SECURITIES AND EXCHANGE COMMISSION
Washington, DC. 20549

FORM 10-Q

(Mark One)

[x] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended MARCH 31, 1998 or

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission file number 0-15235

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

DELAWARE	87-0418827
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

10070 CARROLL CANYON ROAD, SAN DIEGO, CALIFORNIA	92131
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (619) 635-5900

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No .

There were 11,552,376 shares outstanding of the registrant's Common Stock as of May 7, 1998.

PART I: FINANCIAL INFORMATION
MITEK SYSTEMS, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 1998	September 30, 1997
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 993,696	$ 1,261,117
Accounts receivable-net	1,898,459	2,363,028
Note receivable	466,940	502,031
Inventories-net	203,846	415,973
Prepaid expenses and other assets	103,879	151,705
Total current assets	3,666,820	4,693,854
PROPERTY AND EQUIPMENT-at cost	1,164,686	1,150,122
Less accumulated depreciation and amortization	986,850	945,109
Property and equipment-net	177,836	205,013
OTHER ASSETS	1,530,904	2,289,428
TOTAL	$ 5,375,560	$ 7,188,295
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 484,019	485,855
Accrued payroll and related taxes	251,582	272,603
Other accrued liabilities	643,047	652,440
Current portion of long-term liabilities	281	4,706
Total current liabilities	1,378,929	1,415,604
LONG-TERM LIABILITIES	48,027	21,761
Total liabilities	1,426,956	1,437,365
COMMITMENTS (NOTE F)		
STOCKHOLDERS' EQUITY:		
Preferred stock - $.001 par value; 1,000,000 shares authorized; no shares issued and outstanding		
Common stock - $.001 par value; 20,000,000 shares authorized; 11,552,376 and 11,537,009 issued and outstanding, respectively	11,552	11,537
Additional paid-in capital	9,178,097	9,164,589
Accumulated deficit	(5,241,045)	(3,425,196)
Total stockholders' equity	3,948,604	5,750,930
TOTAL	$ 5,375,560	$ 7,188,295

See notes to consolidated financial statements

MITEK SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	THREE MONTHS ENDED March 31,		SIX MONTHS ENDED March 31,	
	1998	1997	1998	1997
NET SALES	$ 1,481,837	$ 1,875,247	$ 2,787,766	$ 2,976,179
COST OF GOODS SOLD	637,910	481,227	1,236,220	882,220
GROSS MARGIN	843,927	1,394,020	1,551,546	2,093,959
COSTS AND EXPENSES:				
General and administrative	321,376	372,289	699,812	675,204
Research and development	312,448	320,336	765,046	624,532
Selling and marketing	448,157	509,479	986,599	935,090
Other charges (Note C)	0	0	988,549	0
Interest income - net	(17,117)	(35,678)	(38,354)	(49,301)
Total costs and expenses	1,064,864	1,166,426	3,401,652	2,185,525
INCOME (LOSS) BEFORE INCOME TAXES	(220,937)	227,594	(1,850,106)	(91,566)
OTHER INCOME (Note D)	34,256	0	34,256	0
INCOME TAX EXPENSE (BENEFIT)	0	22,843	0	(9,157)
NET INCOME (LOSS)	$ (186,681)	$ 204,751	$ (1,815,850)	$ (82,409)
NET INCOME (LOSS) PER SHARE - BASIC	$ (.02)	$ .02	$ (.16)	$ (.01)
NET INCOME (LOSS) PER SHARE - DILUTED	$ (.02)	$ .02	$ (.16)	$ (.01)
WEIGHTED AVERAGE COMMON SHARES - BASIC	11,552,376	10,080,228	11,546,333	9,382,300
WEIGHED AVERAGE COMMON SHARES - DILUTED	11,552,376	10,346,584	11,546,333	9,382,300

See notes to consolidated financial statements.

