SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended November 30, 2014

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _________________ to ___________________

0-10665
Commission File Number

SOFTECH, INC.

(Exact name of the Registrant as specified in its charter)

Massachusetts	**04-2453033**
(State or other jurisdiction of incorporation or organization)	(I.R.S Employer Identification No.)

650 Suffolk Street, Suite 415, Lowell, MA 01854
(Address of principal executive offices and zip code)

Telephone (978) 513-2700
(Registrant' s telephone number, including area code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "accelerated filer," "large 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	☒

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

The number of shares outstanding of registrant' s common stock at January 10, 2015 was 893,724 shares.

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SOFTECH, INC.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

SOFTECH, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	(in thousands)	
	November 30, 2014 (Unaudited)	**May 31, 2014**
ASSETS		
Cash	$ 517	$ 1,209
Accounts receivable (less allowance for uncollectible accounts of $18 as of November 30, 2014 and May 31, 2014)	733	666
Holdback payment and earn-out payments from CADRA sale, current portion	304	547
Debt issuance costs, net	26	139
Prepaid and other assets	188	204
Total current assets	1,768	2,765
Property and equipment, net	76	95
Goodwill	948	948
Capitalized software development costs, net	263	319
Capitalized patent costs	108	106
Earn-out payments from CADRA sale, net of current portion	331	348
Other assets	143	143
TOTAL ASSETS	$ 3,637	$ 4,724
LIABILITIES AND SHAREHOLDERS' (DEFICIT) EQUITY		
Accounts payable	$ 283	$ 483
Accrued expenses	303	607
Deferred maintenance revenue	1,172	1,462
Capital lease, current	19	19
Current maturities of long-term debt	851	973
Total current liabilities	2,628	3,544
Capital lease, net of current portion	40	47
Long-term debt, net of current maturities	120	–
Other accrued liabilities	15	–
Total liabilities	2,803	3,591
Commitments and contingencies		
Redeemable common stock, $0.10 par value, 170,000 and 50,000 shares issued and outstanding at November 30, 2014 and May 31, 2014, respectively.	1,190	275
Shareholders' (deficit) equity :		
Common stock, $0.10 par value 20,000,000 shares authorized, 723,724 and 825,135 issued and outstanding at November 30, 2014 and May 31, 2014, respectively.	73	83
Capital in excess of par value	27,001	27,338
Accumulated deficit	(27,033)	(26,081)
Accumulated other comprehensive loss	(397)	(482)
Total shareholders' (deficit) equity	(356)	858
TOTAL LIABILITIES AND SHAREHOLDERS' (DEFICIT) EQUITY	$ 3,637	$ 4,724

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See accompanying notes to unaudited consolidated financial statements

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SOFTECH, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	(in thousands, except for share and per share data)	
	For the Three Months Ended	
	November 30, 2014	**November 30, 2013**
Revenue:		
Products	$ 199	$ 376
Services	828	1,038
Total revenue	1,027	1,414
Cost of revenue:		
Products	33	28
Services	436	264
Total cost of revenue	469	292
Gross margin	558	1,122
Research and development expenses	222	304
Selling, general and administrative expenses	645	866
Gain on CADRA sale	–	(649)
Change in fair value of earn-out payments and holdback payment	(21)	-
Operating (loss) income	(288)	601
Interest expense	63	104
Other expense (income), net	28	(17)
Net (loss) income	$ (379)	$ 514
Basic and diluted net (loss) income per share:	$ (0.44)	$ 0.59
Weighted average common and redeemable shares outstanding-basic and diluted	866,911	875,135

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SOFTECH, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	(in thousands, except for share and per share data)	
	For the Six Months Ended	
	November 30, 2014	**November 30, 2013**
Revenue:		
Products	$ 270	$ 618
Services	1,621	2,172
Total revenue	1,891	2,790
Cost of revenue:		
Products	86	62
Services	791	572
Total cost of revenue	877	634
Gross margin	1,014	2,156
Research and development expenses	494	639
Selling, general and administrative expenses	1,362	1,747
Gain on CADRA sale	–	(649)
Change in fair value of earn-out payments and holdback payment	(60)	–
Operating (loss) income	(782)	419
Interest expense	127	199
Other expense (income), net	43	(28)
Net (loss) income	$ (952)	$ 248
Basic and diluted net (loss) income per share:	$ (1.08)	$ 0.28
Weighted average common and redeemable shares outstanding-basic and diluted	881,653	888,140

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SOFTECH, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF
COMPREHENSIVE (LOSS) INCOME (UNAUDITED)

	(in thousands, except for share and per share data)	
	For the Three Months Ended	
	November 30, 2014	**November 30, 2013**
Net (loss) income	$ (379)	$ 514
Other comprehensive income (loss):		
Foreign currency translation adjustment	28	(25)
Comprehensive (loss) income	$ (351)	$ 489

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SOFTECH, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF
COMPREHENSIVE (LOSS) INCOME (UNAUDITED)

	(in thousands, except for share and per share data)	
	For the Six Months Ended	
	November 30, 2014	**November 30, 2013**
Net (loss) income	$ (952)	$ 248
Other comprehensive income (loss):		
Foreign currency translation adjustment	85	(45)
Comprehensive (loss) income	$ (867)	$ 203

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SOFTECH, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	(in thousands)	
	For the Six Months Ended	
	November 30, 2014	**November 30, 2013**
Cash flows from operating activities:		
Net (loss) income	$ (952)	$ 248
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation and amortization expense	189	111
Gain on CADRA sale	–	(649)
Stock-based compensation	59	4
Non-cash interest expense	18	6
Change in fair value of earn-out payments and holdback payment	(60)	–
Change in current assets and liabilities:		
Accounts receivable	(67)	(196)
Prepaid expenses and other assets	16	159
Restricted cash	–	(1,306)
Accounts payable and accrued expenses	(489)	402
Deferred maintenance revenue	(290)	(538)
Net cash used in operating activities	(1,576)	(1,759)
Cash flows from investing activities:		
Proceeds from sale of product line, net of direct expenses	–	2,432
Capital expenditures	(2)	(37)
Capitalized software development costs	–	(57)
Capitalized patent costs	(2)	(2)
Net cash provided by (used in) investing activities	(4)	2,336
Cash flows from financing activities:		
Cost of repurchase of common stock	(37)	(63)
Cost of repurchase of redeemable common stock	(275)	–
Capitalized debt issuance costs	–	(32)
Borrowing under debt agreement	750	–
Change in fair value of warrant liability	–	(6)
Proceeds from holdback agreement	320	
Proceeds from issuance of common stock	820	–
Repayments under debt agreements	(770)	–
Repayments under capital lease	(7)	(8)
Net cash provided by (used in) financing activities	801	(109)
Effect of exchange rates on cash	87	(44)
Increase (decrease) in cash and cash equivalents	(692)	424
Cash and cash equivalents, beginning of period	1,209	1,188
Cash and cash equivalents, end of period	$ 517	$ 1,612
Supplemental disclosures of cash flow information:		
Interest paid	$ 84	$ 153
Taxes paid	$ 2	$ 14
Noncash investing and financing activities:		
Issuance of warrants	$ –	$ 51
Accretion of redeemable common stock	$ 370	$ –

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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 in Italy. The Company also has resellers in Asia and Europe.

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

Our unaudited consolidated financial statements presented herein have been prepared pursuant to the rules of the Securities and Exchange Commission (the "SEC") for quarterly reports on Form 10-Q and do not include all of the information and footnote disclosures required by generally accepted accounting principles in the United States of America ("GAAP"). These statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended May 31, 2014 included in our Annual Report on Form 10-K, which was filed with the SEC on October 7, 2014. In the opinion of management, the consolidated financial statements include all adjustments necessary for the fair presentation of the consolidated financial position, results of operations, and cash flows of the Company as of and for these interim periods.

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 payable 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 continued to offer the CADRA technology as a reseller throughout Europe (except Germany) on an exclusive basis until November 30, 2014 pursuant to a distribution agreement (the "Distributorship Agreement") with Mentor. The Company expects to renew the Distributorship Agreement for Europe (except Germany) for at least one year and is currently engaged in negotiations. 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.

RECLASSIFICATIONS

Certain accounts in the November 30, 2013 financial statements have been reclassified for comparative purposes to conform to the presentation in the November 30, 2014 financial statements.

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 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.

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SOFTWARE DEVELOPMENT COSTS

The Company accounts for its software development costs in accordance with Accounting Standards Codification ("ASC") 985, *Costs of Computer Software to Be Sold, Leased or Marketed.* Costs that are incurred internally 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. Such 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 technological feasibility of a product is established as well as its economic life.

During the three and six months ended November 30, 2013, the Company capitalized approximately $18,000 and $57,000, respectively, of software development costs. During the three and six months ended November 30, 2014, the Company did not capitalize software development costs. Amortization expense related to capitalized software development costs for the three and six months ended November 30, 2014 was approximately $28,000 and $56,000, respectively, as compared to approximately $24,000 and $49,000 for the comparable periods in the prior fiscal year.

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 D. Total direct costs incurred in establishing this debt agreement were approximately $255,000, which are being amortized over the term of the arrangement in accordance with ASC 470-50. Amortization expense related to debt issuance costs for the three and six months ended November 30, 2014 was approximately $71,000 and $123,000, respectively, as compared to approximately $22,000 and $43,000 for the comparable periods in the prior fiscal year.

The Loan Agreement has been amended several times since May 31, 2013 as described in Note D hereunder. 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.

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, and a fixed fee and collectability has been determined. 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 and a fixed fee and collectability has been determined. These conditions are no different from those when the Company licenses software. For multiple element arrangements, however, under ASC 605, total fees are allocated to each of the elements based upon the relative selling price method. Under that method the allocation of fees to the undelivered 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.

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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 November 30, 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, accounts receivable, Holdback Payment, Earn-Out Payments, notes receivable, accounts payable and notes payable. The Company' s estimate of the fair value of these financial instruments approximates their carrying value at November 30, 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.

The following table summarizes the valuation of the Company's assets and liabilities measured at fair value on a recurring basis as of November 30, 2014:

	(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	$ 635	$ –	$ –	$ 635
Total assets at fair value	$ 635	$ –	$ –	$ 635

The Holdback Payment and Earn-Out Payments are classified as current or non-current assets depending on their anticipated receipt by 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 six month period ended November 30, 2014:

	(in thousands)
Fair value at May 31, 2014	$ 895
Change in fair value	60
Receipt of the Holdback Payment	(320)
Fair value at November 30, 2014	$ 635

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The fair value of the asset at November 30, 2014 was approximately $635,000. The fair value of the Earn-Out Payments expected to be collected within one year have been classified as current assets. The fair value of the payments expected to be received beyond one year are included in long term 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 unaudited Consolidated Statements of Operations for the three and six months ended November 30, 2014 was approximately $21,000 and $60,000, respectively.

CHANGE IN ACCOUNTING POLICY

In our quarterly reports for the fiscal quarters ended November 30, 2013 and February 28, 2014, we accounted for the Holdback Payment and the Earn-Out Payments pursuant to ASC 450, *Contingencies* whereby the Company recorded a gain of approximately $155,000 through the nine months ended February 28, 2014 which included consideration of the Holdback Payment and reported Earn-Out Payments, but excluded consideration of up to $686,000 of potential future Earn-Out Payments.

During the fourth quarter of fiscal 2014, we changed our accounting policy with regard to these payments to account for the proceeds at the fair value of the consideration received in accordance with ASC 810-10-40-5. The effects of this change have been made retrospectively to the current period consolidated financial statements in accordance with ASC 250, *Accounting Changes and Error Corrections*. Pursuant to the new policy, the Company estimated the fair value of Holdback Payment and the Earn-Out Payments on the date of the transaction and recognized the fair value as a component of the gain on sale as of the transaction date. The Holdback Payment and Earn-Out Payments will be adjusted to fair value at each reporting period with changes in the fair value of the asset reported as a component of operations in the Consolidated Condensed Statement of Operations. For more information, refer to the Company' s annual audited consolidated financial statements included in the Company' s Form 10-K for the fiscal year ended May 31, 2014.

FOREIGN CURRENCY TRANSLATION

The functional currency of the Company' s foreign operations 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 loss. Foreign currency gains and losses arising from transactions were included in the statements of operations. For the three and six month periods ended November 30, 2014, the Company recorded a net loss from foreign currency related transactions of approximately $28,000, and $43,000, respectively, as compared to a net gain of approximately ($14,000) and ($22,000), respectively, for the comparable periods in the prior fiscal year, to Other expense (income), net in the unaudited Consolidated Statements of Operations.

NET (LOSS) INCOME PER COMMON SHARE

For the three and six month periods ended November 30, 2014, 2,368 and 1,184, respectively, options to purchase common shares were anti-dilutive and were excluded from the basic and diluted earnings per share 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 share subject to any award under the 2011 Plan that expires, is terminated unexercised or is forfeited will be available for future 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 November 30, 2014, 144,500 stock options were awarded.

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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	27,500	1.33	10.00	–
Exercised	–	–	–	–
Forfeited or expired	(12,500)	1.84	–	–
Outstanding options at November 30, 2014	144,500	$ 1.78	9.02	$ 3,375
Exercisable at November 30, 2014	42,947	$ 1.83	7.90	$ 2,250

The Company determined the volatility for options granted 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 three and six month periods ended November 30, 2014, the Company expensed approximately $32,000 and $59,000 of stock-based compensation, respectively, as compared to approximately $2,000 and $4,000 in the comparable prior periods.

REDEEMABLE COMMON STOCK

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 the current fiscal year.

During the three months ended August 31, 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.

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During the three months ended November 30, 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 a 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-S99-3A, *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

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 is currently assessing the impact of this guidance, but does not believe that it will have a material impact on its consolidated results of operations, financial position or disclosures.

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.

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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, 2016. Early application is not permitted. 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.

C. SEGMENT INFORMATION

The Company operates in one reportable segment and is engaged in the development, marketing, distribution and 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 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):

	Three Month Periods Ended	
Revenue:	**November 30, 2014**	**November 30, 2013**
North America	$ 859	$ 1,255
Europe	177	290
Asia	–	330
Eliminations	(9)	(461)
Consolidated Total	$ 1,027	$ 1,414

	Six Month Periods Ended	
Revenue:	**November 30, 2014**	**November 30, 2013**
North America	$ 1,541	$ 2,259
Europe	366	604
Asia	–	493
Eliminations	(16)	(566)
Consolidated Total	$ 1,891	$ 2,790

Long Lived Assets:	**As of November 30, 2014**	**As of May 31, 2014**
North America	$ 1,827	$ 1,916
Europe	42	43
Consolidated Total	$ 1,869	$ 1,959

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D. 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 is due in full on April 10, 2015. EssigPR was awarded 5,000 stock options to purchase SofTech common stock at $1.00 per share. The stock options will expire on October 1, 2024 if not exercised.

EssigPR is owned by Joseph P. Daly an affiliate of the Company who owns approximately 18.7% of the outstanding shares.

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 may be repaid in full at any time but partial voluntary pre-payments are 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

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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.

E. NOTE RECEIVABLE

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.

F. 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 as detailed in Note K to the consolidated financial statements as of May 31, 2013. 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.

G. CHANGES IN EQUITY

The changes in redeemable common stock for the six months ended November 30, 2014 is as follows (in thousands):

	Redeemable Common Stock		
	Shares		Amount
Balance as of May 31, 2014	50	$	275
Issuance of redeemable common stock	170		850
Accretion of redeemable common stock	–		340
Repurchase of redeemable common stock	(50)		(275)
Balance as of November 30, 2014	170	$	1,190

H. SUBSEQUENT EVENTS

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.

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Item 2. Management' s Discussion and Analysis of Financial Condition and Results of Operations

This report 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," "project," "predict," "potential" 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:

- generate sufficient cash flow from our operations or other sources to fund our working capital needs and growth initiatives;
- maintain good relationships with our lender;
- successfully introduce and attain market acceptance of any new products and/or enhancements of existing products;
- attract and retain qualified personnel;
- prevent obsolescence of our technologies;
- maintain partnership and distribution agreements with our critical software vendors;
- secure renewals of existing software maintenance contracts, as well as contracts with new maintenance customers; and
- secure new business, both from existing and new customers.

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

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 the previously filed Form 10-K. This discussion includes forward-looking statements that involve risk and uncertainties.

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"), which we described below as the *CADRA* product offering and Product Data Management ("PDM") and collaboration technologies, which we described below as the *ProductCenter* offering and our Connector technology. The CADRA technology is marketed by the Company under the terms of a distribution agreement (the "Distributorship Agreement") with Mentor Graphics Corporation ("Mentor"), which acquired that technology from us in October 2013. 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 for the fiscal year ended May 31, 2014.

Since the Recapitalization Transaction described in Note A to the consolidated financial statements in the previously filed Form 10-K (the "Recapitalization Transaction"), the Company has also been actively engaged in acquiring and filing new patent applications, evaluating alternatives for monetizing its existing patents and investigating the acquisition of specific patents already awarded that might enhance our value. It is expected that this kind of activity will become an increasing area of focus and investment over the coming years.

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Revenue from our ProductCenter technology has been experiencing year over year revenue declines for eight consecutive fiscal years. ProductCenter revenue has 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 revenue for our ProductCenter technology offering increased by 18% for the quarter ended November 30, 2014 as compared to the same period last fiscal year. Our forecast for the second half of the fiscal year is for continued improvement.

CADRA Sale

CADRA is a drafting and design software package for the professional mechanical engineer. The CADRA family of CAD/CAM products includes CADRA Design Drafting, a fast and highly productive mechanical design documentation tool; CADRA NC, a comprehensive 2 through 5 axis NC programming application; and CADRAWorks, an integration with SolidWorks (defined below) providing for an integrated drawing production system and 3D solid modeler. The CADRA family of products includes an extensive collection of translators and software options that make it a seamless fit into today' s multi-platform and multi-application organizations.

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 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) payable on the one year anniversary of the closing date subject to any indemnification claims, (the "Holdback Payment"), and (ii) earn-out payments of up to an aggregate $750,000 over the three-year period subsequent to the closing date (the "Earn-Out Payments"), 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"). The Holdback Payment of $320,000 was received on October 20, 2014. No indemnification claims against the Company were made by Mentor during the period of indemnification which has now expired.

In conjunction with completing the CADRA Sale, the Company entered into a one-year, exclusive Distributorship Agreement with Mentor that will allow us to market and support the CADRA technology as a reseller throughout Europe (except Germany) at a thirty percent (30%) gross margin. That arrangement was extended through November 30, 2014. The Company expects to renew the Distributorship Agreement on terms not materially different from the original arrangement (except it would be limited to Europe only and would not extend to the Sikorsky Aircraft account in North America) and is currently engaged in renewal negotiations which are likely to result in a new Distributorship Agreement. However, unless and until a definitive agreement is reached by the parties there can be no assurance with respect to whether a new Distributorship Agreement will be reached and, if so, the terms of any such agreement. 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 sale did not qualify for presentation as discontinued operations.

We are in the process of restructuring our business subsequent to the CADRA Sale to enable us to successfully operate as a significantly smaller company and to seek new sources of revenue and possible new strategic initiatives. We currently contemplate pursuing the activities described below and other strategic initiatives that the board of directors may subsequently determine are in the best interests of the shareholders.

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Activities following the CADRA Sale

PLM Business

Subsequent to the completion of the CADRA Sale, we have continued to offer our ProductCenter and Connector technologies to design and manufacturing companies. Our ProductCenter technology manages the engineering data and electronic files of discrete parts designed in third party proprietary design technologies offered primarily by SolidWorks, PTC and Autodesk. The Connector platform is a technology that allows for a direct interface between Aras Innovator, a PLM solution which features modern, web-based technology, and various well-established CAD technologies. The Aras technology is offered under a subscription revenue model as is our Connector technology. We entered into a partnership agreement with Aras in 2012, pursuant to which we provide distribution and consulting services, as further described below. For a description of the risks related to our PLM business, see "Risk Factors – Risks Related to Our Business" in our Form 10-K for fiscal year 2014.

Distribution Activity

In connection with the CADRA Sale, we entered into a Distribution Agreement with Mentor to market and support the CADRA technology throughout Europe (except Germany), for a minimum of one year following the sale, through its wholly-owned subsidiary in Italy, SofTech, Srl. As described above, we are currently engaged in negotiations to renew this agreement. The margin to be earned by SofTech for this distribution activity pursuant to the existing Distributorship Agreement was consistent with the margin earned by distributors in the industry. In addition, we will continue to market and distribute third party technologies from Aras and SpaceClaim as we have since 2012.

Consulting

SofTech has been engaged in the PLM market since 1993. 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.

Exploring Strategic Initiatives

A core tenet of the management team' s strategy following the Recapitalization Transaction in 2011 has been to actively consider ways to monetize some or all of SofTech' s assets and to pursue new strategic initiatives, such as potential business combinations, sale transactions or strategic partnerships.

Developing Remaining Patent Estate. The Company has filed three provisional patents and purchased the rights to one provisional patent since March 2011. These patents remain in process at the United States Patent and Trademark Office, and the Company intends to continue to pursue the resolution to these filings. These patents generally relate to methods of accumulating buyers' information in a database in ways that allow the information to be shared with sellers so as to allow the sellers to make targeted, relevant offers to the buyers. While these patents, which could generally be considered eCommerce related, pertain to technologies that are not directly related to our historical revenue producing business activities, we believe they may have applications in those areas.

