

QCR HOLDINGS INC  
Form PRER14A  
December 15, 2008

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
Amendment No. 1  
to  
SCHEDULE 14A  
(RULE 14a-101)  
SCHEDULE 14A INFORMATION  
Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934**

Filed by the Registrant:    
Filed by a Party other than the Registrant:

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**QCR HOLDINGS, INC.**

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(Exact Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
- Fee paid previously with preliminary materials.

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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**PRELIMINARY DRAFT SUBJECT TO COMPLETION**

December [\_\_\_], 2008

Dear Fellow Stockholder:

On behalf of the board of directors and management of QCR Holdings, Inc., we cordially invite you to attend a special meeting of stockholders of QCR Holdings, to be held at [\_:\_\_ a.m./p.m.] on January [\_\_\_], 2009, at the main offices of QCR Holdings, located at 3551 7th Street, Suite 204, Moline, Illinois 61265. The accompanying notice of special meeting of stockholders and proxy statement discuss the business to be conducted at the special meeting. As a stockholder, you are being asked to approve amendments to our certificate of incorporation to modify the rights and preferences of our Series B Preferred Stock and our Series C Preferred Stock.

We are asking for your approval to amend our certificate of incorporation at this time because certain favorable capital-raising opportunities have been proposed by the U.S. Department of the Treasury ( Treasury ). On October 14, 2008, Treasury announced that it was prepared to invest up to \$250 billion in financial institutions by purchasing preferred stock, together with warrants to acquire common stock, from eligible institutions. Stockholder approval of the proposed amendments to our certificate of incorporation is a prerequisite to our participation in Treasury s voluntary capital program. While we believe that our current capital position remains strong, our board of directors has concluded that the additional capital that can be raised through Treasury s capital program will be beneficial for our company. We believe the additional capital will enhance our capacity to support the communities we serve through additional lending opportunities. The additional capital will also allow us to further strengthen our capital ratios and should be beneficial for our employees, clients and stockholders of QCR Holdings.

Three separate stockholder votes are required to amend our certificate of incorporation: (i) the affirmative vote of the holders of a majority of the outstanding shares of our common stock; (ii) the affirmative vote of the holders of a majority of the outstanding shares of our Series B Preferred Stock; and (iii) the affirmative vote of the holders of a majority of the outstanding shares of our Series C Preferred Stock. Your affirmative vote on these matters is important, and we appreciate your continued support. Our directors and executive officers will be present at the special meeting to respond to any questions you may have.

We encourage you to attend the meeting in person. **Regardless of whether you plan to attend the special meeting, please COMPLETE, DATE, SIGN and RETURN THE ENCLOSED PROXY CARD in the enclosed envelope or vote by telephone or internet by following the preprinted instructions on the enclosed proxy card.** This will assure that your shares are represented at the meeting.

We look forward to seeing you and visiting with you at the special meeting.

Very truly yours,

James J. Brownson  
Chairman of the Board

Douglas M. Hultquist  
President and Chief Executive Officer  
3551-7th Street, Suite 204 n Moline, IL 61265  
Phone (309) 736-3580 n Fax (309) 736-3149

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**NOTICE OF  
SPECIAL MEETING OF STOCKHOLDERS  
TO BE HELD JANUARY [\_\_\_], 2009**

To the stockholders of QCR HOLDINGS, INC.:

A special meeting of the stockholders of QCR Holdings, Inc., a Delaware corporation, will be held at [\_:\_\_\_ a.m./p.m.] on January [\_\_\_], 2009, at the main offices of QCR Holdings, located at 3551 7th Street, Suite 204, Moline, Illinois 61265, for the following purposes:

1. to approve proposed amendments to QCR Holdings, Inc.'s certificate of incorporation to modify the rights and preferences of the Series B Non-Cumulative Perpetual Preferred Stock and Series C Non-Cumulative Perpetual Preferred Stock of QCR Holdings, Inc. (A copy of the proposed amendments is attached as **Appendix A** to this proxy statement);
2. to approve any adjournment of the special meeting, if necessary to solicit additional proxies in order to approve the proposed amendments to QCR Holdings, Inc.'s certificate of incorporation; and
3. to transact such other business as may properly come before the special meeting and any adjournments or postponements of the special meeting.

The board of directors is not aware of any other business to come before the special meeting.

The board of directors has fixed the close of business on December 1, 2008, as the record date for the determination of stockholders entitled to notice of, and to vote at, the special meeting. In the event there is an insufficient number of votes for a quorum or to approve any of the proposals at the time of the special meeting, the meeting may be adjourned or postponed in order to permit the further solicitation of proxies.

By order of the Board of Directors

Todd A. Gipple

Executive Vice President, Chief Operating Officer,

Chief Financial Officer and Secretary

Moline, Illinois

December [\_\_\_], 2008

3551-7th Street, Suite 204 n Moline, IL 61265

Phone (309) 736-3580 n Fax (309) 736-3149

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**Important Notice regarding the Availability of Proxy Materials for the  
Stockholder Meeting to be Held on January [ ], 2009  
This Proxy Statement is available at [www.qcrh.com](http://www.qcrh.com).**

**WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING IN PERSON, PLEASE TAKE THE TIME TO VOTE BY COMPLETING AND MAILING THE ENCLOSED PROXY CARD OR BY FOLLOWING THE TELEPHONE OR INTERNET VOTING PROCEDURES DESCRIBED ON THE PROXY CARD. WE HOPE THAT YOU WILL BE ABLE TO ATTEND THE MEETING, AND IF YOU DO, YOU MAY VOTE YOUR STOCK IN PERSON IF YOU WISH. YOU MAY REVOKE THE PROXY CARD AT ANY TIME PRIOR TO ITS EXERCISE.**

