

**QRS CORPORATION
CORPORATE GOVERNANCE POLICIES
OF THE BOARD OF DIRECTORS**

I. INTRODUCTION

The board of directors intends these governance policies to guide corporate practices for QRS Corporation to serve the best interests of the Company and its stockholders.

The board, on behalf of the Company and its stockholders, oversees and provides general direction to the management of the Company. In addition to the responsibilities described below, the responsibilities of the board include approving the Company's operating, financial and capital plans and business strategies; reviewing the performance of the Company; selecting and evaluating the Company's senior executives; planning for succession of the Company's chief executive officer and other key executives; overseeing policies of corporate conduct and compliance with laws; and supervising the process by which material information about the Company is communicated internally and externally.

The Company's senior officers, under the direction of the chief executive officer, are responsible for developing business strategy, managing the operations of the Company, implementation of financial, and management policies, preparation of financial statements and other reports that accurately reflect the financial condition and results of operations of the Company, and reporting in a timely and clear fashion to the board regarding each of the foregoing matters.

The operation of the board of directors is a dynamic and evolving process. Accordingly, the Nominations and Governance Committee shall review these policies periodically and make appropriate recommendations to the full board for its consideration. These governance policies are not intended to change or interpret any Federal or state law or regulation, including the Delaware General Corporation Act, or the certificate of incorporation or bylaws of the Company.

II. BOARD COMPOSITION

A. Size of the Board. The Company's bylaws currently provide that the authorized number of directors is seven (7). The board believes seven (7) is an appropriate size based on the Company's present circumstances. The board of directors shall periodically review the appropriate size of the board. The board is classified with the terms of office of each of the three classes of directors ending in successive years of 3 year terms, as provided in the Company's certificate of incorporation.

B. Majority of Independent Directors. A majority of the directors serving on the board shall meet the standard of director independence set forth in The Nasdaq Stock Market Inc. listing standards, as amended from time to time (the "listing standards"), as well as other factors not inconsistent with the listing standards that the board considers appropriate for the board's effective oversight and decision-making.

C. Affirmative Determination of Independence. The board shall affirmatively determine annually and at other times required by the listing standards that the directors designated as independent have no relationships with the Company (either directly or with an organization in which the director is a partner, stockholder or officer or is financially interested) that may interfere with the exercise of their independent judgment in carrying out the responsibility of a director.

D. Management Directors. The board anticipates that the Company's chief executive officer will be nominated to serve on the board. The board may also appoint or nominate other members of the Company's management whose experience and role at the Company are expected to help the board fulfill its responsibilities.

E. Chairman; Lead Independent Director The board will periodically appoint a chairman of the board. Both independent and management directors, including the chief executive officer, are eligible for appointment as the chairman. In addition to the duties set forth in these governance policies and in the charters of the committees of the board of directors, in between meetings of the board of directors the chairman shall meet periodically with appropriate members of management to review significant matters affecting the performance of the Company (e.g., the Company's operating plan and performance to the plan, the strategy of the Company as reflected in the management process deliverables and critical issues that must be solved for the strategy to succeed). If the chairman is not an independent director, the board shall designate one of the independent directors to be the "lead independent director." The lead independent director will periodically help schedule and conduct separate meetings of the independent directors and perform such other duties as the board may designate from time to time.

F. Selection of Board Nominees. The board is responsible for the selection of candidates for the nomination or appointment to the board. The Nominations and Governance Committee will recommend director candidates to the board for nomination or appointment, in consultation with the chief executive officer. Candidates for nomination or appointment to the board shall require approval of a majority of independent directors (excluding any director that is a nominee).

G. Board Membership Criteria. The board's policy is to encourage selection of directors who will contribute to the Company's overall corporate goals of responsibility to its stockholders, long-term stockholder value, industry leadership, customer success, competitive success for the Company's products and services, a quality employee working environment, and integrity in financial reporting and business conduct. The board and the Nominations and Governance Committee will from time to time review the experience, skills and characteristics appropriate for board members and director candidates in light of the board's composition at the time and skills and expertise needed for the effective operation of the board and its committee.