Analyzing the potential of the technologies described in these patents and the business case for us to invest in efforts to commercialize any of them is part of an ongoing evaluation. It is possible that our efforts will be limited to securing the patent awards and monetizing the patents as we did in fiscal year 2013 for our five patents in the PLM space. While many of these businesses would be new to us, we believe that we possess underlying competencies from our existing businesses, such as strong engineering and software capabilities especially in database technologies, and other attributes, such as numerous long-term client relationships with technology companies that may be complementary to developing new businesses around these technologies. However, any investment by us to attempt to commercialize the technologies described in these patents could be costly and prove to be unsuccessful.

Strategic Transactions. We will continue to evaluate business combinations and other sale opportunities. We believe that, in addition to our remaining businesses and prospects described above, our status as a publicly traded company and tax attributes could make us an attractive strategic partner. As of May 31, 2014, SofTech had approximately $20 million in federal tax attributes and approximately $7 million in state tax attributes. We will continue to seek strategic transactions for the benefit of our shareholders, but there can be no assurances in this regard.

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Other

Deferred CADRA Purchase Price. The sale of the CADRA assets includes a contingent earn-out payment equal to 10% of Mentor' s revenue derived from the CADRA technology up to a maximum of $750,000 over the three year period following completion of the transaction. Therefore, SofTech has a direct financial interest in the continued success of the CADRA technology subsequent to the sale. For the period from October 16, 2013 through October 31, 2014, Mentor has reported Earn-Out Payments due to the Company of approximately $252,000 of which $44,000 has been paid in accordance with the Earn-Out Agreement.

The foregoing are the currently anticipated activities of the Company following the CADRA Sale. There can be no assurances that our pursuit of these activities will be successful. Furthermore, we may pursue other opportunities that we subsequently determine to be in the best interests of the Company.

Critical Accounting Policies and Significant Judgments and Estimates

The Securities and Exchange Commission ("SEC") issued disclosure guidance for "critical accounting policies." 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 for the fiscal year ended May 31, 2014 included in our previously filed Form 10-K. There have been no changes to the policies for the three and six months ended November 30, 2014.

Results of Operations

Three and Six Months Ended November 30, 2014, as Compared to Three and Six Months Ended November 30, 2013

As described above, the Company sold its CADRA product line to Mentor in October 2013. Due to the Company' s continued involvement with the CADRA product line under the Distributorship Agreement, the transaction did not qualify for discontinued operations presentation in the financial statements. During the first half of fiscal 2015, the Company' s revenue included the CADRA revenue from its Italian subsidiary only with margins of 30% per the Distributorship Agreement. The first quarter and half of the second quarter of the prior fiscal year was before the CADRA Sale therefore the Company' s revenue included CADRA' s worldwide revenue. As a result, the comparative financial statements presented below may be less meaningful due to the change in ownership in the CADRA technology.

During the fourth quarter of fiscal 2014, the Company changed its accounting policy with regard to certain deferred payments related to the CADRA Sale. As a result of that change in accounting policy, the Company has restated the operating results for the three and six month periods ended November 30, 2013 in accordance with ASC 810-10, *Consolidations*.

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The table below presents the comparative statements of operations for the three month periods ended November 30, 2014 and November 30, 2013 along with the dollar and percentage change amounts for each revenue and expense item (expressed in thousands, except percentages):

	November 30, 2014	November 30, 2013	Change in $	Change in %
Revenue:				
Products	$ 199	$ 376	$ (177)	(47.1)%
Services	828	1,038	(210)	(20.2)
Total revenue	1,027	1,414	(387)	(27.4)
Cost of revenue:				
Products	33	28	5	17.9
Services	436	264	172	65.2
Total cost of revenue	469	292	177	60.6
Gross margin	558	1,122	(564)	(50.3)
Research and development expenses	222	304	(82)	(27.0)
Selling, general and administration expenses	645	866	(221)	(25.5)
Gain on CADRA Sale	–	(649)	649	–
Change in fair value of earn-out payments and holdback payment	(21)	–	(21)	–
Operating (loss) income	(288)	601	(889)	(147.9)
Interest expense	63	104	(41)	(39.4)
Other expense (income), net	28	(17)	45	264.7
Net (loss) income	$ (379)	$ 514	$ (893)	(173.7)%

The table below presents the comparative statements of operations for the six month periods ended November 30, 2014 and November 30, 2013 along with the dollar and percentage change amounts for each revenue and expense item (expressed in thousands, except percentages):

	November 30, 2014	November 30, 2013	Change in $	Change in %
Revenue:				
Products	$ 270	$ 618	$ (348)	(56.3)%
Services	1,621	2,172	(551)	(25.4)
Total revenue	1,891	2,790	(899)	(32.2)
Cost of revenue:				
Products	86	62	24	38.7
Services	791	572	219	38.3
Total cost of revenue	877	634	243	38.3
Gross margin	1,014	2,156	(1,142)	(53.0)
Research and development expenses	494	639	(145)	(22.7)
Selling, general and administration expenses	1,362	1,747	(385)	(22.0)
Gain on CADRA Sale	–	(649)	649	–
Change in fair value of earn-out payments and holdback payment	(60)	–	(60)	–
Operating (loss) income	(782)	419	(1,201)	(286.6)
Interest expense	127	199	(72)	(36.2)
Other expense (income), net	43	(28)	71	253.6
Net (loss) income	$ (952)	$ 248	$ (1,200)	(483.9)%

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The table below presents the relationship, expressed as a percentage, between income and expense items and total revenue, for the three month periods ended November 30, 2014 and November 30, 2013:

	Items as a percentage of revenue	
	November 30, 2014	**November 30, 2013**
Revenue:		
Products	19.4%	26.6%
Services	80.6	73.4
Total revenue	100.0	100.0
Cost of revenue:		
Products	3.2	2.0
Services	42.5	18.7
Total cost of revenue	45.7	20.7
Gross margin	54.3	79.3
Research and development expenses	21.6	21.5
Selling, general and administrative expenses	62.8	61.2
Gain on CADRA Sale	–	(45.9)
Change in fair value of earn-out payments and holdback payments	(2.0)	–
Operating (loss) income	(28.0)	42.5
Interest expense	6.1	7.4
Other expense (income), net	2.7	(1.2)
Net (loss) income	(36.9)%	36.4%

The table below presents the relationship, expressed as a percentage, between income and expense items and total revenue, for the six month periods ended November 30, 2014 and November 30, 2013:

	Items as a percentage of revenue	
	November 30, 2014	**November 30, 2013**
Revenue:		
Products	14.3%	22.2%
Services	85.7	77.8
Total revenue	100.0	100.0
Cost of revenue:		
Products	4.6	2.2
Services	41.8	20.5
Total cost of revenue	46.4	22.7
Gross margin	53.6	77.3
Research and development expenses	26.1	22.9
Selling, general and administrative expenses	72.0	62.6
Gain on CADRA Sale	–	(23.3)
Change in fair value of earn-out payments and holdback payment	(3.2)	–
Operating (loss) income	(41.4)	15.0
Interest expense	6.7	7.1
Other expense (income), net	2.3	(1.0)
Net (loss) income	(50.3)%	8.9%

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Revenue

The following table summarizes total revenue by product line for the three month periods ended November 30, 2014 and November 30, 2013 (in thousands, except percentages):

	November 30,			
	2014	2013	$ Change	% Change
Product Line				
ProductCenter	$ 862	$ 731	$ 131	17.9%
CADRA	130	637	(507)	(79.6)
Other	35	46	(11)	(23.9)
Total	$ 1,027	$ 1,414	$ (387)	(27.4)%

The following table summarizes total revenue by product line for the six month periods ended November 30, 2014 and November 30, 2013 (in thousands, except percentages):

	November 30,			
	2014	2013	$ Change	% Change
Product Line				
ProductCenter	$ 1,518	$ 1,469	$ 49	3.3%
CADRA	286	1,265	(979)	(77.4)
Other	87	56	31	55.4
Total	$ 1,891	$ 2,790	$ (899)	(32.2)%

The product line revenue is further broken down by revenue type hereunder with explanations for changes in the three and six month periods ended November 30, 2014 as compared to the same periods in fiscal 2014.

Product Revenue

Product revenue for the three and six months ended November 30, 2014 was approximately $199,000 and $270,000, as compared to approximately $376,000 and $618,000 for the same period in the prior fiscal year, a decrease of about 47.1% and 56.3%, respectively. The table below details product revenue by product line for the three month periods ended November 30, 2014 and 2013 (in thousands, except percentages):

	November 30,			
	2014	2013	$ Change	% Change
Product Line				
ProductCenter	$ 193	$ 43	$ 150	348.8%
CADRA	6	325	(319)	(98.2)
Other	–	8	(8)	–
Total	$ 199	$ 376	$ (177)	(47.1)%

The table below details product revenue by product line for the six month periods ended November 30, 2014 and 2013 (in thousands, except percentages):

	November 30,			
	2014	2013	$ Change	% Change
Product Line				
ProductCenter	$ 245	$ 110	$ 135	122.7%
CADRA	25	500	(475)	(95.0)
Other	–	8	(8)	–
Total	$ 270	$ 618	$ (348)	(56.3)%

Our product revenue for ProductCenter for the first three months of fiscal year 2015 was consistent with the quarterly trend over the previous eight quarters. During the three months ended November 30, 2014, we experienced product revenue growth for the first

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time in four years. Based on outstanding proposals it is our expectation that the product revenue growth will continue for the second half of the fiscal year. The revenue growth is attributed to the economy stabilizing and customers expanding their usage.

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Product revenue from the CADRA technology decreased by approximately 95% during the quarter ended November 30, 2014. This decrease is the direct result of the CADRA Sale during the second quarter of the prior fiscal year. During the second quarter of fiscal 2015, 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 both annual software maintenance contracts for previously licensed technology for both of our product lines and consulting revenue generated primarily from our ProductCenter technology. The table below summarizes service revenue by product line for the three months ended November 30, 2014 and 2013, (in thousands, except percentages):

	2014	2013	$ Change	% Change
Product Line				
ProductCenter	$ 669	$ 688	$ (19)	(2.8)%
CADRA	124	312	(188)	(60.3)
Other	35	38	(3)	(7.9)
Total	$ 828	$ 1,038	$ (210)	(20.2)%

The table below summarizes service revenue by product line for the six months ended November 30, 2014 and 2013, (in thousands, except percentages):

	2014	2013	$ Change	% Change
Product Line				
ProductCenter	$ 1,273	$ 1,359	$ (86)	(6.3)%
CADRA	261	764	(503)	(65.8)
Other	87	49	38	77.6
Total	$ 1,621	$ 2,172	$ (551)	(25.4)%

Maintenance revenue was approximately $614,000 and $1,249,000 for the three and six month periods ended November 30, 2014, as compared to $795,000 and $1,729,000 for the same period in the prior fiscal year, a decline of about 23% and 28%, respectively. The CADRA Sale, which was completed at the mid-point of the second quarter of the prior fiscal year, was primarily responsible for the maintenance revenue decline accounting for approximately $282,000 of the service revenue decline in the three month period ended November 30, 2014 and approximately $502,000 of the service revenue decline in the six month period ended November 30, 2014. ProductCenter maintenance revenue was down approximately 3% and 1% for the three and six month periods ended November 30, 2014 compared to the same period in the prior fiscal year. ProductCenter maintenance renewal rates for the first half of fiscal 2015 also improved as compared to the same period in the prior fiscal year.

Consulting revenue was approximately $214,000 and $372,000 for the three and six months ended November 30, 2014, respectively, a decrease of approximately 12% and 16%, from the same period in the prior fiscal year, as a result of timing on incoming orders. We previously anticipated that consulting revenue would increase in fiscal 2015 from 2014 given the number of large outstanding proposals at the beginning of the fiscal year. These projects have not closed on the expected timetable from the beginning of the fiscal year, however, we anticipate we will receive the orders in the second half of the fiscal year.

Gross Margin

Gross margin as a percentage of revenue was 54.3% and 53.6% for the three and six month periods ended November 30, 2014, respectively, as compared to 79.3% and 77.3% in the same periods in the prior fiscal year. In fiscal 2015, we offered the CADRA product line under the Distributorship Agreement wherein we purchase software licenses and maintenance agreements from Mentor at 30% gross margin. For the first five and a half months of fiscal 2014, we owned that technology outright. This change that resulted from the CADRA Sale accounted for nearly the entire decline in gross margin. The costs of sale for the CADRA technology were approximately $80,000 and $179,000 for the three and six month periods ended November 30, 2014.

Research and Development Expenses

Research and development expenses were approximately $222,000 and $494,000 for the three and six month periods ended November 30, 2014, respectively, as compared to approximately $304,000 and $639,000 in the comparable periods in fiscal 2014. The CADRA Sale and the resulting headcount reductions accounted for the majority of these decreases in R&D expenses.

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Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses were approximately $645,000 and $1,362,000 for the three and six month periods ended November 30, 2014, respectively, as compared to approximately $866,000 and $1,747,000 for the comparable periods in fiscal year 2014, a decrease of approximately 25.5% and 22.0%. The closing of our German subsidiary reduced spending by approximately $91,000 and $204,000 for the three and six month periods ended November 30, 2014, respectively. In addition, the Company also experienced a reduction in payroll and benefit expenses due to reduced head count attributed to the CADRA Sale.

Gain on sale of product line

As detailed previously, on October 18, 2013, the Company sold substantially all of the assets of its CADRA product line to Mentor in exchange for cash and certain deferred payments including the Holdback Payment and Earn-Out Payments. The Company recorded a gain of approximately $649,000 upon completion of the transaction during the second quarter of fiscal 2014 that was derived as follows:

Cash received at the closing of the transaction	$	2,880
Fair value of Holdback Payment and Earn-Out Payments		922
Liabilities assumed by Mentor		607
Direct costs related to completing the transaction		(448)
Goodwill allocated to the CADRA product line		(3,305)
Net book value of the fixed assets sold to Mentor		(7)
Gain on the CADRA Sale	$	649

During the three and six month periods ended November 30, 2014, the fair value of the Holdback Payment and the Earn-Out Payments increased by approximately $21,000 and $60,000, respectively, based on an independent valuation.

Interest Expense

Interest expense for the three and six month periods ended November 30, 2014 was approximately $63,000 and $127,000, respectively, as compared to approximately $104,000 and $199,000 for the comparable periods in the prior fiscal year. The average debt outstanding for the three and six month periods ended November 30, 2014 was approximately $988,000 and $1.6 million, respectively, as compared to $2.7 million for each of the comparable prior periods. In June 2014, the Company entered into a new loan agreement with a lower interest rate of 9.5% as compared to Prides Crossing Capital' s interest rate of 14%. Prides Crossing Capital, our former lender, was issued warrants during fiscal year 2014 and amortization of the discount was included in interest expense.

Net (Loss) Income

The net loss for the three and six month periods ended November 30, 2014 was approximately ($379,000) and ($952,000) or ($0.44) and ($1.08) per share, respectively, as compared to net income of approximately $514,000 and $248,000 or $0.59 and $0.28 per share for the comparable periods in the prior fiscal year.

Liquidity and Capital Resources

At November 30, 2014, our primary source of liquidity comes from our cash of approximately $517,000 which included approximately $121,000 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 six month period ended November 30, 2014, the net cash used in operating activities totaled approximately $1.6 million as compared to approximately $1.8 million in the comparable prior period. The net loss for the six month period adjusted for non-cash expenditures used approximately $746,000 as compared to approximately $280,000 in the comparable prior period. The net change in current assets and liabilities used approximately $830,000 during the six month period ended November 30, 2014 composed primarily of a reduction in liabilities including accounts payable, accrued expenses and deferred maintenance revenue. The decline in the deferred maintenance revenue liability is cyclical with the majority of the annual maintenance contracts being billed in the third and fourth quarters of the fiscal year. The reduction in accounts payable and accrued expenses was primarily due to the normal payment on certain invoices from third party vendors that were accrued at fiscal year end and due in the first quarter of fiscal 2015.

Net cash used in investing activities for the six months ended November 30, 2014 was approximately $4,000 compared to cash provided by investing activities of approximately $2.3 million for the six months ended November 30, 2013 primarily composed of proceeds from the sale of the CADRA product line.

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Net cash provided by financing activities totaled approximately $801,000. We received $750,000 from term loan borrowings, $320,000 from the holdback agreement and $820,000 in proceeds from the issuance of common stock. These transactions are more fully described immediately hereunder. These increases were partially offset by our repurchase of approximately 151,000 shares of common stock in exchange for $275,000 and principal payments of $770,000 on our outstanding term loans.

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 due over the next three years from Mentor in connection with their 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:

- $320,000 due 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 $706,000 (maximum Earn-Out Payments of $750,000 less initial payment of approximately $44,000 received in March 2014) due in three additional installments on each of April 1, 2015, 2016 and 2017. The actual amount due on each of those payment dates shall be equal to 10% of the actual revenue generated by Mentor from the CADRA product line during its fiscal years ended January 31, 2015, 2016 and 2017.

In the event whereby the total payments received from Mentor from the above described Holdback Payment and Earn-Out Payments 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 can be repaid at any time without penalty and is due in full on April 10, 2015. EssigPR was awarded 5,000 stock options to purchase SofTech common stock at $1.00 per share. The stock options will expire on October 1, 2024 if not exercised.

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 who owns approximately 18.7% of the Company' s outstanding common stock as of January 10, 2015.

Issuance of Redeemable Common Stock. During the six months ended November 30, 2014, 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:

- Number of Shares Sold: 110,000 shares of the Company' s common stock, par value $.10 per share
- Purchase Price Per Share: $5.00 per share
- Type of Offering: Direct private placement to an accredited investor; no registration rights; no third party placement fees
- 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.

Upon the purchase of the new shares issued under the Daly Purchase Agreement, Mr. Daly owns 167,279 shares of Company common stock which represents approximately 18.7% of the 893,724 total common shares outstanding as of January 10, 2015.

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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:

- *Number of Shares Sold*: An aggregate of 60,000 shares of the Company' s common stock, par value $0.10 per share;
- *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;
- *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. Accordingly, the Board of Directors of the Company approved in advance the purchase of the shares in this transaction as an "Exempt Transaction" as defined in Section 1(o) of the Company' s Rights Agreement, dated February 3, 2012, between the Company and the Registrar and Transfer Company.

Repayment of our Loan Agreement with Prides Crossing Capital

In addition to the Note described above, as of November 30, 2014, we had $250,000 of outstanding indebtedness under our loan agreement with Prides Crossing Capital ("Prides Loan"). The terms of the Prides Loan are detailed in Note D to the unaudited financial statements herein. The Prides Loan was due and was paid in full on December 31, 2014.

Entering into the Note with EssigPR, repurchasing the 50,000 shares of Common Stock for $275,000 from certain investors of the Company pursuant to put options they exercised in June 2014 (as detailed in Note B to the financial statements herein) and repurchasing the 101,411 shares of common stock from Greenleaf in exchange for approximately $38,000 (as detailed in Note F to the financial statements herein) were transactions that were prohibited under the Amended Loan Agreement No. 2 without Prides' s prior written approval. While the Company disclosed each of these transactions to Prides prior to completing each transaction, no written authorization was provided by Prides. On August 8, 2014, the Company and Prides 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, Prides provided consent to the completed transactions conditioned on the Company providing a security deposit of $300,000 and EssigPR entering into a subordination agreement.

Subsequent to entering into Amended Loan Agreement No. 3, the Company was unable to complete all of the conditions set forth in that agreement. In addition, the Company' s operating results for the fiscal quarter ended August 31, 2014 did not meet the required EBITDA under the Prides Loan. On October 29, 2014, the Company and Prides entered into Amended Loan Agreement No. 4 wherein the parties agreed to an accelerated principal repayment schedule as follows:.

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.

We believe that our cash on hand, together with future cash provided by operations will be sufficient to meet our capital needs for at least the next twelve months.

Off-Balance Sheet Arrangements

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Item 3. Quantitative and Qualitative Disclosures about Market Risk

This Item is not applicable because we are a "smaller reporting company," as defined by applicable SEC regulation.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Securities Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC' s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, we recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, as ours are designed to do, and we necessarily were required to apply our judgment in evaluating the cost-benefit relationship of possible changes or additions to our controls and procedures.

As of the end of the period covered by this report (November 30, 2014), we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of the disclosure controls and procedures, as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting. There have been no changes in our internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On July 19, 2013, SolidWorks filed a complaint (the "Complaint") against the Company in the United States District Court for the Eastern District of Texas Tyler Division alleging fraud and false assurances. The Complaint is connected to a patent infringement suit brought by Auto-Dimensions against SolidWorks in December 2012. The Company owned those patents in question and sold them to Auto-Dimensions in June 2012. SolidWorks was seeking reimbursement from the Company of attorneys' fees and any judgments or settlement monies it may incur under the infringement suit, as well as punitive and multiple damages. In October, 2013, SolidWorks' motion for change of venue from East Texas to Massachusetts was granted. In November 2014, SolidWorks and the Company dismissed all claims between them without prejudice with no payment due from the Company.

Item 1A. Risk Factors

In addition to the other information set forth in this report and the risk factors below, you should carefully consider the factors discussed in Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended May 31, 2014, which could materially affect our business, financial condition or future results. Our business is subject to numerous risks. We caution you that the following important factors, among others, could cause our actual results to differ materially from those expressed in forward-looking statements made by us or on our behalf in filings with the SEC, press releases, communications with investors and oral statements. Any or all of our forward-looking statements in the Quarterly Report on Form 10-Q and in any other public statements we make may turn out to be wrong. They can be affected by inaccurate assumptions we might make or by known or unknown risks and uncertainties. Any factors mentioned in the discussion below will be important in determining future results. Consequently, no forward-looking statement can be guaranteed. Actual future results may differ materially from those anticipated in forward-looking statements. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further disclosure we make in our reports filed with the SEC.

