SOFTECH INC
Form POS AM
September 30, 2015

**As filed with the Securities and Exchange Commission on September __, 2015**

**Registration No. 333-174818**

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**POST-EFFECTIVE AMENDMENT NO. 4 TO**

**FORM S-1**

**REGISTRATION STATEMENT UNDER**

**THE SECURITIES ACT OF 1933**

**SOFTECH, INC.**

*(Exact name of registrant as specified in its charter)*

| **Massachusetts** | **7373** | **04-2453033** |
|---|---|---|
| *(State or other jurisdiction of incorporation or organization)* | *(Primary Standard Industrial Classification Code Number)* | *(I.R.S. Employer Identification No.)* |

**SofTech, Inc.**

**650 Suffolk Street, Suite 415**

**Lowell, MA 01854**

**978-513-2700**

*(Address, including zip code, and telephone number, including area code,*

*of registrant s principal executive offices)*

**Joseph P. Mullaney**

**President & Chief Executive Officer**
**SofTech, Inc.**

**650 Suffolk Street, Suite 415**

**Lowell, MA 01854**

**978-513-2700**

*(Name, address, including zip code, and telephone number,*

*including area code, of agent for service)*

*Copies to:*

**Matthew J. Gardella, Esq.**

**Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.**

**One Financial Center**

**Boston, Massachusetts 02111**

**617-348-1735**

**Approximate date of commencement of proposed sale to the public:** From time to time, at the discretion of the selling shareholders, after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box: X .

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. .

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. .

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. .

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.

| | |
|---|---|
| Large accelerated filer . | Accelerated filer . |
| Non-accelerated filer . (Do not check if a smaller reporting company) | Smaller reporting company X . |

**The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the registration statement shall become effective on such date as the Commission, acting pursuant to Section 8(a), may determine.**

## EXPLANATORY NOTE

This Post-Effective Amendment No. 4 to the Registration Statement on Form S-1 of SofTech, Inc. (the Company ), as originally declared effective by the Securities and Exchange Commission (the SEC ) on December 28, 2011, is being filed pursuant to the undertakings in Item 17 of the Registration Statement to include the information contained in the Company s Annual Report on Form 10-K for the fiscal year ended May 31, 2015, which was filed with the SEC on August 31, 2015.

The information included in this filing amends this Registration Statement and the Prospectus contained therein. No additional securities are being registered under this Post-Effective Amendment No. 4. All applicable registration fees were paid at the time of the original filing of the Registration Statement.

**The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

**SUBJECT TO COMPLETION, DATED SEPTEMBER __, 2015**
**PROSPECTUS**

SofTech, Inc.
380,455 shares of Common Stock

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This prospectus relates to the sale from time to time of up to 380,455 shares of our common stock, par value $0.10 per share, by the selling shareholders named in this prospectus in the section entitled Selling Shareholders, including their donees, pledgees, assignees, transferees and other successors-in-interest, whom we refer to in this prospectus as the Selling Shareholders.

The Selling Shareholders may, but are not required to, sell their shares of our common stock in a number of different ways and at varying prices as determined by the prevailing market price for shares or in negotiated transactions. See PLAN OF DISTRIBUTION for a description of how the Selling Shareholders may dispose of the shares covered by this prospectus. We do not know when or in what amount the Selling Shareholders may offer the shares for sale.

We will not receive any of the proceeds from the sale of our shares by the Selling Shareholders pursuant to this prospectus. We have agreed to pay certain expenses related to the registration of the offer and sale of the shares of common stock pursuant to the registration statement containing this prospectus.

The Selling Shareholders will offer their respective shares at a fixed price of $5.00 per share until our shares of common stock are quoted on the OTC Bulletin Board or an exchange, and thereafter, at prevailing market prices or privately negotiated prices. Our common stock is currently quoted on the OTCQB® market maintained by OTC Market Groups, Inc., under the symbol SOFT ; however, our securities are currently highly illiquid, and subject to large swings in trading price, and are only traded on a sporadic and limited basis. As a result, you may not be able to resell your common stock regardless of how we perform and, if you are able to sell your common stock, you may receive less than your purchase price. As a result of these factors, an investment in our common stock may not be suitable for investors who require short or medium term liquidity. On September 17, 2015, the last quoted sale price for our common stock as reported was $1.21 per share.

Our common stock will be considered a penny stock , and subject to the requirements of Rule 15g-9, promulgated under the Securities Exchange Act of 1934, as amended. Penny stock is generally defined as any equity security not traded on an exchange or quoted on NASDAQ that has a market price of less than

$5.00 per share. Under such rule, broker-dealers who recommend low-priced securities to persons other than established customers and accredited investors must satisfy special sales practice requirements, including a requirement that they make an individualized written suitability determination for the purchaser and receive the purchaser's consent prior to the transaction. The Securities Enforcement Remedies and Penny Stock Reform Act of 1990 also requires additional disclosure in connection with any trades involving a stock defined as a penny stock.

The required penny stock disclosures include the required delivery, prior to any transaction, of a disclosure schedule explaining the penny stock market and the risks associated with it. Such requirements could severely limit the market liquidity of our common stock and the ability of purchasers to sell their shares of our common stock in the secondary market. In addition, various state securities laws impose restrictions on transferring penny stocks and as a result, investors in our common stock may have their ability to sell their shares of our common stock impaired.

**Investing in our common stock involves certain risks. See RISK FACTORS beginning on page 2 for a discussion of these risks.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

**The date of this prospectus is ______________, 2015**

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**ABOUT THIS PROSPECTUS**

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission (the SEC or the Commission ). This prospectus relates to 380,455 shares of our common stock that the Selling Shareholders named in this prospectus may sell from time to time. We will not receive any proceeds from these sales. We have agreed to pay the expenses incurred in registering these shares, including legal and accounting fees.

References in this prospectus to the Company, we, our, and us refer to the registrant, SofTech, Inc., and its wh owned subsidiaries.

Brokers or dealers effecting transactions in these shares should confirm that the shares are registered under applicable state securities laws or that an exemption from registration is available.

You should rely only on the information contained in this prospectus or in any free writing prospectus we have prepared. Neither we nor the Selling Shareholders have authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or the time of any sale of our common stock under this prospectus. Our business, financial condition, results of operations and prospects may have changed since such date. You should not assume that the information in this prospectus is accurate as of any date other than the date on the front of this document.

**PROSPECTUS SUMMARY**

*The following is only a summary of some of the information contained in this prospectus. Accordingly, it is not complete and does not contain all of the information that you should consider before deciding to invest in our securities. Investing in our common stock involves risks. We urge you to read this entire prospectus carefully, including the Risk Factors section.*

**Company Overview**

SofTech, Inc., a Massachusetts corporation was formed on June 10, 1969. The Company has been engaged in the development, marketing, distribution and support of computer software solutions that enable companies to manage the entire lifecycle of their products from conception through design and manufacture, to service and disposal, all of which is known in the industry as Product Lifecycle Management ( PLM ). These solutions include software technology offerings for Computer Aided Design ( CAD ), which we described below as our *CADRA* product offering and Product Data Management ( PDM ) and collaboration technologies, which we described below as our *ProductCenter* offering. In addition, we offer a technology platform that allows for data exchange between various third party technology offerings which we describe as our *Connector* offering. We deliver these enterprise level PLM solutions, with comprehensive out-of-the-box capabilities, to meet the needs of manufacturers of all sizes quickly and cost-effectively. Our operations are organized geographically in the U.S. and Europe. We have sales and customer support offices in the U.S. and Italy. We also operate through resellers in North America, Europe and Asia. For geographical information about our operating revenues and assets, see Note E to the consolidated financial statements included in this prospectus.

In March 2011, the current management team (CEO and VP of Business Development) completed a transaction (the Recapitalization Transaction ) in which a group of eight investors purchased 39% of the Company s common stock, arranged for debt facilities of $3.2 million and negotiated for a $7.6 million debt reduction from Greenleaf Capital, Inc. ( Greenleaf ), at that time, the Company s sole lender and largest shareholder. Subsequently, the Company repurchased 271,411 shares of its common stock from Greenleaf which represented all of its equity holdings in SofTech.

A core tenet of the management team s strategy following the Recapitalization Transaction has been to actively consider ways to monetize some or all of the Company s assets and to pursue new strategic initiatives, including in new industries, such as potential business combinations, sale transactions, new product development and/or strategic partnerships. The Company has taken a number of steps consistent with the implementation of this strategy, including the sale of the Company s AMT and CADRA product lines, the sale of its PLM related patents, the filing and acquisition of new patents and the development of the new product offerings, namely Connector and HomeView . Following the sale of its CADRA product line, the Company has been focused on restructuring its business to enable it to successfully operate as a significantly smaller company and will continue to seek new sources of revenue and new strategic initiatives, including in new industries, such as eCommerce.

The consolidated financial statements of the Company include the accounts of SofTech, Inc. and its wholly-owned subsidiaries, Information Decisions, Inc. ( IDI ), Workgroup Technology Corporation ( WTC ), HomeView, Inc., SofTech, GmbH and SofTech, Srl. All significant intercompany accounts and transactions have been eliminated in consolidation.

Our principal executive offices are located at 650 Suffolk Street, Suite 415, Lowell, Massachusetts 01854. The telephone number at our principal executive offices is (978) 513-2700. Our website is located at www. www.softech.com. Information contained on our website does not constitute part of this prospectus.

**The Offering**

The Selling Shareholders named in this prospectus may offer and sell, from time to time, up to 380,455 shares of our common stock that were originally purchased by the Selling Shareholders as part of the Recapitalization Transaction. We will not receive any of the proceeds of sales by the Selling Shareholders of any of the common stock covered by this prospectus.

# RISK FACTORS

You should consider carefully the risks described under the  Risk Factors  section beginning on page 2 and elsewhere in this prospectus. These risks could materially and adversely impact our business, financial condition, operating results and cash flow, which could cause the trading price of our common stock to decline and could result in a partial or total loss of your investment.

*An investment in our common stock involves a high degree of risk. You should consider carefully the risks described below before making an investment decision. The risks described below are those which we consider material and of which we are currently aware. Our business, prospects, financial condition or operating results could be harmed by any of these risks. Furthermore, these factors represent risks and uncertainties that could cause actual results to differ materially from those implied by forward-looking statements. We refer you to our cautionary note regarding  Forward-Looking Statements,  which identifies the forward-looking statements in this prospectus. The trading price of our common stock could decline due to any of these risks, and, as a result, you may lose all or part of your investment. Before deciding whether to invest in our common stock, you should also refer to the other information contained in this prospectus, including our consolidated financial statements and the related notes.*

## Risks Related to Our Business

***Following the sale of the CADRA business in October 2013, we have been and will continue to restructure our business to enable us to successfully operate as a significantly smaller company and to seek new sources of revenue and new strategic initiatives. SofTech operating results subsequent to the sale of the CADRA business may not be profitable, and we may be unsuccessful in developing new business opportunities.***

The CADRA business was responsible for about half of the consolidated revenue in fiscal 2013 and the majority of the profitability and cash flow. The importance of the CADRA business to the consolidated results in fiscal 2013 was similar in at least the two immediately preceding fiscal years. The remaining product lines following the sale of our CADRA business line to Mentor Graphics Corporation ( Mentor ) in August 2013 (the  CADRA Sale ), namely ProductCenter and the Connector technologies, are product lines that have historically been less profitable than the CADRA business, have fewer customers and have a more complex sales cycle. It is likely that the Company will need to reduce spending in order to achieve profitability, and ultimately will need to find new strategic directions and new sources of revenue in order to meaningfully increase the size of its business. The new product ideas that the management team has interest in pursuing as described in the patent filings over the last few years are speculative in that the products are still in development and the management team may not have the depth of experience required to be successful in those new markets.

***We will need additional capital to continue to develop and launch our HomeView technology and launch this new product.***

We generated positive cash flow as measured by EBITDA, a non-GAAP measure, every fiscal year from 2002 through 2014. The sale of the CADRA product line in fiscal 2014 together with the investment made in 2015 to develop a new product for the residential property market has resulted in current year cash losses that have been funded by our balance sheet, sales of common stock and limited additional borrowings. As beta testing is completed on our new product offering, additional capital will be required for the commercial launch. There can be no assurance that the capital needed will be available or if the terms will be reasonable. If we are unable to raise additional capital we may not be able to fully implement our marketing plans for HomeView potentially limiting its consumer adoption.

The consolidated financial statements included in this prospectus have been prepared on a basis that contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Company s long-term viability is dependent on its ability to generate sufficient product revenue, net income and cash flows from operations to support its business as well as its ability to obtain additional financing. Management s plans also include reducing operating costs and delaying certain expenditures, if necessary, to maintain the Company s liquidity.

The Company had a cash balance of approximately $310,000 as of May 31, 2015. Management believes that with its available cash and current operating plan that projects cash generation from future operations it will have sufficient cash to meet the Company s working capital and capital expenditure requirements through at least the next twelve months. There can be no assurance, however, that the Company will not require additional financing in the future if funds from future operations or estimated expenses differ materially from those amounts estimated by management. If we were required to obtain additional financing in the future, there can be no assurance that sources of capital would be available on terms favorable to us, if at all.

***Our HomeView product when launched during fiscal 2016 may not gain enough market acceptance to warrant continued investment.***

We have made a substantial investment in pursuing the HomeView product idea especially during fiscal year 2015. If we are able to raise the additional capital we need to launch the technology, we expect that investment to continue and possibly increase in fiscal 2016. While our analysis supports the need for this kind of technology in the residential property market, there can be no assurance that HomeView will gain the number of users required to warrant the continued investment. Failure to gain market acceptance may lead to the write off of the investment made in HomeView through a charge to income.

***Continued revenue declines in our product lines may have a material adverse impact upon our business and overall financial performance.***

We have experienced consolidated revenue declines each fiscal year since 2006. The revenue declines for fiscal years 2014 and 2015, however, were primarily due to the CADRA Sale that was completed four months into fiscal year 2014.

Revenue from our ProductCenter technology declined for eight straight fiscal years from fiscal year 2006 through fiscal year 2014. In fiscal year 2015, ProductCenter revenue increased by 14.6% compared to the prior fiscal year and the backlog, pipeline of active deals and Q1 contract awards indicate that the double digit revenue growth will continue for fiscal 2016. The revenue declines described above were due to several factors. In July 2007, PTC informed us that it would not renew its partnership agreement with us when the agreement expired in January 2008. We had been a member of the PTC partnership program for 12 years. The PTC partnership agreement, among other things, provided us with the right to distribute certain information that allowed for our technology to directly interface with PTC s proprietary CAD tools. The non-renewal has essentially prevented us from marketing our ProductCenter solution to new customers that utilize PTC s technology and has negatively impacted our product revenue from this technology offering. In addition to the PTC partnership termination, ProductCenter revenues have been negatively affected by: (i) an increased number of competitive offerings in the marketplace, (ii) elongation of purchase decisions by customers of a technology that already has a long sales cycle, and (iii) uncertain economic conditions. The increase in ProductCenter revenue in fiscal 2015 as compared to 2014 has resulted from existing customers expanding their use of the technology. It is difficult for the Company to determine if the fiscal year 2015 revenue increase is sustainable.

Subscription revenue from our Connector technology increased by 108.3% from fiscal 2014 to 2015. We added ten new customers and we hope to continue to build on that momentum. This solution is offered only as a subscription which makes revenue growth a more likely event year-over-year as compared to the perpetual license model employed with our ProductCenter technology. The customers for our Connector technology are Aras Innovator (a third party PLM solution) users that have already made the investment in that technology and are now trying to get more functionality from that investment. It is our understanding that Aras Innovator continues to grow at a much faster rate than the overall PLM market which provides us with an opportunity to continue to grow our Connector revenue.

While the recent revenue trend for ProductCenter is encouraging and the market acceptance for our Connector technology is building, we do not have enough broad based momentum from either technology to yet be able to definitively conclude that our historical revenue declines are behind us.

Significant future declines in our total revenues may have a material adverse impact upon our business and overall financial performance.

***We compete against numerous technology companies in the mature PLM industry that are significantly larger and have vastly greater financial resources at their disposal.***

Many of our competitors, including PTC, SolidWorks, Siemens and Autodesk, have substantially greater financial, technological, marketing, managerial and research and development resources and experience than we do and represent significant competition for us. Our competitors may succeed in developing competing technologies or products which may gain market acceptance more rapidly than our products. Existing or proposed products of our competitors may render our existing or proposed products noncompetitive or obsolete. If we are unable to compete successfully in the future, the competitive pressures that we face could adversely affect our profitability or financial performance.

***Our agreements with certain software vendors may be terminated at will by the vendors.***

We utilize third party vendors to provide certain software and utilities which help us to continue to develop and support ProductCenter customers with their integrations from ProductCenter to their respective CAD solutions. These agreements are subject to termination at will by the vendors, and, if terminated, we would need to seek alternative methods of providing continuing support to our existing customers and an alternative solution to meet the needs of prospective customers, which could have a material adverse effect on future performance. For example, in July 2007, we were informed that our agreement with one such vendor, PTC, was not going to be extended beyond its renewal date of January 31, 2008. Thus the agreement with PTC has since expired. A significant number of our current ProductCenter customers utilize PTC s proprietary CAD technology. We continue to support our current customers who are utilizing PTC s CAD solution with a customer specific consulting solution. While this customer specific consulting solution has allowed us to retain the majority of our customers utilizing PTC s CAD tool, it has precluded us from proposing our solution to new customers using that CAD technology. Our inability to offer our solution to new customers utilizing PTC s technology or similar restrictions that could result from any future terminations of similar agreements with other vendors could have an adverse effect on our future revenues.

***Our ability to use our federal and state net operating loss carryforwards ( NOLs ) to reduce taxable income generated in the future could be substantially limited or eliminated.***

As of May 31, 2015, we had approximately $21 million of federal NOLs available to offset future taxable income, which expire in varying amounts beginning in 2022, if unused. We may not generate taxable income in time to use these NOLs prior to their expiration, and the Internal Revenue Service may not agree with the amount or timing of prior losses, thereby limiting the value of our NOLs. Furthermore, our ability to use our NOLs is subject to an annual limitation due to ownership changes that may have occurred or that could occur in the future, as determined by Section 382 of the Internal Revenue Code of 1986, as amended, as well as similar state regulations. Depending on the actual amount of any limitation on our ability to use our NOLs, our future taxable income could be subject to federal and/or state income tax, creating federal and/or state income tax liabilities. We previously maintained a tax benefits preservation plan with respect to our NOLs, which expired in February 2015.

***Our quarterly results may fluctuate making our future revenue and financial results difficult to predict.***

Our quarterly revenue and operating results are difficult to predict and may fluctuate significantly from quarter to quarter. Our quarterly revenue may fluctuate significantly for several reasons including: the timing and success of introductions of any new products or product enhancements or those of our competitors; uncertainty created by changes in the market; variations in the size and timing of individual orders; competition and pricing; seasonality; and customer order deferrals or cancellations as a result of general economic conditions or industry decline. Furthermore, we have often recognized a substantial portion of our product revenues in the last month of a quarter, with these revenues frequently concentrated in the last weeks or days of a quarter. As a result, product revenues in any quarter are substantially dependent on orders booked and shipped in the latter part of that quarter and revenues from any future quarter are not predictable with any significant degree of accuracy. We typically do not experience order backlog; our significant fiscal year-end 2015 backlog being atypical. For these reasons, we believe that period-to-period comparisons of our results of operations are not necessarily meaningful and should not be relied upon as indications of future performance.

***Our financial condition could be adversely affected if significant errors or defects are found in our software.***

Sophisticated software can sometimes contain errors, defects or other performance problems. If errors or defects are discovered in our current or future products, we may need to expend significant financial, technical and management resources, or divert some of our development resources, in order to resolve or work around those defects, and we may not be able to correct them in a timely manner or provide an adequate response to our customers.

Errors, defects or other performance problems in our products could cause us to delay new product releases or customer deployments. Any such delays could negatively impact our ability to realize revenue from the licensing and shipment of new or enhanced products and give our competitors a greater opportunity to market competing products. Such difficulties could also cause us to lose customers. Technical problems or the loss of customers could also damage our business reputation and cause us to lose new business opportunities.

***We are dependent on key personnel whose loss could impair our operations, our product development or our sales efforts.***

We are a small company especially for one that is publicly held. Our technologies are complex and have been developed over many years. While we enjoy the benefit of a very experienced, long-tenured employee group, we are dependent on many of those employees for the familiarity, expertise and unique insight they have developed with our products that would be extremely difficult and time consuming to replace. The loss of services of any of our key personnel could make it difficult for us to meet important objectives, such as timely and effective product introductions and financial goals.

***We may be sued for infringing on the intellectual property rights of others.***

Our ProductCenter technology was launched in the early 1990 s. Over the decades that our technologies have been in the marketplace, a significant number of patents have been filed by competitors. It is difficult if not impossible for us to monitor these patent awards to become familiar with their claims and we do not attempt to do so. Third parties may assert that we are employing their proprietary technology without authorization. There can be no assurance that we do not or will not infringe on the patent or proprietary rights of others. Parties making claims against us may be able to obtain injunctive or other equitable relief that could effectively block our ability to further develop, commercialize and sell products, and such claims could result in the award of substantial damages against us. In the event of a successful claim of infringement against us, we may be required to pay damages and obtain one or more licenses from third parties. We may not be able to obtain these licenses at a reasonable cost, if at all. In that event, we could encounter delays in product introductions while we attempt to develop alternative methods or products or be required to cease offering affected products and our operating results would be harmed.

***Our sales and operations are globally dispersed, which exposes us to additional operating and compliance risks.***

We sell and deliver software and services, and maintain support operations in multiple countries whose laws and practices differ from one another. For the fiscal years ended May 31, 2015 and 2014, North America accounted for approximately 81% and 67%, Europe for approximately 19% and 23% and Asia for approximately zero and 10% of our revenue. Managing these geographically dispersed operations requires significant attention and resources to ensure compliance with laws. Accordingly, while we maintain a compliance program, we cannot guarantee that an employee, agent or business partner will not act in violation of our policies or U.S. or other applicable laws. Such violations can lead to civil and/or criminal prosecutions, substantial fines and the revocation of our rights to continue certain operations and also cause business and reputation loss.

***We are obligated to maintain proper and effective internal control over financial reporting. We may not complete our analysis of our internal control over financial reporting in a timely manner, or these internal controls may not be determined to be effective, which may adversely affect investor confidence in our company and, as a result, the value of our common stock.***

In December 2011, we filed a Form 8-A with the SEC in connection with the effectiveness of this registration statement (333-174818), subjecting us again to the reporting requirements under the Exchange Act. As a public company, we are required, pursuant to Section 404 of the Sarbanes-Oxley Act, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting. This assessment includes disclosure of any material weaknesses identified by our management in our internal control over financial reporting. We may not be able to remediate future material weaknesses, or to complete our evaluation, testing and any required remediation in a timely fashion. During the evaluation and testing process, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to assert that our internal controls are effective. If we are unable to assert that our internal control over financial reporting is effective, we could lose investor confidence in the accuracy and completeness of our financial reports, which would have a material adverse effect on the price of our common stock.

***Because we are a relatively small company, the requirements of being a public company, including compliance with the reporting requirements of the Exchange Act and the requirements of the Sarbanes-Oxley Act, may strain our resources, increase our costs and distract management; and we may be unable to comply with these requirements in a timely or cost-effective manner.***

As a public company, we need to comply with certain laws, regulations and requirements, certain corporate governance provisions of the Sarbanes-Oxley Act and related regulations of the SEC. If we list our securities on an exchange, the exchange will impose additional requirements on listed companies, including enhanced corporate governance practices. For example, the NASDAQ listing requirements require that listed companies satisfy certain corporate governance requirements relating to independent directors, audit committees, distribution of annual and interim reports, shareholder meetings, shareholder approvals, solicitation of proxies, conflicts of interest, shareholder voting rights and codes of business conduct. Complying with the SEC statutes, regulations and requirements will occupy a significant amount of time of our board of directors and management and could increase our costs and expenses.

***From time to time we may make acquisitions. The failure to successfully integrate future acquisitions could harm our business, financial condition and operating results.***

As a part of our business strategy, we have in the past and may make acquisitions in the future. We may also make significant investments in complementary companies, products or technologies. Acquisitions present many risks, and we may not realize the financial and strategic goals that were contemplated at the time of any transaction. We cannot provide assurance that we will be able to successfully integrate any business, products, technologies or personnel that we may acquire in the future, and our failure to do so could harm our business, financial condition and operating results.

***Weakness in the United States and international economies may continue to adversely affect our business.***

The past few years have been characterized by weak global economic conditions. Because we market, sell and license our products throughout the world, in addition to the ongoing adverse effects on our business of continued weakness in the U.S. economy, we could be significantly affected by continuing weak economic conditions in foreign and domestic markets that could reduce demand for our products.

**Risks Related to the Market for our Common Stock**

***Our stock price has been and is likely to continue to be volatile, and an investment in our common stock could decline in value.***

Since the Recapitalization Transaction, the closing stock price has ranged from a low price of $1.00 per share to a high price of $4.95 per share. A contributing factor to the price fluctuation is the low average daily volume, which over the last three fiscal years has averaged fewer than 1,000 shares per day. Given the lack of market makers in the stock and the low demand, a shareholder s attempt to sell a large number of shares relative to the average daily volume in a short period of time will likely have a material negative impact on the share price.

***Our common stock may be considered penny stock , further reducing its liquidity.***

Our common stock may be considered penny stock , which will further reduce the liquidity of our common stock. Trading in penny stocks is limited because broker-dealers are required to provide their customers with disclosure documents prior to allowing them to participate in transactions involving the common stock. These disclosure requirements are burdensome to broker-dealers and may discourage them from allowing their customers to participate in transactions involving our common stock, thereby further reducing the liquidity of our common stock.