Mitek Systems, Inc.
Consolidated Statements of Cash Flows

	SIX MONTHS ENDED MAR. 31,	
	1998	1997
OPERATING ACTIVITIES:		
Net income (loss)	$ (1,815,850)	$ (82,409)
Gain on sale of Fax business	(34,256)	
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	278,933	210,462
Loss on disposal of property	2,423	
Asset impairment	489,000	
Changes in assets and liabilities:		
Accounts & notes receivable	499,660	(762,203)
Inventory, prepaid expense and other assets	25,679	102,371
Accounts payable and accrued expenses	(99,839)	(406,347)
Net cash used in operating activities	(654,250)	(938,126)
INVESTING ACTIVITIES:		
Purchases of property and equipment	(42,269)	(89,488)
Proceeds from sale of Fax business	420,000	
Net cash provided by investing activities	377,731	(89,488)
FINANCING ACTIVITIES:		
Proceeds from borrowings		150,000
Repayment of notes payable and long-term liabilities	(4,425)	(154,714)
Proceeds from exercise of stock options and warrants	13,523	68,722
Net proceeds from sales of stock		4,244,098
Net cash provided by financing activities	9,098	4,308,106
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(267,421)	3,280,492
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,261,117	210,413
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 993,696	$ 3,490,905

MITEK SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS

A. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and, therefore, do not include all information and footnote disclosures that are otherwise required by Regulation S-X and that will normally be made in the Company's Annual Report on Form 10-K. The financial statements do, however, reflect all adjustments (solely of a normal recurring nature) which are, in the opinion of management, necessary for a fair statement of the results of the interim periods presented.

Results for the three and six months ended March 31, 1998 and 1997 are not necessarily indicative of results which may be reported for any other interim period or for the year as a whole.

B. Inventories

Inventories are summarized as follows:

	MARCH 31, 1998	SEPTEMBER 30, 1997
Raw materials	$ 59,283	$ 75,082
Work in process	0	0
Finished goods	144,563	340,891
Total	$ 203,846	$ 415,973

Inventories are recorded at the lower of cost (on the first-in, first-out basis) or market.

C. Other Charges

Totaling $989,000, consists of several charges to operations. The charges consist of the following components:

Goodwill impairment -In June, 1997 the Company purchased substantially all of the assets of Technology Solutions, Inc., a software developer and solution provider of document image processing systems. One of the key employees of the Company, a former principle of Technology Solutions, Inc., opted to resign his employment. The unexpected departure, in the opinion of management, could detrimentally impact the future cash flows of the Company. The Company determined the fair value of the goodwill by evaluating the expected future net cash flows (undiscounted and without interest charges), in accordance with FAS 121, ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS AND FOR LONG-LIVED ASSETS TO BE DISPOSED OF. The evaluation indicates the carrying value of the goodwill exceeded the fair value, resulting in an impairment loss of $293,000.

License Fee impairment - In April, 1997 the Company entered into an exclusive software licensing agreement with Parascript LLC. In December, 1997, Parascript notified the Company of its dissatisfaction with the Company's progress in marketing the software affected by the license agreement, along with assertion that the Company had committed material breach of contract. The Company has strongly and vigorously denied the claims. A proposed solution to the dispute by Parascript included converting the Company's exclusive to a non-exclusive software license. In addition, the Company over-estimated the availability and the performance of the product and anticipated prices for the software affected by the agreement. The adversarial condition of the relationship coupled with the decreased expectations, in the opinion of management, will detrimentally impact the future cash flows of the Company. The Company determined the fair value of the goodwill represented by the license fee paid for the exclusive license by evaluating the expected future net cash flows (undiscounted and without interest charges), in accordance with FAS 121, ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS AND FOR LONG-LIVED ASSETS TO BE DISPOSED OF. The evaluation indicates the carrying value of the goodwill exceeded the fair value, resulting in an impairment loss of $196,000.

The Company believes that as a result of continuing discussions with Parascript, the Company and Parascript will be able to work together in a

positive manner, eliminating the need for recording any further reserve for this situation at this time.