H. Length of Board Service. The board, based on recommendations of the Nominations and Governance Committee, will review the length of service of its members when a director is eligible to be re-nominated for board membership, including an assessment of individual director performance, number of other public and private company boards on which the individual serves, composition of the board at that time, willingness and ability of the director to devote the time necessary to be a fully effective board member, and other relevant factors. In ordinary circumstances, a board member should be prepared to serve two terms. Nevertheless, the board shall consider at the end of each three-year term whether a director's continued service is in the best interests of the Company. In making such determination, the board will take into consideration the values of rotation as well as continuity in board membership. The board does not believe that directors who retire from or change their principal occupation or business should necessarily be required to end their service as directors. Notwithstanding the foregoing, members of the Company's management that serve on the board, including the chief executive officer, shall resign from the board at the time he or she retires or otherwise ceases to be an active employee of the Company. Directors who retire from or change their principal occupation or business shall offer to resign their service as directors. The board and Nominations and Governance Committee shall then evaluate whether the board should accept the resignation based on the review of whether the individual continues to satisfy the board's membership criteria in light of his or her new occupational status.

I. Board Compensation. The board, through the Compensation Committee, will review or request management or outside consultants to review appropriate compensation policies or changes in compensation policies for the directors serving on the board and its committees. This review may consider board compensation practices of other comparable public companies, contributions to the board functions, time commitments expected for board and committee service, and other appropriate factors.

III. BOARD MEETINGS

A. Scheduling of Full Board Meetings. The chairman of the board will schedule in advance regular meetings of the board, ordinarily held no less than five times annually at the Company's principal executive office or such other place as the meeting notice may designate.

B. Meetings of Independent Directors. The independent directors will hold during each fiscal year regular meetings of the independent members of the board without management present, at such times and for such purposes as the independent directors consider appropriate. For the convenience of the directors, these meetings may be scheduled to coincide with the dates of regular board meetings. The independent directors may decide to meet more or less frequently than the full board. The independent directors may invite the Company's independent auditors, legal counsel, finance staff and other employees to attend portions of these meetings.

C. Agenda. The chairman of the board will have primary responsibility for establishing the agenda for each meeting and arranging for a written agenda to be sent in advance of the meeting to the directors along with appropriate written information and background materials. Each board committee, and each individual director, shall be encouraged to suggest items for inclusion on the agenda. The board reserves full authority to meet in executive sessions to discuss sensitive matters with or without distribution of written materials.

D. Access to Information. The Company's management shall afford each board member access to company employees and the outside auditors, legal counsel and other professional advisers for any purpose reasonably related to the board's responsibilities. Management shall arrange presentations at board meetings by the company managers and otherwise provide reports to the board that include the following: (1) the Company's financial and business plans, strategies and objectives; (2) the recent financial results and condition of the Company and its businesses; (3) significant accounting, regulatory, competitive, litigation and other external issues affecting the Company; and (4) systems of internal control that promote accurate and timely reporting of financial information to stockholders and enable compliance with applicable laws and corporate policies. Each director is entitled to inspect the Company's books and records and obtain such other data and information as the director may reasonably request; inspect facilities as reasonably appropriate for the performance of director duties; and to receive notice of all meetings in which a director is entitled to participate and copies of all board and committee meeting minutes.

E. Independent Inquiries and Advisers. The board is authorized to conduct investigations, and to retain, at the expense of the Company, independent legal, accounting, investment banking, or other professional advisers selected by the board, for any matters relating to the purpose or responsibilities of the board.

IV. BOARD COMMITTEES

A. Committees. The committees of the board are the Audit Committee, Compensation Committee, and Nominations and Governance Committee. The board may, from time to time, designate additional committees to assist it in carrying out its duties or as may be required by law.

B. Committee Member Selection. After considering the recommendations of the Nominations and Governance Committee, the board will designate the members and the chair of each committee, endeavoring to match the committee's function and needs for expertise with individual skills and experience of the board's members. Each member of the Audit, Compensation and Nominations and Governance Committees shall be independent as defined in the listing standards. In addition, the members of the Compensation Committee shall meet the independence standards set forth under the applicable income tax and securities laws.

C. Committee Functions. Each of the Audit, Compensation and Nominations and Governance Committees shall have a written charter that the board shall approve. The charters shall set forth the purpose, authority and responsibilities of the committees, qualifications for committee membership, procedures for committee member appointments and removals, committee structure and operations and the process for committee reports to the full board. Each committee shall determine the number and content of committee meetings and means of carrying out its responsibilities in light of the committee's charter, the authority that the board delegates to the committee, and legal, regulatory, accounting or governance principles applicable to that committee's function. The Company will afford access to the Company's employees, professional advisers, and other resources, if needed, to enable committee members to carry out their responsibilities. The following is a summary of the authority of each committee:

1. Audit Committee. The Audit Committee shall review the Company's financial procedures and controls; monitor financial reporting and select and meet with independent auditors. The Audit Committee shall also review and approve all related party transactions and have the authority to hire and discharge the independent accountants.