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Risks Related to Our Business

Following the sale of the CADRA business in October 2013, we will need 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 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.

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 for nearly a decade.

Our ProductCenter technology, which we acquired in 2003, manages the engineering data and electronic files of discrete parts designed in third party proprietary design technologies offered primarily by SolidWorks, PTC and Autodesk. Revenue from our ProductCenter technology has been declining for several fiscal years 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.

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 enable 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

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restrictions that could result from any future terminations of similar agreements with other vendors could have an adverse effect on our future revenues.

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We may not be able to generate sufficient positive cash flow in the future to fund our operations and repay our indebtedness.

We are dependent upon cash flows from our business to fund our operations. It is our expectation that we can improve our cash flows; however, there can be no assurances that we will be able to do so. If we are unable to fund our operations from future cash flows, we will need to seek additional debt and/or equity financing, which may not be available on attractive terms, if at all, in which case there could be a material adverse effect on our results of operations and financial condition.

Prior to the Recapitalization Transaction, we defaulted on our previous debt arrangement with Greenleaf. Specifically, in June 2010, we failed to make the scheduled loan payments in accordance with our loan and revolving line of credit with Greenleaf, our sole debt provider at the time, which triggered the default. In 1999, we defaulted on our loan facility with Imperial Bank for failure to meet required profit and cash flow thresholds. Subsequent to each of the aforementioned debt defaults, satisfactory repayment agreements were reached with each lender.

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, 2014, we had approximately $20 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. On February 3, 2012, we entered into a Rights Agreement ("Rights Agreement"), as described below, in an effort to prevent an ownership change, as defined under Section 382, from occurring and thereby protect the value of our NOLs. This Rights Agreement expires on February 15, 2015, unless extended by our board of directors. There can be no assurance, however, that the Rights Agreement will prevent an ownership change from occurring or protect the value of our NOLs.

We adopted a tax benefits preservation plan, designed to preserve the value of our deferred tax assets, primarily related to NOLs, which may discourage acquisition and sale of large blocks of our stock and may result in significant dilution for certain stockholders.

Our board of directors adopted the Rights Agreement to preserve stockholder value and the value of certain income tax assets primarily associated with NOLs, by seeking to prevent any person from acquiring beneficial ownership of 4.99% or more of our outstanding common stock without the approval of the board of directors.

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. The dividend was payable on February 15, 2012 to the stockholders of record on February 15, 2012. Pursuant to the Rights Agreement and at the discretion of our board of directors, if any person or group becomes the beneficial owner (subject to certain restrictions) of 4.99% or more of the outstanding shares of our common stock the Right may become exercisable. Upon exercise of a Right and payment of the purchase price of $5.00 (the "Purchase Price"), the holder will be entitled to receive a number of shares of our common stock having a market value equal to two times the Purchase Price.

The Rights Agreement may discourage existing 5% stockholders from selling their interest in a single block which may impact the liquidity of our common stock, may deter institutional investors from investing in our common stock, and may deter potential acquirers from making premium offers to acquire SofTech, all factors which may depress the market price of our stock or prevent stockholders from receiving a premium in a change in control transaction. The Rights Agreement expires, unless otherwise extended, on February 15, 2015.

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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. 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 year ended May 31, 2014, North America accounted for approximately 67%, Europe for approximately 23% and Asia for approximately 10% of our revenue which was not materially different from the percentages for fiscal year 2013. 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.

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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.

From August 16, 2010 to December 27, 2011 we were not required to file periodic reports and other reports with the SEC. In December 2011, we filed a Form 8-A with the SEC in connection with the effectiveness of our 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.

Our common stock is currently quoted on the OTCQB® market maintained by OTC Markets Group, 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. 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. As a result, 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. Furthermore, 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 suitable for investors who require short or medium term liquidity.

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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:

- 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.

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

After considering the equity transactions described in Note B to the unaudited consolidated financial statements included in this Quarterly Report, the three members of our board of directors own approximately 37.4% of our outstanding shares. Two other shareholders together own 33.0% 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 OTC Bulletin Board. 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.

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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. In addition, our loan agreement prohibits us from paying dividends, making distributions or payments or redeeming, retiring or purchasing any of our capital stock. 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 will be 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, the Company received the first payment of approximately $44,000 under this deferred arrangement related to the period from the transaction date to January 31, 2014. 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.

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 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.

Buyer is not assuming any of the excluded liabilities under the Asset Purchase Agreement.

Under the Asset Purchase Agreement, Mentor is not assuming all of the liabilities associated with the CADRA business. Certain liabilities will remain with the Company post-closing. For example, Mentor is only assuming customer support obligations related to certain assigned contracts and obligations for performance under contracts that arise after the closing, and is not assuming liability for any obligation or breach by the Company occurring or arising 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.

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Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Sales of Equity Securities

During the three months ended November 30, 2014, we issued a total of 60,000 shares of our common stock for an aggregate purchase price of $300,000, to four accredited investors pursuant to Securities Purchase Agreements described under "Management' s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources", which descriptions are incorporated herein by reference . We intend to use the proceeds for working capital and other general corporate purposes. The offer and sale of securities in the private placements were made pursuant to Rule 506 under the Securities Act of 1933, as amended.

Issuers Repurchases of Equity Securities

During the three months ended November 30, 2014, we did not repurchase any shares of our common stock.

Item 6. Exhibits

See Exhibit Index immediately following the signature page hereto, which Exhibit Index is incorporated herein by reference.

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SIGNATURES

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

SOFTECH, INC.

Date: January 14, 2015 *\/s/ Amy E. McGuire*

Amy E. McGuire
Chief Financial Officer

Date: January 14, 2015 */s/ Joseph P. Mullaney*

Joseph P. Mullaney
President & Chief Executive Officer

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EXHIBIT INDEX

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).
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).
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).
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 filed herein.
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 filed herein.

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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).

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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).
10.17	Short Term Loan Agreement by and between SofTech, Inc. and EssigPR, Inc. dated October 1, 2014 (Incorporated by reference to Exhibit 10.15 to the Company' s Form 10-K filed on October 7, 2014).
10.18	Form of Securities Purchase Agreement by and between SofTech, Inc. and certain purchasers, dated September 18, 2014, September 22, 2014 and October 9, 2014 filed herein.
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).
31.1	Certification of the Principal Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.
31.2	Certification of the Principal Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.
32.1	Certification of the Principal Financial Officer and Principal Executive Officer pursuant to U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document

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EXHIBIT 10.11

**AMENDMENT NO. 1 TO
AMENDED AND RESTATED
LOAN, PLEDGE AND SECURITY AGREEMENT**

This AMENDMENT NO. 1 TO AMENDED AND RESTATED LOAN, PLEDGE AND SECURITY AGREEMENT ("Amendment No. 1") is dated August 8, 2014 by and among SOFTECH, INC., a Massachusetts corporation (the "Borrower") and PRIDES CROSSING CAPITAL FUNDING, L.P. (the "Lender").

WHEREAS, the Borrower and Lender are parties to that certain Amended and Restated Loan, Pledge and Security Agreement, dated December 5, 2013 (and as the same may be further amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement"); and

WHEREAS, the Borrower executed that certain $750,000 Promissory Note, dated June 20, 2014 (the "Essig Note"), in favor of EssigPR, Inc., a Puerto Rico corporation ("Essig"). Borrower will fund payments under the Essig Note by directing Mentor Graphics Corporation ('Mentor") to pay amounts due under that certain Asset Purchase Agreement, dated August 30, 2013, by and between Borrower and Mentor (the "Mentor Contract") to Essig; and

WHEREAS, the Borrower and Joseph P. Daly ("Purchaser") entered into that certain Security Purchase Agreement, dated June 20, 2014 (the "Purchase Agreement"), pursuant to which Borrower sold Purchaser 110,000 shares of Borrower' s common stock (the "Purchaser Stock") for $550,000 (the "Purchase Price"); and

WHEREAS, under the Purchase Agreement Borrower agreed to purchase 101,411 of Borrower' s common stock owned by Greenleaf Capital, Inc. for Fifty Thousand Dollars ($50,000) (the "Greenleaf Purchase"). If the Greenleaf Purchase does not close on or before September 14, 2014, Borrower shall return $50,00 of the Purchase Price to Purchaser, Borrower shall pay Purchaser a fee of $1,5000 and Purchaser shall return to Borrower 10,000 shares of the Purchaser Stock (collectively the "Greenleaf Put"); and

WHEREAS, Borrower agreed to some of the proceeds from the Essig Note and Purchase Agreement to repurchase 50,000 shares of common stock issued in 2012, which are subject to a put right (the "Put Right Redemption"). As part of the Put Right Redemption the Purchaser is selling 25,000 shares of Borrower' s common stock back to the Borrower (the "Purchaser Redemption").

WHEREAS, Lender has agreed to consent to Essig Note, Borrower' s directing payments under the Mentor Agreement to pay the Essig Note, Borrower' s sale of common stock to Purchaser under the Purchase Agreement, the Greenleaf Purchase, the Greenleaf Put, the Put Right Redemption and Purchaser Redemption, and waive any defaults under the Loan Agreement that may have arisen from such transactions, all in consideration for (i) Borrower' s pledge and assignment of a six month $300,000 certificate of deposit as additional collateral under the Loan Agreement, (ii) Essig entering into a subordination agreement with Lender and Essig, which subordinates all of Essig' s rights and any future liens in the Mentor Agreement and payments from Mentor, to all rights and liens of Lender, and (iii) Guarantor' s affirmation and consent to Amendment No. 1 and the subordination agreement between Lender and Essig.

NOW, THEREFORE, in consideration of the foregoing and the agreements contained herein, the parties agree as follows:

1. Capitalized Terms. Capitalized terms used herein which are defined in the Loan Agreement have the same meanings herein as therein, except to the extent that such meanings are amended hereby.

2. Amendment of Exhibit 1.1 - Definitions. Exhibit 1.1 to the Loan Agreement is hereby amended by adding the following new defined terms:

"Amendment No. 1" means that certain Amendment No. 1 to Amended and Restated Loan, Pledge and Security Agreement, dated August 8, 2014, by and between the Borrower and Lender.

"Essig Subordination Agreement" means that certain Subordination Agreement by and between Lender and Essig, pursuant to which Essig subordinates all of its rights, claims and future security interests under the Essig Note to all (i) amounts Borrower owes Lender, (ii) Lender' s rights, claims and interests against Borrower, (iii) Lender' s liens and security interests on all of Borrower' s assets, (iv) the Mentor Contract, and (v) all proceeds, payments, distributions and transfers under the Mentor Contract.

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"Essig" means EssigPR, Inc., a Puerto Rico corporation, with a place of business at 497 Circle Freeway Drive, Suite 236, Cincinnati, Ohio 45246-1257.

"Essig Note" means that certain $750,000 Promissory Note, dated June 20, 2014, by Borrower in favor of Essig.

"Greenleaf Purchase" means Borrower' s purchase 101,411 of Borrower' s common stock owned by Greenleaf Capital, Inc. for Fifty Thousand Dollars ($50,000), on or before September 14, 2014.

"Greenleaf Put" means, if the Greenleaf Purchase does not close on or before September 14, 2014 (i) Borrower shall return to the Purchaser Fifty-Thousand Dollars ($50,000) of the Purchase Price, (ii) Borrower shall pay Purchaser a fee of One Thousand Five Hundred Dollars ($1,500) and (ii) Purchaser shall return to Borrower 10,000 shares of the Purchaser Stock.

"Lender" means Prides Crossing Capital Funding, L.P., a Delaware limited partnership, with an office at 701 Edgewater Drive, Suite 130, Wakefield, Massachusetts, as successor to Prides Crossing Capital, L.P. and Prides Crossing Capital-A, L.P.

"Purchase Agreement" means that certain Security Purchase Agreement, dated June 20, 2014, by and between Borrower and Purchaser, pursuant to which Borrower sold the Purchaser Stock to Purchaser for Five Hundred and Fifty Thousand Dollars ($550,000).

"Purchaser" means Joseph P. Daly, of 497 Circle Freeway Drive, Suite 236, Cincinnati, Ohio 45246-1257.

"Purchaser Redemption" means the Purchaser' s redemption and sale of 25,000 shares of Borrower' s common stock to the Borrower, as part of the Put Right Redemption.

"Purchaser Stock" means 110,000 shares of Borrower' s common stock sold and transferred to Purchaser under the Purchase Agreement.

"Put Right Redemption" Borrower' s purchase and redemption of 50,000 shares of Borrower' s common stock, which was issued in 2012 and which was subject to a put right.

4. Amendment of Exhibit 1.1 - Definitions. Exhibit 1.1 is hereby amended by deleting the definitions of "Loan Documents" and "Permitted Debt" and replacing them with:

"Loan Documents" means the Loan Agreement, Amendment No. 1, Term Note, Term Note I, Term Note II, IP Security Agreement, Personal Guaranty, all Subordination Agreements, Stock Powers, all UCC-1/Financing Statements, the Escrow Agreement, Warrant Agreement, Deposit Account Control Agreement, all other documents, agreements, instruments and inter-creditor agreements now or hereafter evidencing, describing, relating to, guaranteeing or securing the Indebtedness, contemplated hereby or delivered in connection herewith, and all prior and future amendments and restatements of any or all or the foregoing, as they may be modified from time to time.

"Permitted Debt" means (a) the Indebtedness; (b) any other Debt listed on **Exhibit Definitions 3**; provided, however, that the principal amount of such Debt may not be increased from the amount shown as outstanding on such **Exhibit Definitions 3**, (c) Debt under any Permitted Revolving Facility, (d) Debt incurred for Capital Expenditures, including capital leases, secured only by the capital asset purchased with such Debt, not to exceed the amounts set forth in **Section 11.5** of the Loan Agreement, (e) Debt incurred for Capitalized Software Development Costs, not to exceed the amounts set forth in **Section 11.5** of the Loan Agreement, (f) trade payables incurred in the ordinary course of business that are not past due for more than ninety (90) days other than as may be disputed in good faith or for which adequate reserves have been provided under GAAP, (g) Permitted Loans made to the Borrower, (h) Debt owing under the Escrow Agreement and (i) Debt under the Essig Note.

"Permitted Redemptions" means the (i) Greenleaf Purchase, (ii) the Greenleaf Put, (iii) Put Right Redemption and (iv) Purchaser Redemption, provided that on the date of any purchase, payment, transfer or redemption covered by any of the foregoing transactions (1) no Event of Default exists, (2) payment of the purchase price, or transfer of funds will not result in an Event of Default and (3) payment of the purchase price or transfer of funds will not have a Material Adverse Effect.

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5. Consent, Waiver and Consideration.

(a) Subject to the conditions set forth in sub-section (c) below, on the date hereof Lender waives Sections 10.1, 10.2, 10.3, 10.4 and 10.14 of the Loan Agreement for the limited purpose of consenting to (i) the Essig Note, (ii) Borrower' s agreement to direct Mentor to transfer amounts due under the Mentor Contract to Essig, (iii) the sale of the Purchaser Stock to Purchaser, (iv) the Greenleaf Purchase, (v) the Greenleaf Put, (vi) the Put Right Redemption and (vii) the Purchaser Redemption (collectively the "Essig Transactions").

(b) The Lender further waives any defaults under Section 12 of the Loan Agreement that arose or may have arisen from the Essig Transactions.

(c) In partial consideration for the amendments set forth in this Amendment No. 1, Lender' s consent and waiver in this Section 5 are subject to and conditional on the following, which shall occur on or before the date hereof:

(i) Borrower' s execution and delivery of this Amendment No. 1;

(ii) Borrower' s pledge, assignment and delivery to Lender of a $300,000 certificate of deposit, with a maturity date six months from the date hereof, issued by First Republic Bank;

(iii) Guarantor' s execution and delivery of a Reaffirmation of Guaranty Agreement and Pledge Agreement, which is reasonably acceptable to Lender; and

(iv) Essig' s execution and delivery of the Essig Subordination Agreement.

(d) Except as set forth in sub-sections (a), (b) and (c) in this Section 5, all terms and conditions of the Loan Agreement, including without limitation Sections 10 and 12 of the Loan Agreement, shall remain in effect, unmodified, unwaived and unaltered in all respects.

7. No Other Defaults; Representations and Warranties. The Borrower hereby confirms that after giving effect to this Amendment No. 1, (a) the representations and warranties of the Borrower contained in the Loan Agreement and the other Loan Documents are true and correct in all material respects on and as of the date hereof as if made on such date (except to the extent that such representations and warranties expressly relate to an earlier date); (b) no Default or Event of Default has occurred and is continuing as of the date hereof; (c) the Borrower is duly authorized to execute, deliver and perform its obligations under this Amendment No. 1; (d) the execution, delivery and performance of this Amendment No. 1 have been duly authorized by all necessary corporate action; and (e) this Amendment No. 1, when executed and delivered by the Borrower, will be a legal, valid and binding obligation the Borrower, enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally or equitable principles relating to enforceability (whether enforcement is sought in equity or at law).

8. Effectiveness of Amendment. This Amendment No. 1 shall become effective upon receipt by Lenders of a counterpart of this Amendment No. 1 duly executed by the Borrower.

9. Miscellaneous.

(a) Except to the extent specifically amended or waived herein, the Loan Agreement, the other Loan Documents and all related documents shall remain in full force and effect, unmodified and unaltered in all other respects. Whenever the terms or sections amended hereby shall be referred to in the Loan Agreement, other Loan Documents or such other related documents (whether directly or by incorporation into other defined terms), such defined terms shall be deemed to refer to those terms or sections as amended by this Amendment.

(b) This Amendment No. 1 may be executed in any number of counterparts (including by delivery of counterparts by facsimile or electronic mail), each of which, when executed and delivered, shall be an original, but all counterparts shall together constitute one instrument.

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(c) This Amendment shall be governed by the laws of the Commonwealth of Massachusetts and shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

(d) The Borrower agrees to pay all reasonable and documented out-of-pocket expenses, including legal fees and disbursements incurred by the Lenders in connection with this Amendment and the transactions contemplated hereby.

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IN WITNESS WHEREOF, the parties hereto have executed this Amendment No. 1, which shall be deemed to be a sealed instrument as of the date first above written.

BORROWER

SOFTECH, INC.

/s/ Joseph P. Mullaney
Joseph P. Mullaney
Its Chief Executive Officer

LENDER

PRIDES CROSSING CAPITAL FUNDING, L.P.

By PRIDES CROSSING CAPITAL GP, LLC
Its General Partner

/s/ Peter M. Sherwood
Peter M. Sherwood
Its Manager

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EXHIBIT 10.12

**AMENDMENT NO. 2 TO
AMENDED AND RESTATED
LOAN, PLEDGE AND SECURITY AGREEMENT**

This AMENDMENT NO. 2 TO AMENDED AND RESTATED LOAN, PLEDGE AND SECURITY AGREEMENT ("Amendment No. 2") is dated October 29, 2014 by and among SOFTECH, INC., a Massachusetts corporation (the "Borrower") and PRIDES CROSSING CAPITAL FUNDING, L.P. (the "Lender").

WHEREAS, the Borrower and Lender are parties to that certain Amended and Restated Loan, Pledge and Security Agreement, dated December 5, 2013, as amended by that certain Amendment No. 1 to Amended and Restated Loan, Pledge and Security Agreement (as the same may be further amended, restated, supplemented or otherwise modified from time to time, collectively the "Loan Agreement"); and

WHEREAS, the Borrower' s EBITDA for the fiscal quarter ending August 31, 2014, was less than one hundred thousand dollars ($100,000). As a result the covenant in Section 11.3 of the Loan Agreement was not met, which triggered a default under Section 12.2 (the "EBITDA Default").

WHEREAS, Lender has agreed to waive the EBITDA Default and amend the Loan Agreement in consideration for and subject to (a) Borrower' s (i) payment of Five Hundred Thousand Dollars ($500,000) to be applied to principal due under the Term Note, (ii) amend the amortization of principal due under the Term Note, (iii) amend the of Maturity Date, (iv) payment of ten thousand dollars ($10,000) to the Lender as an amendment fee and (v) delivery of the executed original of Guarantor' s affirmation and consent to this Amendment No. 2, the Allonge and all agreements, amendments, terms and conditions herein.

NOW, THEREFORE, in consideration of the foregoing and the agreements contained herein, the parties agree as follows:

1. Capitalized Terms. Capitalized terms used herein which are defined in the Loan Agreement have the same meanings herein as therein, except to the extent that such meanings are amended hereby.

2. Amendments.

(a) Exhibit 1.1 to the Loan Agreement is hereby amended by adding the following new defined terms:

"Allonge" means that certain Allonge to Term Note, dated October 29, 2014, by and between the Borrower and Lender.

"Amendment No. 2" means that certain Amendment No. 2 to Amended and Restated Loan, Pledge and Security Agreement, dated October 29, 2014, by and between the Borrower and Lender.

"EBITDA Default" means, on August 31, 2014, Borrower' s EBITDA for the fiscal quarter was less than One Hundred Thousand Dollars ($100,000), which resulted in a breach of the financial covenant set forth in Section 11.3 of the Loan Agreement, and triggered a default under Section 12.2 of the Loan Agreement.

(b) Exhibit 1.1 to the Loan Agreement is hereby amended by deleting the definition of "Loan Documents" and replacing it with:

"Loan Documents" means the Loan Agreement, Amendment No. 1, Amendment No. 2, Term Note, Term Note I, Term Note II, Allonge, IP Security Agreement, Personal Guaranty, all Subordination Agreements, Stock Powers, all UCC-1/Financing Statements, the Escrow Agreement, Warrant Agreement, Deposit Account Control Agreement, all other documents, agreements, instruments and inter-creditor agreements now or hereafter evidencing, describing, relating to, guaranteeing or securing the Indebtedness, contemplated hereby or delivered in connection herewith, and all prior and future amendments and restatements of any or all or the foregoing, as they may be modified from time to time.

