

Report of Organizational Actions Affecting Basis of Securities

OMB No. 1545-2224

► See separate instructions.

Part I Reporting Issuer

1 Issuer's name QAD Inc.		2 Issuer's employer identification number (EIN) 77-0105228	
3 Name of contact for additional information Susan Turner	4 Telephone No. of contact 805.565.4375	5 Email address of contact zst@qad.com	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact 100 Innovation Place		7 City, town, or post office, state, and Zip code of contact Santa Barbara, CA, 93108	
8 Date of action 07/02/2014		9 Classification and description Cash Distribution to Shareholders of QAD Class B stock	
10 CUSIP number 74727D207	11 Serial number(s)	12 Ticker symbol QADB	13 Account number(s)

Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ► QAD Inc. paid a quarterly distribution on July 2, 2014 to its shareholders of record on June 25, 2014. QAD Inc. has determined that this distribution was a return of capital as QAD Inc. did not have any earnings & profits (current or accumulated) in 2014.

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ► QAD Inc. paid a distribution of 6.0 cents a share on July 2, 2014. This amount is a non-taxable return of capital to the extent of a U.S. shareholder's tax basis in each of its QAD Inc. shares, with any remaining amount being taxed a capital gain to a U.S. shareholder.

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ► QAD Inc. determined that this distribution is a return of capital as QAD Inc. did not have any earnings & profits (current or accumulated) in 2014. The amount (6.0 cents a share) that QAD Inc. distributed on July 2, 2014 was determined by QAD Inc.'s board of directors. One hundred percent (100%) of this amount was a return of capital.

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ► Sections 301(c) and 316(a)
of the Internal Revenue Code.

18 Can any resulting loss be recognized? ► No.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ► The reportable tax year is 2014 for shareholders reporting taxable income on a calendar year basis.

**Sign
Here**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Signature ►

Date ►

DECEMBER 15, 2014.

Print your name ► John L. Neale

Title ► SVP and Treasurer

**Paid
Preparer
Use Only**

Print/Type preparer's name

Preparer's signature

Date

Check ☐ if
self-employed

PTIN

Firm's name ►

Firm's EIN ►

Firm's address ►

Phone no.