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**PROXY STATEMENT**

QCR Holdings, Inc., a Delaware corporation, is a multi-bank holding company for Quad City Bank and Trust Company, Cedar Rapids Bank and Trust Company, Rockford Bank and Trust Company and First Wisconsin Bank and Trust Company. Quad City Bank & Trust is an Iowa banking association located in Bettendorf, Iowa, with banking locations in Bettendorf and Davenport, Iowa and in Moline, Illinois. Quad City Bank & Trust owns 80% of the equity interests of M2 Lease Funds, LLC, a Wisconsin limited liability company based in Milwaukee that is engaged in the business of leasing machinery and equipment to businesses under direct financing lease contracts. Cedar Rapids Bank & Trust is also an Iowa banking association located in Cedar Rapids, Iowa. Rockford Bank & Trust is an Illinois state bank located in Rockford, Illinois. First Wisconsin Bank & Trust is a Wisconsin chartered commercial bank located in Brookfield, Wisconsin. As previously announced, QCR Holdings has entered into a stock purchase agreement with a third party to sell First Wisconsin Bank & Trust. We expect this transaction to close at or near the end of 2008. QCR Holdings also owns all of the common stock of five business trust subsidiaries that were created to issue trust preferred securities.

This proxy statement is being furnished to stockholders in connection with the solicitation by the board of directors of QCR Holdings of proxies to be voted at the special meeting of stockholders to be held at [\_:\_\_ a.m./p.m.] on January [\_\_\_], 2009, at the main offices of QCR Holdings, located at 3551 7th Street, Suite 204, Moline, Illinois 61265, and at any adjournments or postponements of the meeting. This proxy statement is first being mailed to stockholders of QCR Holdings on or about December [\_\_\_], 2008.

The following is information regarding the meeting and the voting process, presented in a question and answer format. As used in this proxy statement, the terms QCR Holdings, we, our and us all refer to QCR Holdings, Inc. and its subsidiaries.

**Why am I receiving this proxy statement and proxy card?**

You are receiving a proxy statement and proxy card from us because on December 1, 2008, the record date for the special meeting, you owned shares of common stock, Series B Preferred Stock or Series C Preferred Stock of QCR Holdings. This proxy statement describes the matters that will be presented for consideration by the stockholders at the special meeting. It also gives you information concerning the matters to assist you in making an informed decision.

When you sign the enclosed proxy card, you appoint the proxy holder as your representative at the meeting. The proxy holder will vote your shares as you have instructed in the proxy card, thereby ensuring that your shares will be voted whether or not you attend the meeting. Even if you plan to attend the meeting, you should complete, sign, date and return your proxy card in advance of the meeting just in case your plans change.

If you have signed and returned the proxy card and an issue comes up for a vote at the meeting that is not identified on the card, the proxy holder will vote your shares, pursuant to your proxy, in accordance with his or her judgment.

**What matters will be voted on at the meeting?**

On Monday, November 10, 2008, the board of directors of QCR Holdings voted to adopt a resolution, subject to stockholder approval, to amend the company's certificate of incorporation to modify the rights and preferences of the Series B Preferred Stock and the Series C Preferred Stock of QCR Holdings. A copy of the proposed amendments is attached as **Appendix A** to this proxy statement. You are being asked to approve these amendments.



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**Why does the board of directors deem the amendments to the certificate of incorporation to be necessary?**

The board of directors determined that it is in the best interests of our stockholders to apply for an investment from the U.S. Department of the Treasury pursuant to the recently announced Troubled Asset Relief Program ( TARP ) Capital Purchase Program, which is described below. The TARP Capital Purchase Program was adopted pursuant to the recently-enacted Emergency Economic Stabilization Act of 2008. On November 20, 2008, we filed an initial TARP Capital Purchase Program application, and as of the date of this proxy statement, we have not received preliminary approval from Treasury.

The modification of the rights and preferences of the Series B Preferred Stock and the Series C Preferred Stock of QCR Holdings will be required before the company can participate in the TARP Capital Purchase Program because certain terms of the Series B Preferred Stock and the Series C Preferred Stock conflict with the proposed terms of the senior preferred stock to be issued by Treasury in the TARP Capital Purchase Program. If our stockholders reject the amendments, we will be unable to participate in the TARP Capital Purchase Program.

**What is the TARP Capital Purchase Program?**

On October 14, 2008, Treasury announced the creation of the TARP Capital Purchase Program. This program encourages U.S. financial institutions to build capital to increase the flow of financing to U.S. businesses and consumers and to support the U.S. economy. Under the program, Treasury will purchase shares of senior preferred stock from qualifying banks, bank holding companies, and other financial institutions. The senior preferred stock will qualify as Tier 1 capital for regulatory purposes and must rank senior to common stock and at an equal level in the capital structure with any existing preferred shares (other than preferred shares which by their terms rank junior to any other existing preferred shares). The senior preferred stock purchased by Treasury will pay a cumulative dividend rate of five percent per annum for the first five years they are outstanding and thereafter at a rate of nine percent per annum. The senior preferred stock will be non-voting, other than voting rights on matters that could adversely affect the shares. The shares of senior preferred stock will be callable after three years at 100 percent of issue price plus any accrued and unpaid dividends. Prior to the end of the three-year period, the senior preferred stock may be redeemed with the proceeds from a qualifying equity offering of any Tier 1 perpetual preferred or common stock.

Institutions that issue shares of senior preferred stock to Treasury under the TARP Capital Purchase Program also will be required to issue to Treasury warrants to purchase shares of the institution's common stock with an aggregate market price equal to 15 percent of the senior preferred stock investment from Treasury. The initial exercise price for the warrants issued to Treasury will be based on the market price of the institution's common stock at the time of issuance, calculated on a 20-trading day trailing average.

**Is QCR Holdings participating in the TARP Capital Purchase Program because its financial outlook is unfavorable? If not, why is QCR Holdings participating?**

No. As of September 30, 2008, we had capital ratios in excess of those required to be considered well-capitalized under banking regulations. The board of directors believes, however, that it is prudent for us to apply for capital available under the TARP Capital Purchase Program because: (i) the cost of capital under the TARP Capital Purchase Program may be significantly lower than the cost of capital otherwise available to us at this time; and (ii) despite being well-capitalized, additional capital received under the TARP Capital Purchase Program will enable us to further strengthen our capital position with fairly low cost capital and enhance our ability to take advantage of additional lending opportunities in our primary market areas.