(c) Section 2 to the Loan Agreement is hereby amended by adding the following new Section 2.2A immediately after Section 2.2.

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"2.2A Principal Amortization. On and after the date of Amendment No. 2 the Borrower agrees to pay the Lender principal installments under the Term Note in accordance with the following schedule:

Payment Date	Amount
October 31, 2014	$500,000
November 30, 2014	$250,000
December 31, 2014	$250,000

(d) Section 2.5 of the Loan Agreement is hereby amended by deleting Section 2.5 and replacing it with:

"2.5 Maturity. On December 31, 2014 (the "Maturity Date") the Borrower shall pay Lender all unpaid principal, accrued and unpaid interest, and all other amounts due under the Term Note, this Loan Agreement, all amendments to the Loan Agreement and all other Loan Documents, in full."

(e) Section 11.1 of the Loan Agreement is hereby amended by deleting Section 11.1 and replacing it with:

"11.1 Cash Collateral. As of the last day of each month the Borrower shall own and possess no less than One Million Dollars ($1,000,000) ("Cash Collateral"), of which no less than Seven Hundred and Fifty Thousand Dollars ($750,000) shall be held in the Deposit Account at First Republic Bank and subject to a DACA ("DACA Collateral"). Upon Lender' s receipt of the first payment due under Section 2.2A the Cash Collateral amount shall be reduced to Five Hundred Thousand Dollars ($500,000) and the DACA Collateral amount shall be reduced to Five Hundred Thousand Dollars ($500,000). Upon Lender' s receipt of the payment due on November 30, 2014 under Section 2.2A the Cash Collateral and DACA Cash Collateral amounts shall be reduced to Two Hundred and Fifty Thousand Dollars ($250,000)."

3. Waiver of Default and Consideration.

(a) Subject to the conditions set forth in sub-section (b) below, on the date hereof Lender waives the EBITDA Default. The acceleration of any amounts due which was caused by the EBITDA Default are hereby decelerated.

(b) In partial consideration for the amendments set forth in this Amendment No. 2, and Lender' s waiver in this Section 3 are subject to and conditional on the following, which shall occur on or before the date hereof unless otherwise stated:

(i) Borrower' s execution and delivery of this Amendment No. 2 and the Allonge;

(ii) Borrower' s payment of Five Hundred Thousand Dollars ($500,000) to the Lender on or before October 31, 2014, which shall be applied to the outstanding principal balance due under the Term Note;

(iii) Guarantor' s execution and delivery of a Reaffirmation of Guaranty Agreement and Pledge Agreement, which is reasonably acceptable to Lender; and

(iv) Borrower' s payment of Ten Thousand Dollars ($10,000) to the Lender, in satisfaction of the Amendment Fee. The Amendment Fee shall not be applied to any other amount due under the Term Note, Loan Agreement or any other Loan Document.

(c) Except as set forth in this Amendment No. 2, all agreements, terms, conditions, covenants, representations and warranties in the Loan Agreement, shall remain in effect, unmodified, unwaived and unaltered in all respects.

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4. No Other Defaults; Representations and Warranties. The Borrower hereby confirms that after giving effect to this Amendment No. 2 (a) the representations and warranties of the Borrower contained in the Loan Agreement and the other Loan Documents are true and correct in all material respects on and as of the date hereof as if made on such date (except to the extent that such representations and warranties expressly relate to an earlier date); (b) no Default or Event of Default, other than the EBITDA Default, has occurred and is continuing as of the date hereof; (c) the Borrower is duly authorized to execute, deliver and perform its obligations under this Amendment No. 2; (d) the execution, delivery and performance of this Amendment No. 2 have been duly authorized by all necessary corporate action; and (e) this Amendment No. 2, when executed and delivered by the Borrower, will be a legal, valid and binding obligation the Borrower, enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally or equitable principles relating to enforceability (whether enforcement is sought in equity or at law).

5. Effectiveness of Amendment. This Amendment No. 2 shall become effective upon receipt by the Lender of a counterpart of this Amendment No. 2 duly executed by the Borrower, and satisfaction of all other terms and conditions in Section 3(b) above.

6. Miscellaneous.

(a) Except to the extent specifically amended or waived herein, the Loan Agreement, the other Loan Documents and all related documents shall remain in full force and effect, unmodified and unaltered in all other respects. Whenever the terms or sections amended hereby shall be referred to in the Loan Agreement, other Loan Documents or such other related documents (whether directly or by incorporation into other defined terms), such defined terms shall be deemed to refer to those terms or sections as amended by this Amendment.

(b) This Amendment No. 2 may be executed in any number of counterparts (including by delivery of counterparts by facsimile or electronic mail), each of which, when executed and delivered, shall be an original, but all counterparts shall together constitute one instrument.

(c) This Amendment No. 2 shall be governed by the laws of the Commonwealth of Massachusetts and shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

(d) The Borrower agrees to pay all reasonable and documented out-of-pocket expenses, including legal fees and disbursements incurred by the Lender in connection with this Amendment and the transactions contemplated hereby.

[Remainder of the page is blank. Signature page follows.]

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IN WITNESS WHEREOF, the parties hereto have executed this Amendment No. 2, which shall be deemed to be a sealed instrument as of the date first above written.

BORROWER

SOFTECH, INC.

/s/ Joseph P. Mullaney
Joseph P. Mullaney
Its Chief Executive Officer

LENDER

PRIDES CROSSING CAPITAL FUNDING, L.P.

By PRIDES CROSSING CAPITAL GP, LLC
Its General Partner

/s/ Peter M. Sherwood
Peter M. Sherwood
Its Manager

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EXHIBIT 10.18

SECURITIES PURCHASE AGREEMENT

This Securities Purchase Agreement (this "Agreement") is dated as of ________2014, by and among SofTech, Inc., a Massachusetts corporation (the "Company"), and ________ (the "Purchaser").

WHEREAS, subject to the terms and conditions set forth in this Agreement and pursuant to Section 4(2) of the Securities Act, and Rule 506 promulgated thereunder, the Company desires to issue and sell to Purchaser, and Purchaser, desires to purchase from the Company, securities of the Company as more fully described in this Agreement.

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants contained in this Agreement, and for other good and valuable consideration the receipt and adequacy of which are hereby acknowledged, the Company and Purchaser agree as follows:

ARTICLE I.

DEFINITIONS

1.1 Definitions. In addition to the terms defined elsewhere in this Agreement, for all purposes of this Agreement, the following terms have the meanings set forth in this Section 1.1:

"Action" shall have the meaning ascribed to such term in Section 3.1(j).

"Affiliate" means any Person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a Person as such terms are used in and construed under Rule 144 under the Securities Act.

"Business Day" means any day except Saturday or Sunday which shall be a federal legal holiday in the United States, or any day on which banking institutions in the State of New York are authorized or required by law or other governmental action to close.

"Code" means the Internal Revenue Code of 1986, as amended.

"Closing" means the closing of the purchase and sale of the Shares pursuant to Section 2.1.

"Closing Date" means the date when all of the Transaction Documents have been executed and delivered by the applicable parties thereto, and all conditions precedent to (i) the Purchaser' s obligations to pay the Subscription Amount and (ii) the Company' s obligations to deliver the Shares have been satisfied or waived.

"Commission" means the Securities and Exchange Commission.

"Common Stock" means the common stock of the Company, par value $0.10 per share, and any other class of securities into which such securities may hereafter be reclassified or changed.

"Common Stock Equivalents" means any securities of the Company or the Subsidiaries which would entitle the holder thereof to acquire at any time Common Stock, including, without limitation, any debt, preferred stock, rights, options, warrants, stock appreciation rights, restricted stock units or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock.

"Company Counsel" means Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, MA 02111.
"Company Material Contracts" has the meaning ascribed to such term in Section 3.1(dd).

"Contract" shall mean any written or oral note, bond, mortgage, loan, indenture, guarantee, contract, agreement, lease, license, permit, concession, franchise or other binding commitment, instrument or obligation to which the Company or any Subsidiary of the Company is a party or by which the Company or any of its Subsidiaries or any property or asset of the Company or any of its Subsidiaries is bound or affected, or result in the creation of any Lien on any property or asset of the Company or any of its Subsidiaries (each, a "Contract").

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"Disclosure Letter" means the Disclosure Letter of the Company delivered concurrently herewith.

"Environmental Law" means, as currently in effect, any applicable law concerning (i) the protection of the environment (including air, water, soil and natural resources) or (ii) the use, storage, handling, release or disposal of any substance presently listed, defined, designated or classified as hazardous, toxic or radioactive under any applicable law concerning the protection of the environment (including air, water, soil and natural resources), including petroleum and any derivative or by-products thereof.

"Equity Incentive Plan" means (i) any equity incentive, stock option or similar plan and (ii) any other agreement, arrangement, understanding or other document pursuant to which the Company is obligated to grant or issue Common Stock or Common Stock Equivalents to current or former employees in connection with their services to the Company, in each case adopted or approved by a majority of the non-employee members of the board of directors of the Company or a majority of the members of a committee of non-employee directors established.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"Fee" shall have the meaning ascribed to such term in Section 4.1.

"GAAP" shall have the meaning ascribed to such term in Section 3.1(h).

"Intellectual Property Rights" shall have the meaning ascribed to such term in Section 3.1(o).

"Liens" means a lien, charge, security interest, encumbrance, right of first refusal, preemptive right or other restriction.

"Material Adverse Effect" shall have the meaning ascribed to such term in Section 3.1(b).

"Material Permits" shall have the meaning ascribed to such term in Section 3.1(m).

"MBCA" means the Massachusetts Business Corporation Act.

"MGL" means the Massachusetts General Laws.

"Mintz Levin" means Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., with offices at One Financial Center, Boston, MA 02111.

"Payment Period" shall have the meaning ascribed to such term in Section 4.1.

"Per Share Purchase Price" equals $5.00 subject to adjustment for reverse and forward stock splits, stock dividends, stock combinations and other similar transactions of the Common Stock that occur after the date of this Agreement.

"Person" means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind.

"Proceeding" means an Action, claim, suit, investigation or proceeding (including, without limitation, an investigation or partial proceeding, such as a deposition), whether commenced or threatened.

"Purchaser Party" shall have the meaning ascribed to such term in Section 4.8.

"Purchaser Put Right" shall have the meaning ascribed to such term in Section 4.2.

"Repurchase Date" shall have the meaning ascribed to such term in Section 4.2.

"Repurchase Notice" shall have the meaning ascribed to such term in Section 4.2.

"Repurchase Period" shall have the meaning ascribed to such term in Section 4.2.

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"Repurchase Price" shall have the meaning ascribed to such term in Section 4.2.

"Required Approvals" shall have the meaning ascribed to such term in Section 3.1(e).

"Reinstatement Date" shall have the meaning ascribed to such term in Section 3.1(h).

"Rule 144" means Rule 144 promulgated by the Commission pursuant to the Securities Act, as such rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same effect as such rule.

"SEC Reports" shall have the meaning ascribed to such term in Section 3.1(h).

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Share Bundle" means a lot equal to 10,000 Shares of Common Stock purchased under this Agreement in exchange for $50,000.

"Shares" means the shares of Common Stock issued or issuable to the Purchaser pursuant to this Agreement and shall specifically exclude any other Common Stock.

"SOX" has the meaning ascribed to such term in Section 3.1(h).

"Subscription Amount" means, as to the Purchaser, the aggregate amount to be paid for Shares purchased hereunder as specified below such Purchaser' s name on the signature page of this Agreement and next to the heading "Subscription Amount," in United States dollars and in immediately available funds.

"Subsidiary" means Workgroup Technology Corporation, a Delaware corporation; Information Decisions Incorporated, a Michigan corporation; and SofTech Srl, a company formed under the laws of Italy.

"Transaction Documents" means this Agreement and any other documents or agreements executed in connection with the transactions contemplated hereunder.

"Transfer Agent" means Registrar And Transfer Company, Attention: Eileen O' Neil, 10 Commerce Drive, Cranford, NJ 07016 (telephone no. 908-497-2300), and any successor transfer agent of the Company.

ARTICLE II.

PURCHASE AND SALE

2.1 Closing. On the Closing Date, upon the terms and subject to the conditions set forth herein, substantially concurrent with the execution and delivery of this Agreement by the parties hereto, the Company agrees to sell, and the Purchaser, severally and not jointly, agrees to purchase, at the Per Share Purchase Price, the number of Shares indicated on its signature page hereto. The Company and the Purchaser shall deliver the other items set forth in Section 2.2 deliverable at the Closing. Upon satisfaction of the conditions set forth in Sections 2.2 and 2.3, the Closing shall occur at the offices of Mintz Levin or such other location as the parties shall mutually agree.

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2.2 Deliveries.

(a) On or prior to the Closing Date, the Company shall deliver or cause to be delivered to the Purchaser the following:

(i) this Agreement duly executed by the Company;

(ii) a copy of the irrevocable instructions to the Transfer Agent instructing the Transfer Agent to deliver, on an expedited basis, a stock certificate for the Shares, registered in the name of such Purchaser;

and

(iii) a certificate, dated as of the Closing Date and signed by its Chief Executive Officer or its Chief Financial Officer, certifying to the fulfillment of the conditions specified in Sections 2.3(b)(i).

(b) On or prior to the Closing Date, the Purchaser shall deliver or cause to be delivered to the Company the following:

(i) this Agreement duly executed by such Purchaser; and

(ii) such Purchaser' s Subscription Amount by wire transfer to the account as specified in writing by the Company.

2.3 Closing Conditions.

(a) The obligations of the Company hereunder in connection with the Closing are subject to the following conditions being met:

(i) the accuracy in all material respects of the representations and warranties of the Purchaser contained herein when made and on the Closing Date (except for representations and warranties that speak as of a specific date which shall be accurate in all material respects as of such date);

(ii) all obligations, covenants and agreements of the Purchaser required to be performed at or prior to the Closing Date shall have been performed; and

(iii) the delivery by the Purchaser of the items set forth in Section 2.2(b) of this Agreement.

(b) The respective obligations of the Purchaser hereunder in connection with the Closing are subject to the following conditions being met:

(i) the accuracy in all material respects of the representations and warranties of the Company contained herein when made and on the Closing Date (except for representations and warranties that speak as of a specific date which shall be accurate in all material respects as of such date);

(ii) all obligations, covenants and agreements of the Company required to be performed at or prior to the Closing Date shall have been performed;

(iii) the delivery by the Company of the items set forth in Section 2.2(a) of this Agreement; and

(iv) as of the Closing Date there shall have been no Material Adverse Effect with respect to the Company since the date hereof.

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ARTICLE III.

REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties of the Company. Except as set forth in the Disclosure Letter, which Disclosure Letter shall be deemed a part hereof and shall qualify any representation or otherwise made herein to the extent of the disclosure contained in the corresponding section of the Disclosure Letter, the Company hereby makes the following representations and warranties to the Purchaser:

(a) Subsidiaries. All of the direct and indirect subsidiaries of the Company are set forth in the SEC Reports. The Company owns, directly or indirectly, all of the capital stock or other equity interests of each Subsidiary free and clear of any Liens, and all of the issued and outstanding shares of capital stock of each Subsidiary are validly issued and are fully paid, non-assessable and free of preemptive and similar rights to subscribe for or purchase securities.

(b) Organization and Qualification. The Company and each of the Subsidiaries is an entity duly incorporated or otherwise organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization (as applicable), with the requisite power and authority to own and use its properties and assets and to carry on its business as currently conducted. Neither the Company nor any Subsidiary is in violation or default of any of the provisions of its respective certificate or articles of organization, bylaws or other organizational or charter documents. Section 3.1(b) of the Disclosure Letter sets forth the jurisdictions in which each of the Company and the Subsidiaries is duly qualified to conduct business and is in good standing as a foreign corporation or other entity. Each of the Company and the Subsidiaries is duly qualified to conduct business and is in good standing as a foreign corporation or other entity in each jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary, except where the failure to be so qualified or in good standing, as the case may be, would not have or reasonably be expected to result in (i) a material adverse effect on the legality, validity or enforceability of any Transaction Document, (ii) a material adverse effect on the results of operations, assets, business, prospects or condition (financial or otherwise) of the Company and the Subsidiaries, taken as a whole, or (iii) a material adverse effect on the Company' s ability to perform in any material respect on a timely basis its obligations under any Transaction Document (any of (i), (ii) or (iii), a "Material Adverse Effect") and no Proceeding has been instituted in any such jurisdiction revoking, limiting or curtailing or seeking to revoke, limit or curtail such power and authority or qualification.

(c) Authorization; Enforcement. The Company has the requisite corporate power and authority to enter into and to consummate the transactions contemplated by each of the Transaction Documents and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of each of the Transaction Documents by the Company and the consummation by it of the transactions contemplated hereby and thereby have been duly authorized by all necessary action on the part of the Company and no further action is required by the Company, its board of directors or its stockholders in connection therewith other than in connection with the Required Approvals. Each Transaction Document has been (or upon delivery will have been) duly executed by the Company and, when delivered in accordance with the terms hereof and thereof, will constitute the valid and binding obligation of the Company enforceable against the Company in accordance with its terms except (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

(d) No Conflicts. The execution, delivery and performance of the Transaction Documents by the Company, the issuance and sale of the Shares and the consummation by the Company of the other transactions contemplated hereby and thereby do not and will not (i) conflict with or violate any provision of the Company' s or any Subsidiary' s certificate or articles of organization, bylaws or other organizational or charter documents, or (ii) conflict with, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, result in the creation of any Lien upon any of the properties or assets of the Company or any Subsidiary, or give to others any rights of termination, amendment, acceleration or cancellation (with or without notice, lapse of time or both) of, any agreement, credit facility, debt or other instrument (evidencing a Company or Subsidiary debt or otherwise) or other understanding to which the Company or any Subsidiary is a party or by which any property or asset of the Company or any Subsidiary is bound or affected, or (iii) subject to the Required Approvals, conflict with or result in a violation of any law, rule, regulation, order, judgment, injunction, decree or other restriction of any court or governmental authority to which the Company or a Subsidiary is subject (including federal and state securities laws and regulations), or by which any property or asset of the Company or a Subsidiary is bound or affected; except in the case of each of clauses (ii) and (iii), such as would not have or reasonably be expected to result in a Material Adverse Effect.

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(e) Filings, Consents and Approvals. The Company is not required to obtain any consent, waiver, authorization or order of, give any notice to, or make any filing or registration with, any court or other federal, state, local or other governmental authority or other Person in connection with the execution, delivery and performance by the Company of the Transaction Documents, other than (i) filings required pursuant to Section 4.4 of this Agreement, and (ii) the filing of Form D with the Commission and such filings as are required to be made under applicable state securities laws (collectively, the "Required Approvals").

(f) Issuance of the Shares. The Shares are duly authorized and, when issued and paid for in accordance with the applicable Transaction Documents, will be duly and validly issued, fully paid and nonassessable, free and clear of all Liens imposed by the Company other than restrictions on transfer provided for in the Transaction Documents. The Company has reserved from its duly authorized capital stock the maximum number of shares of Common Stock issuable pursuant to this Agreement.

(g) Capitalization. The authorized capital stock of the Company consists of 20,000,000 shares of Common Stock and zero shares of preferred stock ("Preferred Stock"). The rights and privileges of each class of the Company's capital stock are as set forth in the Company's Articles of Organization. As of September 17, 2014, (i) 833,724 shares of Common Stock were issued and outstanding, (ii) no shares of Common Stock were held in the treasury of the Company or by Subsidiaries of the Company, and (iii) no shares of the Preferred Stock were issued or outstanding.

Neither the Company nor any of its Subsidiaries has outstanding any restricted stock, except as contemplated by this Agreement, or right of first refusal in favor of the Company

Except as set forth in the SEC Reports (i) there are no equity securities of any class of the Company or any of its Subsidiaries (other than equity securities of any such Subsidiary that are directly or indirectly owned by the Company), or any security exchangeable into or exercisable for such equity securities, issued, reserved for issuance or outstanding and (ii) there are no options, warrants, equity securities, calls, rights, commitments or agreements of any character to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound obligating the Company or any of its Subsidiaries to issue, exchange, transfer, deliver or sell, or cause to be issued, exchanged, transferred, delivered or sold, additional shares of capital stock or other equity interests of the Company or any of its Subsidiaries or any security or rights convertible into or exchangeable or exercisable for any such shares or other equity interests, or obligating the Company or any of its Subsidiaries to grant, extend, accelerate the vesting of, otherwise modify or amend or enter into any such option, warrant, equity security, call, right, commitment or agreement. Neither the Company nor any of its Subsidiaries has outstanding any stock appreciation rights, phantom stock, performance based rights or similar rights or obligations. Except as set forth in the SEC Reports and/or as contemplated by this Agreement, there are no obligations, contingent or otherwise, of the Company or any of its Subsidiaries to repurchase, redeem or otherwise acquire any shares of Common Stock or the capital stock of the Company or any of its Subsidiaries or to provide funds to or make any investment (in the form of a loan, capital contribution or otherwise) in the Company or any Subsidiary of the Company or any other entity, other than guarantees of bank obligations of Subsidiaries of the Company entered into in the ordinary course of business consistent with past practice (the "Ordinary Course of Business"). Neither the Company nor any of its Affiliates is a party to or is bound by any, and to the knowledge of the Company, there are no, agreements or understandings with respect to the voting (including voting trusts and proxies) or sale or transfer (including agreements imposing transfer restrictions) of any shares of capital stock or other equity interests of the Company or any of its Subsidiaries. Except as disclosed in Section 3.1(g) of the Disclosure Letter, there are no registration rights, and there is no rights agreement, "poison pill" anti-takeover plan or other agreement or understanding to which the Company or any of its Subsidiaries is a party or by which it or they are bound with respect to any equity security of any class of the Company or any of its Subsidiaries or with respect to any equity security, partnership interest or similar ownership interest of any class of any of its Subsidiaries.

