QCR HOLDINGS INC
Form 424B3
April 08, 2013

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Community National Bancorporation QCR Holdings, Inc.

PROXY STATEMENT OF COMMUNITY NATIONAL BANCORPORATION

PROSPECTUS OF QCR HOLDINGS, INC.

Merger Proposal Your Vote Is Important

DEAR CNB SHAREHOLDERS:

You are cordially invited to attend a special meeting of shareholders of Community National Bancorporation, which we refer to as CNB, to be held on May 8, 2013, at 7 p.m., local time, at Sunnyside Country Club, located at 1600 Olympic Drive, Waterloo, Iowa 50701.

At the meeting, you will be asked to approve a merger agreement between CNB and QCR Holdings, Inc., which we refer to as QCR, that provides for QCR s acquisition of CNB through the merger of CNB with and into QCR Acquisition, LLC, a wholly-owned subsidiary of QCR. QCR Acquisition, LLC will survive the merger. QCR is expected to dissolve QCR Acquisition, LLC shortly after the merger and Community National Bank will then be a wholly-owned subsidiary of QCR. At the completion of the merger, each share of CNB common stock that you own will be converted into a right to receive $3.00 in cash and 0.40 share of QCR common stock, par value $1.00 per share. The amount of the cash consideration is subject to adjustment, as described below.

Assuming that there is no adjustment to the cash consideration and that there are 2,087,932 shares of CNB common stock outstanding at the closing, which is the number of shares of CNB common stock outstanding as of April 2, 2013, the aggregate merger consideration paid by QCR to CNB shareholders is expected to be approximately $19.6 million, consisting of (i) aggregate cash consideration of $6,263,796 and (ii) aggregate share consideration of $13,362,768, based on 835,173 shares of QCR common stock issued in the transaction and the closing price of QCR s common stock at $16.00 per share on April 2, 2013. On a per share basis, this equals per share consideration of $9.40 for each share of CNB common stock. Based on this, approximately 70% of the aggregate consideration will be in the form of QCR common stock and approximately 30% will be in cash.

The foregoing cash consideration could be subject to downward adjustment if, at the time of closing, CNB s total adjusted shareholders equity is less than $18,031,404. In such an event, there will be a dollar-for-dollar downward adjustment to the aggregate cash consideration equal to the amount of the shortfall. Additionally, the cash consideration could be subject to an upward adjustment if, at the time of closing, QCR s adjusted stockholders equity is less than $132,999,000. In that case, there will be a dollar-for-dollar upward adjustment to the aggregate cash consideration equal to the amount of the shortfall. These adjustments are described more fully in this proxy statement/prospectus.

QCR common stock is traded on the NASDAQ Global Market, under the symbol QCRH. The closing price of QCR common stock on April 2, 2013 was $16.00 per share.

Assuming the presence of a quorum, approval of the merger agreement requires the affirmative vote of at least a majority of the shares of CNB common stock having voting power and present in person or by proxy at the special meeting. **Your board of directors has unanimously adopted the merger agreement and recommends that you vote FOR the approval of the merger agreement at the special meeting. Your board of directors also unanimously recommends that you vote FOR the approval to adjourn the special meeting to permit further solicitation in the event that an insufficient number of shares are present in person or by proxy to approve the merger agreement and the transactions it contemplates and FOR the authorization of the proxies named in the proxy card to vote on such other matters as may properly come before the special meeting or any adjournment or postponement thereof.**

Additional information regarding the merger, the merger agreement, CNB and QCR is set forth in the attached proxy statement/prospectus. This document also serves as the prospectus for up to 835,173 shares of QCR common stock that may be issued by QCR in connection with the merger. **We urge you to read this entire document carefully, including the section entitled Risk Factors beginning on page 16.**

Sincerely,

Josef M. Vich

President and Chief Executive Officer

Community National Bancorporation

Neither the Securities and Exchange Commission nor any state securities regulatory body has approved or disapproved of the securities to be issued under this proxy statement/prospectus or determined if this proxy statement/prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.

The securities to be issued in connection with the merger are not savings or deposit accounts or other obligations of any bank or nonbank subsidiary of any of the parties, and they are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

This proxy statement/prospectus is dated April 8, 2013, and is first being mailed to CNB stockholders on or about April 8, 2013.

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VOTING BY MAIL

CNB shareholders of record may submit their proxies by mail. You may do so by signing and dating each proxy card you receive, indicating your voting preference on each proposal and returning each proxy card in the prepaid envelope which accompanied that proxy card.

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COMMUNITY NATIONAL BANCORPORATION

422 Commercial Street

P.O. Box 1288

Waterloo, Iowa 50704

(319) 291-2000

Notice of Special Meeting of Shareholders

Date: May 8, 2013

Time: 7 p.m., local time

Place: Sunnyside Country Club, located at 1600 Olympic Drive, Waterloo, Iowa 50701

TO COMMUNITY NATIONAL BANCORPORATION SHAREHOLDERS:

NOTICE IS HEREBY GIVEN that Community National Bancorporation will hold a special meeting of shareholders on May 8, 2013 at 7 p.m., local time, at Sunnyside Country Club, located at 1600 Olympic Drive, Waterloo, Iowa 50701. The purpose of the meeting is to consider and vote on the following matters:

- a proposal to approve the Agreement and Plan of Merger, dated as of February 13, 2013, by and among QCR Holdings, Inc., QCR Acquisition, LLC and Community National Bancorporation. A copy of the merger agreement is included as *Annex A* to the proxy statement/prospectus accompanying this notice;

- the approval to adjourn the special meeting to permit further solicitation in the event that an insufficient number of shares are present in person or by proxy to approve the merger agreement and the transactions it contemplates; and

- to transact any other business that properly comes before the special meeting, or any adjournments or postponements thereof.

Holders of record of CNB common stock at the close of business on April 3, 2013 are entitled to receive this notice and to vote at the special meeting and any adjournments or postponements thereof. Approval of the proposal to adjourn the special meeting, if necessary, requires the affirmative vote of holders of at least a majority of the shares of CNB common stock having voting power, present in person or by proxy, if a quorum is present. In the absence of a quorum, the holders of a majority of the shares of CNB common stock present in person or by proxy may adjourn the special meeting.

The board of directors of CNB unanimously recommends that you vote FOR approval of the merger agreement. Your board of directors also unanimously recommends that you vote FOR approval to adjourn the special meeting to permit further solicitation in the event that an insufficient number of shares are present in person or by proxy to approve the merger agreement and the transactions it contemplates and FOR the authorization of the proxies named in the proxy card to vote on such other matters as may properly come before the special meeting or any adjournment or postponement thereof.

Your vote is important. To ensure that your shares are voted at the special meeting, please promptly complete, sign and return the proxy form in the enclosed prepaid envelope whether or not you plan to attend the meeting in person. Shareholders who attend the special meeting may revoke their proxies and vote in person, if they so desire.

Waterloo, Iowa

April 8, 2013

By Order of the Board of Directors

Josef M. Vich

President and Chief Executive Officer

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QUESTIONS AND ANSWERS ABOUT THE MERGER

Q: What am I being asked to vote on? What is the proposed transaction?

A: You are being asked to vote on the approval of a merger agreement that provides for QCR s acquisition of CNB through the merger of CNB with and into QCR Acquisition, LLC, a wholly-owned subsidiary of QCR, which we refer to as Merger Sub. Following the transaction, QCR will dissolve Merger Sub and Community National Bank, CNB s wholly-owned subsidiary, will become a wholly-owned subsidiary of QCR. At the effective time of the merger, you will become a stockholder of QCR and the separate corporate existence of CNB will cease.

Q: What will CNB shareholders be entitled to receive in the merger?

A: At the completion of the merger, each share of CNB common stock that you own will be converted into a right to receive $3.00 in cash and 0.40 share of QCR common stock. The amount of the cash consideration is subject to adjustment, as described below.

Assuming that there is no adjustment to the cash consideration and that there are 2,087,932 shares of CNB common stock outstanding at the closing, which is the number of shares of CNB common stock outstanding as of April 2, 2013, the aggregate merger consideration paid by QCR to CNB shareholders is expected to be approximately $19.6 million, consisting of (i) aggregate cash consideration of $6,263,796 and (ii) aggregate share consideration of $13,362,768, based on 835,173 shares of QCR common stock issued in the transaction and the closing price of QCR s common stock at $16.00 per share on April 2, 2013. On a per share basis, this equals per share consideration of $9.40 for each share of CNB common stock. Based on this, approximately 70% of the aggregate consideration will be in the form of QCR common stock and approximately 30% will be in cash.

The foregoing cash consideration could be subject to downward adjustment if, at the time of closing, CNB s total adjusted shareholders equity is less than an agreed upon amount. In such an event, there will be a dollar-for-dollar downward adjustment to the aggregate cash consideration equal to the amount of the shortfall. Additionally, the cash consideration could be subject to an upward adjustment if, at the time of closing, QCR s adjusted shareholders equity is less than an agreed upon amount. In that case, there will be a dollar-for-dollar upward adjustment to the aggregate cash consideration equal to the amount of the shortfall. These adjustments are described more fully in this proxy statement/prospectus.

Q: Why do CNB and QCR want to engage in the merger?

A: CNB believes that the merger will provide CNB shareholders with substantial benefits, and QCR believes that the merger will further its strategic growth plans. As a larger company, QCR can provide greater capital and resources and efficiencies from integrating the operations of Community National Bank into QCR s existing operations and allow Community National Bank to offer a broader array of products and services to better serve its banking customers. To review the reasons for the merger in more detail, see The Merger CNB s reasons for the merger and recommendation of the board of directors on page 36 and The Merger QCR s reasons for the merger on page 37.

Q: What does the CNB board of directors recommend?

A: CNB s board of directors unanimously recommends that you vote **FOR** approval of the merger agreement, **FOR** the approval to adjourn the special meeting to permit further solicitation in the event that an insufficient number of shares are present in person or by proxy to approve the merger agreement and the transactions it contemplates and **FOR** the authorization of the proxies named in the proxy card to vote on such other matters as may properly come before the special meeting or any adjournment or postponement thereof. CNB s board of directors has determined that the merger agreement and the merger are in the best interests of CNB and its shareholders. To review the background and reasons for the merger in greater detail, see pages 33 to 37.

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Q: What vote is required to approve the merger agreement?

A: Approval of the merger agreement requires the affirmative vote of at least a majority of the shares of CNB common stock having voting power, present in person or by proxy at the special meeting. Abstentions and broker non-votes have the effect of votes against the approval of the merger agreement. On February 13, 2013, all of CNB s and Community National Bank s directors and certain executive officers who own shares of CNB common stock agreed to vote their shares in favor of the merger at the special meeting. These shareholders and their affiliates owned approximately 32% of CNB s common stock outstanding as of March 25, 2013. QCR s stockholders will not be voting on the merger agreement. See The Merger Interests of certain persons in the merger on page 40 and The Merger Voting agreement on page 43.

Q: What vote is required to approve the proposal to adjourn the special meeting to permit further solicitation in the event that an insufficient number of shares are present in person or by proxy to approve the merger agreement and the transactions it contemplates?

A: The proposal to adjourn the special meeting, if necessary or appropriate to solicit additional proxies, requires the affirmative vote of at least a majority of the shares of CNB common stock having voting power, present in person or by proxy at the special meeting. In the absence of a quorum, holders of a majority of the shares of CNB common stock present in person or by proxy at the special meeting may adjourn the special meeting. Abstentions and broker non-votes have the effect of votes against the proposal.

Q: Why is my vote important?

A: CNB shareholders are being asked to approve the merger agreement and thereby approve the merger. If you do not submit your proxy by mail or vote in person at the special meeting, it will be more difficult for CNB to obtain the necessary quorum to hold the special meeting. In addition, if you attend the special meeting but abstain from voting, your abstention will have the same effect as a vote against the merger agreement and make it more difficult to obtain approval of the merger agreement.

Q: What do I need to do now? How do I vote?

A: You may vote at the special meeting if you own shares of CNB common stock of record at the close of business on the record date for the special meeting, April 3, 2013. After you have carefully read and considered the information contained in this proxy statement/prospectus, please complete, sign, date and mail your proxy form in the enclosed prepaid return envelope as soon as possible. This will enable your shares to be represented at the special meeting. You may also vote in person at the special meeting. If you do not return a properly executed proxy form and do not vote at the special meeting, this will make it more difficult to achieve a quorum for the meeting and thus could have the same effect as a vote against approval of the merger agreement.

Q: How will my proxy be voted?

A: If you complete, sign, date and mail your proxy form, your proxy will be voted in accordance with your instructions. If you sign, date and send in your proxy form, but you do not indicate how you want to vote, your proxy will be voted **FOR** approval of the merger agreement and the other proposals in the notice.

Q: Can I revoke my proxy and change my vote?

A: You may change your vote or revoke your proxy prior to the special meeting by filing with the secretary of CNB a duly executed revocation of proxy or submitting a new proxy form with a later date. You may also revoke a prior proxy by voting in person at the special meeting.

Q: **What if I oppose the merger? Do I have appraisal rights?**

A: CNB shareholders who do not vote in favor of approval of the merger agreement and otherwise comply with all of the procedures of Division XIII of the Iowa Business Corporation Act, which we refer to as the IBCA, will be entitled to receive payment in cash of the fair value of their shares of CNB common stock as ultimately determined under the statutory process. A copy of this section of the IBCA is attached as *Annex B* to this document. This fair value could be more than the merger consideration but could also be less.

Q: What are the tax consequences of the merger to me?

In general, the conversion of your shares of CNB common stock into QCR common stock in the merger will be tax-free for United States federal income tax purposes. However, you generally will recognize gain (but not loss) in an amount limited to the amount of cash you receive in the merger. Additionally, you will recognize gain or loss on any cash that you receive in lieu of fractional shares of QCR s common stock. **You should consult with your tax adviser for the specific tax consequences of the merger to you.** See The Merger Material U.S. federal income tax consequences of the merger on page 37.

Q: When and where is the special meeting?

A: The CNB special meeting will take place on May 8, 2013, at 7 p.m. local time, at Sunnyside Country Club, located at 1600 Olympic Drive, Waterloo, Iowa 50701.

Q: Who may attend the meeting?

Only CNB shareholders on the record date may attend the special meeting. If you are a shareholder of record, you will need to present the proxy card that you received or another proof of identification in order to be admitted into the meeting.

Q: Should I send in my stock certificates now?

A: No. Either at the time of closing or shortly after the merger is completed, the exchange agent for the merger, IST Shareholder Services, will send you a letter of transmittal with instructions informing you how to send in your stock certificates to the exchange agent. You should use the letter of transmittal to exchange your CNB stock certificates for the merger consideration. ***Do not send in your stock certificates with your proxy form.***

Q: When is the merger expected to be completed?

A: We will try to complete the merger as soon as reasonably possible. Before that happens, the merger agreement must be approved by CNB s shareholders and we must obtain the necessary regulatory approvals. Assuming CNB shareholders vote to approve the merger and adopt the merger agreement and we obtain the other necessary approvals and satisfaction or waiver of the other conditions to the closing described in the merger agreement, we expect to complete the merger in the second quarter of 2013. See Description of the Merger Agreement Conditions to completion of the merger on page 53.

Q: Is completion of the merger subject to any conditions besides shareholder approval?

A: Yes. The transaction must receive the required regulatory approvals, and there are other closing conditions that must be satisfied. See Description of the Merger Agreement Conditions to completion of the merger on page 53.

Q: Are there risks I should consider in deciding to vote on the approval of the merger agreement?

A: Yes, in evaluating the merger agreement, you should read this proxy statement/prospectus carefully, including the factors discussed in the section titled Risk Factors beginning on page 16.

Q: Who can answer my other questions?

A: If you have more questions about the merger or how to submit your proxy, or if you need additional copies of this proxy statement/prospectus or the enclosed proxy form, you should contact Josef M. Vich, CNB s President, at (319) 291-2000.

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SUMMARY

This summary highlights selected information in this proxy statement/prospectus and may not contain all of the information that is important to you. To understand the merger more fully, you should read this entire proxy statement/prospectus carefully, including the annexes and the documents referred to or incorporated in this proxy statement/prospectus. A copy of the merger agreement is attached as Annex A to this proxy statement/prospectus and is incorporated by reference herein. See Where You Can Find More Information beginning on page 70.

Information about QCR and CNB (See pages 32 to 33)

QCR Holdings, Inc.

3551 Seventh Street

Moline, Illinois 61265

(309) 743-7745

QCR Holdings, Inc. is a multi-bank holding company headquartered in Moline, Illinois, that was formed in February 1993 under the laws of the state of Delaware. QCR serves the Quad Cities, Cedar Rapids, Iowa and Rockford, Illinois communities through the following three wholly-owned banking subsidiaries, which provide full-service commercial and consumer banking and trust and asset management services:

- Quad City Bank and Trust Company, or QCBT, which is based in Bettendorf, Iowa, had assets of $1.18 billion and deposits of $715.3 million as of December 31, 2012;
- Cedar Rapids Bank and Trust Company, or CRBT, which is based in Cedar Rapids, Iowa, had assets of $625.7 million and deposits of $430.3 million as of December 31, 2012; and
- Rockford Bank and Trust Company, or RB&T, which is based in Rockford, Illinois, had assets of $313.8 million and deposits of $230.2 million as of December 31, 2012.

QCR also engages in direct financing lease contracts through m2 Lease Funds, LLC, or m2, a wholly-owned subsidiary of QCBT based in Brookfield, Wisconsin.

As of December 31, 2012, QCR had total assets of approximately $2.09 billion, total loans and leases of approximately $1.29 billion, total deposits of approximately $1.37 billion and total stockholders equity of approximately $140.4 million.

QCR common stock is traded on the NASDAQ Global Market, or NASDAQ, under the ticker symbol QCRH.

QCR Acquisition, LLC

c/o QCR Holdings, Inc.

3551 Seventh Street

Moline, Illinois 61265

(309) 743-7745

QCR Acquisition, LLC, a Delaware limited liability corporation, which we refer to as Merger Sub, is a wholly-owned subsidiary of QCR and was formed solely for the purpose of consummating the merger. Merger Sub has not carried on any activities to date, except for activities incidental to its formation and activities undertaken in connection with the merger.

Community National Bancorporation

422 Commercial Street

P.O. Box 1288

Waterloo, Iowa 50704

(319) 291-2000

Community National Bancorporation is a single bank holding company that owns 100% of Community National Bank, Waterloo, Iowa, with banking locations in Waterloo, Cedar Falls, and Mason City, Iowa, and Austin, Minnesota. Community National Bank commenced its operations in 1997.

Community National Bank, CNB s subsidiary bank, is nationally chartered with trust and fiduciary powers pursuant to federal law and regulated by the Office of the Comptroller of the Currency, or the OCC, and has deposit insurance through the Federal Deposit Insurance Corporation, or the FDIC. The bank provides traditional banking, trust and asset a management services in its local market areas.

As of December 31, 2012, CNB had consolidated total assets of approximately $287.1 million, deposits of $247.3 million and total shareholders equity of $19.3 million. CNB is not a public company and, accordingly, there is no established trading market for CNB s common stock.

The merger and the merger agreement (See page 32)

QCR s acquisition of CNB is governed by a merger agreement. The merger agreement provides that, if all of the conditions set forth in the merger agreement are satisfied or waived, CNB will be merged with and into Merger Sub and will cease to exist. After the consummation of the merger, QCR intends to dissolve Merger Sub and Community National Bank will be a wholly-owned subsidiary of QCR. The merger agreement is included as *Annex A* to this proxy statement/prospectus and is incorporated by reference herein. We urge you to read the merger agreement carefully and fully, as it is the legal document that governs the merger.

What CNB shareholders will receive (See page 47)

If the merger is completed, each share of CNB common stock which you own immediately before the completion of the merger will be converted into a right to receive $3.00 in cash and 0.40 share of QCR common stock. The amount of the cash consideration is subject to adjustment, as described below.

Assuming that there is no adjustment to the cash consideration and that there are 2,087,932 shares of CNB common stock outstanding at the closing, which is the number of shares of CNB common stock outstanding as of April 2, 2013, the aggregate merger consideration paid by QCR to CNB stockholders is expected to be approximately $19.6 million, consisting of (i) aggregate cash consideration of $6,263,796 and (ii) aggregate share consideration of $13,362,768, based on 835,173 shares of QCR common stock issued in the transaction and the closing price of QCR s common stock at $16.00 per share on April 2, 2013. On a per share basis, this equals per share consideration of $9.40 for each share of CNB common stock. Based on this, approximately 70% of the aggregate consideration will be in the form of QCR common stock and approximately 30% will be in cash.

The foregoing cash consideration could be subject to downward adjustment if CNB s total adjusted shareholders equity is less than $18,031,404 as of the closing date, as provided in the merger agreement. If CNB s adjusted shareholders equity is less than that amount, then there will be a dollar-for-dollar downward adjustment to the aggregate cash consideration. For example, if CNB s total adjusted shareholders equity at closing is $17,031,404, which is $1.0 million below the threshold, then the aggregate cash consideration will be reduced by $1.0 million to $5,263,796 and the per share cash consideration will be reduced from $3.00 to $2.521. For a more detailed description of CNB s adjusted shareholders equity, see Description of the Merger Agreement Consideration to be received in the merger Potential Downward Adjustment to the Cash Consideration.