Penny stocks are equity securities with a market price below $5.00 per share other than a security (i) that is registered on a national exchange or included for quotation on the NASDAQ system, (ii) whose issuer has net tangible assets of more than $2,000,000 if it has been in continuous operation for greater than three years, or net tangible assets of more than $5,000,000 if it has been in continuous operation for less than three years or (iii) whose issuer has average revenue of at least $6,000,000 for the last three fiscal years.

Rules promulgated by the Securities and Exchange Commission under Section 15(g) of the Exchange Act require broker-dealers engaging in transactions in penny stocks, to first provide to their customers a series of disclosures and documents including:

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a standardized risk disclosure document identifying the risks inherent in investment in penny stocks;

.

all compensation received by the broker-dealer in connection with the transaction;

.

current quotation prices and other relevant market data; and

.

a monthly account statement reflecting the fair market value of the securities.

These rules also require that a broker-dealer obtain financial and other information from a customer, determine that transactions in penny stocks are suitable for such customer and deliver a written statement to such customer setting forth the basis for this determination.

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***A small number of shareholders own a large number of shares thereby potentially exerting significant influence over us.***

As of September 17, 2015, the three members of our board of directors beneficially own approximately 33.5% of our outstanding shares. Two other shareholders together beneficially own approximately 33.8% of outstanding shares. This concentration of ownership could significantly influence all matters requiring shareholder approval and could delay, deter or prevent a change in control of the Company or other business combinations that might otherwise be beneficial to our other shareholders. Accordingly, this concentration of ownership may harm the market price of our common stock. In addition, the interest of our significant shareholders may not always coincide with the interest of the Company s other shareholders. In deciding how to vote on such matters, they may be influenced by interests that conflict with our other shareholders.

***Our stock is thinly traded, so you may be unable to sell at or near ask prices or at all.***

The shares of our common stock are traded on the OTCQB® market maintained by OTC Market Groups, Inc. Shares of our common stock are thinly traded, meaning that the number of persons interested in purchasing our common stock at or near ask prices at any given time may be relatively small or non-existent. This situation is attributable to a number of factors, including the fact that we are a small company that is relatively unknown to stock analysts, stockbrokers, institutional investors and others in the investment community who generate or influence sales volume. Even in the event that we come to the attention of such persons, they would likely be reluctant to follow an unproven company such as ours or purchase or recommend the purchase of our shares until such time as we become more seasoned and viable. As a consequence, our stock price may not reflect an actual or perceived value of the business. Also, there may be periods of several days or more when trading activity in our shares is minimal or non-existent, as compared to a seasoned issuer that has a large and steady volume of trading activity that will generally support continuous sales without an adverse effect on share price. A broader or more active public trading market for our common shares may not develop or if developed, may not be sustained. Due to these conditions, you may not be able to sell your shares at or near ask prices or at all if you need money or otherwise desire to liquidate your shares.

***We do not presently intend to pay any cash dividends or repurchase any shares of our common stock.***

We do not presently intend to pay any cash dividends on our common stock. Any payment of future dividends will be at the discretion of the board of directors and will depend on, among other things, our earnings, financial condition, capital requirements, level of indebtedness, statutory and contractual restrictions applying to the payment of dividends, and other considerations that our board of directors deems relevant. Cash dividend payments in the future may only be made out of legally available funds and, if we experience substantial losses, such funds may not be available. Accordingly, you may have to sell some or all of your common stock in order to generate cash flow from your investment.

***We are a smaller reporting company and the reduced disclosure requirements applicable to us may make our common stock less attractive to investors.***

We are currently a smaller reporting company , meaning that we are not an investment company, an asset-backed issuer, or a majority-owned subsidiary of a parent company that is not a smaller reporting company and have a public float of less than $75 million and annual revenues of less than $50 million during the most recently completed fiscal year. Smaller reporting companies are able to provide simplified executive compensation disclosures in their filings; are exempt from the provisions of Section 404(b) of the Sarbanes-Oxley Act requiring that independent registered public accounting firms provide an attestation report on the effectiveness of internal control over financial reporting; and have certain other decreased disclosure obligations in their SEC filings, including, among other things, only being required to provide two years of audited financial statements in annual reports. We have taken advantage of some of these reduced disclosure obligations, and thus the information we provide shareholders may be different from what you might receive from other public companies in which you hold shares.

**Risks Related to the CADRA Sale**

***A portion of the purchase price was deferred and we may not receive those payments.***

Up to $750,000 of the total purchase price from the CADRA Sale is based on the revenues generated by the CADRA business during the three-year period following the asset sale. Specifically, the Company will be paid 10% of CADRA revenue generated by Mentor up to the $750,000 maximum. The Company has no obligation subsequent to the transaction date with regard to royalty payments. In March 2014 and 2015, the Company received the first two royalty payments totaling approximately $327,000 under this deferred arrangement related to the period from the transaction date to January 31, 2015. The Company is due two additional royalty payments under the Earn-Out Agreement based on CADRA revenues generated between February 1, 2015 and October 31, 2016 (the Remaining Royalty Period ). Mentor has broad discretion to operate its post-closing business, and may choose to do so in a manner which may or may not result in the payment of all of the CADRA royalties pursuant to the Earn-Out Agreement.

CADRA royalty payments were recorded at the transaction date based on fair value of the expected royalty payments as described in the consolidated financial statements included in this prospectus. As of May 31, 2015, the Company estimated the fair value of these future payments at $376,000 and are subject to adjustment each fiscal quarter based on an independent third party valuation. The maximum royalty that could be received by the Company is $423,000.

There can be no assurance that the Company will receive all of the royalty payments it has recorded on its balance sheet as of May 31, 2015. If the actual CADRA revenue results are lower than the forecasted results the Company may have to adjust the royalty asset through a charge to earnings. CADRA annualized revenue would have to average approximately $2.417 million over the Remaining Royalty Period to maximize the royalty payments. For Mentor s most recently completed full fiscal year, CADRA revenue was approximately $2.835 million.

***We will continue to incur the expenses of complying with public company reporting requirements following the closing of the CADRA Sale.***

After the CADRA Sale, we will continue to be required to comply with the applicable reporting requirements of the Securities Exchange Act of 1934, as amended, even though compliance with such reporting requirements is economically burdensome and will represent an even greater percentage of our expenses post-closing as we will be a significantly smaller company following the sale of the CADRA business.

***Closure of the office located in Germany***

Our office located in Germany was focused exclusively on selling and supporting the CADRA product line. During fiscal year 2014, the Company closed this office and ceased operating in that country. We believe we have satisfied and/or accrued for all material obligations related to that closure including satisfying all employment related obligations to our former employees, however, the risk of identification of additional liabilities does exist.

***Mentor did not assume any of the excluded liabilities under the Asset Purchase Agreement.***

Under the Asset Purchase Agreement, Mentor did not assume all of the liabilities associated with the CADRA business. Certain liabilities remained with the Company post-closing. For example, Mentor only assumed customer support obligations related to certain assigned contracts and obligations for performance under contracts that arise after the closing, and did not assume liability for any obligation or breach by the Company that occurred or arose prior to the closing. While the Company believes that it has adequately accrued for these liabilities or is adequately insured against certain of the risks associated with such excluded liabilities, there can be no assurances that additional expenditures will not be incurred in resolving these liabilities.

**FORWARD LOOKING STATEMENTS**

This prospectus includes forward-looking statements. These forward-looking statements are often identified by words such as may, will, should, could, would, expect, intend, plan, anticipate, believe, estimate, and similar expressions. These statements are only predictions and involve estimates, assumptions and uncertainties that could cause actual results to differ materially from those expressed. You should not place any undue reliance on these forward-looking statements.

You should be aware that our actual results could differ materially from those contained in forward-looking statements due to a number of factors, including our ability to:

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raise new capital necessary to fund the development and launch of our new product;

.

generate sufficient cash flows from our operations or other sources to fund our working capital needs and growth initiatives;

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maintain good relationships with our lender;

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comply with the requirements of our loan agreement;

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successfully introduce and attain market acceptance of any new products and/or enhancements of existing products;

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attract and retain qualified personnel;

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prevent obsolescence of our technologies;

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maintain agreements with our critical software vendors;

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secure renewals of existing software maintenance contracts, as well as contracts with new maintenance customers; and

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secure new business, both from existing and new customers.

You should also consider carefully the statements under Risk Factors and other sections of this prospectus, which address additional factors that could cause our actual results to differ from those set forth in the forward-looking statements and could materially and adversely affect our business, operating results and financial condition. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the applicable cautionary statements.

The forward-looking statements speak only as of the date on which they are made, and, except to the extent required by federal securities laws, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

**USE OF PROCEEDS**

We will not receive any proceeds from this offering. The Selling Shareholders will receive all of the proceeds from sales of the common stock sold pursuant to this prospectus.

**SELLING SHAREHOLDERS**

This prospectus relates to the sale from time to time of up to 380,455 shares of our common stock by the Selling Shareholders. Throughout this prospectus, when we refer to the shares of our common stock, the offer and sale of which are being registered on behalf of the Selling Shareholders, we are referring to the shares of common stock that were issued in the March 2011 private placement transaction described below. When we refer to the Selling Shareholders in this prospectus, we are referring to the investors in the private placement who are listed as Selling Shareholders in the table below and, as applicable, any donees, pledges, transferees or other successors-in-interest selling shares received after the date of this prospectus from the investors in the private placement as a gift, pledge, or other non-sale related transfer.

On March 11, 2011, as part of the Recapitalization Transaction, we completed a private placement transaction in which we sold an aggregate of 384,588 shares of common stock. In connection therewith, we agreed to file a registration statement, of which this prospectus forms a part, with the SEC to register the resale of the private placement shares. Since the Recapitalization Transaction was completed, one of the investors sold 4,133 in the open market thereby reducing the number of shares being registered in this prospectus to 380,455.

The following table presents information as of September 17, 2015 and sets forth the following information regarding the beneficial ownership of our common stock by each Selling Shareholder: (i) the name of the Selling Shareholder; (ii) the number of shares of common stock owned by the Selling Shareholder; (iii) the number of shares being offered pursuant to this prospectus; (iv) the number of shares expected to be owned by the Selling Shareholder upon completion of this offering; and (v) the percentage of our outstanding shares of common stock expected to be owned by the Selling Shareholder upon completion of this offering. The following table assumes that all of the shares being registered pursuant to this prospectus will be sold.

We have prepared this table using information furnished to us by the Selling Shareholders or their representatives. For purposes of this table, beneficial ownership is determined in accordance with the rules of the Commission, and includes the right to acquire voting or investment control of our shares of common stock within 60 days of September 17, 2015. Unless otherwise indicated below, to our knowledge, the Selling Shareholders have sole voting and investment power with respect to their shares of common stock. The inclusion of any shares in the table does not constitute an admission of beneficial ownership by the persons named therein.

Our registration of the common stock does not mean that the Selling Shareholders identified below will sell all or any of these securities. Furthermore, the Selling Shareholders may have sold, transferred or disposed of a portion of their shares in transactions exempt from the registration requirements of the Securities Act since the date on which we filed this prospectus. The Selling Shareholders are not making any representation that any shares covered by this prospectus will be offered for sale.

| **Name of Selling Shareholder** | **Shares Beneficially Owned Prior to Offering** | **Shares Being Offered Hereby** | **Shares Beneficially Owned Following Completion of Offering** | |
|---|---|---|---|---|
| | | | **Shares** | **%(1)** |
| Joseph P. Mullaney (2)(6) | 103,427 | 80,000 | 23,427 | 2.6% |
| Robert B. Anthonyson (3)(6) | 169,630 | 129,838 | 39,792 | 4.4% |
| J. Phillip Cooper (4)(5) | 35,262 | 20,867 | 14,395 | 1.6% |
| Lee Paull | 45,500 | 45,500 | - | * |
| Leonard Schrank | 32,500 | 22,500 | 10,000 | 1.1% |
| Timothy Weatherford | 32,987 | 22,750 | 10,237 | 1.1% |
| Chandra Singh | 127,036 | 45,500 | 81,536 | 9.1% |
| Glenn Dillon | 33,500 | 13,500 | 20,000 | 2.2% |
| **Total** | 579,842 | 380,455 | 199,387 | |

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*

Less than 1%.

(1)

Percentage ownership is based on 893,724 shares of our common and redeemable common stock outstanding as of September 17, 2015.

(2)

Mr. Mullaney has been our President and Chief Executive Officer and a member of our Board of Directors since the consummation of the Recapitalization Transaction in March 2011. Mr. Mullaney previously served as our President and Chief Executive Officer from June 2001 through December 2006. In September 2009, Mr. Mullaney was hired by Greenleaf, the Company s sole debt provider and largest shareholder at the time, to assist Greenleaf in its effort to sell its debt and equity position in the Company. In the four weeks leading up to the consummation of the Recapitalization Transaction, Mr. Mullaney assisted the Company s management team with completion of the transaction and transition planning. As a condition of obtaining the new debt financing for completion of the Recapitalization Transaction, Mr. Mullaney personally guaranteed the $3.2 million debt facilities and assigned certain personal assets as collateral. See CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE .

(3)

Mr. Anthonyson has been our Vice President of Business Development and a member of our Board of Directors since the consummation of the Recapitalization Transaction in March 2011. Mr. Anthonyson purchased 20,000 shares in a private placement transaction in September 2014.

(4)

Mr. Cooper has been a member of our Board of Directors since the consummation of the Recapitalization Transaction in March 2011. Mr. Cooper sold 4,133 shares pursuant to Rule 144 that were initially registered pursuant to the registration statement of which this prospectus forms a part.

(5)

Includes 14,395 shares issuable upon exercise of stock options held by Mr. Cooper related to his service as a Board member.

(6)

Includes 19,792 shares issuable upon exercise of stock options held for both Messrs. Mullaney and Anthonyson.

**PLAN OF DISTRIBUTION**

The shares covered by this prospectus may be offered and sold from time to time by the Selling Shareholders. The term Selling Shareholder includes pledgees, donees, transferees or other successors in interest selling shares received after the date of this prospectus from each Selling Shareholder as a pledge, gift, partnership distribution or other non-sale related transfer. The number of shares beneficially owned by a Selling Shareholder will decrease as and when he effects any such transfers. The plan of distribution for the Selling Shareholders shares sold hereunder will otherwise remain unchanged, except that the transferees, pledgees, donees or other successors will be Selling Shareholders hereunder. To the extent required, we may amend and supplement this prospectus from time to time to describe a specific plan of distribution.

The Selling Shareholders will act independently of us in making decisions with respect to the timing, manner and size of each sale. Our common stock is currently quoted on the OTCQB® market maintained by OTC Markets Group, Inc. under the symbol SOFT . If any of the Selling Shareholders decide to sell shares pursuant to this prospectus, such Selling Shareholders will be required to sell the shares registered hereunder at a fixed price of $5.00 per share until our shares of common stock are quoted on the Over-the-Counter Bulletin Board or an exchange, and thereafter, at prevailing market prices or privately negotiated prices. At and after such time, the Selling Shareholders may make sales at prices and under terms then prevailing or at prices related to the then current market price. The Selling Shareholders may also make sales in negotiated transactions. The Selling Shareholders may offer their shares from time to time pursuant to one or more of the following methods:

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ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;

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one or more block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;

.

purchases by a broker-dealer as principal and resale by the broker-dealer for its account;

.

an exchange distribution in accordance with the rules of the applicable exchange;

.

public or privately negotiated transactions;

.

on the OTCQB ® or any other market maintained by OTC Markets Group (or any successor market), BX Venture Market, NASDAQ, OTC Bulletin Board or through the facilities of any national securities exchange or U.S. inter-dealer quotation system of a registered national securities association, on which the shares are then listed, admitted to unlisted trading privileges or included for quotation;

.

through underwriters, brokers or dealers (who may act as agents or principals) or directly to one or more purchasers;

.

a combination of any such methods of sale; and

.

any other method permitted pursuant to applicable law.

In connection with distributions of the shares or otherwise, the Selling Shareholders may:

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enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of the shares in the course of hedging the positions they assume;

.

sell the shares short and redeliver the shares to close out such short positions;

.

enter into option or other transactions with broker-dealers or other financial institutions which require the delivery to them of shares offered by this prospectus, which they may in turn resell; and

.

pledge shares to a broker-dealer or other financial institution, which, upon a default, they may in turn resell.

In addition to the foregoing methods, the Selling Shareholders may offer their shares from time to time in transactions involving principals or brokers not otherwise contemplated above, in a combination of such methods described above or any other lawful methods. The Selling Shareholders may also transfer, donate or assign their shares to lenders, family members and others and each of such persons will be deemed to be a Selling Shareholder for purposes of this prospectus. The Selling Shareholders or their successors in interest may from time to time pledge or grant a security interest in some or all of the shares of common stock, and if the Selling Shareholders default in the performance of their secured obligations, the pledgees or secured parties may offer and sell the shares of common stock from to time under this prospectus; provided however in the event of a pledge or then default on a secured obligation by the Selling Shareholder, in order for the shares to be sold under this registration statement, unless permitted by law, we must distribute a prospectus supplement and/or amendment to this registration statement amending the list of Selling Shareholders to include the pledgee, secured party or other successors in interest of the Selling Shareholder under this prospectus.

The Selling Shareholders may also sell their shares pursuant to Rule 144 under the Securities Act, which permits limited resale of shares purchased in a private placement subject to the satisfaction of certain conditions, including, among other things, the availability of certain current public information concerning the issuer, the resale occurring following the required holding period under Rule 144 and the number of shares being sold during any three-month period not exceeding certain limitations.



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Sales through brokers may be made by any method of trading authorized by any stock exchange or market on which the shares may be listed or quoted, including block trading in negotiated transactions. Without limiting the foregoing, such brokers may act as dealers by purchasing any or all of the shares covered by this prospectus, either as agents for others or as principals for their own accounts, and reselling such shares pursuant to this prospectus. The Selling Shareholders may effect such transactions directly, or indirectly through underwriters, broker-dealers or agents acting on their behalf. In effecting sales, broker-dealers or agents engaged by the Selling Shareholders may arrange for other broker-dealers to participate. Broker-dealers or agents may receive commissions, discounts or concessions from the Selling Shareholders, in amounts to be negotiated immediately prior to the sale (which compensation as to a particular broker-dealer might be in excess of customary commissions for routine market transactions).

In offering the shares covered by this prospectus, the Selling Shareholders, and any broker-dealers and any other participating broker-dealers who execute sales for the Selling Shareholders, may be deemed to be underwriters within the meaning of the Securities Act in connection with these sales. Any profits realized by the Selling Shareholders and the compensation of such broker-dealers may be deemed to be underwriting discounts and commissions.

The Company has advised the Selling Shareholders that the anti-manipulation rules of Regulation M under the Exchange Act may apply to sales of shares in the market and to the activities of the Selling Shareholders and their affiliates. In addition, the Company will make copies of this prospectus (as it may be supplemented or amended from time to time) available to the Selling Shareholders for the purpose of satisfying the prospectus delivery requirements of the Securities Act. The Selling Shareholders may indemnify any broker-dealer that participates in transactions involving the sale of the shares against certain liabilities, including liabilities arising under the Securities Act.

The Company is required to pay all fees and expenses incident to the registration of the shares.

The Company has agreed to indemnify the Selling Shareholders against certain losses, claims, damages and liabilities, including liabilities under the Securities Act.

**DESCRIPTION OF CAPITAL STOCK**

The following is a summary of the rights of our capital stock and certain provisions of our articles of organization, as amended, and by-laws. For more detailed information, please see our articles of organization, as amended, and by-laws filed as exhibits to the registration statement containing this prospectus.

**Authorized Capital Stock**

Our authorized capital stock consists of 20,000,000 shares, with a par value of $0.10 per share, all of which are designated as common stock. There are no shares of preferred stock authorized.

As of September 17, 2015, we had outstanding 893,724 shares of common stock, held of record by 102 shareholders.

**Description of Common Stock**

***Voting***. Holders of our common stock are entitled to one vote for each share held on all matters submitted to a vote of shareholders and do not have cumulative voting rights. An election of directors by our shareholders shall be determined by a plurality of the votes cast by the shareholders entitled to vote on the election.

***Dividends***. Holders of common stock are entitled to receive proportionately any dividends as may be declared by our board of directors.

***Liquidation and Dissolution***. In the event of our liquidation, dissolution or winding up, holders of common stock are entitled to share ratably in all our net assets available for distribution to shareholders after the payment of all debts and other liabilities.

***Other Rights and Restrictions***. Holders of common stock do not have preemptive rights or subscription rights, and they have no right to convert their common stock into any other securities. Our common stock is not subject to redemption by us, and there are no sinking fund provisions applicable to our common stock. Our articles of organization and by-laws do not restrict the ability of a holder of common stock to transfer his, her or its shares of common stock. Massachusetts law provides that if we make a distribution to our shareholders, other than a distribution of our capital stock, when we are insolvent, or that renders us insolvent, then our shareholders would be required to pay back to us the amount of the distribution we made to them, or the portion of the distribution that causes us to become insolvent.

***Transfer Agent and Registrar***. The transfer agent and registrar for our common stock is Computershare.

***Registration Rights***. In connection with the private placement, we also entered into a registration rights agreement with the Selling Shareholders (the Registration Rights Agreement ), pursuant to which we agreed to file with the SEC a registration statement, of which this prospectus is a part, to cover the resale of the 384,588 shares of common stock issued in the private placement, within 90 calendar days after the closing of the private placement. We agreed to use our reasonable best efforts to have the registration statement, of which the prospectus is a part, declared effective as promptly as reasonable possible. We also agreed to use our reasonable best efforts to keep the registration statement continuously effective until the earlier of (i) such time as all of the shares have been sold by the Selling Shareholders and (ii) the date that all the shares may be sold immediately without registration under the Securities Act and without restrictions under Rule 144 of the Securities Act.

The Registration Rights Agreement also grants piggyback registration rights to the Selling Shareholders if we propose to register any of our equity securities under the Securities Act (other than on a registration statement on Form S-8 or S-4), whether for our own account or for the account of another person.

We agreed in the Registration Rights Agreement to pay for all expenses, including the reasonable legal expenses of one counsel to the Selling Shareholders (not to exceed $25,000), relating to the registration of any shares thereunder.

***Rights Agreement.*** On February 3, 2012, the Company entered into a Rights Agreement with Registrar and Transfer Company, as Rights Agent, dated as of February 3, 2012 (the Rights Agreement ). By adopting the Rights Agreement, the Board of Directors was seeking to protect the Company s ability to carry forward its NOLs and certain other tax attributes. The Company has experienced and may continue to experience substantial operating losses, and for federal and state income tax purposes, the Company may carry forward net operating losses in certain circumstances to offset current and future taxable income, which will reduce federal and state income tax liability, subject to certain requirements and restrictions. These NOLs are a valuable asset of the Company, which may inure to the benefit of the Company and its shareholders. However, if the Company experiences an ownership change, as defined in Section 382 of the Internal Revenue Code (the Code ), its ability to use the NOLs could be substantially limited, and the timing of the usage of the NOLs could be substantially delayed, which could significantly impair the value of the Company s NOL asset. Generally, an ownership change occurs if the percentage of the Company s stock owned by one or more five percent stockholders increases by more than fifty percentage points over the lowest percentage of stock owned by such stockholders at any time during the prior three-year period or, if sooner, since the last ownership change experienced by the Company. An NOL rights agreement like the Rights Agreement with a 4.99% trigger threshold is intended to act as a deterrent to any person acquiring 4.99% or more of the outstanding shares of Common Stock without the approval of the Board of Directors. This would protect the Company s NOL asset because changes in ownership by a person owning less than 4.99% of the Common Stock are not included in the calculation of ownership change for purposes of Section 382 of the Code.

In connection with the Rights Agreement, the Board of Directors of the Company declared a dividend of one common share purchase right (a Right ) for each outstanding share of common stock, par value $0.10 per share, of the Company . The dividend was issued on February 15, 2012 to the stockholders of record on February 15, 2012. Each Right entitles the registered holder to purchase from the Company one share of Common Stock in certain circumstances at a price of $5.00 per share of common stock, subject to adjustment.

In the event that a person or group of affiliated or associated persons becomes an Acquiring Person, as defined in the Rights Agreement, each holder of a Right, other than Rights beneficially owned by the Acquiring Person (which will thereupon become void), will thereafter have the right to receive upon exercise of a Right that number of shares of common stock having a market value of two times the purchase price of the Right.

**Massachusetts Law and Charter and By-law Provisions**

***Business Combinations with Interested Shareholders***. We are subject to the provisions of Chapter 110F of the Massachusetts General Laws, an anti-takeover law. In general, this statute prohibits a publicly-held Massachusetts corporation with sufficient ties to Massachusetts from engaging in a business combination with an interested shareholder for a period of three years after the date of the transaction in which the person becomes an interested shareholder, unless either (1) the interested shareholder obtains the approval of the board of directors prior to becoming an interested shareholder, (2) the interested shareholder acquires 90% of the outstanding voting stock of the corporation (excluding shares held by certain affiliates of the corporation) at the time he becomes an interested shareholder or (3) the business combination is approved by both the board of directors and two-thirds of the outstanding voting stock of the corporation (excluding shares held by the interested shareholder) at an annual or special meeting of shareholders, but not by written consent. In general, an interested shareholder is a person who, together with affiliates and associates, owns 5% or more of the corporation s outstanding voting stock or who as an affiliate at any time within the prior three years did own 5% or more of the corporation s voting stock. A business combination generally includes mergers, stock and asset sales and other transactions with the interested shareholder resulting in a financial benefit to the interested shareholder, except proportionately as a shareholder of the corporation. We may at any time amend our articles of organization or by-laws, by vote of the holders of a majority of our voting stock, to elect not to be governed by Chapter 110F, but such an amendment would not be effective for 12 months and would not apply to a business combination with any person who became an interested shareholder prior to the date of the amendment.

