the Project.

(f) Landlord shall not have any obligations with respect to the Communication Equipment. Landlord makes not representation that the Communication Equipment will be able to receive or transmit communication signals without interference or disturbance (whether or not by reason of the installation or use of similar equipment by others on the roof of the Project) and Tenant agrees that Landlord shall not be liable to Tenant therefor. Tenant shall not lease or otherwise make the Communication Equipment available to any third party and the Communication Equipment shall be only for Tenant's use in connection with the conduct of Tenant's Business in the Premises.

(g) Tenant shall (i) be solely responsible for any damage caused as a result of the Communication Equipment, (ii) promptly pay an tax, license or permit fees charged pursuant to any laws or regulations in connection with the installation, maintenance or use of the Communication Equipment and comply with all precautions and safeguards recommended by all governmental authorities, and (iii) pay for all necessary repairs, replacements to or maintenance of the Communication Equipment.

(h) The Communication Equipment shall remain the sole property of Tenant. Tenant shall remove the Communication Equipment and related equipment at Tenant's sole cost and expense upon the expiration or sooner termination of this Lease or upon the imposition of any governmental law or regulation which may require removal, and shall repair the Project upon such removal to the extent required by such work of removal. If Tenant fails to remove the Communication Equipment and repair the Project within fifteen (15) days after the expiration or earlier termination of this Lease, Landlord may do so at Tenant's expense. The provisions of this Section 34(h) shall survive the expiration or earlier termination of this Lease.

(i) The Communication Equipment shall be deemed to constitute a portion of the Premises for purposes of Articles 13 and 14 of this Lease.

(j) Tenant agrees to execute a license agreement with Landlord's rooftop management company regarding Tenant's installation, use and operation of the Communication Equipment, which license agreement should be in commercially reasonable form and shall incorporate the terms and conditions of this Article 34. Tenant acknowledges that such license agreement will require Tenant to pay a one-time initial oversight fee to the rooftop management company in connection with the installation of the Communication Equipment.

(k) Prior to Tenant's installation of the Communication Equipment, Tenant shall pay to Landlord or Landlord's rooftop management company, a one-time initial oversight fee in the amount of Five Hundred Dollars ($500.00). Furthermore, Tenant shall be responsible for the cost of any utilities provided to the Communication Equipment, which costs shall be billed to Tenant and payable by Tenant monthly, as Additional Rent.

IN WITNESS WHEREOF, the parties have executed this Lease, consisting of the forgoing provisions and Articles, including all exhibits and other attachments referenced therein, as of the date of the first above written.

"LANDLORD"

ARDEN REALTY FINANCE V, L.L.C.,
a Delaware limited liability company

By: /s/ Robert C. Peddicord
Its: Robert C. Peddicord

"TENANT"

MITEK SYSTEMS, INC.,
a Delaware corporation

By: /s/ James B. DeBello
Printed Name: James B. DeBello
Title: CEO

By: /s/ Tesfaye Hailmichael
Printed Name: Tesfaye Hailmichael
Title: CFO

EXHIBIT “A”

PREMISES

This Exhibit “A” is provided for informational purposes only and is intended to be only an approximation of the layout of the Premises and shall not be deemed to constitute any representation by Landlord as to the exact layout or configuration of the Premises.

EXHIBIT "B"

RULES AND REGULATIONS

1. No sign, advertisement or notice shall be displayed, printed or affixed on or to the Premises or to the outside or inside of the Project or so as to be visible from outside the Premises or Project without Landlord's prior written consent. Landlord shall have the right to remove any non-approved sign, advertisement or notice, without notice to and at the expense of the Tenant, and Landlord shall not be liable in damages for such removal. All approved signs or lettering on doors and walls shall be printed, painted, affixed or inscribed at the expense of Tenant by Landlord or by a person selected by Landlord and in a manner and style acceptable to Landlord.

2. Tenant shall not obtain for use on the Premises ice, waxing, cleaning, interior glass polishing, rubbish removal, towel or other similar services, or accept barbering or bootblackening, or coffee cart services, mile, soft drinks or other like services on the Premises, except from person authorized by Landlord and at the hours and under regulations fixed by Landlord. Except for snack and soft drink vending machines for use by Tenant's employees in the kitchen area of the Premises, no vending machines or machines of any description shall be installed, maintained or operation upon the Premises without Landlord's prior written consent.

3. The sidewalks, halls, passages, exits, entrances, elevators and stairways shall not be obstructed by Tenant or used for any purpose other than for ingress and egress from Tenant's Premises. Under no circumstances is trash to be stored in the corridors. Notice must be given to Landlord for nay large deliveries. Furniture, freight and other large or heavy articles, and all other deliverers may be brought into the project only at times and in the manner designated by Landlord, and always at Tenant's sole responsibility and risk. Landlord may impose reasonable charges for use of freight elevators after or before normal business hours. All damage done to the Project by moving or maintaining such furniture, freight or articles shall be repaired by Landlord at Tenant's expense. Tenant shall not take or permit to be taken in or out of entrances or passenger elevators of the Project, any item normally taken, or which Landlord otherwise reasonably requires to be taken, in or out through service doors or on freight elevators. Tenant shall move all supplies, furniture and equipment as soon as received directly to the Premises, and shall move all waste that is at any time being taken from the Premises directly to the areas designated for disposal.

4. Toilet rooms, toilets, urinals, wash bowls and other apparatus shall not be used for any purpose other than for which they were constructed and no foreign substance of any kind whatsoever shall be thrown therein.

5. Tenant shall not overload the floor of the Premises or mark, drive nails, screw or drill into partitions, ceilings or floor or in any way deface the Premises other than in connection with hanging normal artwork within the Premises. Tenant shall not place typed, handwritten or computer generated sighs in the corridors or any other common areas. Should there be a need for signage additional to the Project standard tenant placard, a written request shall be made to Landlord to obtain approval prior to any installation. All costs for said signage shall be Tenant's responsibility.

6. In no event shall Tenant place a load upon any floor of the Premises or portion of any such flooring exceeding the floor load per square foot of area for which such floor is designed to carry and which is allowed by law, or any machinery or equipment which shall cause excessive vibration to the Premises or noticeable vibration to any other part of the Project. Prior to bringing any heavy safes, vaults, or similarly heavy equipment into the Project, Tenant shall inform Landlord in writing of the dimensions and weights thereof and shall obtain Landlord's reasonable consent thereto. Such consent shall not constitute a representation or warranty by Landlord that the safe, vault, or other equipment complies, with regard to distribution of weight and/or vibration, with the provisions of this Rule 6 nor relieve Tenant from responsibility for the consequences of such noncompliance, and any such safe, vault or other equipment which Landlord determines to constitute a danger of damage to the Project or a nuisance to other tenants, either alone or in combination with other heavy and/or vibrating objects and equipment, shall be promptly removed by Tenant, at Tenant's cost, upon Landlord's written notice of such determination and demand for removal thereof.

7. Tenant shall not use or keep in the Premises or Project any kerosene, gasoline or inflammable, explosive or combustible fluid or material, or use any method of heating or air-conditioning other than that supplied by Landlord.

8. Tenant shall not lay linoleum, tile, carpet or other similar floor covering so that the same shall be affixed to the floor of the Premises in any manner except as approved by Landlord.

9. Tenant shall not install or use any blinds, shades, awnings or screens in connection with any window or door of the Premises and shall not use any drape or window covering facing any exterior glass surface other than the standard drapes, blinds or other window covering established by Landlord.

10. Tenant shall cooperate with Landlord in obtaining maximum effectiveness of the cooling system by closing window coverings when the sun's rays fall directly on windows of the Premises. Tenant shall not obstruct, alter, or in any way impair the efficient operation of Landlord's heating, ventilating and air-conditioning system. Tenant shall not tamper with or change the setting of any thermostats or control valves.

11. The Premises shall not be used for manufacturing or for the storage of merchandise except as such storage may be incidental to the permitted use of the Premises. Tenant shall not, without Landlord's prior written consent, occupy or permit any portion of the Premises to be occupied or used for the manufacture or sale of liquor or tobacco in any form, or a barber or manicure shop, or as an employment bureau. The Premises shall not be used for lodging or sleeping or for any improper, objectionable or immoral purpose. No auction shall be conducted on the Premises.

12. Tenant shall not make, or permit to be made, any unseemly or disturbing noises, or disturb or interfere with occupants of Project or neighboring buildings or premises or those having business with it by the use of any musical instrument, radio, phonographs or unusual noise, or in any other way.

13. No bicycles, vehicles or animals of any kind shall be brought into or kept in or about the Premises, and no cooking shall be done or permitted by any tenant in the Premises, except that the preparation of coffee, tea, hot chocolate and similar items for tenants, their employees and visitors shall be permitted. No tenant shall cause or permit any unusual or objectionable odors to be produced in or permeate from or throughout the Premises. The foregoing notwithstanding, Tenant shall have the right to use a microwave and to heat microwavable items typically heated in an office. No hot plates, toaster ovens or similar open element cooking apparatus shall be permitted in the Premises.

14. The sashes, sash doors, skylights, windows and doors that reflect or admit light and air into the halls, passageways or other public places in the Project shall not be covered or obstructed by any tenant, nor shall any bottles, parcels or other articles be placed on the window sills.

15. No additional locks or bolts of any kind shall be placed upon any of the doors or windows by any tenant, nor shall any changes be made in existing locks or the mechanisms thereof unless Landlord is first notified thereof, gives written approval, and is furnished a key therefor. Each tenant must, upon the termination of his tenancy, give to Landlord all keys and key cards of stores, offices, or toilets or toilet rooms, either furnished to, or otherwise procured by, such tenant, and in the event of the loss of any keys so furnished, such tenant shall pay Landlord the cost of replacing the same or of changing the lock or locks opened by such lost key if Landlord shall deem it necessary to make such change. If more than two keys for one lock are desired, Landlord will provide them upon payment therefor by Tenant. Tenant shall not key or re-key any locks. All locks shall be keyed by Landlord's locksmith only.

16. Landlord shall have the right to prohibit any advertising by any tenant which, in Landlord's opinion, tends to impair the reputation of the Project or its desirability as an office building and upon written notice from Landlord any tenant shall refrain from and discontinue such advertising.

17. Landlord reserves the right to control access to the Project by all persons after reasonable hours of generally recognized business days and at all hours on Sundays and legal holidays and may at all times control access to the equipment areas of the Project outside the Premises. Each tenant shall be responsible for all persons for whom it requests after hours access and shall be liable to Landlord for all acts of such persons. Landlord shall have the right from time to time to establish reasonable rules and charges pertaining to freight elevator usage, including the allocation and reservation of such usage for tenants' initial move-in to their premises, and final departure therefrom. Landlord may also establish form time to time reasonable rules and charges for accessing the equipment areas of the Project, including the risers, rooftops and telephone closets.

18. Any person employed by any tenant to do janitorial work shall, while in the Project and outside of the Premises, be subject to and under the control and direction of the Office of the Project or its designated representative such as security personnel (but not as an agent or servant of Landlord, and the Tenant shall be responsible for all acts of such persons).

19. All doors opening on to public corridors shall be kept closed, except when being used for ingress and egress. Tenant shall cooperate and comply with any reasonable safety or security programs, including fire drills and air raid drills, and the appointment of "fire wardens" developed by Landlord for the Project, or required by law. Before leaving the Premises unattended, Tenant shall close and securely lock all doors or other means of entry to the Premises and shut off all lights and water faucets in the Premises.

20. The requirements of tenants will be attended to only upon application to the Office of the Project.

21. Canvassing, soliciting and peddling in the Project are prohibited and each tenant shall cooperated to prevent the same.

22. All office equipment of any electrical or mechanical nature shall be placed by tenants in the Premises in settings approved by Landlord, to absorb or prevent any vibration, noise or annoyance.

23. No air-conditioning unit or other similar apparatus shall be installed or used by any tenant without the prior written consent of Landlord. Tenant shall pay the cost of all electricity used for air-conditioning on the Premises if such electrical consumption exceeds normal office requirements, regardless of whether additional apparatus is installed pursuant to the preceding sentence.

24. There shall not be used in any space, or in the public halls of the Project, either by any tenant or others, any hand trucks except those equipped with rubber tires and side guards.

25. All electrical ceiling fixtures hung in offices or spaces along the perimeter of the Project must be fluorescent and/or of a quality, type, design, and bulb color approved by Landlord. Tenant shall not permit the consumption in the Premises of more than 2 $^{1}/_{2}$ watts per net usable square foot in the Premises in respect of office lighting nor shall Tenant permit the consumption in the Premises of more than 1 $^{1}/_{2}$ watts per net usable square foot of space in the Premises in respect of the power outlets therein, at any one time. IN the event that such limits are exceeded, Landlord shall have the right to require Tenant to remove lighting fixtures and equipment and/or to charge Tenant for the cost of the additional electricity consumed.

26. Parking

(a) Project parking facility hours shall be 7:00 a.m. to 7:00 p.m., Monday through Friday, and closed on weekends, state and federal holidays excepted, as such hours may be revised from time to time by Landlord; however, subject to casualty and repairs and maintenance, Tenant's employees shall have access to the Project parking facility twenty-four (24) hours per day, seven (7) days per week.

(b) Automobiles must be parked entirely within the stall lines on the floor.

(c) All directional signs and arrows must be observed.

(d) The speed limit shall be 5 miles per hour.

(e) Parking is prohibited in areas not striped for parking.

(f) Parking cards or any other device or form of identification supplied by Landlord (or its operator) shall remain the property of Landlord (or its operator). Such parking identification device must be displayed as requested and may not be mutilated in any manner. The serial number of the parking identification devise may not be obliterated. Devices are not transferable or assignable and any device in the possession of an unauthorized holder will be void. There will be a replacement charge to the Tenant or person designated by Tenant of $25.00 for loss of any parking card. There shall be a security deposit of $25.00 due at issuance for each card key issued to Tenant.

(g) The monthly rate for parking is payable one (1) month in advance and must be paid by the third business day of each month. Failure to do so will automatically cancel parking privileges and a charge at the prevailing daily rate will be due. No deductions or allowances from the monthly rate will be made for days parker does not use the parking facilities.

(h) Tenant may validate visitor parking by such method or methods as the Landlord may approve, at the validation rate from time to time generally applicable to visitor parking.

(i) Landlord (and its operator) may refuse to permit any person who violates the within rules to park in the Project parking facility, and any violation of the rules shall subject the automobile to removal from the project parking facility at the parker's expense. In either of said events, Landlord (or its operator) shall refund a proratra portion of the current monthly parking rate and they sticker or any other form of identification supplied by Landlord (or its operator) will be returned to Landlord (or its operator).

(j) Project parking facility managers or attendants are not authorized to make or allow any exceptions to these Rules and Regulations.

(k) All responsibility for any loss or damage to automobiles or any personal property therein is assumed by the parker.

(l) Loss or theft of parking identification devices form automobiles must be reported to the Project parking facility manager immediately, and a lost or stolen report must be filed by the parker at that time.

(m) The parking facilities are for the sole purpose of parking one automobile per space. Washing, waxing, cleaning or servicing of any vehicles by the parker or his agents is prohibited.

(n) Landlord (and its operator) reserves the right to refuse the issuance of monthly stickers or other parking identification devices to any Tenant and/or its employees who refuse to comply with the above Rules and Regulations and all City, State or Federal ordinances, laws or agreements.

(o) Tenant agrees to acquaint all employees with these Rule and Regulations.

(p) No vehicle shall be stored in the Project parking facility for a period of more than one (1) week.

27. The Project is a non-smoking Project. Smoking or carrying lighted cigars or cigarettes in the Premises or the Project, including the elevators in the Project, is prohibited.

28. Tenant shall not, without Landlord's prior written consent (which consent may be granted or withhold in Landlord's absolute discretion), allow any employee or agent to carry any type of gun or other firearm in or about any of the Premises, Building or Project.

"EXHIBIT C"

NOTICE OF LEASE TERM DATES
AND TENANT PROPORTIONATE SHARE

TO: MITEK SYSTEMS, INC.
8911 Balboa Ave, Suite B
San Diego, CA 92123

DATE: December 9, 2005

RE: Lease dated September 13, 2005 between ARDEN REALTY FINANCE V, L.L.C., a Delaware Limited Liability Company (" **Landlord** "), and MITEK SYSTEMS, INC.,(" **Tenant** "), concerning Suite B located at, 8911 Balboa Ave. San Diego, CA 92123.

Ladies and Gentlemen:

In accordance with the Lease, Landlord wishes to advise and/or confirm the following:

1. That the Premises have been accepted herewith by the Tenant as being substantially complete in accordance with the Lease and that there is no deficiency in construction.

2. That the Tenant has taken possession of the Premises and acknowledges that under the provisions of the Lease the Term of said Lease shall commence as of December 9, 2005 for a term of seven (7) years ending on December 31, 2012.

3. That in accordance with the Lease, Basic Rental commenced to accrue on December 9, 2005.

4. If the Commencement Date of the Lease is other than the first day of the month, the first billing will contain a prorata adjustment. Each billing thereafter shall be for the full amount of the monthly installment as provided for in said Lease.

5. Rent is due and payable in advance on the first day of each and every month during the Term of said Lease. Your rent checks should be made payable to:

ARDEN REALTY FINANCE V, L.L.C., at P.O. Box 31001-0815, Pasadena, California 91110-0815. Attn: Lockbox #910815

6. The exact number of rentable square feet within the Premises is 15,927 rentable square feet.

7. Tenant's Proportionate Share as adjusted based upon the exact number of rentable square feet within the Premises is 22.79%.

AGREED AND ACCEPTED:

TENANT:

MITEK SYSTEMS, INC.

By: _____
Its: _____

EXHIBIT "D"

TENANT WORK LETTER

[MITEK SYSTEMS, INC.]

This Tenant Work Letter shall set forth the terms and conditions relating to the renovation of the tenant improvements in the Premises. This Tenant Work Letter is essentially organized chronologically and addressees the issues of the construction of the Premises, in sequence, as such issues will arise.

SECTION 1

CONSTRUCTION DRAWINGS FOR THE PREMISES

Landlord shall construct the improvements in the Premises (the " **Improvements** ") pursuant to that certain plan prepared by Hurkes Harris Design Associates dated July 15, 2005 as modified by the bulletins which are attached hereto as Schedule 1 and made a part hereof (collectively, the " **Plans"**). Unless specifically noted to the contrary on the Plans, the Improvements shall be constructed using Project-standard quantities, specifications and materials as determined by Landlord. Based upon the Plans, Landlord shall cause the Architect to prepare detailed plans and specifications for the Improvements (" **Working Drawings** "). Landlord shall then forward the Working Drawings to Tenant for Tenant's approval. Tenant shall approve or reasonably disapprove any draft of the Working Drawings within three (3) business days after Tenant's receipt thereof; provided, however, that (i) Tenant shall not be entitle to disapprove any portion, component or aspect of the Working Drawings which are consistent with the Plans unless Tenant agrees to pay for the additional cost resulting from such change in the Plans as part of the Over-Allowance Amount pursuant to Section 2 below, and (ii) any disapproval of the Working Drawings by Tenant shall be accompanies by a detailed written explanation of the reasons for Tenant's disapproval. Failure of Tenant to reasonably disapprove any draft of the Working Drawings within said three (#) business day period shall be deemed to constitute Tenant's approval thereof. The Working Drawings, as approved by Landlord and Tenant, may be referred to herein as the " **Approved Working Drawings** ." Tenant shall make no changes or modifications to the Plans or the Approved Working Drawings without the prior written consent of Landlord, which consent may be withheld in Landlord's sole discretion if such change or modification would directly or indirectly delay the "Substantial Completion," as that term is defined in Section 5.1 of this Tenant Work Letter, of the Improvements in the Premises or increase the cost of designing or constructing the Improvements.

SECTION 2

OVER-ALLOWANCE AMOUNT

In the event any revisions, changes, or substitutions are made with Tenant's consent to the Plans or the Approved Working Drawings or the Improvements, any additional costs which arise in connection with such revisions, changes or substitutions shall be considered to be an " **Over-Allowance Amount** ." The Over-Allowance Amount shall be paid by Tenant to Landlord, as Additional Rent, within ten (10) days after Tenant's receipt of invoice therefor. The Over-Allowance Amount shall be disbursed by Landlord prior to the disbursement of any portion of Landlord's contribution to the construction of the Improvements.

SECTION 3

RETENTION OF CONTRACTOR; WARRANTIES AND GUARANTIES

Landlord hereby assigns to Tenant all warranties and guaranties by the contractor constructs the Improvements (the " **Contractor** ") relating to the Improvements, and Tenant hereby waives all claims against Landlord related to, or arising out of the construction of, the Improvements. The Contractor shall be designated and retained by Landlord to construct the Improvements.

SECTION 4

TENANT'S COVENANTS

Tenant shall, at no cost to Tenant, cooperate with Landlord and the space planner or architect retained by Landlord (" **Architect** ") to cause a Notice of Completion to be recorded in the office of the Recorder of the County of San Diego in accordance with Section 3093 of the Civil Code of the State of California or any successor statute upon completion of construction of the Improvements.

SECTION 5

COMPLETION OF THE IMPROVEMENTS

5.1 Substantial Completion . For purposes of this Lease, " **Substantial Completion** " of the improvements in the Premises shall occur upon the completion of construction of the Improvements in the Premises pursuant to the Approved Working Drawings, with the exception of any punch list items and any tenant fixtures, work-stations, built-in furniture, or equipment to be installed by Tenant.

5.2 Delay of the Substantial Completion of the Premises . Except as provided in this Section 5.2, the Commencement Date shall occur as set forth in the Lease. If there shall be a delay or there are delays in the Substantial Completion of the Improvements in the Premises as a result of the following (collectively, " **Tenant Delays** "):

5.2.1 Tenant's failure to timely approve any matter requiring Tenant's approval;

5.2.2 A breach by Tenant of the terms of this Tenant Work Letter or the Least;

5.2.3 Tenant's request for changes in the Plans, Working Drawings or Approved Working Drawings;

5.2.4 Changes in any of the Plans, Working Drawings or Approved Working Drawings because the same do not comply with applicable laws;

5.2.5 Tenant's requirement for materials, components, finishes or improvements which are not available in a commercially reasonable time give the anticipated date of Substantial Completion of the Improvements in the Premises, or which are different from, or not included in, Landlord's standard improvement package items for the Project;

5.2.6 Changes to the base, shell and core work of the Project required by the Approved Working Drawings or any changes thereto; or

5.2.7 Any other acts or omissions of Tenant, or its agents, or employees;

then, notwithstanding anything to the contrary set for the in the Lease or this Tenant Work Letter and regardless of the actual date of the Substantial Completion of the Improvements in the Premises, the date of Substantial Completion thereof shall be deemed to be the date that Substantial Completion would have occurred if no Tenant Delay or Delays, as set forth above, had occurred.