**How much capital will QCR Holdings raise by participating in the TARP Capital Purchase Program?**

The minimum subscription amount available to an institution participating in the TARP Capital Purchase Program is one percent of its risk-weighted assets, and the maximum subscription amount is three percent of its risk-weighted assets. As of September 30, 2008, the

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value of our risk-weighted assets, excluding the assets of First Wisconsin Bank & Trust, was approximately \$1.28 billion, which would potentially enable us to receive an investment from Treasury of between \$12.75 and \$38.24 million. We applied to receive the maximum three percent of risk-weighted assets, or \$38.24 million, from Treasury. If approved by Treasury, the board of directors intends to accept the maximum Treasury investment of \$38.24 million.

**Will the issuance of senior preferred stock to Treasury adversely affect the rights of holders of common stock?**

The rights of the holders of common stock will be subject to, and may be adversely affected by, the rights of the holders of the senior preferred stock to be issued to Treasury. *See TARP Capital Purchase Program General Terms of TARP Capital Purchase Program Senior Preferred Stock* and *Effect of the Treasury Senior Preferred Stock Upon Holders of Common Stock*.

**Will the issuance of warrants to Treasury adversely affect the rights of holders of common stock?**

If we participate in the TARP Capital Purchase Program, we also must issue warrants to Treasury to purchase a number of shares of our common stock having a market value equal to 15 percent of the aggregate liquidation amount of the shares of senior preferred stock purchased by Treasury. The exercise price of the warrants, and the market value for determining the number of shares common stock subject to the warrants, would be determined by reference to the market value of our common stock on the date of Treasury's investment in the senior preferred stock (calculated on the 20-day trailing average of our stock's closing price). If the warrants issued to Treasury are exercised at anytime when the exercise price is less than the tangible book value of the shares of common stock received, the exercise will be dilutive to the tangible book value of the then existing common stockholders. The amount of the dilution will depend on the number of shares of common stock issued on exercise of the warrants and the amount of the difference between the exercise price and the book value of the common shares. *See TARP Capital Purchase Program General Terms of the TARP Capital Purchase Program Warrants and Dilution of Common Stockholders*.

**Will the issuance of senior preferred stock to Treasury adversely affect the rights of holders of Series B Preferred Stock or Series C Preferred Stock?**

The rights of the holders of Series B Preferred Stock and Series C Preferred Stock will be subject to, and may be adversely affected by, the rights of the holders of the senior preferred stock to be issued to Treasury. *See TARP Capital Purchase Program General Terms of TARP Capital Purchase Program Senior Preferred Stock*, *Effect of the Amendments to our Certificate of Incorporation and the Treasury Senior Preferred Stock Upon Holders of Existing Series B Preferred Stock* and *Effect of the Amendments to our Certificate of Incorporation and the Treasury Senior Preferred Stock Upon Holders of Existing Series C Preferred Stock*.

**Will QCR Holdings' participation in the TARP Capital Purchase Program impose any other restrictions on its activities?**

Yes. Treasury's consent will be required for any increase in common dividends per share or certain repurchases of our common stock, Series B Preferred Stock or Series C Preferred Stock until the third anniversary of the first payment date on the senior preferred stock unless prior to such third anniversary the senior preferred stock issued to Treasury is redeemed in whole or Treasury has transferred all of the senior preferred stock to third parties. In addition, companies participating in the TARP Capital Purchase Program must adopt Treasury's limitations on executive compensation and corporate governance for the period during which Treasury holds equity issued under the program. Further, if the cumulative dividends are not paid in full on the senior preferred stock for any six dividend periods, whether or not consecutive, Treasury would have the right to elect two directors of our board until dividends have been paid in full for four consecutive dividend periods. Finally, we would be required to file a shelf registration statement with the Securities and Exchange Commission to permit the transferability of the shares of senior preferred stock, as well as the warrants and the shares of common stock underlying the warrants, as soon as practicable after the date of Treasury's investment in the senior preferred stock.

**What will the terms of the senior preferred stock be?**

The senior preferred stock will:

have a liquidation preference of \$1,000 per share;

rank equally with our Series B Preferred Stock;

be senior to our Series C Preferred Stock and our common stock;

not be subject to any contractual restrictions on transfer; and

be non-voting (other than certain class voting rights).

Cumulative dividends will be payable on the senior preferred stock at a rate of five percent per annum until the fifth anniversary of the issuance of the senior preferred stock and at a rate of nine percent per annum thereafter. The senior preferred stock may not be redeemed for a period of three years from the date of issuance, except with the proceeds from the sale by the qualified institution of Tier 1 qualifying perpetual preferred stock or common stock for cash. All redemptions of the senior preferred stock shall be at 100 percent of its issue price, plus any accrued and unpaid dividends. Any redemption of the senior preferred stock shall be subject to the approval of our primary federal banking regulator, the Board of Governors of the Federal Reserve System. See TARP Capital Purchase Program *General Terms of TARP*

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*Capital Purchase Program Senior Preferred Stock* for a detailed explanation of the specific terms of the senior preferred stock to be issued to Treasury.

A maximum of 38,237 shares of senior preferred stock may be issued to Treasury in connection with the TARP Capital Purchase Program.

**What will happen if the stockholders fail to approve the proposed amendments modifying the terms of the Series B Preferred Stock and Series C Preferred Stock?**

If the stockholders of the Company fail to approve the amendments to our certificate of incorporation to modify the rights and preferences of our Series B Preferred Stock and Series C Preferred Stock, we would not be able to comply with the terms of the senior preferred to be issued to Treasury and therefore would not qualify to receive an equity investment from Treasury under the TARP Capital Purchase Program, even if our application is approved. A failure to qualify for the TARP Capital Purchase Program will eliminate a potential source of capital to strengthen our capital position and enhance our ability to take advantage of additional lending opportunities in our primary market areas.