All outstanding shares of Common Stock are, and all shares of Common Stock subject to issuance as specified in Section 3.1(g) above, upon issuance on the terms and conditions specified in the instruments pursuant to which they are issuable, will be, duly authorized, validly issued, fully paid and nonassessable and not subject to or issued in violation of any purchase option, call option, right of first refusal, preemptive right, subscription right or any similar right under any provision of the MBCA, the Company's Articles of Organization or By-laws or any agreement to which the Company is a party or is otherwise bound.

All of the outstanding shares of capital stock and other equity securities or interests of each of the Company's Subsidiaries are duly authorized, validly issued, fully paid, nonassessable and free of preemptive rights.

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(h) SEC Reports; Financial Statements. On December 28, 2011 the Company' s registration document on Form S-1 was deemed effective thereby reinstating its obligations as a filing entity with the SEC ("Reinstatement Date"). Except as set forth in Section 3.1(h)(i) of the Disclosure Letter, since the Reinstatement Date, the Company has filed all reports, schedules, forms, statements and other documents required to be filed by the Company under the Securities Act and the Exchange Act, including pursuant to Section 13(a) or 15(d) thereof (the foregoing materials, including the exhibits thereto and documents incorporated by reference therein, being collectively referred to herein as the "SEC Reports") on a timely basis or has received a valid extension of such time of filing and has filed any such SEC Reports prior to the expiration of any such extension. As of their respective dates, the SEC Reports complied in all material respects with the requirements of the Securities Act and the Exchange Act, as applicable, and none of the SEC Reports, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. As of the date hereof, the Company is not aware of any event occurring on or prior to the Closing Date (other than the transactions contemplated by the Transaction Documents) that requires the filing of a Form 8-K after the Closing. The financial statements of the Company included in the SEC Reports comply in all material respects with applicable accounting requirements and the rules and regulations of the Commission with respect thereto as in effect at the time of filing. Such financial statements have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis during the periods involved ("GAAP"), except as may be otherwise specified in such financial statements or the notes thereto and except that unaudited financial statements may not contain all footnotes required by GAAP, and fairly present in all material respects the financial position of the Company and its consolidated subsidiaries as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal, immaterial, year-end audit adjustments. All material agreements to which the Company is a party or to which the property or assets of the Company are subject are included as part of or specifically identified in the SEC Reports. The Company SEC Reports included all certificates required to be included therein pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act of 2002, as amended, and the rules and regulations promulgated thereunder ("SOX"), and the internal control report and attestation of the Company' s outside auditors to the extent required by Section 404 of SOX. As of the date of this Agreement, there are no outstanding or unresolved comments in the comment letters received from the SEC staff with respect to the Company SEC Documents. None of the SEC Reports is the subject of an SEC review.

(i) Material Changes; Undisclosed Events, Liabilities or Developments. Since the date of the latest audited financial statements included within the SEC Reports, except as disclosed in a subsequent SEC Report filed prior to the date hereof or in the Disclosure Letter, (i) there has been no event, occurrence or development that has had or that could reasonably be expected to result in a Material Adverse Effect, (ii) the Company has not incurred any liabilities (contingent or otherwise) other than (A) trade payables and accrued expenses incurred in the ordinary course of business consistent with past practice and (B) liabilities required to be reflected in the Company' s financial statements pursuant to GAAP or disclosed in filings made with the Commission, (iii) except as disclosed in Section 3.1 (i) (i) of the Disclosure Letter the Company has not altered its method of accounting, (iv) except as disclosed in Section 3.1 (i) (ii) of the Disclosure Letter the Company has not declared or made any dividend or distribution of cash or other property to its stockholders or purchased, redeemed or made any agreements to purchase or redeem any shares of its capital stock, except as contemplated by the Transaction Documents, and (v) the Company has not issued any equity securities to any executive officer, director or Affiliate, except pursuant to an Equity Incentive Plan. The Company does not have pending before the Commission any request for confidential treatment of information. Except for the issuance of the Shares contemplated by this Agreement, no event, liability or development has occurred or exists with respect to the Company or its Subsidiaries or their respective business, properties, operations or financial condition, that would be required to be disclosed by the Company, that has not been disclosed.

(j) Litigation. Except as disclosed in our SEC Reports, there is no action, suit, inquiry, notice of violation, proceeding (including any partial proceeding such as a deposition) or investigation pending or, to the knowledge of the Company, threatened against or affecting the Company, any Subsidiary or any of their respective properties before or by any court, arbitrator, governmental or administrative agency or regulatory authority (federal, state, county, local or foreign) (collectively, an "Action") which (i) adversely affects or challenges the legality, validity or enforceability of any of the Transaction Documents or the Shares or (ii) could, if there were an unfavorable decision, have or reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any Subsidiary, nor any director or executive officer thereof, is or has been the subject of any Action involving a claim of violation of or liability under federal or state securities laws or a claim of breach of fiduciary duty. There has not been, and to the knowledge of the Company, there is not pending or contemplated, any investigation by the Commission involving the Company or any current or former director or executive officer of the Company. The Commission has not issued any stop order or other order suspending the effectiveness of any registration statement filed by the Company or any Subsidiary under the Exchange Act or the Securities Act.

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(k) Labor Relations. No material labor dispute exists or, to the knowledge of the Company, is imminent with respect to any of the employees of the Company which could reasonably be expected to result in a Material Adverse Effect. None of the Company' s or its Subsidiaries' employees is a member of a union that relates to such employee' s relationship with the Company, and neither the Company or any of its Subsidiaries is a party to a collective bargaining agreement, and the Company and its Subsidiaries believe that their relationships with their employees are good. No executive officer, to the knowledge of the Company, is, or is now expected to be, in violation of any material term of any employment contract, confidentiality, disclosure or proprietary information agreement or non-competition agreement, or any other contract or agreement or any restrictive covenant, and the continued employment of each such executive officer does not subject the Company or any of its Subsidiaries to any liability with respect to any of the foregoing matters. The Company and its Subsidiaries are in compliance with all U.S. federal, state, local and foreign laws and regulations relating to employment and employment practices, terms and conditions of employment and wages and hours, except where the failure to be in compliance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(l) Compliance. Neither the Company nor any Subsidiary (i) is in default under or in violation of (and no event has occurred that has not been waived that, with notice or lapse of time or both, would result in a default by the Company or any Subsidiary under), nor has the Company or any Subsidiary received notice of a claim that it is in default under or that it is in violation of, any indenture, loan or credit agreement or any other agreement or instrument to which it is a party or by which it or any of its properties is bound (whether or not such default or violation has been waived), (ii) is in violation of any order of any court, arbitrator or governmental body, or (iii) is or has been in violation of any statute, rule or regulation of any governmental authority, including without limitation all foreign, federal, state and local laws applicable to its business and all such laws that affect the environment, except in each case as would not have or reasonably be expected to result in a Material Adverse Effect.

(m) Regulatory Permits. The Company and the Subsidiaries possess all certificates, authorizations and permits issued by the appropriate federal, state, local or foreign regulatory authorities necessary to conduct their respective businesses as described in the SEC Reports, except where the failure to possess such permits could not have or reasonably be expected to result in a Material Adverse Effect ("Material Permits"), and neither the Company nor any Subsidiary has received any notice of proceedings relating to the revocation or modification of any Material Permit.

(n) Title to Assets. The Company and the Subsidiaries have good and marketable title in all personal property owned by them that is material to the business of the Company and the Subsidiaries, in each case free and clear of all Liens, except for Liens (i) that do not materially affect the value of such property, (ii) that do not materially interfere with the use made and proposed to be made of such property by the Company and the Subsidiaries and Liens for the payment of federal, state or other taxes, the payment of which is neither delinquent nor subject to penalties, and (iii) in favor of Prides Crossing Capital Funding, L.P. granted in connection with the loan agreement and disclosed in the SEC Reports. Any real property and facilities held under lease by the Company and the Subsidiaries are held by them under valid, subsisting and enforceable leases with which the Company and the Subsidiaries are in compliance in all material respects. The Company does not own any real property.

(o) Patents and Trademarks. The Company and the Subsidiaries have, or have rights to use, all patents, patent applications, trademarks, trademark applications, service marks, trade names, trade secrets, inventions, copyrights, licenses and other intellectual property rights and similar rights necessary or material for use in connection with their respective businesses as described in the SEC Reports (collectively, the "Intellectual Property Rights"). To the Company' s knowledge, the conduct of the Company' s and any Subsidiary' s businesses will not conflict in any material respects with any intellectual property rights of others. Except as disclosed in the SEC Reports, neither the Company nor any Subsidiary has received a notice (written or otherwise) that the Intellectual Property Rights used by the Company or any Subsidiary violates or infringes upon the rights of any Person. To the knowledge of the Company, all Intellectual Property Rights are enforceable and valid and there is no existing infringement by another Person of any of the Intellectual Property Rights. The Company and its Subsidiaries have taken reasonable security measures to protect the secrecy, confidentiality and value of all of their intellectual properties.

(p) Insurance. The Company and the Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are customary in the businesses in which the Company and the Subsidiaries are engaged Neither the Company nor any Subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business without a significant increase in cost.

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(q) Transactions With Affiliates and Employees. Except as set forth in the SEC Reports, Transaction Documents or Credit Agreements, none of the executive officers or directors of the Company and, to the knowledge of the Company, none of the employees of the Company is presently a party to any transaction with the Company or any Subsidiary (other than for services as employees, executive officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any executive officer, director or such employee or, to the knowledge of the Company, any entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee or partner, in each case in excess of $10,000 other than for (i) payment of salary or consulting fees for services rendered, (ii) reimbursement for expenses incurred on behalf of the Company and (iii) other employee benefits, including stock option agreements and restricted stock unit agreements under any Equity Incentive Plan.

(r) Certain Fees. No brokerage or finder' s fees or commissions are or will be payable by the Company to any broker, financial advisor or consultant, finder, placement agent, investment banker, bank or other Person with respect to the transactions contemplated by the Transaction Documents other than the Fee due Purchaser. The Purchaser shall have no obligation with respect to any fees or with respect to any claims made by or on behalf of other Persons for fees of a type contemplated in this Section that may be due in connection with the transactions contemplated by the Transaction Documents.

(s) Private Placement. Assuming the accuracy of the Purchaser' s representations and warranties set forth in Section 3.2, no registration under the Securities Act is required for the offer and sale of the Shares by the Company to the Purchaser as contemplated hereby.

(t) Investment Company. The Company is not, and is not an Affiliate of, and immediately after receipt of payment for the Shares, will not be an Affiliate of, an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(u) Takeover Laws. All the action necessary to ensure that the requirements and restrictions set forth in Chapters 110C, 110D and 110F of the MGL do not apply to this Agreement and the acquisition of Shares hereunder have been taken, and (i) the provisions of Chapters 110C, 110D and 110F of the MGL shall not apply to this Agreement and the acquisition of Shares hereunder, (ii) no restrictive provision of any applicable anti-over provision in the Company' s Articles of Organization or Amended and Restated By-laws applies to this Agreement or the acquisition of Shares hereunder, (iii) no restrictive provision of the Rights Agreement dated as of February 3, 2012 between the Company and Registrar and Transfer Company, as Rights Agent, and (iv) to the knowledge of the Company, no other state takeover law would otherwise apply to this Agreement and the transactions contemplated by this Agreement.

(v) No Integrated Offering. Assuming the accuracy of the Purchaser' s representations and warranties set forth in Section 3.2, neither the Company, nor any of its Affiliates, nor any Person acting on its or their behalf has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would cause this offering of the Shares to be integrated or aggregated with prior offerings by the Company for purposes of the Securities Act.

(w) Tax Status. Except for matters that would not, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect, the Company and each Subsidiary has accurately and timely filed all federal, state and foreign income and franchise tax returns, reports and declarations required by any jurisdiction to which it is subject, and has paid or accrued all taxes shown as due thereon, and there is no tax deficiency in any material amount which has been asserted or threatened against the Company or any Subsidiary.

(x) No General Solicitation. Neither the Company nor any person acting on behalf of the Company has offered or sold any of the Shares by any form of general solicitation or general advertising. The Company has offered the Shares for sale only to the Purchaser and certain other "accredited investors" within the meaning of Rule 501 under the Securities Act.

(y) Foreign Corrupt Practices. Neither the Company, nor to the knowledge of the Company, any agent or other person acting on behalf of the Company, has (i) directly or indirectly, used any funds for unlawful contributions, gifts, entertainment or other unlawful expenses related to foreign or domestic political activity, (ii) made any unlawful payment to foreign or domestic government officials or employees or to any foreign or domestic political parties or campaigns from corporate funds, (iii) failed to disclose fully any contribution made by the Company (or made by any person acting on its behalf of which the Company is aware) which is in violation of law, or (iv) violated in any material respect any provision of the Foreign Corrupt Practices Act of 1977, as amended.

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(z) No Disagreements with Accountants. There are no disagreements of any kind presently existing, or reasonably anticipated by the Company to arise, between the Company and the independent registered public accounting firm formerly or presently employed by the Company and the Company' s outstanding balance with respect to any fees owed to such accounting firm is within the Company' s normal payment terms.

(aa) Acknowledgment Regarding Purchaser' s Purchase of Shares. The Company acknowledges that the Purchaser is not acting as a financial advisor or fiduciary of the Company (or in any similar capacity) with respect to the Transaction Documents. The Company represents to the Purchaser that the Company' s decision to enter into this Agreement and the other Transaction Documents has been based solely on the independent evaluation of the transactions contemplated hereby by the Company and its representatives.

(bb) Regulation M Compliance. The Company has not, and to its knowledge no one acting on its behalf has, (i) taken, directly or indirectly, any action designed to cause or to result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of any of the Shares, (ii) sold, bid for, purchased, or, paid any compensation for soliciting purchases of, any of the Shares, or (iii) paid or agreed to pay to any Person any compensation for soliciting another to purchase any other securities of the Company.

(cc) Stock Options and 409A Compliance. With respect to stock options issued pursuant to the Company' s Equity Incentive Plan(s) (i) each stock option designated by the Company at the time of grant as an "incentive stock option" under Section 422 of the Code so qualifies, (ii) each grant of a stock option was duly authorized no later than the date on which the grant of such stock option was by its terms to be effective (the "Grant Date") by all necessary corporate action, including, as applicable, approval by the board of directors of the Company (or a duly constituted and authorized committee thereof) and any required stockholder approval by the necessary number of votes or written consents, (iii) each such grant was made in accordance with the material terms of an Equity Incentive Plan, the Securities Act and all other applicable laws and regulatory rules or requirements, and (iv) each such grant was or has now been properly accounted for in accordance with GAAP in the financial statements (including the related notes) of the Company and disclosed in the Company' s filings with the Commission in accordance with the Exchange Act and all other applicable laws, except, in the cases of clauses (i), (ii), (iii) and (iv), for any such failure, violation or default that would not be material to the Company and its subsidiaries taken as a whole. The Company believes in good faith that any "nonqualified deferred compensation plan" (as such term is defined under Section 409A(d)(1) of the Code and the guidance thereunder) under which the Company makes, is obligated to make or promises to make, payments (each, a "409A Plan") complies in all material respects, in both form and operation, with the requirements of Section 409A of the Code and the guidance thereunder. To the knowledge of the Company, no payment to be made under any 409A Plan is, or will be, subject to the penalties of Section 409A(a)(1) of the Code.

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(dd) Material Contracts. For purposes of this Agreement, "Company Material Contracts" shall mean: (i) any Contract relating to indebtedness for borrowed money, any financial guaranty or any capital lease in excess of $50,000; (ii) any Contract that purports to limit the ability of the Company or any of its Subsidiaries to engage or compete in any business line or compete with any person or operate in any geographic area; (iii) any Contract that involves any exchange traded, over-the-counter or other swap, cap, floor, collar, futures contract, forward contract, option or any other derivative financial instrument; (iv) any Contract that involved expenditures or receipts by the Company or any of its Subsidiaries of more than $100,000 in the last fiscal year or that is expected to involve expenditures or receipts by the Company or any of its Subsidiaries of more than $100,000 in the next fiscal year; (v) any Contract that involved, since June 1, 2007, the acquisition or disposition, directly or indirectly (by merger or otherwise), of assets or capital stock or other equity interests of any person (other than acquisitions or dispositions of assets in the ordinary course of business, including acquisitions and dispositions of inventory) and any acquisition or disposition Contract pursuant to which the Company or any of its Subsidiaries has continuing indemnification, "earn-out" or other contingent payment obligations; (vi) any Contract with any director, officer or employee of the Company or any of its Subsidiaries, or the spouses, relatives or affiliates (excluding any Contract solely among the Company and its Subsidiaries) of such persons, as applicable, including any Contract (x) to employ, terminate, indemnify or reimburse any present or former directors, officers or other employees and any Contract with respect to severance of, or a release of claims against the Company or its Subsidiaries by, any present or former directors, officers or other employees, or (y) that will result in the payment by, or the creation of any commitment or obligation (absolute or contingent, matured or unmatured) to pay on behalf of the Company, any of its Subsidiaries or any affiliate of the Company, any severance, termination, "golden parachute", transaction bonus, finders fee or other similar payments to any present or former director, officer or employee following termination of employment or otherwise as a result of the consummation of the transactions contemplated hereby; (vii) any Contract that by its terms limits the payment of dividends or other distributions by the Company or any of its Subsidiaries; (viii) any material joint venture or partnership Contract; (ix) any Contract that purports to limit the ability of the Company or any of its Subsidiaries to own, operate, sell, transfer, pledge or otherwise dispose of any material amount of assets or business; (x) any material Contract related to Company Intellectual Property Rights; (xi) any Contract pursuant to which any material payment or performance obligation of the Company or any of its Subsidiaries would or could be accelerated, or any material right of or benefit to the Company or any of its Subsidiaries would terminate or would become subject to termination, amendment, renegotiation or cancellation, in each case as a result of the execution of this Agreement or the consummation of any of the transactions contemplated hereby; and (xii) any Contract of the type required to be filed with the SEC in any periodic report pursuant to Item 601(b)(10) of Regulation S-K.

As of the Closing Date, neither the Company nor any Subsidiary of the Company nor, to the knowledge of the Company, any other party, is in material breach of or material default under the terms of any Company Material Contract. Each Company Material Contract is a legal, valid and binding obligation of the Company or the Subsidiary of the Company which is party thereto and, to the knowledge of the Company, of each other party thereto, and is in full force and effect, and enforceable against the Company or a Subsidiary and, to the knowledge of the Company, of each other party thereto, in accordance with its terms, subject to the effect of any applicable bankruptcy, insolvency (including all laws relating to fraudulent transfers), reorganization, moratorium or similar laws affecting creditors' rights generally and subject to the effect of general principles of equity. None of the Company or any of its Subsidiaries has received any written claim of default under any Company Material Contract or any written notice of an intention to, and to the knowledge of the Company, no other party to a Company Material Contract intends to, terminate, not renew or challenge the validity or enforceability of any Company Material Contract (including as a result of the execution and performance of this Agreement) and, to the Company' s knowledge, no event has occurred which would result in a breach or violation of, or a default under, any Company Material Contract (in each case, with or without notice or lapse of time or both).

(ee) Environmental Matters. Except in each case for such matters that would not reasonably be expected to have a Material Adverse Effect: (i) to the knowledge of the Company, the Company and its Subsidiaries have complied with all applicable Environmental Laws, (ii) to the knowledge of the Company, the Company and its Subsidiaries possess all permits, licenses, registrations, identification numbers, authorizations and approvals required under applicable Environmental Laws for the operation of the business as presently conducted, (iii) neither the Company nor any of its Subsidiaries has received any written claim or notice of any violation or alleged violation of any applicable Environmental Law or concerning any actual or alleged liability of the Company or any of its Subsidiaries arising under or pursuant to any Environmental Law and (iv) there are no writs, injunctions, decrees, orders or judgments outstanding, or any Actions pending or, to the knowledge of the Company, threatened, concerning noncompliance by, or actual or potential liability of, the Company or any Subsidiary with any Environmental Law.

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(ff) Disclosure. All disclosure furnished by or on behalf of the Company to the Purchaser regarding the Company, its business and the transactions contemplated hereby, including the Disclosure Letter to this Agreement, is true and correct and does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

3.2 Representations and Warranties of the Purchaser. The Purchaser hereby represents and warrants as of the date hereof and as of the Closing Date to the Company as follows:

(a) Organization; Authority. Such Purchaser is a natural person or an entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization with full right, corporate or partnership power and authority to enter into and to consummate the transactions contemplated by the Transaction Documents and otherwise to carry out its obligations hereunder and thereunder. The execution, delivery and performance by such Purchaser of the transactions contemplated by this Agreement have been duly authorized by all necessary corporate or similar action, as may be applicable, on the part of such Purchaser. Each Transaction Document to which it is a party has been duly executed by such Purchaser, and when delivered by such Purchaser in accordance with the terms hereof, will constitute the valid and legally binding obligation of such Purchaser, enforceable against it in accordance with its terms, except (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

(b) Own Account; No Registration Rights. Such Purchaser understands that the Shares are "restricted securities" and have not been registered under the Securities Act or any applicable state or other securities law and is acquiring the Shares as principal for its own account and not with a view to or for distributing or reselling such Shares or any part thereof in violation of the Securities Act or any applicable state or other securities law, has no present intention of distributing any of such Shares in violation of the Securities Act or any applicable state or other securities law and has no direct or indirect arrangement or understandings with any other persons to distribute or regarding the distribution of such Shares (this representation and warranty not limiting such Purchaser' s right to sell the Shares pursuant to the Registration Statement or otherwise in compliance with applicable federal and state securities laws) in violation of the Securities Act or any applicable state or other securities law. Such Purchaser is acquiring the Shares hereunder in the ordinary course of its business.

