

Report of Organizational Actions Affecting Basis of Securities

OMB No. 1545-0123

► See separate instructions.

Part I Reporting Issuer

| | | | |
|---|--|--|----------------------|
| 1 Issuer's name | | 2 Issuer's employer identification number (EIN) | |
| QAD Inc. | | 77-0105228 | |
| 3 Name of contact for additional information | 4 Telephone No. of contact | 5 Email address of contact | |
| Susan Turner | 805-565-4375 | zst@qad.com | |
| 6 Number and street (or P.O. box if mail is not delivered to street address) of contact | | 7 City, town, or post office, state, and ZIP code of contact | |
| 100 Innovation Place | | Santa Barbara, CA 93108 | |
| 8 Date of action | 9 Classification and description | | |
| 09/25/2019 | Cash distribution to shareholders of QAD Class A stock | | |
| 10 CUSIP number | 11 Serial number(s) | 12 Ticker symbol | 13 Account number(s) |
| 74727D306 | | QADA | |

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 September 25, 2019 to its shareholders of record on September 18, 2019. QAD Inc. calculated its current and accumulated earnings and profits as of January 31, 2020. It determined that 100% of the distribution is a return of capital to the extent of the shareholder's basis in QADA stock. To the extent that the distribution exceeded basis, the distribution is treated as a capital gain.

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 7.2 cents per share on September 25, 2019. It was determined that 0% of the distribution was paid out of current and accumulated earnings and profit. The remaining 100% is a non-taxable return of capital to the extent of the U.S. shareholder's basis in the QADA stock. To the extent that the distribution exceeds the shareholder's basis, the amount is treated as a capital gain.

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 based on currently available information that this distribution is 0% dividend and 100% return of capital based on current and accumulated earnings and profits as of January 31, 2020. The amount (7.2 cents per share) that QAD Inc. distributed on September 25, 2019 was determined by QAD Inc.'s Board of Directors.

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 2019 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 ▶ Kara Bellamy Date ▶ 2/28/20

Print your name ▶ Kara Bellamy

Title ▶ Chief Accounting Officer

**Paid
Preparer
Use Only**

| | | | | |
|----------------------------|----------------------|------|---|------|
| Print/Type preparer's name | Preparer's signature | Date | Check <input type="checkbox"/> if self-employed | PTIN |
| Firm's name ▶ | Firm's EIN ▶ | | Phone no. | |
| Firm's address ▶ | | | | |