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As of the date of this proxy statement/prospectus, based on CNB s internal projections and expected transaction expenses related to the merger, CNB s management believes that CNB s total adjusted shareholders equity at closing will exceed the $18,031,404 threshold. However, because projections are inherently uncertain and merger transaction expenses could be greater than originally anticipated, a risk exists that a downward adjustment to the merger consideration could be required.

Additionally, the foregoing cash consideration could be subject to an upward adjustment if QCR s total adjusted stockholders equity is less than $132,999,000 as of the closing date, as provided in the merger agreement. If QCR s adjusted stockholders equity is less than that amount, then there will be a dollar-for-dollar upward adjustment to the aggregate cash consideration. For example, if QCR s total adjusted stockholders equity at closing is $131,999,000, which is $1.0 million below the threshold, then the aggregate cash consideration will be increased, by $1.0 million to $7,263,796 and the per share cash consideration will be increased from $3.00 to $3.479.

As of the date of this proxy statement, based on QCR s internal projections and expected transaction expenses related to the merger, QCR s management believes that QCR s total adjusted stockholders equity at closing will exceed the $132,999,000 threshold. However, because projections are inherently uncertain, it is possible that an upward adjustment to the merger consideration could be required. For a more detailed description of QCR s adjusted stockholders equity, see Description of the Merger Agreement Consideration to be received in the merger Potential upward adjustment to the cash consideration.

CNB shareholders will not receive fractional shares of QCR common stock. Instead, they will receive a cash payment for any fractional shares based on the average closing price of QCR common stock for the five trading days immediately preceding the closing date of the merger.

Once the merger is complete, IST Shareholder Services, the exchange agent for the merger, will mail you materials and instructions for exchanging your CNB stock certificates for shares of QCR common stock to be issued by book-entry transfer. You should not send in your CNB stock certificates with your completed proxy card, and should wait until you receive the transmittal materials and instructions from the exchange agent.

Material U.S. federal income tax consequences of the merger (See page 37)

Your receipt of shares of QCR common stock as part of the closing merger consideration generally will be tax-free for United States federal income tax purposes. However, you generally will recognize gain (but not loss) in an amount limited to the amount of cash you receive in the merger. Additionally, you will recognize gain or loss on any cash that you receive in lieu of fractional shares of QCR common stock. **You are urged to consult your tax adviser for a full understanding of the federal, state, local and foreign tax consequences of the merger to you.**

Reasons for the merger (See pages 36 to 37)

CNB s board of directors believes that the merger is in the best interests of CNB and its shareholders, has unanimously adopted the merger agreement and unanimously recommends that its shareholders vote **FOR** approval of the merger agreement.

In its deliberations and in making its determination, CNB s board of directors considered numerous factors, including the following:

- information with respect to the businesses, earnings, operations, financial condition, prospects, capital levels and asset quality of CNB and QCR, both individually and as a combined company, including the perceived risks and uncertainties attendant to CNB s operation as an independent banking organization, the risks and uncertainties related to the continuing low-interest rate environment, competition in CNB s market area, increased regulatory costs and increased capital requirements;

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- the enhanced liquidity for CNB s shareholders with respect to the shares of QCR common stock to be received in the merger;

- the uncertainty associated with the portion of the merger consideration that would be paid in shares of QCR common stock, recognizing the variable nature of the trading price for publicly traded shares as well as the market value of QCR common stock prior to the execution of the merger agreement and the prospects for future appreciation as a result of QCR s strategic initiatives;

- the value to be received by CNB shareholders in the merger as compared to shareholder value projected for CNB as an independent entity;

- the fact that QCR is publicly held and the merger would provide greater access to a public trading market for CNB s shareholders whose investments currently are in a privately held company, as well as enhanced access to capital markets to finance the combined company s capital requirements; and

- the likelihood that the merger will be approved by the relevant bank regulatory authorities without undue burden and in a timely manner.

QCR s board of directors concluded that the merger is in the best interests of QCR and its stockholders. In deciding to approve the merger, QCR s board of directors considered a number of factors, including:

- management s view that the acquisition of CNB provides an attractive opportunity to expand into desirable markets, including Cedar Falls and Waterloo, Iowa;

- CNB s complementary relationship-oriented community banking model, and its compatibility with QCR and its subsidiaries;

- a review of the demographic, economic and financial characteristics of the markets in which CNB operates, including existing and potential competition and history of the market areas with respect to financial institutions;

- management s review of CNB s business, operations, earnings and financial condition, including its management, capital levels and strong asset quality;

- anticipated efficiencies to come from integrating certain of CNB s operations into QCR s existing operations; and

- the likelihood that the merger will be approved by the relevant bank regulatory authorities without undue burden and in a timely manner.

Board recommendation to CNB s shareholders (See page 37)

CNB s board of directors believes that the merger of CNB with QCR is in the best interests of CNB and its shareholders. **CNB s board of directors unanimously recommends that you vote FOR the merger.**

Interests of officers and directors of CNB in the merger may be different from, or in addition to, yours (See page 40)

When you consider the CNB board of directors recommendation to vote in favor of approval of the merger agreement, you should be aware that some of CNB s or Community National Bank s directors and officers may have interests in the merger that are different from, or in addition to, your interests as shareholders. CNB s board of directors was aware of these interests and took them into account in approving the merger. For example, QCR entered into an employment agreement, which will be effective only upon the consummation of the merger, with each of Josef M. Vich and Stacey J. Bentley, pursuant to which they will be employed as officers of Community National Bank upon the effective time of the merger.

In addition, Mr. Vich and Ms. Bentley have previously entered into change of control agreements with Community National Bank, which agreements were amended as of February 13, 2013. In connection with the merger, QCR will assume these agreements and will, if either Mr. Vich or Ms. Bentley has a termination of employment during the one year following the merger, pay a change of control benefit over 60 months following such termination. Neither Mr. Vich nor Ms. Bentley will be eligible for any change of control benefit if they are still employed with QCR on the first anniversary of the merger. Mr. Vich has also previously entered into a nonqualified supplemental retirement benefit agreement with CNB and Community National Bank. QCR will also assume this agreement and will, following Mr. Vich s retirement, pay him a retirement benefit over 120 months following his retirement.

Certain directors and executives of CNB and Community National Bank participate in CNB s phantom stock plans. In connection with the merger, both plans will be terminated and the participants thereunder will receive lump sum cash payments at the effective time of the merger.

QCR has also agreed to indemnify and hold harmless the current and former directors and officers of CNB and its subsidiaries for all actions taken by them prior to the effective time of the merger, to the same extent as the indemnification currently provided by CNB and its subsidiaries under their respective organizational documents, and to provide such directors and officers with directors and officers liability insurance, subject to limits on availability and cost, for up to seven years.

CNB shareholders will have appraisal rights in connection with the merger (See page 43)

CNB shareholders may assert appraisal rights in connection with the merger and, upon complying with the requirements of the IBCA, receive cash in the amount of the fair value of their shares instead of the merger consideration.

A copy of the section of the IBCA pertaining to appraisal rights is attached as *Annex B* to this proxy statement/prospectus. You should read the statute carefully and consult with your legal counsel if you intend to exercise these rights.

The merger and the performance of the combined company are subject to a number of risks (See page 16)

There are a number of risks relating to the merger and to the businesses of QCR, CNB and the combined company following the merger. See the Risk Factors beginning on page 16 of this proxy statement/prospectus for a discussion of these and other risks.

CNB shareholder approval will be required to complete the merger and approve the other proposals set forth in the notice (See page 30)

Assuming the presence of a quorum, approval of the merger agreement requires the affirmative vote of at least a majority of the shares of CNB common stock having voting power, present in person or by proxy, at the special meeting. Approval of the proposal to adjourn the special meeting, if necessary, requires the affirmative vote of holders of at least a majority of the shares of CNB common stock having voting power, present in person or by proxy, if a quorum is present. In the absence of a quorum, the holders of a majority of the shares of CNB common stock present in person or by proxy may adjourn the special meeting. To satisfy the quorum requirements set forth in CNB s bylaws, shareholders holding at least a majority of the voting power of the outstanding shares of CNB common stock entitled to vote at the special meeting must be present in person or by proxy at the special meeting. Shareholders may vote their shares in person at the special meeting or by signing and returning the enclosed proxy form.

On February 13, 2013, all of CNB s and Community National Bank s directors and certain executive officers who own shares of CNB common stock committed to vote their shares of CNB common stock in favor of the merger. As of March 25, 2013, these shareholders and their affiliates controlled 659,651 shares, constituting approximately 32% of the shares then outstanding. See The Merger Voting agreement on page 43.

CNB special meeting (See page 30)

The special meeting of shareholders will be held at Sunnyside Country Club, located at 1600 Olympic Drive, Waterloo, Iowa 50701 on May 8, 2013 at 7 p.m., local time. CNB s board of directors is soliciting proxies for use at the special meeting. At the special meeting, CNB shareholders will be asked to vote on a proposal to approve the merger agreement.

Record date for the special meeting; revocability of proxies (See pages 30 and 31)

You may vote at the special meeting if you own shares of CNB common stock of record at the close of business on April 3, 2013. You will have one vote for each share of CNB common stock you owned on that date. You may change your vote or revoke your proxy prior to the special meeting by filing with the secretary of CNB a duly executed revocation of proxy or submitting a new proxy form with a later date. You may also vote in person at the special meeting.

Completion of the merger is subject to regulatory approvals (See page 40)

The merger cannot be completed until QCR receives the necessary regulatory approval of the Board of Governors of the Federal Reserve System, or the Federal Reserve, and the Iowa Division of Banking, or the IDOB. QCR submitted applications with each of the Federal Reserve Bank of Chicago and the IDOB on February 28, 2013.

Conditions to the merger (See page 53)

Closing Conditions for the Benefit of QCR. QCR s obligations to close the merger are subject to fulfillment of certain conditions, including:

- accuracy of representations and warranties of CNB in the merger agreement as of the closing date, except as otherwise set forth in the merger agreement;
- performance by CNB in all material respects of its agreements under the merger agreement;
- approval of the merger agreement at the special meeting of CNB shareholders;
- no commenced or threatened litigation: (i) involving a challenge to, or seeking relief in connection with, the transactions contemplated by the merger agreement, or (ii) that may have the effect of preventing or delaying any of the transactions contemplated by the merger agreement, in either case that would have a material adverse effect on CNB;
- receipt of all necessary regulatory approvals;
- the registration statement, of which this proxy statement/prospectus is a part, concerning QCR common stock issuable pursuant to the merger agreement having been declared effective by the Securities Exchange Commission, or the SEC, and continuing to be effective as of the effective time of the merger;

receipt of an opinion from CNB s special counsel regarding the valid existence and the valid issuance of the capital stock of CNB, its authority to enter into the merger agreement and the due execution and delivery of the merger agreement by CNB, among other things;

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- receipt of a tax opinion from Barack Ferrazzano Kirschbaum & Nagelberg LLP that the merger constitutes a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, which we refer to as the Code;
- receipt of an assignment and assumption agreement or supplemental indenture to effectuate the assumption by QCR of each of the trust preferred securities issued by trusts controlled by CNB;
- receipt of an assignment and assumption agreement to effectuate the assumption by QCR, or the pay off, of CNB s outstanding debt obligation to West Bank, which was $3.95 million in principal as of March 25, 2013;
- approval of the listing of the shares of QCR common stock issuable pursuant to the merger agreement on NASDAQ;
- no material adverse change in CNB since February 13, 2013;
- receipt of balance sheets of CNB, adjusted to reflect certain adjustments, specifications and charges, as set forth in the merger agreement;
- adjustment of the merger consideration, as applicable, as set forth in Description of the Merger Agreement Consideration to be received in the merger; and
- receipt of all other necessary consents, permissions and approvals, which the failure to obtain would have a material adverse effect on CNB.

Closing Conditions for the Benefit of CNB. CNB s obligations to close the merger are subject to fulfillment of certain conditions, including:

- accuracy of representations and warranties of QCR and Merger Sub in the merger agreement as of the closing date, except as otherwise set forth in the merger agreement;
- performance by QCR and Merger Sub in all material respects of its agreements under the merger agreement;
- approval of the merger agreement at the special meeting of CNB shareholders;
- no commenced or threatened litigation: (i) involving a challenge to, or seeking relief in connection with, the transactions contemplated by the merger agreement, or (ii) that may have the effect of preventing or delaying any of the transactions contemplated by the merger agreement, in either case that would have a material adverse effect on QCR;
- receipt of all necessary regulatory approvals;
- the registration statement, of which this proxy statement/prospectus is a part, concerning QCR common stock issuable pursuant to the merger agreement having been declared effective by the SEC, and continuing to be effective as of the effective time of the

merger;

receipt of an opinion from QCR s outside legal counsel regarding the valid existence of QCR and Merger Sub, their authority to enter into the merger agreement, due execution and delivery of the merger agreement by QCR and Merger Sub and the due authorization of QCR common stock issuable pursuant to the merger agreement, among other things;

receipt of a tax opinion from Roth & Company, P.C. that the merger constitutes a reorganization within the meaning of Section 368(a) of the Code;

delivery of the assignment and assumption agreement or supplemental indenture to effectuate the assumption by QCR of each of the trust preferred securities issued by trusts controlled by CNB;

- approval of the listing of the shares of QCR common stock issuable pursuant to the merger agreement on NASDAQ;
- receipt of balance sheets of QCR, adjusted to reflect certain adjustments, specifications and charges, as set forth in the merger agreement; and
- adjustment of the merger consideration, as applicable, as set forth in Description of the Merger Agreement Consideration to be received in the merger.

How the merger agreement may be terminated by QCR and CNB (See page 54)

QCR and CNB may mutually agree to terminate the merger agreement and abandon the merger at any time. Subject to conditions and circumstances described in the merger agreement, QCR or CNB, as the case may be, may terminate the merger agreement as follows:

- in certain circumstances, by either party if the other party has not satisfied a condition under the merger agreement required to be met by it prior to the closing date;
- in certain circumstances, by either party if any regulatory authority has denied approval of any of the transactions contemplated by the merger agreement or any application for a necessary regulatory approval has been withdrawn at the request of a regulatory authority;
- by either party if the merger is not completed by June 30, 2013 (or July 15, 2013, if, in the judgment of QCR, it is necessary to delay the merger to preserve any tax benefits pursuant to Section 382 of the Code);
- in certain circumstances, by either party if a court or regulatory authority has enjoined or prohibited any of the transactions contemplated in the merger agreement;
- in certain circumstances, by QCR if CNB materially breaches its obligations with respect to soliciting alternative acquisition proposals or holding a meeting of its shareholders to approve the merger agreement;
- in certain circumstances, by CNB if CNB has accepted or consummated a superior proposal from a third party;
- in certain circumstances, by QCR upon the identification or confirmation of the presence of certain environmental conditions related to certain real property;
- by QCR if at the time the conditions to the merger are satisfied, CNB s adjusted shareholders equity, as defined in the merger agreement, is less than $16,228,264; or
- by CNB if at the time the conditions to the merger are satisfied, QCR s adjusted stockholders equity, as defined in the merger agreement, is less than $119,699,100.

Termination fees and expenses may be payable under some circumstances (See page 55)

Generally, if the merger agreement is terminated by either CNB or QCR because the other party has committed a material breach, subject to certain limitations, the breaching party will be required to pay the non-breaching party a termination fee of $500,000.

Under certain circumstances described in the merger agreement, including (i) the breach by CNB of its agreement not to solicit alternative acquisition proposals, (ii) the entry into, consummation of or the CNB board s determination to accept, an unsolicited superior proposal from a third party, or (iii) if the merger agreement is terminated because of the actions of CNB, and CNB enters into an agreement with a third party to acquire CNB within twelve months of such termination, QCR may be owed a $1.0 million termination fee from CNB. See Description of the Merger Agreement Termination fee.

Voting agreement (See page 43)

On February 13, 2013, all of the directors and certain executive officers of CNB and Community National Bank who own shares of CNB common stock agreed to vote all of their shares of CNB common stock in favor of the merger agreement at the special meeting. The voting agreement covers approximately 32% of CNB s outstanding shares of common stock as of March 25, 2013. These voting agreements terminate if the merger agreement is terminated in accordance with its terms. A copy of the form of voting agreement is attached to this proxy statement/prospectus as *Annex C*.

Accounting treatment of the merger

The merger will be accounted for as a purchase transaction in accordance with accounting principles generally accepted in the United States.

Certain differences in QCR stockholder rights and CNB shareholder rights (See page 58)

QCR is a Delaware corporation and CNB is an Iowa corporation. CNB shareholder rights under Iowa law and QCR stockholder rights under Delaware law are different. In addition, QCR s certificate of incorporation and its bylaws contain provisions that are different from CNB s articles of incorporation and bylaws as currently in effect. Certain of these differences are described in detail in the section entitled Comparison of rights of QCR stockholders and CNB shareholders beginning on page 58. After completion of the merger, CNB shareholders who receive shares of QCR common stock in exchange for their shares of CNB common stock will become QCR stockholders and their rights will be governed by QCR s certificate of incorporation and bylaws, in addition to laws and requirements that apply to public companies. In addition, some QCR stockholders hold preferred stock with rights and preferences superior to those of holders of QCR common stock.

QCR shares will be listed on NASDAQ (See page 56)

The shares of QCR common stock to be issued pursuant to the merger will be listed on NASDAQ under the symbol QCRH.

Per share market price and dividend information

QCR common stock is listed on NASDAQ under the symbol QCRH. The table below shows, for the quarters indicated, based on published financial sources, the reported high and low sales prices of QCR s common stock during the periods indicated and the cash dividends paid per share of QCR common stock.

	High	Low
Year Ended December 31, 2013 (through March 25)		
First Quarter	$ 16.84	$ 13.05
Year Ended December 31, 2012		
First Quarter	$ 12.45	$ 8.50
Second Quarter	14.50	10.70
Third Quarter	14.98	12.62
Fourth Quarter	15.50	11.40

The outstanding shares of CNB common stock are privately held and are not traded in any public market. The last transaction known by CNB s management to occur prior to the announcement of the entry into the merger agreement was on December 28, 2012 and the sales price was $8.33. As of March 25, 2013, there were 452 record holders of CNB common stock.

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Comparative per share data

The following table presents selected comparative per share data for QCR common stock and CNB common stock. You should read this information in conjunction with the selected historical financial information included on page 14. The historical per share data is derived from audited financial statements as of and for the year ended December 31, 2012.

	Year Ended December 31, 2012
QCR:	
Diluted earnings per share	$ 1.85
Cash dividends declared per share	0.08
Book value per share (at period end)[1]	17.74
CNB:	
Diluted earnings per share	$ 0.46
Cash dividends declared per share	0.00
Book value per share (at period end)[1]	9.24

(1) Includes accumulated other comprehensive income.

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Selected historical financial data of QCR

The selected consolidated financial data presented below is being provided to assist you in your analysis of the financial aspects of the merger. The annual QCR historical information as of and for each of the years in the five-year period ended December 31, 2012, are derived from QCR s audited historical financial statements. This information is only a summary and should be read in conjunction with Information About QCR Holdings, Inc. Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and the notes thereto, included in this proxy statement/prospectus. The historical results below or contained elsewhere in this proxy statement/prospectus are not necessarily indicative of the future performance of QCR or the combined company (dollars in thousands, except per share data).