In addition, our articles of organization also include restrictions on certain business combinations with interested shareholders. In general, we cannot enter into a business combination with an interested shareholder without the approval of at least 90% of the outstanding voting stock of the Company unless the proposed business combination either (i) is approved by a majority of the disinterested directors or (ii) meets certain price and procedure requirements. In general, an interested shareholder under our articles of organization is a person who, together with affiliates and associates, owns 10% or more of the Company s outstanding voting stock or who as an affiliate at any time within the prior two years did own 10% or more of the Company s voting stock. Under our articles of organization a business combination generally includes any (1) merger or consolidation, (2) sale, lease, exchange, pledge, transfer or other disposition of $1,000,000 or more, (3) issuance or transfer of securities of the Company of $1,000,000 or more, (4) adoption of a plan or proposal for the liquidation or dissolution of the Company or (5) reclassification of securities or recapitalization which directly or indirectly increases the proportion of securities owned by the interested shareholder.

***Control Share Acquisitions***. We also are subject to the provisions of Chapter 110D of the Massachusetts General Laws, entitled Regulation of Control Share Acquisitions. This statute provides, in general, that any shareholder who acquires 20% or more of the outstanding voting stock of a corporation subject to this statute may not vote that stock unless the shareholders of the corporation so authorize. In addition, Chapter 110D permits a corporation to provide in its articles of organization or by-laws that the corporation may redeem, for fair value, all of the shares acquired in a control share acquisition if the interested shareholder does not deliver a control share acquisition statement as required by the statute or if the interested shareholder delivers a control share acquisition statement but the disinterested shareholders of the corporation do not authorize voting rights for those shares. If the disinterested shareholders authorize voting rights and after a control share acquisition the acquiring shareholder beneficially owns shares entitling the acquiring shareholder to vote, or direct the voting of, shares having a majority or more of all voting power in the election of directors, each shareholder who did not vote in favor of authorizing the voting rights may demand payment for its shares and appraisal rights. Control share acquisitions do not include acquisitions made in connection with a negotiated tender offer, merger or consolidation to which the issuing public corporation is a party or acquisitions of shares made directly from the corporation. We may amend our articles of organization or by-laws at any time to elect not to be governed by Chapter 110D, but such amendment would not apply to an acquisition that occurred prior to the effective date of such amendment.

***Takeover Bids***. We are also subject to the provisions of Chapter 110C of the Massachusetts General Laws, which requires the person commencing a takeover bid to file certain information with the Secretary of the Commonwealth and the target company and provides that a bidder who fails to disclose its intent to gain control over a target corporation prior to acquiring 5% of the target company s stock is precluded from making any takeover bid for a period of one year after crossing the 5% threshold.

***Authorized but Unissued Shares***. We have 19,106,276 authorized but unissued shares of common stock available for future issuance, and 893,724 shares of common stock outstanding, as of September 17, 2015. These additional shares may be used for a variety of corporate finance transactions, acquisitions and employee benefit plans. The existence of authorized but unissued and unreserved common stock could make more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise.

***Shareholder Action by Written Consent; Special Meeting of Shareholders***. Although our articles of organization and our by-laws allow our shareholders to act by written consent, such written consent must be signed by all shareholders entitled to vote on the matter. This significantly restricts the ability of our shareholders to act by written consent and essentially provides that our shareholders may only act at a duly called shareholders meeting. In addition, special meetings of shareholders may be called only by our President, our board of directors or one or more shareholders holding at least 10% of our voting stock.

***Staggered Board; Removal of Directors; Vacancies***. Our articles of organization provide for the division of our board of directors into three classes as nearly equal in size as possible with staggered three-year terms. We are also subject to provisions of the Massachusetts General Laws providing that the boards of public companies have staggered terms. Our articles of organization, as amended, also provide that directors may be removed only for cause by the affirmative vote of the holders of at least 90% of the shares of our capital stock entitled to vote in the election of directors or a majority of the directors then in office. In addition, any vacancy on our board of directors, however occurring, including a vacancy resulting from an enlargement of the board, may only be filled by vote of a majority of the directors then in office. The classification of our board of directors and the limitations on the removal of directors and filling of vacancies could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, control of us.

## BUSINESS

### Our Company

SofTech, Inc., a Massachusetts corporation was formed on June 10, 1969. The Company has been engaged in the development, marketing, distribution and support of computer software solutions that enable companies to manage the entire lifecycle of their products from conception through design and manufacture, to service and disposal, all of which is known in the industry as Product Lifecycle Management ( PLM ). These solutions include software technology offerings for Computer Aided Design ( CAD ), which we described below as our *CADRA* product offering and Product Data Management ( PDM ) and collaboration technologies, which we described below as our *ProductCenter* offering. In addition, we offer a technology platform that allows for data exchange between various third party technology offerings which we describe as our *Connector* offering. We deliver these enterprise level PLM solutions, with comprehensive out-of-the-box capabilities, to meet the needs of manufacturers of all sizes quickly and cost-effectively. Our operations are organized geographically in the U.S. and Europe. We have sales and customer support offices in the U.S. and Italy. We also operate through resellers in North America, Europe and Asia. For geographical information about our operating revenues and assets, see Note E to the consolidated financial statements included in this prospectus.

In March 2011, the current management team (CEO and VP of Business Development) completed a transaction (the Recapitalization Transaction ) in which a group of eight investors purchased 39% of the Company s common stock, arranged for debt facilities of $3.2 million and negotiated for a $7.6 million debt reduction from Greenleaf Capital, Inc. ( Greenleaf ), at that time, the Company s sole lender and largest shareholder. Subsequently, the Company repurchased 271,411 shares of its common stock from Greenleaf which represented all of its equity holdings in SofTech.

A core tenet of the management team s strategy following the Recapitalization Transaction has been to actively consider ways to monetize some or all of the Company s assets and to pursue new strategic initiatives, including in new industries, such as potential business combinations, sale transactions, new product development and/or strategic partnerships. The Company has taken a number of steps consistent with the implementation of this strategy, including the sale of the Company s AMT and CADRA product lines, the sale of its PLM related patents, the filing and acquisition of new patents and the development of the new product offerings, namely Connector and HomeView . Following the sale of its CADRA product line (as described below), the Company has been focused on restructuring its business to enable it to successfully operate as a significantly smaller company and will continue to seek new sources of revenue and new strategic initiatives, including in new industries, such as eCommerce.



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**Products and Services**

***ProductCenter***

Our ProductCenter technology manages the engineering data and electronic files of discrete parts designed in various widely used third party proprietary design technologies. ProductCenter is a proven enterprise-wide, collaborative PLM solution delivering a unique and powerful combination of document management, design integration, configuration control, change management, bill of materials management and integration capability with other enterprise-wide systems. ProductCenter is designed to help companies rapidly optimize the product development process. ProductCenter provides for the secure management of product information and allows engineers and the entire design chain to manage, share, modify and track product data and documents throughout the product development lifecycle. ProductCenter supports engineering change management and bill of materials management for automating business processes. ProductCenter s web-based collaboration capabilities allow employees, customers, suppliers, and other globally dispersed team members to securely exchange product information while maintaining a centralized database of critical product data. ProductCenter also enables integration with other business applications such as enterprise resource planning, supply chain management and customer relationship management for continuous data exchange across the product lifecycle.

***Connector Platform***

In 2012, the Company entered into a technology partnership with Aras Corporation ( Aras ) wherein we agreed to develop, market and support a technology that allows for a direct interface between Aras s Innovator solution and multiple, proprietary CAD products. Our Connector platform was first available in the fourth quarter of fiscal year 2012 and is offered under an annual subscription revenue model.

***HomeView***

HomeView is a secure, intelligent home asset management and maintenance system. HomeView allows homeowners to create a virtual home manual that logs, manages and tracks personal assets and home attributes. Home ownership is made easier by managing user manuals, warranty periods, service records, maintenance reminders and other projects with HomeView. This product offering is still in its development phase. We have been testing it with a limited number of consumers. A commercial launch is expected during fiscal year 2016.

***CADRA***

CADRA is a drafting and design software package for the professional mechanical engineer.

On October 18, 2013, the Company sold substantially all of the assets of its CADRA product line, including all intellectual property related to that technology but specifically excluding cash, billed accounts receivable and liabilities other than the deferred maintenance liability associated with CADRA customer maintenance contracts for support services (the CADRA Sale ), to Mentor Graphics Corporation ( Mentor ), pursuant to an Asset Purchase Agreement dated August 30, 2013 (the Asset Purchase Agreement ). The aggregate consideration for the CADRA Sale is up to $3.95 million, which is comprised of (i) $3.2 million, $2.88 million of which was paid on the closing date and $320,000 (representing a 10% holdback) of which was paid on the one year anniversary of the closing date, and (ii) earn-out payments of up to an aggregate $750,000 over the three-year period subsequent to the closing date, based on 10% of the net revenue generated by the CADRA business, subject to the terms of the Earn-Out Agreement dated August 30, 2013 (the Earn-Out Agreement ). Through May 31, 2015, the Company has received approximately $327,000 under the terms of the Earn-Out Agreement.

In conjunction with completing the CADRA Sale, the Company entered into a one-year, exclusive Distributorship Agreement with Mentor that allowed us to market and support the CADRA technology as a reseller throughout Europe (except Germany) at a gross margin ranging between thirty (30%) and thirty-five percent (35%). In addition, for the one year period from the closing of the transaction the Company retained the right to market the CADRA technology to Sikorsky Aircraft, the largest CADRA user in the United States. Due to the significant continued involvement in the sale and support of the CADRA product line, the sale did not qualify for presentation as discontinued operations. The Distributorship Agreement for Europe (except Germany) was extended on a non-exclusive basis with gross margins of between thirty (30%) and forty (40%) percent (dependent of the type of revenue and annual volumes) through January 31, 2016. The right to market the CADRA product line to Sikorsky Aircraft in North America was a one year arrangement only and expired on October 16, 2014.

***Consulting***

Our consulting group is composed of deeply experienced, long tenured experts solving very complex problems relating to data migration, customization, data control, access, version control, connectivity between proprietary systems and a myriad of other problems encountered by our customers.

**Marketing and Distribution**

We market and distribute our products and services primarily through a direct sales force and through our service organization in North America and Europe. In addition, we market and support the technology offerings of our partners through distribution agreements. We have also contracted with resellers in North America, Europe and Asia to reach areas not covered by our direct sales presence and to supplement our existing sales force; however, to date, the revenue generated from this indirect distribution has not been material.

**Competition**

We compete against much larger entities, all of which have substantially greater financial resources than we do. We operate in an extremely competitive market for all of our software and service offerings. We compete in all our markets on the basis of meeting our customers business needs with a viable solution that offers an affordable price, low cost of ownership and a high level of customer support and service.

Our CAD and PLM technology offerings compete against product offerings from companies such as Parametric Technology Corporation ( PTC ), Dassault Systemes SolidWorks ( SolidWorks ), Siemens, Inc. ( Siemens ) and Autodesk, Inc. ( Autodesk ) that together dominate the PLM market. In addition to these billion dollar revenue companies, there are numerous other technologies offered by smaller entities that we also compete against.

Our service offerings, which include consulting, training and discrete engineering services, compete with offerings by all of the large PLM companies noted above, small regional engineering services companies and the in-house capabilities of our customers.

Our HomeView technology has not yet commercially launched, however, we expect to do so in fiscal 2016. There are a significant number of technology companies that are competing in the residential property market especially related to home automation products and services as well as the Internet of Things, a way of describing connecting such things as appliances and other assets and items to the internet. There are many software applications available for download that allow a consumer to organize the things they own and even some that alert the homeowner to maintenance needs. Until such time as we launch the product it is difficult to identify those participants in the market for whom we will be a competitor and those for whom we will be a likely partner.

**Personnel**

As of May 31, 2015, we employed 27 persons, 26 on a full time basis and 1 part time.

**Backlog**

Backlog as of May 31, 2015 was approximately $645,000 as compared to $311,000 as of May 31, 2014. Deferred revenue, consisting primarily of software maintenance services to be performed over the subsequent twelve month period, totaled approximately $1,732,000 and $1,462,000 at May 31, 2015 and 2014, respectively.

**Research and Development**

We have approximately 7 product development engineers in our research and development groups located in Massachusetts and Michigan. In fiscal years 2015 and 2014, we incurred research and development expense of approximately $894,000 and $1.2 million, respectively, related to the development of our technology and products. In fiscal years 2015 and 2014, we capitalized approximately $202,000 and $57,000, respectively, of direct costs related to the development of new products.

**Intellectual Property**

We rely primarily on a combination of trade secrets, patents, copyright and trademark laws, and confidentiality procedures to protect our technology. Due to the technological change that characterizes the PLM industry, we believe that the improvement of existing products, reliance upon trade secrets and unpatented proprietary know-how and the development of new products are generally as important as patent protection in establishing and maintaining a competitive advantage.

Since the Recapitalization Transaction, we filed three new U.S. patents. In addition to our patents, we have secured registration on a number of trademarks which we consider important to the protection of our brands.

**Governmental Regulation**

We export our products throughout the world, and thus we are subject to Federal Export Regulations. We believe we comply with all such regulations. Although our non-U.S. based revenue was approximately 19.4% of total revenue in 2015, we do not view these regulations as particularly onerous nor are the compliance costs material to our operations.

**Customers**

No single customer accounted for more than 10% of our revenue in fiscal 2015 or 2014.

**Seasonality**

Our first fiscal quarter, which begins June 1 and ends August 31, has historically produced the lowest revenue. We believe that this is due primarily to the buying habits of our customers as this quarter falls within prime vacation periods.

**PROPERTIES**

We are headquartered in Lowell, MA and maintain a sales and support office in Milan, Italy all of which are leased facilities. We believe that our current office space is adequate for current and anticipated levels of business activity.

**LEGAL PROCEEDINGS**

We are subject to various legal proceedings and claims that arise in the ordinary course of business. We currently believe that resolving these matters will not have a material adverse impact on our financial condition, results of operations or cash flows. However, the results of legal proceedings cannot be predicted with certainty. Should any of these legal matters be resolved against us, the operating results for a particular reporting period could be adversely affected.

**MARKET FOR OUR COMMON STOCK AND RELATED SHAREHOLDER MATTERS**

Our common stock is quoted on the OTCQB® market maintained by OTC Markets Group, Inc. under the symbol SOFT". The following table sets forth the high and low closing price for our common stock for the periods indicated, which reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

| | High | Low |
|---|---|---|
| Fiscal Year Ended August 31, 2015 | | |
| First Quarter | $ 1.40 | $ 1.25 |
| Fiscal Year Ended May 31, 2015 | | |
| First Quarter | $ 2.40 | $ 1.25 |
| Second Quarter | 2.80 | 1.40 |
| Third Quarter | 1.93 | 1.45 |
| Fourth Quarter | 1.55 | 1.10 |
| Fiscal Year Ended May 31, 2014 | | |
| First Quarter | $ 2.25 | $ 1.77 |
| Second Quarter | 2.55 | 1.51 |
| Third Quarter | 4.95 | 1.50 |
| Fourth Quarter | 2.35 | 1.80 |

On September 17, 2015, the last reported sale price of our common stock was $1.21 per share. As of September 17, 2015, there were 893,724 shares of our common stock outstanding held by approximately 102 holders of record, and we had outstanding options to purchase an aggregate of 149,500 shares of common stock, with a weighted average exercise price of $1.77 per share.

**Dividend Policy**

We have not paid any cash dividends on our common stock since 1997, and we have no present intention to pay any cash dividends again in the future.

The SEC has adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. Penny stocks are generally equity securities with a price of less than $5.00, other than securities registered on certain national securities exchanges or quoted on the Nasdaq system. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock, to deliver a standardized risk disclosure document prepared by the SEC, that: (i) contains a description of the nature and level of risk in the market for penny stocks in both public offerings and secondary trading; (ii) contains a description of the broker s or dealer s duties to the customer and of the rights and remedies available to the customer with respect to a violation to such duties or other requirements of securities laws; (iii) contains a brief, clear, narrative description of a dealer market, including bid and ask prices for penny stocks and the significance of the spread between the bid and ask price; (iv) contains a toll-free telephone number for inquiries on disciplinary actions; (v) defines significant terms in the disclosure document or in the conduct of trading in penny stocks; and; (vi) contains such other information and is in such form, including language, type, size and format, as the SEC shall require by rule or regulation.

The broker-dealer also must provide, prior to effecting any transaction in a penny stock, the customer with (i) bid and offer quotations for the penny stock; (ii) the compensation of the broker-dealer and its salesperson in the transaction; (iii) the number of shares to which such bid and ask prices apply, or other comparable information relating to the depth and liquidity of the market for such stock; and (iv) a monthly account statements showing the market value of each penny stock held in the customer s account.

In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from those rules; the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser s written acknowledgment of the receipt of a risk disclosure statement, a written agreement to transactions involving penny stocks, and a signed and dated copy of a written suitability statement.

These disclosure requirements may have the effect of reducing the trading activity in the secondary market for our stock if it becomes subject to these penny stock rules. Therefore, because our common stock is subject to the penny stock rules, shareholders may have difficulty selling those securities.

**Equity Compensation Plan Information**

The following table provides information, as of May 31, 2015, regarding our 2011 Equity Incentive Plan:

| Plan Category | Number of securities to be issued upon exercise of outstanding options, warrants and rights | Weighted average exercise price of outstanding options, warrants and rights | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in second column) |
|---|---|---|---|
| Equity compensation plans approved by security holders[(1)] | 147,000 | $ 1.77 | 3,000 |
| Equity compensation plans not approved by security holders | - | - | - |
| Total | 147,000 | $ 1.77 | 3,000 |

(1)

As of May 31, 2015, 78,907 options were exercisable. For additional information, see EXECUTIVE COMPENSATION SofTech, Inc. Equity Incentive Plans .

**MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The following discussion and results of operations should be read in conjunction with the consolidated financial statements and the notes to those statements included in this prospectus. This discussion includes forward-looking statements that involve risk and uncertainties. As a result of many factors, such as those set forth in this prospectus under Risk Factors, actual results may differ materially from those anticipated in these forward-looking statements.*

**Overview**

We operate in one reportable segment and are engaged in the development, marketing, distribution and support of computer software solutions that enable companies to manage the entire lifecycle of their products from conception through design and manufacture, to service and disposal, all of which is known in the industry as Product Lifecycle Management ( PLM ). These solutions include software technology offerings for Computer Aided Design ( CAD ), Product Data Management ( PDM ) and Collaboration technologies, all of which fit under the broadly defined PLM industry. Our operations are organized geographically in the U.S. and Europe. We have sales and customer support offices in the U.S. and Italy. We also operate through resellers in North America, Europe and Asia.

During fiscal 2015, the Company developed a new data management product for the residential property market called HomeView . The solution is based on a patent filed by the Company in December 2012. We expect to launch the product during fiscal 2016.

In March 2011, the current management team (CEO and VP of Business Development) completed a transaction (the Recapitalization Transaction ) in which a group of eight investors purchased 39% of the Company s common stock, arranged for debt facilities of $3.2 million and negotiated for a $7.6 million debt reduction from Greenleaf Capital, Inc. ( Greenleaf ), at that time, the Company s sole lender and largest shareholder. Subsequent to the Recapitalization Transaction the Company purchased all of Greenleaf s 271,411 shares in Company common stock and retired them.

A core tenet of the management team s strategy following the Recapitalization Transaction has been to actively consider ways to monetize some or all of the Company s assets and to pursue new strategic initiatives, such as potential business combinations, sale transactions, development of new product offerings, filing of new patent ideas and strategic partnerships.

Since the Recapitalization Transaction, the Company has taken the following actions consistent with this strategy:

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Sold the AMT product line in May 2011 in exchange for cash;

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Sold the existing CAD and PLM patents in June and September 2012 in exchange for cash and a percent of future funds recovered;

.

Filed three patents and acquired the rights to another;

.

Developed and launched the Connector product line described hereunder;

.

Sold the CADRA product line in October 2013 in exchange for cash and a percent of future revenues; and

.

Developed a new data management product for the residential property market called HomeView.

The above actions have allowed the Company to improve its liquidity by reducing its outstanding debt. The product line sales and patent sales generated taxable income that were sheltered from both federal and state income taxes through utilization of the Company s tax assets.

The CADRA Sale was the most significant of the above described events.

On October 18, 2013, the Company sold substantially all of the assets of its CADRA product line, including all intellectual property related to that technology but specifically excluding cash, billed accounts receivable and liabilities other than the deferred maintenance liability associated with CADRA customer maintenance contracts for support services to Mentor pursuant to an Asset Purchase Agreement dated August 30, 2013. The aggregate consideration for the CADRA Sale was up to $3.95 million, comprised of (i) $2.88 million of which was paid on the closing date; (ii) $320,000 which was paid on the one year anniversary (the Holdback Payment ) of the closing date; and (iii) up to an aggregate $750,000 over the three-year period subsequent to the closing date, based on 10% of the net revenue generated by the CADRA business during the three-year period immediately following the transaction, (the Earn-Out Payments ) subject to the terms of the Earn-Out Agreement dated August 30, 2013 (the Earn-Out Agreement ).

The Company continued to offer the CADRA technology as a reseller throughout Europe (except Germany) on an exclusive basis until October 18, 2014 pursuant to a distribution agreement with Mentor (the Distributorship Agreement ). This arrangement was extended on a non-exclusive basis through January 31, 2016 and is subject to annual renewals by mutual agreement thereafter. In addition, for the one-year period from the closing of the transaction the Company retained the right to market the CADRA technology to Sikorsky Aircraft, the largest CADRA user in the United States. The right to market the CADRA product line to Sikorsky Aircraft in North America was a one year arrangement only and expired on October 16, 2014. Due to the significant continued involvement in the sale and support of the CADRA product line, the transaction did not qualify for presentation as discontinued operations.

The CADRA business was responsible for about half of the consolidated revenue in fiscal 2013 and the majority of the profitability and cash flow. The importance of the CADRA business to the consolidated results in fiscal 2013 was similar in at least the two immediately preceding fiscal years. The remaining revenue generating product lines following the CADRA Sale, namely ProductCenter and the Connector technologies, are product lines that have historically been less profitable than the CADRA business, have fewer customers and have a more complex sales cycle.

The following summary presents the quarterly operating results for the six full fiscal quarters that have been completed since the CADRA Sale (000 s):

| | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 | Q3 2015 | Q4 2015 |
|---|---|---|---|---|---|---|
| Revenue | $ 1,342 | $ 879 | $ 864 | $ 1,027 | $ 925 | $ 1,126 |
| Cost of sales | | | | | | |
| - Internal expenses | 303 | 245 | 293 | 315 | 301 | 271 |
| - 3rd party purchases | 263 | 123 | 115 | 154 | 129 | 112 |
| Gross margin | 776 | 511 | 456 | 558 | 495 | 743 |
| R&D | 276 | 256 | 272 | 222 | 183 | 217 |
| SG&A | 835 | 900 | 717 | 645 | 592 | 527 |
| Change in fair value of deferred payments | - | (17) | (39) | (21) | (10) | (15) |
| Operating income (loss) | (335) | (628) | (494) | (288) | (270) | 14 |
| Interest expense | 10 | 48 | 63 | 63 | 31 | 8 |
| Other | (6) | (19) | 15 | 28 | 55 | 18 |
| Net loss | $ (339) | $ (657) | $ (572) | $ (379) | $ (356) | $ (12) |

| | | | | | | |
|---|---|---|---|---|---|---|
| EBITDA (loss) | $ (290) | $ (496) | $ (368) | $ (137) | $ (172) | $ 69 |
| **Expenses categorized:** | | | | | | |
| 3rd party purchases | $ 263 | $ 123 | $ 115 | $ 154 | $ 129 | $ 112 |
| Cash expenses | 1,379 | 1,302 | 1,180 | 1,074 | 999 | 942 |
| Non-cash expenses | 39 | 111 | 141 | 178 | 153 | 84 |
| Total quarterly expenses | $ 1,681 | $ 1,536 | $ 1,436 | $ 1,406 | $ 1,281 | $ 1,138 |

The above derived EBITDA is a non-GAAP measure. We believe our non-cash expenses have been and continue to be a significant element of our operations. The Company believes that the inclusion of EBITDA helps investors gain a meaningful understanding of the Company s core operating results and enhances comparisons with those of prior periods. Management uses EBITDA, in addition to other non-GAAP and GAAP financial measures, as the basis for measuring our core operating performance and comparing such performance to that of prior periods. EBITDA is not meant to be considered superior to, or a substitute for, results of operations prepared in accordance with GAAP.

While we have incurred net losses for each fiscal quarter since the CADRA Sale, our performance has steadily improved over the six completed quarters. In the third quarter of fiscal 2014, the Company received a CADRA product and services order from Sikorsky Aircraft totaling approximately $491,000. Over the course of the six fiscal quarters, revenue has increased (after negating the impact of the non-recurring Sikorsky Aircraft sale) and expenses have declined resulting in positive EBITDA, a non-GAAP measure, in our most recently completed fiscal quarter. Cash expenses, other than third party purchases of products and services that are variable in nature, have declined by more than 30% from the third quarter of fiscal 2014 compared to the fourth quarter of fiscal 2015.

During fiscal year 2015, we incurred losses of nearly $400,000 and have capitalized approximately $202,000 of software development costs in the development of our HomeView product offering. In addition, we incurred losses of approximately $350,000 by keeping our Italian office operating as it pursued new opportunities in that market for PLM. We anticipate that HomeView will launch commercially during fiscal 2016 and will compete in a rapidly growing market segment that we expect will attract significant capital for the foreseeable future. With regard to our Italian subsidiary, a contract award subsequent to the end of fiscal 2015 together with new opportunities identified throughout fiscal 2015 indicate this operation can return to positive operating results in fiscal 2016.