5.3 Outside Date . In the event that the Substantial Completion of the Improvements in the Premises has not occurred by the " **Outside Date** ," which shall be January 15, 2006, as such January 15, 2006 date may be extended by the number of days of Tenant Delays and by the number of days of "Force Majeure Delays" (as defined below), then the sole remedy of Tenant shall be the right to deliver a notice to Landlord (the " **Outside Date Termination Notice** ") electing to terminate this Lease effective upon receipt of the Outside Date Termination Notice by Landlord (the " **Effective Date** "). Except as provided hereinbelow, the Outside Date Termination notice must be delivered by Tenant to Landlord, if at all, not earlier than the Outside Date and not later than five (5) business days after the Outside Date. If Tenant delivers the Outside Date Termination Notice to Landlord, then Landlord shall have the right to suspend the Effective Date for a period ending thirty (30) days after the original Effective Date. In order to suspend the

Effective Date, Landlord must deliver to Tenant, within five (5) business days after receipt of such Outside Date Termination Notice, a certificate of the Contractor certifying that it is such Contractor's best good faith judgment that Substantial Completion of the Improvements in the Premises will occur within thirty (30) days after the original Effective Date. If Substantial Completion of the Improvements in the Premises occurs within said thirty (3) day suspension period, then the Outside Date Termination Notice shall be of no further force and effect; if, however, Substantial Completion of the Improvements in the Premises does not occur within said thirty (3) day suspension period, then this Lease shall terminate as of the date of expiration of such thirty (30) day period. If prior to the Outside Date Landlord determines that Substantial Completion of the Improvements in the Premises will not occur by the Outside Date, Landlord shall have the right to deliver a written notice to Tenant stating Landlord's opinion as to the date by which Substantial Completion of the Improvements in the Premises shall occur and Tenant shall be required, within five (5) business days after receipt for such notice, to either deliver the Outside Date Termination Notice (which will mean that this Lease shall thereupon terminate and shall be of no further force and effect) or agree to extend the Outside Date to that date which is set by Landlord. Failure of Tenant to so respond in writing within said five (5) business day period shall be deemed to constitute Tenant's agreement to extend the Outside Date to that date which is set by Landlord. If the Outside Date is so extended, Landlord's right to request Tenant to elect to either terminate or further extend the Outside Date shall remain and shall continue to remain, with each of the notice periods and response periods set forth above, until the Substantial Completion of the Improvements in the Premises or until this Lease is terminated. For purposes of this Section 5.3, " **Force Majeure Delays** " shall mean and refer to a period of delay or delays encountered by Landlord affecting the work of construction of the Improvements because of delays due to excess time in obtaining governmental permits or approvals beyond the time period normally required to obtain such permits or approvals for similar space, similarly improved, in comparable office buildings in the Clairemont area of San Diego, California; fire, earthquake or other acts of God, acts of the public enemy; riot, public unrest, insurrection, governmental regulations of the sales of materials or supplies or the transportation thereof; strikes or boycotts; shortages of material or labor or any other cause beyond the reasonable control of the Landlord.

SECTION 6

MISCELLANEOUS

6.1 Tenant's Representative . Tenant has designated Tesfaye Hailemichael as its sole representative with respect to the matters set forth in this Tenant Work Letter, who, until further notice to Landlord, shall have full authority and responsibility to act on behalf of the Tenant as required in this Tenant Work Letter.

6.2 Landlord's Representative . Prior to commencement of construction of the Improvements, Landlord shall designate a representative with respect to the matters set forth in this Tenant Work Letter, who, until further notice to Tenant, shall have full authority and responsibility to act on behalf of the Landlord as required in this Tenant Work Letter.

6.3 Time of the Essence in This Tenant Work Letter . Unless otherwise indicated, all references herein to a "number of days" shall mean and refer to calendar days.

6.4. Punch List . Concurrently with Landlord's deliver of the Premises to Tenant, a representative of Landlord and a representative of Tenant shall perform a walk-through inspection of the Premises to identify any "punchlist" items in the Improvements (i.e. minor defects or conditions in such Improvements that do not impair Tenant's ability to utilize the Premises for the purposes permitted hereunder) and any "punchlist" items regarding the systems of the Project serving the Premises pursuant to Landlord's obligations under the first sentence of Article 8 of the Lease, which items Landlord shall repair or correct no later than thirty (30) days after the date of such walk-through (unless the nature of such repair or correction is such that more than thirty (30) days are required for completion, in which case Landlord shall commence such repair or correction work within such thirty (30) day period and diligently prosecute the same to completion).

SCHEDULE 1

PLANS

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FIRST AMENDMENT TO LEASE

This First Amendment to Lease (the " **First Amendment** ") is entered into as of this 1st day of February, 2009 by and between The Realty Associates Fund VIII, L.P., a Delaware limited partnership (" **Landlord** "), and Mitek Systems, Inc., a Delaware corporation (" **Tenant** "), with reference to the following recitals.

R E C I T A L S :

A. On or about September 13, 2005, Arden Realty Finance V, L.L.C. (" **Arden** ") and Tenant entered into a Standard Office Lease (the " **Lease** ") for that certain premises commonly known as Suite B (the " **Premises** "), 8911 Balboa Avenue, San Diego, California (the " **Building** "). Landlord purchased the Building from Arden and is now the landlord under the lease.

B. Tenant has requested that a portion of the monthly Basic Rental due from February 1, 2009 through September 30, 2009 be deferred and repaid commencing on October 1, 2009.

C. Landlord and Tenant wish to amend the Lease on the terms and conditions set forth below.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Deferred Basic Rental . Subject to the limitations set forth below, Landlord hereby agrees to defer the payment of $13,537.95 of the Basic Rental due for the months of February through September 2009 (the " **Deferral Period** "), for a total deferment of Basic Rental in the amount of $108,303.60 (the " **Deferred Basic Rental** "). On the first day of each calendar month during the Deferral Period Tenant shall continue to pay Basic Rental in the amount of $13,537.95. The Deferred Basic Rental shall be repaid to Landlord with interest at the rate of six percent (6%) per annum in equal monthly installments of $18, 785.93 payable on the first day of each calendar month commencing October 1, 2009 and continuing through March 1, 2010 (a total repayment with interest of $115,181.06). In the event that Tenant commits a default as defined in Article 19 of the Lease, there shall be no deferment of Basic Rental due for any month from and after the date of the default, and all Basic Rental previously deferred by Landlord shall be immediately due and payable by Tenant without notice or demand. No amounts due under the Lease other than the Deferred Basic Rental shall be deferred by Landlord and all other amounts payable by Tenant under the Lease including, but not limited to, Direct Costs, shall be due and payable in accordance with the terms and conditions of the Lease.

2. Termination Option . Article 33 of the Lease is hereby deleted in its entirety and shall be of no force or effect.

3. Conflict . If there is a conflict between the terms and conditions of this First Amendment and the terms and conditions of the Lease, the terms and conditions of this First Amendment shall control. Except as modified by this First Amendment, the terms and conditions of the Lease shall remain in full force and effect. Capitalized terms included in this First Amendment shall have the same meaning as capitalized terms in the Lease unless otherwise defined herein. Tenant herby acknowledges and agrees that the Lease is in full force and effect, Landlord is not currently in default under the Lease, and, to the best of Tenant's knowledge, no event has occurred which, with the gibing of notice or the passage of time, or both, would ripen into Landlord's default under the Lease.

4. Authority . The persons executing this First Amendment on behalf of the parties hereto represent and warrant that they have the authority to execute this First Amendment on behalf of said parties and that said parties have authority to enter into this First Amendment.

5. Brokers . Tenant and Landlord each represent and warrant to the other that neither has had any dealings or entered into any agreements with any person, entity, broker or finder other than SENTRE Partners, who has exclusively represented Landlord, in connection with the negotiation of this First Amendment, and no other broker, person, or entity is entitle to any commission or finder's fee in connection with the negotiation of this First Amendment, and Tenant and Landlord each agree to indemnify, defend and hold the other harmless from and against any claims, damages, costs, expenses, attorneys' fees or liability by reason of any dealings, actions or agreements of the indemnifying party.

6. Confidentiality . Tenant acknowledges and agrees that the terms of this First Amendment are confidential and constitute proprietary information of Landlord. Disclosure of the terms hereof could adversely affect the ability of Landlord to negotiate other leases with respe4ct to the property and may impair Landlord's relationship with other tenants of the property. Tenant agrees that it and its partners, officers, directors, employees, brokers, and attorneys, if any, shall not disclose the terms and conditions of this First Amendment to any other person or entity without the prior written consent of Landlord which may be given or withheld by Landlord, in Landlord's sole discretion. It is understood and agreed that damages alone would be an inadequate remedy for the breach of this provision by Tenant, and Landlord shall also have the right to seek specific performance of this provision and to seek injunctive relief to prevent its breach or continued breach.

7. Counterparts . This First Amendment may be executed in counterparts. Each counterpart shall be deemed an original, and all counterparts shall be deemed the same instrument with the same effect as if all parties hereto had signed the same signature page.

8. Delivery of Amendment . Preparation of this First Amendment by Landlord or Landlord's agent and submission of same to Tenant shall not be deemed an offer by Landlord to enter into this First Amendment. This First Amendment shall become binding upon Landlord only when fully executed by all parties and when Landlord has delivered a fully executed original of this First Amendment to Tenant. The delivery of this First Amendment to Tenant shall not constitute an agreement by Landlord to negotiate in good faith, and Landlord expressly disclaims any legal obligation to negotiate in good faith.

9. Notices . All notices provided by Tenant to Landlord pursuant to the Lease shall be sent to the following addresses:

The Realty Associates Fund VIII, L.P.
c/o TA Associates Realty
1301 Dove Street, Suite 860
Newport Beach, California 92660
Attention: Asset Manager/Balboa Corporate Center

and

The Realty Associates Fund VIII, L.P.
c/o TA Associates Realty
28 State Street, Tenth Floor
Boston, Massachusetts 02109
Attention: Asset Manager/Balboa Corporate Center

and

SENTRE Partners
9474 Kearny Villa Road, Suite 103
San Diego, CA 92126
Attention: Property Manager/Balboa Corporate Center

IN WITNESS WHEREOF, the parties hereby execute this Third Amendment as of the date first written above.

LANDLORD:

The Realty Associates Fund VIII, L.P.,
a Delaware limited partnership

By: Realty Associates Fund VIII LLC
a Massachusetts limited liability company, General
Partner

By: Realty Associates Advisors LLC, a Delaware limited liability company, Manager

By: Realty Associates Advisors Trust, a Massachusetts business trust, Manager

By: /s/ Scott W. Amling

Officer

TENANT*:

Mitek Systems, Inc., a Delaware corporation

By: /s/ James DeBello

James DeBello

(print name)

Its: President, CEO

(print title)

By: _____

_____

(print name)

Its: _____

(print title)

* Authorized officers must sign on behalf of the corporation and indicate the capacity in which they are signing. The amendment must be executed by the president or vice president and the secretary or assistant secretary, unless the bylaws or a resolution of the board of directors shall otherwise provide, in which event, the bylaws or a certified copy of the resolution, as the case may be, must be attached to this amendment.

SECOND AMENDMENT TO LEASE

This Second Amendment to Lease (the " **Second Amendment** ") is entered into as of this 18 st day of September, 2009 by and between The Realty Associates Fund VIII, L.P., a Delaware limited partnership (" **Landlord** "), and Mitek Systems, Inc., a Delaware corporation (" **Tenant** "), with reference to the following recitals.

R E C I T A L S :

A. On or about September 13, 2005, Arden Realty Finance V, L.L.C. (" **Arden** ") and Tenant entered into a Standard Office Lease (the " **Lease** ") for that certain premises commonly known as Suite B (the " **Premises** "), 8911 Balboa Avenue, San Diego, California (the " **Building** "). Landlord purchased the Building from Arden and is now the landlord under the lease. On or about February 1, 2009, Landlord and Tenant entered into a First Amendment to Lease (the " **First Amendment** "). The Original Lease as modified by the First Amendment is hereinafter referred to as the " **Lease** ". The term of the Lease expires on December 31, 2012.

B. Tenant now desires to reduce the size of the Premises by returning to Landlord the portion of the Premises which is depicted on Exhibit A attached hereto (the " **Relinquished Space** "). The Relinquished Space contains approximately 1,722 rentable square feet.

C. Landlord is willing to reduce the size of the Premises by the Relinquished Space provided that Jack in the Box, Inc. (" **Jack in the Box** "), an adjacent tenant, agrees to amend its lease (the " **Jack in the Box Lease** ") to lease the Relinquished Space.

D. Landlord and Tenant wish to amend the Lease on the terms and conditions set forth below.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Amendment of Jack in the Box Lease . Landlord's obligations under this Second Amendment are contingent and conditioned upon Jack in the Box agreeing to amend the Jack in the Box Lease to lease the Relinquished Space (the " **Jack in the Box Amendment** "). The terms and conditions of the Jack in the Box Amendment shall be satisfactory to Landlord in Landlord's sole and absolute discretion. Landlord makes no representation or warranty to Tenant that an acceptable Jack in the Box Amendment will be entered into by Landlord and Jack in the Box. If a Jack in the Box Amendment is not entered into on or before October 31, 2009, Landlord shall have the right, in Landlord's sole discretion, to elect upon written notice to Tenant to terminate this Second Amendment. If a Jack in the Box Amendment has not been entered into with Jack in the Box by October 31, 2009, Tenant shall thereafter have the option, in Tenant's sole and absolute discretion, to elect upon written notice to Landlord (a " **Termination Notice** ") to terminate this Second Amendment; provided, however, in no event shall Tenant have the right to give a Termination Notice prior to October 31, 2009. If Landlord notifies Tenant that it has entered into a Jack in the Box Amendment prior to the date Tenant gives a Termination Notice, this Second Amendment shall remain in full force and effect. In the event that Landlord or Tenant elects to terminate this Second Amendment in accordance with the forgoing requirements, for and after the date of Landlord's or Tenant's delivery of the Termination Notice, this Second Amendment shall terminate, Landlord and Tenant shall thereafter have no further liability to each other under this Second Amendment and the Lease shall remain in full force and effect as if this Second Amendment had never been entered into by Landlord and Tenant.

2. Return of Relinquished Space . As of the Effective Date (as defined below), Tenant hereby agrees to return to Landlord and Landlord hereby agrees to accept from Tenant the Relinquished Space. From and after the Effective Date, the total rentable area of the Premises shall be 14,205 square feet and all references in the Lease to the "Premises" shall not include the Relinquished Space, and Tenant shall no longer have the right to use of occupy the Relinquished Space. For purposes of this Second Amendment, the " **Effective Date** " shall mean the date that is five (5) days after Landlord provides written notice to Tenant that it desires to obtain possession of the Relinquished Space.

3. Failure to Return Relinquished Space . If Tenant fails to vacate the Relinquished Space and to deliver the Relinquished Space to Landlord in the condition required by Section 2 on the Effective Date, time being of the essence, in addition to all other rights and remedies

Landlord may have as a result of such failure, Tenant shall pay the Landlord $146.37 for each day from the Effective Date until the date that Tenant delivers the Relinquished Space to Landlord in the condition required by Section 2 (" **Per Diem Rent** "). The Per Diem Rent shall be paid to Landlord within ten (10) days after written demand. For example, if Tenant delivers possession of the Relinquished Space to Landlord until ten (10) days after the Effective Date, in addition to any other remedies Landlord may have under the Lease or this Second Amendment, Tenant shall pay to Landlord within then (10) days after written demand Per Diem Rent in the amount of $1,463.70. Tenant hereby acknowledges that its failure to deliver the Relinquished Space to Landlord on the Effective Date will cause Landlord to incur damages including, but not limited to, lost rental income, and the exact amount of the damages Landlord will incur will be extremely difficult to ascertain. The receipt of the Per Diem Rent is not Landlord's exclusive remedy for Tenant's failure to deliver possession of the Relinquished Space to Landlord on the Effective Date. By way of example, and not limitation, Landlord shall also have the immediate right to commence an unlawful detainer proceeding or other legal proceeding to obtain possession of the Relinquished Space if Tenant does not deliver possession of the Relinquished Space to Landlord on the Effective Date.

4. Construction of Demising Improvements . Prior to the Effective Date, Tenant shall cause all the furniture, fixtures, files, books, equipment and other personal property of any type located in the Relinquished Space (the " **Personal Property** ") to be removed from the Relinquished Space, time being of the essence. At any time from and after the Effective date, Tenant hereby grants Landlord and its contractors the right to enter the Premises in order to construct the improvements that are necessary in order to separate the Relinquished Space from the remainder of the Premises (the " **Improvements** "). Landlord shall paint the portion of the Improvements facing the interior of the Premises with building standard paint to match the existing paint in the Premises. Tenant acknowledges that Landlord's contractors will construct the Improvements while Tenant occupies the Premises and that the construction of the Improvements may interfere with Tenant's use of portions of the Premises from time to time. Tenant acknowledges and agrees that it shall have no right to any abatement of rent or to recover any other damages from Landlord due to its inability to use portions of the Premises while the Improvements are being completed or due to interference with its business operations caused by such construction. Landlord and Tenant shall work together in an effort to minimize disruption to Tenant's business operations caused by the construction of the Improvements, but Landlord shall have no obligation to pay overtime expenses or other extraordinary costs.

5. Basic Rental . Prior to the Effective Date, Tenant shall continue to pay the monthly Basic Rental required by the Lease. Notwithstanding anything to the contrary contained in the Lease, from and after the Effective Date, Tenant shall pay the following monthly Basic Rental:

Effective Date through December 31, 2009	$24,148.50;
January 1, 2010 through December 31, 2010	$24,858.75;
January 1, 2011 through December 31, 2011	$25,569.00; and
January 1, 2012 through December 31, 2012	$26,279.25

Base Rent shall be prorated on a per diem basis for any partial month.

6. Deferred Basic Rental . Nothing contained herein shall reduce or modify Tenant's obligation to pay the Deferred Basic Rental (as defined in the First Amendment), and Tenant shall continue to be obligated to pay the Deferred Basic Rental described in the First Amendment following the delivery of the Relinquished Space to Landlord.

7. Tenant's Share . For periods accruing prior to Effective Date, Tenant's Proportionate Share of Direct Costs shall continue to be 22.79%. Notwithstanding anything to the contrary contained in the Lease for periods accruing from and after Effective Date, Tenant's Proportionate Share of Direct Costs shall be decreased from 22.79% to 20.39%.

8. Parking . From and after Effective Date, notwithstanding anything to the contrary contained in the Lease, Tenant shall be entitled to use a total of fifty five (55) unreserved parking passes.

9. Conflict . If there is a conflict between the terms and conditions of this Second Amendment and the terms and conditions of the Lease, the terms and conditions of this Second Amendment shall control. Except as modified by this Second Amendment, the terms and conditions of the Lease shall remain in full force and effect. Capitalized terms included in this

Second Amendment shall have the same meaning as capitalized terms in the Lease unless otherwise defined herein. Tenant hereby acknowledges and agrees that the Lease is in full force and effect, Landlord is not currently in default under the Lease, and, to the best of Tenant's knowledge, no event has occurred which, with the giving of notice or the passage of time, or both, would ripen into Landlord's default under the Lease.

10. Authority . The persons executing this Second Amendment on behalf of the parties hereto represent and warrant that they have the authority to execute this Second Amendment on behalf of said parties and that said parties have authority to enter into this Second Amendment.

11. Brokers . Tenant and Landlord each represent and warrant to the other that neither has had any dealings or entered into any agreements with any person, entity, broker or finder other than SENTRE Partners, who has exclusively represented Landlord, in connection with the negotiation of this Second Amendment, and no other broker, person, or entity is entitled to any commission or finder's fee in connection with the negotiation of this Second Amendment, and Tenant and Landlord each agree to indemnify, defend and hold the other harmless from and against any claims, damages, costs, expenses, attorney's fees or liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar party by reason of any dealings, actions or agreements of the indemnifying party.

12. Confidentiality . Tenant acknowledges and agrees that the terms of this Second Amendment are confidential and constitute proprietary information of Landlord. Disclosure of the terms hereof could adversely affect the ability of Landlord to negotiate other leases with respect to the property and may impair Landlord's relationship with other tenants of the property. Tenant agrees that it and its partners, officers, directors, employees, brokers, and attorneys, if any, shall not disclose the terms and conditions of this Second Amendment to any other person or entity without prior written consent of Landlord which may be given or withheld by Landlord, in Landlord's sole discretion. It is understood and agreed that damages alone would be an inadequate remedy for the breach of this provision by Tenant, and Landlord shall also have the right to seek specific performance of this provision and to seek injunctive relief to prevent its breach or continued breach.

13. Counterparts . This Second Amendment may be executed in counterparts. Each counterpart shall be deemed an original, and all counterparts shall be deemed the same instrument with the same effect as if all parties hereto had signed the same signature page.

14. Delivery of Amendment . Preparation of this Second Amendment by Landlord or Landlord's agent and submission of same to Tenant shall not be deemed an offer by Landlord to enter into this Second Amendment. This Second Amendment shall become binding upon which Landlord only when fully executed by all parties and when Landlord has delivered a fully executed original of this Second Amendment to Tenant. The delivery of this Second Amendment to Tenant shall not constitute an agreement by Landlord to negotiate in good faith, and Landlord expressly disclaims any legal obligation to negotiate in good faith.

IN WITNESS WHEREOF, the parties hereby execute this Second Amendment as of the date first written above.

LANDLORD:

The Realty Associates Fund VIII, L.P.,
a Delaware limited partnership

By: Realty Associates Fund VIII LLC
a Massachusetts limited liability company, General Partner

By: Realty Associates Advisors LLC, a Delaware limited liability company, Manager

By: Realty Associates Advisors Trust, a Massachusetts business trust, Manager

By: /s/ Scott W. Amling

Officer

TENANT*:

Mitek Systems, Inc., a Delaware corporation

By: /s/ James DeBello

James DeBello

(print name)

Its: President, CEO

(print title)

By: /s/ J. M. Thornton

J. M. Thornton

(print name)

Its: Chairman

(print title)

* Authorized officers must sign on behalf of the corporation and indicate the capacity in which they are signing. The amendment must be executed by the president or vice president and the secretary or assistant secretary, unless the bylaws or a resolution of the board of directors shall otherwise provide, in which event, the bylaws or a certified copy of the resolution, as the case may be, must be attached to this amendment.

THIRD AMENDMENT TO LEASE

This Third Amendment to Lease (the " **Third Amendment** ") is entered into as of this 24 th day of February, 2012 by and between The Realty Associates Fund VIII, L.P., a Delaware limited partnership (" **Landlord** "), and Mitek Systems, Inc., a Delaware corporation (" **Tenant** "), with reference to the following recitals.

R E C I T A L S :

A. On or about September 13, 2005, Arden Realty Finance V, L.L.C. (" **Arden** ") and Tenant entered into a Standard Office Lease (the " **Original Lease** ") for that certain premises commonly known as Suite B (the " **Original Premises** "), 8911 Balboa Avenue, San Diego, California (the " **Building** "). The Original Premises contained approximately 15,927 rentable square feet. Landlord purchased the Building from Arden and is now the landlord under the Lease. On or about February 1, 2009, Landlord and Tenant entered into a First Amendment to Lease (the " **First Amendment** "). In or about September of 2009, Landlord and Tenant entered into a Second Amendment to Lease (the " **Second Amendment** ") and pursuant to the Second Amendment Tenant relinquished to Landlord 1,722 rentable square feet of the Original Premises. The Premises now contains approximately 14,205 rentable square feet (the " **Existing Premises** "). The Original Lease as modified by the First Amendment and the Second Amendment is hereinafter referred to as the " **Lease** ". The term of the Lease expires on December 31, 2012.

B. Tenant now desires to lease additional space from Landlord in the Building which is commonly known as Suite 100 and which is depicted on Exhibit A attached hereto (the " **Expansion Space** "). The Expansion Space contains approximately 9,807 rentable square feet.

C. Landlord and Tenant wish to amend the Lease on the terms and conditions set forth below.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Lease of Expansion Space .

(a) Effective Date . Commencing April 1, 2012 (the " **Effective Date** "), Landlord shall lease to Tenant and Tenant shall lease from Landlord the Expansion Space. Except as provided in (b) below, Tenant accepts the Expansion Space in its "as is" condition and Landlord shall have no obligation to improve or alter the Expansion Space.