(c) Purchaser Status. At the time such Purchaser was offered the Shares, it was, and at the date hereof it is an "accredited investor" as defined in Rule 501(a)(1), (a)(2), (a)(3), (a)(7) or (a)(8) under the Securities Act.

(d) Experience of Such Purchaser. Such Purchaser, either alone or together with its representatives, has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment in the Shares, and has so evaluated the merits and risks of such investment. Such Purchaser is able to bear the economic risk of an investment in the Shares and, at the present time, is able to afford a complete loss of such investment.

(e) General Solicitation. Such Purchaser is not purchasing the Shares as a result of any advertisement, article, notice or other communication regarding the Shares published in any newspaper, magazine or similar media or broadcast over television or radio or presented at any seminar or any other general solicitation or general advertisement.

(f) Provision of Information. Such Purchaser has been afforded (i) the opportunity to ask such questions as it has deemed necessary of, and to receive answers from, representatives of the Company concerning the terms and conditions of the Shares and the finances, operations and business of the Company; and (ii) the opportunity to request such additional information which the Company possesses or can acquire without unreasonable effort or expense.

(g) Certain Fees. No brokerage or finder' s fees or commissions are or will be payable by such Purchaser to any broker, financial advisor or consultant, finder, placement agent, investment banker, bank or other Person with respect to the transactions contemplated by the Transaction Documents.

(h) Acknowledgement. The Purchaser acknowledges that the Company has relied upon the representations and warranties of the Purchaser set forth in Section 3.2 in its determination that no registration under the Securities Act is required for the offer and sale of the Shares by the Company to the Purchaser as contemplated by this Agreement.

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ARTICLE IV.

OTHER AGREEMENTS OF THE PARTIES

4.1 Fee. In lieu of registration rights and to acknowledge the direct negotiation for the sale of the Shares between the Company and the Purchaser without the use of an intermediary, the Company agrees to pay to Purchaser an aggregate of $5,000 per each Share Bundle (the "Fee"). The Fee shall be paid in eight equal quarterly installments of $625 during the twenty-four month period immediately following the Closing (the "Payment Period"). Each of the eight quarterly installments shall be paid on the last Business Day of the calendar quarter, commencing in December 2014, in accordance with the wire instructions set forth on Annex A attached hereto. The Fee, or any installment thereof, shall be paid to Purchaser during the Payment Period, regardless of whether Purchaser continues to own the Shares.

4.2 Purchaser Put Right. During the thirty day period immediately following the Payment Period (the "Repurchase Period"), Purchaser may exercise a right (the "Purchaser Put Right") to transfer all right, title and interest of Purchaser in, to and under some or all of the Shares back to the Company, in consideration for a price equal to $7.00 per Share (the "Repurchase Price"). Purchaser may exercise the Purchaser Put Right by providing written notice (the "Repurchase Notice") to the Company prior to the expiration of the Repurchase Period that states:

(a) the number of Shares to be repurchased by the Company;

(b) a date, not fewer than ten Business Days from the date of the Repurchase Notice, to transfer the Shares to the Company in exchange for the Repurchase Price (the "Repurchase Date");

(c) the Purchaser' s payment instructions; and

(d) that such Shares shall be repurchased as of the Repurchase Date pursuant to the terms of this Agreement.

On the later of the Repurchase Date or the date the Company receives from the Purchaser the Shares subject to repurchase, the Company shall pay to Purchaser the Repurchase Price, in immediately available funds and in accordance with the payment instructions provided in the Repurchase Notice. Purchaser acknowledges that the Purchase Put Right is non-transferrable and shall expire in the event the Shares are sold or transferred by the Purchaser but only for the portion of the Shares sold or transferred.

4.3 Transfer Restrictions.

(a) The Shares may only be disposed of in compliance with state and federal securities laws. In connection with any transfer of Shares, other than pursuant to an effective registration statement, the Company may require the transferor thereof to provide to the Company an opinion of counsel selected by the transferor and reasonably acceptable to the Company, the form and substance of which opinion shall be reasonably satisfactory to the Company, to the effect that such transfer does not require registration of such transferred Shares under the Securities Act. As a condition of transfer, any such transferee shall agree in writing to be bound by the terms of this Agreement and shall have the rights of a Purchaser under this Agreement and the Registration Rights Agreement.

(b) The Purchaser acknowledges that the Shares have not been registered under the Securities Act, and that there are no registration rights with respect to the Shares, and agrees to the following restrictive notation on any book-entry account or imprinting on any physical certificate, so long as is required by this Section 4.3, of a legend on any of the Shares in the following form:

> THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY. THIS SECURITY MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT WITH A REGISTERED BROKER-DEALER OR OTHER LOAN WITH A FINANCIAL INSTITUTION THAT IS AN "ACCREDITED INVESTOR" AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT OR OTHER LOAN SECURED BY SUCH SECURITIES.

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(c) The Company acknowledges and agrees that the Purchaser may from time to time pledge pursuant to a bona fide margin agreement with a registered broker-dealer or grant a security interest in some or all of the Shares to a financial institution that is an "accredited investor" as defined in Rule 501(a) under the Securities Act and who agrees to be bound by the provisions of this Agreement and, if required under the terms of such arrangement, such Purchaser may transfer pledged or secured Shares to the pledgees or secured parties. Such a pledge or transfer would not be subject to approval of the Company and no legal opinion of legal counsel of the pledgee, secured party or pledgor shall be required in connection therewith. Further, no notice shall be required of such pledge. At the appropriate Purchaser' s expense, the Company will execute and deliver such reasonable documentation as a pledgee or secured party of Shares may reasonably request in connection with a pledge or transfer of the Shares.

(d) Certificates evidencing the Shares shall not contain any legend (including the legend set forth in Section 4.3(b)), (i) following any sale of such Shares pursuant to Rule 144, or (ii) if such legend is not required under applicable requirements of the Securities Act (including judicial interpretations and pronouncements issued by the staff of the Commission). The Company agrees that at such time as such legend is no longer required under this Section 4.3(d), it will, no later than 3 Business Days following the delivery by a Purchaser to the Company or the Transfer Agent of a certificate representing Shares issued with a restrictive legend, deliver or cause to be delivered to such Purchaser a certificate representing such Shares that is free from all restrictive and other legends. Notwithstanding the foregoing, the Company shall not be required to remove any legends until all Shares represented by a single certificate are no longer subject to restrictions. If only a portion of the Shares represented by any single certificate are subject to restrictions, the holder of the certificate may request, or the Company may require, that such certificate be cancelled and two new certificates be issued. One certificate shall represent, and be in the amount of, Shares not subject to restrictions and shall bear no legend and the second certificate shall represent, and be in the amount of, Shares subject to restrictions and shall bear an appropriate legend. The Company may not make any notation on its records or give instructions to the Transfer Agent that enlarge the restrictions on transfer set forth in this Section. Certificates for Shares subject to legend removal hereunder shall be transmitted by the Transfer Agent to the Purchaser by crediting the account of the Purchaser' s prime broker with the Depository Trust Company System.

(e) The Purchaser agrees that the removal of the restrictive legend from certificates representing Shares as set forth in this Section 4.3 is predicated upon the Company' s reliance that the Purchaser will sell any Shares pursuant to either the registration requirements of the Securities Act, including any applicable prospectus delivery requirements, or an exemption therefrom, and that if Shares are sold pursuant to a registration statement, they will be sold in compliance with the plan of distribution set forth therein.

4.4 Furnishing of Information. As detailed in Section 3.1 (h) (i) of the Disclosure Letter, the Company expects to file its delinquent Form 10-K for the fiscal year ended May 31, 2014 by September 30, 2014. As long as the Purchaser owns Shares and the Company remains subject to the requirements of the Exchange Act, the Company covenants to take all reasonable actions to timely file (or obtain extensions in respect thereof and file within the applicable grace period) all reports required to be filed by the Company after the date hereof pursuant to the Exchange Act. As long as the Purchaser owns Shares, if the Company is not required to file reports pursuant to the Exchange Act, it will prepare and furnish to the Purchaser and make publicly available in accordance with Rule 144(c) such information as is required for the Purchaser to sell the Shares under Rule 144. The Company further covenants that it will take such further action as any holder of Shares may reasonably request, to the extent required from time to time to enable such Person to sell such Shares without registration under the Securities Act within the requirements of the exemption provided by Rule 144.

4.5 Integration. The Company shall not sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in Section 2 of the Securities Act) that would be integrated with the offer or sale of the Shares in a manner that would require the registration under the Securities Act of the sale of the Shares to the Purchaser.

4.6 Publicity. The Company and the Purchaser' s Representative shall consult with each other in issuing any other press releases with respect to the transactions contemplated hereby, and neither the Company nor the Purchaser shall issue any such press release or otherwise make any such public statement without the prior consent of the Company, with respect to any press release of the Purchaser, or without the prior consent of Purchaser' s Representative, with respect to any press release of the Company, which consent shall not unreasonably be withheld or delayed, except if such disclosure is required by law, in which case the disclosing party shall promptly provide the other party with prior notice of such public statement or communication. Notwithstanding the foregoing, the Company shall not publicly disclose the name of the Purchaser, or include the name of the Purchaser in any filing with the Commission or any regulatory agency, without the prior written consent of Purchaser' s Representative, except as required by federal securities law in connection any filing required by the Commission.

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4.7 Reimbursement. If the Purchaser becomes involved in any capacity in any Proceeding by or against any Person who is a stockholder of the Company (except as a result of sales, pledges, margin sales and similar transactions by such Purchaser to or with any other stockholder), solely as a result of such Purchaser' s acquisition of the Shares under this Agreement, the Company will reimburse such Purchaser for its reasonable legal and other expenses (including the cost of any investigation preparation and travel in connection therewith) incurred in connection therewith, as such expenses are incurred. The reimbursement obligations of the Company under this paragraph shall be in addition to any liability which the Company may otherwise have, shall extend upon the same terms and conditions to any Affiliates of the Purchaser who are actually named in such Action, proceeding or investigation, and partners, directors, agents, employees and controlling persons (if any), as the case may be, of the Purchaser and any such Affiliate, and shall be binding upon and inure to the benefit of any successors, assigns, heirs and personal representatives of the Company, the Purchaser and any such Affiliate and any such Person. The Company also agrees that neither the Purchaser nor any such Affiliates, partners, directors, agents, employees or controlling persons shall have any liability to the Company or any Person asserting claims on behalf of or in right of the Company solely as a result of acquiring the Shares under this Agreement, except if such claim arises primarily from a breach of such Purchaser' s representations, warranties or covenants under the Transaction Documents or any agreements or understandings such Purchaser may have with any such stockholder or any violations by the Purchaser of state or federal securities laws or any conduct by such Purchaser which constitutes fraud, gross negligence, willful misconduct or malfeasance.

4.8 Indemnification of Purchaser. Subject to the provisions of this Section 4.8, the Company will indemnify and hold the Purchaser and its directors, officers, shareholders, members, partners, employees and agents (and any other Persons with a functionally equivalent role of a Person holding such titles notwithstanding a lack of such title or any other title), each Person who controls such Purchaser (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act), and the directors, officers, shareholders, agents, members, partners or employees (and any other Persons with a functionally equivalent role of a Person holding such titles notwithstanding a lack of such title or any other title) of such controlling persons (each, a "Purchaser Party") harmless from any and all losses, liabilities, obligations, claims, contingencies, damages, costs and expenses, including all judgments, amounts paid in settlements, court costs and reasonable attorneys' fees and costs of investigation that any such Purchaser Party may suffer or incur as a result of or relating to (a) any breach of any of the representations, warranties, covenants or agreements made by the Company in this Agreement or in the other Transaction Documents or (b) any Action instituted against a Purchaser, or any of them or their respective Affiliates, by any stockholder of the Company who is not an Affiliate of such Purchaser, with respect to any of the transactions contemplated by the Transaction Documents (unless such Action is based upon a breach of such Purchaser' s representations, warranties or covenants under the Transaction Documents or any agreements or understandings such Purchaser may have with any such stockholder or any violations by the Purchaser of state or federal securities laws or any conduct by such Purchaser which constitutes fraud, gross negligence, willful misconduct or malfeasance). If any Action shall be brought against the Purchaser Party in respect of which indemnity may be sought pursuant to this Agreement, such Purchaser Party shall promptly notify the Company in writing, and the Company shall have the right to assume the defense thereof with counsel of its own choosing reasonably acceptable to the Purchaser Party. The Purchaser Party shall have the right to employ separate counsel in any such Action and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Purchaser Party except to the extent that (i) the employment thereof has been specifically authorized by the Company in writing, (ii) the Company has failed after a reasonable period of time to assume such defense and to employ counsel or (iii) in such Action there is, in the reasonable opinion of such separate counsel, a material conflict on any material issue between the position of the Company and the position of such Purchaser Party, in which case the Company shall be responsible for the reasonable fees and expenses of no more than one such separate counsel. The Company will not be liable to the Purchaser Party under this Agreement (i) for any settlement by a Purchaser Party effected without the Company' s prior written consent, which shall not be unreasonably withheld or delayed; or (ii) to the extent, but only to the extent that a loss, claim, damage or liability is attributable to (A) the Purchaser Party' s breach of any of the representations, warranties, covenants or agreements made by such Purchaser Party in this Agreement or in the other Transaction Documents, (B) any violations by the Purchaser of state or federal securities laws or (C) any conduct by such Purchaser which constitutes fraud, gross negligence, willful misconduct or malfeasance.

4.9 Reservation of Common Stock. As of the date hereof, the Company has reserved and the Company shall continue to reserve and keep available at all times, free of preemptive rights, a sufficient number of shares of Common Stock for the purpose of enabling the Company to issue Shares pursuant to this Agreement.

4.10 Delivery of Shares After Closing. The Company shall deliver, or cause to be delivered, the respective Shares purchased by the Purchaser to such Purchaser within 3 Business Days of the Closing Date.

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4.11 Form D; Blue Sky Filings. The Company agrees to timely file a Form D via EDGAR with respect to the Shares as required under Regulation D and to provide a copy thereof, promptly upon request of the Purchaser. The Company shall take such action as the Company shall reasonably determine is necessary in order to obtain an exemption for, or to qualify the Shares for, sale to the Purchaser at the Closing under applicable securities or "Blue Sky" laws of the states of the United States, and shall provide evidence of such actions promptly upon request of the Purchaser. The Purchaser shall take all commercially reasonable actions that are reasonably requested by the Company related to, or to effectuate, the filing of a Form D or any filing required pursuant to the "Blue Sky" laws of the states of the United States which, for purposes of clarity, shall not include the payment of any fees by such Purchaser.

4.12 Investment Company. The Company shall conduct its business in a manner so that it will not become subject to the Investment Company Act of 1940, as amended.

4.13 Reservation of Common Stock under Equity Incentive Plans. Immediately following the Closing, the Purchaser acknowledges that the Company will not have in place any reservation of shares of Common Stock for future issuances with respect to its Equity Incentive Plans, except for a reservation of 150,000 shares with respect to the Equity Incentive Plans that are outstanding immediately prior to the Closing.

ARTICLE V.

MISCELLANEOUS

5.1 Fees and Expenses. Except as expressly set forth in the Transaction Documents to the contrary, each party shall pay the fees and expenses of its advisers, counsel, accountants and other experts, if any, and all other expenses incurred by such party incident to the negotiation, preparation, execution, delivery and performance of this Agreement. Purchaser acknowledges that the Fee will partially or fully offset such fees and expenses it may incur. The Company shall pay all Transfer Agent fees, stamp taxes and other taxes and duties levied in connection with the delivery of any Shares to the Purchaser.

5.2 Entire Agreement. The Transaction Documents, together with the exhibits and schedules thereto, contain the entire understanding of the parties with respect to the subject matter hereof and thereof and supersede all prior agreements and understandings, oral or written, with respect to such matters, which the parties acknowledge have been merged into such documents, exhibits and schedules.

5.3 Notices. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and shall be deemed given and effective on the earliest of (a) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth on the signature pages attached hereto prior to 5:30 p.m. (New York City time) on a Business Day, (b) the next Business Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth on the signature pages attached hereto on a day that is not a Business Day or later than 5:30 p.m. (New York City time) on any Business Day, (c) the second Business Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service, or (d) upon actual receipt by the party to whom such notice is required to be given. The address for such notices and communications shall be as set forth on the signature pages attached hereto.

5.4 Amendments; Waivers. No provision of this Agreement may be waived or amended except in a written instrument signed by the Company and Purchaser. No waiver of any default with respect to any provision, condition or requirement of this Agreement shall be deemed to be a continuing waiver in the future or a waiver of any subsequent default or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of any party to exercise any right hereunder in any manner impair the exercise of any such right.

5.5 Headings. The headings herein are for convenience only, do not constitute a part of this Agreement and shall not be deemed to limit or affect any of the provisions hereof.

5.6 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and permitted assigns. The Company may not assign this Agreement or any rights or obligations hereunder without the prior written consent of Purchaser (other than by merger). The Purchaser may assign any or all of its rights under this Agreement to any Person to whom such Purchaser assigns or transfers any Shares, provided such transferee agrees in writing to be bound, with respect to the transferred Shares, by the provisions of the Transaction Documents that apply to the Purchaser.

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5.7 No Third-Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective successors and permitted assigns and is not for the benefit of, nor may any provision hereof be enforced by, any other Person, except as otherwise set forth in Section 4.8 Indemnification of Purchaser.

5.8 Governing Law. This Agreement shall be deemed to be made in, and in all respects shall be interpreted, construed and governed by and in accordance with the internal laws of the Commonwealth of Massachusetts, without regard to the conflicts of law principles thereof that would cause the application of the laws of any jurisdiction other than the internal laws of the Commonwealth of Massachusetts.

5.9 Jurisdiction; Enforcement; Remedies. Each of the parties hereto (i) irrevocably consents to submit itself to the personal jurisdiction of the courts of the Commonwealth of Massachusetts located in Suffolk County, and of the United States District Courts for the District of Massachusetts, in the event any dispute arises out of this Agreement or any of the transactions contemplated by this Agreement, (ii) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court, (iii) agrees that it will not bring any Action relating to this Agreement or any of the transactions contemplated by this Agreement in any court other than the courts of the Commonwealth of Massachusetts located in Suffolk County, and of the United States District Courts for the District of Massachusetts and (iv) consents to service being made through the notice procedures set forth in Section 5.3. The parties hereby agree that service of any process, summons, notice or document by registered mail to the respective addresses set forth in Section 5.3 shall be effective service of process for any suit or proceeding in connection with this Agreement or the transactions contemplated hereby.

5.10 Survival of Representations and Warranties. The representations and warranties contained herein shall survive the Closing and the delivery of the Shares until the 2 year anniversary of the Closing Date.

5.11 Execution. This Agreement may be executed in two or more counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party, it being understood that both parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof.

5.12 Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their commercially reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

5.13 Rescission and Withdrawal Right. Notwithstanding anything to the contrary contained in (and without limiting any similar provisions of) any of the other Transaction Documents, whenever the Purchaser exercises a right, election, demand or option under a Transaction Document and the Company does not timely perform its related obligations within the periods therein provided, then such Purchaser may rescind or withdraw, in its sole discretion from time to time upon written notice to the Company, any relevant notice, demand or election in whole or in part without prejudice to its future actions and rights.

5.14 Replacement of Shares. If any certificate or instrument evidencing any Shares is mutilated, lost, stolen or destroyed, the Company shall issue or cause to be issued in exchange and substitution for and upon cancellation thereof (in the case of mutilation), or in lieu of and substitution therefor, a new certificate or instrument, but only upon receipt of evidence reasonably satisfactory to the Company of such loss, theft or destruction. The applicant for a new certificate or instrument under such circumstances shall also pay any reasonable third-party costs (including customary indemnity) associated with the issuance of such replacement Shares.

5.15 Remedies. In addition to being entitled to exercise all rights provided herein or granted by law, including recovery of damages, each of the Purchaser and the Company will be entitled to specific performance under the Transaction Documents. The parties agree that monetary damages may not be adequate compensation for any loss incurred by reason of any breach of obligations contained in the Transaction Documents and hereby agree to waive and not to assert in any Action for specific performance of any such obligation the defense that a remedy at law would be adequate.

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5.16 [Reserved].

5.17 Liquidated Damages. The Company' s obligations to pay any partial liquidated damages or other amounts owing under the Transaction Documents is a continuing obligation of the Company and shall not terminate until all unpaid partial liquidated damages and other amounts have been paid notwithstanding the fact that the instrument or security pursuant to which such partial liquidated damages or other amounts are due and payable shall have been canceled.

5.18 Construction. The parties agree that each of them and/or their respective counsel has reviewed and had an opportunity to revise the Transaction Documents and, therefore, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of the Transaction Documents or any amendments hereto.