**Critical Accounting Policies and Significant Judgments and Estimates**

The SEC defines critical accounting policies as those that require the application of management s most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods.

Our significant accounting policies are described in Note B to the consolidated financial statements included in this prospectus. We believe that the following accounting policies require the application of our most difficult, subjective or complex judgments:

**Revenue Recognition**

We follow the provisions of ASC 985-605, *Software Revenue Recognition,* for transactions involving the licensing of software and software support services. Revenue from software license sales is recognized when persuasive evidence of an arrangement exists, delivery of the product has been made, there is a fixed fee and collectability is reasonably assured. The Company does not provide for a right of return. For multiple element arrangements, total fees are allocated to each of the undelivered elements based upon vendor specific objective evidence ( VSOE ) of their fair values, with the residual amount recognized as revenue for the delivered elements, using the residual method set forth in ASC 985-605. Revenue from customer maintenance support agreements is deferred and recognized ratably over the term of the agreements, typically one year. Revenue from engineering, consulting and training services is recognized as those services are rendered using a proportional performance model.

We follow the provisions of ASC 605, *Revenue Recognition* for transactions that do not involve the licensing of software or software support services as in the case of the recent sale of its patents. Revenue from the sale of patents is recorded when persuasive evidence of an arrangement exists, delivery has taken place, there is a fixed fee and collectability is reasonably assured. These conditions are no different from those when the Company licenses software.

For multiple element arrangements, accounted for under ASC 605-25, a determination is made as to which elements have stand-alone value, and are therefore separable. Total fees are then allocated to each of the separate elements based upon the relative selling price method. Under that method the allocation of fees to the separate elements is based on VSOE, or if it doesn t exist, then based on third party evidence of selling price. If neither exists, then the allocation is based on management s best estimate of the selling price.

**Estimating Allowances for Doubtful Accounts Receivable**

We perform ongoing credit evaluations of our customers and adjust credit limits based upon payment history and the customer s current credit worthiness, as determined by our review of their current credit information. We continuously monitor collections and payments from our customers and maintain a provision for estimated credit losses based upon our historical experience and any specific customer collection issues that we have identified. 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. A significant change in the liquidity or financial position of any of our significant customers could have a material adverse effect on the collectability of our accounts receivable and our future operating results.

**Valuation of Long-lived and Intangible Assets**

We periodically review the carrying value of all intangible assets and other long-lived assets. If indicators of impairment exist, we compare the undiscounted cash flows estimated to be generated by those assets over their estimated economic life to the related carrying value of those assets to determine if the assets are impaired. If the carrying value of the asset is greater than the estimated undiscounted cash flows, the carrying value of the assets would be decreased to their fair value through a charge to operations. As of May 31, 2015 and 2014, we do not have any long-lived assets we consider to be impaired.

**Goodwill**

We account for goodwill pursuant to ASC 350, *Intangibles Goodwill and Other*. This statement requires that goodwill and other indefinite lived intangible assets be reviewed annually, or more frequently as a result of an event or change in circumstances, for possible impairment. As of May 31, 2015, we conducted our annual impairment test of goodwill by comparing the fair value of the reporting unit to the carrying amount of the underlying assets and liabilities of our one reporting unit. We concluded that the fair value of the reporting unit exceeded the carrying amount of the underlying assets and liabilities, therefore no impairment existed as of the testing date.

**Valuation of Deferred Tax Assets**

We regularly evaluate our ability to recover the reported amount of our deferred income taxes considering several factors, including our estimate of the likelihood of our generating sufficient taxable income in future years during the period over which temporary differences reverse. Our deferred tax assets are currently fully reserved.

**RESULTS OF OPERATIONS**

***Fiscal Year Ended May 31, 2015 as compared to Fiscal Year Ended May 31, 2014***

The table below presents the comparative income statements for the fiscal years ended May 31, 2015 and 2014 along with the dollar and percentage change amounts for each revenue and expense item (expressed in thousands, except percentages):

| | 2015 | 2014 | Change in $ | Change in % |
|---|---|---|---|---|
| Revenues: | | | | |
| Products | $ 535 | $ 1,138 | $ (603) | (53.0)% |
| Services | 3,407 | 3,871 | (464) | (12.0) |
| Total revenues | 3,942 | 5,009 | (1,067) | (21.3) |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Cost of revenues: | | | | | | | |
| Products | | 151 | | 366 | | (215) | (58.7) |
| Services | | 1,539 | | 1,201 | | 338 | 28.1 |
| Total cost of revenues | | 1,690 | | 1,567 | | 123 | 7.8 |
| Gross margin | | 2,252 | | 3,442 | | (1,190) | (34.6) |
| Research and development expenses | | 894 | | 1,171 | | (277) | (23.7) |
| Selling, general and administration expenses | | 2,481 | | 3,465 | | (984) | (28.4) |
| Change in fair value of earn-out payments and holdback payment | | (85) | | (17) | | (68) | 400.0 |
| Gain on sale of product line | | - | | (649) | | 649 | (100.0) |
| Operating loss | | (1,038) | | (528) | | (510) | 96.6 |
| Interest expense | | 165 | | 251 | | (86) | (34.3) |
| Other (income) expense | | 114 | | (33) | | 147 | (445.5) |
| Loss before income taxes | $ | (1,317) | $ | (746) | $ | (571) | 76.5% |

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The table below presents the relationship, expressed as a percentage, between revenue and expense items and total revenue, for the twelve month periods ended May 31, 2015 and 2014:

| | Items as a percentage of revenue | |
|---|---|---|
| | **2015** | **2014** |
| Revenues: | | |
| Products | 13.6% | 22.7% |
| Services | 86.4 | 77.3 |
| Total revenues | 100.0 | 100.0 |
| Cost of revenues: | | |
| Products | 3.8 | 7.3 |
| Services | 39.1 | 24.0 |
| Total cost of revenues | 42.9 | 31.3 |
| Gross margin | 57.1 | 68.7 |
| Research and development expenses | 22.7 | 23.4 |
| Selling, general and administrative expenses | 62.9 | 69.2 |
| Change in fair value of earn-out payments and holdback payment | (2.2) | (0.3) |
| Gain on sale of product line | - | (13.0) |
| Operating loss | (26.3) | (10.5) |
| Interest expense | 4.2 | 5.0 |
| Other (income) expense | 2.9 | (0.7) |
| Loss before income taxes | (33.4)% | (14.9)% |

**Revenue**

Total revenue for fiscal year 2015 was approximately $3.9 million, a decrease of about $1.1 million or 21.3% as compared to fiscal 2014. The sale of the CADRA product line approximately four months into fiscal 2014 was responsible for nearly $1.5 million of the decline while the 14.6% revenue increase in ProductCenter offset a portion of that decline. The following table summarizes revenue by product line for the fiscal years ended May 31, 2015 and 2014 (in thousands, except percentages):

| | 2015 | 2014 | $ Change | % Change |
|---|---|---|---|---|
| **Product Line** | | | | |
| ProductCenter | $ 3,149 | $ 2,747 | $ 402 | 14.6% |
| Connector | 248 | 195 | 53 | 27.2 |
| CADRA | 527 | 1,984 | (1,457) | (73.4) |
| Royalties on sale of patents | - | 10 | (10) | (100.0) |
| Other | 18 | 73 | (55) | (75.3) |
| Total | $ 3,942 | $ 5,009 | $ (1,067) | (21.3)% |

**Product Revenue**

Product revenue for the fiscal year ended May 31, 2015 was approximately $535,000 as compared to approximately $1.1 million for fiscal year 2014, a 53.0% decrease. The table below details product revenue by product line for the fiscal years ended May 31, 2015 and 2014 (in thousands, except percentages):

| | 2015 | 2014 | $ Change | % Change |
|---|---|---|---|---|
| **Product Line** | | | | |
| ProductCenter | $ 483 | $ 193 | $ 290 | 150.3% |
| CADRA | 49 | 933 | (884) | (94.7) |
| Other | 3 | 12 | (9) | (75.0) |
| Total | $ 535 | $ 1,138 | $ (603) | (53.0)% |

Our product revenue for ProductCenter for the fiscal year ended May 31, 2015 increased significantly as compared to the prior fiscal year. The increase resulted from significant expansions in the use of ProductCenter at several long term customer sites. While it is difficult to determine the timing of when purchase orders will be received, the ProductCenter pipeline of qualified prospects at the end of fiscal 2015 was larger than it has been in the recent past.

It is uncertain whether the fiscal 2015 ProductCenter revenue increase is sustainable.

Product revenue from the CADRA technology decreased 94.7% during fiscal year 2015. This decrease was the direct result of the CADRA Sale during the second quarter of fiscal year 2014. In addition, the Company received a significant non-recurring CADRA order from Sikorsky Aircraft in fiscal 2014. We continued to offer this technology under the terms of the aforementioned Distributorship Agreement in limited markets.

**Service Revenue**

Our service revenue is composed of annual maintenance contracts for previously licensed ProductCenter and CADRA technology, subscription revenue for our Connector technology and consulting revenue generated primarily from our ProductCenter technology. The table below summarizes service revenue by product line for the fiscal years ended May 31, 2015 and 2014, respectively (in thousands, except percentages):

| | 2015 | 2014 | $ Change | % Change |
|---|---|---|---|---|
| **Product Line** | | | | |
| ProductCenter | $ 2,666 | $ 2,554 | $ 112 | 4.4% |
| Connector | 248 | 195 | 53 | 27.2 |
| CADRA | 478 | 1,051 | (573) | (54.5) |
| Other | 15 | 71 | (56) | (78.9) |
| Total | $ 3,407 | $ 3,871 | $ (464) | (12.0)% |

Total maintenance and subscription revenue included in the above summary totaled approximately $2.5 million for the twelve months ended May 31, 2015, a decrease of 16.7% from fiscal year 2014.

Our maintenance revenue for ProductCenter grew approximately $49,000 or 2.6% during fiscal year 2015. Renewal rates for annual maintenance contracts for this product line were as follows for the last four fiscal years: FY2015:

100%; FY2014: 90%; FY2013: 89%; and FY2012: 93%. The improved renewal rates and sales associated with our increased product revenue were responsible for ProductCenter s maintenance revenue growth during fiscal year 2015.

Our Connector technology is offered only as an annual subscription. Under these arrangements the subscriber pays upfront for the use of the technology for the subsequent twelve month period and the revenue is amortized evenly during the use period. Connector subscription billings for fiscal 2015 were approximately $155,000, an increase of 38.4% from fiscal 2014 s approximate billings of $112,000. During fiscal 2015 we received subscription orders from ten new customers. Connector customers also generated approximately $124,000 in consulting revenue in fiscal 2015 as compared to approximately $135,000 in fiscal year 2014.

The CADRA Sale, which was completed at the mid-point of the second quarter of fiscal year 2014, was primarily responsible for the maintenance revenue decline for fiscal year 2015 as compared to fiscal year 2014 for that product line.

Consulting revenue included in the above summary totaled approximately $894,000 for the twelve months ended May 31, 2015, an increase of 4.2% compared to the prior fiscal year. These professional services are generated primarily from our existing ProductCenter customers. However, the Connector technology presents us with consulting opportunities that we might not otherwise be aware of and we expect these opportunities to be a growing portion of the consulting group s activity.

**Revenue by Geographic Area**

Revenue generated in the U.S. accounted for approximately 80% of total revenue for the twelve months ended May 31, 2015 as compared to approximately 67% of total revenue in the comparable prior period. Revenue generated in Europe was approximately 20% of total revenue for the twelve months ended May 31, 2015 as compared to approximately 23% of total revenue in the comparable prior period. There was minimal revenue generated from Asia for the twelve months ended May 31, 2015, while revenue generated in Asia for the twelve months ended May 31, 2014 was approximately 10% of total revenue. During the twelve months ended May 31, 2015, revenue from the U.S. decreased by approximately 5%, revenue from Europe decreased by approximately 34%, and revenue from Asia decreased by nearly 100%, in each case, compared to same period in fiscal year 2014.

**Gross Margin**

Gross margin as a percentage of revenue was 57.1% and 68.7% for the twelve month periods ended May 31, 2015 and 2014, respectively. Gross margin on product revenue was 71.8% in fiscal year 2015 as compared to 67.8% in the prior fiscal year. Gross margin on service revenue was 54.8% in fiscal year 2015 as compared to 69.0% in the prior fiscal year. The decline in gross margin on service revenue in fiscal 2015 as compared to 2014 was a direct result of the CADRA Sale. For a significant portion of fiscal 2014, we had no third party costs associated with the CADRA maintenance revenue. In fiscal 2015, the third party costs associated with all of the CADRA maintenance revenue were between 65% and 70%.

**Research and Development Expenses**

Research and development expenses were approximately $894,000 for the fiscal year ended May 31, 2015, a decrease of approximately $277,000 or 23.7% from the comparable twelve month period in fiscal year 2014. During fiscal year 2015 approximately $202,000 of software development costs related to the development of new products were capitalized as compared to approximately $57,000 in the comparable prior period. In addition, the CADRA developers were included in our R&D expenses for the first four months of fiscal 2014 until the sale was completed.

**Selling, General and Administrative Expenses**

Selling, general and administrative expenses were approximately $2.5 million for the fiscal year ended May 31, 2015, a decrease of approximately $984,000 or 28.4% from the comparable twelve month period in fiscal year 2014. The closing of our German subsidiary and personnel changes in our Italian subsidiary were responsible for approximately $412,000 of that reduction. The reduced headcount and spending related to the CADRA Sale accounted for savings of approximately $108,000 and legal expenditures and debt modification costs declined by $322,000 for the fiscal year ended May 31, 2015 as compared to fiscal year 2014.

**Gain on Sale of Product Line**

On October 18, 2013, the Company sold substantially all of the assets of its CADRA product line, including all intellectual property related to that technology but specifically excluded cash, billed accounts receivable and liabilities other than the deferred maintenance liability associated with CADRA customer maintenance contracts for support services. The purchase price was $3.2 million of which the Company received $2.88 million at the close and received an additional $320,000 on October 18, 2014. In addition, the Company will receive royalty payments of up to $750,000 based on 10% of the revenue generated by Mentor during the three-year period immediately following the completion of the transaction. Mentor assumed contractual obligations related to maintenance contracts totaling approximately $607,000. Goodwill totaling about $3.3 million was allocated to the CADRA product line and was included in the derivation of the gain on sale of the product line. Professional fees and other expenses related to the transaction totaled approximately $448,000. Finally, tangible assets with a net book value of approximately $7,000 were transferred to Mentor. During the fiscal year ended May 31, 2014, the Company recorded a gain of $649,000 on the sale of the CADRA product line.

During the twelve month period ended May 31, 2015, the fair value of the Holdback Payment and the Earn-Out Payments increased by approximately $85,000 based on an independent valuation as compared to $17,000 in the prior fiscal year.

**Interest Expense**

Interest expense for the fiscal year ended May 31, 2015 was approximately $165,000, as compared to approximately $251,000 for the comparable prior period. The average outstanding debt during fiscal 2015 was approximately $1.1 million as compared to approximately $1.9 million in fiscal 2014, a decrease of 43% and our weighted average borrowing rate was reduced from 14% in fiscal 2014 to 11% in fiscal year 2015. During the third quarter in fiscal 2014, the Company repurchased certain warrants from our lender that had previously been issued and recorded a gain of $36,000 that reduced interest expense.

**Loss Before Income Taxes**

Loss before income taxes for fiscal year 2015 was approximately $1,317,000 as compared to approximately $746,000 for the comparable prior period.

**Loss Per Share**

Net loss per share for fiscal year 2015 was $1.48, as compared to $0.85 in fiscal year 2014. The weighted average number of shares outstanding was 890,120 in fiscal 2015 as compared to 876,860 in fiscal 2014.

**LIQUIDITY AND CAPITAL RESOURCES**

At May 31, 2015, our primary source of liquidity comes from our cash of approximately $310,000 which included approximately $88,000 held by our European subsidiaries. In addition, approximately 70% of our recurring annual maintenance billings are billed and/or collected in the second half of our fiscal year.

During the twelve month periods ended May 31, 2015 and 2014, the net cash used in operating activities totaled approximately $(1,287,000) and $(549,000), respectively. The net loss for the twelve month period ended May 31, 2015 adjusted for non-cash expenditures used approximately $(869,000) as compared to approximately $(1,146,000) in the comparable prior period. The net change in current assets and liabilities used approximately $(418,000) during fiscal year 2015 composed primarily of a reduction in liabilities including accounts payable and accrued expenses partially offset by an increase in deferred maintenance revenue.

Net cash provided by (used in) investing activities during fiscal year 2015 and 2014 was approximately $(241,000) and $2,331,000, respectively. In the current fiscal year the Company capitalized development costs related to its new data management technology for the residential property market which accounted for most of the cash used in investing activities. In the prior fiscal year, the CADRA Sale was responsible for the cash provided by investing activities.

Net cash provided by (used in) financing activities during fiscal year 2015 totaled approximately $544,000 as compared to approximately $(1,830,000) during the prior fiscal year. We received $750,000 from term loan borrowings, $604,000 in deferred payments related to the CADRA Sale and $820,000 in net proceeds from the issuance of common stock. These transactions are more fully described immediately hereunder. These sources of cash were partially offset by our repurchase of approximately 151,000 shares of our common stock for $312,000 and principal payments of approximately $1.3 million on our outstanding term loans. In fiscal 2014, financing activities used $1.8 million in cash which was composed primarily of $1.7 million in debt repayment and $63,000 related to the repurchase of 170,000 shares of our common stock.

**Sources of Cash**

As of May 31, 2015, we had cash on hand of approximately $310,000, a decrease of approximately $899,000 from May 31, 2014. The decrease in cash was related to approximately $(1,287,000) used in operating activities and $(241,000) used in investing activities which were partially offset by approximately $544,000 in net cash provided by financing activities. Each of these changes is fully described above.

From fiscal year 2002 through fiscal year 2014, the Company generated positive cash flow (defined as net income (loss) derived on a GAAP basis with non-cash expenses added back). The aggregate positive cash flow during this period was approximately $12.1 million. In fiscal 2015, the Company incurred negative cash flow of $(869,000). Approximately $(400,000) of the negative cash flow was related to the investment the Company made in developing HomeView, its new product offering for the residential property market. In addition, the Company incurred negative cash flow of approximately $(350,000) at its wholly-owned subsidiary in Milan, Italy. We expect to launch HomeView during fiscal year 2016, however, there are no reliable measures available to us to accurately forecast revenue. With regard to our Italian subsidiary, a contract award subsequent to the end of fiscal 2015 together with new opportunities identified throughout fiscal 2015 indicate this operation can return to positive operating results in fiscal 2016.

Based on the above, together with expected continued revenue growth from our ProductCenter and Connector technology offerings, we expect to generate positive cash flow for the full fiscal year 2016. Given the uneven billing cycle especially for our maintenance and subscription revenue which has about 70% of its annual billing volume in Q3 and Q4 of the fiscal year, we have arranged for an increase in our short term borrowing agreement with EssigPR as described below and an extension of time for repayment. Given the exceptional working relationship between the two companies, we believe EssigPR can be a continued source of short term borrowing for the Company during fiscal year 2016 and beyond as the two companies seek to capitalize on mutually beneficial market opportunities.

The consolidated financial statements have been prepared on a basis that contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Company s long-term viability is dependent on its ability to generate sufficient product revenue, net income and cash flows from operations to support its business as well as its ability to obtain additional financing. Management s plans also include reducing operating costs and delaying certain expenditures, if necessary, to maintain the Company s liquidity.

The Company had a cash balance of approximately $310,000 as of May 31, 2015. Management believes that with its available cash and current operating plan that projects cash generation from future operations it will have sufficient cash to meet the Company s working capital and capital expenditure requirements through at least the next twelve months. There can be no assurance, however, that the Company will not require additional financing in the future if funds from future operations or estimated expenses differ materially from those amounts estimated by management. If we were required to obtain additional financing in the future, there can be no assurance that sources of capital would be available on terms favorable to us, if at all.

The Company believes that its available cash, cash provided by operations and debt facilities will be sufficient to meet its capital needs for at least the next twelve months.

**Factors Affecting Sources of Liquidity**

*Internally Generated Funds.* The key factors affecting our internally generated funds are demand for our products and services, competition, economic conditions in the markets in which we operate and industry trends.

**Loan Agreement with Prides Crossing Capital**

On December 31, 2014, we repaid in full all of the outstanding indebtedness under our loan agreement with Prides Crossing Capital ( Prides Loan ) and Prides Crossing Capital s security interest in the Company s assets was terminated. The terms of the Prides Loan are detailed in Note F to the consolidated financial statements included in this prospectus.

**Capital Resource Activity with Essig**

***EssigPR Note.*** On June 20, 2014, the Company entered into a three (3) year promissory note agreement (the Note ) with EssigPR, Inc. ( EssigPR ), a Puerto Rico corporation, as the lender. The EssigPR Note is a $750,000 term loan maturing on April 1, 2017, that accrues interest at a 9.5% interest rate, paid quarterly in arrears. The principal on the EssigPR Note will be paid from the Holdback Payment and Earn-Out Payments in connection with Mentor s purchase of the CADRA product line from SofTech pursuant to the Asset Purchase Agreement. Specifically, the Holdback Payment and Earn-Out Payments, which may constitute up to $1.02 million, are described as follows:

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$320,000 paid in October 2014, the one-year anniversary of the sale of the CADRA product line. This Holdback Payment of 10% of the purchase price was to ensure non-breach of the Asset Purchase Agreement and was subject to offset by Mentor should they have any indemnity claims under the Asset Purchase Agreement. The indemnification period expired without any indemnification claims presented to the Company and the Holdback Payment of $320,000 was received on October 20, 2014; and

.

Up to an additional $423,000 as of May 31, 2015 (maximum Earn-Out Payments of $750,000 less first two payments of approximately $44,000 and $283,000 received in March 2014 and 2015, respectively).

In the event whereby the total payments received from Mentor as described above are insufficient to fully satisfy all amounts due under the Note, including principal and interest, the Company shall pay the remaining balance on April 1, 2017. In the event whereby these payments exceed the amounts due under the Note, such excess shall be the sole property of the Company.

On October 1, 2014, the Company entered into an additional short term borrowing arrangement with EssigPR ( Short Term Note ) whereby it was agreed that the Company would retain $300,000 of the Holdback Payment due from Mentor in October 2014 rather than utilize those monies to pay down the above described Note. The interest rate on the Short Term Note is 9.5%, payable quarterly in arrears. The Short Term Note could be repaid at any time without penalty and was due in full on April 10, 2015. EssigPR was awarded 5,000 fully vested stock options to purchase SofTech common stock at $1.00 per share. The stock options will expire on October 1, 2024 if not exercised. The Short Term Note arrangement did not increase the total principal amount of debt owed to EssigPR. Rather, the arrangement had the effect of establishing new payoff terms for that portion of the debt owed to EssigPR under the Note.

On April 2, 2015, the Short Term Note was amended to extend the due date by three months from April 10, 2015 to July 10, 2015. EssigPR was awarded 2,500 fully vested stock options to purchase SofTech common stock at $1.00 per share. The stock options will expire on April 2, 2025 if not exercised.

On July 15, 2015, the Short Term Note was amended again to extend the due date by three months from July 10, 2015 to October 10, 2015. EssigPR was awarded 2,500 fully vested stock options to purchase SofTech common stock at $1.00 per share. The stock options will expire on July 15, 2025 if not exercised.

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On August 3, 2015, the Company borrowed an additional $200,000 increasing the Short Term Note from $300,000 to $500,000.

On the occurrence and continuance of an event of default under the Note that is not cured after written notice from EssigPR, all or any part of the indebtedness under the Note may become immediately due at the option of EssigPR. Under the Note, events of default are (1) a default in the payment of any money owed by the Company to EssigPR under the Note or in any other transaction or (2) a default in the Company s performance of any obligation to EssigPR under the Note or any other agreement between the two parties, whether such agreement is presently existing or entered into in the future. If the Company dissolves, becomes insolvent, or makes an assignment for the benefit of creditors, all such indebtedness under the Note shall become automatically due and payable.

EssigPR is owned by Joseph P. Daly, an affiliate of the Company whose beneficial ownership was approximately 19.6% of the Company s outstanding common stock as of September 17, 2015.

***Issuance of Redeemable Common Stock.*** During fiscal 2015, the Company issued 170,000 shares of redeemable common stock at $5.00 per share to five accredited investors. The transactions are described as follows:

On June 20, 2014, we issued 110,000 shares of SofTech common stock, par value $0.10 per share, in a direct private placement to Mr. Joseph P. Daly (the Daly Purchase Agreement ). The terms of the Daly Purchase Agreement are as follows:

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*Number of Shares Sold:* 110,000 shares of the Company s common stock, par value $.10 per share

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*Purchase Price Per Share:* $5.00 per share

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*Type of Offering:* Direct private placement to an accredited investor; no registration rights; no third party placement fees

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*Purchase Put Right:* Mr. Daly shall have the right to require the Company to repurchase some or all of the shares at $7.00 per share during the ninety (90) day period immediately following the three-year anniversary of the Closing Date.

***Shares Sold in Private Placement.*** In four transactions during September and October 2014, the Company raised proceeds of $300,000 from the issuance of an aggregate of 60,000 shares of the Company s common stock, par value $0.10 per share, at $5.00 per share to four accredited investors in separate private placement transactions.