**Who is entitled to vote?**

Only stockholders of record as of the close of business on December 1, 2008, will be entitled to vote at the special meeting. The holders of common stock, Series B Preferred Stock and Series C Preferred Stock of QCR Holdings will all be entitled to vote at the special meeting.

**If I am the record holder of my shares, how do I vote?**

You may vote by mail, by telephone, by internet or in person at the meeting. To vote by mail, complete, sign and date the enclosed proxy card and mail it in the enclosed pre-addressed envelope. No postage is required if mailed in the U.S. If you mark your proxy card to indicate how you want your shares voted, your shares will be voted as you instruct.

If you sign and return your proxy card but do not mark the card to provide voting instructions, the shares represented by your proxy card will be voted for the approval of the amendments to our certificate of incorporation to modify the rights and preferences of our Series B Preferred Stock and Series C Preferred Stock.

Although you may vote by mail, we ask that you vote instead by internet or telephone, which saves us postage and processing costs. You may vote by telephone by calling the toll-free number specified on your proxy card or by accessing the internet website specified on your proxy card and by following the preprinted instructions on the proxy card. If you submit your vote by internet, you may incur costs, such as cable, telephone and internet access charges. Votes submitted by telephone or internet must be received by midnight CDT on Monday, January [\_\_\_], 2009. The giving of a proxy by either of these means will not affect your right to vote in person if you decide to attend the meeting.

If you want to vote in person, please come to the meeting. We will distribute written ballots to anyone who wants to vote at the meeting. Please note, however, that if your shares are held in the name of a broker or other fiduciary (or in what is usually referred to as street name), you will need to arrange to obtain a legal proxy from that person or entity in order to vote in person at the meeting. Even if you plan to attend the special meeting, you should complete, sign, date and return your proxy card in advance of the special meeting just in case your plans change.

**If I hold shares in the name of a broker or a fiduciary, who votes my shares?**

If you received this proxy statement from your broker or other fiduciary, your broker or fiduciary should have given you instructions for directing how that person or entity should vote your shares. It will then be your broker or fiduciary's responsibility to vote your shares for

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you in the manner you direct. Please complete, execute and return the proxy card in the envelope provided by your broker.

Under the rules of various national and regional securities exchanges, brokers and other fiduciaries generally may vote on routine matters, such as the election of directors, but may not vote on non-routine matters unless they have received voting instructions from the person for whom they are holding shares. The approval of the amendments to our certificate of incorporation is a non-routine matter for which your broker will not have discretionary authority to cast a vote, whether for, against, or abstain. Accordingly, we encourage you to provide directions to your broker as to how you want your shares voted on all matters to be brought before the special meeting. You should do this by carefully following the instructions your broker gives you concerning its procedures. This ensures that your shares will be voted at the meeting.

A number of banks and brokerage firms participate in a program that also permits stockholders to direct their vote by telephone or internet. If your shares are held in an account at such a bank or brokerage firm, you may vote your shares by telephone or internet by following the instructions on their enclosed voting form. If you submit your vote by internet, you may incur costs, such as cable, telephone and internet access charges. Voting your shares in this manner will not affect your right to vote in person if you decide to attend the meeting, however, you must first request a legal proxy either on the internet or the enclosed proxy card. Requesting a legal proxy prior to the deadline stated above will automatically cancel any voting directions you have previously given by internet or by telephone with respect to your shares.

**What does it mean if I receive more than one proxy card?**

It means that you have multiple holdings reflected in our stock transfer records and/or in accounts with brokers. Please sign, date and return ALL proxy cards to ensure that all of your shares are voted. If you received more than one proxy card but only one copy of the proxy statement, you may request additional copies from us at any time.

**What if I change my mind after I return my proxy card?**

If you hold your shares in your own name, you may revoke your proxy and change your vote at any time before the polls close at the meeting. You may do this by:

signing another proxy with a later date and returning that proxy to us;

timely submitting another proxy via the telephone or internet;

sending notice to us that you are revoking your proxy; or

voting in person at the meeting.

If you hold your shares in the name of your broker or through a fiduciary and desire to revoke your proxy, you will need to contact that person or entity to revoke your proxy.

**How many votes do we need to hold the special meeting?**

A majority of the shares of each of the common stock, Series B Preferred Stock and Series C Preferred Stock that are outstanding as of the record date must be present in person or by proxy at the meeting in order to hold the meeting and conduct business.

Shares are counted as present at the meeting if the stockholder either:

is present and votes in person at the meeting; or

has properly submitted a signed proxy card or other form or proxy.

On December 1, 2008, the record date, there were 4,630,883 shares of common stock, 268 shares of Series B Preferred Stock

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and 300 shares of Series C Preferred Stock issued and outstanding. Therefore, at least 2,315,442 shares of common stock, 135 shares of Series B Preferred Stock and 151 shares of Series C Preferred Stock need to be present in person or by proxy at the special meeting in order to hold the meeting and conduct business.

**What options do I have in voting on the proposal?**

You may vote for, against or abstain on the proposal to approve the amendments to our certificate of incorporation.

**How many votes may I cast?**

Generally, for each class vote, you are entitled to cast one vote per share of stock you owned on the record date. The proxy card included with this proxy statement indicates the number of shares owned by an account attributable to you.

**How many votes are needed to approve the amendments to our certificate of incorporation?**

The proposal to approve the amendments to our certificate of incorporation must receive the affirmative vote of the holders of a majority of the common stock, the Series B Preferred Stock and the Series C Preferred Stock, each voting separately as a single class. Broker non-votes and abstentions will have the same effect as a vote against the proposal regarding the amendments to our certificate of incorporation, but broker non-votes and abstentions will count for purposes of determining whether or not a quorum is present on the matter.

**Do I have appraisal or dissenters rights if I oppose the proposal to amend the certificate of incorporation?**

No. Under Delaware law, you are not entitled to exercise appraisal or dissenters rights as a result of the proposed amendments to our certificate of incorporation.