2. Compensation Committee. The Compensation Committee shall review and approve compensation arrangements for the Company's executive officers and directors and administer awards under employee benefit plans, including any stock option or equity incentive plans. In addition, the Compensation Committee shall be responsible for developing executive succession plans.

3. Nominations and Governance Committee. The Nominations and Governance Committee, in consultation with the chief executive officer, shall evaluate the requirements and qualifications for members of the board and recommend to the full board candidates for election to the board. In addition, the Nominations and Governance Committee shall be responsible for maintaining policies on corporate governance and for periodically reviewing these policies and recommending changes to the full board.

V. **BOARD MEMBER RESPONSIBILITIES**

A. **Director Responsibilities.**

1. Generally. A director is expected to discharge his or her director duties, including duties as a member of a committee on which the director serves, in good faith and in a manner the director reasonably believes to be in the best interests of the corporation.

2. Disclose Relationships. Each independent director is expected to promptly disclose to the board any existing or proposed relationships with the Company (other than service as a board member or on board committees) that could affect the independence of the director under applicable listing standards or any additional standards as may be established by the board of directors from time to time, including direct relationships between the Company and the director or his or her family members, and indirect relationships between the Company and any business, nonprofit or other organization in which the director is a general partner or manager, officer, or significant stockholder, or is materially financially interested.

3. Reporting and Compliance Systems. Based on information available to the director, each director should be satisfied that company management maintains an effective system for timely reporting to the board or appropriate board committees on the following: (1) the Company's financial and business plans, strategies and objectives; (2) the recent financial results and condition of the Company and its businesses; (3) significant accounting, regulatory, competitive, litigation and other external issues affecting the Company; and (4) systems of control that promote accurate and timely reporting of financial information to stockholders and compliance with laws and corporate policies. Each director is expected

to have a basic understanding of the foregoing matters to the extent information is furnished by management or otherwise available to the board.

4. Attendance. Board members are expected to devote sufficient time and attention to prepare for, attend and participate in board meetings and meetings of committees on which they serve, including advance review of meeting materials that may be circulated prior to each meeting. Directors are expected to participate fully in meetings and not to permit interruptions except in emergencies or other rare circumstances.

5. Reliance on Information. In discharging responsibilities as a director, a director is entitled to rely in good faith on reports or other information provided by company management, independent auditors, and other persons as to matters the director reasonably believes to be within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Company.

B. Transactions Affecting Director Independence. Without the prior approval of a majority of disinterested members of the full board, and, if required by the listing standards, the Audit Committee, the Company will not make significant charitable contributions to organizations in which a director or a family member of the director is affiliated, enter into consulting contracts with (or otherwise provide indirect forms of compensation to) a director, or enter into any relationships or transactions (other than service as a director and board committee member) between the Company and the director (or any business or nonprofit entity or organization in which the director is a general partner, controlling stockholder, officer, manager, or trustee, or materially financially interested).

C. Continuing Education. The board is expected to periodically review appropriate policies and procedures for providing orientation sessions for newly elected or appointed directors, and recommending on an as-needed basis continuing director education programs for board or committee members.

D. Annual Evaluation. The board is expected to annually evaluate its corporate governance guidelines and whether the board and its committees are functioning effectively.

VI. MANAGEMENT RESPONSIBILITY

A. Management Succession Planning. The chief executive officer shall review with the board management succession and development plans for executive officers. The board may from time to time ask the Compensation Committee to undertake specific reviews concerning management succession planning.

B. Financial Reporting and Legal Compliance. The board's governance and oversight functions do not relieve the primary responsibilities of the Company's management for (1) preparing financial statements that accurately and fairly present the Company's financial results and condition, and (2) maintaining systems, procedures and corporate culture that promote compliance with legal and regulatory requirements and the ethical conduct of the Company's business.

C. Corporate Communications. Executive management has the primary responsibility to establish policies concerning the Company's communications with investors, the press, customers, suppliers and employees.

D. Code of Conduct. The Company shall adopt a code of conduct for its employees for the purpose of instilling ethical and legal behavior, the avoidance of conflict of interest, and compliance with applicable laws, rules and regulations. The Code of Conduct shall be reviewed and updated, as appropriate, by the Audit Committee.

E. Communication of Corporate Governance Guidelines. Management shall assure that the Company's website will include a copy of the Guidelines, copies of the charters of the Audit, Compensation, and Nominations and Governance Committees and, if applicable, other key committees of the board, and a copy of the Company's code of business conduct and ethics. Management shall also include in the Company's annual report to stockholders statements to the effect that this information is available on the Company's website and in print to any stockholder who requests it.

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