These transactions were completed pursuant to securities purchase agreements with each of the investors, the material terms of which are as follows:

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*Number of Shares Sold*: An aggregate of 60,000 shares of the Company s common stock, par value $0.10 per share;

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*Purchase Price Per Share:* The shares were sold to accredited investors at a purchase price of $5.00 per share in lots of 10,000 shares;

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*Type of Offering:* Direct private placement to accredited investors; no registration rights; no third party placement fees;

.

*Fees:* In lieu of registration rights and Company costs savings related to direct negotiation with accredited investors, each $50,000 investment entitles the investor to a fee of $5,000 to be paid in eight equal quarterly installments during the twenty-four month period following the investment; and

.

*Purchase Put Right:* Each share purchased shall also give the investors the right to require the Company to repurchase the shares at $7.00 per share for the 30 day period following the twenty-four month anniversary of the investment.

The Company does not believe that the issuance of such shares will restrict the Company s ability to utilize its net operating losses to reduce tax liabilities that might otherwise be due.

| **Name of Accredited Investor** | **Date of Securities Purchase Agreement** | **Amount of Investment in Transaction ($/# of Shares** |
|---|---|---|

| | | |
|---|---|---|
| | | **Purchased)** |
| Robert Anthonyson | September 18, 2014 | $100,000 / 20,000 shares |
| Glenn W. Dillon | September 22, 2014 | $100,000 / 20,000 shares |
| Thomas Doherty | September 22, 2014 | $50,000 / 10,000 shares |
| Leonard Schrank | October 9, 2014 | $50,000 / 10,000 shares |

The offer and sale of securities in the private placements described above were made to accredited investors (as defined in Rule 501(a) under the Securities Act) in reliance on the exemption from registration provided by Section 4(2) of the Securities Act of 1933 and Rule 506 thereunder.

**Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of the SEC s Regulation S-K.

**MANAGEMENT**

The following table sets forth certain information regarding our directors and executive officers as of the date of as of September 17, 2015:

| **Name** | **Age** | **Position** |
|---|---|---|
| Joseph P. Mullaney | 58 | President, Chief Executive Officer and Director |
| Robert B. Anthonyson | 68 | Vice President of Business Development and Director |
| J. Phillip Cooper | 72 | Director |
| Amy E. McGuire | 40 | Chief Financial Officer, Treasurer and Clerk |

***Joseph P. Mullaney*** has served as President, Chief Executive Officer and Director since the consummation of the Recapitalization Transaction. From January 2008 through March 2011, Mr. Mullaney was a management consultant for several technology, renewable energy and telecom companies. From January 2007 through December 2007, Mr. Mullaney served as Chief Executive Officer and Chief Financial Officer of Boston Communications Group, Inc., and repositioned that troubled entity for a successful cash sale at double its then current market value. From June 2001 through December 2006, Mr. Mullaney served as President and Chief Executive Officer of the Company. During this period, Mr. Mullaney developed and implemented the turnaround strategy that ended three consecutive years of negative cash flow totaling almost $10 million and resulted in twelve consecutive years of positive cash flow. Mr. Mullaney has a BS from Stonehill College and an MBA from Northeastern University. Mr. Mullaney s extensive entrepreneurial and executive experience, his in-depth knowledge of our Company in his executive capacity, his proven ability to raise funds and provide access to capital make him uniquely qualified to serve as President, CEO and as a member of our Board. Mr. Mullaney s term as a director expires at the annual meeting of shareholders to be held in 2016.

***Robert B. Anthonyson*** has served as Vice President of Business Development and Director since the consummation of the Recapitalization Transaction. From 2003 through March 2011 Mr. Anthonyson was the general partner of Layne & Barton, LLC, a consulting firm providing real estate brokerage and advisory services. Previously, Mr. Anthonyson was a founder of AVID Systems, a developer of RFID-based technology that allows automated payment when entering or exiting parking garages (sold to Amtech Corp.), co-founder of Dynamics Associates (sold to Interactive Data Corp. then owned by Chase), a patent holder, and technologist. Mr. Anthonyson also served as the project manager of the award-winning $80M park and underground garage project that transformed Boston s downtown financial district. Mr. Anthonyson currently serves as a Director of FireStar Software. Mr. Anthonyson has a BS and MS from MIT and an MBA from Stanford University. Mr. Anthonyson s extensive knowledge of, and experience in, the software and technology industry, experience as a founder of several technologies and companies and leadership background make him uniquely qualified to serve as VP of Business Development and as a member of our Board. Mr. Anthonyson s term as a director expires at the annual meeting of shareholders expected to be held in 2015.

***J. Phillip Cooper*** is a Director and the Chairman of the Compensation Committee and the Audit Committee. Mr. Cooper is the former Vice Chairman, EVP, and CFO of Charles River Associates (NASDAQ: CRAI), from which he retired in June 2006. Mr. Cooper has held numerous CEO positions at several technology companies, including Newstar Technologies in Toronto, Ontario; Clinical Information Advantages, Inc., in Waltham, MA; and Applied Expert Systems in Cambridge, MA. Currently, Mr. Cooper is a member of Boston Harbor Angels, a member of the Board of Advisors of The Capital Network and serves as a Director or Advisor for three technology companies. Mr. Cooper has a B.Com from the University of Toronto and a Ph.D. from MIT. Mr. Cooper s significant public company experience, leadership and management experience in the technology industry, and expertise in the fields of marketing, business development, deal structuring and negotiation, acquisition and strategic partnering, and financial engineering enable him to make critical contributions as a member of our Board. Mr. Cooper s term as a director expires at the next annual meeting of shareholders.

***Amy E. McGuire*** was appointed our Chief Financial Officer in January of 2007. Ms. McGuire joined us as an Accounting Manager in 2002 when we acquired Workgroup Technology Corporation ( WTC ). Ms. McGuire became our Corporate Controller in August 2004. Ms. McGuire was employed by WTC for five years prior to the acquisition. Ms. McGuire has a BS from Nichols College.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934, as amended ("Section 16(a)") requires our Directors and executive officers, and persons who beneficially own more than ten percent of a registered class of our equity securities (collectively, "Section 16 reporting persons"), to file with the SEC initial reports of ownership and reports of changes in ownership of our Common Stock and other equity securities. Section 16 reporting persons are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file.

As of September 17, 2015, to our knowledge all of our officers and directors have filed all reports required to be filed by them pursuant to the requirements of Section 16.

**Structure and Operation of the Board**

The following is a brief description of the functions of the Board:

***Board Leadership Structure and Role in Risk Oversight***

Our Board of Directors as a whole is responsible for our risk oversight. Our executive officers address and discuss with our Board of Directors our risks and the manner in which we manage or mitigate such risks. While our Board of Directors has the ultimate responsibility for our risk oversight, our Board of Directors works in conjunction with its committees on certain aspects of its risk oversight responsibilities. In particular, our Audit Committee focuses on financial reporting risks and related controls and procedures and our Compensation Committee strives to create compensation practices that do not encourage excessive levels of risk taking that would be inconsistent with our strategies and objectives.

Since March 2011, Joseph Mullaney has served as our President and Chief Executive Officer. At this time, our Board believes that Mr. Mullaney s combined role as President, Chief Executive Officer and Director enables us to benefit from Mr. Mullaney s significant institutional and industry knowledge and experience, while at the same time promoting unified leadership and direction for our Board and executive management without duplication of effort and cost. Given our history, position, Board composition and the relatively small size of our company and management team, at this time, our Board believes that we and our shareholders are best served by our current leadership structure.

***Nomination of Directors***

Our bylaws do not provide a procedure for shareholders to nominate directors. The Board of Directors does not currently have a standing nominating committee. Instead, the Board of Directors currently has the responsibility of selecting individuals to be nominated for election to the Board of Directors. The Board of Directors does not have a formal policy regarding diversity, the Directors seek a diverse group of candidates who possess the background, skills and expertise to make a significant contribution to the Board of Directors, to the Company and to its shareholders.

Qualifications considered by the Directors in nominating an individual may include, without limitation, independence, integrity, business experience, education, accounting and financial expertise, reputation, civic and community relationships and industry knowledge. In nominating an existing director for re-election to the Board of Directors, the Directors will consider and review an existing director s Board and Committee attendance, performance and length of service.

***Audit Committee Related Function***

The Board has formed an Audit Committee composed of one non-employee Director: Mr. Cooper, who is independent as that term is defined in rules promulgated by the SEC and in accordance with the standards of the Nasdaq stock market. At this time, the Audit Committee does not have a charter. The Audit Committee is appointed by and reports to our Board of Directors. Its responsibilities include, but are not limited to, the appointment, compensation and dismissal of our independent public accountants, review of the scope and results of our independent public accountants audit activities, evaluation of the independence of our independent public accountants and review of our accounting controls and policies, financial reporting practices and internal audit control procedures and related reports.

***Compensation Committee Related Function***

The current Board has formed a Compensation Committee composed of one non-employee Director: Mr. Cooper, who is independent as that term is defined in rules promulgated by the SEC and in accordance with the standards of the Nasdaq stock market. At this time, the Compensation Committee does not have a charter. The Compensation Committee is appointed by and reports to our Board of Directors. The Compensation Committee has the responsibility of reviewing and establishing compensation for executive officers and making policy decisions concerning salaries and incentive compensation for executive officers of SofTech.

*Executive Compensation Programs.* The Company's compensation programs are aimed at enabling it to attract and retain the best possible executive talent and rewarding those executives commensurate with their ability and performance. The Company's compensation programs consist primarily of base salary, bonus plan, and stock option plan.



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*Base Salary.* Base salaries for executive officers are determined in the same manner as that of other salaried employees. Salary guidelines are established by comparing the responsibilities of the individual's position in relation to similar positions in other software development companies of similar size. Individual salaries were determined this year by considering respective levels of responsibility, position and industry comparables.

*Bonus Plan.* The President, Vice President of Business Development and Chief Financial Officer participate in incentive plans which compensate these individuals in the form of cash bonuses. Awards under these plans are based on the attainment of specific Company and individual performance measures established by the Board at the beginning of the fiscal year.

*Incentive Compensation Plan.* The Equity Incentive Plan (the 2011 Plan ) was approved by our shareholders at the Annual Meeting held on May 24, 2011. Under the 2011 Plan, 150,000 shares of our common stock are reserved for issuance. Additionally, any shares subject to any award under the 2011 Plan that expires or is terminated unexercised or is forfeited will be available for awards under the 2011 Plan.

*Director Compensation.* The Board of Directors administers the 2011 Plan. No option may be exercised after the expiration of ten years from its date of grant. Each non-employee Director will receive an annual fee of $12,000 paid on a quarterly basis in arrears for their first three-year term. The annual fee for the second three year term will increase to $24,000 paid quarterly in arrears. In addition, in order to align their interests with those of the shareholders, each non-employee Director will be granted an option to purchase 5,000 shares of common stock upon his or her initial appointment to the Board of Directors, and will be granted annually (beginning in 2012) an option to purchase 1,000 shares of common stock so long as such Director holds such position. All such options shall have an exercise price equal to the fair market value of our common stock on the date of grant. These options will vest monthly on a pro rata basis over three years from the date of grant. In the event a Director resigns, stock options already vested may be exercised within 90 days and all unvested stock options will be forfeited. Director Cooper was granted an option to purchase 5,000 shares on June 7, 2011 and an additional option to purchase 1,000 shares for each annual meeting subsequent to his initial appointment. In addition, on April 8, 2014, Mr. Cooper was awarded an option to purchase 10,000 shares.

**Communication with Shareholders**

We have established a process for shareholders to communicate with the Board of Directors. Shareholders wishing to communicate with the Board of Directors of SofTech should send an email to investors@softech.com or write or telephone Joseph P. Mullaney at the Company s corporate offices:

Joseph P. Mullaney

SofTech, Inc.

650 Suffolk Street, Suite 415

Lowell, Massachusetts 01854

Telephone: (978) 513-2700

Facsimile: (978) 851-4806

All such communication must state the number of Company securities held by the shareholder and must clearly state that the communication is intended to be shared with the Board of Directors. Mr. Mullaney will forward all such communications to the members of the Board.

**Code of Ethics**

SofTech has adopted a code of ethics that applies to the Principal Executive Officer, Principal Financial Officer, or those performing similar functions. A copy of the code of ethics is available on the Company s website at **www.softech.com**.

**ITEM 11. EXECUTIVE COMPENSATION**

The following table summarizes the compensation paid to our President and Chief Executive Officer and to each of the two most highly compensated executive officers (collectively, the Named Executive Officers ) during or with respect to each of the two fiscal years ended May 31, 2015 and 2014.

***Summary Compensation Table***

| Name and principal position | Year | Salary | Bonus | Stock Option Awards | All other compensation(1) | Total |
|---|---|---|---|---|---|---|
| Joseph P. Mullaney, | 2015 | $ 237,187 | $ 40,000 | $ 32,125 | $ 5,544 | $ 314,856 |
| President & CEO | 2014 | 225,000 | 80,000 | | 5,100 | 310,100 |
| Robert B. Anthonyson , | 2015 | 184,890 | 40,000 | 32,125 | 4,490 | 261,505 |
| VP of Business | 2014 | | | | | |
| Development | | 175,000 | 30,000 | | 4,101 | 209,101 |
| Amy E. McGuire, | 2015 | 102,709 | 5,000 | 6,425 | 2,163 | 116,297 |
| Chief Financial Officer | 2014 | 100,000 | - | | 2,515 | 102,515 |

(1)

Reflects our contributions to each of the Named Executive Officer s accounts under our 401(k) plan and redemption of vacation time forfeited.

***Narrative Compensation Disclosure***

Mr. Mullaney an annual salary of $247,500 with a bonus opportunity of up to 50% of the annual salary. Performance goals for payment of bonuses are to be established by mutual agreement between Compensation Committee and Mr. Mullaney. In addition, Mr. Mullaney is entitled to one year s compensation in the event his employment is terminated without cause.

Mr. Anthonyson an annual salary of $192,500 with a bonus opportunity of up to 50% of the annual salary. Performance goals for payment of bonuses are to be based half on attainment of corporate goals and half on personal goals. In addition, Mr. Anthonyson is entitled to six months compensation in the event his employment is terminated without cause.

Ms. McGuire an annual salary of $105,000 with a bonus opportunity of up to 35% of annual salary, half based on corporate goals and the other half based on personal goals. In addition, Ms. McGuire is entitled to four months annual salary in the event her employment is terminated without cause.

***Retirement Plan***

We have a 401K retirement plan, for which all our employees are eligible, including the Named Executive Officers. We match employee contributions, which are vested immediately, up to 2% of the employee s compensation.

***Option Grants In The Last Fiscal Year***

The following table sets forth information regarding grants of awards to the Named Executive Officers during the year ended May 31, 2014:

| Name | Grant Date Number of Securities Underlying Unexercised Options (#) Exercisable | Number of Securities Underlying Unexercised Options (#) Unexercisable | Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#) | Option Exercise Price($) | Fair Value of Stock and Options Awards | Closing Price on Grant Date ($/share) |
|---|---|---|---|---|---|---|
| Joseph P. Mullaney | 4/8/2014 | 18,750 | 6,250 | 1.84 | 1.72 | 1.35 |
| Robert B. Anthonyson | 4/8/2014 | 18,750 | 6,250 | 1.84 | 1.72 | 1.35 |
| Amy E. McGuire | 4/8/2014 | 3,750 | 1,250 | 1.84 | 1.72 | 1.35 |

No stock awards were granted to the Company s Named Executive Officers during fiscal year 2015.

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***Director Compensation***

Each non-employee Director receives annual fees of $12,000 for their first three year term, paid on a quarterly basis in arrears. The annual fee increases to $24,000 for the second three year term. In addition, each non-employee Director will be granted an option to purchase 5,000 shares of Common Stock with respect to his or her initial appointment to the Board of Directors, and will be granted annually (beginning in 2012) an option to purchase 1,000 shares of common stock at the Company s Annual Meeting of Shareholders so long as such Director holds such position. All such options shall have an exercise price equal to the fair market value of the common stock on the date of grant and shall vest monthly on a pro rata basis over three years from the date of grant so long as the Director continues to be a member of the Board of Directors.

***Outstanding Equity Awards At Fiscal Year-End***

The following table sets forth certain information concerning the compensation of our non-employee directors during the fiscal year ended May 31, 2015.

| **Name** | **Fees earned or paid in cash[1]** | **Option awards[2]** | **Total** |
|---|---|---|---|
| J. Phillip Cooper | $ 18,000 | $ - | $ 18,000 |

(1)

Directors who are compensated as full-time employees receive no additional compensation for service on our Board of Directors. Each independent director who is not a full-time employee is paid an annual fee of $12,000 for their first three year term and $24,000 for their second three year term on a quarterly basis in arrears.

The Board of Directors administers the 2011 Plan. No option may be exercised after the expiration of ten years from its date of grant. Non-employee Directors receive an annual fee of $12,000 for the first three year term and $24,000 for the second three year term, paid on a quarterly basis in arrears. In addition, in order to align their interests with those of the shareholders, the non-employee Director was granted an option to purchase 5,000 shares of common stock at an exercise price equal to the fair market value of our common stock on the date of grant. These options will vest monthly on a pro rata basis over each non-employee Director s initial three year term as a Director. In the event a Director resigns, stock options already vested may be exercised within 90 days and all unvested stock options will be forfeited. Directors Cooper was granted an option to purchase 5,000 shares on June 7, 2011 and an additional option to purchase 1,000 shares for each annual meeting subsequent to his initial appointment. In addition, on April 8, 2014, Mr. Cooper was awarded an option to purchase 10,000 shares.

***SofTech, Inc. Equity Incentive Plans***

**2011 Equity Incentive Plan**

The 2011 Plan was approved by our shareholders at the Annual Meeting held on May 24, 2011. Under the 2011 Plan, 150,000 shares of our common stock are reserved for issuance. Additionally, any shares subject to any award under the 2011 Plan that expires or is terminated unexercised or is forfeited will be available for awards under the 2011 Plan.

All employees, officers, directors, consultants and advisors of the Company or any of its affiliates capable of contributing to the successful performance of the Company are eligible to be participants in the 2011 Plan. Based on the number of our current employees, directors and consultants, there are approximately 40 individuals who currently would be eligible to participate in the 2011 Plan. We may grant stock options, restricted stock, restricted stock units, stock equivalents and awards of shares of common stock that are not subject to restrictions or forfeiture under the 2011 Plan. We may not in any fiscal year grant to any participant stock options, SARs or other awards with respect to which performance goals apply covering more than 50,000 shares.

The 2011 Plan is administered by the Compensation Committee of the Board of Directors composed of members who are independent from Company management (the Committee ). The Committee has the authority to adopt administrative rules and practices governing the operation of the 2011 Plan and to interpret its provisions. The Committee may, subject to applicable law, delegate to one or more of our executive officers the power to make awards to participants who are not executive officers or Directors, subject to a maximum number of shares fixed by the Committee. The Board may at any time also take any such action.

Except as may be limited by the 2011 Plan or applicable law, the Committee selects participants to receive awards and determines the terms and conditions of each award, including the number of shares of common stock subject to awards, the price, if any, a participant pays to receive or exercise an award, the time or times when awards vest or may be exercised, settled or forfeited, any performance goals, restrictions or other conditions to vesting, exercise, or settlement of awards, and the effect on awards of the disability, death, or termination of service of participants. Awards may be made to participants who are foreign nationals or employed outside the United States on terms the Committee deems appropriate.

Upon an equity restructuring or other corporate transaction that affects the common stock such that an adjustment is required in order to preserve the benefits intended to be provided by the 2011 Plan, the Committee shall equitably adjust any or all of the number and kind of shares in respect of which awards may be made under the 2011 Plan, the number and kind of shares subject to outstanding awards, the exercise price with respect to any of the foregoing, and the limit on individual grants. The Committee may act to preserve the participants rights in the event of a change in control of the Company as the Committee may consider equitable to participants and in the best interests of the Company, including without limitation: accelerating any time period relating to the vesting, exercise, or settlement of awards, providing for payment to participants of cash or other property with a fair market value equal to the amount that would have been received upon the vesting, exercise, or settlement of awards in connection with the change in control, adjusting the terms of awards in a manner determined by the Committee to reflect the change in control, causing awards to be assumed, or new rights substituted therefor, by another entity, or terminating awards.

We may not, without shareholder approval, amend any outstanding option or SAR to reduce the exercise price or replace it with a new award exercisable for common stock at a lower exercise price. Subject to the prohibition on repricing, the Committee may not amend, modify or terminate any outstanding award for which the respective participant s consent would be required unless the terms of the award permit such action, the Committee determines that such action is required by law, or the Committee determines that the action would not materially and adversely affect the participant. The Board of Directors may amend, suspend or terminate the 2011 Plan, subject to any shareholder approval it deems necessary or appropriate.

We have granted options to purchase 147,000 shares of our common stock under the 2011 Plan. These options were granted to our non-employee director as part of our director compensation policy and our employees. For more information, see EXECUTIVE COMPENSATION Director Compensation above.

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

**Security Ownership of Certain Beneficial Owners And Management**

The following table provides information concerning beneficial ownership of our common stock as of September 17, 2015, for (i) each person named in the Summary Compensation Table as a Named Executive Officer, (ii) each director individually, (iii) all directors and executive officers as a group, and (iv) each person known by us to beneficially own more than 5% of our outstanding common stock. The address for our executive officers, directors and Chandra Singh is in care of SofTech, Inc., 650 Suffolk Street, Suite 415, Lowell, MA 01854.

| Name of Beneficial Owner(1)(2) | Amount and Nature of Beneficial Ownership | Percent of Class |
|---|---|---|
| Joseph P. Mullaney | 103,427(6) | 11.3% |
| Robert B. Anthonyson | 169,630(6) | 18.6 |
| J. Phillip Cooper | 35,262(4) | 3.9 |
| Amy E. McGuire | 3,958(6) | 0.4 |
| Chandra Singh | 127,036(3) | 14.2 |
| Joseph P. Daly | 177,500(5) | 19.6 |
| All Directors and executive officers as a group (4 persons) | 312,277(7) | 32.8 |

(1)

Based upon information furnished by the persons listed. Except as otherwise noted, all persons have sole voting and investment power over the shares listed. A person is deemed, as of any date, to have beneficial ownership of any security that such person has the right to acquire within 60 days after such date.

(2)

There were 893,724 shares outstanding on September 17, 2015.

(3)

Includes 3,225 shares owned by spouse, as to which beneficial ownership is disclaimed.

(4)

Includes 14,395 shares issuable upon exercise of stock options held by Mr. Cooper related to his service as a Board member.

(5)

As reported on Form 4 filed with the SEC on August 18, 2015, includes 10,000 shares issuable upon exercise of stock options held by Joseph P. Daly and 26,500 shares owned by EssigPR, Inc., a corporation located in Rincon, Puerto Rico owned by Mr. Daly. Mr. Daly s business address is 497 Circle Freeway, Cincinnati, Ohio 45246.

(6)

Includes shares issuable under stock options as follows: Mr. Mullaney  18,750, Mr. Anthonyson -18,750, and Ms. McGuire  3,750.

(7)

Includes 55,228 shares issuable upon exercise of stock options held by all Directors and executive officers as a group.

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

***Director Independence***

In determining whether the members of our board of directors and its committees are independent, we have elected to use the definition of  independence  set forth in the listing standards of the NASDAQ Stock Market. After considering all relevant relationships and transactions, our board of directors, in consultation with legal counsel, has determined that Mr. Cooper is  independent  within the meaning of the applicable listing standards of the NASDAQ Stock Market. Messrs. Mullaney and Anthonyson are not independent within the meaning of the applicable listing standards of the NASDAQ Stock Market. The Company has a separate standing Audit Committee and a separate standing Compensation Committee, each of which is comprised of the independent director, Mr. Cooper. The Company does not have a separate standing Nominating and Governance Committee. Instead, the full board of directors has the responsibility of selecting individuals to be nominated for election to the board of directors.

***Transaction with Certain Beneficial Owners and Directors***

As part of the Recapitalization Transaction in March 2011, we raised approximately $421,765 in cash from the issuance of 384,588 shares of common stock in a private placement to investors. Among the investors were: Joseph P. Mullaney, who was appointed as our President and Chief Executive Officer and elected as a member of our board of directors upon consummation of the Recapitalization Transaction; Robert B. Anthonyson, who was appointed as our Vice President of Business Development and elected as a member of our board of directors upon consummation of the Recapitalization Transaction; J. Phillip Cooper, who was elected as a member of our board of directors upon consummation of the Recapitalization Transaction; and Chandra Singh, who owned approximately 10.9% of our outstanding common stock prior to the Recapitalization Transaction and 12.8% after consummation of the transaction.

In connection with the private placement, we also entered into the Registration Rights Agreement with the Selling Shareholders, pursuant to which we agreed to file with the SEC a registration statement to cover the resale of the 384,588 shares of common stock issued in the private placement, within 90 calendar days after the closing of the private placement. We agreed to use our reasonable best efforts to have the registration statement declared effective as promptly as reasonable possible. We also agreed to use our reasonable best efforts to keep the registration statement continuously effective until the earlier of (i) such time as all of the shares have been sold by the Selling Shareholders and (ii) the date that all the shares may be sold immediately without registration under the Securities Act and without restrictions under Rule 144 of the Securities Act. This registration document was deemed effective on December 28, 2011.

The Registration Rights Agreement also grants piggyback registration rights to the Selling Shareholders if we propose to register any of our equity securities under the Securities Act (other than on a registration statement on Form S-8 or S-4), whether for our own account or for the account of another person.