**How many shares are owned by affiliates of QCR Holdings?**

As of November 30, 2008, our directors and named executive officers owned 535,266 shares of common stock and 10 shares of Series C Preferred Stock, all of which are entitled to vote at the special meeting. These shares constitute approximately 11.4 percent of the total shares of common stock and 3.3 percent of the total shares of Series C Preferred Stock, issued and outstanding and entitled to be voted at the special meeting. We expect all directors and executive officers to vote their shares of each class of stock in favor of the proposal. None of our directors or named executive officers owns any shares of Series B Preferred Stock.

**Where do I find the voting results of the meeting?**

If available, we will announce voting results at the meeting. The voting results also will be disclosed in our Form 10-Q for the quarter ended March 31, 2009.

**Who bears the cost of soliciting proxies?**

We will bear the cost of soliciting proxies. In addition to solicitations by mail, our officers, directors or employees may solicit proxies in person or by telephone. These persons will not receive any special or additional compensation for soliciting proxies. We may reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to stockholders.

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**APPROVAL OF AMENDMENTS TO THE CERTIFICATE OF INCORPORATION OF QCR HOLDINGS, INC. TO MODIFY THE RIGHTS AND PREFERENCES OF THE SERIES B PREFERRED STOCK AND SERIES C PREFERRED STOCK OF QCR HOLDINGS, INC.**

At a special meeting held on November 10, 2008, our board of directors voted to adopt, subject to stockholder approval, amendments to our certificate of incorporation to modify the rights and preferences of our Series B Non-Cumulative Perpetual Preferred Stock (the "Series B Preferred Stock") and Series C Non-Cumulative Perpetual Preferred Stock (the "Series C Preferred Stock"). The General Corporation Law of the State of Delaware requires three separate stockholder votes to amend our certificate of incorporation: (i) the affirmative vote of the holders of a majority of the outstanding shares of our common stock; (ii) the affirmative vote of the holders of a majority of the outstanding shares of our Series B Preferred Stock; and (iii) the affirmative vote of the holders of a majority of the outstanding shares of our Series C Preferred Stock. **Our board of directors unanimously recommends that stockholders vote FOR approval of these amendments.**

The complete text of the form of the amendments to our certificate of incorporation to modify the rights and preferences of our Series B Preferred Stock and Series C Preferred Stock is set forth in **Appendix A** to this proxy statement. Such text is, however, subject to revision for such changes as may be required by the Delaware Secretary of State and other changes consistent with this proposal that we may deem necessary or appropriate. If stockholders approve and authorize the proposed amendments, we intend to, promptly following the special meeting, file a certificate of amendment to our certificate of incorporation with the Delaware Secretary of State, which will become effective upon filing.

**Summary**

Our board of directors recommends that the stockholders approve the proposed amendments to our certificate of incorporation as described in this proxy statement. The amendments will modify the rights and preferences of our Series B Preferred Stock and Series C Preferred Stock to the extent necessary to eliminate any conflict of such rights and preferences with the terms of the new senior preferred stock to be issued to Treasury in connection with the TARP Capital Purchase Program. Because the Series B Preferred Stock and the Series C Preferred Stock are both non-cumulative, there are no dividends in arrears with respect to such shares.

This amendment is a prerequisite for QCR Holdings to participate in the TARP Capital Purchase Program (as described in more detail below) because, without such amendment, we would not be able to comply with the terms of the senior preferred to be issued to Treasury. Our board of directors believes that the proposed amendments will enable us to participate in the TARP Capital Purchase Program and thus obtain a low-cost source of capital to strengthen our capital position and enhance our ability to take advantage of additional lending opportunities in the market.

**TARP Capital Purchase Program**

*In General.* In response to the current financial crisis, on October 14, 2008, Treasury announced that pursuant to the Emergency Economic Stabilization Act of 2008, it was implementing a voluntary program, the TARP Capital Purchase Program, for certain financial institutions to raise low-cost capital by selling senior preferred stock directly to Treasury. The stated objective of the TARP Capital Purchase Program is to increase the flow of financing to U.S. businesses and consumers and to support the U.S. economy. The TARP Capital Purchase Program will provide capital to financial institutions on attractive terms and conditions. For your further information, we have attached Treasury's term sheet summarizing the terms and conditions of its proposed investments as **Appendix B** to this proxy statement (the "Term Sheet"). The minimum subscription amount available to an institution participating in the

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TARP Capital Purchase Program is one percent of its risk-weighted assets, and the maximum subscription amount is three percent of its risk-weighted assets. As of September 30, 2008, the value of our risk-weighted assets, excluding the assets of First Wisconsin Bank & Trust (which is being sold to a third-party), was approximately \$1.28 billion. We applied to receive the maximum three percent of risk-weighted assets, or \$38.24 million, from Treasury. If approved by Treasury, our board intends to accept the maximum Treasury investment of \$38.24 million.

In conjunction with the contemplated purchase of shares of senior preferred stock, Treasury will receive warrants to purchase shares of our common stock with an aggregate market price equal to approximately \$5.74 million, or 15 percent of the senior preferred stock investment from Treasury. The QCR Holdings common stock underlying these warrants represents approximately 9.9 percent of QCR Holdings' s outstanding common shares as of December 1, 2008 (based on an estimated initial exercise price of \$12.51). The initial exercise price for the warrants issued to Treasury will be based on the market price of our common stock at the time of issuance, calculated on a 20-trading day trailing average.

In order to participate in the TARP Capital Purchase Program, we must amend our certificate of incorporation to modify the rights and preferences of our Series B Preferred Stock and Series C Preferred Stock. If the proposed amendments are not approved by our stockholders, we will be unable to participate in the TARP Capital Purchase Program.

*General Terms of TARP Capital Purchase Program Senior Preferred Stock.* If we participate in the TARP Capital Purchase Program, Treasury would purchase shares of senior cumulative perpetual preferred stock, with a liquidation preference of \$1,000 per share. The senior preferred stock issued to Treasury would constitute Tier 1 capital and would rank equally with our Series B Preferred Stock and senior to our Series C Preferred Stock and our common stock. Cumulative dividends would be payable on the senior preferred stock quarterly in arrears at a rate of five percent per annum for the first five years and nine percent per annum thereafter.