	Years Ended December 31,				
	2012	2011	2010	2009	2008
STATEMENT OF INCOME DATA					
Continuing Operations:					
Interest income	$ 77,376	$ 77,723	$ 80,097	$ 85,611	$ 85,147
Interest expense	19,727	23,578	30,233	34,949	40,524
Net interest income	57,649	54,145	49,864	50,662	44,623
Provision for loan/lease losses	4,371	6,616	7,464	16,976	9,222
Non-interest income	16,621	17,462	15,406	15,547	13,931
Non-interest expense	52,259	50,993	48,549	46,937	42,334
Income tax expense	4,534	3,868	2,449	247	1,735
Income from continuing operations	13,106	10,130	6,808	2,049	5,263
Discontinued Operations:					
Income from discontinued operations, before taxes					2,580
Income tax expense					846
Income from discontinued operations					1,734
Net income	13,106	10,130	6,808	2,049	6,997
Less: net income attributable to noncontrolling interests	488	438	221	277	288
Net income attributable to QCR Holdings, Inc.	12,618	9,692	6,587	1,772	6,709
Less: preferred stock dividends and discount accretion	3,496	5,284	4,128	3,844	1,785
Net income (loss) attributable to QCR Holdings, Inc. common stockholders	9,122	4,408	2,459	(2,072)	4,924
PER COMMON SHARE DATA					
Income (loss) from continuing operations Basic[(1)]	$ 1.88	$ 0.93	$ 0.54	$ (0.46)	$ 0.69
Income from discontinued operations Basic[(1)]					0.38
Net income (loss) Basic[(1)]	1.88	0.93	0.54	(0.46)	1.07
Income (loss) from continuing operations Diluted[(1)]	1.85	0.92	0.53	(0.46)	0.69
Income from discontinued operations Diluted[(1)]					0.37
Net income (loss) Diluted[(1)]	1.85	0.92	0.53	(0.46)	1.06
Cash dividends declared	0.08	0.08	0.08	0.08	0.08
Dividend payout ratio	4.26%	8.60%	14.81%	(17.39)%	7.48%
BALANCE SHEET DATA					
Total assets	$ 2,093,730	$ 1,966,610	$ 1,836,635	$ 1,779,646	$ 1,605,629
Securities	602,239	565,229	424,847	370,520	256,076
Total loans/leases	1,287,388	1,200,745	1,172,539	1,244,320	1,214,690
Allowance for estimated losses on loans/leases	19,925	18,789	20,365	22,505	17,809
Deposits	1,374,114	1,205,458	1,114,816	1,089,323	1,058,959

Borrowings	547,758	590,603	566,060	542,895	431,820
Stockholders equity:					
Preferred	53,163	63,386	62,214	58,578	20,158
Common	87,271	81,047	70,357	67,017	72,337

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	Years Ended December 31, 2012	2011	2010	2009	2008
KEY RATIOS					
Return on average assets[2]	0.62%	0.51%	0.36%	0.10%	0.43%
Return on average common stockholders equity[3]	10.84	5.82	3.58	(2.97)	7.07
Return on average total stockholder s equity[2]	8.90	7.09	5.03	1.43	7.47
Net interest margin, tax equivalent yield[4]	3.10	3.08	2.92	3.14	3.27
Efficiency ratio[5]	70.36	71.21	74.38	70.89	72.30
Loans to deposits	93.69	99.61	105.18	114.23	114.71
Nonperforming assets to total assets	1.41	2.06	2.73	2.27	1.58
Allowance for estimated losses on loans/leases to total loans/leases	1.55	1.56	1.74	1.81	1.47
Allowance for estimated losses on loans/leases to nonperforming loans/leases	78.47	58.70	49.49	74.94	84.60
Net charge-offs to average loans/leases	0.27	0.70	0.79	1.00	0.24
Average total stockholders equity to average total assets	7.00	7.17	7.13	7.18	5.78

(1) Income (loss) amounts are attributable to QCR Holdings, Inc.
(2) Numerator is net income attributable to QCR Holdings, Inc.
(3) Numerator is net income (loss) available to QCR Holdings, Inc. common stockholders
(4) Interest earned and yields on nontaxable investments are determined on a tax equivalent basis using a 34% tax rate
(5) Non-interest expenses divided by the sum of net interest income before provision for loan/lease losses and non-interest income

RISK FACTORS

In addition to the other information contained in or incorporated by reference into this proxy statement/prospectus, including the matters addressed under the caption Special Notes Concerning Forward-Looking Statements on page 29, you should consider the following risk factors carefully in deciding whether to vote for approval of the merger agreement. Additional risks and uncertainties not presently known to QCR and CNB or that are not currently believed to be important to you, if they materialize, also may adversely affect the merger and QCR and CNB as a combined company.

Risks relating to the merger

Because the merger consideration is subject to downward adjustment, the value of the merger consideration you receive in the merger may be less than you expect.

The merger consideration to be received by CNB shareholders at the closing of the merger is subject to downward adjustment by QCR if the balance sheet delivered to QCR by CNB at the closing reflects CNB s total adjusted shareholders equity less than $18,031,404. For a description of the possible adjustment of the merger consideration, see The Merger Consideration to be received in the merger Potential Downward Adjustment to the Cash Consideration on page 48.

Because there is no public market for CNB common stock, it is difficult to determine how the fair value of CNB common stock compares with the merger consideration.

The outstanding shares of CNB common stock are privately held and are not traded in any public market. This lack of a public market makes it difficult to determine the fair value of CNB. CNB s board of directors did not obtain an opinion from a financial advisor regarding the fairness of the merger consideration, from a financial point of view, to the holders of CNB common stock. The merger consideration was determined based on negotiations between the parties and may not be indicative of the fair value of the shares of CNB common stock. While there is no public market for CNB common stock, CNB completed an offering for 252,950 shares of its common stock in 2011, at a price of $6.76 per share for then-existing shareholders of CNB and $7.50 per share for all other persons.

QCR may be unable to successfully integrate CNB s operations and may not realize the anticipated benefits of acquiring CNB.

QCR and CNB entered into the merger agreement with the expectation that QCR would be able to successfully integrate CNB s operations and that the merger would result in various benefits, including, among other things, enhanced revenues and revenue synergies, an expanded market reach and operating efficiencies. Achieving the anticipated benefits of the merger is subject to a number of uncertainties, and involve a number of risks, any of which could adversely affect, QCR s business, including:

- difficulties in integrating CNB s operations, technologies, products, existing contracts, accounting processes and personnel and realizing the anticipated synergies of the combined businesses;
- difficulties in supporting and transitioning CNB s customers;
- diversion of financial and management resources from existing operations;
- potential loss of key employees, customers and strategic alliances from either CNB s or QCR s current business;
- assumption of unanticipated problems or latent liabilities, including current litigation involving CNB; and
- inability to generate sufficient revenue to offset acquisition costs.

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Among the factors considered by the boards of directors of QCR and CNB in connection with their respective approvals of the merger agreement were the benefits that could result from the merger. QCR cannot give any assurance that these benefits will be realized within the time periods contemplated or even that they will be realized at all.

CNB will be subject to business uncertainties while the merger is pending, which could adversely affect its business.

Uncertainty about the effect of the merger on employees and customers may have an adverse effect on CNB, and, consequently, the combined company. Although CNB intends to take steps to reduce any adverse effects, these uncertainties may impair CNB s ability to attract, retain and motivate key personnel until the merger is consummated and for a period of time thereafter, and could cause customers and others that deal with CNB to seek to change their existing business relationships with CNB. Employee retention at CNB s subsidiary bank may be particularly challenging during the pendency of the merger, as employees may experience uncertainty about their roles with the bank or within the combined company following the merger.

Some of the directors and executive officers of CNB and Community National Bank have interests and arrangements that could have affected their respective decision to support or approve the merger.

The interests of some of the directors and executive officers of CNB and Community National Bank in the merger are different from, and may be in addition to, those of CNB shareholders generally and could have affected their decision to support or approve the merger. These interests include:

- The change of control payments, pursuant to existing contracts, to each of Josef M. Vich and Stacey J. Bentley in connection with the merger;
- The entry into employment agreements with each of Mr. Vich and Ms. Bentley in connection with the merger, which provide for the payment of severance under certain circumstances;
- QCR s agreement to provide officers and directors of CNB with continuing indemnification rights; and
- QCR s agreement to provide directors and officers insurance to the officers and directors of CNB for up to seven years following the merger.

In addition, all of the directors of CNB and Community National Bank and certain executive officers who own shares of CNB common stock have entered into a voting agreement that requires them to vote all of their shares of CNB common stock in favor of the merger agreement at the special meeting. The voting agreement covers approximately 32% of CNB s outstanding shares of common stock as of March 25, 2013.

As a result, a director may be more likely to recommend shareholders the approval of a merger agreement than if they did not have these interests.

Risks relating to the businesses of QCR and the combined company

CNB s shareholders will not control QCR s future operations.

Currently, CNB s shareholders own 100% of CNB voting stock and have the power to approve or reject any matters requiring shareholder approval under Iowa law and CNB s articles of incorporation and bylaws. After the merger, CNB shareholders are expected to become owners of approximately 14.5% of the outstanding shares of QCR common stock. Even if all former CNB shareholders voted together on all matters presented to QCR s stockholders, from time to time, the former CNB shareholders most likely would not have a significant impact on the approval or rejection of future QCR proposals submitted to a stockholder vote.

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QCR has outstanding preferred stock with preferences and rights that are superior to QCR common stock.

Under its certificate of incorporation, as amended, QCR has the authority to issue 250,000 shares of preferred stock, par value $1.00 per share. As of March 25, 2013, there were issued and outstanding 25,000 shares of Series E Non-Cumulative Convertible Perpetual Preferred Stock, which we refer to as QCR series E preferred, and 29,867 shares of Senior Non-Cumulative Perpetual Preferred Stock, Series F, which we refer to as QCR series F preferred. In certain situations, the terms of the preferred stock prohibit or otherwise restrict dividend payments on QCR common stock. For example, the terms of the preferred stock provide that, unless full dividends for all of the outstanding preferred stock have been paid for the relevant periods, no dividends will be paid on QCR common stock, and no QCR common stock may be repurchased, redeemed or otherwise acquired by QCR. In addition, in the event of QCR s liquidation, dissolution or winding-up, the terms of the preferred stock prohibit QCR from making any payments on QCR common stock until all amounts due to holders of such preferred stock are paid in full.

QCR s anticipated conversion of its Series E Non-Cumulative Convertible Perpetual Preferred Stock will have a dilutive effect on QCR s stockholders.

QCR may convert its shares of QCR series E preferred into QCR common stock on or after June 30, 2013 if the value of QCR common stock equals or exceeds $17.22 for at least 20 trading days in a period of 30 consecutive trading days, at a per share conversion price of $12.15, subject to anti-dilution adjustments upon the occurrence of certain events.

Each share of QCR series E preferred will be convertible into the number of shares of QCR common stock that results from dividing $1,000 by the conversion price per share in effect at the time of conversion. Using a conversion price of $12.15 per share and 25,000 shares of QCR series E preferred outstanding as of March 25, 2013, approximately 2,057,613 shares of QCR common stock will be issued upon conversion. If QCR elects to convert the QCR series E preferred, the interest of QCR s then-existing stockholders will be diluted. Specifically for CNB s shareholders, their aggregate ownership of QCR common stock would be reduced from 14.5% to 10.7% upon conversion, using 835,173 shares of QCR common stock issued at the closing of the merger transaction.

Difficult market conditions have affected the financial industry and may adversely affect QCR in the future.

Dramatic declines in the U.S. housing market over the past few years, with falling home prices and increasing foreclosures, unemployment and under-employment, have negatively impacted the credit performance of mortgage loans and resulted in significant write-downs of asset values by financial institutions, including government-sponsored entities as well as major commercial banks and investment banks. These write-downs, initially of mortgage-backed securities but spreading to credit default swaps and other derivative and cash securities, in turn, have caused many financial institutions to seek additional capital from private and government entities, to merge with larger and stronger financial institutions and, in some cases, to fail. While these challenges are generally less severe than in recent years, their impact continues to be felt.

Reflecting concern about the stability of the financial markets in general and the strength of counterparties, many lenders and institutional investors have reduced or ceased providing funding to borrowers, including other financial institutions. This market turmoil and tightening of credit have led to an increased level of commercial and consumer delinquencies, erosion of consumer confidence, increased market volatility and widespread reduction of business activity in general. The resulting economic pressure on consumers and erosion of confidence in the financial markets has adversely affected the industry and may adversely affect QCR s business, financial condition and results of operations. Although QCR believes that these difficult conditions in the financial markets have recently improved, a worsening of these conditions would likely exacerbate the adverse effects of these difficult market conditions on us and other financial institutions. In particular, QCR may face the following risks in connection with these events:

- QCR s ability to assess the creditworthiness of its customers may be impaired if the models and approaches it uses to select, manage and underwrite the loans become less predictive of future behaviors.

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The models used to estimate losses inherent in the credit exposure require difficult, subjective, and complex judgments, including forecasts of economic conditions and how these economic predictions might impair the ability of the borrowers to repay their loans, which may no longer be capable of accurate estimation and which may, in turn, impact the reliability of the models.

QCR s ability to borrow from other financial institutions or to engage in sales of mortgage loans to third parties on favorable terms, or at all, could be adversely affected by further disruptions in the capital markets or other events, including deteriorating investor expectations.

Competitive dynamics in the industry could change as a result of consolidation of financial services companies in connection with current market conditions.

QCR expects to face increased regulation of the industry. Compliance with such regulation may increase QCR s costs and limit its ability to pursue business opportunities.

QCR expects to face increased capital requirements, both at the holding company level and at each of its subsidiary banks. In this regard, the Collins Amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act requires the federal banking agencies to establish minimum leverage and risk-based capital requirements that will apply both to insured banks and their holding companies. Furthermore, the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee on Banking Supervision, in September 2010 announced an agreement to a strengthened set of capital requirements for internationally active banking organizations, known as Basel III. While implementation of the proposed rules under Basel III in the U.S. has been indefinitely delayed, QCR expects U.S. banking authorities to follow the lead of Basel III and require all U.S. banking organizations to maintain significantly higher levels of capital, which may limit QCR s ability to pursue business opportunities and adversely affect its results of operations and growth prospects.

QCR may be required to pay significantly higher FDIC premiums because market developments have significantly depleted the Deposit Insurance Fund, or DIF, and reduced the ratio of reserves to insured deposits. Furthermore, the Dodd-Frank Act requires the FDIC to increase the DIF s reserves against future losses, which will necessitate increased assessments on depository institutions. Although the precise impact on QCR will not be clear until implementing rules are issued, any future increases in assessments applicable to QCR will decrease its earnings and could have a material adverse effect on the value of, or market for, QCR s common stock.

If current levels of market disruption and volatility continue or worsen, there can be no assurance that QCR will not experience an adverse effect, which may be material, on its ability to access capital and on its business, financial condition and results of operations.

QCR must effectively manage its credit risk.

There are risks inherent in making any loan, including risks inherent in dealing with specific borrowers, risks of nonpayment, risks resulting from uncertainties as to the future value of collateral and risks resulting from changes in economic and industry conditions. QCR attempts to minimize its credit risk through prudent loan application approval procedures, careful monitoring of the concentration of its loans within specific industries and periodic independent reviews of outstanding loans by its credit review department and an external third party. However, QCR cannot assure you that such approval and monitoring procedures will reduce these credit risks.

The majority of QCR s subsidiary banks loan portfolios are invested in commercial and industrial and commercial real estate loans, and QCR focuses on lending to small to medium-sized businesses. The size of the loans it can offer to commercial customers is less than the size of the loans that its competitors with larger lending limits can offer. This may limit its ability to establish relationships with the area s largest businesses. Smaller companies tend to be at a competitive disadvantage and generally have limited operating histories, less sophisticated internal record keeping and financial planning capabilities and fewer financial resources than larger

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companies. As a result, QCR may assume greater lending risks than financial institutions that have a lesser concentration of such loans and tend to make loans to larger, more established businesses. Collateral for these loans generally includes accounts receivable, inventory, equipment and real estate. However, depending on the overall financial condition of the borrower, some loans are made on an unsecured basis. In addition to commercial and commercial real estate loans, QCR s subsidiary banks are also active in residential mortgage and consumer lending. Should the economic climate fail to meaningfully improve or if it worsens, its borrowers may experience financial difficulties, and the level of nonperforming loans, charge-offs and delinquencies could rise, which could negatively impact QCR s business through increased provision for loan/lease losses, reduced interest income on loans/leases, and increased expenses incurred to carry and resolve problem loans/leases.

Commercial and industrial loans make up a large portion of QCR s loan/lease portfolio.

Commercial and industrial loans were $394.2 million, or approximately 31% of QCR s total loan/lease portfolio, as of December 31, 2012. QCR s commercial and industrial loans are primarily made based on the identified cash flow of the borrower and secondarily on the underlying collateral provided by the borrower. Most often, this collateral is accounts receivable, inventory, equipment and real estate. Credit support provided by the borrower for most of these loans and the probability of repayment is based on the liquidation value of the pledged collateral and enforcement of a personal guarantee, if any exists. Whenever possible, QCR requires a personal guarantee on commercial loans. As a result, in the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts due from its customers. The collateral securing these loans may depreciate over time, may be difficult to appraise, and may fluctuate in value based on the success of the business. In addition, if the U.S. economy experiences a prolonged recovery period, it could harm or continue to harm the businesses of QCR s commercial and industrial customers and reduce the value of the collateral securing these loans. CNB s commercial and industrial loan portfolio shares characteristics similar to that of QCR s and experiences similar risks.

QCR s loan/lease portfolio has a significant concentration of commercial real estate loans, which involve risks specific to real estate values.

Commercial real estate lending comprises a significant portion of QCR s lending business. Specifically, commercial real estate loans were $594.0 million, or approximately 46% of QCR s total loan/lease portfolio, as of December 31, 2012. Of this amount, $204.9 million, or approximately 35%, was owner-occupied. The market value of real estate securing its commercial real estate loans can fluctuate significantly in a short period of time as a result of market conditions in the geographic area in which the real estate is located, and in the past several years QCR s market areas have experienced a general weakening in real estate valuations. Continued adverse developments affecting real estate values in one or more of its markets could increase the credit risk associated with its loan portfolio. Additionally, real estate lending typically involves higher loan principal amounts and the repayment of the loans generally is dependent, in large part, on sufficient income from the properties securing the loans to cover operating expenses and debt service. Economic events or governmental regulations outside of the control of the borrower or lender could negatively impact the future cash flow and market values of the affected properties.

The problems that have occurred in the residential real estate and mortgage markets throughout much of the U.S. in recent years also affected the commercial real estate market. In QCR s market areas, QCR generally experienced a downturn in credit performance by its commercial real estate loan customers in recent years relative to historical norms, and despite recent improvements in certain aspects of the economy, a level of uncertainty continues to exist in the economy and credit markets, there can be no guarantee that it will not experience further deterioration in the performance of commercial real estate and other real estate loans in the future. In such case, QCR may not be able to realize the amount of security that it anticipated at the time of originating the loan, which could cause QCR to increase its provision for loan losses and adversely affect its operating results, financial condition and/or capital. CNB s loan/lease portfolio shares characteristics similar to that of QCR s and experiences like risks.

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QCR s allowance for loan/lease losses may prove to be insufficient to absorb losses in its loan/lease portfolio.

QCR establishes its allowance for loan/lease losses in consultation with management of its subsidiaries and maintain it at a level considered adequate by management to absorb loan/lease losses that are inherent in the portfolio. The amount of future loan/lease losses is susceptible to changes in economic, operating and other conditions, including changes in interest rates, which may be beyond its control, and such losses may exceed current estimates. At December 31, 2012, QCR s allowance for loan/lease losses as a percentage of total gross loans/leases was 1.55%, and as a percentage of total nonperforming loans/leases was approximately 78.47%. In addition, QCR had net charge-offs as a percentage of gross average loans/leases of 0.27% for the year ended December 31, 2012. Because of the concentration of commercial and industrial and commercial real estate loans in its loan portfolio, which tend to be larger in amount than residential real estate and installment loans, the movement of a small number of loans to nonperforming status can have a significant impact on this ratio. Although management believes that the allowance for loan/lease losses as of December 31, 2012 was adequate to absorb losses on any existing loans/leases that may become uncollectible, in light of the current economic environment, which remains challenging, QCR cannot predict loan/lease losses with certainty, and QCR cannot assure you that its allowance for loan/lease losses will prove sufficient to cover actual loan/lease losses in the future, particularly if economic conditions are more difficult than what management currently expects. Additional provisions to the allowance for loan/lease losses and loan/lease losses in excess of its allowance for loan/lease losses may adversely affect its business, financial condition and results of operations.

System failure or breaches of its network security could subject QCR to increased operating costs as well as litigation and other liabilities.

The computer systems and network infrastructure QCR uses could be vulnerable to unforeseen problems. QCR s operations are dependent upon its ability to protect its computer equipment against damage from physical theft, fire, power loss, telecommunications failure or a similar catastrophic event, as well as from security breaches, denial of service attacks, viruses, worms and other disruptive problems caused by hackers. Any damage or failure that causes an interruption in its operations could have a material adverse effect on its financial condition and results of operations. Computer break-ins, phishing and other disruptions could also jeopardize the security of information stored in and transmitted through its computer systems and network infrastructure, as well as that of its customers engaging in internet banking activities, which may result in significant liability to QCR and may cause existing and potential customers to refrain from doing business with it. Although QCR, with the help of third-party service providers, intend to continue to implement security technology and establish operational procedures to prevent such damage, there can be no assurance that these security measures will be successful. In addition, advances in computer capabilities, new discoveries in the field of cryptography or other developments could result in a compromise or breach of the algorithms QCR and its third-party service providers use to encrypt and protect customer transaction data. Any interruption in, or breach of security of, its computer systems and network infrastructure, or that of its internet banking customers, could damage its reputation, result in a loss of customer business, subject QCR to additional regulatory scrutiny, or expose QCR to civil litigation and possible financial liability, any of which could have a material adverse effect on its financial condition and results of operations.

QCR is subject to certain operational risks, including, but not limited to, customer or employee fraud and data processing system failures and errors.

Employee errors and employee and customer misconduct could subject QCR to financial losses or regulatory sanctions and seriously harm its reputation. Misconduct by its employees could include hiding unauthorized activities from it, improper or unauthorized activities on behalf of QCR s customers or improper use of confidential information. It is not always possible to prevent employee errors and misconduct, and the precautions QCR takes to prevent and detect this activity may not be effective in all cases. Employee errors could also subject us to financial claims for negligence.

QCR maintains a system of internal controls and insurance coverage to mitigate against operational risks, including data processing system failures and errors and customer or employee fraud. Should its internal controls fail to prevent or detect an occurrence, and if any resulting loss is not insured or exceeds applicable insurance limits, such failure could have a material adverse effect on QCR s business, financial condition and results of operations.