In March 2012, the Company entered into an agreement with Monadnock to provide specified business advisory and investment banking services. These services included but were not limited to advising and assisting us in developing a strategy for achieving enhanced shareholder value through merger and acquisitions ( M&A ), development of our business plan and alternatives for capital. The Company paid Monadnock a non-recoverable, monthly retainer of $5,000 to be recovered in the event of a transaction. A transaction was defined as a refinancing of our debt in which case Monadnock would earn a 2% fee based on the gross amount of the debt facility and/or an M&A transaction in which case Monadnock s fee would be either 4% of 4.5% based on the value received. During fiscal years 2012 and 2013, Monadnock was paid a $75,000 retainer under this arrangement. In May 2013, Monadnock earned a fee of $54,000 related to the debt facility which was applied in full against the monthly fees already paid and in October 2013 earned a fee of $175,000 related to the sale of the CADRA product line.

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We agreed in the Registration Rights Agreement to pay for all expenses, including the reasonable legal expenses of one counsel to the Selling Shareholders (not to exceed $25,000), relating to the registration of any shares thereunder.

***Transaction with Act3 Technologies, LLC***

On November 1, 2011 the Company entered into an agreement with Act3 Technologies, LLC ( Act3 ) pursuant to which it obtained the exclusive right to develop, commercialize and monetize certain intellectual property owned by Act3 relating to internet marketing software (the Act3 IP ). The Company obtained these rights solely in exchange for its agreement to certain sharing of the proceeds that may be derived with Act3 if the Company is successful in commercializing the Act3 IP, provided that the Company first recover any development costs it may have incurred up to specified levels. The agreement does not obligate the Company to undertake any level of effort or expenditure in this regard and the decision whether to seek to commercialize the Act3 IP is solely in the Company s discretion. The Company also has a right of first refusal to purchase Act3 through December 31, 2050. Joseph Mullaney, Robert Anthonyson and J. Phillip Cooper, each a member of our board of directors, own approximately 10%, 10%, and 3%, respectively, of the equity interests in Act3.

***Transaction with EssigPR, Essig Research and Joseph P. Daly***

The Company entered into several agreements, including amendments to those agreements, with EssigPR, its sister company Essig Research and their primary owner Joseph P. Daly during fiscal 2015 and 2016. These transactions are described in Note B Redeemable Common Stock and Note F Debt to the Company s consolidated financial statements in this prospectus.

**LEGAL MATTERS**

The validity of the securities to be sold pursuant to this prospectus was passed upon by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., counsel to the Company.

**EXPERTS**

The consolidated financial statements for the years ended May 31, 2015 appearing in this prospectus have been audited by Moody, Famiglietti & Andronico, an independent registered public accounting firm, as stated in their report appearing elsewhere herein, and are included in reliance upon such report and upon the authority of such firm as experts in accounting and auditing.

The consolidated financial statements for the year ended May 31, 2014 appearing in this prospectus have been audited by McGladrey LLP, an independent registered public accounting firm, as stated in their report appearing elsewhere herein, and are included in reliance upon such report and upon the authority of such firm as experts in accounting and auditing.

**WHERE YOU CAN FIND ADDITIONAL INFORMATION**

We are required to file annual and quarterly reports and other information with the SEC. You may read and copy any materials we file with the SEC at the SEC s Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C., 20549. Please call 1-800-SEC-0330 for further information on the operation of the Public Reference Room. Our filings will also be available to the public from commercial document retrieval services and at the web site maintained by the SEC at http://www.sec.gov. Our reports and other information that we have filed, or may in the future file, with the SEC are not incorporated by reference into and do not constitute part of this prospectus.

We have filed with the SEC a registration statement under the Securities Act of 1933, as amended, referred to as the Securities Act, with respect to the shares of our common stock offered by this prospectus. This prospectus, filed as part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits and schedules thereto as permitted by the rules and regulations of the SEC. For further information about us and our common stock, you should refer to the registration statement. This prospectus summarizes provisions that we consider material of certain contracts and other documents to which we refer you. Because the summaries may not contain all of the information that you may find important, you should review the full text of those documents.

We have not authorized anyone to give you any information or to make any representations about us or the transactions we discuss in this prospectus other than those contained in this prospectus. If you are given any information or representations about these matters that is not discussed in this prospectus, you must not rely on that information. This prospectus is not an offer to sell or a solicitation of an offer to buy securities anywhere or to anyone where or to whom we are not permitted to offer or sell securities under applicable law.

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**SOFTECH, INC. AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholders

SofTech, Inc.

Lowell, Massachusetts

We have audited the accompanying consolidated balance sheet of SofTech, Inc. and Subsidiaries (the Company ) as of May 31, 2015, and the related consolidated statements of operations, comprehensive loss, changes in redeemable common stock and shareholders equity (deficit) and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements 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 the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SofTech, Inc. and Subsidiaries as of May 31, 2015, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*/s/ Moody, Famiglietti & Andronico, LLP*

Tewksbury, MA

August 31, 2015

**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders

SofTech, Inc.

Lowell, MA

We have audited the accompanying consolidated balance sheet of SofTech, Inc. and subsidiaries as of May 31, 2014, and the related consolidated statements of operations, comprehensive loss, changes in redeemable common stock and shareholders equity (deficit), and cash flows for the year 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 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 the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of SofTech, Inc. and subsidiaries as of May 31, 2014, and the results of their operations and their cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

*/s/ McGladrey LLP*

Boston, Massachusetts

October 7, 2014

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**SOFTECH, INC. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

| | (in thousands) | | | |
|---|---|---|---|---|
| | | **May 31, 2015** | | **May 31, 2014** |
| ASSETS | | | | |
| Cash and cash equivalents | $ | 310 | $ | 1,209 |
| Accounts receivable (less allowance for uncollectible accounts of $18 as of May 31, 2015 and 2014) | | 587 | | 666 |
| Holdback Payment and Earn-Out Payments from CADRA Sale | | 243 | | 547 |
| Debt issuance costs, net | | - | | 139 |
| Prepaid and other assets | | 315 | | 204 |
| Total current assets | | 1,455 | | 2,765 |
| Property and equipment, net | | 57 | | 95 |
| Goodwill | | 948 | | 948 |
| Capitalized software development costs, net | | 422 | | 319 |
| Capitalized patent costs | | 109 | | 106 |
| Earn-Out Payments from CADRA Sale | | 133 | | 348 |
| Other assets | | 169 | | 143 |
| TOTAL ASSETS | $ | 3,293 | $ | 4,724 |
| LIABILITIES, REDEEMABLE COMMON STOCK AND SHAREHOLDERS EQUITY (DEFICIT) | | | | |
| Accounts payable | $ | 137 | $ | 483 |
| Accrued expenses | | 283 | | 607 |
| Deferred maintenance revenue | | 1,732 | | 1,462 |
| Current portion of capital lease | | 19 | | 19 |
| Current portion of long-term debt | | 446 | | 973 |
| Total current liabilities | | 2,617 | | 3,544 |
| Capital lease, net of current portion | | 30 | | 47 |
| Other liabilities | | 10 | | - |
| Total liabilities | | 2,657 | | 3,591 |

| | | | | |
|---|---|---|---|---|
| Redeemable common stock, $0.10 par value, 170,000 and 50,000 shares issued and outstanding at May 31, 2015 and 2014, respectively. | | 1,190 | | 275 |
| Shareholders equity (deficit): | | | | |
| Common stock, $0.10 par value 20,000,000 shares authorized, 723,724 and 825,135 issued and outstanding at May 31, 2015 and 2014, respectively. | | 73 | | 83 |
| Capital in excess of par value | | 27,056 | | 27,338 |
| Accumulated deficit | | (27,400) | | (26,081) |
| Accumulated other comprehensive loss | | (283) | | (482) |
| Total shareholders equity (deficit) | | (554) | | 858 |
| TOTAL LIABILITIES, REDEEMABLE COMMON STOCK AND SHAREHOLDERS EQUITY (DEFICIT) | $ | 3,293 | $ | 4,724 |

See accompanying notes to consolidated financial statements.

**SOFTECH, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

| | *(in thousands, except for share and per share data)* Years Ended May 31, 2015 | May 31, 2014 |
|---|---|---|
| Revenues: | | |
| Products | $ 535 | $ 1,138 |
| Services | 3,407 | 3,871 |
| Total revenues | 3,942 | 5,009 |
| | | |
| Cost of revenues: | | |
| Products | 151 | 366 |
| Services | 1,539 | 1,201 |
| Total cost of revenues | 1,690 | 1,567 |
| | | |
| Gross margin | 2,252 | 3,442 |
| | | |
| Research and development expenses | 894 | 1,171 |
| Selling, general and administrative expenses | 2,481 | 3,465 |
| Change in fair value of Earn-Out Payments and Holdback Payment | (85) | (17) |
| Gain on sale of product line | - | (649) |
| | | |
| Operating loss | (1,038) | (528) |
| | | |
| Interest expense | 165 | 251 |
| Other (income) expense | 114 | (33) |
| | | |
| Loss before income taxes | (1,317) | (746) |
| Provision for income taxes | 2 | 2 |
| | | |
| Net loss | $ (1,319) | $ (748) |
| | | |
| Basic and diluted net loss per share | $ (1.48) | $ (0.85) |
| | | |
| Weighted average common shares outstanding-basic and diluted | 890,120 | 876,860 |

See accompanying notes to consolidated financial statements.

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**SOFTECH, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

| | *(in thousands)* For the Twelve Months Ended | | | |
|---|---|---|---|---|
| | **May 31, 2015** | | **May 31, 2014** | |
| Net loss | $ | (1,319) | $ | (748) |
| Other comprehensive income (loss): | | | | |
| Foreign currency translation adjustment | | 199 | | (58) |
| Total other comprehensive income (loss) | | 199 | | (58) |
| Comprehensive loss | $ | (1,120) | $ | (806) |

See accompanying notes to consolidated financial statements.

**SOFTECH, INC.**

**CONSOLIDATED STATEMENTS OF CHANGES IN REDEEMABLE COMMON STOCK AND SHAREHOLDERS EQUITY (DEFICIT)**

| | *(in thousands, except for share and per share data)* **Years Ended** | | | |
|---|---|---|---|---|
| | | **May 31, 2015** | | **May 31 2014** |
| Redeemable common stock: | | | | |
| Balance at beginning of year | $ | 275 | $ | 275 |
| Issuance of redeemable common stock, net of issuance costs | | 820 | | - |
| Repurchase of redeemable common stock | | (275) | | - |
| Accretion of redeemable common stock to redemption value | | 370 | | - |
| Redeemable common stock at end of year | $ | 1,190 | $ | 275 |
| | | | | |
| Common stock: | | | | |
| Balance at beginning of year | $ | 83 | $ | 100 |
| Repurchase of common stock | | (10) | | (17) |
| Balance at end of year | | 73 | | 83 |
| Capital in excess of par value: | | | | |
| Balance at beginning of year | | 27,338 | | 27,369 |
| Repurchase of common stock | | (27) | | (46) |
| Accretion of redeemable common stock to redemption value | | (370) | | - |
| Stock based compensation | | 115 | | 15 |
| Balance at end of year | | 27,056 | | 27,338 |
| Accumulated deficit: | | | | |
| Balance at beginning of year | | (26,081) | | (25,333) |
| Net loss | | (1,319) | | (748) |
| Balance at end of year | | (27,400) | | (26,081) |
| Accumulated other comprehensive loss: | | | | |
| Balance at beginning of year | | (482) | | (424) |
| Foreign currency translation adjustments | | 199 | | (58) |
| Balance at end of year | | (283) | | (482) |
| | | | | |
| Total shareholders equity (deficit) at end of year | $ | (554) | $ | 858 |
| | | | | |
| Outstanding shares: | | | | |
| Balance of redeemable common stock at beginning of year | | 50,000 | | 50,000 |
| Repurchase of redeemable common stock | | (50,000) | | - |
| Issuance of redeemable common stock | | 170,000 | | - |
| Balance of redeemable common stock at end of year | | 170,000 | | 50,000 |

| | | |
|---|---|---|
| Balance of common stock at beginning of year | 825,135 | 995,135 |
| Repurchase of common stock | (101,411) | (170,000) |
| Balance of common stock at end of year | 723,724 | 825,135 |

See accompanying notes to consolidated financial statements.

**SOFTECH, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | *(in thousands)* Years Ended May 31, 2015 | May 31, 2014 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net loss | $ (1,319) | $ (748) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Depreciation and amortization expense | 279 | 294 |
| Gain on sale of product line | - | (649) |
| Change in fair value of Holdback Payment and Earn-Out Payments | (85) | (17) |
| Non-cash (gain) loss on foreign currency transactions | 114 | (33) |
| Stock-based compensation | 115 | 15 |
| Non-cash interest expense | 27 | 24 |
| Change in fair value of warrant liability | - | (32) |
| Changes in current assets and liabilities: | | |
| Accounts receivable | 86 | 229 |
| Prepaid expenses and other current assets | (111) | 95 |
| Accounts payable, accrued expenses and other liabilities | (663) | 351 |
| Deferred maintenance revenue | 270 | (78) |
| Net cash used in operating activities | (1,287) | (549) |
| Cash flows from investing activities: | | |
| Proceeds from sale of product line, net of direct cash expenses | - | 2,432 |
| Capital expenditures | (3) | (39) |
| Capitalized software development costs | (202) | (57) |
| Capitalized identifiable intangible assets | (33) | - |
| Capitalized patent costs | (3) | (5) |
| Net cash provided by (used in) investing activities | (241) | 2,331 |
| Cash flows from financing activities: | | |
| Proceeds from issuance of redeemable common stock, net of expenses | 820 | - |
| Cost of repurchasing common stock | (37) | (63) |
| Borrowings under debt agreement | 750 | - |
| Cost of repurchasing redeemable common stock | (275) | - |
| Repayment under debt agreements | (1,304) | (1,700) |
| Proceeds from Holdback Payment and Earn-Out Payments | 604 | - |
| Repurchase of warrant liability | - | (19) |

| | | | | |
|---|---|---|---|---|
| Capitalized debt issuance costs | | - | | (32) |
| Repayments under capital lease | | (14) | | (16) |
| Net cash provided by (used in) financing activities | | 544 | | (1,830) |
| | | | | |
| Effect of exchange rates on cash | | 85 | | (31) |
| Decrease in cash and cash equivalents | | (899) | | (79) |
| Cash and cash equivalents, beginning of period | | 1,209 | | 1,288 |
| Cash and cash equivalents, end of period | $ | 310 | $ | 1,209 |
| | | | | |
| Supplemental disclosures of cash flow information: | | | | |
| Interest paid | $ | 122 | $ | 240 |
| Income taxes paid | $ | 2 | $ | 14 |
| | | | | |
| Supplemental disclosures of non-cash investing and financing activities: | | | | |
| Issuance of warrants | $ | - | | 51 |
| Purchase of property and equipment under capital lease | $ | - | $ | 30 |
| Accrued investor fees | $ | 30 | $ | - |
| Accretion of redeemable common stock | $ | 340 | $ | - |

See accompanying notes to consolidated financial statements.

**SOFTECH, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

## A. DESCRIPTION OF THE BUSINESS AND BASIS OF PRESENTATION

SofTech, Inc. (the Company ) was formed in Massachusetts on June 10, 1969. The Company is engaged in the development, marketing, distribution and support of computer software solutions that serve the Product Lifecycle Management ( PLM ) industry. The Company s operations are organized geographically with offices in the U.S. and European sales and customer support offices in Germany and Italy. The Company also has resellers in Asia and Europe.

Since the Recapitalization Transaction described hereunder, the Company has also been actively engaged in acquiring and filing new U.S. patents, evaluating alternatives for monetizing its existing patents and investigating the acquisition of specific patents already awarded that might enhance shareholder value.

The consolidated financial statements of the Company include the accounts of SofTech, Inc. and its wholly-owned subsidiaries, Information Decisions, Inc., Workgroup Technology Corporation, HomeView, Inc., SofTech, GmbH and SofTech, Srl. All significant intercompany accounts and transactions have been eliminated in consolidation.

The consolidated financial statements have been prepared on a basis that contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Company s long-term viability is dependent on its ability to generate sufficient product revenue, net income and cash flows from operations to support its business as well as its ability to obtain additional financing. Management s plans also include reducing operating costs and delaying certain expenditures, if necessary, to maintain the Company s liquidity.

The Company had a cash balance of approximately $310,000 as of May 31, 2015. Management believes that with its available cash and current operating plan that projects cash generation from future operations it will have sufficient cash to meet its working capital and capital expenditure requirements through at least the next twelve months. There can be no assurance, however, that the Company will not require additional financing in the future if funds from future operations or estimated expenses differ materially from those amounts estimated by management. If we were required to obtain additional financing in the future, there can be no assurance that sources of capital would be available on terms favorable to us, if at all.

HOMEVIEW, INC.

The Company established a wholly-owned subsidiary, HomeView, Inc. on April 7, 2015 in Massachusetts. HomeView , a technology being developed by HomeView, Inc., is a secure, intelligent home asset management and maintenance system. HomeView allows homeowners to create a virtual home manual that logs, manages and tracks personal assets and attributes about the property. Home ownership is made easier by managing user manuals, warranty periods, service records, maintenance reminders and other projects with HomeView. Our plans are to offer this technology as a hosted solution wherein the software would reside on our servers.

CADRA SALE

On October 18, 2013, the Company sold substantially all of the assets of its CADRA product line, including all intellectual property related to that technology but specifically excluding cash, billed accounts receivable and liabilities other than the deferred maintenance liability associated with CADRA customer maintenance contracts for support services (the CADRA Sale ), to Mentor Graphics Corporation ( Mentor ), pursuant to an Asset Purchase Agreement dated August 30, 2013 (the Asset Purchase Agreement ). The aggregate consideration for the CADRA Sale is up to $3.95 million, which is comprised of (i) $2.88 million of which was paid on the closing date; (ii) $320,000 of which will be paid on the one year anniversary (the Holdback Payment ) of the closing date (subject to any indemnification claims); and (iii) up to an aggregate $750,000 over the three-year period subsequent to the closing date, based on 10% of the net revenue generated by the CADRA business (the Earn-Out Payments ), subject to the terms of the Earn-Out Agreement dated August 30, 2013 (the Earn-Out Agreement ).

The Company will continue to offer the CADRA technology as a reseller throughout Europe (except Germany) on an exclusive basis until October 18, 2014 pursuant to a distribution agreement with Mentor ( Distributorship Agreement ) at which time the Distributorship Agreement will be subject to renewal by mutual agreement of the parties. In addition, for the one year period from the closing of the transaction the Company retained the right to market the CADRA technology to Sikorsky Aircraft, the largest CADRA user in the United States. Due to the significant continued involvement in the sale and support of the CADRA product line, the transaction does not qualify for presentation as discontinued operations.

STOCK PURCHASE AGREEMENT WITH GREENLEAF CAPITAL AND AFFILIATES

In June 2013, the Company purchased 170,000 shares of common stock from Greenleaf, The Ronda E. Stryker and William D. Johnston Foundation, and The L. Lee Stryker 1974 Irrevocable Trust fbo Ronda E. Stryker, for a purchase price of $62,900 or $0.37 per share as detailed in Note K to the Company s Annual Report on Form 10-K for the fiscal year ended May 31, 2013. The agreement provides an option for the Company to either make an offer to purchase the remaining 101,411 shares held by Greenleaf at $0.37 per share or to provide Greenleaf with registration rights with respect to the remaining shares as set forth in the Registration Rights Agreement dated March 8, 2011. On August 8, 2014, the Company repurchased Greenleaf s remaining 101,411 shares at $0.37 per share for a total of approximately $37,000.

LIQUIDITY AND SUBSEQUENT FINANCING EVENTS

The Company operated at a net loss during each of the last two fiscal years. In addition, for the fiscal years ended May 31, 2015 and 2014 the Company used approximately $1.3 million and $549,000 of cash in its operations, respectively. As detailed in Note J, subsequent to fiscal year end, on August 3, 2015, the Company borrowed an additional $200,000 increasing the Short Term Note from $300,000 to $500,000.

RECLASSIFICATIONS

Certain accounts in the financial statements for the fiscal year ended May 31, 2014 have been reclassified for presentation purposes and had no impact on net loss.

**B. SIGNIFICANT ACCOUNTING POLICIES**

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates included in the financial statements pertain to revenue recognition, the allowance for doubtful accounts receivable, the fair value estimate of the Holdback Payment and Earn-Out Payments due from Mentor related to the sale of the CADRA business and the valuation of long term assets including goodwill, capitalized patent costs, capitalized software development costs and deferred tax assets. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Company maintains cash at certain financial institutions in amounts that at times, exceed Federal Deposit Insurance Corporation limits. Cash held in foreign bank accounts at May 31, 2015 totaled approximately $88,000. The Company does not believe it is exposed to significant credit risk related to cash and cash equivalents.

CONCENTRATION OF CREDIT RISK

Management evaluates the creditworthiness of customers prior to delivery of products and services and provides allowances at levels estimated to be adequate to cover any potentially uncollectible accounts. Bad debts are written off against the allowance when identified.

PROPERTY AND EQUIPMENT

Property and equipment is stated at cost. The Company provides for depreciation on a straight-line basis over the following estimated useful lives:

| | |
|---|---|
| Data Processing Equipment | 2-5 years |
| Office furniture | 5-10 years |
| Automobiles | 4-6 years |

Depreciation expense, including amortization of assets under capital lease, was approximately $40,000 and $37,000, for fiscal years 2015 and 2014, respectively.

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Maintenance and repairs are charged to expense as incurred; betterments are capitalized. At the time property and equipment are retired, sold, or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts. Any resulting gain or loss on disposal is credited or charged to income.

SOFTWARE DEVELOPMENT COSTS

The Company accounts for its software development costs in accordance with Accounting Standards Codification ( ASC ) *985-20, Software-Costs of Computer Software to Be Sold, Leased or Marketed* and *ASC 350-40, Intangibles-Goodwill and Other- Internal Use-Software.* ASC 985-20 is applicable to costs incurred to develop or purchase software to be sold, leased or otherwise marketed as a separate product or as part of a product or process. ASC 350-40 is applicable to costs incurred to develop or obtain software solely to meet an entity s internal needs and for which no substantive plan exists or is being developed to externally market the software. ASC 350-40 also covers technology that would be offered as a hosted solution.

Under ASC 985-20, costs that are incurred in researching and developing a computer software product are charged to expense until technological feasibility has been established for the product. Once technological feasibility is established, software development costs are capitalized until the product is available for general release to customers.

Under ASC 350-40 there are three distinct stages associated with development software which include 1) preliminary project; 2) application development; and 3) post implementation-operation. Costs should be capitalized after each of the following has occurred:

.

The preliminary project stage has been completed;

.

Management with the relevant authority authorizes the project;

.

Management with the relevant authority commits to fund the project;

.

It is probable that the project will be completed; and

.

It is probable that the software will be used for the intended purpose.

Capitalization stops after the software is substantially complete.

Capitalized costs are amortized using the straight-line method over the estimated economic life of the product, generally three years. The Company evaluates the realizability of the assets and the related periods of amortization on a regular basis. Judgment is required in determining when costs should begin to be capitalized under both standards as well as the technology s economic life.

During fiscal years 2015 and 2014, the Company capitalized approximately $202,000 and $57,000, respectively, of software development costs. Amortization expense related to capitalized software development costs for fiscal years 2015 and 2014 was approximately $98,000 and $114,000, respectively.

DEBT ISSUANCE COSTS

The Company capitalizes the direct costs associated with entering into debt agreements and amortizes those costs over the life of the debt agreement. In May 2013, the Company entered into the Loan Agreement as detailed in Note F. Total direct costs incurred in establishing this debt agreement were approximately $255,000 which were amortized over the term of the arrangement in accordance with ASC 470-50. Amortization expense related to debt issuance costs for fiscal years 2015 and 2014 was approximately $149,000 and $143,000, respectively. The debt issuance costs were fully amortized during the fiscal year 2015.

The Loan Agreement was amended several times after May 31, 2013 as described in our Annual Report and in our Form 10-Q filed on January 14, 2015 with the SEC. The costs related to completing these amendments were expensed as incurred in conformity with ASC 470-50, *Debt Modifications and Extinguishment.*

INCOME TAXES

The provision for income taxes is based on the earnings or losses reported in the consolidated financial statements. The Company recognizes deferred tax liabilities and assets for the expected future tax consequences of events that have been recognized in the Company s financial statements or tax returns. Deferred tax liabilities and assets are determined based on the difference between the financial statement carrying amounts and tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. The Company provides a valuation allowance against deferred tax assets if it is more likely than not that some or all of the deferred tax assets will not be realized.

The Company recognizes the tax benefit from an uncertain tax position only if it more-likely-than-not that the tax position will be sustained upon examination by taxing authorities, based on technical merits of the tax position. The evaluation of an uncertain tax position is based on factors that include, but are not limited to, changes in the tax law, the measurement of tax positions taken or expected to be taken in tax returns, the effective settlement of matters subject to audit, and changes in facts or circumstances related to a tax position. Any changes to these estimates, based on the actual results obtained and/or a change in assumptions, could impact the Company s tax provision in future periods. The Company accounts for interest and penalties related to uncertain tax positions as part of its provision for federal and state income taxes. In accordance with the applicable statute of limitations, the Company s tax returns could be audited by the Internal Revenue Service and various states for the fiscal years ended 2012 to 2014.

REVENUE RECOGNITION

The Company follows the provisions of ASC 985-605, *Software Revenue Recognition,* for transactions involving the licensing of software and software support services. Revenue from software license sales is recognized when persuasive evidence of an arrangement exists, delivery of the product has been made, there is a fixed fee and collectability is reasonably assured. The Company does not provide for a right of return. For multiple element arrangements, total fees are allocated to each of the undelivered elements based upon vendor specific objective evidence ( VSOE ) of their fair values, with the residual amount recognized as revenue for the delivered elements, using the residual method set forth in ASC 985-605. Revenue from customer maintenance support agreements is deferred and recognized ratably over the term of the agreements, typically one year. Revenue from engineering, consulting and training services is recognized as those services are rendered using a proportional performance model.

