

**Report of Organizational Actions
 Affecting Basis of Securities**

▶ See separate instructions.

Part I Reporting Issuer

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|--|--|---|----------------------|
| 1 Issuer's name GSE Systems, Inc. | | 2 Issuer's employer identification number (EIN) 52-1868008 | |
| 3 Name of contact for additional information Jeff Hough | 4 Telephone No. of contact 410-970-7805 | 5 Email address of contact jeff.hough@gses.com | |
| 6 Number and street (or P.O. box if mail is not delivered to street address) of contact 1332 Londontown Blvd., Suite 200 | | 7 City, town, or post office, state, and Zip code of contact Sykesville, MD 21784 | |
| 8 Date of action March 21, 2011 | 9 Classification and description Common Stock and preferred stock purchase right | | |
| 10 CUSIP number 36227K-10-6 | 11 Serial number(s) | 12 Ticker symbol GVP | 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 ▶ On March 21, 2011, the Board of Directors of GSE Systems, Inc. declared a dividend of one preferred stock purchase right for each outstanding share of common stock, par value \$0.01 per share, of the Company. The dividend was payable to holders of record as of the close of business on April 1, 2011. The Rights initially trade with, and are inseparable from, the Common Stock. The Rights are not evidenced by separate certificates until they become exercisable. Each Right allows its holder to purchase from the Company 1/100th of a share of participating preferred stock, par value \$0.01 per share for \$8.00 subject to adjustment in accordance with the terms of the Rights Agreement, once the Rights become exercisable. This portion of a Preferred Share will give the stockholder approximately the same dividend, voting and liquidation rights as would one share of Common Stock. Prior to exercise, a Right does not give its holder any dividend, voting or liquidation rights. The Rights will separate from the Common Stock and become exercisable at the close of business on the 10th business day following the first date of a public announcement by the Company that a person has become an Acquiring Person, the date on which any Acquiring Person obtains beneficial ownership or more than 50% of the outstanding Common Stock, or the date that any person or group commences a tender or exchange offer that would result in that person or group becoming an Acquiring Person.

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 ▶
There is no impact on the basis of the Company's Common Stock until such time that the Rights become exercisable. Upon exercise the basis of the shareholder's Common Stock will be allocated between the Common Stock and the new preferred stock in proportion to the fair market value ("FMV") of each on the date of distribution. Treas. Reg 1.307-1(a)

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 ▶ On March 21, 2011, the FMV of the common stock was \$2.10 per share. A valuation has not been performed for the Right.

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶
305(a), Treas. Reg 1.307-1(a)

18 Can any resulting loss be recognized? ▶ **No**

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶
December 31, 2011

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.

Sign Here
Signature ▶ Jeffery G. Hough Date ▶ 1/17/12
Print your name ▶ Jeffery G. Hough Title ▶ CFO

| | | | | | |
|-------------------------------|--|----------------------|---------|---|--------------|
| Paid Preparer Use Only | Print/Type preparer's name | Preparer's signature | Date | Check <input type="checkbox"/> if self-employed | PTIN |
| | Mary Read | <u>Mary Read</u> | 1/17/12 | | P00176613 |
| | Firm's name ▶ Grant Thornton LLP | | | Firm's EIN ▶ | 36-6055558 |
| | Firm's address ▶ One South Street, Suite 2400, Baltimore, MD 21202 | | | Phone no. | 410-685-4000 |