(b) Condition of Expansion Space . Landlord represents and warrants to Tenant that the HVAC, plumbing, mechanical and electrical facilities and installations servicing the Expansion Space will be in good working condition on the Effective Date. In the event that it is determined that the foregoing representation and warranty is untrue, Landlord shall not be in default under this Lease if after Landlord receives written notice from Tenant describing how the representation or warranty is untrue, Landlord promptly takes the actions necessary to remedy the breach of the representation or warranty.

(c) Expansion Space Improvements . Tenant shall not alter or make improvements to the Expansion Space, and when Tenant's lease of the Expansion Space terminates, Tenant shall deliver the Expansion Space to Landlord in the same condition it was in when it was delivered by Landlord to Tenant, ordinary wear and tear excepted.

(d) Early Access . Tenant shall have the right to enter the Expansion Space prior to April 1, 2012 for the sole purpose of installing furniture, equipment, data cabling and similar items, and Tenant shall have no obligation to begin paying Basic Rental or other charges based solely on its installation of these items. Tenant shall be liable for any damages caused by Tenant's activities at the Expansion Space. Tenant shall coordinate such entry with Landlord's building manager, and such entry shall be made in compliance with all terms and conditions of the Lease.

2. Term .

(a) Generally . Subject to Section 2(b) below, Tenant's lease of the Expansion Space shall commence on April 1, 2012 and shall end on December 31, 2012. If Tenant does not vacate the Expansion Space and deliver possession of the Expansion Space to Landlord on or prior to December 31, 2012 (or, if applicable, the Termination Date (as defined below)), from and after January 1, 2013 (or the Termination Date, if applicable), Tenant shall lease the Expansion Space on a month-to-month basis terminable by Landlord or Tenant for any reason or no reason on thirty (30) days advance written notice to the other party. References in this Third Amendment to the " **Expansion Space Term** " shall mean the period during which Tenant leases the Expansion Space. Article 31 of the Original Lease is hereby deleted in its entirety and shall be of no force or effect.

(b) Early Termination . Tenant shall have the right at any time upon not less than thirty (30) days advance written notice to Landlord (a " **Termination Notice** ") to elect to terminate its lease of the Expansion Space (the " **Termination Option** "). The Termination Notice shall specify the date Tenant desires to terminate its Lease of the Expansion Space (the " **Termination Date** "); provided, however, in no event shall the Termination Date be a date prior to September 30, 2012. If Tenant timely and properly exercises the Termination Option, (i) all Basic Rental attributable to the Expansion Space shall be paid through and apportioned as of the Termination Date; (ii) Tenant shall pay all electricity costs and janitorial costs applicable to the Expansion Space through the Termination Date, (iii) on the Termination Date, Tenant shall no longer have the right to use the Expansion Space Parking Spaces, (iv) Tenant shall surrender and vacate the Expansion Space and deliver possession thereof to Landlord on or before the Termination Date in the same condition it was in when it was delivered by Landlord to Tenant, ordinary wear and tear excepted; (v) from and after the date that Tenant delivers possession of the Expansion Space to Landlord in the condition described above, the Expansion Space shall no longer constitute a part of the "Premises" and (vi) at Landlord's option, Tenant shall enter into a written agreement reflecting the termination of the Lease of the Expansion Space upon the terms provided for herein, which agreement shall be executed within thirty (30) days after Tenant exercises the Termination Option. The Lease, as modified by the foregoing, shall remain in full force and effect after the Termination Date.

3. Basic Rental . Prior to the Effective Date, Tenant shall continue to pay the monthly Basic Rental required by the Lease. Notwithstanding anything to the contrary contained in the Lease, from and after the Effective Date and during the Expansion Space Term, in addition to the monthly Basic Rental payable pursuant to the Lease for the Existing Premises, Tenant shall pay additional monthly Basic Rental for the Expansion Space in the amount of $10,500.00 per month.

4. Direct Costs . Tenant shall continue to pay Direct Costs with respect to the Existing Premises as required by the Lease. Tenant shall not pay any Direct Costs with respect to the Expansion Space.

5. Utilities and Janitorial . Pursuant to Article 11(a) of the Original Lease, Tenant shall be obligated to pay for all electricity used in the Expansion Space. In addition, pursuant to Article 11(a) Tenant shall retain a bonded janitorial company to perform janitorial services in the Expansion Space at Tenant's sole cost and expense.

6. Security Deposit . Pursuant to Section F of Article 1 of the Original Lease, Tenant originally provided to Landlord a security deposit in the amount of $79,635.00. Pursuant to Article 4 of the Original Lease, the security deposit was reduced to $29,464.95. Concurrently with the execution of this Second Amendment by Tenant, Tenant shall pay to Landlord an additional security deposit in the amount of $10,500.00 (the " **Additional Deposit** "). After Landlord receives the Additional Deposit, Tenant's total security deposit shall be $39,964.95.

7. Parking . During the Expansion Space Term, Tenant shall be entitled to use an additional thirty-two (32) unreserved parking passes (the " **Expansion Space Parking Spaces** "). The Expansion Space Parking Spaces are in addition to the fifty-five (55) unreserved parking spaces Tenant is entitled to use pursuant to the Lease.

8. Exclusive Negotiation Period . Landlord and Tenant are discussing the possibility of Tenant leasing additional space in the Building which is commonly known as Suite 150 and which is currently leased to Jack in the Box (" **Suite 150** "). Landlord agrees not to enter into Active Negotiations (as defined below) with a third party for the lease of Suite 150 between the date that this Third Amendment is executed and delivered by Landlord and Tenant and March 31,

2012 (the " **Exclusive Negotiation Period** "). "Active Negotiations" shall mean that Landlord is providing or commenting on written letters of intent with the third party tenant. Tenant acknowledges that Landlord may receive unsolicited proposals from third party tenants during the Exclusive Negotiation Period, and Landlord's receipt of such proposals shall not be a violation of Landlord's obligations under this Section. This Section shall not apply to Landlord's attempts to lease Suite 150 after the last day of the Exclusive Negotiation Period, and Landlord shall have the right to enter into negotiations for the lease of Suite 150 with any person or entity after the last day of the Exclusive Negotiation Period. Landlord and Tenant acknowledge and agree that nothing in this Section shall be interpreted as an obligation by Landlord to lease Suite 150 to Tenant or an obligation by Tenant to lease Suite 150 from Landlord. Any agreement concerning the lease of Suite 150 shall be acceptable to Landlord and Tenant in each of their sole and absolute discretions. This Section does not constitute an agreement to negotiate, and it is the intention of Landlord and Tenant that either of them shall have the right to elect at any time for any reason or no reason not to proceed with further negotiations concerning the lease of Suite 150. The parties expressly disclaim any legal obligation to negotiate in good faith. Landlord and Tenant each acknowledge and agree that they may incur substantial transaction costs (e.g., attorneys fees, lost opportunity costs etc.) (the "Costs") if the other party terminates negotiations for the lease of Suite 150. Landlord and Tenant agree that under no circumstances will either party be liable to the other party for Costs due to that parties election to terminate the negotiations.

9. Conflict . If there is a conflict between the terms and conditions of this Third Amendment and the terms and conditions of the Lease, the terms and conditions of this Third Amendment shall control. Except as modified by this Third Amendment, the terms and conditions of the Lease shall remain in full force and effect. Capitalized terms included in this Third Amendment shall have the same meaning as capitalized terms in the Lease unless otherwise defined herein. Tenant hereby acknowledges and agrees that the Lease is in full force and effect, Landlord is not currently in default under the Lease, and, to the best of Tenant's knowledge, no event has occurred which, with the giving of notice or the passage of time, or both, would ripen into Landlord's default under the Lease.

10. Authority . The persons executing this Third Amendment on behalf of the parties hereto represent and warrant that they have the authority to execute this Third Amendment on behalf of said parties and that said parties have authority to enter into this Third Amendment.

11. Brokers . Tenant and Landlord each represent and warrant to the other that neither has had any dealings or entered into any agreements with any person, entity, broker or finder other than CB Richard Ellis, Inc., who has exclusively represented Landlord, and Colliers International (Ron Miller), who has exclusively represented Tenant, in connection with the negotiation of this Third Amendment, and no other broker, person, or entity is entitled to any commission or finder's fee in connection with the negotiation of this Third Amendment, and Tenant and Landlord each agree to indemnify, defend and hold the other harmless from and against any claims, damages, costs, expenses, attorneys' fees or liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar party by reason of any dealings, actions or agreements of the indemnifying party.

12. Counterparts . This Third Amendment may be executed in counterparts. Each counterpart shall be deemed an original, and all counterparts shall be deemed the same instrument with the same effect as if all parties hereto had signed the same signature page.

13. Delivery of Amendment . Preparation of this Third Amendment by Landlord or Landlord's agent and submission of same to Tenant shall not be deemed an offer by Landlord to enter into this Third Amendment. This Third Amendment shall become binding upon Landlord only when fully executed by all parties and when Landlord has delivered a fully executed original of this Third Amendment to Tenant. The delivery of this Third Amendment to Tenant shall not constitute an agreement by Landlord to negotiate in good faith, and Landlord expressly disclaims any legal obligation to negotiate in good faith.

IN WITNESS WHEREOF, the parties hereby execute this Third Amendment as of the date first written above.

LANDLORD:

The Realty Associates Fund VIII, L.P.,
a Delaware limited partnership

By: Realty Associates Fund VIII LLC
a Massachusetts limited liability company, General Partner

By: Realty Associates Advisors LLC, a Delaware limited liability company, Manager

By: Realty Associates Advisors Trust, a Massachusetts business trust, Manager

By: /s/ Scott W. Amling

Officer

TENANT*:

Mitek Systems, Inc., a Delaware corporation

By: /s/ James B. DeBello

James B. DeBello

(print name)

Its: President, CEO

(print title)

By: /s/ R. C. Clark

R. C. Clark

(print name)

Its: Chief Financial Officer

(print title)

* Authorized officers must sign on behalf of the corporation and indicate the capacity in which they are signing. The amendment must be executed by the president or vice president and the secretary or assistant secretary, unless the bylaws or a resolution of the board of directors shall otherwise provide, in which event, the bylaws or a certified copy of the resolution, as the case may be, must be attached to this amendment.

FOURTH AMENDMENT TO LEASE

This Fourth Amendment to Lease (the " **Fourth Amendment** ") is entered into as of this 3 rd day of July, 2012 (the " **Execution Date** ") by and between The Realty Associates Fund VIII, L.P., a Delaware limited partnership (" **Landlord** "), as successor in interest to Arden Realty Finance V, L.L.C. (" **Original Landlord** "), and Mitek Systems, Inc., a Delaware corporation (" **Tenant** "), with reference to the following recitals:

R E C I T A L S

A. On or about September 13, 2005, Original Landlord and Tenant entered into a Standard Office Lease (the " **Original Lease** ") for that certain premises commonly known as Suite B (" **Suite B** "), containing approximately 15,927 rentable square feet located on the first floor of the building commonly known as 8911 Balboa Avenue, San Diego, California (the " **Building** "). Subsequent to the Original Lease, Landlord purchased the Building from Original Landlord, and on or about February 1, 2009, Landlord and Tenant entered into a First Amendment to Lease (the " **First Amendment** ") providing for a deferral of certain rent obligations of Tenant in consideration of the cancellation of Tenant's termination option set forth in Article 33 of the Original Lease. In or about September of 2009, Landlord and Tenant entered into a Second Amendment to Lease (the " **Second Amendment** "), pursuant to which Tenant relinquished to Landlord approximately 1,722 rentable square feet of Suite B (the " **Relinquished Space** ," as more particularly described in the Second Amendment), resulting in the Suite B comprising approximately 14,205 rentable square feet. On or about February 27, 2012, Landlord and Tenant entered into a Third Amendment to Lease (the " **Third Amendment** "), pursuant to which Tenant leased from Landlord additional space on the first floor of the Building, comprising approximately 9,807 rentable square feet commonly known as Suite 100 (defined as the " **Expansion Premises** " in the Third Amendment), and resulting in the premises leased by Tenant pursuant to the Original Lease, as modified by the First Amendment, the Second Amendment and the Third Amendment (the " **Lease** "), consisting of Suite B and the Expansion Premises, which contain approximately 24,012 rentable square feet). The term of the Lease is currently scheduled to expire on December 31, 2012. Capitalized terms used herein without definition shall have the meanings defined for such terms in the Lease.

B. Pursuant to that certain Lease Termination Agreement and Release entered into as of June 12, 2012, by and between Landlord and Jack in the Box, Inc. (" **Jack in the Box** "), Landlord and Jack in the Box have agreed to terminate the Jack in the Box Lease (as defined in the Second Amendment) on July 31, 2012 subject to Landlord entering into a new lease of those certain premises comprising approximately 8,318 rentable square feet adjacent to the Premises on the first floor of the Building, which are commonly known as Suite 150 (as depicted on Exhibit A attached hereto and incorporated herein, " **Suite 150** ").

C. Tenant desires to (i) lease Suite 150 from Landlord following the surrender thereof by Jack in the Box, (ii) surrender the Expansion Premises in accordance with the Third Amendment, and (iii) extend the term of the Lease with respect to those certain premises comprised of Suite B and Suite 150 for a Term commencing on January 1, 2013 and expiring on June 30, 2019 (the " **Extended Term** ").

D. As a result of Landlord's delivery of possession of Suite 150 to Tenant, and Tenant's agreement to lease Suite 150, and the work of modifications and improvements to be performed by Tenant pursuant to this Fourth Amendment (as more particularly described in Exhibit E attached hereto and incorporated herein, the " **Tenant's Work** "), Tenant shall continue to pay Basic Rental on Suite B and Suite 100, but Tenant's Proportionate Share of Direct Costs pursuant to the Lease shall be limited to Direct Costs attributable to Suite B only, as more particularly set forth in this Fourth Amendment.

E. Landlord and Tenant wish to amend the Lease on the terms and conditions set forth below.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Lease of Suite B and Suite 150 .

(a) Generally . Commencing on January 1, 2013 (the " **Extended Term Commencement Date** "), and for the duration of the Extended Term, Landlord hereby agrees to lease to Tenant and Tenant hereby agrees to lease from Landlord, Suite B and Suite 150 (collectively, as of the Extended Term Commencement Date, the " **Premises** "), comprising approximately 22,523 rentable square feet as depicted on Exhibit A attached hereto and incorporated herein; provided that for the duration of the Expansion Space Term (as defined in the Third Amendment), the Premises shall also include the Expansion Premises.

(b) Delivery of Suite 150 . Landlord shall use commercially reasonable efforts to deliver Suite 150 to Tenant in vacant condition without any of Jack in the Box's personal property (the " **Suite 150 Delivery Condition** ") on August 1, 2012. If Landlord does not deliver Suite 150 to Tenant in the Suite 150 Delivery Condition on or before August 15, 2012, for each day from August 16, 2012 until the date that Landlord does deliver Suite 150 to Tenant in the Suite 150 Delivery Condition (the " **Suite 150 Delivery Date** "), Tenant shall receive a per diem credit in an amount equal to $859.64 (the " **Suite 150 Credit** ") to be applied against the first Basic Rental payable by Tenant under the Lease as hereby amended. For example, if Landlord offers Tenant possession of Suite 150 on August 26, 2012 in the Suite 150 Delivery Condition, Tenant shall receive a Suite 150 Credit to be applied to the first Basic Rental due under the Lease, as hereby amended, after the Suite 150 Delivery Date in the amount of $3,500.00. Tenant shall receive the Suite 150 Credit in addition to any the abatement provided in Section 4 below.

2. Term . The term of the Lease is hereby extended from the Extended Term Commencement Date though June 30, 2019 (the " **Extended Term** "), and June 30, 2019 is hereinafter referred to as the " **Expiration Date** ".

3. Basic Rental .

(a) Prior to the Extended Term Commencement Date . From March 1, 2012 through December 31, 2012, Tenant shall pay $34,648.50 per month in Basic Rental for its use of portions of Suite B, Suite 150 and the Expansion Premises, which amount shall reflect $24,148.50 per month in Basic Rental currently payable for Suite B, $10,500.00 per month in Basic Rental for the Expansion Premises as provided in the Third Amendment, and no Basic Rental for Suite 150, with such amounts agreed to be the Basic Rental payable by Tenant for its use and occupancy of the Premises prior to the Extended Term Commencement Date, even though Tenant may not be able to occupy and use all of Suite B due to the construction of the Tenant's Work therein during such period.

(b) After the Extended Term Commencement Date . Notwithstanding anything to the contrary contained in the Lease, from and after the Extended Term Commencement Date, Tenant shall pay the following monthly Basic Rental for the Premises (provided that if the Expansion Space Term expires after the Extended Term Commencement Date, Tenant shall continue to pay $10,500 per month in Basic Rental for the Expansion Premises, in addition to the Basic Rental for the remainder of the Premises set forth below, until the Expansion Premises are effectively surrendered to Landlord in accordance with the terms and conditions of the Third Amendment:

Portion of Extended Term	Basic Rental
January 1, 2013 – February 28, 2013	$ 38,289.10 ($1.70/rsf) †
March 1, 2013 – February 28, 2014	$ 39,437.77 ($1.75/rsf) †
March 1, 2014 – February 28, 2015	$40,620.91 ($1.80/rsf)
March 1, 2015 – February 29, 2016	$41,839.53 ($1.86/rsf)
March 1, 2016 – February 28, 2017	$43,094.72 ($1.91/rsf)
March 1, 2017 – February 28, 2018	$44,387.56 ($1.97/rsf)
March 1, 2018 – February 28, 2019	$45,719.19 ($2.03/rsf)
March 1, 2019 – June 30, 2019	$47,090.76 ($2.09/rsf)

† Subject to Conditional Basic Rent Abatement as provided in Section 4 below.

(c) Suite B Overpayment . From March 1, 2012 through the Execution Date (the " **Overpayment Period** "), Tenant has continued to make monthly Basic Rental payments in the amount of $26,279.25 per month, which exceeds the amount payable pursuant to Section 3(a) above for Suite B by $2,130.75 per month (Basic Rental paid by Tenant in excess monthly Basic Rental payable pursuant to Section 3(a) above). Consequently, as of the Execution Date, Tenant will have overpaid Basic Rental for its use of Suite B during the Overpayment Period in the total collective amount of $8,523.00 (hereinafter the " **Suite B Overpayment** "). Landlord shall credit the Suite B Overpayment to the Basic Rental payment due after the Execution Date.

4. Conditional Abatement of Basic Rental . Without affecting the abatement and reduction of Basic Rent prior to the Extended Term Commencement Date, Landlord hereby agrees to conditionally waive the Basic Rental payments applicable to the Premises following the Extended Term Commencement Date and otherwise due and payable pursuant to Section 3(b) above for the second (2nd) through the seventh (7th) full calendar months of the Extended Term (the " **Conditional Basic Rent Abatement Period** "); provided, however, that notwithstanding the Conditional Basic Rent Abatement Period, if the Expansion Space Term expires after the commencement of the Conditional Basic Rent Abatement Period, then monthly Basic Rental payments for the Expansion Premises shall not be abated during that portion of the Expansion Space Term occurring within the Conditional Basic Rent Abatement Period. In the event an Event of Default (as defined in Article 19 of the Original Lease) occurs prior to the expiration of the Conditional Basic Rental Abatement Period, Basic Rental coming due thereafter shall not be waived, and if, as a result of such Event of Default Landlord exercises its right to terminate the Lease pursuant to Section 20(a) of the Original Lease, the unamortized amount of the Conditional Base Rent Abatement that Landlord conditionally waived in the past (which shall amortize on a straight-line basis over the remainder of the Extended Term) shall be included in the aggregate amount that Landlord is permitted to recover from Tenant as its damages as permitted by applicable law. If the Lease expires in accordance with its terms, and does not terminate as a result of an Event of Default by Tenant, Landlord agrees to permanently waive the Basic Rental amount that would have otherwise accrued during the Conditional Basic Rent Abatement Period.

5. Direct Costs .

(a) Prior to Extended Term Commencement Date . From March 1, 2012 through December 31, 2012, Tenant shall pay, as Tenant's Proportionate Share of Direct Costs for its use and occupancy of all or portions of Suite B, Suite 150 and the Expansion Premises, 20.32% of Direct Costs (using the 2006 Base Year under the Original Lease) as Tenant's Proportionate Share of Direct Costs. Tenant shall pay such percentage of Direct Costs as Tenant's Proportionate Share of Direct Costs during this period even though Tenant is unable to use all or part of Suite B and/or Suite 150 due to the construction of the Tenant's Work therein.

(b) Tenant's Proportionate Share for Extended Term . From and after the Extended Term Commencement Date, Tenant's Proportionate Share of Direct Costs shall be increased to 32.23%.

(c) Base Year . For periods accruing from and after the Extended Term Commencement Date, for purposes of calculating Tenant's Proportionate Share of Direct Costs, the Base Year shall be 2013 calendar year.

(d) First Twelve Months . Notwithstanding anything to the contrary contained herein, Tenant shall not be obligated to pay Tenant's Proportionate Share of Direct Costs for the first twelve (12) full calendar months after the Extended Term Commencement Date.

(e) Limitation on Increases in Tenant's Proportionate Share of Operating Costs . The second full paragraph of Article 3(c)(ii) shall have no further force or effect for periods accruing from and after the Extended Term Commencement Date. This Section shall not apply to any Operating Costs payable by Tenant for periods accruing prior to the Extended Term Commencement Date. Commencing with the Operating Costs due for the 2014 calendar year, Tenant shall not be obligated to pay to Landlord its share of increases in Controllable Operating Costs (as defined below) to the extent that such increases exceed six percent (6%) of the previous calendar years Controllable Operating Costs. " **Controllable Operating Costs** " shall mean all Operating Costs except utility costs, insurance costs and Tax Costs. The foregoing limitation shall be applied separately during each calendar year commencing with the 2014 calendar year on a cumulative and compounded basis (with such annual limit for any partial calendar year in

which the Expiration Date or earlier termination of the Lease occurs to be reduced to a proportionate amount of such six percent (6%) annual limit on increases). If Landlord has increased Controllable Operating Costs by less than six percent (6%) during any calendar year after the 2013 calendar year, the difference between the actual percentage increase imposed in the previous calendar year and six percent (6%) may be added to any future increases in Controllable Operating Costs (e.g., if the Controllable Operating Costs did not increase during 2014 and increased by twelve percent (12%) in 2015, in 2015 Tenant would be obligated to pay increases in Controllable Operating Costs that do not exceed twelve percent (12%)). For example, assume that the Controllable Operating Costs of the Project in calendar year 2013 were $100 and that the Controllable Operating Costs in the calendar year 2014 were $105: A six percent (6%) increase (6% of $100 is $6) would permit Landlord to increase Controllable Operating Costs to $106, which would exceed the actual 5% increase by $1, so that for purposes of calculating Tenant's Proportionate Share of increases in Controllable Operating Costs in 2015, Controllable Operating Costs could increase by $7 to reflect the 6% annual increase limit plus the $1 of permitted annual increase that was not utilized in 2014. As a further example, assume that the Controllable Operating Costs of the Project in calendar year 2013 were $100 and that the Controllable Operating Costs in the calendar year 2014 were $107. A six percent (6%) increase (6% of $100 is $6) would increase Controllable Operating Costs to $106 and the actual increase of $7 would exceed a 6% increase by $1. In this event, for purposes of calculating Tenant's Proportionate Share of increases in Controllable Operating Costs in 2015, Controllable Operating Costs in 2014 would be deemed to be $106, the increase in Controllable Operating Costs during 2015 would be limited to $112. The limitation on Operating Costs increases set forth in this Section shall not apply to increases in Operating Costs during the term of the Extension Option (as defined below), and the Operating Costs payable by Tenant during the term of the Extension Option shall not be limited by this Section.