The Company was sued earlier this year for wrongful termination by two former employees of its Canadian subsidiary. The Company has strongly defended the action. The former employees obtained a bench order requiring the amount of the dispute to be deposited in escrow pending the outcome of the case. In the opinion of management, the actions of the Canadian court indicate a high likelihood of an adverse decision, which necessitated the recording of a reserve in the amount of $134,000, plus costs, equaling a reserve of $142,000. The Company is presently in settlement negotiations and believes that a settlement of this dispute will be achieved which will have no material effect on the Company.

In December, 1997, the Company entered into an employment agreement with Mr. Elliot Wassarman (see footnote G. - Subsequent events). The agreement included the commitment of the Company to pay certain recruitment and relocation costs aggregating $166,000.

The Company has traditionally sold its QuickStrokes Application Programmer Interface products with various acceleration hardware boards. Decreasing prices coupled with the higher speeds of general hardware have rapidly altered the market need for these acceleration boards. The largest customer utilizing these acceleration boards has informed the Company of its intent to discontinue the offering of these products in the domestic market. As a result, the Company has recorded a reserve for inventory obsolescence in the amount of $200,000.

D. Sale of Fax business

On January 30, 1998, the Company sold its Fax Products assets in a cash transaction, resulting in a gain of $34,000. The gross proceeds of the sale were $420,000 in cash, offset by the carrying value of the assets sold ($308,000) and costs related to the transaction ($78,000).

E. Net Income (Loss) Per Share

The Company calculates net income (loss) per share in accordance with SFAS No. 128, "Earnings per Share" .Net income (loss) per share-basic is based on the weighted average number of common shares outstanding during the period. Net income (loss) per share-diluted is based on the weighted average number of common shares in the period and takes into account the common equivalents affect of outstanding stock options and warrants (common equivalents) using the treasury stock method when the affect is dilutive

F. Commitments

The Company has signed an agreement to sub-lease approximately 8,824 square feet of office space adjacent to its primary offices, effective May 1, 1998 through June 30, 2002. The sub-lease will result in reduction of rent expense to the Company in the amount of $455,645 over the term of the agreement.

G. Option Repricing

During the first quarter the Company undertook an option repricing program in which employees could elect to have their options repriced at an exercise price of $.89. There were a total number of 762,052 options repriced under this program.

H. Restructure

The Company entered into an Employment Agreement with Mr. Elliot Wassarman, effective as of January 5, 1998. Pursuant to the Agreement, Mr. Wassarman will serve as President and Chief Executive Officer of the Company for a base salary of $220,000. In addition to base salary, Mr. Wassarman is entitled to participate in the Executive and Key Employee Bonus Plan. In the event that the Company terminates Mr. Wassarman's employment under certain circumstances, Mr. Wassarman will receive a severance payment equal to six months salary, payable over a six month period of time, and continuation of certain employee benefits. In addition, the Company has entered into a Nonqualified Stock Option Agreement with Mr. Wassarman providing him options to acquire up to 800,000 shares of the Company's common stock at $1.25 per share, subject to certain vesting requirements. Of such options, 550,000 vest on a monthly basis at the rate of 15,278 per month for each month Mr. Wassarman remains in the employ of the Company. Upon change in control of the Company, the unvested portion of the 550,000 options will vest immediately, and Mr. Wassarman will be eligible to receive up to an additional 250,000 vested options.

In mid-February, 1998, the Company executed a plan of operations restructure, which included a realignment of the Company's expense structure, including expense and personnel reductions. The costs and expenses of the restructure totaled $19,600.

I. Legal Matter

Recently the Company was sued for $1 million by one if its system integrator customers, Adaptive Solutions, Inc. In its suit, Adaptive Solutions, Inc. charged the Company with breach of contract. The Company has consulted its counsel, has adamantly denied the assertions of Adaptive Solutions, Inc. and is vigorously defending the suit. As a result of discussions between the parties and their respective counsel, there have been

ongoing settlement negotiations with Adaptive Solutions, Inc.. The Company believes it has a strong defense and that the matter will be settled amicably, and without material impact on the Company. Therefore, no reserves have been recorded at this time for this claim.