The senior preferred stock issued to Treasury pursuant to the TARP Capital Purchase Program would be non-voting, but would have class voting rights on: (i) any authorization or issuance of shares ranking senior to the senior preferred stock; (ii) any amendment to the rights of the holders of the senior preferred stock; or (iii) any merger, exchange or similar transaction which would adversely affect the rights of the holders of the senior preferred stock. If the cumulative dividends described above are not paid in full for any six dividend periods, whether or not consecutive, the holders of the senior preferred stock would have the right to elect two directors of our board. The right to elect directors would end when dividends have been paid in full for four consecutive dividend periods.

The senior preferred stock issued to Treasury pursuant to the TARP Capital Purchase Program would be redeemable by us after three years at its issue price, plus any accrued and unpaid dividends. Prior to the end of three years after Treasury' s investment, the senior preferred stock can only be redeemed by us using the proceeds of an offering of other Tier 1 qualifying perpetual preferred stock or common stock (referred to as a qualified equity offering) which yields aggregate gross proceeds to us of at least 25 percent of the issue price of the senior preferred stock. Any such redemption must be approved by our primary federal banking regulator, the Board of Governors of the Federal Reserve System. Treasury would be permitted to transfer the shares of senior preferred stock to a third party at any time.

*Estimated Proceeds.* As previously discussed, under the TARP Capital Purchase Program, eligible financial institutions can generally apply to issue shares of senior preferred stock to Treasury ranging from a minimum of one percent to a maximum of three percent of each participating institution' s risk-weighted assets. As of September 30, 2008, the value of our risk-weighted assets, excluding the assets of First Wisconsin Bank & Trust (which is being sold to a third-party), was approximately \$1.28 billion, which would potentially enable us to receive an investment from Treasury of between \$12.75 and \$38.24 million. Our application requested TARP Capital Purchase Program funds up to the maximum



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amount. It is expected that, upon preliminary approval by Treasury, we will have 30 days to satisfy all requirements for participation in the TARP Capital Purchase Program, including receipt of stockholder approval of the amendments to our certificate of incorporation to modify the rights and preferences of our Series B Preferred Stock and Series C Preferred Stock, our board's final determination of participation in the program, and the execution and delivery of an investment agreement and related documents with Treasury.

*Use and Effect of TARP Capital Purchase Program Proceeds.* We intend to utilize the proceeds from Treasury's investment in senior preferred stock to further strengthen our capital position and to take advantage of additional lending opportunities in our primary market areas. Assuming that we receive the maximum \$38.24 million for which we have applied, we expect to initially deposit the investment proceeds in non-interest bearing deposit accounts at our banking subsidiaries, and, pending deployment of such proceeds into new loans, we intend to have our banking subsidiaries initially invest such proceeds in federal funds. We do not believe that having our banking subsidiaries initially invest the proceeds in federal funds, as opposed to having the holding company invest the proceeds directly, will have any impact on our financial position and results of operations on a consolidated basis. As traditional community banks, our banking subsidiaries gather deposits and deploy them primarily into loans within the respective local communities that they serve. We are committed to helping the businesses and consumers in our communities access suitable credit. Prior to such deployment, the funds may provide additional liquidity and reduce current borrowings or augment investments. In addition, our board may contemplate using the funds received from Treasury to acquire another financial institution if presented with an opportunity to make a strategic acquisition.

*General Terms of the TARP Capital Purchase Program Warrants and Dilution of Common Stockholders.* If we participate in the TARP Capital Purchase Program, we also must issue warrants to Treasury to purchase a number of shares of our common stock having a market value equal to 15 percent of the aggregate liquidation amount of the shares of senior preferred stock purchased by Treasury. The exercise price of the warrants, and the market value for determining the number of shares of common stock subject to the warrants, would be determined by reference to the market value of our common stock on the date of Treasury's investment in the senior preferred stock (calculated on the 20-day trailing average of our stock's closing price). The exercise price of the warrants and the number of shares of common stock issuable upon exercise of the warrants would be subject to customary anti-dilution adjustments for any stock dividends, stock splits or similar transactions or certain below market issuances by us of common stock or securities convertible to common stock. Assuming a market value per share of our common stock for these purposes of \$12.51 (which is based on the 20-day trailing average closing price as of December 1, 2008, the record date), the number of shares of our common stock that would be purchasable under the warrants issued to Treasury would range from 152,827 (assuming the minimum senior preferred stock investment by Treasury of \$12.75 million) to 458,481 (assuming the maximum senior preferred stock investment by Treasury of \$38.24 million). These amounts represent approximately 3.3 percent and 9.9 percent, respectively, of our total outstanding shares of common stock as of December 1, 2008.

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The warrants issued to Treasury pursuant to the TARP Capital Purchase Program would have a term of ten years. They would be immediately exercisable and would not be subject to restrictions on transfer; however, Treasury would only be permitted to exercise or transfer one-half of the warrants prior to the earlier of (i) the date on which we have received aggregate gross proceeds of at least 100 percent of the issue price of the senior preferred stock from one or more qualified equity offerings and (ii) December 31, 2009. If we receive aggregate gross proceeds of at least 100 percent of the issue price of the senior preferred stock from one or more qualified equity offerings on or prior to December 31, 2009, the number of shares of our common stock underlying the warrants would be reduced by 50 percent. Treasury would agree not to exercise voting power with respect to any of the shares of common stock issued to it upon exercise of the warrants but third-parties to whom Treasury subsequently transferred these shares would not be bound by this voting restriction.

If the warrants issued to Treasury are exercised at anytime when the exercise price is less than the tangible book value of the shares of common stock received, the exercise will be dilutive to the tangible book value of the then existing common stockholders. The amount of the dilution will depend on the number of shares of common stock issued on exercise of the warrants and the amount of the difference between the exercise price and the book value of the common shares.

*Registration of TARP Capital Purchase Program Shares and Warrants.* We would be required to file a shelf registration statement with the Securities and Exchange Commission to permit the transferability of the shares of senior preferred stock, as well as the warrants and the shares of common stock underlying the warrants, as soon as practicable after the date of Treasury's investment in the senior preferred stock.

