

Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

Part I Reporting Issuer

1 Issuer's name Rally Software Development Corp.		2 Issuer's employer identification number (EIN) 84-1597294	
3 Name of contact for additional information Kenneth M. Mesikapp	4 Telephone No. of contact (303) 565-2800	5 Email address of contact kmesikapp@rallydev.com	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact 3333 Walnut Street		7 City, town, or post office, state, and Zip code of contact Boulder, CO 80301	
8 Date of action April 1, 2013		9 Classification and description Common Stock & Redeemable Convertible Preferred Stock	
10 CUSIP number 751198 102	11 Serial number(s)	12 Ticker symbol RALY	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 ▶ **Effective April 1, 2013, Rally completed a 1-for-2.5 reverse stock split for its common stock and its redeemable convertible preferred stock.**

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 ▶ **Upon effectiveness of the reverse stock split, every two and one-half (2.5) shares of outstanding common stock and redeemable convertible preferred stock were converted automatically into one (1) issued and outstanding share of common stock and redeemable convertible preferred stock, respectively, without any change in the par value per share. No fractional shares were issued in the reverse stock split. Stockholders who would otherwise receive a fractional share received a cash payment in lieu of such fractional share. As a result of the reverse stock split, Rally stockholders will be required to allocate the aggregate tax basis in their Rally common stock and redeemable convertible preferred stock held immediately prior to the reverse stock split among the shares of Rally common stock and redeemable convertible preferred stock held immediately after the reverse stock split, including any fractional share interest in Rally for which cash is received. In general, a stockholder's aggregate tax basis in his or her shares of Rally common stock or redeemable convertible preferred stock held immediately prior to the reverse stock split should be allocated in proportion to the reduced number of shares of the Rally common stock or redeemable convertible preferred stock under IRC Section 358.**

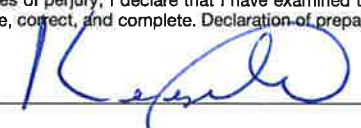
16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ **The basis of each share of stock held by a stockholder after the reverse stock split is 2.5 times greater than the basis of each share of stock held before the reverse stock split.**

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ IRC Section 358(b)(1)

18 Can any resulting loss be recognized? ▶ The 1-for-2.5 reverse stock split should not constitute a taxable transaction other than with respect to any cash received for fractional shares.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ Stockholders should consult their tax advisors to determine the tax impact of this transaction with respect to their individual facts and circumstances for the 2013 tax year.

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 ▶ 23 APR 13		
Paid Preparer Use Only	Print your name ▶ Kenneth M. Mesikapp	Preparer's signature	Title ▶ CAO, VP & Asst. Secretary	
	Firm's name ▶		Check <input type="checkbox"/> if self-employed	PTIN
	Firm's address ▶		Firm's EIN ▶	
			Phone no.	