QCR may be materially and adversely affected by the highly regulated environment in which it operates.

QCR and its bank subsidiaries are subject to extensive federal and state regulation, supervision and examination. Banking regulations are primarily intended to protect depositors funds, FDIC funds, customers and the banking system as a whole, rather than stockholders. These regulations affect its lending practices, capital structure, investment practices, dividend policy and growth, among other things.

As a bank holding company, QCR is subject to regulation and supervision primarily by the Federal Reserve. QCBT and CRBT, as Iowa-chartered state member banks, are subject to regulation and supervision by both the IDOB and the Federal Reserve. RB&T, as an Illinois-chartered state member bank, is subject to regulation and supervision by both the Illinois Department of Financial and Professional Regulation, or DFPR and the Federal Reserve. QCR and its banks undergo periodic examinations by these regulators, who have extensive discretion and authority to prevent or remedy unsafe or unsound practices or violations of law by banks and bank holding companies.

The primary federal and state banking laws and regulations that affect QCR are described in Information About QCR Holdings, Inc. Supervision and Regulation. These laws, regulations, rules, standards, policies and interpretations are constantly evolving and may change significantly over time. For example, on July 21, 2010, the Dodd-Frank Act was signed into law, which significantly changed the regulation of financial institutions and the financial services industry. The Dodd-Frank Act, together with the regulations to be developed thereunder, includes provisions affecting large and small financial institutions alike, including several provisions that affect how community banks, thrifts and small bank and thrift holding companies are and will be regulated. In addition, in recent years the Federal Reserve has adopted numerous new regulations addressing banks overdraft and mortgage lending practices. Further, the Consumer Financial Protection Bureau was recently established, with broad powers to supervise and enforce consumer protection laws, and additional consumer protection legislation and regulatory activity is anticipated in the near future.

In September 2010, the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee on Banking Supervision, adopted Basel III, which constitutes a strengthened set of capital requirements for banking organizations in the U.S. and around the world. In the U.S., Basel III is currently the subject of notices of proposed rulemakings released in June of 2012 by the respective federal bank regulatory agencies. The comment period for these notices of proposed rulemakings ended on October 22, 2012, but final regulations have not yet been released. Basel III was intended to be implemented beginning January 1, 2013 and to be fully-phased in on a global basis on January 1, 2019. However, on November 9, 2012, the federal bank regulatory agencies announced that the implementation of the proposed rules under Basel III in the U.S. was indefinitely delayed. If and when implemented in the U.S., Basel III would require higher levels of capital to be held in the form of tangible common equity, generally increase the required capital ratios, phase out certain kinds of intangibles treated as capital and certain types of instruments, like trust preferred securities, include unrealized gains and losses on available-for-sale securities as Tier 1 Capital, and change the risk weightings of assets used to determine required capital ratios. Such changes, including changes regarding interpretations and implementation, could affect QCR in substantial and unpredictable ways and could have a material adverse effect on QCR. Further, such changes could subject QCR to additional costs, limit the types of financial services and products QCR may offer, and/or increase the ability of non-banks to offer competing financial services and products, among other things.

U.S. financial institutions are also subject to numerous monitoring, recordkeeping, and reporting requirements designed to detect and prevent illegal activities such as money laundering and terrorist financing.

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These requirements are imposed primarily through the Bank Secrecy Act, which was most recently amended by the USA Patriot Act. QCR has instituted policies and procedures to protect QCR and its employees, to the extent reasonably possible, from being used to facilitate money laundering, terrorist financing and other financial crimes. There can be no guarantee, however, that these policies and procedures are effective.

Failure to comply with applicable laws, regulations or policies could result in sanctions by regulatory agencies, civil monetary penalties, and/or damage to QCR s reputation, which could have a material adverse effect on QCR. Although QCR has policies and procedures designed to mitigate the risk of any such violations, there can be no assurance that such violations will not occur.

In addition to the foregoing laws and regulations, the policies of the Federal Reserve also have a significant impact on QCR. Among other things, the Federal Reserve s monetary policies directly and indirectly influence the rate of interest earned on loans and paid on borrowings and interest-bearing deposits, and can also affect the value of financial instruments QCR holds and the ability of borrowers to repay their loans, which could have a material adverse effect on QCR.

Monetary policies and regulations of the Federal Reserve could adversely affect QCR s business, financial condition and results of operations.

In addition to being affected by general economic conditions, QCR s earnings and growth are affected by the policies of the Federal Reserve. An important function of the Federal Reserve is to regulate the money supply and credit conditions. Among the instruments used by the Federal Reserve to implement these objectives are open market operations in U.S. government securities, adjustments of the discount rate and changes in reserve requirements against bank deposits. These instruments are used in varying combinations to influence overall economic growth and the distribution of credit, bank loans, investments and deposits. Their use also affects interest rates charged on loans or paid on deposits.

The monetary policies and regulations of the Federal Reserve have had a significant effect on the operating results of commercial banks in the past and are expected to continue to do so in the future. The effects of such policies upon QCR s business, financial condition and results of operations cannot be predicted.

QCR is required to maintain capital to meet regulatory requirements, and if QCR fails to maintain sufficient capital, whether due to losses, an inability to raise additional capital or otherwise, its financial condition, liquidity and results of operations, as well as its ability to maintain regulatory compliance, would be adversely affected.

QCR and each of its banking subsidiaries are required by federal and state regulatory authorities to maintain adequate levels of capital to support their operations and, due to the global financial crisis, QCR expects that the capital requirements imposed by the regulators will increase in the future. QCR intends to grow its business organically and to explore opportunities to grow its business by taking advantage of attractive acquisition opportunities, and such growth plans may require it to raise additional capital to ensure that QCR has adequate levels of capital to support such growth on top of its current operations. QCR s ability to raise additional capital, when and if needed or desired, will depend on conditions in the capital markets, economic conditions and a number of other factors, including investor perceptions regarding the banking industry and market condition, and governmental activities, many of which are outside its control, and on its financial condition and performance. Accordingly, QCR cannot assure you that it will be able to raise additional capital if needed or on terms acceptable to it. QCR s failure to meet these capital and other regulatory requirements could affect customer confidence, its ability to grow, its costs of funds and FDIC insurance costs, its ability to pay dividends on common and preferred stock and to make distributions on its trust preferred securities (including those of CNB that QCR will assume through the merger), its ability to make acquisitions, and its business, results of operations and financial condition.

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Failure to pay interest on QCR s debt or dividends on its preferred stock may adversely impact its ability to pay common stock dividends.

As of December 31, 2012, QCR had $36.1 million of junior subordinated debentures held by four business trusts that it controls and following the merger QCR will assume an additional $6.7 million in junior subordinated debentures held by two trusts that are currently controlled by CNB. Interest payments on QCR s existing debentures, which totaled $1.0 million for 2012, must be paid before QCR can pay dividends on its capital stock, including its common stock. QCR has the right to defer interest payments on the debentures for up to 20 consecutive quarters. However, if it elects to defer interest payments, all deferred interest must be paid before QCR can pay dividends on its capital stock. As of December 31, 2012, QCR had 25,000 shares of non-cumulative convertible perpetual preferred stock issued and outstanding. Although these non-cumulative preferred shares will accrue no dividends, dividends will be payable on the preferred shares if declared, and no dividends may be declared on the QCR s common stock unless and until dividends have been declared on the outstanding shares. Deferral, of either interest payments on the debentures or preferred dividends on the preferred shares, could cause a subsequent decline in the market price of its common stock because QCR would not be able to pay dividends on its common stock.

In addition, as of December 31, 2012, QCR had 29,867 shares of senior non-cumulative perpetual preferred stock issued and outstanding, which QCR issued to the U.S. Department of the Treasury as part of the Small Business Lending Fund Program, or SBLF. The terms of the senior preferred stock impose limits on its ability to pay dividends on and repurchase shares of its common stock and other securities. In general, QCR may declare and pay dividends on its common stock or any other stock junior to the senior preferred stock, or repurchase shares of any such stock, only if after payment of such dividends or repurchase of such shares, its Tier 1 Capital would be at least 90% of QCR s consolidated Tier 1 Capital on the date of issuance of the senior preferred stock. If QCR fails to declare and pay dividends on the senior preferred stock in a given quarter, then during such quarter and for the next three quarters following such missed dividend payment QCR may not pay dividends on or repurchase any common stock or any other securities that are junior to (or in parity with) the senior preferred stock, except that dividends may be paid on parity stock to the extent necessary to avoid any material breach of a covenant by which QCR is bound. Although QCR expects to be able to pay all required dividends on the senior preferred stock (and to continue to pay dividends on common stock at current levels), there is no guarantee that it will be able to do so.

As a bank holding company, QCR s sources of funds are limited.

QCR is a bank holding company, and its operations are primarily conducted by its subsidiary banks, which are subject to significant federal and state regulation. When available, cash to pay dividends to QCR s stockholders is derived primarily from dividends received from its subsidiary banks. QCR s ability to receive dividends or loans from its subsidiary banks is restricted. Dividend payments by QCR s subsidiaries to QCR in the future will require generation of future earnings by them and could require regulatory approval if any proposed dividends are in excess of prescribed guidelines. Further, as a structural matter, QCR s right to participate in the assets of its subsidiary banks in the event of a liquidation or reorganization of any of the banks would be subject to the claims of the creditors of such bank, including depositors, which would take priority except to the extent QCR may be a creditor with a recognized claim. As of December 31, 2012, QCR s subsidiary banks had deposits and other liabilities in the aggregate of approximately $1.93 billion.

Interest rates and other conditions impact QCR s results of operations.

QCR s profitability is in large part a function of the spread between the interest rates earned on investments and loans/leases and the interest rates paid on deposits and other interest bearing liabilities. Like most banking institutions, QCR s net interest spread and margin will be affected by general economic conditions and other factors, including fiscal and monetary policies of the federal government, that influence market interest rates and its ability to respond to changes in such rates. At any given time, QCR s assets and liabilities will be such that they are affected differently by a given change in interest rates. As a result, an increase or decrease in rates, the

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length of loan/lease terms or the mix of adjustable and fixed rate loans/leases in its portfolio could have a positive or negative effect on its net income, capital and liquidity. QCR measures interest rate risk under various rate scenarios and using specific criteria and assumptions. Although QCR believes its current level of interest rate sensitivity is reasonable and effectively managed, significant fluctuations in interest rates may have an adverse effect on its business, financial condition and results of operations.

Declines in asset values may result in impairment charges and adversely affect the value of QCR s investments, financial performance and capital.

The market value of investments in QCR s securities portfolio has become increasingly volatile in recent years, and as of December 31, 2012, it had gross unrealized losses of $445 thousand in its investment portfolio (more than offset by gross unrealized gains of $9.0 million). The market value of investments may be affected by factors other than the underlying performance of the servicer of the securities or the mortgages underlying the securities, such as ratings downgrades, adverse changes in the business climate and a lack of liquidity in the secondary market for certain investment securities. On a quarterly basis, QCR formally evaluate investments and other assets for impairment indicators. QCR may be required to record additional impairment charges if its investments suffer a decline in value that is considered other-than-temporary. If QCR determines that a significant impairment has occurred, it would be required to charge against earnings the credit-related portion of the other-than-temporary impairment, which could have a material adverse effect on its results of operations in the periods in which the write-offs occur.

The downgrade of the U.S. credit rating and Europe s debt crisis could have a material adverse effect on QCR s business, financial condition and liquidity.

Standard & Poor s lowered its long term sovereign credit rating on the U.S. from AAA to AA+ on August 5, 2011. A further downgrade or a downgrade by other rating agencies could have a material adverse impact on financial markets and economic conditions in the U.S. and worldwide. Any such adverse impact could have a material adverse effect on QCR s liquidity, financial condition and results of operations. Many of its investment securities are issued by U.S. government sponsored entities.

In addition, the possibility that certain European Union member states will default on their debt obligations have negatively impacted economic conditions and global markets. The continued uncertainty over the outcome of international and the EU s financial support programs and the possibility that other EU member states may experience similar financial troubles could further disrupt global markets. The negative impact on economic conditions and global markets could also have a material adverse effect on QCR s liquidity, financial condition and results of operations.

Liquidity risks could affect operations and jeopardize QCR s business, results of operations and financial condition.

Liquidity is essential to QCR s business. An inability to raise funds through deposits, borrowings, the sale of securities and/or loans and other sources could have a substantial negative effect on its liquidity. QCR s primary sources of funds consist of cash from operations, deposits, investment maturities and calls, and loan/lease repayments. Additional liquidity is provided by federal funds purchased from the Federal Reserve Bank or other correspondent banks, Federal Home Loan Bank, or FHLB, advances, wholesale and customer repurchase agreements, brokered time deposits, and the ability to borrow at the Federal Reserve Bank s Discount Window. QCR s access to funding sources in amounts adequate to finance or capitalize its activities or on terms that are acceptable to it could be impaired by factors that affect QCR directly or the financial services industry or economy in general, such as disruptions in the financial markets or negative views and expectations about the prospects for the financial services industry.

Since mid-2007, the financial services industry and the credit markets generally have been materially and adversely affected by significant declines in asset values and by a lack of liquidity. The liquidity issues have been particularly acute for regional and community banks, as many of the larger financial institutions have significantly curtailed their lending to regional and community banks to reduce their exposure to the risks of other banks. In addition, many of the larger correspondent lenders have reduced or even eliminated federal funds lines for their correspondent customers. Furthermore, regional and community banks generally have less access to the capital markets than do the national and super-regional banks because of their smaller size and limited analyst coverage. Any decline in available funding could adversely impact QCR s ability to originate loans/leases, invest in securities, meet its expenses, pay dividends to its stockholders, or fulfill obligations such as repaying its borrowings or meeting deposit withdrawal demands, any of which could have a material adverse impact on its liquidity, business, results of operations and financial condition.

QCR s business is concentrated in and dependent upon the continued growth and welfare of the Quad Cities and Cedar Rapids, Iowa and Rockford, Illinois markets and, following the merger, the Cedar Falls, Mason City and Waterloo, Iowa and Austin, Minnesota markets.

QCR operates primarily in the Quad Cities, Cedar Rapids, and Rockford markets and, following the merger, the Cedar Falls, Mason City, Waterloo and Austin markets. As a result, QCR s financial condition, results of operations and cash flows are subject to changes in the economic conditions in those areas. QCR has developed a particularly strong presence in Bettendorf, Cedar Rapids and Davenport, Iowa and Moline and Rockford, Illinois and their surrounding communities. QCR s success depends upon the business activity, population, income levels, deposits and real estate activity in these markets, as well as in Cedar Falls, Mason City and Waterloo, Iowa and Austin, Minnesota following the merger. Although QCR s customers business and financial interests may extend well beyond these market areas, adverse economic conditions that affect these market areas could reduce demand for QCR s products and services, affect the ability of its customers to repay their loans to QCR, increase the levels of its nonperforming and problem loans, and generally affect its financial condition and results of operations. Because of QCR s geographic concentration, QCR is less able than other regional or national financial institutions to diversify its credit risks across multiple markets.

QCR faces intense competition in all phases of its business from other banks and financial institutions.

The banking and financial services businesses in QCR s markets are highly competitive. Its competitors include large regional banks, local community banks, savings and loan associations, securities and brokerage companies, mortgage companies, insurance companies, finance companies, money market mutual funds, credit unions and other non-bank financial services providers. Many of these competitors are not subject to the same regulatory restrictions as QCR is subject. Many of its unregulated competitors compete across geographic boundaries and are able to provide customers with a feasible alternative to traditional banking services.

Increased competition in QCR s markets may result in a decrease in the amounts of its loans and deposits, reduced spreads between loan rates and deposit rates or loan terms that are more favorable to the borrower. Any of these results could have a material adverse effect on its ability to grow and remain profitable. If increased competition causes QCR to significantly discount the interest rates QCR offers on loans or increase the amount it pays on deposits, its net interest income could be adversely impacted. If increased competition causes QCR to modify its underwriting standards, it could be exposed to higher losses from lending activities. Additionally, many of QCR s competitors are much larger in total assets and capitalization, have greater access to capital markets, have larger lending limits and offer a broader range of financial services than QCR can offer.

The soundness of other financial institutions could negatively affect QCR.

QCR s ability to engage in routine funding and other transactions could be negatively affected by the actions and commercial soundness of other financial institutions. Financial services institutions are interrelated as a result of trading, clearing, counterparty or other relationships. Defaults by, or even rumors or questions about, one or more financial services institutions, or the financial services industry generally, have led to market-wide

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liquidity problems and losses of depositor, creditor and counterparty confidence and could lead to losses or defaults by QCR or by other institutions. QCR could experience increases in deposits and assets as a result of the difficulties or failures of other banks, which would increase the capital QCR needs to support its growth.

QCR s community banking strategy relies heavily on its subsidiaries independent management teams, and the unexpected loss of key managers may adversely affect its operations.

QCR relies heavily on the success of its bank subsidiaries independent management teams. Accordingly, much of QCR s success to date has been influenced strongly by its ability to attract and to retain senior management experienced in banking and financial services and familiar with the communities in its market areas. QCR s ability to retain the executive officers and current management teams of its operating subsidiaries, including the executive officers and current management team of CNB s subsidiary bank, will continue to be important to the successful implementation of its strategy. It is also critical, as QCR manages its existing portfolio and grow, to be able to attract and retain qualified additional management and loan officers with the appropriate level of experience and knowledge about its market areas to implement its community-based operating strategy. The unexpected loss of services of any key management personnel, or the inability to recruit and retain qualified personnel in the future, could have an adverse effect on its business, financial condition and results of operations.

QCR has a continuing need for technological change, and QCR may not have the resources to effectively implement new technology.

The financial services industry continues to undergo rapid technological changes with frequent introductions of new technology-driven products and services. In addition to enabling QCR to better serve its customers, the effective use of technology increases efficiency and the potential for cost reduction. QCR s future success will depend in part upon its ability to address the needs of its customers by using technology to provide products and services that will satisfy customer demands for convenience as well as to create additional efficiencies in its operations as QCR continues to grow. Many of QCR s larger competitors have substantially greater resources to invest in technological improvements. As a result, they may be able to offer additional or superior products to those that QCR will be able to offer, which would put it at a competitive disadvantage. Accordingly, QCR cannot provide you with assurance that it will be able to effectively implement new technology-driven products and services or be successful in marketing such products and services to its customers.

QCR s reputation could be damaged by negative publicity.

Reputational risk, or the risk to QCR s business, financial condition or results of operations from negative publicity, is inherent in the financial industry. Negative publicity can result from actual or alleged conduct in a number of areas, including legal and regulatory compliance, lending practices, corporate governance, litigation, inadequate protection of customer data, ethical behavior of QCR s employees, and from actions taken by regulators, ratings agencies and others as a result of that conduct. Damage to QCR s reputation could impact its ability to attract new or maintain existing loan and deposit customers, employees and business relationships.

The repeal of federal prohibitions on payment of interest on business demand deposits could increase QCR s interest expense.

All federal prohibitions on the ability of financial institutions to pay interest on business demand deposit accounts were repealed as part of the Dodd-Frank Act. As a result, some financial institutions have commenced offering interest on these demand deposits to compete for customers. If competitive pressures require QCR to pay interest on these demand deposits to attract and retain business customers, its interest expense would increase and its net interest margin would decrease. This could have a material adverse effect on QCR s business, financial condition and results of operations. Further, the effect of the repeal of the prohibition could be more significant in a higher interest rate environment as business customers would have a greater incentive to seek interest on demand deposits.

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The expiration of the FDIC s Transaction Account Guarantee Program could negatively impact QCR s liquidity and cost of funds.

Under the FDIC s Transaction Account Guarantee Program, certain non-interest-bearing transaction accounts, including those of consumers and businesses, were insured by the FDIC over and above the $250,000 limit. This program expired on December 31, 2012, which could cause QCR s depositors to withdraw deposits in excess of FDIC-insured levels. The withdrawal of these deposits could negatively impact its liquidity. Furthermore, the withdrawal of these deposits could negatively impact QCR s cost of funds by potentially reducing its levels of core deposits and increasing the need to rely on wholesale funding sources, which typically represent higher cost funds.

The preparation of QCR s consolidated financial statements requires QCR s management to make estimates and judgments, which are subject to an inherent degree of uncertainty and which may differ from actual results.

QCR s consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles and general reporting practices within the financial services industry, which require QCR to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. Some accounting policies, such as those pertaining to QCR s allowance for loan/lease losses, require the application of significant judgment by management in selecting the appropriate assumptions for calculating financial estimates. By their nature, these estimates and judgments are subject to an inherent degree of uncertainty and actual results may differ from these estimates and judgments under different assumptions or conditions, which may have a material adverse effect on its financial condition or results of operations in subsequent periods. CNB s financial statements are exposed to similar uncertainties and assumptions.