*Treasury Not Obligated to Invest Pursuant to the TARP Capital Purchase Program and Potential Effect on QCR Holdings.* Treasury is not obligated to accept our application to participate in the TARP Capital Purchase Program, and therefore, there is no guarantee that we will receive any proceeds from the sale of senior preferred stock. Our board believes that the proposed amendments should only be adopted if necessary to participate in the TARP Capital Purchase Program. If the proposed amendments to our certificate of incorporation are approved by our stockholders but Treasury does not accept our TARP Capital Purchase Program application, our board would not file a certificate of amendment with the State of Delaware to give effect to the proposed amendments. If Treasury does not accept our TARP Capital Purchase Program application, we nevertheless expect to maintain our status as a well-capitalized financial institution, and our financial condition, liquidity and results of operations would not be materially different than those disclosed at September 30, 2008. However, our total capital would not be augmented to the extent of the possible TARP Capital Purchase Program proceeds. In addition, because of the extensive publicity regarding the TARP Capital Purchase Program, a rejection of our application by Treasury could have an adverse effect on our stock price, future ability to grow organically or ability to acquire banks.

**Pro Forma Financial Information**

The unaudited pro forma consolidated financial data set forth below has been derived by the application of pro forma adjustments to our historical financial statements for the year ended December 31, 2007 and the nine months ended September 30, 2008. The unaudited pro forma consolidated financial data gives effect to the events discussed below as if they had occurred on January 1, 2007 in the case of the statement of income data and September 30, 2008 in the case of the balance sheet data.

The issuance of \$38.24 million of preferred stock to Treasury under the TARP Capital Purchase Program.

The issuance of warrants to purchase 458,481 shares of our common stock assuming a purchase price of \$12.51 per share (trailing 20-day average share price as of December 1, 2008).

The deposit of the proceeds of the TARP Capital Purchase Program in non-interest bearing deposit accounts at our banking subsidiaries, and, pending deployment of such proceeds into new loans, the investment of the proceeds by our banking subsidiaries in federal funds.

We present unaudited pro forma consolidated balance sheet data, including selected line items from our balance sheet and selected capital ratios, as of September 30, 2008. We also present unaudited pro forma condensed consolidated income statements for the year ended December 31, 2007 and the nine months ended September 30,

2008. The pro forma financial data may change materially based on the timing and utilization of the proceeds, as well as certain other factors, including the exercise price of the warrants, any subsequent changes in the price of our common stock, and the discount rate used to determine the fair value of the preferred stock.

The information should be read in conjunction with our audited financial statements and the related notes filed as part of our Annual Report on Form 10-K for the year ended December 31, 2007, and our unaudited consolidated financial statements and the related notes filed as part of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2008.

The following unaudited pro forma consolidated financial data is not necessarily indicative of our financial position or results of operations that actually would have been attained had proceeds from the TARP Capital Purchase Program been received, or the issuance of the warrants pursuant to the TARP Capital Purchase Program been made, at the dates indicated, and is not necessarily indicative of our financial position or results of operations that will be achieved in the future. In addition, as noted above, our participation in the TARP Capital Purchase Program is subject to our stockholders approving the proposed amendments to our certificate of incorporation described in this proxy statement.

We have included the following unaudited pro forma consolidated financial data solely for the purpose of providing stockholders with information that may be useful for purposes of considering and evaluating the proposals to amend our certificate of incorporation. Our future results are subject to prevailing economic and industry specific conditions and financial, business and other known and unknown risks and uncertainties, certain of which are beyond our control. These factors include, without limitation, those described in this proxy statement and those described under Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2007, and in Item 1A of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2008.

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**QCR Holdings, Inc.**  
**Pro Forma Consolidated Balance Sheet Data and Capital Ratios<sup>(1)</sup>**  
(In thousands)

	<b>September 30, 2008</b>	
	<b>Historical</b>	<b>As Adjusted</b>
	<b>(unaudited)</b>	
<b>Balance Sheet:</b>		
<b>ASSETS</b>		
Federal funds sold <sup>(2)</sup>	\$ 9,536	\$ 47,773
Total assets	1,641,416	1,679,653
<b>STOCKHOLDERS EQUITY</b>		
Preferred stock, including related additional paid-in capital	\$ 20,152	\$ 54,488
Common stock, including related additional paid-in capital	27,376	27,376
Common stock warrants		3,901
Retained earnings	41,580	41,580
Accumulated other comprehensive income	330	330
Total stockholders equity	89,438	127,675
<b>Capital Ratios:</b>		
Total risk-based capital to risk-weighted assets ratio	10.06%	12.78%
Tier 1 leverage ratio	7.07%	9.78%
Tier 1 risk-based ratio	8.27%	11.65%

(1) Includes the assets and equity of First Wisconsin Bank & Trust. As previously announced, QCR Holdings has entered into a stock purchase agreement with a third party to sell First Wisconsin Bank & Trust. We expect the transaction to close at or near the end of 2008.

(2) Assumes that the \$38.24 million in TARP Capital

Purchase Program proceeds are initially deposited in non-interest bearing deposit accounts at our banking subsidiaries, and, pending deployment of such proceeds into new loans, invested by our banking subsidiaries in federal funds. We do not believe that having our banking subsidiaries invest the proceeds in federal funds, as opposed to having the holding company invest the proceeds directly, will have any impact on our financial position and results of operations on a consolidated basis.