MANAGEMENTS' DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

MANAGEMENT'S DISCUSSION

The following cautionary statements are made pursuant to the Private Securities Litigation Reform Act of 1995 in order for the Company to avail itself on the "safe harbor" provisions of that Act. The discussion and information in Managements' Discussion and Analysis of Financial Condition and Result of Operations (the "MD&A") may contain both historical and forward-looking statements. To the extent that MD&A contains forward-looking statements regarding the financial condition, operating results, business prospects or any other aspect of the Company, please be advised that the Company's actual financial condition, operating results and business performance may differ materially from that projected or estimated by the Company in forward-looking statements. The Company has attempted to identify, in context, certain of the factors that it currently believes may cause actual future experience and results to differ from the Company's current expectations. The difference may be caused by a variety of factors, including but not limited to adverse economic conditions, general decreases in demand for Company products and services, intense competition, including entry of new competitors, increased or adverse federal, state and local government regulation, inadequate capital, unexpected costs, lower revenues and net income than forecast, price increases for supplies, inability to raise prices, the risk of litigation and administrative proceedings involving the Company and its employees, higher than anticipated labor costs, the possible fluctuation and volatility of the Company's operating results and financial condition, adverse publicity and news coverage, inability to carry out marketing and sales plans, loss of key executives, changes in interest rates, inflationary factors, and other specific risks that may be alluded to in this MD&A.

In the three months ended March 31, 1998, with improvements over its planned revenues and expenses, along with improvements in operating efficiencies, the Company improved its financial results compared to the first quarter results of fiscal 1998. For the three months ended March 31, 1998, there was a net loss of $187,000 or $.02 per share, compared to a net loss of $1,629,000 or $.14 per share in the first quarter. For the six months ended March 31, 1998, the Company had a net loss of $1,816,000 or $.16 per share, compared to a net loss of $82,000 or $.01 per share for the same period in 1997.

In the three months ended March 31, 1998, revenues were $1,482,000, an improvement over the Company's forecast of $1.3 million, and a 13.5% increase over the first quarter revenues of $1,306,000. Gross margin for the quarter ended March 31, 1998 increased by 19% and expenses decreased by 52% ($1.1 million in the second quarter compared to $2.3 million in the first quarter) compared to the first quarter of fiscal 1998. Additionally, the Company decreased second quarter loss before taxes by $1,408,000 over the first quarter.

The Company's cash flow for the second quarter of fiscal 1998 improved significantly compared to the first quarter, and at March 31, 1998 had $1 million in cash and cash equivalents, plus an unused credit facility of $400,000. The Company is in the process of establishing an increase in its credit facility.

The Company is pleased that it has outperformed its second quarter forecast announced at the Annual Meeting in February, and feels cautiously optimistic that this trend will continue as the Company continues to execute its turn around plan. The Company is cautiously optimistic that it will break even in its third quarter, period ending June 30, 1998, and show a modest profit in the fourth quarter ending September 30, 1998. These improvements will come as the result of increased sales, improved trade receivables collection management, the organization and product related improvements made by the Company in the first and second quarters, and the planned actions in the coming quarters.

In addition to establishing an increase to its credit facility, the Company is reorganizing its executive staff around its core competencies, including the recruitment of industry knowledgeable executives to help drive the Company's growth. The Company plans to introduce two new products in the third quarter (PFP Pro-TM-, a 32-bit distributed network forms procession solution, and QuickFX-TM-, a Microsoft NT based leading edge technology image pre-processing tool set). Plus, the Company has released a new version of its industry leading QuickStrokes-TM- software. We believe these new products, along with our leading edge QuickModules product line, integration services, and our CheckScript-TM- offering will allow the Company to enter new vertical markets that are larger in potential than our existing markets,

while remaining focused on its core competencies.

ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS:

Comparison of Three Months and Six Months Ended March 31, 1998 and 1997

NET SALES. Net sales for the three month period ended March 31, 1998 were $1,482,000, compared to $1,875,000 for the same period in 1997, a decrease of $393,000 or 21%. Net sales for the sixth month period ended March 31, 1998 were $2,788,000, compared to $2,976,000 for the same period in 1997, a decrease of $188,000 or 6%. The decrease in both periods were attributed to delay in orders from OEM's and integrators.