(f) Equitable Adjustment to Base Year Direct Costs . Operating Expenses for the Base Year shall not include cost increases due to extraordinary circumstances, including, but not limited to, Force Majeure boycotts, strikes, conservation surcharges, embargoes or shortages. If Landlord, in any calendar year following the Base Year, begins providing any new services (or obtains any new type of insurance coverage generally maintained by prudent landlords of similar buildings in the Mira Mesa area during the Base Year), then for such period of time in which such new services or coverage apply, Operating Expenses for the Base Year shall be increased by the amount that Landlord reasonably determines it would have incurred had Landlord provided such new service during the same period of time during the Base Year as such new service was provided during such subsequent calendar year. If Landlord, in any calendar year after the Base Year, discontinues any service (or ceases to maintain the coverage of any insurance policy maintained by Landlord during the Base Year), then for such period of time in which such services are discontinued, Operating Expenses for the Base Year shall be decreased by the amount that Landlord reasonably determines it incurred for such service throughout the Base Year.

6. Proposition 8 . Notwithstanding anything to the contrary set forth in the Lease, the amount of Tax Costs for the 2013 Base Year shall be calculated without taking into account any decreases in Tax Costs obtained in connection with Proposition 8 in the 2013 Base Year or any year prior to the 2013 Base Year, and, therefore, the Tax Costs in the 2013 Base Year may be greater than those actually incurred by Landlord in the 2013 Base Year; provided that: (a) any future reductions in the amount of the Tax Costs for any calendar year following the Base Year which may be obtained in connection with Proposition 8 shall be applied to Tax Costs (but not Operating Costs) for purposes of determining Tenant's Proportionate Share of Tax Costs in excess of the 2013 Base Year Tax Costs; (b) any reasonable costs and expenses incurred by Landlord in securing any Proposition 8 reduction in Tax Costs accruing under this Lease after the Base Year shall be included in Tax Costs for purposes of the Lease in the year in which such costs and expenses are paid by Landlord, provided that Tenant's liability therefor shall not exceed Tenant's Proportionate Share of the amount of the Proposition 8 reduction and/or tax refund applied as credit to Tax Costs for the applicable calendar year; and (c) tax refunds under Proposition 8 for the 2013 Base Year or any calendar year prior thereto shall not be deducted from 2013 Tax Costs nor refunded to Tenant, but rather shall be the sole property of Landlord. For any calendar year following the Base Year, any tax refund obtained by Landlord for Tax Costs to which Tenant has contributed Tenant's Proportionate Share thereof shall be credited to Tenant to the extent of Tenant's contribution to Tax Costs (including, without limitation, the costs and expenses incurred in obtaining such refund), and shall be offset against Tenant's Proportionate Share of Tax Costs in excess of the Base Year Tax Costs until Tenant's

Proportionate Share of such refund is fully credited. Landlord and Tenant acknowledge that the preceding sentence is not intended to in any way: (i) affect the inclusion in Tax Costs of the statutory two percent (2.0%) annual increase in Tax Costs (as such statutory increase may be modified by subsequent legislation); or (ii) affect the inclusion or exclusion of Tax Costs pursuant to the terms of Proposition 13; or (iii) permit Tenant to receive a credit against Basic Rental or Operating Costs because the reduction in Tax Costs is in excess of Tenant's Proportionate Share of the aggregate amount of Tax Costs for the 2013 Base Year. There shall be excluded from Tax Costs, all excess profits taxes, franchise taxes, gift taxes, capital stock taxes, inheritance and succession taxes, estate taxes, federal and state income taxes, and other taxes to the extent applicable to Landlord's general or net income (as opposed to rents, receipts or income attributable to operations at the Project). All assessments included in Tax Costs shall be paid by Landlord in the maximum number of installments permitted by law and shall not be included as Tax Costs except in the year in which the assessment installment is actually paid.

7. Utilities and Janitorial .

(a) Prior to Extended Term Commencement Date . Prior to the Extended Term Commencement Date, pursuant to Article 11(a) of the Original Lease, Tenant shall, at Tenant's sole cost and expense, continue to (A) pay for all electricity used in Suite B and Suite 100 and (B) retain a bonded janitorial company to perform janitorial services in Suite B and Suite 100. From and after January 1, 2013, pursuant to Article 11(a) of the Original Lease, at Tenant's sole cost and expense: (a) Tenant shall be obligated to pay for all electricity used in Suite 150 and (b) Tenant shall retain a bonded janitorial company to perform janitorial services in Suite 150. If Tenant occupies Suite 150 prior to January 1, 2013, Landlord shall have no obligation to provide janitorial services to Suite 150.

(b) After Extended Term Commencement Date . From and after the Extended Term Commencement Date, pursuant to Article 11(a) of the Original Lease, at Tenant's sole cost and expense: (a) Tenant shall be obligated to pay for all electricity used in the entire Premises (Suite B and Suite 150), including, but not limited to, all electricity used to power HVAC units providing HVAC to the Premises during the Extended Term, and (b) Tenant shall retain a bonded janitorial company to perform janitorial services in the entire Premises.

8. Security Deposit . Pursuant to the Lease, Tenant has provided to Landlord a security deposit in the amount of US $39,964.95, and this security deposit shall continue to be held by Landlord pursuant to Article 4 of the Original Lease during the Extended Term.

9. Letter of Credit .

(a) Delivery of Letter of Credit . Within five (5) business days following Tenant's execution and delivery of this Fourth Amendment, and as a condition to Landlord's obligations under this Fourth Amendment (and the Lease as modified hereby), Tenant covenants and agrees to deliver to Landlord at Tenant's sole cost and expense an irrevocable standby letter of credit (the " **L/C** ") in the form of, and upon all of the terms and conditions contained in, Exhibit B attached hereto and incorporated herein by reference. The L/C shall be issued by Silicon Valley Bank (hereinafter the " **Original Issuing Bank** ") or by another state or national bank chartered in the United States that is acceptable to Landlord in Landlord's sole and absolute discretion, having a place of business where the L/C can be presented for payment in the State of California (along with the Original Issuing Bank, an " **Issuing Bank** "). The L/C shall provide for one (1) or more draws by Landlord or its transferee up to the aggregate amount of US $210,000.00 (the " **L/C Amount** ") on the terms and conditions of Exhibit B .

(b) Renewal of L/C . Tenant shall, at Tenant's sole cost and expense, maintain the L/C in effect from the date of Tenant's execution of this Fourth Amendment until that date which is sixty (60) days after the expiration of the Extended Term (said period is hereinafter referred to as the " **L/C Term** "); and provided that Tenant is not in default under the Lease, beyond the applicable cure period associated with such default, as of the commencement of the Option Term (as defined Section 17 of this Fourth Amendment), the L/C shall not be required to be maintained by Tenant as a condition of, and at any time during, such Option Term, and upon the commencement of the Option Term, the L/C shall be surrendered by Landlord to Tenant (and may be terminated by the notwithstanding anything to the contrary in this Section 9(b)). If the expiration date of the L/C (or any renewal or replacement L/C provided pursuant to this Section) occurs prior to the end of the L/C Term, then Tenant shall deliver to Landlord a renewal of the L/C or a replacement L/C meeting all of the terms and conditions of this Section, not later than

sixty (60) days prior to the then-applicable expiration date. Each L/C provided pursuant to this Section shall have an expiration date which is at least one (1) year from such L/C's date of issue except where the then-applicable expiration date of the L/C is less than one (1) year from the end of the L/C Term, in which case the renewal or replacement L/C shall be for such lesser period. The Issuing Bank's failure to place an automatic renewal provision in the L/C, as required pursuant to said Exhibit B , or its notice to Landlord of the non-renewal of the L/C, notwithstanding such an automatic renewal provision of the L/C, shall not relieve or release Tenant from its obligation to provide a renewal or replacement L/C on the terms hereinabove stated, it being understood that such automatic renewal provision of the L/C (and any failure of the Issuing Bank to comply with such automatic renewal commitment) is an independent obligation of the applicable Issuing Bank to Tenant, and as between Landlord and Tenant, the failure of the Issuing Bank to comply with the automatic renewal terms of this Section 9 shall not excuse Tenant from satisfying Tenant's obligation to maintain the L/C in effect throughout the Extended Term. If Tenant fails to provide a replacement L/C not later than thirty (30) days following Landlord's receipt of a notice of non-renewal of the L/C from the Issuing Bank (and in any event, prior to the expiration of the L/C regardless of when such notice of non-renewal is received from the Issuing Bank by Landlord), such failure shall be a default by Tenant, and Landlord shall have the right, without notice or demand, on one or more occasions, to draw upon all or any part of the remaining proceeds of the L/C, which proceeds shall be held as part of the Security Deposit in accordance with the applicable terms and conditions of the Lease until such time as Tenant's default is timely cured by delivery to Landlord of a replacement L/C from an Issuing Bank, in which event the unapplied proceeds of the L/C shall be promptly refunded to Tenant.

(c) Draw on Letter of Credit . Landlord may elect from time to time, in Landlord's sole discretion, without notice or demand to Tenant, to draw upon all or any part of the remaining proceeds of the L/C upon Tenant's failure to timely cure any default by Tenant under the Lease, as hereby amended (including, but not limited to, its obligations under this Section), within the applicable cure period, if any, provided under the Lease, as hereby amended (including, without limitation, (i) any assignment made by Tenant for the benefit of creditors, or (ii) if Tenant files for bankruptcy (in which case no notice to Tenant shall be required), or (iii) the filing against Tenant of any petition in bankruptcy or insolvency, of for reorganization of Tenant, or for the appointment of a receiver of all or a portion of Tenant's property, or a proceeding by any governmental authority for the dissolution or liquidation of Tenant, if any such proceeding is not dismissed, or if any such trusteeship is not discontinued, within sixty (60) days after commencement of such proceeding, or the appointment of such trustee or receiver, as applicable (collectively, a " **Bankruptcy Event** ").

(d) Application of L/C Proceeds . Landlord may elect, from time to time, upon written notice to Tenant, in Landlord's sole discretion, to draw on the L/C in the following amounts and in one or more of the following manners: (i) Landlord may draw such amounts as are reasonably required to compensate Landlord for some or all of the unpaid Basic Rental, Direct Costs or other amounts owed by Tenant under the Lease, as hereby amended, which are unpaid within the applicable cure period associated with such failure, (ii) Landlord may draw such amount as Landlord is entitled to receive pursuant to Section 20(a) of the Lease as payment for some or all of the future amounts of or Basic Rental, Direct Costs as Landlord is permitted by law to receive upon Landlord's termination of the Lease following an Event of Default, (iii) as payment for some or all of the damage Landlord may suffer as a result of Tenant's failure to perform its obligations under the Lease, as hereby amended, as permitted by the terms and conditions of Article 20 of the Lease, and/or (iv) in any other manner permitted by the Lease, as hereby amended, or by applicable law. Landlord may make one or more partial draws under the L/C as required to compensate Landlord as permitted by this Section 9(d), and shall have the right, upon written notice to Tenant, to treat each draw or a portion thereof in one or more of the ways described in the previous sentence. The L/C and its proceeds shall not be treated as a security deposit within the meaning of Section 1950.7 of the California Civil Code, and Tenant hereby waives Section 1950.7 of the California Civil Code and any other law or regulation that may be inconsistent with the terms and conditions of this Section. Tenant acknowledges and agrees that Tenant has no interest in any L/C proceeds received by Landlord and applied by Landlord as compensation for Landlord's damages under the Lease as permitted by this Section 9(d), provided that any proceeds of any draw made by Landlord against the L/C, in excess of the amounts to which Landlord is entitled by the Lease, and by applicable law, shall be promptly reimbursed to Tenant by Landlord.

(e) Enforcement . Tenant's obligation to furnish the L/C shall not be released, modified or affected by any failure or delay on the part of Landlord to enforce or assert any of its rights or remedies under the Lease, as hereby amended, whether pursuant to the terms thereof or at law or in equity. Landlord's right to draw upon the L/C shall be without prejudice or limitation to Landlord's right to draw upon any security deposit provided by Tenant to Landlord or to avail itself of any other rights or remedies available to Landlord under the Lease, as hereby amended, or at law or equity.

(f) Deterioration of Financial Condition of Initial Issuing Bank . The Capital Ratios (as defined below) of the Original Issuing Bank on the date the L/C is first issued are hereinafter referred to as the " **Initial Capital Ratios** ". If following the issuance of the L/C, (i) either of the Initial Capital Ratios decrease by more than ten percent (10%) or (ii) any other measure of capital or solvency of the Original Issuing Bank falls below the minimum requirements of the governmental regulatory agencies with jurisdiction over the Original Issuing Bank, at Landlord's option, Landlord may require Tenant to replace the existing L/C with a new L/C (the " **New L/C** ") from a new Issuing Bank (the " **New Bank** "). The New Bank's Capital Ratios shall be the same or better than the Initial Capital Ratios and the New Bank shall be in compliance with all other capital and solvency requirements of the governmental regulatory agencies with jurisdiction over the New Bank. Tenant shall replace the existing L/C with a New L/C substantially in the form of Exhibit B within thirty (30) days after Landlord's written request setting forth, in reasonable detail, the basis for Landlord's right to require a New L/C pursuant to this Section 9(f), subject to the accuracy and veracity of Landlord's information relating to the financial condition of the Original Issuing Bank. For purposes of this Section, " **Capital Ratios** " shall mean the Tier 1 and Tier 2 capital ratios calculated by a bank to determine if the bank satisfies certain capital requirements of the governmental regulatory agencies with jurisdiction over the bank. For example, assume that the Tier 1 capital ratio of the Original Issuing Bank was 10% and it decreases to 8.9%. In this event the Landlord would have the right to require Tenant to provide a New L/C to replace the L/C issued by the Original Issuing Bank.

(g) Event of Default . Tenant's failure to perform its obligations under this Section (time being of the essence), which is not cured by Tenant within three (3) business days following notice from Landlord of such failure shall constitute an additional Event of Default under Article 19 of the Lease, as hereby amended, and shall entitle Landlord to immediately exercise all of its rights and remedies under the Lease, as hereby amended, (including, but not limited to rights and remedies under this Section) or at law or in equity, in accordance with the terms and conditions of Article 20 of the Lease.

10. Parking . Notwithstanding anything to the contrary contained in the Lease, from and after the Extended Term Commencement Date, Tenant shall be entitled to use (a) eighty-eight (82) unreserved parking passes (the " **Unreserved Parking Spaces** ") and (b) six (6) reserved parking passes (the " **Reserved Parking Spaces** "). The location of Tenant's Reserved Parking Spaces is depicted on Exhibit C attached hereto, and Landlord shall have the right, from time to time, to equitably relocate the Reserved Parking Spaces (such that no other tenant of the Project shall be granted the Reserved Parking Spaces pursuant to such relocation rights of Landlord). If Landlord relocates the Reserved Spaces, Landlord shall endeavor to provide new locations for the Reserved Spaces that are as convenient to Tenant as the original Reserved Parking Spaces. Tenant shall have no obligation to pay any parking charges for its use of the Unreserved Parking Spaces and the Reserved Parking Spaces during the Extended Term, and, if Tenant exercises the Extension Option (as defined below), Tenant shall have no obligation to pay any parking charges for its use of the Unreserved Parking Spaces and the Reserved Parking Spaces during the term of the Extension Option. Accordingly, Article 23 of the Original Lease is hereby modified to exclude the Reserved Parking Spaces from the Tenant's obligation to pay for reserved parking at the Project. Landlord shall act reasonably in the event Tenant provides Landlord with written notice of Tenant's determination that the parking facilities of the Project are becoming overburdened by excessive use of the Project parking areas by other tenants of the Project or the general public; and if the overburdening of the parking facilities of the Project adversely affects Tenant's ability to use the Unreserved Parking Spaces or the Reserved Parking Spaces (or both), then Landlord shall reasonably cooperate with Tenant's requests for the institution of a parking management program (such as vehicle stickers and temporary visitor passes) in order to alleviate the overburdening of the parking areas by tenants of the Building or their visitors, or by the unauthorized use of the Project parking facilities by the general public.

11. Limitations on Tenant's Use.

(a) Parking Controls . Landlord shall have the right to implement reasonable controls on the use of the Project's parking areas, and Tenant shall comply with any rules and regulations adopted by Landlord to reasonably implement such controls. By way of example and not limitation, Landlord shall have the right at any time, in Landlord's sole discretion, to require that all of Tenant's employees using the Project's parking area display in the window of their vehicle a parking sticker or other device showing that their vehicle is authorized to park in the Project's parking area. In addition, by way of example and not limitation, at Landlord's option, Landlord shall have the right at any time to install parking gates or other devices that control access to and from the Project's parking area by Tenant's employees (with parking area accessibility as reasonably required to accommodate access to the Premises by Tenant's vendors, contractors and visitors as permitted under the Lease) and Tenant shall comply with any requirements reasonably imposed by Landlord with respect to such controls. If a vehicle of one of Tenant's employees, agents, contractors or authorized visitors (" **Tenant's Permitted Users** ") is parked in the Project's parking area in violation of the requirements of the Lease, the Rules and Regulations attached to the Original Lease as Exhibit B (the " **Rules** ") or this Section, then Landlord shall have the right, following telephonic notice to Tenant during Normal Building Hours (as defined in Section 11(c) below) (but without any notice upon the second violation by the same vehicle in any twelve (12) month period), in addition to such other rights and remedies that it may have under the Lease, to remove or tow away the vehicle involved and Tenant shall reimburse Landlord for the actual towing charge paid by Landlord within thirty (30) days after written notice from Landlord to Tenant of such amount.

(b) Failure to Comply with Parking Requirements . If Tenant or any of the Tenant's Permitted Users fails to remedy any violation of any of the parking requirements contained in the Lease, the Rules or this Section (collectively, the " **Parking Requirements** "), within a reasonable period (not to exceed one (1) business day) following Tenant's receipt of notice of such violation (a " **Parking Violation** "), such failure shall constitute a default by Tenant under Article 19 of the Original Lease. In the event that Tenant or any of Tenant's Permitted Users causes a Parking Violation on more than three (3) occasions in any calendar year, then in addition to any other rights and remedies Landlord may have under this Lease, for each and every Parking Violation by Tenant or any of the Tenant's Permitted Users after the third Parking Violation in any calendar year, and notwithstanding Tenant's timely remedy of such Parking Violation (each, a " **Punitive Violation** ," which shall be subject to Landlord's obligation to provide notice of such Punitive Violation to Tenant before a Parking Charge, as hereinafter defined, shall commence to accrue), Tenant shall pay to Landlord within thirty (30) days after written demand a separate charge of $500.00 for the day on which the Punitive Violation occurs and for each day thereafter that such Punitive Violation remains uncured (the " **Parking Charge** "). For purposes of determining if a Punitive Violation has occurred, a Parking Violation shall be deemed to have occurred even though the violation of the Parking Requirements giving rise to the Parking Violation is cured by Tenant after it receives notice of the Parking Violation from Landlord. Tenant hereby acknowledges that the violation of the Parking Requirements by Tenant or any of the Tenant's Permitted Users will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs may include, but are not limited to, (i) additional costs incurred to monitor and enforce Tenant's and Tenant's Permitted Users' compliance with the Parking Requirements, (ii) liability to other tenants of Project if Tenant's and Tenant's Permitted users' violations of the Parking Requirements adversely affect their use of the parking area and (iii) making it more difficult or impossible for Landlord to lease vacant space in the Project or to lease vacant space at fair market rental rates as a result of Tenant's and Tenant's Permitted users' violations of the Parking Requirements. The parties hereby agree that the Parking Charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of each day during which a Punitive Violation remains uncured. Acceptance of the Parking Charge by Landlord shall in no event constitute a waiver of Tenant's default with respect to Tenant's failure to timely cure such default, nor prevent Landlord from exercising any of the other rights and remedies granted hereunder with respect to such a Tenant default, including, but not limited to, Landlord's rights under Article 19 of the Original Lease.

(c) Parking Attendant . In addition to Landlord's rights under Section (b) above, if Tenant's liability to Landlord for Parking Charges in any calendar year exceeds $1,500, then for the following twelve (12) month period (the " **Monitoring Period** "), in addition to any other rights and remedies Landlord may have under this Lease or this Section, Landlord shall have the

right to employ a parking attendant to monitor parking in the Project's parking areas (the " **Parking Attendant** ") from 8:00 a.m. to 6:00 p.m. Monday through Friday, excluding local and national holidays (" **Normal Building Hours** "). In the event a Parking Attendant is employed by Landlord pursuant to this Section 11(c) solely as a result of Tenant's accumulated Parking Charges, then all costs reasonably incurred by Landlord to employ the Parking Attendant (the " **Parking Attendant Costs** ") during the Monitoring Period shall be paid by Tenant as Additional Rent. Parking Attendant Costs shall include, but are not limited to, labor costs, insurance costs and the cost of fringe benefits for similar employees engaged to provide similar services in the Kearny Mesa market. In the event Tenant is obligated to reimburse Landlord for Parking Attendant Costs as Additional Rent, Landlord shall periodically notify Tenant of the monthly Parking Attendant Costs, and Tenant shall be solely responsible for the payment of such Parking Attendant Costs in accordance with this Section 11(c). Landlord shall, from time to time, estimate what the Parking Attendant Costs will be, and the same shall be payable by Tenant monthly during the Lease term, on the same day as the Base Rent is due hereunder, subject to the notice requirements for Additional Rent payments as are set forth in the Lease. Landlord may modify its estimate of the Parking Attendant Costs from time to time, to reasonably reflect changes in the actual Parking Attendant Costs, during the Monitoring Period, and Tenant shall pay to Landlord the most recent estimated cost.

(d) Tenant's Parking Plan . Tenant acknowledges and agrees that at no time will more than eighty-eight (88) of Tenant's Permitted Users (the " **Maximum Number of Users** ") have the right to use Tenant's Unreserved Parking Spaces and Reserved Parking Spaces at the Project during Normal Building Hours. If at any time more than the Maximum Number of Users are concurrently occupying, or otherwise provided with access to, the Premises by Tenant, Tenant shall: (i) arrange for each of Tenant's Permitted Users over the Maximum Number of Users to travel to the Project by carpool, mass transit or to park off-site (the " **Alternative Travel Arrangements** "); (ii) assist the Tenant Permitted Users making Alternative Travel Arrangements in doing so; and (iii) monitor the persons who are obligated to use Alternative Travel Arrangements to ensure that they are in fact using Alternative Travel Arrangements, and keep an up to date record of the name of each person occupying the Premises (and Tenant's authorized visitors), indicating whether that person is entitled to park at the Project, and if not, what Alternative Travel Arrangement that person is obligated to use (collectively, " **Parking Records** "). If any of Tenant's Permitted Users park off-site pursuant to their occupancy of, or Tenant-authorized access to, the Premises, they shall do so in compliance with all laws and regulations, in compliance with any requirements imposed by governmental agencies on Landlord's use of the Project and in a manner that does not create a parking shortage in the residential neighborhoods surrounding the Project. If and when Tenant is required to maintain Parking Records pursuant to this Section 11(d), Landlord shall have the right at any time and from time to time to review and to audit Tenant's Parking Records, and Landlord's audit may include interviewing Tenant's Permitted Users and other persons occupying or provided with Tenant-authorized access to the Premises during Normal Building Hours concerning their use of the parking area of the Project and any Alternative Travel Arrangements. Landlord shall provide to Tenant, and Tenant shall at all times post inside the Premises in a prominent location, a copy of the Parking Requirements.