(Signature Pages Follow)

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SIGNATURE PAGE **Date Signed: __________, 2014**

PURCHASER:

Number of Shares:		___________
Multiplied by Per Share Purchase Price:	x	$ 5.00
Equals Subscription Amount:	=	$___________

______________________________	______________________________
Signature	Second Signature (if purchasing jointly)
______________________________	______________________________
Printed Name	Printed Second Name

COMPANY:

SofTech, Inc.
Joseph P. Mullaney
Chief Executive Officer

/s/ Joseph P. Mullaney
Signature

Joseph P. Mullaney
Printed Name

[Signature Page - Securities Purchase Agreement]

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ANNEX A

Purchaser’ s Wire Instructions

Name:
Bank:
Account name:
Routing number:
Account number:

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DISCLOSURE LETTER

SECTION 3.1(b)

List of Foreign Qualifications

- Arizona
- Colorado
- Florida
- Illinois
- Indiana
- Kentucky
- Michigan
- Missouri
- New Hampshire
- New Jersey
- New York
- Ohio
- Pennsylvania
- Texas
- Wisconsin

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DISCLOSURE LETTER

SECTION 3.1(g)

Capitalization

Registration Rights

As part of the Recapitalization Transaction completed in March 2011 and disclosed in the SEC Reports, the Company issued 384,588 shares of its common stock to eight investors. As part of that agreement, the Company agreed to file a registration statement with the Commission to register the resale of the private placement shares and to use its reasonable best efforts to cause the registration statement to be deemed effective. Further the Company agreed to use its reasonable best efforts, once the registration statement was deemed effective, to avoid the issuance of an order suspending the effectiveness of the registration statement. The registration statement was deemed effective on December 28, 2011.

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 net operating losses and certain other tax attributes (collectively, "NOLs"). 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 $.10 per share, of the Company (the "Common Stock"). 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.

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DISCLOSURE LETTER

SECTION 3.1(h)

SEC Reports; Financial Statements

(i) The Company filed a Form NT with the SEC on September 2, 2014 notifying them of our inability to timely file our Form 10-K for the fiscal year ended May 31, 2014. The Company was unable to file the Form 10-K by September 15, 2014, the grace period allowed. As a result, our Form 10-K will be deemed delinquent and the Company will be restricted from using certain simpler registration forms until such time as it has timely filed its SEC Reports for at least a one year period. The Company expects to complete its filing of Form 10-K for the fiscal year ended May 31, 2014 by September 30, 2014.

(ii) None.

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DISCLOSURE LETTER

SECTION 3.1(i)

(i) Change in Accounting Principle

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").

In our quarterly reports for the fiscal quarters ended November 30, 2013 and February 28, 2014, we accounted for the Holdback Payment and the Earn-Out payments due under the CADRA Sale pursuant to ASC 450, *Contingencies* whereby the Company recorded a gain of approximately $155,000 through the nine months ended February 28, 2014 which included consideration of the Holdback Payment and the portion of the Earn-Out Payments that had been reported by Mentor, but excluded up to $686,000 of potential future Earn-Out Payments.

During the fourth quarter, we changed our accounting policy with regard to Earn-Out Payments to ASC 820, *Fair Value Measurements and Disclosures*. Pursuant to the fair value policy, the Company estimated the fair value of Earn-Out Payments on the date of the transaction and recognized the fair value of the Earn-Out Payments as a component of the gain or loss on sale as of the transaction date. The Earn-Out Payments asset will be adjusted to fair value at each reporting period with changes in the fair value of the asset reported as a component of other income, net.

Under the fair value method, the Company recorded a $565,000 gain on the CADRA Sale during the year ended May 31, 2014, which included the estimated fair value of the Earn-Out Payments of $474,000 on the date of the transaction. Under the ASC 450 the reported gain would have been $198,000 for the year ended May 31, 2014, which would have included $107,000 of Earn-Out Payments, that being the amount of the Earn-Out Payments actually reported by the buyer through fiscal year end. There was no impact of the change in accounting policy on previous fiscal years as the Company has not had sale transactions that included earn out agreements in the past.

The Company determined that accounting for the Earn-Out Payments at fair value under ASC 820 resulted in a more complete and accurate reflection of the economic value associated with the sale of the CADRA business. The Company considered, among other things, the following facts and circumstances related to the Earn-Out Payments in the decision to change its accounting policy:

- The Earn-Out Payments were earned upon completion of the CADRA Sale; the Company had no further obligation to perform any services to be entitled to the Earn-Out Payments;
- The Earn-Out Payments cannot exceed $750,000 and are based on a percentage of revenue, a more predictable measure of performance;
- The Company' s continued involvement as a distributor of the CADRA technology throughout most of Europe affords us significant insight into Mentor' s product plans, pricing, upgrade release schedule, continued investment and ongoing strategy with regard to the technology;
- Mentor' s obligation to report the CADRA revenue on a quarterly basis aids in our understanding of their progress against previously prepared forecasts and historical revenue trends; and
- The majority of the CADRA revenue is composed of recurring annual maintenance contracts with a high renewal rate from long-time users of the technology. As such, the revenue over the term of the Earn-Out Payments is predictable.

The Company concluded that deferring the recognition of the Earn-Out Payments until reported by Mentor under ASC 450 did not accurately and completely reflect the economic value of the sale of the CADRA business that was completed during fiscal year 2014. Adopting ASC 820 results in financial statements that more accurately and completely depict the results of operations for the fiscal year ended May 31, 2014 and the financial position as of that date and is therefore preferable.

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(ii) Share Repurchase

In June 2014, the Company repurchased 50,000 shares of common stock from five investors that participated in a 2012/2013 program wherein the investors received the right to require the Company to repurchase the shares acquired by them at $5.50 per share. This arrangement was described in the Company' s SEC Reports and the repurchase shall be disclosed in subsequent filings.

In August 2014, the Company purchased 101,411 unregistered, restricted shares of common stock from Greenleaf Capital for a purchase price of $37,522, or $0.37 per share.

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

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EXHIBIT 31.1

CERTIFICATION PURSUANT TO RULE 13A-14(A) / 15D-14(A)

I, Amy E. McGuire, Chief Financial Officer of SofTech, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of SofTech, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant' s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant' s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant' s internal control over financial reporting that occurred during the registrant' s most recent fiscal quarter (the registrant' s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant' s internal control over financial reporting; and

5. The registrant' s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant' s auditors and the audit committee of the registrant' s board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant' s ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant' s internal control over financial reporting.

Date: January 14, 2015

/s/ Amy E. McGuire
Amy E. McGuire
Chief Financial Officer

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EXHIBIT 31.2

CERTIFICATION PURSUANT TO RULE 13A-14(A) / 15D-14(A)

I, Joseph P. Mullaney, President and Chief Executive Officer of SofTech, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of SofTech, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant' s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant' s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant' s internal control over financial reporting that occurred during the registrant' s most recent fiscal quarter (the registrant' s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant' s internal control over financial reporting; and

5. The registrant' s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant' s auditors and the audit committee of the registrant' s board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant' s ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant' s internal control over financial reporting.

Date: January 14, 2015

/s/ Joseph P. Mullaney
Joseph P. Mullaney
President and Chief Executive Officer

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EXHIBIT 32.1

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

In connection with the Quarterly Report of SofTech, Inc. (the "Company") on Form 10-Q for the quarter ended November 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Joseph P. Mullaney, Chief Executive Officer of the Company and Amy E. McGuire, Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: January 14, 2015

/s/ Amy E. McGuire
Amy E. McGuire
Chief Financial Officer

/s/ Joseph P. Mullaney
Joseph P. Mullaney
President and Chief Executive Officer

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Stock Purchase Agreement (Details) (USD $)	Aug. 08, 2014	May 31, 2013
Stock Purchase Agreement:		
Company purchased common stock from Greenleaf Capital Inc,		170,000
Purchase price (total)		$ 62,900
Purchase price per share		$ 0.37
Option to purchase remainig shares as per stock purchase agreement	101,411	
Price per share within one year of the date of agreement	$ 0.37	
Total repurchased shares	38,000	

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REEDEMABLE COMMON STOCK (Details) (USD $)	3 Months Ended		12 Months Ended
	Nov. 30, 2014	Aug. 31, 2014	May 31, 2013
Reedemable common stock			
Company issued common stock shares	60,000	110,000	50,000
Par value of the share			$ 0.1
Purchase price of the share	$ 5.00	$ 5.00	$ 5.00
Private placement transactions for total proceeds	$ 300,000	$ 550,000	$ 250,000
company investment	50,000		25,000
Investors fee	5,000		6,000
Redemption price of the Common Stock per share (Put option)			$ 5.50
Common Stock was repurchased by the Company at the agreed upon Put Option price of $5.50 per share for a total			275,000
Mr. Daly shall have the right to require the Company to repurchase some or all of the shares and new investors price	$ 7.00	$ 7.00	
Redeemable common stock at its redemption value	60,000	770,000	
Accretion to additional paid in capital	$ 420,000	$ 220,000	

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Summary of the changes in fair value of the Level 3 (Details) (Contingent Consideration for the Six Months Ended November 31, 2014)In Thousands (USD $) In Thousands, unless otherwise specified	6 Months Ended Nov. 30, 2014
Summary of the changes in fair value	
Fair value at May 31, 2014	$ 895
Change in fair value	60
Receipt of the Holdback Payment	(320)
Fair value at November 30, 2014	$ 635

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PRIDES CROSSING CAPITAL TRANSACTIONS (DETAILS) (USD $)	Dec. 31, 2014	Nov. 30, 2014	Oct. 31, 2014	Dec. 05, 2013	May 10, 2013
PRIDES CROSSING CAPITAL TRANSACTIONS					
Loan Agreement with Prides Crossing Capital L.P. and Prides Crossing Capital -A, L.P.					$ 2,700,000
Repurchase of shares as per the amended agreement					170,000
Loan matures on January 1, 2015 and bears an interest rate of				14.00%	
Company agreed to pay down the principal of the Loan				1,000,000	
Repurchase of the shares of Common Stock as per agreement with EssigPR				50,000	
Value of shares repurchased the common stock as per agreement				275,000	
Repurchase of the shares of Common Stock from the Investors who exercised their Put Option				101,411	
Value of shares repurchased the common stock from the Investors who exercised their Put Option				38,000	
Security deposit to be provided by the Company				300,000	
Parties agreed to the following modified principal repayment of remaining $1 million scheduled	$ 250,000	$ 250,000	$ 500,000		

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SEGMENT INFORMATION	6 Months Ended Nov. 30, 2014

SEGMENT INFORMATION

SEGMENT INFORMATION

C. SEGMENT INFORMATION

The Company operates in one reportable segment and is engaged in the development, marketing, distribution and 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 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):

	Three Month Periods Ended	
Revenue:	November 30, 2014	November 30, 2013
North America	$ 859	$ 1,255
Europe	177	290
Asia	–	330
Eliminations	(9)	(461)
Consolidated Total	$ 1,027	$ 1,414

	Six Month Periods Ended	
Revenue:	November 30, 2014	November 30, 2013
North America	$ 1,541	$ 2,259
Europe	366	604
Asia	–	493
Eliminations	(16)	(566)
Consolidated Total	$ 1,891	$ 2,790

Long Lived Assets:	As of November 30, 2014	As of May 31, 2014
North America	$ 1,827	$ 1,916
Europe	42	43
Consolidated Total	$ 1,869	$ 1,959

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NET INCOME (LOSS) PER COMMON SHARE (Details)	3 Months Ended		6 Months Ended	
	Nov. 30, 2014	Nov. 30, 2013	Nov. 30, 2014	Nov. 30, 2013
NET INCOME (LOSS) PER COMMON SHARE Details				
Options to purchase common shares	27,500		27,500	
Basic and diluted earnings per share calculation as compared to option		10,000		10,000

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FOREIGN CURRENCY TRANSLATION (Details) (USD $)	3 Months Ended		6 Months Ended	
	Nov. 30, 2014	Nov. 30, 2013	Nov. 30, 2014	Nov. 30, 2013
FOREIGN CURRENCY TRANSLATION DETAILS				
Net (gain) loss from foreign currency related transactions	$ 28,000	$ 43,000	$ 14,000	$ 22,000

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Equity Incentive Plan (Details)	Nov. 30, 2014
Equity Incentive Plan	
Common shares are reserved for issuance	150,000
Stock options were awarded	144,500

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Summarizes option activity under the 2011 Stock Option Plan (Details)	Number of Options	Weighted Average Exercise Price Per Share	Weighted-Average Remaining Life (in years	Aggregate Intrinsic Value
Outstanding options at at May. 31, 2013	10,000	2.4	8.02	
Granted	124,500	1.84	10	
Exercised	0			
Forfeited or expired	(5,000)	1.11		
Outstanding options at at May. 31, 2014	129,500	1.88	9.74	20,825
Granted	27,500	1.33	10	
Exercised	0			
Forfeited or expired	(12,500)	1.84		
Exercisable at Nov. 30, 2014	42,947	1.83	7.9	2,250
Outstanding options at at Nov. 30, 2014	144,500	1.78	9.02	3,375

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SIGNIFICANT ACCOUNTING POLICIES	6 Months Ended Nov. 30, 2014

SIGNIFICANT ACCOUNTING POLICIES

SIGNIFICANT ACCOUNTING POLICIES

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 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.

SOFTWARE DEVELOPMENT COSTS

The Company accounts for its software development costs in accordance with Accounting Standards Codification ("ASC") 985, *Costs of Computer Software to Be Sold, Leased or Marketed.* Costs that are incurred internally 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. Such 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 technological feasibility of a product is established as well as its economic life.

During the three and six months ended November 30, 2013, the Company capitalized approximately $18,000 and $57,000, respectively, of software development costs. During the three and six months ended November 30, 2014, the Company did not capitalize software development costs. Amortization expense related to capitalized software development costs for the three and six months ended November 30, 2014 was approximately $28,000 and $56,000, respectively, as compared to approximately $24,000 and $49,000 for the comparable periods in the prior fiscal year.

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 D. Total direct costs incurred in establishing this debt agreement were approximately $255,000, which are being amortized over the term of the arrangement in accordance with ASC 470-50. Amortization expense related to debt issuance costs for the three and six months ended November 30, 2014 was approximately $71,000 and $123,000, respectively, as compared to approximately $22,000 and $43,000 for the comparable periods in the prior fiscal year.

The Loan Agreement has been amended several times since May 31, 2013 as described in Note D hereunder. 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.

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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, and a fixed fee and collectability has been determined. 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 and a fixed fee and collectability has been determined. These conditions are no different from those when the Company licenses software. For multiple element arrangements, however, under ASC 605, total fees are allocated to each of the elements based upon the relative selling price method. Under that method the allocation of fees to the undelivered 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.

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 November 30, 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, accounts receivable, Holdback Payment, Earn-Out Payments, notes receivable, accounts payable and notes payable. The Company' s estimate of the fair value of these financial instruments approximates their carrying value at November 30, 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.

The following table summarizes the valuation of the Company's assets and liabilities measured at fair value on a recurring basis as of November 30, 2014:

(in thousands)

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	Total	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Earn-Out Payments	$ 635	$ –	$ –	$ 635
Total assets at fair value	$ 635	$ –	$ –	$ 635

The Holdback Payment and Earn-Out Payments are classified as current or non-current assets depending on their anticipated receipt by 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 six month period ended November 30, 2014:

	(in thousands)
Fair value at May 31, 2014	$ 895
Change in fair value	60
Receipt of the Holdback Payment	(320)
Fair value at November 30, 2014	$ 635

The fair value of the asset at November 30, 2014 was approximately $635,000. The fair value of the Earn-Out Payments expected to be collected within one year have been classified as current assets. The fair value of the payments expected to be received beyond one year are included in long term 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 unaudited Consolidated Statements of Operations for the three and six months ended November 30, 2014 was approximately $21,000 and $60,000, respectively.

CHANGE IN ACCOUNTING POLICY

In our quarterly reports for the fiscal quarters ended November 30, 2013 and February 28, 2014, we accounted for the Holdback Payment and the Earn-Out Payments pursuant to ASC 450, *Contingencies* whereby the Company recorded a gain of approximately $155,000 through the nine months ended February 28, 2014 which included consideration of the Holdback Payment and reported Earn-Out Payments, but excluded consideration of up to $686,000 of potential future Earn-Out Payments.

During the fourth quarter of fiscal 2014, we changed our accounting policy with regard to these payments to account for the proceeds at the fair value of the consideration received in accordance with ASC 810-10-40-5. The effects of this change have been made retrospectively to the current period consolidated financial statements in accordance with ASC 250, *Accounting Changes and Error Corrections*. Pursuant to the new policy, the Company estimated the fair value of Holdback Payment and the Earn-Out Payments on the date of the transaction and recognized the fair value as a component of the gain on sale as of the transaction date. The Holdback Payment and Earn-Out Payments will be adjusted to fair value at each reporting period with changes in the fair value of the asset reported as a component of operations in the Consolidated Condensed Statement of Operations. For more information, refer to the Company' s annual audited consolidated financial statements included in the Company' s Form 10-K for the fiscal year ended May 31, 2014.

FOREIGN CURRENCY TRANSLATION

The functional currency of the Company' s foreign operations 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 loss. Foreign currency gains and losses arising from transactions were included in the statements of operations. For the three and six month periods ended November 30, 2014, the Company recorded a net loss

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from foreign currency related transactions of approximately $28,000, and $43,000, respectively, as compared to a net gain of approximately ($14,000) and ($22,000), respectively, for the comparable periods in the prior fiscal year, to Other expense (income), net in the unaudited Consolidated Statements of Operations.

NET (LOSS) INCOME PER COMMON SHARE

For the three and six month periods ended November 30, 2014, 2,368 and 1,184, respectively, options to purchase common shares were anti-dilutive and were excluded from the basic and diluted earnings per share 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 share subject to any award under the 2011 Plan that expires, is terminated unexercised or is forfeited will be available for future 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 November 30, 2014, 144,500 stock 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	27,500	1.33	10.00	–
Exercised	–	–	–	–
Forfeited or expired	(12,500)	1.84	–	–
Outstanding options at November 30, 2014	144,500	$ 1.78	9.02	$ 3,375
Exercisable at November 30, 2014	42,947	$ 1.83	7.90	$ 2,250

The Company determined the volatility for options granted 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 three and six month periods ended November 30, 2014, the Company expensed approximately $32,000 and $59,000 of stock-based compensation, respectively, as compared to approximately $2,000 and $4,000 in the comparable prior periods.

REDEEMABLE COMMON STOCK

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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 the current fiscal year.

During the three months ended August 31, 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 the three months ended November 30, 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 a 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-S99-3A, *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

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

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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 is currently assessing the impact of this guidance, but does not believe that it will have a material impact on its consolidated results of operations, financial position or disclosures.

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.

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, 2016. Early application is not permitted. 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.