GROSS MARGIN. Gross margins for the three month period ended March 31, 1998 were $844,000, compared to $1,394,000 for the same period in 1997, a decrease of $550,000 or 39%. Stated as a percentage of net sales,

gross margins decreased to 57% for the three month period ended March 31, 1998 compared to 74% for the same period in 1997. Gross margins for the six month period ended March 31, 1998 were $1,552,000, compared to $2,094,000 for the same period in 1997, a decrease of $542,000 or 26%. Stated as a percentage of net sales, gross margins decreased to 56% for the sixth month period ended March 31, 1998, compared to 70% for the same period in 1997. The changes in both periods were primarily the result of product mix, combined with reduced revenues.

GENERAL AND ADMINISTRATIVE. General and administrative expenses for the three month period ended March 31, 1998 were $321,000, compared to $372,000 for the same period ended in 1997, a decrease of $51,000 or 14%. The decrease in expenses for the three month period were attributed to reduction in travel, recruitment costs and regulatory fees. Stated as a percentage of net sales, general and administrative expenses increased to 22% for the three month period ended March 31, 1998, compared to 20% for the same period in 1997. General and administrative expenses for the sixth month period ended March 31, 1998 were $700,000, compared to $675,000 for the same period in 1997, an increase of $25,000 or 4%. Stated as a percentage of net sales, general and administrative expenses increased to 25% the six month period ended March 31, 1998, compared to 23% for the same period in 1997. The increase in expenses for the six month period were primarily attributable to bad debt expense. The increase as a percentage of net sales for the three month and six month periods were primarily attributable to the decline in revenues.

RESEARCH AND DEVELOPMENT. Research and development expenses for the three month period ended March 31, 1998 were $312,000, compared to $320,000 for the same period ended in 1997, a decrease of $8,000 or 3%. The reduction in expenses are the result of engineering staff reductions and the elimination of certain engineering projects. Stated as a percentage of net sales, research and development expenses increased to 21% for the three month period ended March 31, 1998, compared to 17% for the same period in 1997 and were the result of the decline in revenues. Research and development expenses for the sixth month period ended March 31, 1998 were $765,000, compared to $625,000 for the same period ended in 1997, an increase of $140,000 or 22%. Stated as a percentage of net sales, research and development expenses increased to 27% for the sixth month period ended March 31, 1998, compared to 21% for the same period in 1997. The increase in expense and the increase in the percentage of net sales for the six month period were primarily attributable to new product development of solutions products, the result of the Technology Solutions, Inc. acquisition in June, 1997, and a decline in revenues.

SELLING AND MARKETING. Selling and marketing expenses for the three month period ended March 31, 1998 were $448,000, compared to $510,000 for the same period in 1997, a decrease of $62,000 or 12%. Stated as a percentage of net sales, selling and marketing expenses increased to 30% for the three month period ended March 31, 1998, compared to 27% for the same period in 1997. Selling and marketing expenses for the sixth month period ended March 31, 1998 were $987,000, compared to $935,000 for the same period in 1997, an increase of $52,000 or 6%. Stated as a percentage of net sales, selling and marketing expenses increased to 35% for the sixth month period ended March 31, 1998, compared to 31% for the same period in 1997. The increase in expenses for the six month period is primarily related to the increase in product promotion expenses, while the increase to the percentage of net sales relate to the decline in revenues.

OTHER CHARGES. For the sixth month period ended March 31, 1998, other charges totaling $989,000, consist of several non-recurring charges to operations. The charges consist of the following components:

Goodwill impairment -In June, 1997 the Company purchased substantially all of the assets of Technology Solutions, Inc., a software developer and solution provider of document image processing systems. One of the key employees of the Company, a former principle of Technology Solutions, Inc., opted to resign his employment. The unexpected departure, in the opinion of management, will detrimentally impact the future cash flows of the Company. The Company determined the fair value of the goodwill by evaluating the expected future net cash flows (undiscounted and without interest charges), in accordance with FAS 121, ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS AND FOR LONG-LIVED ASSETS TO BE DISPOSED OF. The evaluation indicates the carrying value of the goodwill exceeded its fair value, resulting in an impairment loss of $293,000.