12. Emergency Generator . Subject to Landlord's approval, which shall not be unreasonably withheld or delayed, and subject to the terms and conditions of Article 9 and Article 11 of the Original Lease, Tenant may install, for Tenant's own use and at Tenant's sole cost and expense, but without the payment of any Rent or a license or similar fee or charge an emergency back-up generator (the " **Generator** "), with an associated above ground fuel storage tank (the " **Generator Unit** ") and an electrical line from the Generator to the Premises (the " **Line** "), all at Tenant's sole cost and expense (all such equipment defined collectively as the " **Generator Equipment** "). The Generator shall be located on the pad depicted on Exhibit D attached hereto. The physical appearance and the size of the location housing the Generator Equipment shall be subject to Landlord's reasonable approval, and Landlord may require Tenant to incorporate improvements surrounding such Generator Equipment area, at Tenant's sole cost and expense, as reasonably required by Landlord. Tenant shall maintain such Generator Equipment, at Tenant's sole cost and expense. In the event Tenant elects to exercise its right to install such Generator Equipment, then Tenant shall give Landlord no less than fifteen (15) business days' prior written notice thereof. Tenant shall remove such Generator Equipment upon the expiration or earlier termination of the Lease and shall repair any damage to the Project

caused by such removal and return the affected portion of the Project to the condition existing prior to the installation of such Generator Equipment, reasonable wear and tear excepted. Such Generator Equipment shall be installed pursuant to plans and specifications approved by Landlord, which approval will not be unreasonably withheld. Such Generator Equipment shall, in all instances, comply with all applicable governmental laws, codes, rules and regulations. In addition, Tenant shall not have the right to trench between the Premises and the Generator Equipment. Tenant shall be entitled to use the Generator for the sole purpose of providing electrical power to the Premises in the event of a power outage. If it is customary to obtain special insurance for the Generator, Landlord shall have the right to require Tenant to obtain such special insurance at Tenant's sole expense and Tenant shall name Landlord and its property manager as additional insureds on such insurance policy. Tenant's use of the Generator shall constitute a use of the Premises under Article 13(a) of the Lease. Tenant shall perform all Generator testing in accordance with applicable laws and the Generator manufacturer's recommended maintenance instructions, and Tenant shall act reasonably not to interfere with or disturb other tenants quiet use and enjoyment of their premises in the Project in performing such testing, and in the event that Tenant is in default of the foregoing testing requirements, Landlord shall have the right to require Tenant to stop using the Generator and to remove the Generator from the Project.

13. Tenant Improvements . Tenant shall make improvements to the Suite B and Suite 150 pursuant to the Work Letter attached hereto as Exhibit E , subject to Landlord's obligations relating to the payment of the Improvement Allowance and performance of the Landlord's Work, as set forth therein. Notwithstanding anything to the contrary contained in the Lease, Tenant shall have no obligation to remove upon the termination of the Lease any of the Improvements (as defined in the Work Letter) or any of the Separate HVAC Units.

14. ADA Modifications to Common Area . If as a result of the construction of the Improvements by Tenant, the City of San Diego requires that portions of the Common Areas be modified to comply with the Americans With Disabilities Act (" **ADA** "), Landlord shall make such modifications at Landlord's sole cost and expense as part of the Landlord's Work (as defined in the Work Letter), and the cost of such modifications shall not be deducted from the Improvement Allowance. Except as expressly provided in this Fourth Amendment or the Work Letter Agreement attached hereto to the contrary, all ADA modifications made to the Premises as part of the Improvements shall be paid from the Improvement Allowance.

15. Replacement of HVAC Units . Notwithstanding anything to the contrary contained in the Lease, if one or more of the HVAC units servicing the Building (other than a Separate HVAC Unit, as defined below, and each, a " **Landlord HVAC Unit** ") is "In Need of Replacement" (as hereinafter defined), Landlord shall replace such Landlord HVAC Unit and the cost of such replacement shall not be included in Direct Costs or deducted from the Improvement Allowance. For purposes of this Section 15, a Landlord HVAC Unit shall be "In Need of Replacement" if, in the reasonable determination of a third party HVAC contractor reasonably acceptable to Landlord and Tenant (the " **HVAC Contractor** "), the cost of maintaining such Landlord HVAC Unit in good operation condition over the first (5) years of the Extended Term is likely to exceed the cost of replacement of such Landlord HVAC Unit amortized over the same period of time (based on a straight-line amortization over a 15 year useful life). No later than August 30, 2012, Landlord shall cause the HVAC Contractor to perform and deliver, to Landlord and Tenant concurrently, a full report on the condition and scheduled maintenance of, and estimated annual cost of maintenance, replacements and repairs to, each of the Landlord HVAC Units, which shall be certified to both Landlord and Tenant by the HVAC Contractor (the " **Landlord HVAC Report** "). To the extent that the Landlord HVAC Report indicates that any of the Landlord HVAC Units are in need of replacement, Landlord shall cause such replacements to be performed promptly following the delivery of the Landlord HVAC Report as part of Landlord's Work (as defined in the Work Letter). **Except as provided in Section 16 below, Landlord shall have no obligation to maintain, repair and/or replace any Separate HVAC Unit.**

16. Separate HVAC Units .

(a) Generally . The Premises presently contains dedicated HVAC units to provide cooling to Tenant's server room and related areas (the " **Separate HVAC Units** "). Tenant accepts the Separate HVAC Units in their "as is" condition as of the Execution Date,

except that Landlord agrees to perform or repair the items listed as necessary repairs/concerns for unit 11-024 Package Unit #2 and 11-025 Package Unit #3 as specified in the report issued by AO Reed on or about June 22, 2012, at the time of Landlord's next regularly scheduled maintenance of the HVAC systems. Tenant shall pay, at Tenant's sole cost and expense the entire cost of maintaining, repairing and, when necessary, replacing any Separate HVAC Unit. Subject to the requirements of the Work Letter, Tenant may use the Improvement Allowance to replace a Separate HVAC Unit.

(b) Separate HVAC Unit(s) in Suite 150 . The Landlord HVAC Report shall evaluate the condition of any Separate HVAC Unit(s) located on the Execution Date in Suite 150, if any (a " **Suite 150 Separate HVAC Unit** "). If a Suite 150 Separate HVAC Unit is In Need of Replacement, Landlord shall replace the Suite 150 Separate HVAC Unit that is In Need of Replacement with a new unit of the same capacity, and the cost of such replacement shall not be included in Direct Costs or deducted from the Improvement Allowance. To the extent that the Landlord HVAC Report indicates that any of the Suite 150 Separate HVAC Units are in need of replacement, Landlord shall cause such replacements to be performed promptly following the delivery of the Landlord HVAC Report as part of Landlord's Work (as defined in the Work Letter). If Tenant desires to replace a Suite 150 Separate HVAC Unit that is In Need of Replacement with a HVAC unit of a different capacity or of a different type, Landlord shall have no obligation to replace the Suite 150 Separate HVAC Unit, and subject to the requirements of the Work Letter, Tenant may use the Improvement Allowance to replace the Separate HVAC Unit.

17. After Hours HVAC . Pursuant to Article 11(f) of the Original Lease, Landlord has the right to charge Tenant for after hours HVAC use of the Landlord HVAC Units (the " **After Hours HVAC Use** "). During the Extended Term, the cost to Tenant of After Hours HVAC Use shall be $30.00 per hour (the " **After Hours HVAC Charge** "). Tenant shall pay one After Hours HVAC Charge without respect to the area of the Premises being provided After Hours HVAC Use from one or more of the Landlord HVAC Units (e.g., if Tenant is providing After Hours HVAC Use to the entire Premises, the charge shall be $30.00 per hour and if Tenant is providing After Hours HVAC Use to one office in the Premises, the charge shall be $30.00 per hour). Tenant shall not incur any After Hours HVAC Charge for use of any of the Separate HVAC Units. The After Hours HVAC Charge does not include the cost of electricity used by any Landlord HVAC Units operated by Tenant for the After Hours HVAC Use, and Tenant shall pay for all electricity used by such Landlord HVAC Units in addition to the After Hours HVAC Charge.

18. Option to Extend . Landlord hereby grants to Tenant the option to extend the term of the Lease (the " **Extension Option** ") for one (1) five (5)-year period (the **Option Term** ") commencing on the day after the Expiration Date upon each and all of the following terms and conditions:

(a) On a date which is prior to the date that the option period would commence (if exercised) by at least two hundred seventy (270) days and not more than three hundred sixty (360) days, Landlord shall have received from Tenant a written notice of the exercise of the Extension Option to extend the Lease for the Option Term (an " **Exercise Notice** "), time being of the essence. If the Exercise Notice is not so given and received, the Extension Option shall automatically expire, Tenant shall no longer have the right to give an Exercise Notice and this Section shall be of no further force or effect. Tenant shall give the Exercise Notice using certified mail return receipt requested or some other method where the person delivering the package containing the Exercise Notice obtains a signature of the person accepting the package containing the Exercise Notice (e.g., by FedEx with the requirement that the FedEx delivery person obtain a signature from the person accepting the package). It shall be the obligation of Tenant to prove that Landlord received the Exercise Notice in a timely manner.

(b) All of the terms and conditions of the Lease except where specifically modified by this Section shall apply. The Extension Option is personal to the original Tenant (i.e., Mitek Systems, Inc.) or an Affiliated Assignee (as defined in Article 15(d) of the Original Lease) and may be exercised only by the original Tenant or an Affiliate while it occupies not less than 19,000 rentable square feet of the Premises and may not be exercised or be assigned, voluntarily or involuntarily, by or to any person or entity other than the original Tenant or an Affiliate, including, without limitation, any assignee approved pursuant to Article 15 of the Original Lease. If at the time the Extension Option is exercisable by Tenant, the Lease has been

assigned to a person or entity other than an Affiliate, or a sublease exists as to 19,000 rentable square feet of the Premises to any person or entity other than an Affiliate, the Extension Option shall be deemed null and void. Tenant shall have no right to exercise the Extension Option (i) during the time commencing from the date Landlord gives to Tenant a notice of default and continuing until the noncompliance alleged in said notice of default is cured, or (ii) if Tenant is in default of any of the terms, covenants or conditions of the Lease. The period of time within which the Extension Option may be exercised shall not be extended or enlarged by reason of Tenant's inability to exercise the Extension Option due to the circumstances described in the previous sentence.

(c) The monthly Basic Rental payable during the Option Term shall be the Market Rate on the date the option term commences.

(d) The term " **Market Rate** " shall mean the annual amount per rentable square foot that a willing, comparable renewal tenant would pay and a willing, comparable landlord of a similar office building would accept at arm's length for similar space for a lease term equal to the Option Term, giving appropriate consideration to the following matters: (i) annual rental rates per rentable square foot; (ii) the type of escalation clauses (including, but without limitation, operating expense, real estate taxes, and CPI) and the extent of liability under the escalation clauses (i.e. , whether determined on a "net lease" basis or by increases over a particular base year or base dollar amount); (iii) rent abatement provisions reflecting free rent and/or no rent during the lease term; (iv) size and location of premises being leased; and (v) other generally applicable terms and conditions of tenancy for similar space; provided, however, Tenant shall not be entitled to any tenant improvement allowance. If renewal tenants exercising similar market rate extension options are receiving a tenant improvement allowance, this fact shall be taken into consideration in determining the Market Rate. The Market Rate may also designate periodic rental increases and similar economic adjustments.

(e) If Tenant exercises the Extension Option, Landlord shall determine the Market Rate by using its good faith judgment. Landlord shall provide Tenant with written notice of such amount on or before the date that is ninety (90) days prior to the date that the term of the Extension Option will commence. Tenant shall have fifteen (15) days (" **Tenant's Review Period** ") after receipt of Landlord's notice of the new rental within which to accept such rental. In the event Tenant fails to accept in writing such rental proposal by Landlord, then such proposal shall be deemed rejected, and Landlord and Tenant shall attempt to agree upon such Market Rate, using their best good faith efforts. If Landlord and Tenant fail to reach agreement within fifteen (15) days following Tenant's Review Period (" **Outside Agreement Date** "), then each party shall place in a separate sealed envelope their final proposal as to the Market Rate, and such determination shall be submitted to arbitration in accordance with subsections (i) through (v) below.

(i) Landlord and Tenant shall meet with each other within five (5) business days after the Outside Agreement Date and exchange their sealed envelopes and then open such envelopes in each other's presence. If Landlord and Tenant do not mutually agree upon the Market Rate within one (1) business day of the exchange and opening of envelopes, then, within ten (10) business days of the exchange and opening of envelopes, Landlord and Tenant shall agree upon and jointly appoint a single arbitrator who shall by profession be a real estate broker or agent who shall have been active over the five (5) year period ending on the date of such appointment in the leasing of similar buildings in the geographical area of the Premises. Neither Landlord nor Tenant shall consult with such broker or agent as to his or her opinion as to the Market Rate prior to the appointment. The determination of the arbitrator shall be limited solely to the issue of whether Landlord's or Tenant's submitted Market Rate for the Premises is the closest to the actual Market Rate for the Premises as determined by the arbitrator, taking into account the requirements for determining Market Rate set forth herein. Such arbitrator may hold such hearings and require such briefs as the arbitrator, in his or her sole discretion, determines is necessary. In addition, Landlord or Tenant may submit to the arbitrator with a copy to the other party within five (5) business days after the appointment of the arbitrator any market data and additional information such party deems relevant to the determination of the Market Rate (" **MR Data** "), and the other party may submit a reply in writing within five (5) business days after receipt of such MR Data.

(ii) The arbitrator shall, within thirty (30) days of his or her appointment, reach a decision as to whether the parties shall use Landlord's or Tenant's submitted Market Rate and shall notify Landlord and Tenant of such determination.

(iii) The decision of the arbitrator shall be final and binding upon Landlord and Tenant.

(iv) If Landlord and Tenant fail to agree upon and appoint an arbitrator, then the appointment of the arbitrator shall be made by the presiding judge of the Superior Court for the county in which the Premises is located, or, if he or she refuses to act, by any judge having jurisdiction over the parties.

(v) The cost of the arbitration shall be paid by Landlord and Tenant equally.

(vi) Landlord shall have the right to require Tenant to execute and to deliver to Landlord an amendment to the Lease that accurately sets forth the extended term of the Lease and the new Basic Rental and other economic terms, if any. Within ten (10) days after Landlord provides the amendment to Tenant, Tenant shall execute the amendment and deliver the amendment to Landlord. Landlord's election not to require Tenant to execute an amendment shall not invalidate Tenant's exercise of the Extension Option.

19. Right of Refusal .

(a) The Space . For purposes of this Section, the " **Right of Refusal Space** " shall mean any leasable space in the Building.

(b) Election Notice . In the event that at any time between the Execution Date and the last day of the Extended Term, Landlord receives an offer from a third party to lease all or part of the Right of Refusal Space (an " **Offer** "), Landlord shall deliver to Tenant a written notice that it has received the Offer (a " **Right of Refusal Notice** ") and Tenant shall have seven (7) business days after receiving the Right of Refusal Notice to irrevocably elect upon written notice to Landlord (the " **Election Notice** ") to lease the Right of Refusal Space that is the subject of the Offer (but not more or less space than is described in the Offer). The "Offer" shall take the form of a nonbinding letter of intent executed by Landlord containing the Basic Business Terms (as defined below). For purposes of this Section, " **Basic Business Terms** " shall mean the rent due under the lease, the term of the lease, the amount of any tenant improvement allowance being provided by Landlord, the estimated commencement date of the lease, and the terms and conditions of any renewal, extension and expansion rights granted pursuant to the proposed lease. Landlord may, at its option, and without any obligation to Tenant, include additional terms and conditions of the proposed lease in the Offer, and if Landlord does include such additional terms and conditions in the Offer, Tenant shall be obligated to lease the Right of Refusal Space subject to such additional terms and conditions.

(c) If Tenant Does Not Give Election Notice . If Tenant does not give Landlord an Election Notice within the seven (7) business day period, time being of the essence, Tenant shall be deemed to have waived its right to lease the space described in the Right of Refusal Notice and Landlord may proceed to lease such space to such person or entity on any terms and conditions desired by Landlord (whether or not the terms and conditions are similar to those contained in the Offer). If Tenant does not elect to lease a Right of Refusal Space, and Landlord does not enter into a lease with the tenant described in the Offer, Tenant's right to lease such space pursuant to this Section shall apply to any later Offer received by Landlord from a new prospective tenant.

(d) If Tenant Gives An Election Notice . If Tenant gives the Election Notice it shall be irrevocable and Tenant shall lease the Right of Refusal Space described in the Offer on the terms and conditions set forth in the Offer. If the Offer does not include all of the Business Terms (as defined below), or if the Business Terms are not clear from the Offer, Landlord and Tenant shall agree on the Business Terms, in each of their sole and absolute discretions, within ten (10) days after Tenant delivers to Landlord its Election Notice. " **Business Terms** " shall mean the Basic Business Terms and (i) the modifications, if any, to the Right of Refusal Space, (ii) options to extend, (iii) signage, (iv) parking rights and (v) other economic terms. If Landlord and Tenant are unable to agree on the Business Terms within such ten (10) day period, time

being of the essence, Tenant's right to lease the Right of Refusal Space shall automatically expire and Tenant shall have no further right to lease the Right of Refusal Space, and Landlord may proceed to lease the Right of Refusal Space to the third party Tenant on any terms and conditions desired by Landlord (whether or not the terms and conditions are similar to those contained in the Offer).

(e) Option Term . This Right of Refusal shall be of no force or effect during the term of the Extension Option, and Tenant shall have no right to exercise its Right of Refusal during the term of the Extension Option.

(f) Subject to Existing Rights . This right of offer shall be subject to (i) the prior and existing rights of the other tenants in the Project to lease the Additional Premises (including, but not limited to, the rights of DriveCam, Inc.) as of the Execution Date, and (ii) Landlord's right, in Landlord's sole discretion, to elect to renew or extend the lease of any tenant currently occupying the Additional Premises, whether or not such tenant has the legal right or option to renew or extend its lease.

(g) Additional Limitations . This Right of Refusal is personal to the original Tenant (i.e., Mitek Systems, Inc.) and its Affiliates and may be exercised only by the original Tenant or an Affiliate while it occupies not less than 19,000 rentable square feet of the Premises and may not be exercised or be assigned, voluntarily or involuntarily, by or to any person or entity other than the original Tenant or an Affiliate, including, without limitation, any assignee approved pursuant to Article 15 of the Original Lease. If at the time this Right of Refusal is exercisable by Tenant, the Lease has been assigned to a person or entity other than an Affiliate, or Tenant or an Affiliate is occupying less than 19,000 rentable square feet of the Premise, this Right of Refusal shall be deemed null and void. Tenant shall have no right to exercise this Right of Refusal (i) during the time commencing from the date Landlord gives to Tenant a notice of default and continuing until the noncompliance alleged in said notice of default is cured, or (ii) if Tenant is in default of any of the terms, covenants or conditions of the Lease. The period of time within which this Right of Refusal may be exercised shall not be extended or enlarged by reason of Tenant's inability to exercise this Right of Refusal due to the circumstances described in the previous sentence.

(h) Lease Amendment . Landlord shall prepare an amendment to the Lease adding the Right of Refusal Space to the Premises (the " **Amendment** "). The terms of the Amendment (other than the agreed upon Business Terms) shall be satisfactory to Landlord and Tenant in each of their sole and absolute discretions. The sole consequence of Landlord and Tenant not being able to agree on the terms and conditions of the Amendment shall be that Landlord shall have no further obligation to lease the Right of Refusal Space to Tenant and Tenant shall have no further obligation to lease the Right of Refusal Space from Landlord pursuant to this Section. Tenant shall execute and deliver the Amendment to Landlord within five (5) business days after it is delivered to Tenant. At Landlord's option, if Tenant does not execute and deliver to Landlord the Amendment within the five (5) business day period, time being of the essence, Tenant's right to lease the Right of Refusal Space shall immediately terminate, and Tenant shall have no further right to lease the Right of Refusal Space.

20. Building Signage . Subject to the following terms and conditions, Landlord shall permit Tenant to install, at Tenant's sole cost and expense, one (1) exterior building sign on the top of the Building in the location depicted on Exhibit F attached hereto and incorporated herein by reference (the " **Building Sign** ") containing Tenant's name; provided that if the City of San Diego or any other governmental or quasi-governmental authority whose permission is required for the Building Sign, requires the location of the Building Sign at a different location on the Building, such different location shall be as is mutually-agreed to by Tenant and Landlord, acting reasonably and in good faith to provide Tenant with reasonably similar Building signage):

(a) The cost of designing, fabricating, installing and obtaining governmental approvals for the Building Sign shall be paid by Tenant, at Tenant's sole cost and expense. Landlord shall have the right to approve the contractor that installs the Building Sign and the contractor shall comply with all of Landlord's policies and procedures relating to construction performed at the Project (e.g., insurance, safety etc.);

(b) Tenant shall maintain the Building Sign in good order and repair, at Tenant's sole cost and expense;

(c) Tenant's right to install the Building Sign is subject to Tenant obtaining all required governmental approvals and permits for the installation of the Building Sign. Landlord makes no representation or warranty that Tenant will be able to obtain the required approvals and permits for the installation of the Building Sign, and Tenant's obligations under this Lease are not conditioned upon Tenant's ability to obtain the approvals and permits or upon Tenant's ability to install the Building Sign or any other sign;

(d) Any modification of the Building Sign shall be considered to be an "Alteration" within the meaning of Article 9(c) of the Original Lease, and shall be governed by the provisions thereof. Notwithstanding anything to the contrary contained in Article (c), any modification or alteration of the Building Sign shall require Landlord's prior approval, which may be given or withheld by Landlord in Landlord's sole discretion, except that in the event of an assignment of this Lease to an Affiliate of Tenant as permitted under the Lease, as modified hereby, the name of the Affiliate in the Building Sign location shall not require Landlord's approval, as long as the replacement Building Sign satisfies all of the other requirements of this Section 20;

(e) The Building Sign shall be considered a use of the Premises pursuant to Article 13 of the Original Lease, and Tenant shall defend and indemnify Landlord to the extent provided in said Article 13;

(f) Tenant shall remove the Building Sign and repair any damage to the Project caused by such removal, at Tenant's sole cost and expense, upon the termination or expiration of the Lease term;

(g) The insurance purchased by Tenant pursuant to Article 14 of the Original Lease shall apply to the Building Sign;

(h) Should the Building Sign be electrically illuminated, Tenant agrees to pay to Landlord, upon demand, the costs of such power as determined by persons skilled in the field, and utilize those estimates in billing Tenant for the power consumed; however, Tenant shall also have the right to install, at Tenant's sole cost and expense, electrical meters which shall measure the actual amount of power consumed;

(i) If at any time Tenant has assigned this Lease to a person or entity other than an Affiliate or has subleased more than twenty five percent (25%) of the usable square feet in the Premises to a person or entity other than an Affiliate, Landlord shall have the right, at Landlord's option, at any time, upon not less than ninety (90) days advance written notice to Tenant, to require Tenant to permanently remove the Building Sign and to repair any damage to the Building caused by such removal, at Tenant's sole cost and expense. From and after the date of such removal, Tenant shall no longer have the right to place the Building Sign on the Building, and except for Tenant's obligation to remove the Building Sign and to repair any damage to the Building, this Section shall be of no further force or effect;

(j) If Tenant has not installed the Building Sign on or before the first anniversary of the Extended Term Commencement Date, Tenant's shall no longer have the right to install a Building Sign, and this Section shall be of no further force or effect, provided that delays attributable to any local signage moratorium or any other event of Force Majeure (as defined in Article 27 of the Lease) shall suspend such one-year period for the duration of such event of Force Majeure; and

(k) Landlord shall continue to have the right to install one or more additional signs on the exterior of the Building (but without any loss of Tenant's signage rights, or obligation of Tenant to relocate modify the Building Sign, pursuant to Landlord's exercise of such right), and no exclusive sign rights have been granted hereunder.