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Stock-based compensation (DETAILS) (USD $)	3 Months Ended		6 Months Ended	
	Nov. 30, 2014	Nov. 30, 2013	Nov. 30, 2014	Nov. 30, 2013
Stock-based compensation details				
Company expenesd Stock-based compensation	$ 32,000	$ 2,000	$ 59,000	$ 4,000

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Changes in Redeemable Common Stock (Details) (USD $) In Thousands	Redeemable Common Stock Shares	Redeemable Common Stock Amount USD ($)
Balance as of at May. 31, 2014	50	275
Issuance of redeemable common stock	170	850
Accretion of redeemable common stock		$ 340
Repurchase of redeemable common stock	(50)	(275)
Balance as of at Nov. 30, 2014	170	1,190

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CONSOLIDATED BALANCE SHEETS (USD $) In Thousands, unless otherwise specified	Nov. 30, 2014	May 31, 2014
ASSETS		
Cash	$ 517	$ 1,209
Accounts receivable (less allowance for uncollectible accounts of $18 as of November 30, 2014 and May 31, 2014)	733	666
Holdback payment and earn-out payments from CADRA sale, current portion	304	547
Debt issuance costs, net	26	139
Prepaid and other assets	188	204
Total current assets	1,768	2,765
Commitments and contingencies		
Redeemable common stock, $0.10 par value, 170,000 and 50,000 shares issued and outstanding at November 30, 2014 and May 31, 2014, respectively.	1,190	275
LIABILITIES AND SHAREHOLDERS' (DEFICIT) EQUITY		
Accounts payable	283	483
Accrued expenses	303	607
Deferred maintenance revenue	1,172	1,462
Capital lease, current	19	19
Current maturities of long-term debt	851	973
Total current liabilities	2,628	3,544
Capital lease, net of current portion	40	47
Long-term debt, net of current maturities	120	0
Other accrued liabilities	15	0
Total liabilities	2,803	3,591
Shareholders' (deficit) equity :		
Common stock, $0.10 par value 20,000,000 shares authorized, 723,724 and 825,135 issued and outstanding at November 30, 2014 and May 31, 2014, respectively.	73	83
Capital in excess of par value	27,001	27,338
Accumulated deficit	(27,033)	(26,081)
Accumulated other comprehensive loss	(397)	(482)
Total shareholders' (deficit) equity	(356)	858
TOTAL LIABILITIES AND SHAREHOLDERS' (DEFICIT) EQUITY	$ 3,637	$ 4,724

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CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (USD $) In Thousands, unless otherwise specified	6 Months Ended	
	Nov. 30, 2014	Nov. 30, 2013
Cash flows from operating activities:		
Net (loss) income	$ (952)	$ 248
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation and amortization expense	189	111
Gain on CADRA sale	0	(649)
Stock-based compensation	59	4
Non-cash interest expense	18	6
Change in fair value of earn-out payments and holdback payment	(60)	0
Change in current assets and liabilities:		
Accounts receivable	(67)	(196)
Prepaid expenses and other assets	16	159
Restricted cash	0	(1,306)
Accounts payable and accrued expenses	(489)	402
Deferred maintenance revenue	(290)	(538)
Net cash used in operating activities	(1,576)	(1,759)
Cash flows from investing activities:		
Proceeds from sale of product line, net of direct expenses	0	2,432
Capital expenditures	(2)	(37)
Capitalized software development costs	0	(57)
Capitalized patent costs	(2)	(2)
Net cash provided by (used in) investing activities	(4)	2,336
Cash flows from financing activities:		
Cost of repurchase of common stock	(37)	(63)
Cost of repurchase of redeemable common stock	(275)	0
Capitalized debt issuance costs	0	(32)
Borrowing under debt agreement	750	0
Change in fair value of warrant liability	0	(6)
Proceeds from holdback agreement	320	0
Proceeds from issuance of common stock	820	0
Repayments under debt agreements	(770)	0
Repayments under capital lease	(7)	(8)
Net cash provided by (used in) financing activities	801	(109)
Effect of exchange rates on cash	87	(44)
Increase (decrease) in cash and cash equivalents	(692)	424
Cash and cash equivalents, beginning of period	1,209	1,188
Cash and cash equivalents, end of period	517	1,612
Supplemental disclosures of cash flow information:		

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Interest paid	84	153
Taxes paid	2	14
Issuance of warrants	0	51
Accretion of redeemable common stock	$ 370	$ 0

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SEGMENT INFORMATION Long-Lived Assets (DETAILS) (USD $) In Thousands, unless otherwise specified	Nov. 30, 2014	May 31, 2014
Long-Lived Assets:		
North America Assets	$ 1,827	$ 1,916
Europe Assets	42	43
Consolidated Assets Total	$ 1,869	$ 1,959

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SOFTWARE DEVELOPMENT COSTS (Details) (USD $)	3 Months Ended		6 Months Ended	
	Nov. 30, 2014	Nov. 30, 2013	Nov. 30, 2014	Nov. 30, 2013
SOFTWARE DEVELOPMENT COSTS DURING:				
Capitalized approximately software development costs		$ 18,000		$ 57,000
Amortization expense related to capitalized software development costs	$ 28,000	$ 24,000	$ 56,000	$ 49,000

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ESSIGPR promissory note agreement (DETAILS) (USD $)	Oct. 01, 2014	Jun. 20, 2014
ESSIGPR promissory note agreement		
Note term loan maturing on April 1, 2017		$ 750,000
Note term loan maturing on April 1, 2017 accrues interest rate		9.50%
Short term borrowing arrangement with EssigPR whereby it was agreed that the Company would retain of the Holdback Payment due from Mentor	$ 300,000	
Short term borrowing arrangement with EssigPR interest rate	9.50%	
EssigPR was awarded 5,000 stock options	5,000	
Purchase of common stock par value	$ 1.00	
EssigPR is owned by Joseph P. Daly an affiliate of the Company owns outstanding shares	0.1870	

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Assets and liabilities measured at fair value on a recurring basis (Details) (USD $)	Nov. 30, 2014
Total	
Earn-Out Payments	$ 635
Total assets at fair value	635
Quoted prices in active markets (Level 1)	
Earn-Out Payments	0
Total assets at fair value	0
Significant other observable inputs (Level 2)	
Earn-Out Payments	0
Total assets at fair value	0
Significant unobservable inputs (Level 3)	
Earn-Out Payments	635
Total assets at fair value	$ 635

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DESCRIPTION OF THE BUSINESS AND BASIS OF PRESENTATION	6 Months Ended Nov. 30, 2014

DESCRIPTION OF THE BUSINESS AND BASIS OF PRESENTATION

DESCRIPTION OF THE BUSINESS AND BASIS OF PRESENTATION

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 in Italy. The Company also has resellers in Asia and Europe.

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

Our unaudited consolidated financial statements presented herein have been prepared pursuant to the rules of the Securities and Exchange Commission (the "SEC") for quarterly reports on Form 10-Q and do not include all of the information and footnote disclosures required by generally accepted accounting principles in the United States of America ("GAAP"). These statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended May 31, 2014 included in our Annual Report on Form 10-K, which was filed with the SEC on October 7, 2014. In the opinion of management, the consolidated financial statements include all adjustments necessary for the fair presentation of the consolidated financial position, results of operations, and cash flows of the Company as of and for these interim periods.

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 payable 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

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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 November 30, 2014 pursuant to a distribution agreement (the “Distributorship Agreement”) with Mentor. The Company expects to renew the Distributorship Agreement for Europe (except Germany) for at least one year and is currently engaged in negotiations. 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.

RECLASSIFICATIONS

Certain accounts in the November 30, 2013 financial statements have been reclassified for comparative purposes to conform to the presentation in the November 30, 2014 financial statements.

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CONSOLIDATED BALANCE SHEETS PARENTHETICALS (USD $)	Nov. 30, 2014	May 31, 2014
PARENTHETICALS		
Allowance for uncollectible accounts	$ 18	$ 18
Redeemable Common Stock, par value	$ 0.10	$ 0.10
Redeemable Common Stock, shares issued	170,000	50,000
Redeemable Common Stock, shares outstanding	170,000	50,000
Common Stock, par value	$ 0.10	$ 0.10
Common Stock, shares authorized	20,000,000	20,000,000
Common Stock, shares issued	723,724	825,135
Common Stock, shares outstanding	723,724	825,135

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STOCK-BASED COMPENSATION (Tables)	6 Months Ended Nov. 30, 2014
Summarizes option activity	
Summarizes option activity	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	27,500		1.33	10.00		–
Exercised	–		–	–		–
Forfeited or expired	(12,500)		1.84	–		–
Outstanding options at November 30, 2014	144,500	$	1.78	9.02	$	3,375
Exercisable at November 30, 2014	42,947	$	1.83	7.90	$	2,250

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Document and Entity Information	6 Months Ended Nov. 30, 2014	Jan. 10, 2015
Document and Entity Information		
Entity Registrant Name	SOFTECH INC	
Entity Trading Symbol	SOFT	
Document Type	10-Q	
Document Period End Date	Nov. 30, 2014	
Amendment Flag	false	
Entity Central Index Key	0000354260	
Current Fiscal Year End Date	--05-31	
Entity Common Stock, Shares Outstanding		893,724
Entity Filer Category	Smaller Reporting Company	
Entity Current Reporting Status	Yes	
Entity Voluntary Filers	No	
Entity Well-known Seasoned Issuer	No	
Document Fiscal Year Focus	2015	
Document Fiscal Period Focus	Q2	

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SEGMENT INFORMATION (Tables)	6 Months Ended Nov. 30, 2014
SEGMENT INFORMATION {2}	
SEGMENT INFORMATION	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):

	Three Month Periods Ended	
Revenue:	November 30, 2014	November 30, 2013
North America	$ 859	$ 1,255
Europe	177	290
Asia	–	330
Eliminations	(9)	(461)
Consolidated Total	$ 1,027	$ 1,414

	Six Month Periods Ended	
Revenue:	November 30, 2014	November 30, 2013
North America	$ 1,541	$ 2,259
Europe	366	604
Asia	–	493
Eliminations	(16)	(566)
Consolidated Total	$ 1,891	$ 2,790

Long Lived Assets:	As of November 30, 2014	As of May 31, 2014
North America	$ 1,827	$ 1,916
Europe	42	43
Consolidated Total	$ 1,869	$ 1,959

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CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED) (USD $) In Thousands, except Share data, unless otherwise specified	3 Months Ended		6 Months Ended	
	Nov. 30, 2014	Nov. 30, 2013	Nov. 30, 2014	Nov. 30, 2013
Revenue:				
Products	$ 199	$ 376	$ 270	$ 618
Services	828	1,038	1,621	2,172
Total revenue	1,027	1,414	1,891	2,790
Cost of revenue:				
Products.	33	28	86	62
Services.	436	264	791	572
Total cost of revenue	469	292	877	634
Gross margin	558	1,122	1,014	2,156
Research and development expenses	222	304	494	639
Selling, general and administrative expenses	645	866	1,362	1,747
Gain on CADRA sale	0	(649)	0	(649)
Change in fair value of earn-out payments and holdback payment	(21)	0	(60)	0
Operating (loss) income	(288)	601	(782)	419
Interest expense	63	104	127	199
Other expense (income), net	28	(17)	43	(28)
Net (loss) income	$ (379)	$ 514	$ (952)	$ 248
Basic and diluted net (loss) income per share:	$ (0.44)	$ 0.59	$ (1.08)	$ 0.28
Weighted average common and redeemable shares outstanding-basic and diluted	866,911	875,135	881,653	888,140

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STOCK PURCHASE AGREEMENT	6 Months Ended Nov. 30, 2014
STOCK PURCHASE AGREEMENT	
STOCK PURCHASE AGREEMENT	**F. 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 as detailed in Note K to the consolidated financial statements as of May 31, 2013. 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.

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NOTE RECEIVABLE	6 Months Ended Nov. 30, 2014
NOTE RECEIVABLE	
NOTE RECEIVABLE	**E. NOTE RECEIVABLE** 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.

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DEBT ISSUANCE COSTS (Details) (USD $)	3 Months Ended		6 Months Ended	
	Nov. 30, 2014	Nov. 30, 2013	Nov. 30, 2014	Nov. 30, 2013
DEBT ISSUANCE COSTS DURING THE PERIOD:				
Direct costs incurred in establishing debt agreement			$ 255,000	
Amortization expense related to debt issuance costs	$ 71,000	$ 123,000	$ 22,000	$ 43,000

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PRIDES CROSSING CAPITAL (Tables)	6 Months Ended Nov. 30, 2014
PRIDES CROSSING CAPITAL	
PRIDES CROSSING CAPITAL	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

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ACCOUNTING POLICIES (Policies)	6 Months Ended Nov. 30, 2014

ACCOUNTING POLICIES

USE OF ESTIMATES

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 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.

SOFTWARE DEVELOPMENT COSTS

SOFTWARE DEVELOPMENT COSTS

The Company accounts for its software development costs in accordance with Accounting Standards Codification ("ASC") 985, *Costs of Computer Software to Be Sold, Leased or Marketed.* Costs that are incurred internally 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. Such 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 technological feasibility of a product is established as well as its economic life.

During the three and six months ended November 30, 2013, the Company capitalized approximately $18,000 and $57,000, respectively, of software development costs. During the three and six months ended November 30, 2014, the Company did not capitalize software development costs. Amortization expense related to capitalized software development costs for the three and six months ended November 30, 2014 was approximately $28,000 and $56,000, respectively, as compared to approximately $24,000 and $49,000 for the comparable periods in the prior fiscal year.

DEBT ISSUANCE COSTS

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 D. Total direct costs incurred in establishing this debt agreement were approximately $255,000, which are being amortized over the term of the arrangement in accordance with ASC 470-50. Amortization expense related to debt issuance costs for the three and six months ended November 30, 2014 was approximately $71,000 and $123,000, respectively, as compared to approximately $22,000 and $43,000 for the comparable periods in the prior fiscal year.

The Loan Agreement has been amended several times since May 31, 2013 as described in Note D hereunder. The costs related to completing these amendments were expensed as incurred in conformity with ASC 470-50, *Debt Modifications and Extinguishment.*

INCOME TAXES

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.

REVENUE RECOGNITION

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, and a fixed fee and collectability has been determined. The Company does not provide for a right of return. For

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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 and a fixed fee and collectability has been determined. These conditions are no different from those when the Company licenses software. For multiple element arrangements, however, under ASC 605, total fees are allocated to each of the elements based upon the relative selling price method. Under that method the allocation of fees to the undelivered 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.

LONG-LIVED ASSETS

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 November 30, 2014, the Company does not have any long-lived assets it considers to be impaired.

FINANCIAL INSTRUMENTS

FINANCIAL INSTRUMENTS

The Company’ s financial instruments consist of cash, accounts receivable, Holdback Payment, Earn-Out Payments, notes receivable, accounts payable and notes payable. The Company’ s estimate of the fair value of these financial instruments approximates their carrying value at November 30, 2014.

FAIR VALUE OF FINANCIAL INSTRUMENTS

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.

The following table summarizes the valuation of the Company's assets and liabilities measured at fair value on a recurring basis as of November 30, 2014:

	(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	$ 635	$ –	$ –	$ 635
Total assets at fair value	$ 635	$ –	$ –	$ 635

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The Holdback Payment and Earn-Out Payments are classified as current or non-current assets depending on their anticipated receipt by 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 six month period ended November 30, 2014:

		(in thousands)
Fair value at May 31, 2014	$	895
Change in fair value		60
Receipt of the Holdback Payment		(320)
Fair value at November 30, 2014	$	635

The fair value of the asset at November 30, 2014 was approximately $635,000. The fair value of the Earn-Out Payments expected to be collected within one year have been classified as current assets. The fair value of the payments expected to be received beyond one year are included in long term 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 unaudited Consolidated Statements of Operations for the three and six months ended November 30, 2014 was approximately $21,000 and $60,000, respectively.

CHANGE IN ACCOUNTING POLICY

CHANGE IN ACCOUNTING POLICY

In our quarterly reports for the fiscal quarters ended November 30, 2013 and February 28, 2014, we accounted for the Holdback Payment and the Earn-Out Payments pursuant to ASC 450, *Contingencies* whereby the Company recorded a gain of approximately $155,000 through the nine months ended February 28, 2014 which included consideration of the Holdback Payment and reported Earn-Out Payments, but excluded consideration of up to $686,000 of potential future Earn-Out Payments.

During the fourth quarter of fiscal 2014, we changed our accounting policy with regard to these payments to account for the proceeds at the fair value of the consideration received in accordance with ASC 810-10-40-5. The effects of this change have been made retrospectively to the current period consolidated financial statements in accordance with ASC 250, *Accounting Changes and Error Corrections*. Pursuant to the new policy, the Company estimated the fair value of Holdback Payment and the Earn-Out Payments on the date of the transaction and recognized the fair value as a component of the gain on sale as of the transaction date. The Holdback Payment and Earn-Out Payments will be adjusted to fair value at each reporting period with changes in the fair value of the asset reported as a component of operations in the Consolidated Condensed Statement of Operations. For more information, refer to the Company' s annual audited consolidated financial statements included in the Company' s Form 10-K for the fiscal year ended May 31, 2014.

FOREIGN CURRENCY TRANSLATION

FOREIGN CURRENCY TRANSLATION

The functional currency of the Company' s foreign operations 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 loss. Foreign currency gains and losses arising from transactions were included in the statements of operations. For the three and six month periods ended November 30, 2014, the Company recorded a net loss from foreign currency related transactions of approximately $28,000, and $43,000, respectively, as compared to a net gain of approximately ($14,000) and ($22,000), respectively, for the comparable periods in the prior fiscal year, to Other expense (income), net in the unaudited Consolidated Statements of Operations.

NET INCOME (LOSS) PER COMMON SHARE POLICY

NET (LOSS) INCOME PER COMMON SHARE

For both the three and six month periods ended November 30, 2014, 27,500 options to purchase common shares were anti-dilutive and were excluded from the basic and diluted earnings per share calculation as compared to 10,000 options for both the three and six month periods ending November 30, 2013.

STOCK-BASED COMPENSATION

STOCK-BASED COMPENSATION

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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 share subject to any award under the 2011 Plan that expires, is terminated unexercised or is forfeited will be available for future 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 November 30, 2014, 144,500 stock 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	27,500	1.33	10.00	–
Exercised	–	–	–	–
Forfeited or expired	(12,500)	1.84	–	–
Outstanding options at November 30, 2014	144,500	$ 1.78	9.02	$ 3,375
Exercisable at November 30, 2014	42,947	$ 1.83	7.90	$ 2,250

The Company determined the volatility for options granted 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 three and six month periods ended November 30, 2014, the Company expensed approximately $32,000 and $59,000 of stock-based compensation, respectively, as compared to approximately $2,000 and $4,000 in the comparable prior periods.

REEDEMABLE COMMON STOCK

REDEEMABLE COMMON STOCK

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 the current fiscal year.

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During the three months ended August 31, 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 the three months ended November 30, 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 a 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-S99-3A, *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, Policy

RECENT ACCOUNTING PRONOUNCEMENTS

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.

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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 is currently assessing the impact of this guidance, but does not believe that it will have a material impact on its consolidated results of operations, financial position or disclosures.

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.

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, 2016. Early application is not permitted. 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.

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CHANGES IN EQUITY	6 Months Ended Nov. 30, 2014
CHANGES IN EQUITY	
CHANGES IN EQUITY	**G. CHANGES IN EQUITY**

The changes in redeemable common stock for the six months ended November 30, 2014 is as follows (in thousands):

	Redeemable Common Stock		
	Shares		Amount
Balance as of May 31, 2014	50	$	275
Issuance of redeemable common stock	170		850
Accretion of redeemable common stock	–		340
Repurchase of redeemable common stock	(50)		(275)
Balance as of November 30, 2014	170	$	1,190

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SUBSEQUENT EVENTS	6 Months Ended Nov. 30, 2014
SUBSEQUENT EVENTS	
SUBSEQUENT EVENTS	**H. SUBSEQUENT EVENTS** 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.

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SCHEDULE OF FAIR VALUE OF FINANCIAL INSTRUMENTS (Tables)	6 Months Ended Nov. 30, 2014
SCHEDULE OF FAIR VALUE OF FINANCIAL INSTRUMENTS Table Text Block:	
Schedule Of Fair Value, Assets Measured on Recurring Basis	The following table summarizes the valuation of the Company's assets and liabilities measured at fair value on a recurring basis as of November 30, 2014:

	(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	$ 635	$ –	$ –	$ 635
Total assets at fair value	$ 635	$ –	$ –	$ 635

Summary of the changes in fair value of the Level 3 classified Holdback Payment and Earn-Out Payments	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 six month period ended November 30, 2014:

	(in thousands)
Fair value at May 31, 2014	$ 895
Change in fair value	60
Receipt of the Holdback Payment	(320)
Fair value at November 30, 2014	$ 635

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SEGMENT INFORMATION (Details) (USD $) In Thousands, unless otherwise specified	3 Months Ended		6 Months Ended	
	Nov. 30, 2014	Nov. 30, 2013	Nov. 30, 2014	Nov. 30, 2013
Revenues:				
North America Revenue	$ 859	$ 1,255	$ 1,541	$ 2,259
Europe Revenue	177	290	366	604
Asia Revenue		330		493
Eliminations Revenue	(9)	(461)	(16)	(566)
Consolidated Revenue Total	$ 1,027	$ 1,414	$ 1,891	$ 2,790

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DESCRIPTION OF THE BUSINESS AND BASIS OF PRESENTATION (Details) (USD $)	Aug. 30, 2013
CADRA Sale	
The aggregate consideration for the CADRA Sale is up to	$ 3,950,000
The aggregate consideration for the CADRA sale comprised and paid on the closing date	2,880,000
Amount paid on the one year anniversary	320,000
On closing date(subject to any indemnification claims);over the three-year period subsequent to the	$ 750,000

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FAIR VALUE OF FINANCIAL INSTRUMENTS (DETAILS) (USD $)	3 Months Ended	6 Months Ended
	Nov. 30, 2014	Nov. 30, 2014
FAIR VALUE OF FINANCIAL INSTRUMENTS DETAILS		
Fair value of the asset	$ 635,000	
Discount rate	7.00%	
Change in fair value of the asset	$ 21,000	$ 60,000

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME (UNAUDITED) (USD $) In Thousands, unless otherwise specified	3 Months Ended		6 Months Ended	
	Nov. 30, 2014	Nov. 30, 2013	Nov. 30, 2014	Nov. 30, 2013
Comprehensive income loss:				
Net (loss) income	$ (379)	$ 514	$ (952)	$ 248
Other comprehensive income (loss):				
Foreign currency translation adjustment	28	(25)	85	(45)
Comprehensive (loss) income	$ (351)	$ 489	$ (867)	$ 203

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DEBT	6 Months Ended Nov. 30, 2014
DEBT	
DEBT	**D. 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 is due in full on April 10, 2015. EssigPR was awarded 5,000 stock options to purchase SofTech common stock at $1.00 per share. The stock options will expire on October 1, 2024 if not exercised.

EssigPR is owned by Joseph P. Daly an affiliate of the Company who owns approximately 18.7% of the outstanding shares.

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

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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 may be repaid in full at any time but partial voluntary pre-payments are 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.

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CHANGE IN ACCOUNTING POLICY (DETAILS) (USD $)	9 Months Ended
	Feb. 28, 2014
CHANGE IN ACCOUNTING POLICY {1}	
Company recorded a gain	$ 155,000
Excluded consideration of potential future Earn-Out Payments.	$ 686,000

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Notes Receivables (Details) (USD $)	May 31, 1998
Notes Receivables details	
Non interest bearing note extended by CEO related to a stock transaction	$ 134,000

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SCHEDULE OF CHANGES IN EQUITY (Tables)	**6 Months Ended Nov. 30, 2014**
SCHEDULE OF CHANGES IN EQUITY	
SCHEDULE OF CHANGES IN EQUITY	The changes in redeemable common stock for the six months ended November 30, 2014 is as follows (in thousands):

	Redeemable Common Stock		
	Shares		Amount
Balance as of May 31, 2014	50	$	275
Issuance of redeemable common stock	170		850
Accretion of redeemable common stock	–		340
Repurchase of redeemable common stock	(50)		(275)
Balance as of November 30, 2014	170	$	1,190

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