License Fee impairment - In April, 1997 the Company entered into an exclusive software licensing agreement with Parascript LLC. In December, 1997, Parascript notified the Company of its dissatisfaction with the Company's progress in marketing the software affected by the license agreement, along with assertion that the Company had committed material breach of contract. The Company has strongly and vigorously denied the claims. A proposed solution to

the dispute by Parascript included converting the Company's exclusive to a non-exclusive software license. In addition, the Company over-estimated the availability and the performance of the product and anticipated prices for the software affected by the agreement. The adversarial condition of the relationship coupled with the decreased expectations, in the opinion of management, will detrimentally impact the future cash flows of the Company. The Company determined the fair value of the goodwill represented by the license fee paid for the exclusive license by evaluating the expected future net cash flows (undiscounted and without interest charges), in accordance with FAS 121, ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS AND FOR LONG-LIVED ASSETS TO BE DISPOSED OF. The evaluation indicates the carrying value of the goodwill exceeded the fair value, resulting in an impairment loss of $196,000.

The Company believes that as a result of continuing discussions with Parascript, the Company and Parascript will be able to work together in a positive manner, eliminating the need for recording any further reserve for this situation.

The Company was sued earlier this year for wrongful termination by two former employees of its Canadian subsidiary. The Company has strongly defended the action. The former employees obtained a bench order requiring

the amount of the dispute to be deposited in escrow pending the outcome of the case. In the opinion of management, the actions of the Canadian court indicate a high likelihood of an adverse decision, which necessitated the recording of a reserve in the amount of $134,000, plus costs, equaling a reserve of $142,000. The Company is presently in settlement negotiations and believes that a settlement of this dispute will be achieved which will have no material effect on the Company.

Recently the Company was sued for $1 million by one if its system integrator customers, Adaptive Solutions, Inc. In its suit, Adaptive Solutions, Inc. charged the Company with breach of contract. The Company has consulted its counsel, and has adamantly denied the assertions of Adaptive Solutions, Inc. and is vigorously defending the suit. As a result of discussions between the parties and their respective counsel, there have been ongoing settlement negotiations with Adaptive Solutions, Inc.. The Company believes it has a strong defense and that the matter will be settled amicably, and without material impact on the Company. Therefore, no reserves have been recorded at this time for this lawsuit claim.

In December, 1997, the Company entered into an employment agreement with Mr. Elliot Wassarman (see footnote H. - Restructure). The agreement included the commitment of the Company to pay certain recruitment and relocation costs aggregating $166,000.

The Company has traditionally sold its QuickStrokes Application Programmer Interface products with various acceleration hardware boards. Decreasing prices coupled with the higher speeds of general hardware have rapidly altered the market need for these acceleration boards. The largest customer utilizing these acceleration boards has informed the Company of its intent to discontinue the offering of these products in the domestic market. As a result, the Company has recorded a reserve for inventory obsolescence in the amount of $200,000.

INTEREST INCOME. Interest income for the three month period ended March 31,1998 was $17,000, compared to interest income of $36,000 for the same period in 1997, a decrease of $19,000 or 53%. Interest income for the sixth month period ended March 31, 1998 was $38,000, compared to interest income of $49,000 for the same period in 1997, a decrease of $11,000 or 22%. Interest income was generated from invested funds received from the secondary public offering in the quarter ended December 31, 1996, combined with no bank borrowings in the quarters ended March 31, 1998 and 1997. The decline in interest income in both periods reflect the use of invested funds.

OTHER INCOME. Other income for the three month period ended March 31, 1998, reflects the net sale of the company's Fax Products on January 30, 1998. The Company received $420,000 in cash proceeds which was offset by the carrying value of the assets sold ($308,000) and costs related to the transaction ($78,000). (Note D).