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SPECIAL NOTES CONCERNING FORWARD-LOOKING STATEMENTS

This proxy statement/prospectus contains forward-looking statements within the meaning of federal securities laws. Forward-looking information can be identified through the use of words such as intend, plan, project, expect, anticipate, believe, estimate, contemplate point, will, may, should, would and could. Forward-looking statements and information are not historical facts, are premised on many fac and assumptions, and represent only management s expectations, estimates and projections regarding future events. Similarly, these statements are not guarantees of future performance and involve certain risks and uncertainties that are difficult to predict, which may include, but are not limited to, those listed below and under the caption Risk Factors on page 16. QCR and CNB intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and are including this statement for purposes of invoking these safe harbor provisions. Such forward-looking statements may be deemed to include, among other things, statements relating to QCR s future financial performance, the performance of its loan portfolio, the expected amount of future credit reserves and charge-offs, delinquency trends, growth plans, regulatory developments, securities that QCR may offer from time to time, and management s long-term performance goals, as well as statements relating to the anticipated effects on financial condition and results of operations from expected developments or events, QCR s business and growth strategies, including future acquisitions of banks, specialty finance or wealth management businesses, internal growth and plans to form additional *de novo* banks or branch offices. Actual results could differ materially from those addressed in the forward-looking statements as a result of numerous factors, including the risk factors set forth under the caption Risk Factors :

The costs, effects and outcomes of existing or future litigation, in particular the existing litigation at CNB.

Changes in accounting policies and practices, as may be adopted by state and federal regulatory agencies, the Federal Accounting Standards Board, the Securities and Exchange Commission or the Public Company Accounting Oversight Board.

The economic impact of past and any future terrorist attacks, acts of war or threats thereof and the response of the United States to any such threats and attacks.

The ability of QCR to integrate CNB s subsidiary bank, Community National Bank, promptly into its overall business and plans if the merger is consummated.

The ability of QCR to manage the risks associated with the foregoing as well as those under the Risk Factors section.

Therefore, there can be no assurances that future actual results will correspond to these forward-looking statements. The reader is cautioned not to place undue reliance on any forward-looking statement made by QCR or CNB. Forward-looking statements speak only as of the date they are made, and neither QCR nor CNB undertakes any obligation to update any forward-looking statement to reflect the impact of circumstances or events that arise after the date the forward-looking statement was made. Persons are advised, however, to consult further disclosures management makes on related subjects in its reports filed with the SEC and in its press releases.

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INFORMATION ABOUT THE SPECIAL MEETING OF CNB SHAREHOLDERS

CNB s board of directors is using this proxy statement/prospectus to solicit proxies from the holders of CNB common stock for use at the special meeting of CNB s shareholders.

Date, time and place of the special meeting

The special meeting will be held at Sunnyside Country Club, located at 1600 Olympic Drive, Waterloo, Iowa 50701 on May 8, 2013 at 7 p.m., local time.

Purpose of the special meeting

At the special meeting, CNB board of directors will ask you to vote upon the following:

- a proposal to approve the merger agreement and thereby approve the merger;
- a proposal to approve an adjournment of the special meeting to permit further solicitation in the event that an insufficient number of shares are present in person or by proxy to approve the merger agreement and the transactions it contemplates; and
- any other business that properly comes before the special meeting and any adjournment or postponement thereof.

Record date and voting rights for the special meeting

CNB has set the close of business on April 3, 2013, as the record date for determining the holders of its common stock entitled to notice of and to vote at the special meeting. Only CNB shareholders at the close of business on the record date are entitled to notice of and to vote at the special meeting. As of the record date, there were 2,087,932 shares of CNB common stock outstanding and entitled to vote at the special meeting.

Quorum

The presence in person or by proxy of at least a majority of CNB s shares issued and outstanding and entitled to vote at the special meeting is required for a quorum to be present at the special meeting. Abstentions and broker non-votes will count toward the establishment of a quorum.

Vote required

Assuming the presence of a quorum, approval of the merger agreement requires the affirmative vote of at least a majority of the shares of CNB common stock having voting power, present in person or by proxy at the special meeting. Approval of the proposal to adjourn the special meeting to permit further solicitation in the event that an insufficient number of shares are present in person or by proxy to approve the merger agreement and the transactions it contemplates requires the affirmative vote of at least a majority of the shares of CNB common stock having voting power, present in person or by proxy at the special meeting, if a quorum is present. In the absence of a quorum, holders of a majority of the shares of CNB common stock present in person or by proxy at the special meeting may adjourn the special meeting.

The failure of a CNB shareholder to vote or to instruct his or her broker, bank or nominee to vote if his or her shares are held in street name, which we refer to as a broker non-vote, will have the same effect as voting against the proposals to approve the merger agreement and the meeting adjournment proposal. For purposes of the shareholder vote, an abstention, which occurs when a shareholder attends a meeting, either in person or by proxy, but abstains from voting, will have the same effect as voting against the proposals to approve the merger agreement and to adjourn the special meeting.

Shares held by CNB directors; voting agreements

All of CNB s and Community National Bank s directors and certain executive officers who own shares of CNB common stock whose aggregate ownership as of March 25, 2013 represents approximately 32% of CNB s outstanding shares have committed to vote their shares in favor of the merger. As of March 25, 2013, QCR

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owned 1,000 shares of CNB common stock, which amounts to less than 0.05% of the total CNB shares outstanding. See The Merger Voting agreement on page 43 for a description of the provisions of the voting agreement.

How to vote

You may vote in person at the special meeting or by proxy. To ensure your representation at the special meeting, we recommend you vote by proxy even if you plan to attend the special meeting. You can always change your vote at the meeting.

Voting instructions are included on your proxy form, which should be returned in the enclosed prepaid envelope. If you properly complete and timely submit your proxy, your shares will be voted as you have directed. You may vote for, against, or abstain with respect to the approval of the merger and the other proposals. If you are the record holder of your shares and submit your proxy without specifying a voting instruction, your shares will be voted as the CNB board of directors recommends and will be voted **FOR** approval of the merger agreement and **FOR** the adjournment of the special meeting to permit further solicitation in the event that an insufficient number of shares are present in person or by proxy to approve the merger agreement and the transactions it contemplates.

Revocability of proxies

You may revoke your proxy at any time before it is voted by:

- filing with the secretary of CNB a duly executed revocation of proxy;
- submitting a new proxy with a later date; or
- voting in person at the special meeting.

Attendance at the special meeting will not, in and of itself, constitute a revocation of a proxy. All written notices of revocation and other communication with respect to the revocation of proxies should be addressed to: Community National Bancorporation, 422 Commercial Street, P.O. Box 1288, Waterloo, Iowa 50704, Attention: Deb Dralle.

Proxy solicitation

In addition to this mailing, proxies may be solicited by directors, officers or employees of CNB in person or by telephone or electronic transmission. None of such directors, officers or employees will be directly compensated for such services. CNB will pay the costs associated with the solicitation of proxies for the special meeting.

Other business; adjournments

CNB is not currently aware of any other business to be acted upon at the CNB special meeting. If, however, other matters are properly brought before the special meeting, or any adjournment or postponement thereof, your proxies include discretionary authority on the part of the individuals appointed to vote your shares to act on those matters according to their best judgment.

Adjournments may be made for the purpose of, among other things, soliciting additional proxies. Any adjournment may be made from time to time by the affirmative vote of the holders of a majority of the shares of CNB common stock present in person or by proxy at the special meeting, whether or not a quorum is present, without further notice other than by announcement at the special meeting.

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THE MERGER

This section of the proxy statement/prospectus describes material aspects of the merger. While QCR and CNB believe that the description covers the material terms of the merger and the related transactions, this summary may not contain all of the information that is important to you. You should carefully read this entire proxy statement/prospectus, the attached Annexes and the other documents to which this proxy statement/prospectus refers for a more complete understanding of the merger. The agreement and plan of merger attached hereto as Annex A, not this summary, is the legal document which governs the merger.

General

The CNB board of directors is using this proxy statement/prospectus to solicit proxies from the holders of CNB common stock for use at the CNB special meeting, at which CNB shareholders will be asked to vote on approval of the merger agreement and thereby approve the merger. When the merger is consummated, CNB will merge with and into Merger Sub and will cease to exist. Merger Sub will survive the merger and QCR intends to dissolve Merger Sub shortly after the merger and Community National Bank will then be a wholly-owned subsidiary of QCR. At the effective time of the merger, holders of CNB common stock will exchange their shares for a combination of cash and shares of QCR common stock, the cash portion of which is subject to adjustment.

Only whole shares of QCR common stock will be issued in the merger. As a result, cash will be paid instead of any fractional shares based on the average closing price of QCR s common stock for the five trading days immediately preceding the closing date of the merger. Shares of CNB common stock held by CNB shareholders who elect to exercise their appraisal rights will not be converted into merger consideration.

Following the merger, Michael L. Peterson, CNB s current Chairman of the Board, will be appointed to the board of directors of QCR. Following the merger, the board of Community National Bank will remain unchanged. Additionally, Josef M. Vich will serve as the Vice Chairman of Community National Bank and Stacey J. Bentley will serve as the President of Community National Bank.

The companies

QCR Holdings, Inc.

QCR Holdings, Inc. is a multi-bank holding company headquartered in Moline, Illinois, that was formed in February 1993 under the laws of the state of Delaware. QCR serves the Quad Cities, Cedar Rapids and Rockford communities through the following three wholly-owned banking subsidiaries, which provide full-service commercial and consumer banking and trust and asset management services:

- Quad City Bank and Trust Company, or QCBT, which is based in Bettendorf, Iowa, had assets of $1.18 billion and deposits of $715.3 million as of December 31, 2012;

- Cedar Rapids Bank and Trust Company, or CRBT, which is based in Cedar Rapids, Iowa, had assets of $625.7 million and deposits of $430.3 million as of December 31, 2012; and

- Rockford Bank and Trust Company, or RB&T, which is based in Rockford, Illinois, had assets of $313.8 million and deposits of $230.2 million as of December 31, 2012.

QCR also engages in direct financing lease contracts through m2 Lease Funds, LLC, a wholly-owned subsidiary of QCBT based in Brookfield, Wisconsin.

As of December 31, 2012, QCR had total assets of approximately $2.09 billion, total loans and leases of approximately $1.29 billion, total deposits of approximately $1.37 billion, and total stockholders equity of approximately $140.4 million.

QCR common stock is traded on NASDAQ under the ticker symbol QCRH.

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Financial and other information relating to QCR, including information relating to QCR s business current directors and executive officers, is set forth in Information About QCR Holdings, Inc.

QCR Acquisition, LLC

QCR Acquisition, LLC, a Delaware limited liability corporation, is a wholly-owned subsidiary of QCR and was formed solely for the purpose of consummating the merger. Merger Sub has not carried on any activities to date, except for activities incidental to its formation and activities undertaken in connection with the merger.

Community National Bancorporation

Community National Bancorporation, an Iowa corporation incorporated on February 10, 1997, is a single bank holding company that owns 100% of Community National Bank, Waterloo, Iowa. Community National Bank has banking locations in Waterloo, Cedar Falls, and Mason City, Iowa, and Austin, Minnesota. Community National Bank commenced its operations in 1997.

CNB s subsidiary bank is nationally chartered with trust and fiduciary powers pursuant to federal law and regulated by the OCC and has deposit insurance through FDIC. The bank provides traditional banking, trust and asset management services.

Community National Bank had assets of $286.4 million and deposits of $248.9 million as of December 31, 2012.

As of December 31, 2012, CNB had consolidated total assets of approximately $287.1 million, deposits of $247.3 million and total shareholders equity of $19.3 million. CNB is not a public company and, accordingly, there is no established trading market for CNB s common stock.

CNB s proposals

At the CNB special meeting, holders of shares of CNB common stock will be asked to vote on approval of the merger agreement and thereby approve the merger. **The merger will not be completed unless CNB s shareholders approve the merger agreement and thereby approve the merger.**

Background of the merger

CNB s board of directors and senior management have regularly reviewed and evaluated CNB s business, strategic direction, performance, prospects and strategic alternatives. In the first part of 2012, CNB s board and senior management began more in-depth discussions among themselves regarding CNB s strategic alternatives, including a possible sale of the organization. They discussed the advantages and disadvantages of remaining an independent operating concern, the historical performance and strategic direction of CNB and the lack of dividends and liquidity for CNB s shareholders. They also discussed the range of possible valuations and potential transaction partners. As part of this discussion, they considered the anticipated general increases in regulatory costs and capital requirements throughout the industry and their effect on CNB, the continuing low interest rate environment, succession planning for directors and senior management, as well as trends in mergers and acquisitions in the financial services sector.

Over the past several years, QCR s board has also actively considered QCR s business and strategic direction. In this regard, QCR s executive management has regularly met from time to time with financial advisors, including representatives from Raymond James & Associates, Inc., to discuss various trends in the industry, the merger and acquisition market and particular financial institutions. The executive management team regularly reported this information to the full board of directors to keep the directors properly knowledgeable and informed on QCR s strategic alternatives.

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In May of 2012, QCR s board held an informal session during which representatives from Raymond James and QCR s special legal counsel, Barack Ferrazzano Kirschbaum & Nagelberg LLP, gave general presentations regarding, among other things, different business and legal considerations involved in conducting a merger or acquisition, the directors fiduciary duties in such a transaction, as well as provided a general overview on financial institutions that may be viable strategic partners with QCR, including CNB.

Several of QCR s executives and officers, in particular individuals involved with CRBT, have knowledge of the Cedar Falls and Waterloo markets due to the proximity of the markets, in which QCR and CNB operate and are familiar with many of the business people who live or work in those markets. Based on these relationships, in July of 2012, QCR executives met with CNB executives to discuss the companies and bank subsidiaries, their general business strategies, the markets that each of them service, other general matters and whether a strategic transaction would be feasible for both parties. Following that meeting, the parties agreed to stay in communication with one another and to update their respective boards of directors regarding the discussions to determine if there was mutual interest to pursue more formal discussions regarding a possible strategic transaction between QCR and CNB. Shortly thereafter, the parties entered into a joint confidentiality agreement and during late July and August of 2012, the management teams had several informal conversations regarding the possibility of a strategic transaction. Additionally, during this period the parties conducted preliminary due diligence on each other, primarily focusing on the loan and investment portfolios of each entity. QCR s management team worked with Raymond James on modeling and pricing a potential transaction with CNB.

In September of 2012, the QCR board met and discussed the possibility of a strategic transaction with CNB. Additionally, representatives from Barack Ferrazzano gave a detailed presentation on many of the legal aspects and considerations involved in a strategic transaction. Based on those discussions, management presented a financial analysis of a possible transaction with CNB, which was developed with assistance from representatives of Raymond James. Following the September discussion with the board, QCR s executives continued their preliminary due diligence on CNB and had several discussions with CNB management. On October 12, 2012, the executive teams for both entities met and, based upon their preliminary due diligence, decided that it would be appropriate to begin more formal discussions regarding a potential transaction and CNB requested a non-binding letter of intent from QCR outlining the possible structure and potential basic terms of such a transaction. QCR s management team, in consultation with representatives of Raymond James and Barack Ferrazzano, began the preparation of a non-binding letter of intent.

The QCR board met on October 22, 2012 to discuss the proposed letter of intent, which provided for the merger of CNB into a wholly-owned subsidiary of QCR. Based upon the management team s preliminary due diligence, CNB s asset quality and overall financial condition, the Cedar Falls, Waterloo, Mason City and Austin markets, CNB s similar community banking philosophy and the perceived strength of the combined entity, QCR s board unanimously approved the non-binding letter of intent. QCR submitted the first draft of the non-binding letter of intent on October 23, 2012. Over the next several weeks, CNB s and QCR s management teams discussed pricing and other terms contained in the initial letter of intent.

CNB s board met on November 8, 2012, and discussed the proposed terms of a transaction set forth in the initial letter of intent. Following that meeting, CNB executives contacted QCR executives and they discussed the proposed terms of a transaction.

Thereafter, QCR s management team prepared a revised draft of the letter of intent with the assistance and input from representatives of Raymond James and Barack Ferrazzano. In the revised draft of the letter of intent, QCR proposed a total aggregate transaction value of approximately $19.6 million, with approximately 30% paid in cash and approximately 70% paid in QCR common stock. On November 15, 2012, QCR held a board meeting to discuss the revised letter of intent. Following a discussion involving the board, QCR s executive management and representatives from each of Raymond James and Barack Ferrazzano, the board approved the revised letter of intent, which was delivered to CNB later that day.

On November 15, 2012, the CNB board met and held a lengthy discussion on the aggregate value of a possible transaction, the type of consideration involved, the tax treatment and effects of a possible transaction, employment and employee benefit issues, as well as other possible conditions that may be involved in a transaction. This discussion included a review of QCR s financial information, QCR s community bank operating philosophy and stock performance history. Following this discussion, CNB s board determined to pursue a transaction with QCR and authorized the entry into the letter of intent. CNB s board did not seek additional offers at that time because of the favorable terms of QCR s proposal and CNB s confidence in QCR s management team.

The parties executed the letter of intent on November 16, 2012. During the rest of November, the parties prepared for formal due diligence. QCR conducted on-site due diligence on December 5 7, 2012 and both parties and their legal representatives continued to review due diligence materials through a secure on-line portal throughout December and January. Throughout the due diligence process, representatives of Raymond James and Barack Ferrazzano remained in contact with QCR to assist in the due diligence process and the negotiating and structuring of a final agreement.

Representatives for Barack Ferrazzano prepared the initial draft of the merger agreement and, after multiple discussions with QCR s management team, delivered the initial draft of the merger agreement with terms that followed the letter of intent to CNB s legal counsel on December 12, 2012. The parties legal counsels had several conversations throughout December regarding the draft merger agreement and the ongoing due diligence. During the months of December of 2012 and January of 2013, CNB, QCR and their respective legal advisors negotiated the terms of the merger agreement, exchanging comments and revised drafts of the merger agreement.

At QCR board meetings on February 6 and 7, 2013, representatives of Raymond James provided the board with a detailed financial analysis of the proposed transaction and representatives of Barack Ferrazzano led a discussion summarizing the merger agreement, the scope of the representations and warranties, the nature of the parties covenants prior to closing, the proposed closing conditions and the termination provisions. They also discussed the directors fiduciary duties with regard to such a transaction. The QCR board engaged in a lengthy discussion regarding the proposed transaction and the rationales for proceeding with the transaction, which are discussed in more detail below. Following that discussion, QCR s board of directors authorized the QCR management team to offer CNB $3.00 in cash and 0.40 share of QCR common stock for each share of CNB common stock and that was relayed to CNB on February 7, 2013.

CNB s board met in a special meeting on February 7, 2013, to consider revised terms of the proposed merger. The board also discussed the change of control agreements with Josef M. Vich and Stacey J. Bentley as well as information resulting from due diligence efforts. After consultation with advisors and careful consideration of the prospects of CNB without the merger, the board determined that the best interest of CNB and its shareholders would be served by the completion of the merger. Final approval of the merger would be subject to review of exhibits, schedules and the final merger agreement.

Representatives of QCR and CNB tentatively agreed to the financial terms of the merger agreement on February 8, 2013 and the legal representatives continued to discuss the final terms and provisions of the merger agreement, as well as the terms of new employment agreements with Josef M. Vich and Stacey J. Bentley. The agreements were revised to reflect these final discussions and each of the boards of QCR and CNB met on February 12, 2013. The aggregate value of the transaction at that time was $20.1 million, reflecting a $16.58 per share value of QCR s common stock, which had increased since the start of the negotiations in October of 2012. The QCR board reviewed the final terms of the merger agreement and representatives of Raymond James and Barack Ferrazzano each gave a presentation regarding the final terms of the agreement. Based on this and previous discussions, the QCR board unanimously approved the merger agreement and the transactions contemplated in the agreement. On that date, the CNB board also discussed the final merger agreement and the CNB board of directors unanimously approved the merger agreement and the transactions contemplated in the agreement.

On February 13, 2013, the merger agreement was finalized and executed by each of QCR, Merger Sub and CNB. QCR and CNB issued a joint press release on February 14, 2013 announcing the execution of the merger agreement.

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CNB s reasons for the merger and recommendation of the board of directors

CNB s board of directors has concluded that the merger offers CNB s shareholders an attractive opportunity to achieve the board s strategic business objectives, including increasing shareholder value, growing the size of the business and enhancing liquidity for CNB s shareholders. In addition, CNB s board of directors believes that the customers and communities served by Community National Bank will benefit from the merger.

In deciding to approve the merger agreement and the transactions it contemplates, CNB s board of directors consulted with CNB s management, as well as its legal counsel and other advisors, and considered numerous factors, including the following:

- information with respect to the businesses, earnings, operations, financial condition, prospects, capital levels and asset quality of CNB and QCR, both individually and as a combined company, including the perceived risks and uncertainties attendant to CNB s operation as an independent banking organization, the risks and uncertainties related to the continuing low-interest rate environment, competition in CNB s market area, increased regulatory costs and increased capital requirements;
- the enhanced liquidity for CNB s shareholders with respect to the shares of QCR common stock to be received in the merger;
- the uncertainty associated with the portion of the merger consideration that would be paid in shares of QCR common stock, recognizing the variable nature of the trading price for publicly traded shares as well as the market value of QCR common stock prior to the execution of the merger agreement and the prospects for future appreciation as a result of QCR s strategic initiatives;
- the value to be received by CNB shareholders in the merger as compared to shareholder value projected for CNB as an independent entity;
- the fact that QCR is publicly held and the merger would provide greater access to a public trading market for CNB s shareholders whose investments currently are in a privately held company, as well as enhanced access to capital markets to finance the combined company s capital requirements; and
- the likelihood that the merger will be approved by the relevant bank regulatory authorities without undue burden and in a timely manner.