(l) Tenant's right to install the Building Sign shall be in addition to, and shall not affect, Tenant's Signage right on the Project's existing monument sign, pursuant to Article 32 of the Original Lease.

21. Security System . Tenant shall have the right to install its own security system inside the Premises provided that it does not interfere with Landlord's security systems in the Building and does not create other problems in the operation and management of the Building. No portion of Tenant's security system may be located in the Common Areas (e.g., security cameras). Landlord shall have the right to approve any security system Tenant desires to install prior to its installation, in Landlord's reasonable discretion. If due to an emergency Landlord forces its way into the Premises, Tenant shall be pay the cost of repairing any damages caused by Landlord's forced entry at Tenant's sole cost and expense. Tenant shall install and maintain its security system, at Tenant's sole cost and expense. At the end of the term of the Lease, Tenant shall remove the security system, repair any damage caused by such removal and return the area where the security system was installed to the same condition it was in prior to the installation of the security system. At Landlord's request, Tenant shall provide the Building's manager with access codes, keys or other devices so that the Building's manager may gain access to the Premises in accordance with the terms and conditions of Article 12 of the Original Lease.

22. Holding Over . Provided that Tenant has previously waived its right to exercise the Extension Option (in the event Tenant exercises the Holdover Option upon the expiration of the Extended Term), Landlord hereby grants to Tenant the one time right to extend the term of the Lease for thirty (30), sixty (60) or ninety (90) days (the " **Holdover Period** ") commencing on the first day after the Expiration Date upon the following terms and conditions (the " **Holdover Option** "):

(a) On a date which is at least one hundred eighty (180) days prior to the Expiration Date (as the same may be extended by the Extension Option), Landlord shall have received from Tenant an irrevocable written notice of the exercise of the Holdover Option (the " **Exercise Notice** "), time being of the essence. If the Exercise Notice is not so given and received, the Holdover Option shall automatically expire, Tenant shall no longer have the right to give an Exercise Notice and this Section shall be of no further force or effect. Tenant shall give the Exercise Notice using certified mail return receipt requested or some other method where the person delivering the package containing the Exercise Notice obtains a signature of the person accepting the package containing the Exercise Notice (e.g., by FedEx with the requirement that the FedEx delivery person obtain a signature from the person accepting the package). It shall be the obligation of Tenant to prove that Landlord received the Exercise Notice in a timely manner.

(b) In the Exercise Notice Tenant shall elect to holdover for thirty (30) days, sixty (60) days or ninety (90) days. Tenant's election of a Holdover Period shall be irrevocable.

(c) During the Holdover Period, Tenant shall pay Basic Rental equal to one hundred twenty-five percent (125%) of the Basic Rental payable during the last month of the Extended Term.

(d) All of the terms and conditions of the Lease except where specifically modified by this Section shall apply during the Holdover Period.

23. Modifications . The following modifications are made to the Lease as of the Execution Date:

(a) Article 15(d) of the Original Lease is modified to provided that an entity into or with which Tenant is merged or consolidated, or to which all or substantially all of Tenant's stock or assets are transferred shall also be considered an "Affiliate" for purposes of the permitted assignment and rights of an Affiliated Assignee under the Lease.

(b) Article 30(m) of the Original Lease is hereby deleted.

(c) The rules and regulations limiting Tenant use of the parking facilities of the Building to the hours of 7:00 a.m. to 7:00 p.m., Monday through Friday, and providing that such parking facilities will be closed on weekends and holiday and during such other hours as Landlord may elect is hereby deleted. Tenant shall have the right to use its parking rights of the Project on a 24 hours per day, 7 days per week basis, subject to Landlord's right to temporarily close the parking areas as reasonably required for maintenance, alterations and repairs upon reasonable advance notice to Tenant of such closing.

(d) Article 30(t) of the Original Lease, Section 6 of the First Amendment and Section 12 of the Second Amendment are hereby modified to provide that Tenant may disclose

the terms and conditions of the Lease as required to comply with by law (including filing the Original Lease or any amendment thereto in connection with any filing by the Tenant with the U.S. Securities and Exchange Commission) or to otherwise comply with the law.

24. Conflict . If there is a conflict between the terms and conditions of this Fourth Amendment and the terms and conditions of the Lease, the terms and conditions of this Fourth Amendment shall control. Except as modified by this Fourth Amendment, the terms and conditions of the Lease shall remain in full force and effect. Capitalized terms included in this Fourth Amendment shall have the same meaning as capitalized terms in the Lease unless otherwise defined herein. Tenant hereby acknowledges and agrees that the Lease is in full force and effect, Landlord is not currently in default under the Lease, and, to the best of Tenant's knowledge, no event has occurred which, with the giving of notice or the passage of time, or both, would ripen into Landlord's default under the Lease.

25. Authority . The persons executing this Fourth Amendment on behalf of the parties hereto represent and warrant that they have the authority to execute this Fourth Amendment on behalf of said parties and that said parties have authority to enter into this Fourth Amendment.

26. Brokers . Tenant and Landlord each represent and warrant to the other that neither has had any dealings or entered into any agreements with any person, entity, broker or finder other than CB Richard Ellis, Inc., who has exclusively represented Landlord, and Colliers International (Ron Miller), who has exclusively represented Tenant, in connection with the negotiation of this Fourth Amendment, and no other broker, person, or entity is entitled to any commission or finder's fee in connection with the negotiation of this Fourth Amendment, and Tenant and Landlord each agree to indemnify, defend and hold the other harmless from and against any claims, damages, costs, expenses, attorneys' fees or liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar party by reason of any dealings, actions or agreements of the indemnifying party.

27. Counterparts . This Fourth Amendment may be executed in counterparts. Each counterpart shall be deemed an original, and all counterparts shall be deemed the same instrument with the same effect as if all parties hereto had signed the same signature page.

28. Delivery of Amendment . Preparation of this Fourth Amendment by Landlord or Landlord's agent and submission of same to Tenant shall not be deemed an offer by Landlord to enter into this Fourth Amendment. This Fourth Amendment shall become binding upon Landlord only when fully executed by all parties and when Landlord has delivered a fully executed original of this Fourth Amendment to Tenant. The delivery of this Fourth Amendment to Tenant shall not constitute an agreement by Landlord to negotiate in good faith, and Landlord expressly disclaims any legal obligation to negotiate in good faith.

[***signature page follows***]

IN WITNESS WHEREOF, the parties hereby execute this Fourth Amendment as of the date first written above.

LANDLORD:

The Realty Associates Fund VIII, L.P., a Delaware limited partnership

By: Realty Associates Fund VIII LLC
a Massachusetts limited liability company, General Partner

By: Realty Associates Advisors LLC, a Delaware limited liability company, Manager

By: Realty Associates Advisors Trust, a Massachusetts business trust, Manager

By: /s/ Scott W. Amling

Officer

TENANT*:

Mitek Systems, Inc., a Delaware corporation

By: /s/ R. C. Clark

R. C. Clark

(print name)

Its: CFO

(print title)

By: /s/ James B. DeBello

James B. DeBello

(print name)

Its: President, CEO

(print title)

* Authorized officers must sign on behalf of the corporation and indicate the capacity in which they are signing. The amendment must be executed by the president or vice president and the secretary or assistant secretary, unless the bylaws or a resolution of the board of directors shall otherwise provide, in which event, the bylaws or a certified copy of the resolution, as the case may be, must be attached to this amendment.

Exhibit A

(Depiction of Suite B and Suite 150)

Exhibit B

Letter of Credit

THIS DRAFT IS FOR DISCUSSION PURPOSES ONLY
IT WILL BECOME AN INTEGRAL PART OF AND MUST BE ATTACHED TO
SILICON VALLEY BANK APPLICATION FOR STANDBY LETTER OF CREDIT WHEN APPROVED FOR ISSUANCE BY
APPLICANT: **MITEK SYSTEMS, INC.**

IRREVOCABLE STANDBY LETTER OF CREDIT NO. **SVBSF**

DATED: , **20**

BENEFICIARY:
THE REALTY ASSOCIATED FUND VIII, L.P.
C/O TA ASSOCIATES REALTY
28 STATE STREET, 10 TH FLOOR
BOSTON, MA 02109

ATTN: ASSET MANAGEMENT DEPARTMENT

AS "LANDLORD"

APPLICANT:
MITEK SYSTEMS, INC.
8911 BALBOA AVE., SUITE B
SAN DIEGO, CA 92123

AS "TENANT"

AMOUNT: US$210,000.00 (TWO HUNDRED TEN THOUSAND AND NO/100 U.S. DOLLARS)

EXPIRATION DATE: , 2013

LOCATION: SANTA CLARA, CALIFORNIA

LADIES AND GENTLEMEN:

WE HEREBY ESTABLISH OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. SVBSF IN YOUR FAVOR. THIS LETTER OF CREDIT IS AVAILABLE BY SIGHT PAYMENT WITH OURSELVES ONLY AGAINST PRESENTATION AT THIS OFFICE OF THE FOLLOWING DOCUMENTS:

1. THE ORIGINAL OF THIS LETTER OF CREDIT AND ALL AMENDMENT (S), IF ANY.
2. YOUR SIGHT DRAFT DRAWN ON US IN THE FORM ATTACHED HERETO AS EXHIBIT "A".
3. A DATED CERTIFICATION PURPORTEDLY SIGNED BY AN AUTHORIZED OFFICER OR REPRESENTATIVE OF THE BENEFICIARY, FOLLOWED BY HIS/HER PRINTED NAME AND DESIGNATED TITLE, STATING THAT SUCH PERSON IS YOUR DULY AUTHORIZED REPRESENTATIVE, AND THAT BENEFICIARY IS ENTITLED TO DRAW UPON THIS LETTER OF CREDIT PURSUANT TO THE TERMS AND CONDITIONS OF THE LEASE AGREEMENT BETWEEN LANDLORD AND TENANT.

THE LEASE AGREEMENT MENTIONED ABOVE IS FOR IDENTIFICATION PURPOSES ONLY AND IT IS NOT INTENDED THAT SAID LEASE AGREEMENT BE INCORPORATED HEREIN OR FORM PART OF THIS LETTER OF CREDIT.

DRAFT LANGUAGE APPROVED FOR ISSUANCE BY: **MITEK SYSTEMS, INC.**

C LIENT ' S S IGNATURE (S)

DATE

THIS DRAFT IS FOR DISCUSSION PURPOSES ONLY
IT WILL BECOME AN INTEGRAL PART OF AND MUST BE ATTACHED TO
SILICON VALLEY BANK APPLICATION FOR STANDBY LETTER OF CREDIT WHEN APPROVED FOR ISSUANCE BY
APPLICANT: **MITEK SYSTEMS, INC.**

IRREVOCABLE STANDBY LETTER OF CREDIT NO. **SVBSF**

DATED: , **20**

PARTIAL AND MULTIPLE DRAWINGS ARE ALLOWED. THIS LETTER OF CREDIT MUST ACCOMPANY ANY DRAWINGS HEREUNDER FOR ENDORSEMENT OF THE DRAWING AMOUNT AND WILL BE RETURNED TO THE BENEFICIARY UNLESS IT IS FULLY UTILIZED.

WE AGREE THAT WE SHALL HAVE NO DUTY OR RIGHT TO INQUIRE AS TO THE BASIS UPON WHICH BENEFICIARY HAS DETERMINED THAT THE AMOUNT IS DUE AND OWING OR HAS DETERMINED TO PRESENT TO US ANY DRAFT UNDER THIS LETTER OF CREDIT, AND THE PRESENTATION OF SUCH DRAFT IN STRICT COMPLIANCE WITH THE TERMS AND CONDITIONS OF THIS LETTER OF CREDIT, SHALL AUTOMATICALLY RESULT IN PAYMENT TO THE BENEFICIARY.

THIS LETTER OF CREDIT SHALL BE AUTOMATICALLY EXTENDED FOR AN ADDITIONAL PERIOD OF ONE YEAR, WITHOUT AMENDMENT, FROM THE PRESENT OR EACH FUTURE EXPIRATION DATE UNLESS AT LEAST SIXTY (60) DAYS PRIOR TO THE THEN CURRENT EXPIRATION DATE WE SEND YOU A NOTICE BY REGISTERED MAIL/OVERNIGHT COURIER SERVICE AT THE ABOVE ADDRESS THAT THIS LETTER OF CREDIT WILL NOT BE EXTENDED BEYOND THE CURRENT EXPIRATION DATE. IN NO EVENT SHALL THIS LETTER OF CREDIT BE AUTOMATICALLY EXTENDED BEYOND AUGUST 30, 2019, WHICH SHALL BE THE FINAL EXPIRATION DATE OF THIS LETTER OF CREDIT.

THE DATE THIS LETTER OF CREDIT EXPIRES IN ACCORDANCE WITH THE ABOVE PROVISION IS THE “FINAL EXPIRATION DATE”. UPON THE OCCURRENCE OF THE FINAL EXPIRATION DATE THIS LETTER OF CREDIT SHALL FULLY AND FINALLY EXPIRE AND NO PRESENTATIONS MADE UNDER THIS LETTER OF CREDIT AFTER SUCH DATE WILL BE HONORED.

THIS LETTER OF CREDIT MAY ALSO BE CANCELED PRIOR TO ANY PRESENT OR FUTURE EXPIRATION DATE, UPON RECEIPT BY SILICON VALLEY BANK BY OVERNIGHT COURIER OR REGISTERED MAIL (RETURN RECEIPT REQUESTED) OF THE ORIGINAL LETTER OF CREDIT AND ALL AMENDMENTS (IF ANY) FROM THE BENEFICIARY TOGETHER WITH A STATEMENT SIGNED BY AN AUTHORIZED REPRESENTATIVE OF THE BENEFICIARY ON COMPANY LETTERHEAD STATING THAT THE LETTER OF CREDIT IS NO LONGER REQUIRED AND IS BEING RETURNED FOR CANCELLATION.

THIS LETTER OF CREDIT IS TRANSFERABLE ONE OR MORE TIMES, BUT IN EACH INSTANCE ONLY TO A SINGLE BENEFICIARY AS TRANSFEREE AND ONLY UP TO THE THEN AVAILABLE AMOUNT IN FAVOR OF ANY NOMINATED TRANSFEREE THAT IS THE SUCCESSOR IN INTEREST TO BENEFICIARY (“TRANSFEREE”), ASSUMING SUCH TRANSFER TO SUCH TRANSFEREE WOULD BE IN COMPLIANCE WITH THEN APPLICABLE LAW AND REGULATION, INCLUDING BUT NOT LIMITED TO THE REGULATIONS OF THE U. S. DEPARTMENT OF TREASURY AND U. S. DEPARTMENT OF COMMERCE. AT THE TIME OF TRANSFER, THE ORIGINAL LETTER OF CREDIT AND ORIGINAL AMENDMENT(S), IF ANY, MUST BE SURRENDERED TO US AT OUR ADDRESS INDICATED IN THIS LETTER OF CREDIT

DRAFT LANGUAGE APPROVED FOR ISSUANCE BY: **MITEK SYSTEMS, INC.**

C LIENT ’ S S IGNATURE (S)

DATE

IRREVOCABLE STANDBY LETTER OF CREDIT NO. **SVBSF**

DATED: , **20**

TOGETHER WITH OUR LETTER OF TRANSFER DOCUMENTATION AS PER ATTACHED EXHIBIT "B" DULY EXECUTED AND ACCOMPANIED BY THE ORIGINAL LETTER OF CREDIT AND ALL AMENDMENTS), IF ANY. THE CORRECTNESS OF THE SIGNATURE AND TITLE OF THE PERSON SIGNING THE TRANSFER FORM MUST BE VERIFIED BY BENEFICIARY'S BANK APPLICANT SHALL PAY OUR TRANSFER FEE OF 1/4 OF 1% OF THE TRANSFER AMOUNT (MINIMUM US$250.00) UNDER THIS LETTER OF CREDIT. ANY REQUEST FOR TRANSFER WILL BE EFFECTED BY US SUBJECT TO THE ABOVE CONDITIONS. HOWEVER, ANY REQUEST FOR TRANSFER IS NOT CONTINGENT UPON APPLICANT'S ABILITY TO PAY OUR TRANSFER FEE. ANY TRANSFER OF THIS LETTER OF CREDIT MAY NOT CHANGE THE PLACE OR DATE OF EXPIRATION OF THE LETTER OF CREDIT FROM OUR ABOVE SPECIFIED OFFICE. EACH TRANSFER SHALL BE EVIDENCED BY OUR ENDORSEMENT ON THE REVERSE OF THE LETTER OF CREDIT AND WE SHALL FORWARD THE ORIGINAL OF THE LETTER OF CREDIT SO ENDORSED TO THE TRANSFEREE.

DRAFT(S) AND DOCUMENTS MUST INDICATE THE NUMBER AND DATE OF THIS LETTER OF CREDIT.

WE HEREBY AGREE THAT DRAFTS DRAWN UNDER AND IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THIS LETTER OF CREDIT SHALL BE DULY HONORED UPON PRESENTATION TO: SILICON VALLEY BANK, 3003 TASMAN DRIVE, 2 ND FLOOR, MAIL SORT HF210, SANTA CLARA, CALIFORNIA 95054, ATTENTION: GLOBAL FINANCIAL SERVICES – STANDBY LETTER OF CREDIT DEPARTMENT (THE "BANK'S OFFICE"). PRESENTATIONS MAY BE MADE IN PERSON OR BY OVERNIGHT COURIER DELIVERY SERVICE OR BY FACSIMILE ON OR BEFORE OUR CLOSE OF BUSINESS ON OR BEFORE THE EXPIRATION DATE OF THIS CREDIT.

SHOULD BENEFICIARY WISH TO MAKE PRESENTATIONS UNDER THIS LETTER OF CREDIT ENTIRELY BY FACSIMILE TRANSMISSION (IT NEED NOT TRANSMIT THE LETTER OF CREDIT). IT MAY DO SO IN LIEU OF PRESENTING THE PHYSICAL DOCUMENTS OTHERWISE REQUIRED FOR PRESENTATION UNDER THE TERMS OF THIS LETTER OF CREDIT. PROVIDED HOWEVER, SHOULD IT ELECT TO DO SO, EACH SUCH FACSIMILE TRANSMISSION SHALL BE MADE ON A BUSINESS DAY AT FAX NO. (408) 496-2418 OR (408) 969-6510; AND SIMULTANEOUSLY UNDER TELEPHONE ADVICE TO: (408) 654-6274 OR (408) 654-7127 OR (408) 654-7716 OR (408) 654-3035 AND, ON THE DAY OF SUCH TRANSMISSION, BE IMMEDIATELY FOLLOWED BY BENEFICIARY'S SENDING TO US ALL OF THE ORIGINALS OF SUCH FAXED DOCUMENTS TOGETHER WITH THE ORIGINAL OF THIS LETTER OF CREDIT BY OVERNIGHT MAIL OR COURIER SERVICE TO THE BANK'S OFFICE AS DESCRIBED ABOVE. PROVIDED FURTHER, HOWEVER, WE WILL DETERMINE TO HONOR OR DISHONOR ANY SUCH FACSIMILE PRESENTATION PURELY ON THE BASIS OF OUR EXAMINATION OF SUCH FACSIMILE PRESENTATION, AND WILL NOT EXAMINE THE ORIGINALS.

PAYMENT AGAINST CONFORMING PRESENTATIONS HEREUNDER PRIOR TO 10:00 A.M. CALIFORNIA TIME, ON A BUSINESS DAY SHALL BE MADE BY BANK DURING NORMAL BUSINESS HOURS OF THE BANK'S OFFICE ON THE NEXT SUCCEEDING BUSINESS DAY.

DRAFT LANGUAGE APPROVED FOR ISSUANCE BY: **MITEK SYSTEMS, INC.**

CLIENT'S SIGNATURE(S) DATE

THIS DRAFT IS FOR DISCUSSION PURPOSES ONLY
IT WILL BECOME AN INTEGRAL PART OF AND MUST BE ATTACHED TO
SILICON VALLEY BANK APPLICATION FOR STANDBY LETTER OF CREDIT WHEN APPROVED FOR ISSUANCE BY
APPLICANT: **MITEK SYSTEMS, INC.**

IRREVOCABLE STANDBY LETTER OF CREDIT NO. **SVBSF**

DATED: , **20**

PAYMENT AGAINST CONFORMING PRESENTATIONS HEREUNDER AFTER 10:00 AM. CALIFORNIA TIME, ON A BUSINESS DAY SHALL BE MADE BY BANK DURING NORMAL BUSINESS HOURS OF THE BANK'S OFFICE ON THE SECOND SUCCEEDING BUSINESS DAY.

AS USED HEREIN, THE TERM "BUSINESS DAY" MEANS A DAY ON WHICH WE ARE OPEN AT OUR ABOVE ADDRESS IN SANTA CLARA, CALIFORNIA TO CONDUCT OUR LETTER OF CREDIT BUSINESS. NOTWITHSTANDING ANY PROVISION TO THE CONTRARY IN THE ISP98 (AS HEREINAFTER DEFINED), IF THE EXPIRATION DATE OR THE FINAL EXPIRATION DATE IS NOT A BUSINESS DAY THEN SUCH DATE SHALL BE AUTOMATICALLY EXTENDED TO THE NEXT SUCCEEDING DATE WHICH IS A BUSINESS DAY.

WE HEREBY ENGAGE WITH YOU THAT DRAFT(S) DRAWN AND/OR DOCUMENTS PRESENTED UNDER AND IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THIS LETTER OF CREDIT SHALL BE DULY HONORED UPON PRESENTATION TO SILICON VALLEY BANK, IF PRESENTED ON OR BEFORE THE EXPIRATION DATE OF THIS CREDIT.

IF ANY INSTRUCTIONS ACCOMPANYING A DRAWING UNDER THIS LETTER OF CREDIT REQUEST THAT PAYMENT IS TO BE MADE BY TRANSFER TO YOUR ACCOUNT WITH ANOTHER BANK, WE WILL ONLY EFFECT SUCH PAYMENT BY FED WIRE TO A U.S. REGULATED BANK, AND WE AND/OR SUCH OTHER BANK MAY RELY ON AN ACCOUNT NUMBER SPECIFIED IN SUCH INSTRUCTIONS EVEN IF THE NUMBER IDENTIFIES A PERSON OR ENTITY DIFFERENT FROM THE INTENDED PAYEE.

THIS LETTER OF CREDIT IS SUBJECT TO THE INTERNATIONAL STANDBY PRACTICES 1998 ("ISP98"), INTERNATIONAL CHAMBER OF COMMERCE, PUBLICATION NO. 590.

SILICON VALLEY BANK,

(FOR S V BANK USE ONLY)

AUTHORIZED SIGNATURE

(FOR S V BANK USE ONLY)

AUTHORIZED SIGNATURE

DRAFT LANGUAGE APPROVED FOR ISSUANCE BY: **MITEK SYSTEMS, INC.**

CLIENT'S SIGNATURE(S)

DATE

IRREVOCABLE STANDBY LETTER OF CREDIT NO. **SVBSF**

DATED: , **20**

EXHIBIT "A"

SIGHT DRAFT/BILL OF EXCHANGE

DATE: REF. NO.