INCOME TAX EXPENSE (BENEFIT). For the quarters ended March 31, 1998 and 1997, the provision for income tax benefit or expense for federal and state income taxes is based on the estimated effective tax rates applied to year to date loss or income before income tax and projected utilization of tax credits from prior periods.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 1998, stockholders' equity was $3,949,000, a decrease of $1,802,000 from September 30, 1997. The Company's working capital and current ratio was $2,288,000 and 2.66 to 1 at March 31, 1998, compared to $3,278,000 and 3.32 to 1 at September 30, 1997, respectively.

At March 31, 1998, the total liabilities to equity ratio was .36 to 1 compared to .25 to 1 at September 30, 1997. As of March 31, 1998, the Company's total liabilities were $10,000 less than September 30, 1997.

Components of working capital with significant changes during the six months ended March 31, 1998 were: Cash, Inventory and Accounts Payable. Compared to September 30, 1997, the components changed as follows:

Cash and Cash Equivalents - Decreased $267,000 as compared to September 30, 1997, which reflects the increases in operating costs and expenses. However, cash remained strong with cash on hand of $994,000 at March 31, 1998, which does not include $400,000 in credit facility availability.

Accounts Receivable - Decreased $465,000 as compared to September 30, 1997 because of cash receipts on the current portion of receivables.

Inventory-net - Decreased $212,000 because of reserves recognition in the amount of $200,000 as stated in the MD&A under Other Charges, while gross inventory decreased $12,000.

Other Assets - Decreased by $759,000 primarily because of revaluation of goodwill and license fees (see Note C).

In March, 1996, the Company established a $400,000 line of credit with Rancho Santa Fe Bank ("Bank") for working capital purposes. Borrowings under this line bear interest at the rate of 1 1/2% over the Bank's Prime Rate and the line of credit expires on May 6, 1998. The company has requested and expects the Bank to extend and increase the credit line and add a capital equipment lease line. The line of credit is secured by a lien on substantially all of the Company's assets. There were no borrowings against the line of credit on March 31, 1998.

The Company believes that together with existing cash, credit available under the extended credit line, and cash generated from operations, funds will be sufficient to finance its operation for the next twelve months.

PART II - OTHER INFORMATION

Item 4. The annual meeting of stockholders was held on February 11, 1998. Brought to vote were the election of Directors for the ensuing year. With 88.20% of shares represented at the meeting, the following were elected to the Board of Directors: John M. Thornton, Chairman, Elliot Wassarman, Daniel E. Steimle, James B. DeBello, Gerald I. Farmer and Sally B. Thornton.

Also voted on, and approved, was the appointment of Deloitte & Touche LLP as the Company's 1998 auditors.

Immediately following the annual meeting of stockholders, an organizational meeting of the Board of Directors of the Corporation was held to elect officers of the Corporation for the coming year. The following persons were elected: John M. Thornton, Chairman of the Board; Elliot Wassarman, President and Chief Executive Officer; John M. Thornton, Chief Financial Officer; Barbara Hurlstone, Secretary.

Item 6. Exhibits and Reports on Form 8-K

a. The exhibits are on Form 8-K: None

b. Reports on Form 8-K: Filed on January 6, 1998 - Appointment of Elliot Wassarman as Chief Executive Officer and President, and Director of the Company. Resignation of John F. Kessler from the position of Chief Executive Officer and President, and Director, and the appointment of John F. Kessler to the position of Chief Financial Officer.

SIGNATURES

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

MITEK SYSTEMS, INC.
(Registrant)

Date: May 7, 1998

Elliot Wassarman, President and
Chief Executive Officer

Date: May 7, 1998

John M. Thornton
Chairman

3-MOS
SEP-30-1998
JAN-01-1998
MAR-31-1998
993,696
0
2,598,186
232,787
203,846
3,666,820
1,164,686
986,850
5,375,560
1,378,929
48,027
0
0
11,552
0
5,375,560
1,481,837
1,481,837
637,910
1,081,981
(34,256)
0
(17,117)
(186,681)
0
(186,681)
0
0
0
(186,681)
(.02)
(.02)