**QCR Holdings, Inc.**  
**Pro Forma Condensed Consolidated Statements of Income**  
(In thousands, except per share data)

	<b>Historical 12 Months Ended 12/31/07</b>	<b>Adjustments (unaudited)</b>	<b>Pro forma 12 Months Ended 12/31/07</b>
Net interest income	\$ 36,369	1,747 <sup>(1)</sup>	38,116
Provision for losses on loans/leases	2,864		2,864

Net interest income after provision for losses on loans/leases		33,505	1,747	35,252
Non-interest income		14,093		14,093
Non-interest expense		39,037		39,037
Income before income taxes and minority interest		8,561	1,747	10,308
Income tax expense		2,396	489 <sup>(2)</sup>	2,885
Minority interest in net income of consolidated subsidiaries		388		388
Net income	\$	5,777	1,258	7,035
Less: preferred dividends		1,072	2,587 <sup>(3)</sup>	3,659
Net income available to common stockholders	\$	4,705	(1,329)	3,376
Basic earnings per share available to common stockholders		1.03	(0.29)	0.74
Diluted earnings per share available to common stockholders		1.02	(0.30)	0.72
Weighted average shares outstanding				
Basic		4,582		4,582
Diluted		4,600	74 <sup>(4)</sup>	4,674

(1) Assumes that the \$38.24 million in TARP Capital Purchase Program proceeds are initially deposited in non-interest bearing deposit accounts at our banking subsidiaries, and, pending deployment of such proceeds into new loans, invested by our banking subsidiaries in federal funds.

The actual impact to net interest income would be different as we expect to utilize a portion of the proceeds to fund loan growth and acquisitions. However, such impact cannot be estimated at this time as the impact would vary based on the timing of when the loans are funded, the actual pricing of any such loans and timing of any acquisitions. We do not believe that having our banking subsidiaries invest the proceeds in federal funds, as opposed to having the holding company invest the proceeds directly, will have any impact on our financial position and results of operations on a consolidated basis.

- (2) Additional income tax expense is attributable to additional net interest income

as described in  
Note 1.

- (3) Consists of dividends on preferred stock at a 5% annual rate of \$1.91 million, as well as accretion of discount on preferred stock upon issuance of \$675,000. The discount is determined based on the value that is allocated to the warrants upon issuance. The discount is accreted back to par value on a constant effective yield method (approximately 7%) over a five year term, which is the expected life of the preferred stock upon issuance. The estimated accretion is based on a number of assumptions which are subject to change. These assumptions include the discount (market rate at issuance) rate on the preferred stock, and assumptions



underlying the value of the warrants. The proceeds are allocated based on the relative fair value of the warrants as compared to the fair value of the preferred stock. The fair value of the warrants is determined under a Black-Scholes model. The model includes assumptions regarding our common stock price, dividend yield, stock price volatility, as well as assumptions regarding the risk-free interest rate. The lower the value of the warrants, the less negative impact on net income and earnings per share available to common shareholders. The fair value of the preferred stock is determined based on assumptions regarding the discount rate (market rate) on the preferred stock (currently estimated at 12%). The

lower the discount rate, the less negative impact on net income and earnings per share available to common shareholders.

- (4) The Treasury would receive warrants to purchase a number of shares of our common stock having an aggregate market price equal to 15% of the proceeds on the date of issuance with an exercise price equal to the trailing 20 day trading average leading up to the closing date. This pro forma adjustment assumes that the warrants would give the Treasury the option to purchase 458,481 shares of our common stock. The pro forma adjustment shows the increase in diluted shares outstanding assuming that the warrants had been issued on January 1, 2007

at an exercise price of \$12.51 (based on the trailing 20 day average share price as of December 1, 2008) and remained outstanding for the entire period presented. The treasury stock method was utilized to determine dilution of the warrants for the period presented. The exercise price of \$12.51 was compared to our average stock price for the period reported.

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**QCR Holdings, Inc.**  
**Pro Forma Condensed Consolidated Statements of Income**  
(In thousands, except per share data)

	<b>Historical Nine Months Ended 9/30/08</b>	<b>Adjustments (unaudited)</b>	<b>Pro forma Nine Months Ended 9/30/08</b>
Net interest income	\$ 33,069	1,048 <sup>(1)</sup>	34,117
Provision for losses on loans/leases	4,493		4,493
Net interest income after provision for losses on loans/leases	28,576	1,048	29,624
Non-interest income	10,379		10,379
Non-interest expense	31,133		31,133
Income from continuing operations before income taxes and minority interest	\$ 7,822	1,048	8,870
Income tax expense	2,154	314 <sup>(2)</sup>	2,468
Minority interest in net income of consolidated subsidiaries	362		362
Income from continuing operations	\$ 5,306	734	6,040
Less: preferred dividends	1,338	1,977 <sup>(3)</sup>	3,315
Income from continuing operations available to common stockholders	\$ 3,968	(1,243)	2,725
Basic earnings per share available to common stockholders			
Income from continuing operations	\$ 0.86	(0.27)	0.59
Diluted earnings per share available to common stockholders			
Income from continuing operations	\$ 0.85	(0.27)	0.58
Weighted average shares outstanding			
Basic	4,613		4,613
Diluted	4,645	25 <sup>(4)</sup>	4,670

(1) Assumes that the \$38.24 million in TARP

Capital Purchase Program proceeds are initially deposited in non-interest bearing deposit accounts at our banking subsidiaries, and, pending deployment of such proceeds into new loans, invested by our banking subsidiaries in federal funds. The actual impact to net interest income would be different as we expect to utilize a portion of the proceeds to fund loan growth and acquisitions. However, such impact cannot be estimated at this time as the impact would vary based on the timing of when the loans are funded, the actual pricing of any such loans and timing of any acquisitions. We do not believe that having our banking subsidiaries invest the proceeds in federal funds, as opposed to

having the holding company invest the proceeds directly, will have any impact on our financial position and results of operations on a consolidated basis.

- (2) Additional income tax expense is attributable to additional net interest income as described in Note 1.
- (3) Consists of dividends on preferred stock at a 5% annual rate of \$1.43 million, as well as accretion of discount on preferred stock upon issuance of \$543,000. The discount is determined based on the value that is allocated to the warrants upon issuance. The discount is accreted back to par value on a constant effective yield method (approximately 7%) over a five year term, which is the expected life of

the preferred stock upon issuance. The estimated accretion is based on a number of assumptions which are subject to change. These assumptions include the discount (market rate at issuance) rate on the preferred stock, and assumptions underlying the value of the warrants. The proceeds are allocated based on the relative fair value of the warrants as compared to the fair value of