AT SIGHT OF THIS BILL OF EXCHANGE

PAY TO THE ORDER OF US$
US DOLLARS

"DRAWN UNDER **SILICON VALLEY BANK** , SANTA CLARA, CALIFORNIA, IRREVOCABLE STANDBY LETTER OF CREDIT NUMBER NO. **SVBSF** DATED , 20 "

TO: **SILICON VALLEY BANK**
3003 TASMAN DRIVE
SANTA CLARA, CA 95054

(INSERT NAME OF BENEFICIARY)

Authorized Signature

GUIDELINES TO PREPARE THE SIGHT DRAFT OR BILL OF EXCHANGE:

1. DATE INSERT ISSUANCE DATE OF DRAFT OR BILL OF EXCHANGE.
2. REF. NO. INSERT YOUR REFERENCE NUMBER IF ANY.
3. PAY TO THE ORDER OF: INSERT NAME OF BENEFICIARY
4. US$ INSERT AMOUNT OF DRAWING IN NUMERALS/FIGURES.
5. U.S. DOLLARS INSERT AMOUNT OF DRAWING IN WORDS.
6. LETTER OF CREDIT NUMBER INSERT THE LAST DIGITS OF OUR STANDBY L/C NUMBER THAT PERTAINS TO THE DRAWING.
7. DATED INSERT THE ISSUANCE DATE OF OUR STANDBY L/C.

NOTE: BENEFICIARY SHOULD ENDORSE THE BACK OF THE SIGHT DRAFT OR BILL OF EXCHANGE AS YOU WOULD A CHECK.

IF YOU NEED FURTHER ASSISTANCE IN COMPLETING THIS SIGHT DRAFT OR BILL OF EXCHANGE, PLEASE CALL OUR L/C PAYMENT SECTION AT (408) 654-6274 OR (408) 654-7127 OR (408) 654-3035 OR (408) 654-7716 OR (408) 654-7128.

DRAFT LANGUAGE APPROVED FOR ISSUANCE BY: **MITEK SYSTEMS, INC.**

C LIENT ' S S IGNATURE (S)

DATE

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IT WILL BECOME AN INTEGRAL PART OF AND MUST BE ATTACHED TO
SILICON VALLEY BANK APPLICATION FOR STANDBY LETTER OF CREDIT WHEN APPROVED FOR ISSUANCE BY
APPLICANT: **MITEK SYSTEMS, INC.**

IRREVOCABLE STANDBY LETTER OF CREDIT NO. **SVBSF**

DATED: , **20**

EXHIBIT "B"

DATE:

TO: SILICON VALLEY BANK
3003 TASMAN DRIVE
SANTA CLARA, CA 95054

ATTN: GLOBAL. FINANCIAL SERVICES
STANDBY LETTERS OF CREDIT

RE: SILICON VALLEY BANK IRREVOCABLE STANDBY LETTER OF CREDIT NO.

GENTLEMEN:

FOR VALUE RECEIVED, THE UNDERSIGNED BENEFICIARY HEREBY IRREVOCABLY TRANSFERS TO:

(NAME OF TRANSFEREE)

(ADDRESS)

ALL RIGHTS OF THE UNDERSIGNED BENEFICIARY TO DRAW UNDER THE ABOVE LETTER OF CREDIT UP TO ITS AVAILABLE AMOUNT AS SHOWN ABOVE AS OF THE DATE OF THIS TRANSFER.

BY THIS TRANSFER, ALL RIGHTS OF THE UNDERSIGNED BENEFICIARY IN SUCH LETTER OF CREDIT ARE TRANSFERRED TO THE TRANSFEREE TRANSFEREE SHALL HAVE THE SOLE RIGHTS AS BENEFICIARY THEREOF, INCLUDING SOLE RIGHTS RELATING TO ANY AMENDMENTS, WHETHER INCREASES OR EXTENSIONS OR OTHER AMENDMENTS, AND WHETHER NOW EXISTING OR HEREAFTER MADE ALL AMENDMENTS ARE TO BE ADVISED DIRECT TO THE TRANSFEREE WITHOUT NECESSITY OF ANY CONSENT OF OR NOTICE TO THE UNDERSIGNED BENEFICIARY.

THE ORIGINAL OF SUCH LETTER OF CREDIT IS RETURNED HEREWITH, AND WE ASK YOU TO ENDORSE THE TRANSFER ON THE REVERSE THEREOF, AND FORWARD IT DIRECTLY TO THE TRANSFEREE WITH YOUR CUSTOMARY NOTICE OF TRANSFER.

SINCERELY,

(BENEFICIARY'S NAME)

(SIGNATURE OF BENEFICIARY)

PRINTED NAME AND TITLE)

SIGNATURE AUTHENTICATED

THE NAME(S) TITLE(S), AND SIGNATURE(S) CONFORM TO THAT/THOSE ON FILE WITH US FOR THE COMPANY AND THE SIGNATURE(S) IS/ARE AUTHORIZED TO EXECUTE THIS INSTRUMENT.

WE FURTHER CONFIRM THAT THE COMPANY HAS BEEN IDENTIFIED APPLYING THE APPROPRIATE DUE DILIGENCE AND ENHANCED DUE DILIGENCE AS REQUIRED BY THE BANK SECRECY ACT AND ALL ITS SUBSEQUENT AMENDMENTS.

(NAME OF BANK)

(ADDRESS OF BANK)

(CITY, STATE, ZIP CODE)

(AUTHORIZED SIGNATURE)

(PRINTED NAME AND TITLE)

(TELEPHONE NUMBER)

DRAFT LANGUAGE APPROVED FOR ISSUANCE BY: **MITEK SYSTEMS, INC.**

C LIENT ' S S IGNATURE (S)

DATE

Exhibit C

(Location of Reserved Parking Spaces)


Mitek Reserved Parking
(6 Spaces)
Generator Location
Traffic
Generator
1
2
3
4
5
6
Mitek
Systems
ft
m

Exhibit D

(Location of Generator)

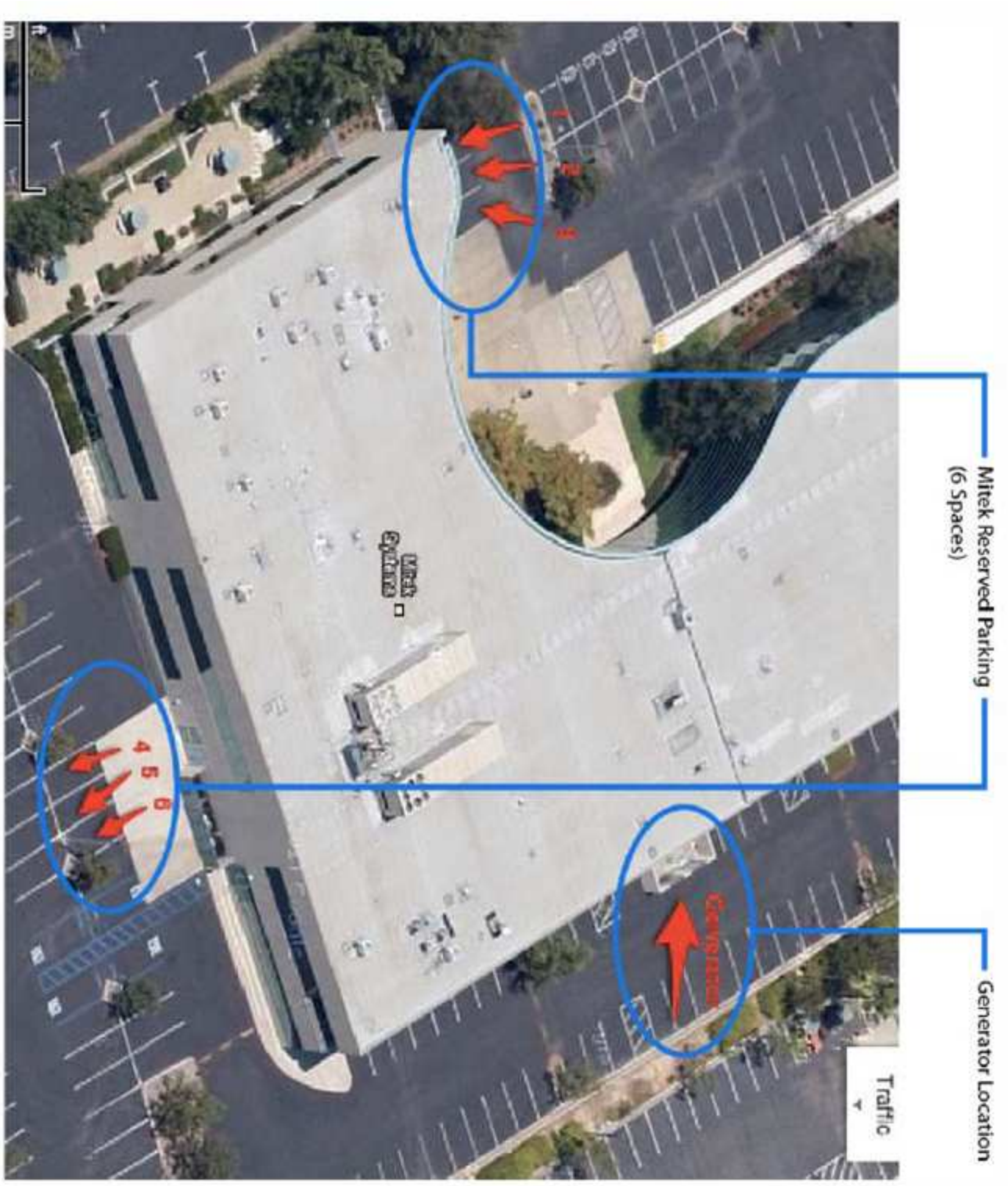
Mitek Reserved Parking
(6 Spaces)
Generator Location
Traffic
Mitek
Systems
4
5
6

Exhibit E

WORK LETTER AGREEMENT

This Work Letter Agreement (" **Work Letter Agreement** ") is attached to a Fourth Amendment to Lease (the " **Fourth Amendment** ") entered into between The Realty Associates Fund VIII, L.P., a Delaware limited partnership (" **Landlord** "), and Mitek Systems, Inc., a Delaware corporation (" **Tenant** "), covering certain premises (the " **Premises** ") more particularly described in the Fourth Amendment, and is incorporated into the Fourth Amendment by this reference.

1. Tenant Improvements and Landlord's Work .

1.1 Tenant Improvements . For purposes of this Work Letter Agreement, the " **Improvements** " shall mean the improvements to the Premises described on the Final Construction Drawings (as defined below). All Improvements made to the Premises shall be performed by Tenant. Subject to the reimbursement limitations set forth in Section 2.2 below, the Improvements shall be reimbursed by Landlord from the Improvement Allowance (as defined below) or shall be paid for by Tenant, at Tenant's sole cost and expense. The Improvements to be constructed by Tenant shall include, but shall not be limited to, demolition, concrete work, iron work, rough and finish carpentry, insulation, sheet metal, glass and glazing, doors, door frames and hardware, dry wall, acoustical ceiling, flooring, painting and wall coverings, accessories and partitions, kitchen equipment, fire extinguishers and cabinets, window coverings, plumbing, Tenant's Separate HVAC Units and related ducting and wiring, any tenant modifications to the existing ducting and plenums of the Premises associated with the Landlord HVAC Units, relocation of existing and installation of new fire sprinkler heads, electrical, prefabricated partitions, telephone and security systems, cabling systems, final clean-up and labor, miscellaneous specialties, planning, engineering, plan checking, permitting, architectural and other design costs, general contractor and subcontractor general conditions, overhead and profit, moving and insurance costs and the cost of the Tenant's Project Manager; provided, however, that in no event shall the Improvements or the cost of the Improvements to be paid by Tenant (or reimbursed by Landlord from the Improvement Allowance) include the cost of replacing any of the Landlord HVAC Units that are In Need of Replacement (as determined in accordance with Section 14 of the Fourth Amendment), any cost of bringing the Building structure, or any of the common areas of the Building or Project, into compliance with any building code or municipal, state or federal laws, which compliance is required as a condition of Tenant's requested permits for the Improvements generally, and not as a result of the particular design or specifications of the Improvements. As provided in Section 13 of the Fourth Amendment, in the event any of the Common Areas of the Project are not in compliance with the ADA or any other handicap regulations, and as a condition of any permit required for the construction of the Improvements in the Premises, the applicable permitting authority requires that any portion of the common areas of the Project or the common area bathrooms servicing Suite 150 be brought into compliance with such handicap regulations, Landlord shall cause such compliance obligations to be satisfied at Landlord's cost and expense (which may be included in Direct Costs to the extent permitted under the Lease), and not as part of the costs to be paid by Tenant or reimbursed from the Improvement Allowance. If, however, in constructing the Improvements in the Premises, any existing improvements within the Premises (other than those included in the Landlord Work, as hereinafter defined) are required to be brought into compliance with such handicap regulations, then the cost of such compliance shall be included in the cost of the Improvements, and shall be paid for by Tenant subject to reimbursement by Landlord from the Improvement Allowance (not to exceed such amount).

1.2 Landlord's Work . The costs and expenses of ADA compliance of the common area bathrooms servicing Suite 150, and of the common areas of the Project, and the costs and expenses of the Landlord HVAC Report and the replacement of any Landlord HVAC Units in need of replacement as recommended by the HVAC Contractor who prepares the Landlord HVAC Report (collectively, the " **Landlord's Work** "), shall be performed by Landlord at its sole cost and expense and shall not be included in the cost of Improvements to the Premises to be funded from the Improvement Allowance; provided, however, that Landlord may arrange, at Landlord's option, for the Landlord's Work inside the Premises, including, but not limited to, ADA compliance of the bathrooms of Suite 150 to be designed by Tenant's Architect and constructed by Tenant's Contractor as an alternative bid included in the Contractor's general contract, but subject to a separate payment agreement with Landlord for the direct payment for such Landlord's Work in the Premises.

2. Tenant Improvement Allowance .

2.1 Use .

(a) Initial Allowance . Tenant shall be entitled to an Improvement Allowance (the " **Improvement Allowance** ") in a total amount equal to $675,690.00. The Improvement Allowance shall be used, subject to the limitations set forth in this section and Section 2.2 below, to reimburse Tenant for the actual out-of-pocket costs it pays to unrelated third parties for the initial design and construction of the Improvements. In no event shall Landlord be obligated to make disbursements for the Improvements, pursuant to this Work Letter Agreement, in a total amount which exceeds the Improvement Allowance.

(b) Unused Allowance . Any portion of the Improvement Allowance that has not been expended on or before the first anniversary of the Extended Term Commencement Date shall be retained by Landlord, and Tenant shall have no further right to the use of such unused portion of the Improvement Allowance for any purpose.

2.2 Disbursement of the Tenant Improvement Allowance .

(a) Tenant Improvement Allowance Items . The Improvement Allowance shall be disbursed by Landlord only for the following items and costs (collectively the " **Improvement Allowance Items** "):

(i) Payment of the fees of the "Architect," the "Engineers," and the "Tenant's Project Manager," as those terms are defined in Section 3 of this Work Letter Agreement;

(ii) The payment of plan check, permit and license fees relating to construction of the Improvements;

(iii) The cost of the construction of the Improvements, including, without limitation, testing and inspection costs, trash removal costs, and contractors' fees and general conditions; provided, however, in no event shall the Improvement Allowance be used to pay any cost associated with the design, purchasing or installation of furniture, fixtures or equipment (collectively, " **FF&E** "), and all costs of Tenant's FF&E shall be paid by Tenant, at Tenant's sole expense;

(iv) The cost of any changes to the Final Construction Drawings (as that term is defined in Section 3.3 of this Work Letter Agreement) or Improvements required by any governmental agency; and

(v) Sales and use taxes and Title 24 fees.

(b) Disbursement . During the construction of the Improvements, Landlord shall make disbursements of the Improvement Allowance for Improvement Allowance Items and shall release monies as follows:

(i) Disbursements . Not more often than once in any thirty (30) day period, Landlord shall disburse to Tenant monies from the Improvement Allowance. Prior to Landlord making a disbursement, Tenant shall deliver to Landlord: (A) a request for payment, approved by Tenant, in a form which is reasonably acceptable to Landlord which shows the percentage of completion by trade of the Improvements; (B) invoices from all of Tenant's Agents (as defined below), for services provided, labor rendered, materials delivered and the related Contractor's fee, along with general conditions and overhead amounts, and the Project Manager Fee, with respect to such payment request in an amount not less than the amount of the Improvement Allowance Tenant has requested be reimbursed; (C) a copy of an executed unconditional mechanic's lien releases from Tenant's Contractor (as hereinafter defined), complying with the appropriate provisions of California Civil Code Section 3262(d)(2), and copies of conditional mechanic's lien releases from all of Tenant's subcontractors and materialmen which shall comply with the appropriate provisions of California Civil Code Section 3262(d)(1) for the amounts invoiced by Contractor in the applicable payment request; (D) copies of unconditional mechanic's lien releases from all of Tenant's subcontractors and

materialmen, which shall comply with the appropriate provisions of California Civil Code Section 3262(d)(2), for those amounts invoiced by Contractor for payment to such subcontractors or materialmen in the previous payment request; and (E) all other information reasonably requested by Landlord in advance of such request (the foregoing request and related materials are hereinafter sometimes hereinafter referred to as the " **Reimbursement Package** "). Within fifteen (15) days after Landlord has received the Reimbursement Package including all of the required information set forth above, Landlord shall deliver a check to Tenant in an amount equal to the actual monies paid by Tenant to Tenant's Agents with respect to such payment request. Notwithstanding the foregoing, Landlord shall not be obligated to disburse to Tenant the last ten percent (10%) of the Improvement Allowance until the requirements of Section 2.2(b)(ii) have satisfied and Tenant has received a certificate of occupancy for the Premises (the " **Final Reimbursement** ").

(ii) Final Completion . Within thirty (30) days after the Improvements have been completed, Tenant shall deliver to Landlord (A) properly executed mechanics lien releases in compliance with California Civil Code Section 3262(d)(4); and (B) a certificate from the Architect, in a form reasonably acceptable to Landlord, certifying that the construction of the Improvements in the Premises has been substantially completed. Within fifteen (15) days after receiving the foregoing information, Landlord shall reimburse to Tenant any additional costs of constructing the Improvements to the extent not previously paid for in accordance with (i) above.

3. Space Plan and Construction Drawings .

3.1 Space Plan; Tenant's Project Manager . Attached hereto as Exhibit 1 is a space plan that has been prepared by M. Megan Bryan Studio Interiors (the " **Architect** "), which is acceptable to Landlord and Tenant (the " **Space Plan** "). Without limiting any future payments to Architect for the work of designing the improvements, Tenant may use up to $20,270.70 of the unused portion of the Improvement Allowance to reimburse Architect for the Space Plan immediately following the full execution of the Fourth Amendment. Tenant shall provide to Landlord bills, invoices and other information reasonably acceptable to Landlord to document monies paid by Tenant to the Architect from time to time during the design and construction of the Improvements. Additionally, Tenant has retained Ron Sutliff of Integrated Project Management, LLC as Tenant's construction project manager for the Improvements, who shall receive a construction management fee of three percent (3%) of the cost of the Improvements (the " **Project Manager Fee** ," provided that the Project Manager Fee that may be reimbursed from the Improvement Allowance shall not exceed three percent (3%) of the Improvement Allowance). The Project Manager Fee shall be reimbursed from the Improvement Allowance in the amount of three percent (3%) of all other amounts invoiced to Tenant as set forth in each Reimbursement Package, as provided in Section 2.2(b) above.

3.2 Construction Drawings . Tenant shall retain engineering consultants (the " **Engineers** ") that are reasonably acceptable to Landlord to prepare all plans and engineering drawings relating to the structural, mechanical, electrical, plumbing, HVAC, life safety, and sprinkler work in the Premises (exclusive of the Landlord's Work). The plans and specifications to be prepared by Architect and the Engineers hereunder shall be known collectively as the " **Construction Drawings** ." Tenant and Architect shall verify, in the field, the dimensions of the Premises and the conditions at the Premises, and Tenant and Architect shall be solely responsible for the same, and Landlord shall have no responsibility in connection therewith. Landlord shall have the right to approve the Construction Drawings in Landlord's reasonable discretion; provided that Landlord shall either approve or reasonably disapprove and provide the reasons for disapproval in writing to Tenant within ten (10) business days of receiving the Construction Drawings for Landlord's approval, and Landlord's failure to timely deliver such written response to Tenant with either Landlord's approval or its reasons for disapproval shall be deemed to mean that Landlord approves the Construction Drawings without modification. Landlord's review of the Construction Drawings are for its sole benefit and Landlord shall have no liability to Tenant or Tenant's Agents arising out of or based on Landlord's review. Accordingly, notwithstanding that any Construction Drawings are reviewed by Landlord or its space planner, architect, engineers and consultants, and notwithstanding any advice or assistance which may be rendered to Tenant or Tenant's Agents by Landlord or Landlord's space planner, architect, engineers and consultants, Landlord shall have no liability whatsoever in connection therewith and shall not be responsible for any omissions or errors arising therefrom.

3.3 Preparation of Final Construction Drawings . Tenant shall promptly cause the Architect and the Engineers to complete the Construction Drawings which shall be comprised of a fully coordinated set of architectural, structural, mechanical, electrical and plumbing working drawings in a form which will allow Tenant to obtain all applicable permits (collectively, the " **Final Construction Drawings** ") and shall submit three (3) copies of the Final Construction Drawings to Landlord for Landlord's approval, which shall not be unreasonably withheld, conditioned or delayed. Landlord shall advise Tenant in writing, within ten (10) business days after Landlord's receipt of the Final Construction Drawings for the Improvements, if the same are unsatisfactory or incomplete in any respect and the reasons for such determination and changes required to obtain Landlord's approval of the Final Construction Drawings. If Tenant is so advised, Tenant shall promptly revise the Final Construction Drawings to reflect Landlord's comments. Landlord's failure to timely deliver Landlord's written disapproval of the Final Construction Drawings along with its reasons for such disapproval and the changes required for Landlord's approval shall be deemed to mean that Landlord approves the Final Construction Drawings without modification

3.4 Permits and Changes . The Final Construction Drawings shall be approved by Landlord prior to the commencement of construction of the Improvements. After approval by Landlord of the Final Construction Drawings, Tenant shall submit the same to the appropriate governmental agencies in order to obtain all applicable building permits. Tenant hereby agrees that neither Landlord nor Landlord's consultants shall be responsible for obtaining any building permits or a certificate of occupancy for the Premises except as required for Landlord's Work, and that except as required for the Landlord's Work, obtaining the same shall be Tenant's sole responsibility; provided, however, that Landlord shall cooperate with Tenant in executing permit applications and performing other ministerial acts reasonably necessary to enable Tenant to obtain any such permits or certificate of occupancy. Except as required to satisfy the permit requirements of the City of San Diego, no changes, modifications or alterations in the Final Construction Drawings may be made without the prior written consent of Landlord, which consent shall not be unreasonably withheld or delayed.

4. Construction of Tenant Improvements .

4.1 Tenant's Selection of Contractors .

(a) Tenant shall select a qualified general contractor for the Construction of the Improvements (the " **Contractor** "). The Contractor shall be experienced in the construction of tenant improvements similar to the Improvements in similar buildings under similar circumstances. In addition, the Contractor shall be financially solvent and, if reasonably requested by Landlord, shall provide a completion bond for the construction of the Improvements. If Landlord requests a completion bond, such bond will be paid by the Landlord at its sole cost and expense, and not from the Improvement Allowance. Landlord shall have the right to approve the Contractor, in Landlord's reasonable discretion; provided that if Tenant requests Landlord's consent to a list of one or more Contractors to whom Tenant intends to submit the Construction Drawings as part of Tenant's requests for proposals or solicitation of negotiated bids (the " **Contractor List** "), then Tenant may rely upon Landlord's pre-approval of any of the contractors set forth in such Landlord-approved (or deemed approved) Contractor List in retaining the Contractor from such list without separate Landlord approval of the Contractor so selected. If Landlord fails to approve or disapprove any of the contractors on Contractor List within five (5) business days after Tenant provides such list to Landlord, with all of the information Landlord has reasonably requested concerning one or more of the contractors listed on the Contractor List, Landlord shall be deemed to have approved all of the contractors contained on such list from whom the Contractor may be selected by Tenant.