Among other matters, the CNB s board also considered the following factors, which the board is permitted to consider under Iowa law:

- the effect of the merger on Community National Bank and CNB;
- the effect of the merger on the employees of Community National Bank and CNB;
- the effect of the merger on the creditors of CNB and Community National Bank, including the holders of trust preferred securities and the holder of senior secured debt; and
- the effect of the merger on the communities served by Community National Bank and the history of CNB and Community National Bank in providing service to the communities in which they have operated community banks.

The above discussion of the information and factors considered by CNB s board of directors is not intended to be exhaustive, but includes a description of material factors considered by CNB s board. In view of the wide variety of factors considered by the CNB board of directors in connection with its evaluation of the merger, the CNB board did not consider it practical to, nor did it attempt to, quantify, rank or otherwise assign relative weights to the specific factors that it considered. In considering the factors described above, individual directors may have given differing weights to different factors. CNB s board of directors collectively made its determination with respect to the merger based on the conclusion reached by its members, based on the factors that each of them considered appropriate, that the merger is in the best interests of CNB s shareholders.

CNB s board of directors believes that the merger is fair to, and in the best interests of, CNB and its shareholders. CNB s board of directors unanimously approved the merger agreement and recommends that shareholders vote FOR approval of the merger agreement.

Certain directors and officers of CNB and Community National Bank have interests in the merger different from or in addition to their interests as shareholders generally, including certain cash payments that will be made as a result of the merger under various benefit plans and agreements currently in place in order to terminate such agreements and to be made under agreements entered into between the individuals and Community National Bank in connection with the merger. You may wish to consider these interests in evaluating CNB s board of directors recommendation that you vote in favor of the merger. See The Merger Interests of certain persons in the merger. All of CNB s directors who own shares of CNB common stock have agreed to vote their shares in favor of the merger at the special meeting.

QCR s reasons for the merger

QCR s board of directors believes that the merger is in the best interests of QCR and its stockholders. In deciding to approve the merger, QCR s board of directors after consulting with its management as well as its legal and financial advisors, considered a number of factors, including:

- management s view that the acquisition of CNB provides an attractive opportunity to expand into desirable markets, including Cedar Falls and Waterloo, Iowa;
- CNB s complementary relationship-oriented community banking model and its compatibility with QCR and its subsidiaries;
- a review of the demographic, economic and financial characteristics of the markets in which CNB operates, including existing and potential competition and history of the market areas with respect to financial institutions;
- management s review of CNB s business, operations, earnings and financial condition, including its management, capital levels and strong asset quality;
- anticipated efficiencies to come from integrating certain of CNB s operations into QCR s existing operations; and
- the likelihood that the merger will be approved by the relevant bank regulatory authorities without undue burden and in a timely manner.

The above discussion of the information and factors considered by QCR s board of directors is not intended to be exhaustive, but includes a description of material factors considered by QCR s board. In view of the wide variety of factors considered by the QCR board of directors in connection with its evaluation of the merger, the QCR board did not consider it practical to, nor did it attempt to, quantify, rank or otherwise assign relative weights to the specific factors that it considered. In considering the factors described above, individual directors may have given differing weights to different factors. QCR s board of directors collectively made its determination with respect to the merger based on the conclusion reached by its members, based on the factors that each of them considered appropriate, that the merger is in the best interests of QCR s stockholders.

Material U.S. federal income tax consequences of the merger

The following summary describes the material U.S. federal income tax consequences of the merger to U.S. holders (as defined below) of CNB common stock. The summary is based upon the Internal Revenue Code of 1986, applicable Treasury Regulations, judicial decisions and administrative rulings and practice, all as in effect

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as of the date hereof, and all of which are subject to change, possibly with retroactive effect. This summary does not address any tax consequences of the merger under state, local or foreign laws, or any federal laws other than those pertaining to income tax.

For purposes of this discussion, the term U.S. holder means a beneficial owner that is: an individual citizen or resident of the United States; a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States or any of its political subdivisions; a trust that (1) is subject to the supervision of a court within the United States and the control of one or more U.S. persons or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person; or an estate that is subject to U.S. federal income taxation on its income regardless of its source.

This discussion addresses only those U.S. holders of CNB common stock that hold their CNB common stock as a capital asset within the meaning of Section 1221 of the Code and does not address all the U.S. federal income tax consequences that may be relevant to particular holders of CNB common stock in light of their individual circumstances or to holders of CNB common stock that are subject to special rules, such as:

- financial institutions;
- investors in pass-through entities;
- persons who are subject to alternative minimum tax;
- insurance companies;
- tax-exempt organizations;
- dealers in securities or currencies;
- traders in securities that elect to use a mark-to-market method of accounting;
- persons that hold CNB common stock as part of a straddle, hedge, constructive sale or conversion transaction;
- regulated investment companies;
- real estate investment trusts;
- persons whose functional currency is not the U.S. dollar;
- persons who are not citizens or residents of the United States; and

holders who acquired their shares of CNB common stock through the exercise of an employee stock option or otherwise as compensation.

If a partnership (or other entity that is taxed as a partnership for federal income tax purposes) holds CNB common stock, the tax treatment of a partner in that partnership generally will depend upon the status of the partner and the activities of the partnership. Partnerships and partners in partnerships should consult their own tax advisors about the tax consequences of the merger to them.

The parties intend for the merger to be treated as a reorganization for U.S. federal income tax purposes. It is a condition to CNB s obligation to complete the merger that CNB receive an opinion from Roth & Company, P.C. dated the closing date of the merger, and it is a condition to QCR s obligation to complete the merger that QCR receive an opinion from Barack Ferrazzano Kirschbaum & Nagelberg LLP, dated the closing date of the merger, each to the effect that (i) the merger will constitute a reorganization within the meaning of Section 368(a) of the Code, (ii) CNB and QCR will each be a party to such reorganization within the meaning of Section 368(a) of the Code, (iii) no gain or loss will be recognized by CNB or QCR in the merger, and (iv) except to the extent of any cash consideration received in the merger and except with respect to cash received in lieu of fractional share interests in QCR common stock, no gain or loss will be recognized by any of the holders of CNB common stock in the merger. These conditions are waivable, and QCR and CNB undertake to recirculate and resolicit if either of these conditions is waived and the change in tax consequences is material. These opinions are and will be based upon representation letters provided by QCR and CNB and upon customary factual assumptions. Neither QCR nor CNB has sought, and neither of them will seek, any ruling from the IRS regarding any matters relating to the merger, and the opinions described above will not be binding on the IRS or any court. Consequently, there can be no assurance that the IRS will not assert, or that a court would not sustain, a position contrary to any of the conclusions set forth below. In addition, if any of the representations or assumptions upon which the opinions are based are inconsistent with the actual facts, the U.S. federal income tax consequences of the merger could be adversely affected.

The actual tax consequences of the merger to you may be complex and will depend upon your specific situation and upon factors that are not within the control of QCR or CNB. You should consult with your own tax advisor as to the tax consequences of the merger in light of your particular circumstances, including the applicability and effect of the alternative minimum tax and any state, local or foreign and other tax laws.

The following expresses the opinion of Roth & Company, P.C., tax specialists engaged by CNB, and Barack Ferrazzano Kirschbaum & Nagelberg LLP, outside legal counsel to QCR, insofar as it relates to matters of U.S. federal income tax law and legal conclusions with respect to those matters:

Tax Consequences of the Merger Generally. The material U.S. federal income tax consequences of the merger will be as follows:

- no gain or loss will be recognized by QCR or CNB as a result of the merger;

- gain (but not loss) will be recognized by U.S. holders of CNB common stock who receive shares of QCR common stock and cash in exchange for shares of CNB common stock pursuant to the merger in an amount equal to the lesser of (1) the amount by which the sum of the fair market value of the QCR common stock and cash received by a U.S. holder of CNB common stock exceeds such U.S. holder s basis in its CNB common stock and (2) the amount of cash received by such U.S. holder of CNB common stock (excluding any cash received in lieu of a fractional share of QCR common stock).

- the aggregate basis of the QCR common stock received by a U.S. holder of CNB common stock in the merger (including fractional shares of QCR common stock deemed received and redeemed as described below) will be the same as the aggregate basis of the CNB common stock for which it is exchanged, decreased by the amount of cash received in the merger (other than cash received in lieu of a fractional share in QCR common stock) and increased by the amount of gain recognized on the exchange, other than with respect to cash received in lieu of a fractional share of QCR common stock; and

- the holding period of QCR common stock received in exchange for shares of CNB common stock (including fractional shares of QCR common stock deemed received and redeemed as described below) will include the holding period of the CNB common stock for which it is exchanged.

Gain that U.S. holders of CNB common stock recognize in connection with the merger generally will constitute capital gain and will constitute long-term capital gain if such U.S. holders have held (or are treated as having held) their CNB common stock for more than one year as of the date of the merger. For non-corporate U.S. holders of CNB common stock, the maximum U.S. federal income tax rate on long-term capital gains is 20%.

If a U.S. holder of CNB common stock acquired different blocks of CNB common stock at different times or at different prices, any gain or loss will be determined separately with respect to each block of CNB common stock, and the cash and shares of QCR common stock received will be allocated pro rata to each such block of stock. U.S. holders should consult their own tax advisors with regard to identifying the bases or holding periods of the particular shares of QCR common stock received in the merger.

Cash Received Instead of a Fractional Share of QCR Common Stock. A U.S. holder of CNB common stock who receives cash in lieu of a fractional share of QCR common stock will be treated as having received the fractional share pursuant to the merger and then as having exchanged the fractional share for cash in a redemption by QCR. As a result, such U.S. holder of CNB common stock will generally recognize gain or loss equal to the difference between the amount of cash received and the basis in his or her fractional share interest as set forth above. The gain or loss recognized by the U.S. holders described in this paragraph will generally be capital gain or loss, and will be long-term capital gain or loss if, as of the effective date of the merger, the U.S. holder s holding period for the relevant shares is greater than one year. The deductibility of capital losses is subject to limitations.

Medicare Tax on Unearned Income. A U.S. holder that is an individual is subject to a 3.8% tax on the lesser of (i) his or her net investment income for the relevant taxable year or (ii) the excess of his or her modified gross income for the taxable year over a certain threshold (between $125,000 and $250,000 depending on the individual s U.S. federal income tax filing status). A similar regime applies to estates and trusts. Net investment income generally would include any capital gain incurred in connection with the merger.

Backup Withholding and Information Reporting. Payments of cash to a U.S. holder of CNB common stock pursuant to the merger may, under certain circumstances, be subject to information reporting and backup withholding at a rate of 28% unless the holder provides proof of an applicable exemption or, in the case of backup withholding, furnishes its taxpayer identification number and otherwise complies with all applicable requirements of the backup withholding rules. Any amounts withheld from payments to a U.S. holder under the backup withholding rules are not additional tax and generally will be allowed as a refund or credit against the U.S. holder s U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

A U.S. holder of CNB common stock, as a result of having received QCR common stock in the merger, will be required to retain records pertaining to the merger. In addition, each U.S. holder of CNB common stock who is a significant holder will be required to file a statement with such holder s U.S. federal income tax return in accordance with Treasury Regulations Section 1.368-3(b) setting forth such holder s basis in the CNB common stock surrendered and the fair market value of the QCR common stock and cash received in the merger. A significant holder is a holder of CNB common stock who, immediately before the merger, owned at least 5% of the outstanding stock of CNB or securities of CNB with a basis for federal income taxes of at least $1 million.

This discussion does not address tax consequences that may vary with, or are contingent upon, individual circumstances. Moreover, it does not address any non-income tax or any foreign, state or local tax consequences of the merger. Tax matters are very complicated, and the tax consequences of the merger to you will depend upon the facts of your particular situation. **Accordingly, we strongly urge you to consult with a tax advisor to determine the particular federal, state, local or foreign income or other tax consequences to you of the merger.**

Regulatory approvals

The merger cannot proceed without obtaining all requisite regulatory approvals. QCR and CNB have agreed to take all appropriate actions necessary to obtain the required approvals. The merger of QCR and CNB is subject to prior approval of each of the Federal Reserve and the IDOB. QCR submitted an application with each of the Federal Reserve Bank of Chicago and the IDOB on February 28, 2013 seeking the necessary approvals.

The merger may not be consummated until 15 days after receipt of Federal Reserve approval, during which time the United States Department of Justice may challenge the merger on antitrust grounds. The commencement of an antitrust action would stay the effectiveness of the Federal Reserve s approval, unless a court specifically orders otherwise.

Interests of certain persons in the merger

General. Members of the board of directors and certain executive officers of CNB and Community National Bank may have interests in the merger that are different from, or are in addition to, the interests of CNB shareholders generally. The CNB board of directors was aware of these interests and considered them, among other matters, in approving the merger agreement and determining to recommend to CNB shareholders to vote for approval of the merger agreement. As of March 25, 2013, CNB s and Community National Bank s directors and executive officers controlled, in the aggregate, 659,651 shares of CNB s common stock, representing approximately 32% of CNB s outstanding shares of common stock. Additionally, QCR owned 1,000 shares of CNB common stock as of March 25, 2013. None of the shares owned by QCR at the time of the merger will be entitled to receive the merger consideration.

Employment Agreements. The merger agreement required Josef M. Vich and Stacey J. Bentley to enter into employment agreements with QCR. Under the respective agreements, as of the effective time of the merger, Mr. Vich will serve as Vice Chairman of Community National Bank and Ms. Bentley will serve as President of Community National Bank. Mr. Vich will have an initial annual base salary of $100,000 and Ms. Bentley will have an initial annual base salary of $140,000. Mr. Vich s employment agreement has an initial term that will extend from the effective time of the closing through December 31, 2014. The agreement will automatically extend for one year, through December 31, 2015, unless either party provides notice of nonrenewal. Ms. Bentley s agreement will have an initial term that extends from the effective time of the closing through December 31 of the year following the year in which the closing occurs. Ms. Bentley s agreement will automatically renew for successive one year periods unless either party provides notice of nonrenewal. In the case of a change in control of QCR, Ms. Bentley s agreement will automatically remain in effect for one year following the effective date of such change in control.

Mr. Vich and Ms. Bentley are eligible to receive annual incentive bonuses, in accordance with the policies and programs of QCR, throughout the terms of their employment with QCR, but no amount of annual incentive is guaranteed. Only if Mr. Vich remains employed with QCR through the first anniversary of the merger, Mr. Vich is entitled to receive a retention award in the aggregate amount of $499,760, the first half of which is to be paid on the first anniversary of the merger and the second half of which is to be paid on the second anniversary of the merger. Mr. Vich is also entitled to receive two $10,000 payments from QCR on each of December 31, 2013 and December 31, 2014. Ms. Bentley is entitled to receive a retention award in each of February 2014 and February 2015, only if she remains employed with QCR through each date. Each payment will be in an amount equal to 10% of her then current base salary. Mr. Vich and Ms. Bentley are eligible to participate, on similar terms and conditions as other senior level employees of QCR, in the benefit plans and programs offered by QCR.

Under her employment agreement, if Ms. Bentley s employment is terminated by QCR without cause or if she resigns due to a constructive discharge, Ms. Bentley will be eligible to receive a severance payment in the amount of six months of her then current annual base salary. If the termination occurs within 12 months following a change in control of QCR, the aggregate amount of the severance payment will be two times her then current annual base salary. Mr. Vich s employment agreement makes no provision for a severance payment, regardless of the circumstances for his termination of employment.

Change of Control Agreements. Community National Bank previously entered into change of control agreements with each of Mr. Vich and Ms. Bentley. Benefits will be paid under these agreements only if either Mr. Vich or Ms. Bentley terminates employment during the year following the date of the merger. The agreements generally provide that, if (i) the executive resigns for good reason during the year following a change of control of bank; (ii) the executive s employment is terminated by the bank without cause; or (iii) the executive dies or becomes disabled, then Mr. Vich will be entitled to an aggregate severance benefit in the amount of the $499.760 retention amount referenced above and Ms. Bentley will be entitled to an aggregate severance benefit equal to six months of her then current base salary, each severance benefit to be payable over the 60 month period following the termination of employment. The agreements expire one year following the change of control. Pursuant to the merger agreement, QCR will assume and maintain these agreements for the one year period following the effective time of the merger.

Supplemental Retirement Agreement. CNB and Community National Bank previously entered into a nonqualified supplemental retirement benefit agreement with Mr. Vich. The agreement provides that, following

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his retirement, death or disability, Mr. Vich, or his estate, will be eligible to receive a monthly supplemental retirement benefit in the amount of $4,166.67 for a period of 120 months. If Mr. Vich retires prior to attaining age 67, he will receive a reduced retirement benefit. Mr. Vich will reach age 67 on September 15, 2014. Pursuant to the merger agreement, QCR will assume and maintain this agreement following the effective time of the merger.

Phantom Stock Plans. CNB maintains two phantom stock plans, one for the benefit of non-employee directors of CNB and Community National Bank and the other for the benefit of senior management employees of CNB and Community National Bank. Phantom stock units were granted to non-employee members of the board of directors in lieu of director fees. Phantom stock units were granted to senior management employees as incentive compensation. Each phantom stock unit issued under the plans is intended to provide the recipient with the benefit of appreciation in the fair market value of CNB s common stock, but is not an ownership interest in CNB s common stock. Pursuant to the merger agreement, CNB will terminate and liquidate these two phantom stock plans as of the effective time of the merger. The termination and liquidation of the two plans will result in lump sum cash payments to the following individuals in the amounts noted, subject to adjustment based upon fair market value as of the effective date of the merger determined by reference to the average of the closing price of QCR common stock for the five trading days immediately preceding the closing of the merger:

Participant	**Estimated Amount of Payment**	
Al Bangtson	$	4,310
Stacey Bentley	$	30,257
Robert T. Buckley	$	106,869
Dr. Kenneth A. Budke	$	118,509
Chris Canfield	$	4,310
Dawn Bitter Champion	$	10,389
(Estate of) Ross Christensen	$	20,632
John Deery, Jr.	$	4,861
Darvin R. Habben	$	14,334
Thomas L. Hovland	$	85,117
Rick Jaacks	$	3,819
Gary Lindgren	$	3,819
David R. Mason	$	126,482
Kathleen E. McCoy	$	96,989
Jim Mudd, Jr.	$	11,991
Michael L. Peterson	$	112,286
Justin Salow	$	4,310
Robert L. Smith, Jr.	$	112,425
Josef Vich	$	30,257
Richard C. Young	$	120,018
Total	**$**	**1,012,984**

Continued Director and Officer Liability Coverage. Pursuant to the terms of the merger agreement, QCR has agreed to provide to each person who serves as a director or officer of CNB or its subsidiaries after the effective time substantially the same insurance coverage against personal liability for actions taken after the effective time as is provided to other directors and officers of QCR and its subsidiary banks. In addition, QCR agreed to maintain, for up to seven years following the effective time, insurance coverage under the current policy of directors and officers liability and other professional insurance maintained by CNB and its subsidiaries for actions taken on or prior to the effective time of the merger. If a seven-year term of insurance coverage is not available, the term for the insurance will be such other maximum period of time for which coverage is available at a cost not to exceed $150% of the premium. CNB paid for its existing coverage for 2012. Following the effective time and for same period as the insurance coverage QCR agreed to maintain, to the extent permitted by applicable law, QCR has agreed to indemnify and hold harmless the current and former directors and officers of CNB and its subsidiaries for all actions taken by them prior to the effective time of the merger, to the same extent as the indemnification currently provided by CNB and its subsidiaries under their respective organizational documents.

Voting agreement

On February 13, 2013, all directors and certain executive officers of CNB and Community National Bank who own shares of CNB common stock entered into a voting agreement with QCR. Under this agreement, these shareholders have each agreed to vote subject to the fiduciary duties of any of these shareholders who is a director of CNB, their respective shares of CNB common stock:

- in favor of the merger and the transactions contemplated by the merger agreement;
- against any acquisition of control of any capital stock of CNB or Community National Bank through purchase, merger, consolidation or otherwise, or the acquisition by any method of a substantial portion of the assets of CNB or Community National Bank by a third party;
- against any action or agreement that would result in a breach of any term or obligation of CNB under the merger agreement; and
- against any action or agreement that would impede or interfere with the transactions contemplated by the merger agreement.

Furthermore, each of these shareholders has also agreed not to sell, assign, transfer or create an encumbrance with respect to any shares of CNB common stock that they own or solicit, initiate or encourage any inquiries or proposals for a merger or other business combination involving CNB. Each of these shareholders has also agreed not to sell any of the shares of QCR common stock received in the merger for a period of six months following the consummation of the merger. The shares subject to the voting agreement represent approximately 32% of CNB s outstanding shares of common stock as of March 25, 2013. The voting obligations under the agreement will terminate upon the earlier of the consummation of the merger or termination of the merger agreement in accordance with its terms.