The Company follows the provisions of ASC 605, *Revenue Recognition* for transactions that do not involve the licensing of software or software support services as in the case of the recent sale of its patents. Revenue from the sale of patents is recorded when persuasive evidence of an arrangement exists, delivery has taken place, there is a fixed fee and collectability is reasonably assured. These conditions are no different from those when the Company licenses software.

For multiple element arrangements accounted for under ASC 605-25, a determination is made as to which elements have stand-alone value, and are therefore separable. Total fees are then allocated to each of the separate elements based upon the relative selling price method. Under that method the allocation of fees to the separate elements is based on VSOE, or if it doesn t exist, then based on third party evidence of selling price. If neither exists, then the allocation is based on management s best estimate of the selling price.

PATENT COSTS

Costs related to patent applications are capitalized as incurred and are amortized once the patent application is accepted or are expensed if the application is finally rejected. Patent costs are amortized over their estimated economic lives under the straight-line method, and are evaluated for impairment when events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable through the estimated undiscounted future cash flows from the use of the associated patent. Capitalized patent costs totaled approximately $3,000 and $6,000 for the years ending May 31, 2015 and 2014, respectively.

ACCOUNTING FOR GOODWILL

The Company accounts for goodwill pursuant to ASC 350, *Intangibles Goodwill and Other*. This requires that goodwill be reviewed annually, or more frequently as a result of an event or change in circumstances, for possible impairment with impaired assets written down to fair value. Additionally, existing goodwill and intangible assets must be assessed and classified within the statement s criteria.

During fiscal year 2014, the Company completed the CADRA Sale as described above. The Company attributed a portion of its total goodwill to the CADRA product line and expensed it in the derivation of the gain on the sale. The portion of the total goodwill apportioned to the CADRA product line was equal to the estimated market value of the CADRA product line as compared to the total market value of the Company.

As of May 31, 2015, the Company conducted its annual impairment test of goodwill by comparing the fair value of the reporting unit to the carrying amount of the underlying assets and liabilities. The Company determined that the fair value of the reporting unit exceeded the carrying amount of the assets and liabilities, therefore no impairment existed as of the testing date.

LONG-LIVED ASSETS

The Company periodically reviews the carrying value of all intangible and other long-lived assets. If indicators of impairment exist, the Company compares the undiscounted cash flows estimated to be generated by those assets over their estimated economic life to the related carrying value of those assets to determine if the assets are impaired. If the carrying value of the asset is greater than the estimated undiscounted cash flows, the carrying value of the assets would be decreased to their fair value through a charge to operations. As of May 31, 2015 and 2014, the Company does not have any long-lived assets it considers to be impaired.

FINANCIAL INSTRUMENTS

The Company s financial instruments consist of cash, restricted cash, accounts receivable, Holdback Payment, Earn-Out Payments, notes receivable, accounts payable, notes payable. The Company s estimate of the fair value of these financial instruments approximates their carrying amounts at May 31, 2015. The Company sells its products to a wide variety of customers in numerous industries. A large portion of the Company s revenue is derived from customers with which the Company has an existing relationship and established credit history. For new customers for whom the Company does not have an established credit history, the Company performs evaluations of the customer s credit worthiness prior to accepting an order. The Company does not require collateral or other security to support customer receivables. The Company s allowance for uncollectible accounts was approximately $18,000 at May 31, 2015 and 2014.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Accounting guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Under this guidance, the Company is required to classify certain assets based on the fair value hierarchy, which groups fair value-measured assets based upon the following levels of inputs:

.

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

.

Level 2 Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability;

.

Level 3 Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e. supported by little or no market activity).

The assets maintained by the Company that are required to be measured at fair value on a recurring basis include the Holdback Payment and Earn-Out Payments associated with the Company s sale of the CADRA product line. As of May 31, 2015, the maximum amount that could be received by the Company under the Asset Purchase Agreement totaled $423,000. The actual amount to be received is dependent on the amount of CADRA revenue produced by Mentor for their fiscal years ended January 31, 2016 and 2017.

The following table summarizes the valuation of the Company's assets and liabilities measured at fair value on a recurring basis as of May 31, 2015:

| | *(in thousands)* | | | |
|---|---|---|---|---|
| | **Total** | **Quoted prices in active markets (Level 1)** | **Significant other observable inputs (Level 2)** | **Significant unobservable inputs (Level 3)** |
| Assets: | | | | |
| Earn-Out Payments | $ 376 | $ - | $ - | $ 376 |
| Total assets at fair value | $ 376 | $ - | $ - | $ 376 |

The following table summarizes the valuation of the Company's assets and liabilities measured at fair value on a recurring basis as of May 31, 2014:

| | *(in thousands)* | | | |
|---|---|---|---|---|
| | **Total** | **Quoted prices in active markets (Level 1)** | **Significant other observable inputs (Level 2)** | **Significant unobservable inputs (Level 3)** |
| Assets: | | | | |
| Holdback Payment and Earn-Out Payments | $ 895 | $ - | $ - | $ 895 |
| Total assets at fair value | $ 895 | $ - | $ - | $ 895 |

The Earn-Out Payments are classified as current or non-current assets depending on their anticipated distributions to the Company.

The table below provides a summary of the changes in fair value of the Level 3 classified Holdback Payment and Earn-Out Payments asset for the year ended May 31, 2015 and 2014:

| | *(in thousands)* |
|---|---|
| Fair value at inception | $ 922 |
| Payments received | (44) |
| Change in fair value | 17 |
| Fair value at May 31, 2014 | $ 895 |
| Payments received | (604) |
| Change in fair value | 85 |
| Fair value at May 31, 2015 | $ 376 |

The fair value of the asset at May 31, 2015 and 2014 was approximately $376,000 and $895,000, respectively. The fair value of the Earn-Out Payments expected to be collected in fiscal 2016 have been classified as current assets and those expected after fiscal 2016 in non-current assets in the accompanying consolidated balance sheet. The Company has estimated the fair value of the Holdback Payment and Earn-Out Payments using a discounted cash flow approach. This valuation is based upon several factors including; i) management s estimate of the amount and timing of future CADRA revenues, ii) the timing of receipt of payments from Mentor, and iii) a discount rate of 7%.

A change in any of these unobservable inputs can significantly change the fair value of the asset. The change in fair value of the asset recognized in the Consolidated Statements of Operations for the year ended May 31, 2015 and 2014 was approximately $85,000 and $17,000.

FOREIGN CURRENCY TRANSLATION

The functional currency of the Company s foreign operations (Germany, and Italy) is the Euro. As a result, assets and liabilities are translated at period-end exchange rates and revenues and expenses are translated at the average exchange rates. Adjustments resulting from translation of such financial statements are classified in accumulated other comprehensive income (loss). Foreign currency gains and losses arising from transactions were included in operations in fiscal year 2015 and 2014. In fiscal year 2015 and 2014, the Company recorded a net gain (loss) from foreign currency related transactions of approximately $(114,000) and $33,000, respectively, to Other Income, net in the Consolidated Statements of Operations.

COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) is a more inclusive reporting methodology that includes disclosure of certain financial information that historically has not been recognized in the calculation of net income (loss). To date, the Company s comprehensive income and expense items include only foreign translation adjustments. Comprehensive income (loss) has been included in the Consolidated Statements of Comprehensive Loss for all periods.

NET INCOME (LOSS) PER COMMON SHARE

Basic net income (loss) per share is computed by dividing the net income (loss) by the weighted-average number of common shares outstanding. Diluted net income per share is computed by dividing net income by the weighted-average number of common and equivalent dilutive common shares outstanding. For periods in which losses are reported potentially dilutive common stock equivalents are excluded from the calculation of diluted loss per share because the effect is anti-dilutive.

The following table details the derivation of weighted average shares outstanding used in the calculation of basic and diluted net loss for each period:

| | *(Amounts in thousands, except share amounts)* **Years Ended** | |
|---|---|---|
| | **May 31, 2015** | **May 31, 2014** |
| Net loss available to common shareholders | $ (1,319) | $ (748) |
| Weighted average number of common shares outstanding used in calculating basic earnings per share | 890,120 | 876,860 |
| Weighted average number of common shares outstanding used in calculating diluted earnings per share | 890,120 | 876,860 |

For the fiscal year ending May 31, 2015 and 2014, 30,000 and 129,500 options to purchase common shares were anti-dilutive and were excluded from the above calculation.

STOCK-BASED COMPENSATION

Stock-based compensation expense for all stock-based payment awards made to employees and directors is measured based on the grant-date fair value of the award. The Company estimated the fair value of each share-based award using the Black-Scholes option valuation model. The Black-Scholes option valuation model incorporates assumptions as to stock price volatility, the expected life of options, a risk-free interest rate and dividend yield. The Company recognizes stock-based compensation expense on a straight-line basis over the requisite service period of the award.

In May 2011, the 2011 Equity Incentive Plan (the 2011 Plan ) was approved by the Company s shareholders, pursuant to which 150,000 shares of our common shares are reserved for issuance. Any shares subject to any award under the 2011 Plan that expires, is terminated unexercised or is forfeited will be available for awards under the 2011 Plan. The Company may grant stock options, restricted stock, restricted stock units, stock equivalents and awards of shares of common stock that are not subject to restrictions or forfeiture under the 2011 Plan. As of May 31, 2015, 147,000 options were awarded.

The following table summarizes option activity under the 2011 Stock Option Plan:

| | Number of Options | Weighted Average Exercise Price Per Share | Weighted-Average Remaining Life (in years) | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Outstanding options at May 31, 2013 | 10,000 | $ 2.40 | 8.02 | $ - |
| Granted | 124,500 | 1.84 | 10.00 | - |
| Exercised | - | - | - | - |
| Forfeited or expired | (5,000) | 1.11 | - | - |
| Outstanding options at May 31, 2014 | 129,500 | 1.88 | 9.74 | 20,825 |
| Granted | 30,000 | 1.30 | 10.00 | - |
| Exercised | - | - | - | - |
| Forfeited or expired | (12,500) | 1.84 | - | - |
| Outstanding options at May 31, 2015 | 147,000 | $ 1.77 | 8.54 | $ 2,625 |
| Exercisable at May 31, 2015 | 78,907 | $ 1.78 | 8.14 | $ 2,625 |

The Company determined the volatility for options granted during the fiscal year ended May 31, 2015 and 2014 using the historical volatility of the Company s common stock. The expected life of options has been determined utilizing the simplified method as prescribed in ASC 718 *Compensation, Stock Compensation*. The expected life represents an estimate of the time options are expected to remain outstanding. The risk-free interest rate is based on a treasury instrument whose term is consistent with the expected life of the stock options. The Company has not paid, and does not anticipate paying, cash dividends on its common stock; therefore, the expected dividend yield is assumed to be zero.

For the years ended May 31, 2015 and 2014, the Company expensed approximately $115,000 and $15,000, respectively, of stock-based compensation. The Company had approximately $112,000 of unrecorded stock-based compensation as of May 31, 2015 which will be recognized as expense over the next 1.6 years.

The weighted-average fair value of each option granted in the fiscal year ended May 31, 2015 was estimated to range $0.87 - $1.29 on the date of grant using the Black-Scholes model with the following weighted average assumptions:

| | |
|---|---|
| Expected life | 5.00 5.52 years |
| Assumed annual dividend growth rate | 0% |
| Expected volatility | 132 - 146% |
| Risk free interest rate | 1.35 1.76% |

The weighted-average fair value of each option granted in the fiscal year ended May 31, 2014 was estimated as $1.73 on the date of grant using the Black-Scholes model with the following weighted average assumptions:

| | |
|---|---|
| Expected life | 5.52-5.77 years |
| Assumed annual dividend growth rate | 0% |
| Expected volatility | 155% |
| Risk free interest rate | 1.46-1.96% |

<u>REDEEMABLE COMMON STOCK</u>

During the year ended May 31, 2013, the Company issued 50,000 shares of common stock, $0.10 par value (the Common Stock ), at a purchase price of $5.00 per share to accredited investors (collectively, the Investors ) in separate private placement transactions for total proceeds of $250,000. These transactions were completed pursuant to a

Securities Purchase Agreement (the Agreement ) which the Company entered into with each of the respective Investors. In lieu of registration rights, each $25,000 investment entitled the Investors to a fee of $6,000 (the Fee ) to be paid in six equal quarterly installments during the eighteen month period following the investment. The Agreement also provided the Investors with the right to require the Company to redeem the Common Stock held by such Investors (the Put Option ) for $5.50 per share in cash for a 30 day period ending between June 1, 2014 and June 30, 2014. Each of the Investors exercised their Put Option and the Common Stock was repurchased by the Company at the agreed upon Put Option price of $5.50 per share for a total of $275,000 during the first quarter of fiscal 2015.

During August 2014, in a transaction structured in a similar fashion to the above described Agreement, the Company issued 110,000 shares of the Common Stock at a purchase price of $5.00 per share to Joseph P. Daly, an accredited investor and existing Company shareholder, in a private placement transaction for total proceeds of $550,000. This transaction was completed pursuant to a securities purchase agreement whereby Mr. Daly shall have the right to require the Company to repurchase some or all of the shares at $7.00 per share during the ninety (90) day period immediately following the three-year anniversary of the transaction. Upon completion of the transaction, the 110,000 shares of Common Stock issued pursuant to the security purchase agreement were recorded as redeemable common stock at its redemption value of $770,000 and accretion of $220,000 was recorded to additional paid in capital.

During November 2014, the Company issued an additional 60,000 shares of the Common Stock at a purchase price of $5.00 per share to four accredited investors (collectively, the New Investors ) in private placement transactions for total proceeds of $300,000. These transactions were completed pursuant to Securities Purchase Agreements (the New Agreements ) entered into with each of the respective New Investors. In lieu of registration rights, each $50,000 investment entitles the New Investors to a fee (the New Investors Fees ) of $5,000 to be paid in eight equal quarterly installments during the twenty-four month period (the Payment Period ) following the investment. The New Agreements also provide the New Investors with the right to require the Company to redeem the Common Stock held by such New Investors for $7.00 per share in cash for a 30 day period following the Payment Period. Upon completion of these transactions, the 60,000 shares of Common Stock issued pursuant to the New Agreements were recorded as redeemable common stock at its redemption value of $420,000 and accretion of $120,000 was recorded to additional paid in capital. The $30,000 related to the total New Investors Fees has been included in other liabilities.

The Company first assessed the redeemable Common Stock to determine whether each of these instruments should be accounted for as a liability in accordance with ASC 480, *Distinguishing Liabilities from Equity*. In that the put option is optionally redeemable by the holder, the Common Stock was not required to be accounted for as a liability. Next, the Company assessed each put option within the redeemable Common Stock as a potential embedded derivative pursuant to the provisions of ASC 815, *Derivatives and Hedging,* and concluded that the put option did not meet the net settlement criteria within the definition of a derivative. Therefore, the Company has accounted for the redeemable Common Stock in accordance with ASC 480-10-S99, *Classification and Measurement of Redeemable Securities*, which provides that securities that are optionally redeemable by the holder for cash or other assets are classified outside of permanent equity in temporary equity.

RECENT ACCOUNTING PRONOUNCEMENTS

In May 2015, the FASB issued ASU No. 2015-08, "Business Combinations (Topic 805): Pushdown Accounting Amendments to SEC Paragraphs Pursuant to Staff Accounting Bulletin No. 115." The amendments in this ASU amend various SEC paragraphs pursuant to the issuance of Staff Accounting Bulletin No. 115, Topic 5: Miscellaneous Accounting, regarding various pushdown accounting issues, and did not have a material impact on the Company's consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-05, "Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement." The amendments in this ASU provide guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The amendments do not change the accounting for a customer's accounting for service contracts. As a result of the amendments, all software licenses within the scope of Subtopic 350-40 will be accounted for consistent with other licenses of intangible assets. The amendments in this ASU are effective for public business entities for annual periods, including interim periods within those annual periods, beginning after December 15, 2015. Early adoption is permitted. An entity can elect to adopt the amendments either: (1) prospectively to all arrangements entered into or materially modified after the effective date; or (2) retrospectively. The Company is currently assessing the impact that ASU 2015-05 will have on its consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03, "Interest Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs." The amendments in this ASU are intended to simplify the presentation of debt issuance costs. These amendments require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this ASU. The amendments in this ASU are effective for public business entities for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted for financial statements that have not been previously issued. The Company does not expect the adoption of ASU 2015-03 to have a material impact on its consolidated financial statements.

In February 2015, the FASB issued ASU No. 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis." The amendments in this ASU are intended to improve targeted areas of consolidation guidance for legal entities such as limited partnerships, limited liability corporations, and securitization structures (collateralized debt obligations, collateralized loan obligations, and mortgage-backed security transactions). In addition to reducing the number of consolidation models from four to two, the new standard simplifies the FASB Accounting Standards Codification and improves current GAAP by placing more emphasis on risk of loss when determining a controlling financial interest, reducing the frequency of the application of related-party guidance when determining a controlling financial interest in a variable interest entity ("VIE"), and changing consolidation conclusions for public and private companies in several industries that typically make use of limited partnerships or VIEs. The amendments in this ASU are effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. ASU 2015-02 may be applied retrospectively in previously issued financial statements for one or more years with a cumulative-effect adjustment to retained earnings as of the beginning of the first year restated. The Company does not expect the adoption of ASU 2015-02 to have a material impact on its consolidated financial statements.

Accounting Standards Update (ASU) 2014-17, Business Combinations (Topic 805) Pushdown Accounting was issued by the FASB in November 2014. The primary purpose of the ASU is to provide guidance on whether and at what threshold an acquired entity that is a business or nonprofit activity can apply pushdown accounting in its separate financial statements. The amendments should reduce diversity in the timing and content of footnote disclosure. ASU 2014-17 is effective after November 18, 2014. The Company does not believe that this guidance will have a material impact on its consolidated results of operations or financial position or disclosures.

Accounting Standards Update (ASU) 2014-16, Derivatives and Hedging (Topic 815) Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity was issued by the FASB in November 2014. The primary purpose of the ASU is to eliminate the use of different methods in practice and thereby reduce existing diversity under GAAP in the accounting for hybrid financial instruments issued in the form of a share. ASU 2014-16 is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. The Company does not believe that this guidance will have a material impact on its consolidated results of operations or financial position or disclosures.

Accounting Standards Update (ASU) 2014-15, Presentation of Financial Statements-Going Concern (Subtopic 205-40) Disclosure of Uncertainties about an Entity s Ability to Continue as a Going Concern was issued by the FASB in August 2014. The primary purpose of the ASU is to provide guidance in GAAP about management s responsibility to evaluate whether there is substantial doubt about an entity s ability to continue as a going concern and to provide related footnote disclosures. The amendments should reduce diversity in the timing and content of footnote disclosure. ASU 2014-15 is effective for the annual period ending after December 15, 2016, and for the annual periods and interim periods thereafter. Early adoption is permitted. The Company does not believe that this guidance will have a material impact on its consolidated results of operations or financial position or disclosures.

ASU 2014-12, Compensation-Stock Compensation (Topic 718) Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period was issued by the FASB in June 2014. ASU 2014-12 requires that compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. ASU 2014-12 is effective for public business entities for annual periods and interim periods within the annual periods beginning after December 15, 2015. Early adoption is permitted. The Company does not believe this guidance will have a material impact on its consolidated results of operations or financial position.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, (Topic 606). The ASU is the result of a joint project by the FASB and the International Accounting Standards Board ( IASB ) to clarify the principles for recognizing revenue and to develop a common revenue standard for GAAP and International Financial Reporting Standards ( IFRS ) that would: remove inconsistencies and weaknesses, provide a more robust framework for addressing revenue issues, improve comparability of revenue recognition practices across entities, jurisdictions, industries, and capital markets, improve disclosure requirements and resulting financial statements, and simplify the presentation of financial statements. The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU is effective for annual reporting periods beginning after December 15, 2017. Early application is permitted but not before the original effective date. The Company is currently assessing the impact of this guidance.

ASU No. 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity , was issued by the FASB in April 2014. The Amendment in this update changes the criteria for reporting discontinued operations and requires additional disclosures about discontinued operations. ASU 2014-08 requires that an entity report as a discontinued operation only a disposal that represents a strategic shift in operations that has a major effect on its operations and financial results. ASU 2014-08 is effective for public business entities for annual periods, and interim periods within those annual periods, beginning on or after December 15, 2014. Early adoption is permitted, but only for a disposal (or classification as held for sale) that has not been reported in financial statements previously issued or made available for issuance. The ASU must be applied prospectively. The Company does not believe this guidance will have a material impact on its consolidated results of operations or financial position.

ASU 2013-11, Income Taxes (Topic 740) - Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists was issued by the FASB in July 2013. The amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted. The adoption of this ASU has not had a material impact on the Company s consolidated financial statements.

**C. INCOME TAXES**

The provision for income taxes includes the following for the years ended May 31 (in thousands):

| | | 2015 | | 2014 |
|---|---|---|---|---|
| Federal | $ | - | $ | - |
| Foreign | | - | | - |
| State and local | | 2 | | 2 |
| Total current provision | | 2 | | 2 |
| Deferred provision | | 85 | | 268 |
| Valuation allowance | | (85) | | (268) |
| Total deferred provision | | - | | - |
| Total provision | $ | 2 | $ | 2 |

The domestic and foreign components of income (loss) before income taxes were as follows for the years ended May 31 (in thousands):

| | | 2015 | | 2014 |
|---|---|---|---|---|
| Domestic | $ | (975) | $ | (562) |
| Foreign | | (342) | | (184) |
| | $ | (1,317) | $ | (746) |

At May 31, 2015, the Company had Federal net operating loss carryforwards of $21 million that begin expiring in 2022, and are available to reduce future taxable income. The utilization of the remaining net operating loss carryforwards may be subject to limitation based on past and future changes in ownership of the Company pursuant to Internal Revenue Code Section 382. The Company also has an alternative minimum tax credit of approximately $200,000 that has no expiration date that was available as of May 31, 2015.

The Company s effective income tax rates can be reconciled to the federal and state statutory income tax rate for the years ended May 31 as follows:

| | 2015 | 2014 |
|---|---|---|
| Federal statutory rate | 34% | 34% |

| | | |
|---|---|---|
| State | - | - |
| Foreign | - | - |
| Permanent items | - | - |
| Valuation reserve | (34) | (34) |
| Effective tax rate | -% | -% |

Deferred tax assets (liabilities) were comprised of the following at May 31 (in thousands):

| | **2015** | **2014** |
|---|---|---|
| Deferred tax assets | | |
| Net operating loss carryforwards | $ 7,498 | $ 7,271 |
| Tax credit carryforwards | 254 | 254 |
| Receivables allowances | 7 | 7 |
| Vacation pay accrual | 4 | 9 |
| Depreciation | 35 | 37 |
| Differences in book and tax basis of assets of acquired businesses | (994) | (859) |
| Total gross deferred tax assets | 6,804 | 6,719 |
| Valuation allowance | (6,804) | (6,719) |
| Net deferred tax asset | $ - | $ - |

Due to the uncertainties regarding the realization of certain favorable tax attributes in future tax returns, the Company has established a valuation reserve against the otherwise recognizable net deferred tax assets.

**D. EMPLOYEE RETIREMENT PLANS**

The Company has an Internal Revenue Code Section 401(k) plan covering substantially all U.S. based employees and offers an employer match of a portion of an employee s voluntary contributions. The aggregate expense related to this employer match for fiscal years 2015 and 2014 was approximately $52,000 and $51,000, respectively.

**E. GEOGRAPHICAL INFORMATION**

The Company operates in one reportable segment and is engaged in the development, marketing, distribution and/or support of computer aided design and product data management and collaboration computer solutions. The Company s operations are organized geographically with offices in the U.S. and foreign offices in Germany and Italy. Components of revenue and long-lived assets (consisting primarily of intangible assets, capitalized software and property, plant and equipment) by geographic location, are as follows (in thousands):

| | Years Ended | | | |
|---|---|---|---|---|
| Revenue: | **May 31, 2015** | | **May 31, 2014** | |
| North America | $ | 3,223 | $ | 3,593 |
| Asia | | 7 | | 493 |
| Europe | | 767 | | 1,557 |
| Eliminations | | (55) | | (634) |
| Consolidated Total | $ | 3,942 | $ | 5,009 |

| Long-Lived Assets: | **As of May 31, 2015** | | **As of May 31, 2014** | |
|---|---|---|---|---|
| North America | $ | 1,797 | $ | 1,916 |
| Europe | | 41 | | 43 |
| Consolidated Total | $ | 1,838 | $ | 1,959 |

**F. DEBT**

ESSIGPR

On June 20, 2014, the Company entered into a promissory note agreement (the Note ) with EssigPR, Inc. ( EssigPR ), a Puerto Rico corporation. The Note is a three (3) year borrowing arrangement with EssigPR as the lender. The Note is a $750,000 term loan maturing on April 1, 2017, that accrues interest at a 9.5% interest rate, paid quarterly in arrears. The principal on the Note will be paid from the deferred payments (Holdback Payment and Earn-Out Payments) due over the next three years from Mentor in connection with their purchase of the CADRA product line as described herein. The Company is responsible for ensuring that the Mentor deferred payments are sufficient for paying down the Note or, on April 1, 2017, making up for any shortfall. Mentor deferred payments in excess of amounts due under the Note revert to the Company.