(b) Tenant's Agents . All subcontractors, laborers, materialmen, and suppliers used by Tenant (such subcontractors, laborers, materialmen, and suppliers, along with the Architect, Tenant's Project Manager, Engineers and the Contractor to be known collectively as " **Tenant's Agents** ") shall be subject to Tenant's selection as part of its negotiations with the prospective Contractor for the cost of Improvements. Notwithstanding the forgoing, Landlord shall have the right to designate, at the time of Landlord's approval of the Contractor List those subcontractors which may perform any alterations to the Building's existing electrical, plumbing, life, fire and safety systems and any alterations to the roof (the " **Landlord Designated Subcontractors** "). All of Tenant's Agents shall be properly licensed by the state of California and shall be experienced in performing the work they have agreed to perform in similar

buildings. If Landlord does not designate a person or entity as one of the Landlord Designated Subcontractors within five (5)business days after Tenant provides the Contractor List to Landlord, then Landlord shall not later designate such person or entity as a Landlord Designated Subcontractor.

4.2 Construction of Tenant Improvements by Tenant's Agents .

(a) C onstruction Contract . Prior to Tenant's execution of the construction contract with Contractor (the " **Contract** "), Tenant shall submit the Contract to Landlord for its approval, which approval shall not be unreasonably withheld. Landlord shall approve the Contract, or provide its reasons for disapproval of the Contract, in writing to Tenant within five (5) business days after Landlord receives the Contract from Tenant. Landlord's failure to timely deliver its reasons for disapproving the Contract to Tenant shall be deemed to mean that Landlord approves the Contract without modification

(b) Tenant's Agents .

(i) Indemnity . Tenant's indemnification set forth in the Lease, as amended by the Fourth Amendment, shall also apply with respect to any and all damages, cost, loss or expense (including attorneys fees) related in any way to any act or omission of Tenant or Tenant's Agents, or anyone directly or indirectly employed by any of them, or in connection with Tenant's non-payment of any amount arising out of the Improvements. By way of example, and not limitation, Tenant shall indemnify and defend Landlord from any Damages to the Premises caused by the actions of the persons constructing the Improvements (subject however, to the Landlord's waiver of subrogation and loss or damages covered by landlord's insurance policies contained in Section 14(d) of the Lease).

(ii) Warranty . Each of Tenant's Agents shall guarantee to Tenant and for the benefit of Landlord that the portion of the Improvements for which it is responsible shall be free from any defects in workmanship and materials for a period of not less than one (1) year from the completion of the Improvements. The correction of any defective work shall include, without additional charge, all additional expenses and damages incurred in connection with the removal or replacement of all or any part of the Improvements, and/or any other Building improvements that may be damaged or disturbed thereby. All such warranties or guarantees shall be contained in the Contract or applicable subcontract and shall inure to the benefit of both Landlord and Tenant. Tenant covenants to give to Landlord any assignment or other assurances which may be necessary to effect such right of direct enforcement.

(iii) Insurance Requirements .

(A) General Coverages . All of Tenant's Agents shall carry worker's compensation insurance covering all of their respective employees, and shall also carry public liability insurance, including property damage, all with limits, in form and with companies as are reasonably acceptable to Landlord. Tenant's Agents shall not be entitled to satisfy their insurance obligations through self-insurance.

(B) Special Coverages . Tenant shall carry "Builder's All Risk" insurance in an amount approved by Landlord covering the construction of the Improvements, and such other insurance as Landlord may reasonably require, it being understood and agreed that the Improvements shall be insured by Tenant during the construction period and throughout the term of the Lease, as amended by the Fourth Amendment. Such insurance shall be in amounts and shall include such extended coverage endorsements as may be reasonably required by Landlord. Such insurance shall be subject to reimbursement by Landlord from the Improvement Allowance.

(C) General Terms . Certificates for all insurance carried pursuant to this section shall be delivered to Landlord before the commencement of construction of the Improvements and before any equipment is moved onto the site. All such policies of insurance shall name Landlord and its property manager as an additional insured and must contain a provision that the company writing the policy will give Landlord thirty (30) days prior written notice of any cancellation or lapse of the effective date or any reduction in the amounts of such insurance. In the event that the Improvements are damaged by any cause during the course of the construction thereof, Tenant shall immediately repair the same at Tenant's sole cost and expense. Tenant's Agents shall maintain all of the foregoing insurance coverage in force until all of the Improvements are fully completed. All insurance, except Worker's

Compensation, maintained by Tenant's Agents shall preclude subrogation claims by the insurer against Landlord or Tenant. Such insurance shall provide that it is primary insurance as respects Landlord and that any other insurance maintained by Landlord is excess and noncontributing with the insurance required hereunder. The requirements for the foregoing insurance shall not limit Tenant's indemnification obligations under this Work Letter Agreement.

(c) Compliance With Laws and Other Landlord Requirements . The Improvements shall comply in all respects with the following: (i) all applicable building codes, laws and regulations; (ii) applicable standards of the American Insurance Association (formerly, the National Board of Fire Underwriters); and (iii) building material manufacturer's specifications. In addition, Tenant's Agents shall comply with all of Landlord's rules, regulations and procedures concerning the construction of improvements in the Building and access to the Building as set forth on Exhibit 2 to this Work Letter (collectively, the " **Construction Procedures** "), and if any Tenant Agent fails to comply with the Construction Procedures after Landlord has provided the Tenant Agent with written notice of its non-compliance, Landlord shall have the right to prohibit such Tenant Agent from performing any further work in the Building until such non-compliance is remedied to Landlord's reasonable satisfaction, and Landlord shall have no liability to Tenant due to any interruption of the Tenant's work caused by such prohibition. Tenant's Agents shall not perform any construction work that might reasonably be expected to disturb any tenant on the second floor of the Building during the Normal Building Hours. Tenant and Tenant's Agents shall not have the right, at any time, to disrupt any Building service (e.g., HVAC, electrical, plumbing etc.) to the Common Areas or to another tenant's premises. Tenant and Tenant's Agents shall only store construction materials inside the Premises and Tenant's Agents shall not dispose of their refuse or construction materials in the Project's trash receptacles. Tenant and Tenant's Agents shall take whatever precautions Landlord may reasonably prescribe to protect the Project from damages due to such activities. Tenant shall reimburse Landlord for the cost of repairing any damage to the Project caused by the movement of construction materials and FF&E into the Building (e.g., damage to carpet, walls, doors, elevators etc.).

(d) Inspection by Landlord . Landlord shall have the right to inspect the Improvements at all reasonable times, with advance notice to Tenant and without interfering with the progress of the Tenant's construction work; provided however, that Landlord's inspection of the Improvements shall not constitute Landlord's approval of the Improvements unless Landlord fails to timely disapprove of the Improvements following such inspection. Should Landlord reasonably disapprove any portion of the Improvements, Landlord shall notify Tenant in writing of such disapproval no later than five (5) days following the Landlord's inspection in which such disapproved condition is first disclosed to Landlord, and shall specify in reasonable detail the items disapproved. Any defects in the Improvements timely disapproved by Landlord pursuant to this Section 4.2(d) shall be rectified by Tenant at no expense to Landlord; and any Improvements that Landlord does not timely disapprove following any Landlord inspection shall be deemed approved. Neither Landlord nor any of its employees or agents, nor any property manager, shall have the right to receive any compensation, fee or reimbursement for its costs performing any inspections of the Improvements or in providing any approvals or disapprovals of the Improvements hereunder, or otherwise as a result of the Tenant's construction of the Improvements or the Landlord's performance of the Landlord's Work.

(e) Notice of Non-Responsibility . Not less than ten (10) days prior to the date Tenant intends to first commence construction of the Improvements (and not more than ten (10) days after Landlord's approval or deemed approval of the Contract), Landlord shall have the right to post a notice of non-responsibility at the Premises; provided that Landlord's failure to do so shall not delay Tenant's commencement of the Improvements.

4.3 Notice of Completion; Copy of Record Set of Plans . Within thirty (30) business days after completion of construction of the Improvements, and as a condition to Landlord's Final Reimbursement of the Improvement Allowance, Tenant shall cause a Notice of Completion to be recorded in the office of the County Recorder for the County in which the Premises is located in accordance with Section 3093 of the Civil Code of the State of California or any successor statute, and shall furnish a copy thereof to Landlord upon such recordation. If Tenant fails to do so, Landlord may execute and file the same on behalf of Tenant as Tenant's agent for such purpose, at Tenant's sole cost and expense. At the conclusion of construction, and as a condition to Landlord's Final Reimbursement of the Improvement Allowance, (a) Tenant shall cause the Architect and Contractor (i) to update the Final Construction Drawings as necessary to

reflect all changes made to the Final Construction Drawings during the course of construction, (ii) to certify to the best of their knowledge that the "record-set" of as-built drawings are true and correct and (iii) to deliver to Landlord two (2) sets of copies of such record set of drawings, and (b) Tenant shall deliver to Landlord a copy of all warranties, guaranties, and operating manuals and information relating to the improvements, equipment, and systems in the Premises.

5. Completion . Subject to the performance by Landlord of its obligations with respect to the funding of the Improvement Allowance, Tenant agrees to cause the Improvements to be paid for, at Tenant's sole cost and expense. Tenant shall be primarily obligated to complete the construction of the Improvements, and the failure of Tenant's Agents to perform their obligations with respect to the construction of the Improvements shall not relieve Tenant of its obligation to complete the construction of the Improvements. Tenant acknowledges and agrees that its obligation to pay Basic Rental, Direct Costs and other amounts due under the Lease, as amended by the Fourth Amendment, as of the Extended Term Commencement Date is not conditioned on Tenant's completion of the Improvements prior to the Extended Term Commencement Date or at any other time. Consequently, Tenant shall be obligated to pay Basic Rental, Direct Costs, utilities and other amounts due under the Lease, as amended by the Fourth Amendment, from and after the Extended Term Commencement Date, even though Tenant is unable to occupy or use the Premises on the Extended Term Commencement Date due to its failure to complete the Improvements on or before the Extended Term Commencement Date. Tenant acknowledges that Tenant's Agents will construct the Improvements while Tenant occupies the Premises, that the construction of the Improvements will prevent Tenant from using all or part of the Premises from time to time and that the construction of the Improvements will create noise dust and debris that will interfere with Tenant's use of the Premises. Tenant acknowledges and agrees that it shall have no right to any abatement of rent or to recover any other damages from Landlord due to its inability to use the all or portions of the Premises while the Improvements are being completed or due to interference with its business operations caused by such construction.

6. Miscellaneous .

6.1 Tenant's Representative . Tenant has designated the Tenant's Project Manager as its sole representative with respect to the matters set forth in this Work Letter Agreement, and, until further notice to Landlord, Tenant's representative shall have full authority and responsibility to act on behalf of the Tenant as required in this Work Letter Agreement.

6.2 Landlord's Representative . Landlord has designated Sandy Shelton as its sole representative with respect to the matters set forth in this Work Letter Agreement, and until further notice to Tenant, Landlord's representative shall have full authority and responsibility to act on behalf of the Landlord as required in this Work Letter Agreement.

6.3 Time of the Essence . Unless otherwise indicated, all references herein to a " **number of days** " shall mean and refer to calendar days. If any item requiring approval is timely disapproved by Landlord, the procedure for preparation of the document and approval thereof shall be repeated until the document is approved by Landlord.

6.4 Tenant's Default . Notwithstanding any provision to the contrary contained in the Lease, as amended by the Fourth Amendment, if Tenant commits a default as defined in Article 19 of the Original Lease, and fails to cure such default during the applicable cure period, if any, then, in addition to all other rights and remedies granted to Landlord pursuant to the Lease, Landlord shall have the right to withhold payment of all or any portion of the Improvement Allowance, and (b) Landlord shall have no other obligations under the terms of this Work Letter Agreement, until such time as such default is cured pursuant to the terms of the Lease. The failure of Tenant to perform any of its obligations under this Work Letter Agreement shall constitute a default under Article 19(b) of the Original Lease.

6.5 Incorporation . Unless otherwise defined herein, capitalized terms included in this Work Letter Agreement shall have the same meaning as capitalized terms included in the Lease.

Exhibit 1 to Work Letter Agreement

(Space Plan)

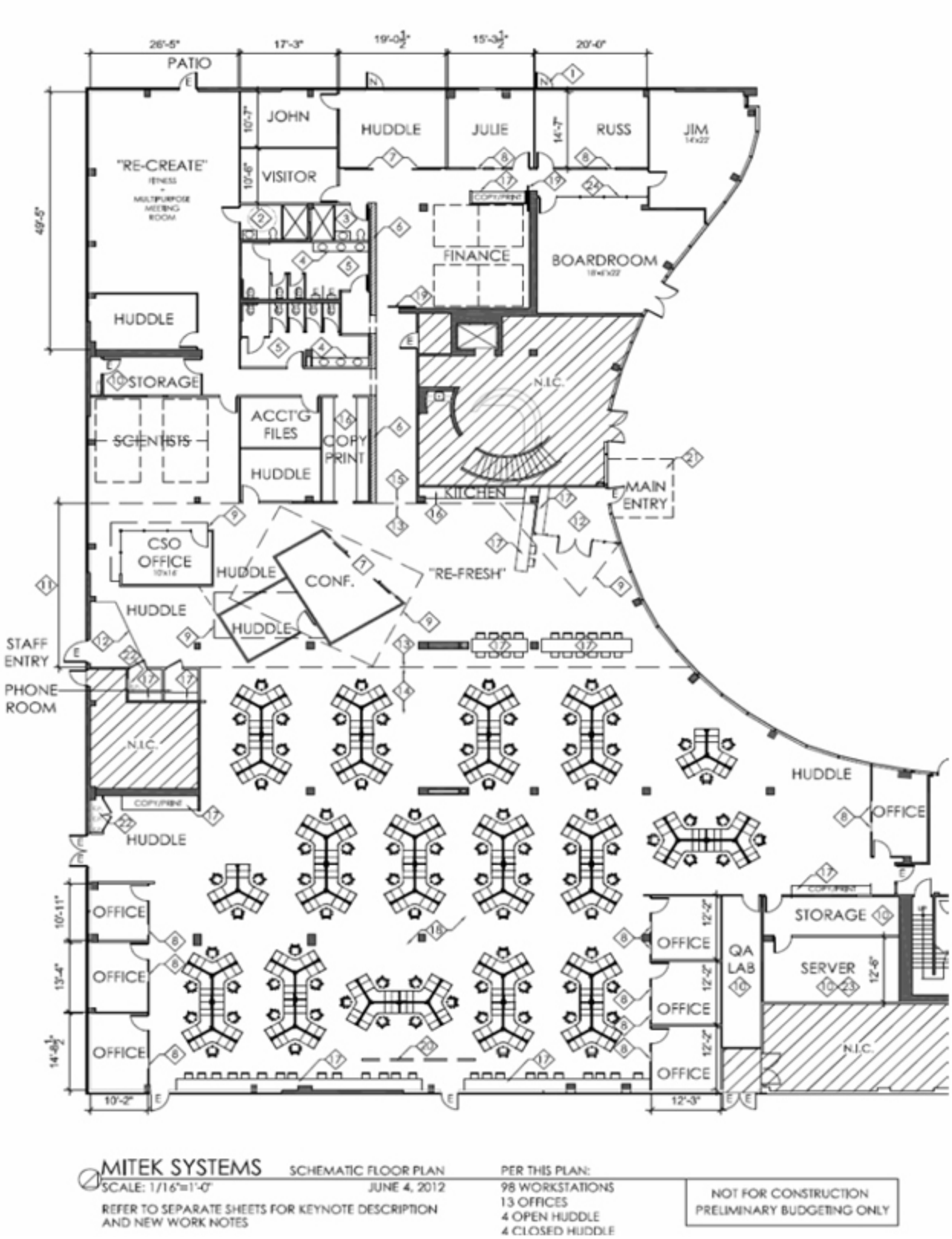

Exhibit 2 to Work Letter Agreement

(Construction Procedures)

Balboa Corporate Center

Construction Rules & Regulations

1 Contractor and all Subcontractors shall abide by these Owner's Construction Rules & Regulations at all times.

2 When performing any construction activities, Contractor will be responsible for its Subcontractors and/or vendors actions and will reimburse Owner for any damage caused by Contractor's vendors.

3 Contractor and its Subcontractors and vendors shall hold valid state and local licenses for the type of work to be done. Evidence of such shall be provided to the Owner upon request.

4 Contractor and all its Subcontractors and Vendors must be pre-approved by Owner prior to commencing any construction activities.

5 Contractor must provide a valid insurance certificate in accordance with Owner's insurance requirements prior to commencing any construction activities.

6 Design Build Subcontractor, Space Planner, Engineers and Consultants must provide Owner and Manager with Professional Liability errors and omissions insurance with a limit not less than $1,000,000 prior to commencing any design activities (Architect policy shall have a limit of not less than $250,000).

7 Within three days of notice to proceed, Contractor shall submit a detailed construction schedule that will address principal categories of work, the order the work is being done and the commencement and completion dates for each category.

8 Work involving fire sprinklers, fire alarm systems, electric panel construction, plumbing connections, admittance to telephone room, electrical rooms or entrance to tenant suites shall be coordinated through the Management Office.

9 Contractor shall be responsible for replacing any existing ceiling tile removed to facilitate Contractor's construction of the Work.

10 Construction materials shall only be moved into and out of the Premises and debris shall only be removed from the Premises using the back exterior entrances to the Premises. (not through the lobby or any interior common areas.)

11 Utmost consideration will be given to the building tenants. Any activities that promote dust, odors or loud noises such as pounding, core drilling, stud shooting, etc., which becomes disruptive to any tenant must be performed only between the hours of 5:00 pm and 8:00 am Monday through Friday and anytime Saturday and Sunday.

12 The common area corridors, lobbies, and restrooms shall be kept clean at all times. Any construction related dirt, dust, paint, spackle, spills or damage shall be cleaned up immediately. Electrical and telephone rooms shall not be used for storage of materials or for discarding any debris. All electrical and telephone rooms are to be kept locked at all times. Construction areas shall be maintained in safe working order. Trash shall be gathered daily and removed from the premises. Use of the building's or other contractor's trash containers are not allowed without prior permission. The location of trash containers provided by contractor shall require prior approval.

13 Use of radios, walkman, cigarette smoking, drug use and profanity is strictly prohibited at all times.

14 Contractors will be provided parking in specific areas of the property.

15 Restricted parking zones at or around the building must be observed.

16 Contractor must guarantee all materials and equipment to be new (unless specified otherwise), to be of good workmanship and quality, free of faults and defects for one year from the date of substantial completion.

17 All roof penetrations must be repaired by a roofing subcontractor, pre-qualified and approved by Owner or Manager. Owner hereby approves the use of Owner’s roofing contractor.

18 Contractor shall not post any signage on the building or at the project. Any notices pursuant to requirements of a governmental agency or Contractor’s site policies and Safety Information shall be posted within the area under construction.

Exhibit F

(Building Sign Location)

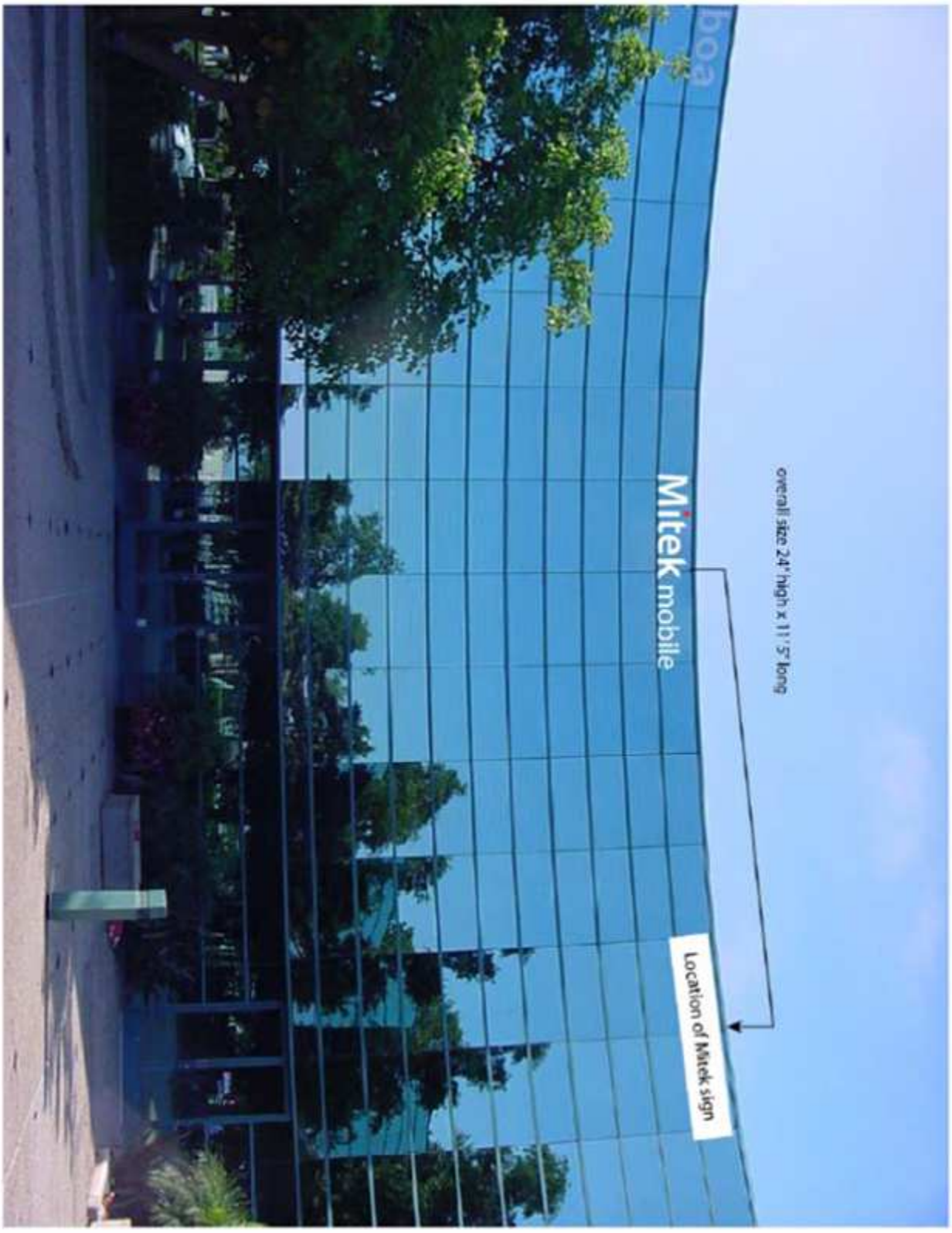

Exhibit A

(Depiction of Expansion Space)

Exhibit 23.1

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 7, 2012, relating to the financial statements of Mitek Systems, Inc. as of and for the year ended September 30, 2012, included in this Annual Report on Form 10-K for the year ended September 30, 2012.

/s/ Mayer Hoffman McCann P.C.

San Diego, California
December 7, 2012

Exhibit 31.1

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 7, 2012

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

Exhibit 31.2

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 7, 2012

/s/ Russell C. Clark

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

Exhibit 32.1

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, 2012 (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 7, 2012

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

Date: December 7, 2012

/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.