Restrictions on resale of QCR common stock

The shares of QCR common stock to be issued in connection with the merger will be registered under the Securities Act of 1933, as amended, which we refer to as the Securities Act, and will be freely transferable, except for shares issued to any stockholder who may be deemed to be an affiliate of QCR for purposes of Rule 144 under the Securities Act. Persons who may be deemed to be affiliates of QCR include individuals or entities that control, are controlled by, or are under common control with, QCR and may include the executive officers, directors and significant stockholders of QCR. Additionally, as noted above, shareholders who entered into the voting agreement have agreed not to sell their shares of QCR common stock that they received in the merger for a period of six months following the consummation of the merger.

CNB shareholder appraisal rights

General. In connection with the merger, shareholders of CNB common stock are entitled to appraisal rights and to obtain payment of the fair value of their shares if the merger is completed. Fair value with respect to the shares generally takes into account the value of the shares immediately before the merger, using customary and current valuation concepts. In the determination of the fair value of a bank holding company, Iowa law provides that due consideration shall be given to valuation factors recognized for federal and state estate tax purposes, including discounts for minority interests and discounts for lack of marketability, subject to the limitation that the fair value may not be in an amount less than the total equity capital of the bank holding company divided by the number of shares outstanding.

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Procedure. Shareholders wishing to exercise their appraisal rights must carefully comply with the applicable provisions of Division XIII of the IBCA, referred to as Division XIII. The following summary of the provisions of Division XIII is not a complete statement of the provisions of those sections and is qualified in its entirety by reference to the full text of the sections contained in Division XIII, a copy of which is attached to this proxy statement/prospectus as *Annex B* and is incorporated into this summary by reference. All required notices to CNB should be mailed or delivered to: Deb Dralle, Secretary, Community National Bancorporation, 422 Commercial Street, Waterloo, Iowa 50701.

When the merger proposal is submitted to a vote at a shareholders meeting, a shareholder wishing to assert appraisal rights with respect to his or her shares must:

- deliver to CNB, before the vote is taken on the proposed merger, written notice, separate from the proxy card, of the shareholder s intent to demand payment if the proposed merger is completed; and

- not vote, or cause or permit to be voted, any of his or her shares in favor of the proposed merger.

A shareholder who does not satisfy the above requirements is not entitled to assert appraisal rights with respect to the proposed merger. A proxy or vote against the merger will not, by itself, be a sufficient written notice of intent to demand payment for purposes of asserting appraisal rights.

No later than 10 days after the merger is consummated, QCR, as successor to CNB, must deliver a written appraisal notice, referred to as the appraisal notice, to all shareholders who properly delivered written notice of their intent to assert their appraisal rights and who also either abstained from voting or voted against the merger. The appraisal notice must:

- provide a form, referred to as the appraisal form, that (i) specifies the date of the first announcement to shareholders of the principal terms of the merger, referred to as the first announcement date, and (ii) requires the shareholder asserting appraisal rights to certify whether or not beneficial ownership of those shares for which appraisal rights are asserted was acquired before the first announcement date and that the shareholder did not vote for the merger;

- include the address where completed appraisal forms must be sent and where and when share certificates for certificated shares must be deposited;

- include the date by which QCR must receive the completed appraisal form, which cannot be less than 40 days nor more than 60 days after QCR sent the appraisal notice, and state that the shareholder will have waived the right to demand appraisal with respect to his or her shares unless the completed appraisal form is received by QCR by the specified due date;

- state QCR s estimate of the fair value of the shares;

- inform shareholders that if they make such a request in writing, QCR will provide to the shareholder, within 10 days after the date the appraisal form is due, the number of shareholders who returned the appraisal form by the specified date and the total number of shares owned by them;

- state the date by which QCR must receive a notice of withdrawal from the appraisal process, which must be within 20 days after the date the appraisal form is due; and

- include a copy of Division XIII.

Any shareholder who receives an appraisal notice and who wishes to exercise appraisal rights must certify on the appraisal form whether the beneficial owner of such shares acquired beneficial ownership of the shares before the first announcement date. Additionally, a shareholder who wishes to exercise appraisal rights must execute and return the appraisal form and, in a case of certificated shares, deposit the shareholder s share certificates in accordance with the terms of the appraisal notice by the date the appraisal form is due. Once a shareholder deposits his or her share certificates or, if uncertificated shares, returns the completed appraisal form, that shareholder loses all rights as a shareholder, unless that shareholder withdraws from the appraisal process.

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Within 30 days after the appraisal form is due, QCR is required to deliver payment in cash to those shareholders who timely submitted completed appraisal forms in the amount it estimates to be the fair value, plus interest, accompanied by the following:

- CNB s financial statements, consisting of a balance sheet as of the end of fiscal year not more than 16 months before the date of payment, an income statement for that year, a statement of changes in shareholders equity for that year, and the latest available interim financial statements, if any;
- a statement of QCR s estimate of the fair value of the shares, which estimate must equal or exceed QCR s estimate given in the appraisal notice; and
- a statement that the shareholders who complied with the process set forth in Division XIII have the right to demand further payment (as described below) and that if any such shareholder does not do so within 30 days after receiving QCR s payment, such shareholder will be deemed to have accepted the payment to the shareholder in full satisfaction of QCR s obligation under Division XIII.

QCR may elect to withhold payments from any shareholder who did not certify on the appraisal form that he or she was a beneficial owner of all of the shares for which he or she is asserting appraisal rights before the first announcement date. If QCR elects to withhold payment, QCR must send notice to the applicable shareholders within 30 days after the date the appraisal form is due. The notice must provide:

- CNB s financial statements, as described above;
- QCR s estimate of the fair value of the shares;
- that shareholders may accept QCR s estimate of the fair value, plus interest, in full satisfaction of their demands or demand appraisal, as discussed below;
- that those shareholders who wish to accept such offer must notify QCR of their acceptance within 30 days of receiving such offer; and
- that those shareholders who do not satisfy the requirements for demanding appraisal, as described below, shall be deemed to have accepted QCR s offer.

QCR must pay in cash the amount offered in the notice within 10 days of receiving the shareholder s acceptance, or within 40 days after sending the notice to those shareholders who do not satisfy the requirements for demanding appraisal.

Shareholders dissatisfied with QCR s estimate of fair value must reject the offer in writing and demand payment of the shareholder s estimate of fair value, plus interest, within 30 days after receiving payment or offer of payment from QCR. Shareholders who fail to notify QCR with a written demand of their own estimate of fair value within the 30 day time period will be entitled only to the payment previously made or offered.

If a shareholder makes a demand for payment that remains unsettled, within 60 days after QCR s receipt of the payment demand, QCR must commence a proceeding in the Iowa District Court for Black Hawk County and petition the court to determine the fair value of the shares and accrued interest. If such a proceeding is not commenced within the 60 day period, QCR must pay in cash to each shareholder whose demand remains unsettled the amount demanded plus interest. QCR must name as parties to the proceeding all shareholders whose demands remain unsettled and must serve each with a copy of the petition. The court may appoint one or more persons as appraisers to receive evidence and recommend a decision on the question of fair value. Each shareholder made a party to the proceeding is entitled to judgment for either:

the amount, if any, by which the court finds the fair value of the shareholder s shares, plus interest, exceeds the amount paid by QCR to the shareholder for such shares; or

the fair value, plus interest, of the shareholder s shares for which CNB elected to withhold payment.

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In an appraisal proceeding, the court will determine all costs of the proceeding and assess these costs against QCR, unless the court determines that the shareholders acted arbitrarily, vexatiously or not in good faith in making their demand, in which case the court may assess costs against all or some of the shareholders in an amount the court finds fair. The court may also assess fees and expenses of counsel and experts for the parties against QCR if the court finds that it did not substantially comply with the requirements of Division XIII or against any party if the court finds that the party acted arbitrarily, vexatiously or not in good faith. Division XIII also provides that compensation of counsel for any shareholder in an appraisal proceeding whose services benefited other similarly situated shareholders may be paid out of amounts awarded to shareholders who benefited, if such compensation is not assessed against QCR.

The foregoing is a brief summary of Division XIII of the IBCA that sets forth the procedures for demanding statutory appraisal rights. This summary is qualified in its entirety by reference to Division XIII, the text of which is attached hereto as *Annex B*. Failure to comply with all the procedures set forth in Division XIII will result in the loss of a shareholder s statutory appraisal rights. Consequently, if you desire to exercise your appraisal rights, you are urged to consult a legal adviser before attempting to exercise these rights.

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DESCRIPTION OF THE MERGER AGREEMENT

The following is a summary of the material terms of the merger agreement. This summary does not purport to describe all the terms of the merger agreement and is qualified by reference to the complete text of the merger agreement, which is attached as Annex A to this proxy statement/prospectus and is incorporated by reference into this proxy statement/prospectus. You should read the merger agreement completely and carefully as it, rather than this description, is the legal document that governs the merger.

The text of the merger agreement has been included to provide you with information regarding its terms. The terms of the merger agreement (such as the representations and warranties) are intended to govern the contractual rights and relationships, and allocate risks, between the parties in relation to the merger. The merger agreement contains representations and warranties QCR and CNB made to each other as of specific dates. The representations and warranties were negotiated between the parties with the principal purpose of setting forth their respective rights with respect to their obligations to complete the merger. The statements embodied in those representations and warranties may be subject to important limitations and qualifications as set forth therein, including a contractual standard of materiality different from that generally applicable under federal securities laws.

General

The merger agreement provides for the merger of CNB with and into Merger Sub, with Merger Sub the surviving company. After the consummation of the merger, QCR anticipates dissolving Merger Sub and Community National Bank will be a wholly-owned subsidiary of QCR.

Closing and effective time

Closing. The closing of the merger will take place on the fifth business day following the satisfaction of the conditions to closing set forth in the merger agreement, or at another time that both parties mutually agree upon. See Conditions to completion of the merger below for a more complete description of the conditions that must be satisfied prior to closing. The completion of the merger sometimes is referred to in this proxy statement/prospectus as the closing date.

Completion of the Merger. The merger will become effective on the date when the certificate of merger and the articles of merger filed by the parties are duly filed by the Delaware Secretary of State and the Iowa Secretary of State, or at such later date and time specified in such filing as the parties mutually agree upon. The time at which the merger becomes effective is sometimes referred to in this proxy statement/prospectus as the effective time.

Consideration to be received in the merger

If the merger is completed, each share of CNB common stock which you own immediately before the completion of the merger will be converted into a right to receive $3.00 in cash and 0.40 share of QCR common stock. The amount of the cash consideration is subject to adjustment, as described below.

Assuming that there is no adjustment to the cash consideration and that there are 2,087,932 shares of CNB common stock outstanding at the closing, which is the number of shares of CNB common stock outstanding as of April 2, 2013, the aggregate merger consideration paid by QCR to CNB stockholders is expected to be approximately $19.6 million, consisting of (i) aggregate cash consideration of $6,263,796 and (ii) aggregate share consideration of $13,362,768, based on 835,173 shares of QCR common stock issued in the transaction and the closing price of QCR s common stock at $16.00 per share on April 2, 2013. On a per share basis, this equals per share consideration of $9.40 for each share of CNB common stock. Based on this, approximately 70% of the aggregate consideration will be in the form of QCR common stock and approximately 30% will be in cash.

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Potential Downward Adjustment to the Cash Consideration. The foregoing cash consideration could be subject to downward adjustment if CNB s total adjusted shareholders equity is less than $18,031,404 as of the closing date, as provided in the merger agreement. If CNB s adjusted shareholders equity is less than that amount, then there will be a dollar-for-dollar downward adjustment to the aggregate cash consideration. For example, if CNB s total adjusted shareholders equity at closing is $17,031,404, which is $1.0 million below the threshold, then the aggregate cash consideration will be reduced by $1.0 million to $5,263,796 and the per share cash consideration will be reduced from $3.00 to $2.521.

Prior to the effective time of the merger, CNB will deliver to QCR a closing balance sheet for CNB as of the closing date reflecting CNB s good faith estimate of the accounts of CNB and its subsidiaries. The closing balance sheet will be used to determine CNB s adjusted shareholders equity and whether any adjustment as set forth above is necessary. The closing balance sheets will be prepared in conformity with past practices and policies of CNB and in accordance with generally accepted accounting principles, and adjusted to reflect the following:

- the after-tax impact of any realized gains or losses on securities sold by CNB after September 30, 2012 shall be disregarded;
- accumulated other comprehensive income shall be disregarded; and
- the after-tax impact of all expenses paid or incurred or projected to be paid or incurred by CNB in connection with the merger agreement and the merger shall be excluded.

As of the date of this proxy statement, based on CNB s internal projections and expected transaction expenses related to the merger, CNB s management believes that CNB s total adjusted shareholders equity at closing will exceed the $18,031,404 threshold. However, because projections are inherently uncertain and merger transaction expenses could be greater than originally anticipated, a risk exists that a downward adjustment to the merger consideration could be required.

Potential Upward Adjustment to the Cash Consideration. The foregoing cash consideration could be subject to an upward adjustment if QCR s total adjusted stockholders equity is less than $132,999,000 as of the closing date, as provided in the merger agreement. If QCR s adjusted stockholders equity is less than that threshold, then there will be a dollar-for-dollar upward adjustment to the aggregate cash consideration. For example, if QCR s total adjusted stockholders equity at closing is $131,999,000, which is $1.0 million below the threshold, then the aggregate cash consideration will be increased by $1.0 million to $7,263,796 and the per share cash consideration will be increased from $3.00 to $3.479.

Prior to the effective time of the merger, QCR will deliver to CNB a closing balance sheet for QCR as of the closing date reflecting QCR s good faith estimate of the accounts of QCR and its subsidiaries. The closing balance sheet will be used to determine QCR s adjusted stockholders equity and whether any adjustment as set forth above is necessary. The closing balance sheet will be prepared in conformity with past practices and policies of QCR and in accordance with generally accepted accounting principles, and adjusted to reflect the following:

- accumulated other comprehensive income shall be disregarded; and
- the after-tax impact of all expenses paid or incurred or projected to be paid or incurred by QCR in connection with the merger agreement and the merger shall be excluded.

As of the date of this proxy statement, based on QCR s internal projections and expected transaction expenses related to the merger, QCR s management believes that QCR s total adjusted stockholders equity at closing will exceed the $132,999,000 threshold. However, because projections are inherently uncertain, it is possible that an upward adjustment to the merger consideration could be required.

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Fractional shares

No fractional shares of QCR common stock will be issued in the merger. Instead, QCR will pay to each holder of CNB common stock who would otherwise be entitled to a fractional share of QCR common stock an amount in cash (without interest) rounded to the nearest whole cent, determined by multiplying the average closing price of a share of QCR common stock for the five trading days immediately preceding the closing date of the merger by such fraction to which such CNB shareholder would otherwise be entitled.

Exchange of certificates

QCR has engaged IST Shareholder Services to act as its exchange agent to handle the exchange of CNB common stock for the merger consideration and the payment of cash for any fractional share interest. Within five business days after the effective time, the exchange agent will send to each CNB shareholder a letter of transmittal for use in the exchange with instructions explaining how to surrender CNB common stock certificates to the exchange agent. CNB shareholders who surrender their certificates to the exchange agent, together with a properly completed letter of transmittal, will receive the merger consideration. CNB shareholders that do not exchange their CNB common stock will not be entitled to receive the merger consideration or any dividends or other distributions by QCR until their certificates are surrendered. After surrender of the certificates representing CNB shares, any unpaid dividends or distributions with respect to the QCR common stock represented by the certificates will be paid without interest.

Conduct of business pending the merger and certain covenants

Under the merger agreement, CNB has agreed to certain restrictions on its activities and the activities of its subsidiaries until the merger is completed or the merger agreement is terminated. In general, CNB and its subsidiaries are required to conduct their business in the ordinary course of business, consistent with prudent banking practice.

The following is a summary of the more significant restrictions imposed upon CNB, subject to the exceptions set forth in the merger agreement. CNB will not, without QCR s prior written consent:

- effect any change in the capitalization of CNB or its subsidiaries or the number of issued and outstanding shares of CNB;
- pay any dividends or other distributions on its common stock;
- amend the terms of, waive any rights under, terminate, knowingly violate the terms of or enter into any contract material to CNB;
- enter into loan transactions not in accordance with, or consistent with, past practices of Community National Bank;
- enter into any new credit or new lending relationships in excess of $150,000;
- maintain an allowance for loan and lease losses which is not adequate in all material respects under the requirements of GAAP to provide for possible losses on CNB s outstanding loans and leases, and charge-off any loans or leases that would be deemed uncollectible and place on non-accrual any loans or leases that are past due greater than 90 days;
- sell, transfer, encumber or otherwise dispose of or discontinue any of its assets, deposits, business or properties, except in the ordinary course of business and in a transaction that, together with other such transactions, is not material to CNB and its subsidiaries, taken as a whole;

buy or sell any security held, or intended to be held, for investment not in accordance with its current investment policy;

acquire other than in the ordinary course of business all or any portion of the assets, business, deposits or properties of any other entity;

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- amend the charters and bylaws of CNB and its subsidiaries;
- implement or adopt any change in its accounting principles, practices or methods, other than as may be required by GAAP or applicable regulatory accounting requirements;
- except as permitted by the merger agreement, increase in any manner the compensation or benefits of any of the current or former directors or officers of CNB or its subsidiaries in an amount more than 3% in the aggregate;
- except as permitted by the merger agreement, establish, amend or terminate any employee benefit plan;
- incur or guarantee any indebtedness for borrowed money other than in the ordinary course of business;
- enter into any new line of business or materially change its lending, investment, underwriting, risk and asset liability management and other banking and operating policies;
- settle any action, suit, claim or proceeding against it or any of its subsidiaries in excess of $50,000;
- make application for the opening, relocation or closing of any, or open, relocate or close any, branch office, loan production office or other significant office or operations facility;
- make or change any material tax elections, change or consent to any change in it or its subsidiaries method of accounting for tax purposes, settle or compromise any material tax liability, claim or assessment or file any material amended tax return; or
- agree to take, make any commitment to take or adopt any resolutions of CNB s board of directors in support of, any of the actions described in this section.

QCR has agreed to file all other applications and notices to obtain the necessary regulatory approvals for the transactions contemplated by the merger agreement. Both parties have agreed to cooperate with the other in connection with obtaining the regulatory approvals. Both parties agree:

- to use all reasonable best efforts and to cooperate in the preparation and filing of all applications, notices and documents required to obtain regulatory approval and/or consents from governmental authorities for the merger and the merger agreement;
- to use good faith efforts to satisfy the conditions required to close the merger and to consummate the merger as soon as practicable;
- that neither will intentionally act in a manner that would cause a breach of the merger agreement;
- to promptly notify the other party in writing if any fact or condition arises that causes or constitutes a breach of any of the representations and warranties; and

- to coordinate publicity of the transactions contemplated by the merger agreement to the media.

CNB has agreed to use commercially reasonable efforts to maintain and preserve intact its business organization and advantageous business relationships, and to provide QCR with certain documents before the closing date, including:

- certain information regarding CNB s employee benefit plans;
- an owner s preliminary report of title issued by a title insurance company for each of CNB s properties;
- certain information regarding the loans in Community National Bank s loan portfolio; and
- interim financial statements.

CNB has also agreed to the following:

- to cause Community National Bank, prior to closing, to add a minimum of $400,000 to its allowance for loan and lease losses above the amount reflected in its financial statements dated December 31, 2012;

to charge an amount of at least $1,028,000 to its litigation reserve to cover potential losses related to ongoing litigation;

to allow QCR to conduct environmental investigations on the properties CNB owns, leases or otherwise has an interest;

to write down potential loan losses in conformity with past practices and policies of Community National Bank and GAAP;

to cancel any stock option, whether vested or unvested, issued under the Community National Bancorporation Stock Option Plan II or any other stock option plan maintained by CNB; and

to correct certain operational violations that may have occurred under the Amendment and Restated Change of Control Agreements between Community National Bank and each of Josef M. Vich and Stacey J. Bentley, in accordance with the procedures set forth in IRS Notice 2010-6.

The merger agreement also contains certain covenants relating to employee benefits and other matters pertaining to officers and directors. See Employee benefit matters below and The Merger Interests of certain persons in the merger.

No solicitation of or discussions relating to an acquisition proposal

The merger agreement contains provisions prohibiting CNB from solicitating, initiating or encouraging an alternative proposal to the merger. CNB has agreed that it will not, and will cause each of its subsidiaries not to, directly or indirectly solicit, encourage or facilitate any proposal or any inquiry or proposal or enter into any negotiations or discussions with any person or entity concerning any proposed acquisition of CNB or its subsidiaries, or furnish any information to any person or entity proposing or seeking such an acquisition. However, the merger agreement provides that CNB may furnish such information pursuant to a customary confidentiality agreement and engage in such negotiations or discussions in response to an acquisition proposal that was not solicited by CNB in violation of the merger agreement, if the board of directors determines in good faith and after consultation with outside counsel.