On October 1, 2014, the Company entered into an additional short term borrowing arrangement with EssigPR ( Short Term Note ) whereby it was agreed that the Company would retain $300,000 of the Holdback Payment due from Mentor in October 2014 rather than utilize those monies to pay down the above described Note. The interest rate on the Short Term Note is 9.5%, payable quarterly in arrears. The Short Term Note can be repaid at any time without penalty and was due in full on April 10, 2015. EssigPR was awarded 5,000 fully vested stock options to purchase SofTech common stock at $1.00 per share. The stock options will expire on October 1, 2024 if not exercised. The Short Term Note arrangement did not increase the total principal amount of debt owed to EssigPR. Rather, the arrangement had the effect of establishing new payoff terms for that portion of the debt owed to EssigPR under the Note.

On April 2, 2015, the Short Term Note was amended to extend the due date by three months from April 10, 2015 to July 10, 2015. EssigPR was awarded 2,500 fully vested stock options to purchase SofTech common stock at $1.00 per share. The stock options will expire on April 2, 2025 if not exercised.

On July 15, 2015, the Short Term Note was amended again to extend the due date by three months from July 10, 2015 to October 10, 2015. EssigPR was awarded 2,500 fully vested stock options to purchase SofTech common stock at $1.00 per share. The stock options will expire on July 15, 2025 if not exercised.

On August 3, 2015, the Company borrowed an additional $200,000 increasing the Short Term Note from $300,000 to $500,000.

On the occurrence and continuance of an event of default under the Note that is not cured after written notice from EssigPR, all or any part of the indebtedness under the Note may become immediately due at the option of EssigPR. Under the Note, events of default are (1) a default in the payment of any money owed by the Company to EssigPR under the Note or in any other transaction or (2) a default in the Company s performance of any obligation to EssigPR under the Note or any other agreement between the two parties, whether such agreement is presently existing or entered into in the future. If the Company dissolves, becomes insolvent, or makes an assignment for the benefit of creditors, all such indebtedness under the Note shall become automatically due and payable.

EssigPR is owned by Joseph P. Daly, an affiliate of the Company whose beneficial ownership was approximately 19.6% of the Company s outstanding common stock as of September 17, 2015.

PRIDES CROSSING CAPITAL

On May 10, 2013, the Company entered into a loan agreement (the Loan Agreement ) with Prides Crossing Capital, L.P. and Prides Crossing Capital-A, L.P., ( Lenders ). The Loan Agreement provided for a $2.7 million, three-year term loan (the Loan ) with interest only payments until October 1, 2014. On July 9, 2013, the Loan Agreement was amended (the Amended Loan Agreement No. 1 ) to allow the Company to repurchase 170,000 of its shares from Greenleaf Capital ( Greenleaf ) (as described in Note F) and to increase the maximum ratio of indebtedness to EBITDA from 2.25:1 to 2.60:1 for the quarters ended May 31, 2013, August 31, 2013 and November 30, 2013.

On December 5, 2013, the Company entered into the Amended Loan Agreement No. 2 between the Company, as borrower, and Prides Crossing Capital Funding, L.P., as the lender (the Lender ) whereby the parties agreed to amend and restate the Company s existing $2.7 million Loan Agreement following the CADRA Sale. The Lender was the successor to Prides Crossing Capital, L.P. and Prides Crossing Capital-A, L.P. under the Loan Agreement. Under the terms of the Amended Loan Agreement No. 2, the Company agreed to pay down the principal of the Loan from $2.7 million to $1.0 million using a portion of the proceeds from the CADRA Sale. The amended and restated Term Note was to mature on January 1, 2015 and bears an interest rate of 14% payable in arrears on a monthly basis throughout the life of the loan commencing on January 1, 2014. The Term Note could be repaid in full at any time but partial voluntary pre-payments were not allowed.

Entering into the Note with EssigPR, repurchasing the 50,000 shares of Common Stock for $275,000 from the Investors that exercised their Put Option and repurchasing the 101,411 shares of common stock from Greenleaf in exchange for approximately $38,000 were transactions that were prohibited under the Amended Loan Agreement No. 2 without the Lender s written approval. While the Company disclosed each of these transactions to the Lender prior to completing each transaction, no written authorization was provided by the Lender. On August 8, 2014, the Company and the Lender entered into Amended Loan Agreement No. 3 in an attempt to correct for this technical violation of the borrowing arrangements. Pursuant to Amended Loan Agreement No. 3, the Lender provided consent to the completed transactions conditioned on the Company subsequently providing a security deposit of $300,000 as specified in the Amended Loan Agreement No. 3 and EssigPR entering into a subordination agreement.

The Company was unable to meet all of the conditions specified under Amended Loan Agreement No. 3 and on October 29, 2014, the Company and the Lender entered into Amended Loan Agreement No. 4 wherein the parties agreed to an accelerated principal repayment schedule and modified cash collateral thresholds. Rather than repaying the remaining $1 million principal on January 1, 2015, the parties agreed to the following modified principal repayment schedule:

| | | |
|---|---|---|
| October 31, 2014 | $ | 500,000 |
| November 30, 2014 | | 250,000 |
| December 31, 2014 | | 250,000 |
| Total | $ | 1,000,000 |

As part of that agreement, the minimum cash balance of $1 million that was required to be included in a specified cash account at the end of each calendar month was reduced dollar for dollar by the above principal payments when made. The cash collateral minimum balances were met during the quarter ending November 30, 2014 and each of the principal repayments were made on a timely basis along with the related interest payments due.

**G. LEASE COMMITMENTS**

OPERATING LEASES

The Company conducts its operations in office facilities leased through December 2018. Rental expense for fiscal years 2015 and 2014 was approximately $152,000 and $181,000, respectively. The Company has the option to terminate the lease in March 2017 by paying a termination fee of approximately $77,000.

At May 31, 2015, minimum annual rental commitments under noncancellable leases were as follows (in thousands):

| | | |
|---|---|---|
| 2016 | $ | 133 |
| 2017 | | 88 |
| Total future minimum lease commitments | $ | 221 |

CAPITAL LEASES

In fiscal years 2010, 2013 and 2014, the Company acquired capital equipment through capital lease agreements with financial institutions for terms of 50 and 60 months, with a $1 purchase option. The assets are amortized over the life of the related lease or the asset if shorter and amortization of the assets is included in depreciation expense for fiscal years 2015 and 2014. Minimum annual future lease payments under the capital lease as of May 31, 2015 are as follows (in thousands):

| | | |
|---|---|---|
| 2016 | $ | 23 |
| 2017 | | 23 |
| 2018 | | 13 |
| 2019 | | 5 |
| Minimum lease payment | | 64 |
| Amount representing interest | | (15) |
| Present value of minimum lease payments | $ | 49 |

| | | |
|---|---|---|
| Current | $ | 19 |
| Long Term | $ | 30 |

**H. NOTE RECEIVABLE, RELATED PARTY**

Joseph Mullaney, the Company s CEO, was extended a non-interest bearing note in the amount of $134,000 related to a stock transaction in May 1998. The note is partially secured by the Company stock acquired in that transaction. The Company has accounted for the note as a fixed arrangement.

**I. STOCK PURCHASE AGREEMENT**

In June 2013, the Company purchased 170,000 shares of common stock from Greenleaf, The Ronda E. Stryker and William D. Johnston Foundation, and The L. Lee Stryker 1974 Irrevocable Trust fbo Ronda E. Stryker, for a purchase price of $62,900 or $0.37 per share. On August 8, 2014 the Company repurchased Greenleaf s remaining 101,411 shares at $0.37 per share for a total of approximately $38,000.

**J. SUBSEQUENT EVENTS**

On July 15, 2015, the Short Term Note between the Company and EssigPR was amended to extend the due date by three months from July 10, 2015 to October 10, 2015. The Company awarded EssigPR 2,500 fully vested stock options to purchase common shares with an exercise price of $1.00 per share and a ten year life. Such options were fully vested upon execution of the amendment.

On August 3, 2015, the Company borrowed an additional $200,000 increasing the Short Term Note from $300,000 to $500,000.

The Company has evaluated all events and transactions that occurred after the balance sheet and through the date that the financial statements were available to be issued.

**Part II**

**INFORMATION NOT REQUIRED IN PROSPECTUS**

**Item 13. Other Expenses of Issuance and Distribution.**

The following table sets forth the various costs and expenses of the Registrant in connection with the offering described in the registration statement. All amounts shown are estimates except the SEC registration fee.

| | | |
|---|---|---|
| SEC registration fee | $ | 108 |
| Legal fees and expenses | | 230,000 |
| Accounting fees and expenses | | 25,000 |
| Printing and engraving fees | | 5,000 |
| **Total:** | $ | 260,108 |

**Item 14. Indemnification of Directors and Officers.**

Section 8.51 of the Massachusetts Business Corporation Act (the MBCA ), under which the Registrant is governed, provides that a corporation may indemnify a director who is a party to a proceeding because he is a director against liability incurred in the proceeding if he conducted himself in good faith and he reasonably believed that his conduct was in the best interests of the corporation or that his conduct was at least not opposed to the best interests of the corporation, and, in the case of any criminal proceeding, he had no reasonable cause to believe his conduct was unlawful or he engaged in conduct for which he shall not be liable under a provision of the articles of organization. Section 8.51 also permits a corporation to indemnify a director for conduct for which such individual is or would be exculpated under the corporation s articles of organization, whether or not the director satisfied a particular standard of conduct. Section 8.52 of the MBCA requires corporations to indemnify any director who was wholly successful, on the merits or otherwise, in the defense of any proceeding to which he was a party because he was a director of the corporation against reasonable expenses incurred by him in connection with the proceeding.

Section 8.53 of the MBCA provides that, before the final disposition of a proceeding, a corporation may advance funds to pay for or reimburse the reasonable expenses incurred by a director who is party to such proceeding because he is a director if he delivers to the corporation (a) a written affirmation of his good faith belief that he has met the relevant standard of good faith described in Section 8.51 of the MBCA or that the proceeding involves conduct for which liability has been eliminated pursuant to Section 2.02 of the MBCA and (b) a written undertaking with an unlimited general obligation of the director to repay any funds advanced if he is not entitled to mandatory indemnification under Section 8.52 of the MBCA and it is ultimately determined, under Section 8.54 or Section 8.55 of the MBCA that he does not meet the relevant standard of conduct described in Section 8.51.

Section 8.56 of the MBCA provides that a corporation may indemnify and advance expenses to an officer of the corporation who is a party to a proceeding because he is an officer of the corporation to the same extent as a director, and, if he is an officer but not a director, to such further extent as may be provided by the articles of organization, the by-laws, a resolution of the board of directors or contract, except for liability arising out of acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law. This broader permissible indemnification for officers also is available for a director who is an officer if the individual becomes party to a proceeding on the basis of an act or omission solely as an officer. Section 8.56 of the MBCA also provides that an officer of the corporation who is not a director is entitled to mandatory indemnification under Section 8.52 of the MBCA, and that the officer may apply to a court for indemnification or an advance for expenses, in each case to the same extent to which a director may be entitled to indemnification or advance under those provisions.

Section 2.02 of the MBCA provides that the articles of organization of a corporation may contain a provision eliminating or limiting the personal liability of a director to the corporation for monetary damages for breach of a fiduciary duty as a director notwithstanding any provision of law imposing such liability; provided, however, that such provision shall not eliminate or limit the liability of a director (1) for any breach of the director s duty of loyalty to the corporation or its shareholders, (2) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (3) for improper distributions under Sections 6.40 of the MBCA or (4) for any transaction from which the director derived an improper personal benefit.



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On October 14, 1987, the shareholders of the Registrant approved an amendment to the Registrant s articles of organization, as amended. The amendment to the articles of organization, as amended, which was filed with the Secretary of the Commonwealth of Massachusetts on December 3, 1987, is as follows:

Article 6C. Limitation of Liability of Directors. No director of this Corporation shall be personally liable to the Corporation or its shareholders for monetary damages for breach of fiduciary duty as a director notwithstanding any provision of law imposing such liability; provided, however, that this Article shall not eliminate or limit the liability of a director (i) for any beach of the director s duty of loyalty to the Corporation or its shareholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 61 or 62 of the Massachusetts Business Corporation Law, or (iv) with respect to any transaction from which the director derived an improper personal benefit.

The provisions of this Article shall not eliminate or limit the liability of a director of this Corporation for any act or omission occurring prior to the date on which this Article became effective. No amendment or repeal of this Article shall adversely affect the rights and protection afforded to a director of this Corporation under this Article for acts of omissions occurring while this Article is in effect.

If the Massachusetts Business Corporation Law is subsequently amended to further eliminate or limit the personal liability of directors or to authorize corporate action to further eliminate or limit such liability, then the liability of the directors of this Corporation shall, without further action of the Board of Directors or the shareholders of this Corporation, be eliminated or limited to the extent permitted by the Massachusetts Business Corporation Law as so amended.

The By-laws of the Registrant provide for indemnification of officers and directors as follows:

9. Indemnification. The corporation shall indemnify each person (and his heirs, executors, administrators, or other legal representatives) who is, or shall have been, a Director or officer of the corporation or any person who is serving, or shall have served, at the request of the corporation as a Director or officer of another organization in which the corporation has an interest against all liabilities and expenses, including judgments, fines, penalties and attorneys fees and all amounts paid, other than to the corporation or such other organization, except in relation to matters as to which any such Director, officer, or person shall be finally adjudged, other than by consent, in such actions, suit or proceeding (a) not to have acted in good faith or (b) to have been liable for negligence or misconduct, in the performance of his duty as such Director or officer; provided, however, that indemnity shall not be made with respect to any such amounts paid in compromise or settlement or by consent, unless the Board of Directors shall have determined in good faith that the Director, officer or person making such compromise, settlement, or consent either

acted in good faith or was not liable for negligence or misconduct in the performance of his duty as such Director or officer in connection with the matter or matters out of which such compromise, settlement or consent arose.

The foregoing right of indemnification shall not be exclusive of any other rights to which any such Director, officer or person is entitled under any agreement, vote of shareholders, statute, or as a matter of law, or otherwise. The provisions of this section are separable, and if any provision or portion hereof shall for any reason be held inapplicable, illegal or ineffective, this shall not affect any right of indemnification existing otherwise than under this section.

On July 9, 1981, the shareholders of the Registrant voted to amend Article V, Paragraph 9, of the By-laws as follows:

To amend the By-laws of this Corporation to provide for the payment by the Corporation, to any director, officer or other person entitled to indemnity under these By-laws, of expenses incurred in defending a civil or criminal action or proceeding in advance of the final disposition of the action or proceeding upon receipt of an undertaking by the person entitled to indemnity to repay the payment if he is later adjudicated not to be entitled to indemnification under Section 67 of Chapter 156B of the Massachusetts General Laws.

The Registrant has a directors and officers liability policy that insures the Registrant s directors and officers against certain liabilities which they may incur as directors or officers of the Registrant.

**Item 15. Recent Sales of Unregistered Securities.**

On March 11, 2011, we completed a private placement in which we issued 384,588 shares of common stock at a purchase price of $1.09667 per share to the investors set forth below pursuant to a securities purchase agreement dated March 8, 2011.

| Investors | Number of Shares |
|---|---|
| Joseph P. Mullaney | 80,000 |
| Robert B. Anthonyson | 129,838 |
| J. Phillip Cooper | 20,867 |
| Lee Paull | 45,500 |
| Leonard Schrank | 22,500 |
| Timothy Weatherford | 22,750 |
| Chandra Singh | 45,500 |
| Glenn Dillon | 13,500 |
| Total | 380,455 |

We received an aggregate of approximately $422,000 in proceeds from the private placement. The proceeds from these transactions were used toward settlement of outstanding debt under our financing arrangements with Greenleaf and to provide the Registrant with working capital.

From November 2012 to February 2013, the Company completed private placements with certain investors, whereby the investors acquired an aggregate of 50,000 shares of common stock at a purchase price of $5.00 per share. Under the terms of the purchase agreements for such shares, the Company agreed to pay the investors $6,000 for each $25,000 investment in six equal quarterly installments over the eighteen month payment period following the investment. Each investor shall have the right to require the Company to repurchase the shares at $5.50 per share during the 30-day period following the eighteen-month payment period. The Company received an aggregate of approximately $250,000 in proceeds from these private placements.

On June 20, 2014, we completed a private placement pursuant to which we issued to Joseph P. Daly, an existing Company shareholder, 110,000 shares of common stock at a purchase price of $5.00 per share. We received an aggregate of $550,000 in proceeds from this private placement. Under the terms of the purchase agreement for such shares, Mr. Daly shall have the right to require the Company to repurchase some or all of the shares at $7.00 per share during the 90-day period immediately following the three-year anniversary of the investment.

In four transactions in September and October 2014, the Company completed private placements pursuant to which it issued an aggregate of 60,000 shares of common stock at a purchase price of $5.00 per share. The Company received an aggregate of $300,000 in proceeds from these private placements. Under the terms of the purchase agreements for such shares, the Company agreed to pay the investors $5,000 for each $50,000 investment in eight equal quarterly installments during the twenty-four month period following the investment. Each investor shall have the right to require the Company to repurchase the shares at $7.00 per share during the 30-day period following the two-year anniversary of the investment.

All of the securities described above were offered pursuant to the exemptions from registration set forth in Section 4(2) of the Securities Act of 1933 and Rule 506 of Regulation D promulgated thereunder, as transactions not involving a public offering.

**Item 16. Exhibits and Financial Statement Schedules.**

(a) **Exhibits**. The following exhibits are filed herewith:

| Exhibit No. | Description of Document |
|---|---|
| 2.1 | Asset Purchase Agreement, dated as of August 30, 2013, between Mentor Graphics Corporation and the Company (incorporated by reference to Exhibit 2.1 to the Company s Form 8-K, filed on September 6, 2013). |
| 2.2 | Earn-Out Agreement, dated August 30, 2013, between Mentor Graphics Corporation and the Company (incorporated by reference to Exhibit 2.2 to the Company s Form 8-K, filed on September 6, 2013). |
| 3.1 | Articles of Organization, as amended through October 12, 1988 (incorporated by reference to Exhibit 3.1 to the Company s Quarterly Report on Form 10-Q for the quarter ended February 29, 2008, filed on April 14, 2008). |
| 3.1.1 | Articles of Amendment to Articles of Organization, dated April 15, 2011 (incorporated by reference to Exhibit 3.1.1 to the Company s Registration Statement filed on Form S-1 on June 9, 2011). |
| 3.1.2 | Articles of Amendment to Articles of Organization, effective June 7, 2011 (incorporated by reference to Exhibit 3.1.1 to the Company s Registration Statement filed on Form S-1 on June 9, 2011). |
| 3.2 | By-laws (incorporated by reference to Exhibit 3.2 to the Company s Quarterly Report on Form 10-Q for the quarter ended February 29, 2008, filed on April 14, 2008). |
| 4.1 | Rights Agreement, dated as of February 3, 2012 between the Company and Registrar and Transfer Company, as Rights Agent, together with the following Exhibits thereto; Exhibit A Form of Right Certificate; Exhibit B- Summary of Rights (incorporated by reference to Exhibit 4.1 to the Company s Current Report on Form 8-K, filed on February 3, 2012). |
| 5.1 | Opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. (filed herewith). |
| 10.1 | Securities Purchase Agreement by and among the Company and the Purchasers named therein dated March 8, 2011 (Incorporated by reference to Exhibit 10.1 to the Company s Registration Statement filed on Form S-1 on June 9, 2011). |
| 10.2 | Registration Rights Agreement by and among the Company and the Purchasers named therein dated March 8, 2011 (incorporated by reference to Exhibit 10.11 to the Company s Registration Statement filed on Form S-1 on June 9, 2011). |
| 10.3 | SofTech, Inc. 2011 Equity Incentive Plan (incorporated by reference to Exhibit 10.13 to the Company s Registration Statement filed on Form S-1 on June 9, 2011). |
| 10.4 | Form of Notice of Grant of Incentive Stock Option and Option Agreement under 2011 Equity Incentive Plan (incorporated by reference to Exhibit 10.14 to the Company s Registration Statement filed on Form S-1 on June 9, 2011). |
| 10.5 | Form of Notice of Grant of Nonqualified Stock Option and Option Agreement under 2011 Equity Incentive Plan (incorporated by reference to Exhibit 10.15 to the Company s Registration Statement filed on Form S-1 on June 9, 2011). |

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| 10.6 | Form of Notice of Grant of Restricted Stock and Restricted Stock Agreement under 2011 Equity Incentive Plan (incorporated by reference to Exhibit 10.16 to the Company s Registration Statement filed on Form S-1 on June 9, 2011). |
| 10.7 | Form of Notice of Grant of Restricted Stock and Restricted Stock Agreement under 2011 Equity Incentive Plan (Non-Employee Directors) (incorporated by reference to Exhibit 10.17 to the Company s Registration Statement filed on Form S-1 on June 9, 2011). |
| 10.8 | Form of Notice of Grant of Nonqualified Stock Option and Option Agreement under 2011 Equity Incentive Plan (Non-Employee Directors) (incorporated by reference to Exhibit 10.18 to the Company s Registration Statement filed on Form S-1 on June 9, 2011). |
| 10.9 | Loan Pledge and Security Agreement by and between SofTech Inc. and Prides Crossing Capital dated May 10, 2013 (incorporated by reference to Exhibit 10.27 to the Company s 8-K filed on July 12, 2013). |
| 10.9.1 | Amendment to Loan Pledge and Security Agreement by and between SofTech Inc. and Prides Crossing Capital dated July 9, 2013 (incorporated by reference to Exhibit 10.27.1 to the Company s 8-K filed on July 12, 2013). |
| 10.9.2 | Amended and Restated Loan, Pledge and Security Agreement, dated December 5, 2013, by and among Prides Crossing Capital Funding, L.P. and the Company (Incorporated by reference to Exhibit 10.2 to the Company s quarterly report on Form 10-Q for the quarter ended November 30, 2013 filed on January 14, 2014). |
| 10.10 | Consent to the Sale of Assets and Amendment to Loan, Pledge and Security Agreement, dated October 17, 2013, between Prides Crossing Capital, L.P., Prides Crossing Capital-A, L.P., Joseph P. Mullaney and the Company. (Incorporated by reference to Exhibit 10.2 to the Company s quarterly report on Form 10-Q for the quarter ended November 30, 2013 filed on January 14, 2014). |

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| 10.11 | Amendment No.3 to Loan, Pledge and Security Agreement by and between Prides Crossing Capital Funding L.P. and SofTech, Inc. dated August 8, 2014 (incorporated by reference to Exhibit 10.18 to the Company s Form 10-Q filed on January 14, 2015). |
| 10.12 | Amendment No.4 to Loan, Pledge and Security Agreement by and between Prides Crossing Capital Funding L.P. and SofTech, Inc. dated October 29, 2014 (incorporated by reference to Exhibit 10.18 to the Company s Form 10-Q filed on January 14, 2015). |
| 10.13 | Securities Purchase Agreement by and between Joseph Daly and SofTech, Inc. dated June 20, 2014 (Incorporated by reference to Exhibit 10.1 to the Company s Form 8-K filed on June 26, 2014). |
| 10.14 | Promissory Note by and between EssigPR, Inc. and SofTech, Inc. dated June 20, 2014 (Incorporated by reference to Exhibit 10.2 to the Company s Form 8-K filed on June 26, 2014). |
| 10.15 | Partnership Agreement by and between Essig Research, Inc. and SofTech, Inc. dated June 20, 2014 (Incorporated by reference to Exhibit 10.3 to the Company s Form 8-K filed on June 26, 2014). |
| 10.16 | Stock Purchase Agreement by and between Greenleaf Capital and SofTech, Inc. dated July 24, 2014 (Incorporated by reference to Exhibit 10.14 to the Company s Form 10-K filed on October 7, 2014). |
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| 10.18 | Amendment Term Loan Agreement by and between SofTech, Inc. and EssigPR, Inc. dated April 2, 2015 (incorporated by reference to Exhibit 10.18 to the Company s Form 10-Q filed on April 14, 2015). |
| 10.19 | Amendment No. 2 Term Loan Agreement by and between SofTech, Inc. and EssigPR, Inc. dated July 15, 2015 (incorporated by reference to Exhibit 10.19 to the Company s Form 8-K filed on July 21, 2015). |
| 10.20 | Form of Securities Purchase Agreement by and between SofTech, Inc. and certain purchasers, dated September 18, 2014, September 22, 2014 and October 9, 2014 (incorporated by reference to Exhibit 10.18 to the Company s Form 10-Q filed on January 14, 2015). |
| 21.1 | Subsidiaries of the Registrant (incorporated by reference to Exhibit 21.1 to the Company s Registration Statement filed on Form S-1 on June 9, 2011). |
| 23.1 | Consent of Moody, Famiglietti & Andronico (filed herewith). |
| 23.2 | Consent of McGladrey LLP (filed herewith). |
| 24.1 | Power of Attorney (previously filed with the Company s Registration Statement filed on Form S-1 (File No. 333-174817) on June 19, 2011). |

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**Item 17. Undertakings.**

The undersigned registrant hereby undertakes:

(1)

To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i)

To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii)

To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement; and

(iii)

To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2)

That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3)

To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4)

That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. *Provided, however*, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Lowell, State of Massachusetts, on September 30, 2015.

SOFTECH, INC.

Date: September 30, 2015

*/s/ Joseph P. Mullaney*

Joseph P. Mullaney
President and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

| Signature | Title | Date |
|---|---|---|
| */s/ Joseph P. Mullaney*<br>Joseph P. Mullaney | President, Chief Executive Officer and Director<br>(Principal Executive Officer) | September 30, 2015 |
| */s/ Amy E. McGuire*<br>Amy E. McGuire | Treasurer, Clerk and Chief Financial Officer<br>(Principal Financial and Accounting Officer) | September 30, 2015 |
| */s/ Robert B. Anthonyson*<br>Robert B. Anthonyson | Vice President of Business Development and<br>Director | September 30, 2015 |
| */s/ J. Phillip Cooper*<br>J. Phillip Cooper | Director | September 30, 2015 |

**EXHIBIT INDEX**

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