Notwithstanding the restrictions described above, the merger agreement provides that CNB may provide information to and engage in discussions with third parties from whom CNB has received an acquisition proposal that was not solicited in violation of the merger agreement, so long as the board of directors of CNB, after consultation with its financial advisor and outside legal counsel, determines in good faith that such proposal constitutes a superior proposal and that a failure to pursue such unsolicited proposal is reasonably likely to result in a breach of its fiduciary duties. If the board of directors of CNB determines that it is necessary to pursue a superior proposal in order to act in a manner consistent with its fiduciary duties, the board may withdraw, modify or otherwise change the board s recommendation with respect to the merger and the merger agreement, and/or terminate the merger agreement. However, the CNB board of directors may not terminate the merger agreement for a superior proposal unless it has first notified QCR and otherwise negotiated with QCR so that the merger may be effected. A superior proposal means any acquisition proposal containing terms that the CNB board of directors determines in good faith (based on the advice of an independent financial advisor) to be more favorable to CNB shareholders than the merger and has a reasonable prospect of being consummated in accordance with its terms.

If QCR terminates the merger agreement because CNB breaches its covenant not to solicit an acquisition proposal from a third party, CNB will pay to QCR a termination fee equal to $1.0 million. See Termination fee below.

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Representations and warranties

The merger agreement contains representations and warranties made by CNB, QCR and Merger Sub. These include, among other things, representations relating to:

- valid corporate organization and existence;
- corporate power and authority to enter into the merger and the merger agreement;
- third party consents and approvals;
- absence of any breach of organizational documents, law or other agreements as a result of the merger
- capitalization;
- compliance with laws;
- absence of undisclosed investigations and litigation;
- absence of material adverse changes;
- broker/finder fees; and
- absence of omissions in the representations and warranties contained in the merger agreement.

QCR and Merger Sub also represent and warrant to CNB in the merger agreement regarding compliance with SEC filing requirements.

CNB makes additional representations and warranties to QCR in the merger agreement relating to, among other things:

- organizational documents, minutes and stock records;
- ownership of its subsidiaries, including Community National Bank;
- financial statements;
- filing of necessary reports with regulatory authorities;

real property, personal property and other material assets;

loans and its allowance for loan losses;

certain tax matters;

employee matters and employee benefits;

conduct of business and absence of undisclosed liabilities;

compliance with, absence of default under and information regarding, material contracts;

insurance matters;

environmental matters;

fiduciary accounts;

affiliate transactions;

compliance with the Community Reinvestment Act;

technology and intellectual property;

investment securities;

performance of obligations under the trust preferred securities; and

absence of excess parachute payments resulting from the transactions contemplated in the merger agreement.

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Conditions to completion of the merger

Closing Conditions for the Benefit of QCR and Merger Sub. QCR s and Merger Sub s obligations are subject to fulfillment of certain conditions, including:

- accuracy of representations and warranties of CNB in the merger agreement as of the closing date, except as otherwise set forth in the merger agreement;
- performance by CNB in all material respects of its agreements under the merger agreement;
- approval of the merger agreement at the special meeting of CNB shareholders;
- no commenced or threatened litigation: (i) involving a challenge to, or seeking relief in connection with, the transactions contemplated by the merger agreement, or (ii) that may have the effect of preventing or delaying any of the transactions contemplated by the merger agreement, in either case that would have a material adverse effect on CNB;
- receipt of all necessary regulatory approvals;
- the registration statement, of which this proxy statement/prospectus is a part, concerning QCR common stock issuable pursuant to the merger agreement having been declared effective by the SEC and continuing to be effective as of the effective time of the merger;
- receipt of an opinion from CNB s special counsel regarding the valid existence and the valid issuance of the capital stock of CNB, its authority to enter into the merger agreement and the due execution and delivery of the merger agreement by CNB, among other things;
- receipt of a tax opinion from Barack Ferrazzano that the merger constitutes a reorganization within the meaning of Section 368(a) of the Code;
- receipt of an assignment and assumption agreement or supplemental indenture to effectuate the assumption by QCR of each of the trust preferred securities issued by trusts controlled by CNB;
- receipt of an assignment and assumption agreement to effectuate the assumption by QCR, or the pay off, of CNB s outstanding debt obligation to West Bank, the principal of which was $3.95 million as of March 25, 2013;
- approval of the listing of the shares of QCR common stock issuable pursuant to the merger agreement on NASDAQ;
- no material adverse change in CNB since February 13, 2013;

- receipt of balance sheets of CNB, adjusted to reflect certain adjustments, specifications and charges, as set forth in the merger agreement;
- adjustment of the merger consideration, as applicable, as set forth in Consideration to be received in the merger above; and
- receipt of all other necessary consents, permissions and approvals, which the failure to obtain would have a material adverse effect with respect on CNB.

Closing Conditions for the Benefit of CNB. CNB s obligations are subject to fulfillment of certain conditions, including:

- accuracy of representations and warranties of QCR and Merger Sub in the merger agreement as of the closing date, except as otherwise set forth in the merger agreement;
- performance by QCR and Merger Sub in all material respects of its agreements under the merger agreement;
- approval of the merger agreement by the CNB shareholders at the special meeting;

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no commenced or threatened litigation: (i) involving a challenge to, or seeking relief in connection with, the transactions contemplated by the merger agreement, or (ii) that may have the effect of preventing or delaying any of the transactions contemplated by the merger agreement, in either case that would have a material adverse effect on QCR;

receipt of all necessary regulatory approvals;

the registration statement, of which this proxy statement/prospectus is a part, concerning QCR common stock issuable pursuant to the merger agreement having been declared effective by the SEC and continuing to be effective as of the effective time of the merger;

receipt of an opinion from QCR s outside legal counsel regarding the valid existence of QCR and Merger Sub, their authority to enter into the merger agreement, due execution and delivery of the merger agreement by QCR and Merger Sub and the due authorization of QCR common stock issuable pursuant to the merger agreement, among other things;

receipt of a tax opinion from Roth & Company, P.C. that the merger constitutes a reorganization within the meaning of Section 368(a) of the Code;

delivery of the assignment and assumption agreement or supplemental indenture to effectuate the assumption by QCR of each of the trust preferred securities issued by trusts controlled by CNB;

approval of the listing of the shares of QCR common stock issuable pursuant to the merger agreement on NASDAQ;

receipt of balance sheets of QCR, adjusted to reflect certain adjustments, specifications and charges, as set forth in the merger agreement; and

adjustment of the merger consideration, as applicable, as set forth in Consideration to be received in the merger above.

Termination

QCR and CNB may mutually agree to terminate the merger agreement and abandon the merger at any time. Subject to conditions and circumstances described in the merger agreement, either QCR or CNB may terminate the merger agreement as follows:

the other party has not satisfied a condition under the merger agreement required to be met by it prior to the closing date, provided its inability to satisfy the condition was not caused by the non-breaching party s failure to meet any of its obligations under the merger agreement;

any regulatory authority has denied approval of any of the transactions contemplated by the merger agreement or any application for a necessary regulatory approval has been withdrawn at the request of a regulatory authority;

the merger is not completed (other than through the failure of any party seeking to terminate the agreement to comply fully with its material obligations under the merger agreement) by June 30, 2013; provided, that the termination date will be extended to July 15, 2013 if, in the judgment of QCR, it is necessary to delay the merger to preserve any tax benefits pursuant to Section 382 of the Code;

or

a court or regulatory authority has enjoined or prohibited any of the transactions contemplated in the merger agreement.

In addition, a particular party may terminate the merger agreement as follows:

QCR may terminate if CNB materially breaches any of its obligations with respect to soliciting alternative acquisition proposals or holding a meeting of its shareholders to approve the merger agreement;

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- CNB may terminate if CNB has accepted or consummated a superior proposal from a third party;
- QCR may terminate if, after the identification or confirmation of the presence of certain environmental conditions related to certain real property, the aggregate cost of remedying such conditions exceeds $500,000;
- QCR may terminate the agreement if CNB s adjusted shareholders equity, as defined in the merger agreement, is less than $16,228,264; or
- CNB may terminate if QCR s adjusted stockholders equity, as defined in the merger agreement, is less than $119,699,100.

Any termination of the merger agreement will not affect any rights accrued prior to such termination.

Termination fee

Termination Fees Payable by CNB. CNB has agreed to pay to QCR a termination fee of $500,000 if the merger agreement is terminated by QCR because CNB committed a material breach of or failed to perform its material obligations under the merger agreement and such breach is not the result of QCR s failure to comply or perform in all material respects with any of its material obligations under the merger agreement.

CNB has agreed to pay QCR a termination fee of $1.0 million if the merger agreement is terminated under the following circumstances:

- QCR terminates the merger agreement because CNB breaches its covenant not to solicit an acquisition proposal from a third party or its covenant to hold a shareholder meeting to approve the merger agreement;
- CNB terminates the merger agreement upon the entry into, consummation of or the CNB board s determination to accept an unsolicited superior proposal; or
- the merger agreement is terminated (a) by QCR because CNB has not satisfied a condition under the merger agreement required to be met by it prior to the closing date, provided its inability to satisfy the condition was not caused by QCR s failure to meet any of its obligations under the merger agreement or (b) by QCR because the closing has not occurred by June 30, 2013 (or July 15, 2013, if, in the judgment of QCR, it is necessary to delay the merger to preserve any tax benefits pursuant to Section 382 of the Code) due to the failure of CNB to fulfill its obligations under the merger agreement, and in each such case, within twelve months after termination of the merger agreement, CNB enters into a definitive agreement relating to an acquisition proposal with a third party.

Termination Fees Payable by QCR. QCR has agreed to pay to CNB a termination fee of $500,000 if the merger agreement is terminated by CNB because QCR committed a material breach of or failed to perform its material obligations under the merger agreement and such breach is not the result of CNB failure to comply or perform in all material respects with any of its material obligations under the merger agreement.

Management of QCR and CNB after the merger

Following the merger, Michael L. Peterson, CNB s current Chairman of the Board, will be appointed to the board of directors of QCR. The QCR board of directors will otherwise remain the same after the merger and the Merger Sub managers will continue to serve as the managers of the surviving company until it is dissolved.

Employee benefit matters

Except as more fully described above under The Merger Interests of certain persons in the merger, pursuant to the merger agreement, QCR will assume all of the employee benefit plans sponsored or maintained by CNB or Community National Bank. Former employees of CNB and Community National Bank may continue

to participate in those plans until QCR terminates the plans or merges them with existing QCR plans. To the extent that any former employees of CNB or Community National Bank participate in any employee benefit plans sponsored or maintained by QCR as of the closing date, such employees will be given credit for amounts paid under a corresponding CNB or Community National Bank benefit plan during the plan year in which the closing of the merger occurs for purposes of applying deductibles, co-payments and out-of-pocket maximums as though such amounts had been paid in accordance with the terms and conditions of such QCR benefit plan for the plan year in which the closing of the merger occurs. For purposes of determining eligibility to participate in and, where applicable, vesting under QCR s applicable employee benefit plans, each former employee of CNB or Community National Bank will receive past service credit for his or her prior employment with CNB or Community National Bank as if each such employee had then been employed by QCR. QCR reserves the right to amend or terminate these plans and arrangements in accordance with the terms of such plans and arrangements and applicable laws. If QCR chooses to terminate any CNB or Community National Bank employee benefit or similar plan after the closing date, employees previously covered under the terminated plan will be eligible to participate in a similar QCR employee benefit plan. Also, if any former employee of CNB or Community National Bank who became an employee of QCR by virtue of the merger is terminated without cause within one year following the effective time of the merger, such individual will be eligible to receive severance in the amount of one week s base salary for each whole year of continuous service with CNB, Community National Bank and QCR.

Expenses

All expenses incurred in connection with the merger agreement will be paid by the party incurring the expenses.

NASDAQ stock listing

QCR common stock currently is listed on NASDAQ under the symbol QCRH. The shares to be issued to CNB s shareholders as merger consideration also will be eligible for trading on the NASDAQ Global Market.

Amendment

The merger agreement may be amended in writing by the parties.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT OF CNB

The following table shows, as of March 25, 2013, the beneficial ownership of CNB common stock of each person who beneficially owns more than 5% of CNB s outstanding common stock, of each CNB director, of each executive officer of CNB and all of CNB s directors and officers as a group. Except as otherwise noted in the footnotes to the table, each individual has sole investment and voting power with respect to the shares of common stock set forth. Except as indicated in the footnotes to the table below, the business address of the persons listed below is c/o Community National Bancorporation, 422 Commercial Street, P.O. Box 1288, Waterloo, Iowa 50704.

Name	Common Stock directly, indirectly or beneficially owned as of March 25, 2013	Percent of Outstanding
Directors and Executive Officers		
Allan D. Bangtson	5,500	*
Darvin R. Habben	24,793	1.2%
David R. Mason, Sr.	24,392	1.2%
Dawn Champion	1,500	*
Dr. Kenneth A. Budke, II	22,500	1.1%
Gary W. Lindgren	1,253	*
James Mudd, Jr.	133	*
John Deery, Jr.	25,000	1.2%
Josef M. Vich	41,048	2.0%
Kathleen McCoy	68,440	3.3%
Michael L. Peterson	320,500	15.4%
Richard C. Young	81,587	3.9%
Robert L. Smith, Jr.	1,504	*
Robert T. Buckley	32,988	1.6%
Stacey J. Bentley	3,128	*
Thomas L. Hovland	5,385	*
All directors and executive officers as a group (16 persons)	659,651	31.6%

* Indicates that the individual or entity owns less than one percent of CNB s common stock.

The information presented in the table is based on information furnished by the specified persons and was determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended, which we refer to as the Securities Exchange Act, as required for purposes of this proxy statement/prospectus. Briefly stated, under that rule shares are deemed to be beneficially owned by any person or group having the power to vote or direct the vote of, or the power to dispose or direct the disposition of, such shares, or who has the right to acquire beneficial ownership thereof within 60 days. Beneficial ownership for the purposes of this proxy statement/prospectus is not necessarily to be construed as an admission of beneficial ownership for other purposes.

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COMPARISON OF RIGHTS OF QCR STOCKHOLDERS AND CNB SHAREHOLDERS

General

As a shareholder of CNB, your rights are governed by CNB s articles of incorporation and its bylaws, each as currently in effect. Upon completion of the merger, the rights of CNB shareholders who receive shares of QCR common stock in exchange for their shares of CNB common stock and become stockholders of QCR will be governed by QCR s certificate of incorporation, as amended, and amended and restated bylaws, as well as the rules and regulations applying to public companies. QCR is incorporated in Delaware and is subject to the Delaware General Corporation Law, or the DGCL. CNB is incorporated in Iowa and is subject to the IBCA.

The following discussion summarizes material similarities and differences between the rights of CNB shareholders and QCR stockholders and is not a complete description of all of the differences. This discussion is qualified in its entirety by reference to the DGCL and IBCA and QCR s and CNB s respective certificate of incorporation, articles of incorporation and bylaws.

	QCR Stockholder Rights	CNB Shareholder Rights
Authorized Capital Stock:	QCR is authorized to issue 20 million shares of common stock, par value $1.00 per share, and 250,000 shares of preferred stock, par value $1.00 per share, which we refer to as QCR preferred stock. Of the 250,000 shares of QCR preferred stock, (i) 25,000 have been designated QCR series E preferred, and (ii) 40,090 have been designated QCR series F preferred.	CNB is authorized to issue 10 million shares of common stock, no par value per share, and 1 million shares of preferred stock, no par value per share.
		On March 25, 2013, CNB had 2,087,932 shares of common stock outstanding and no shares of preferred stock outstanding.
	On March 25, 2013, QCR had 4,936,316 shares of common stock outstanding, 25,000 shares of QCR series E preferred outstanding and 29,867 shares of QCR series F preferred outstanding. Further issuance of shares of QCR s preferred stock may affect the relative rights of the holders of its common stock, depending upon the exact terms, qualifications, limitations and relative rights and preferences, if any, of the shares of the preferred stock as determined by QCR s board of directors.	
Dividends:	Subject to any rights of holders of QCR preferred stock, QCR may pay dividends if, as and when declared by its board of directors from any funds legally available therefor.	Subject to any rights of holders of CNB preferred stock, CNB may pay dividends if, as and when declared by its board of directors from any funds legally available therefor.

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	QCR Stockholder Rights	CNB Shareholder Rights
Number of Directors; Classification:	The QCR board of directors currently consists of 13 members. QCR s certificate of incorporation provides that its board of directors must consist of not less than three and no more than 15 directors, as may be established by resolution of not less than 80% of the number of directors of the then-current board.	The CNB board of directors currently consists of nine members. CNB s articles of incorporation provide that its board of directors must consist of not less than five and no more than 20 directors, as may be established by resolution of the then-current board.
	QCR s board of directors is divided into three classes, with each class consisting of approximately one-third of the total number of directors. Directors are elected for three-year terms, with one class of directors up for election at each annual meeting of stockholders.	CNB s board of directors is divided into three classes, with each class consisting of approximately one-third of the total number of directors. Directors are elected for three-year terms, with one class of directors up for election at each annual meeting of shareholders.
Election of Directors; Vacancies:	Each QCR stockholder is entitled to one vote for each share of the voting stock held by such stockholder. Directors shall be elected by a plurality vote.	Each CNB shareholder is entitled to vote the number of shares owned by such shareholder for as many persons as there are directors to be elected and for whose election such shareholder has a right to vote. Directors shall be elected by a plurality vote.
	QCR s certificate of incorporation does not provide for cumulative voting.	
	QCR s bylaws provide that any vacancy on the board of directors may be filled at an annual meeting or special meeting of the stockholders called for such purpose, or if such vacancy arises between meetings of stockholders, by a majority vote of the board of directors then in office.	CNB s bylaws provide that that any vacancy on the board of directors may be filled by the affirmative vote of a majority of the shareholders entitled to vote at an annual meeting or special meeting of the shareholders or by a majority vote of the board of directors then in office.
Removal of Directors:	A QCR director may be removed at a stockholders meeting, for cause, by the affirmative vote of not less than 75% of the outstanding shares entitled to vote.	A CNB director may be removed at a special shareholders meeting, with or without cause, by the vote of a majority of the shares entitled to vote at an election of directors.
Call of Special Meeting of Directors:	QCR s bylaws provide that a special meeting of the board of directors may be called by or at the request of the president or any director.	CNB s bylaws provide that a special meeting of the board of directors may be called by direction of the president, the secretary or any two directors.
Limitation on Director Liability:	QCR s certificate of incorporation provides that no director will be personally liable to the corporation or any of its stockholders for monetary damages for any breach of fiduciary duty except for liability:	CNB s articles of incorporation provide that a director will not be personally liable to the corporation or any of its shareholders for monetary damages for breach of fiduciary duty except for liability:
	for any breach of the director s duty of loyalty to the corporation or its stockholders;	for any breach of the director s duty of loyalty to the corporation or its shareholders;

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	QCR Stockholder Rights	CNB Shareholder Rights
	for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;	for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
	under Section 174 of the DGCL (which creates liability for unlawful payment of dividends and unlawful stock purchases or redemptions), as it exists or hereafter may be amended; or	under Section 490.833 of the IBCA (which creates liability for unlawful payment of dividends), as it exists or hereafter may be amended; or
	for any transaction from which the director derived an improper benefit.	for any transaction from which the director derived an improper personal benefit.
Indemnification:	QCR s certificate of incorporation and bylaws provide for indemnification of its officers and directors to the fullest extent authorized by the DGCL.	CNB s articles of incorporation and bylaws provide for indemnification of its officers and directors to the fullest extent authorized by the IBCA.
	The bylaws provide that, to the extent a present or former director or officer of the corporation has been successful on the merits or otherwise in defense of any proceeding, or in defense of any claim, issue or matter therein, the corporation shall indemnify the director or officer against expenses actually and reasonably incurred by him or her in connection with such proceeding to the extent he or she was a party as a result of being a director or officer, provided that such person acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the corporation. The board may indemnify employees and agents of the corporation in this context.	The bylaws provide that, to the extent a present or former director or officer of the corporation has been successful on the merits or otherwise in defense of any proceeding, or in defense of any claim, issue or matter therein, the corporation shall indemnify the director or officer against expenses actually and reasonably incurred by such person in connection with such proceeding to the extent such person was a party as a result of being a director or officer, provided that such person acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the corporation.
Call of Special Meetings of Stockholders/Shareholders:	QCR s bylaws provide that a special meeting of the stockholders may be called by the chairman of the board, the president, the board of directors or at the request in writing of stockholders owning a majority of the issued and outstanding voting stock of the corporation.	CNB s bylaws provide that a special meeting of the shareholders may be called by the president, the secretary, the board of directors or at the written request of the holders of a majority of all outstanding shares entitled to vote at the meeting.
	Written notice stating the place, date, hour and purpose(s) of the special meeting must be delivered, either personally or by mail or facsimile, not less than 10 nor more than 60 days before the date of the meeting.	Written notice stating the place, day, hour and purpose(s) of the special meeting must be delivered, either personally or by mail, not less than 10 nor more than 60 days before the date of the meeting.

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	QCR Stockholder Rights	CNB Shareholder Rights
Quorum of Stockholders/Shareholders:	QCR s bylaws provide that a majority of the outstanding shares of voting stock, represented in person or by proxy, constitutes a quorum at any meeting of stockholders.	CNB s bylaws provide that a majority of the shares entitled to vote, present in person or represented by proxy, constitutes a quorum at any meeting of shareholders.
Advance Notice Regarding Stockholders/Shareholders Proposals (other than Nomination of Candidates for Election to the Board of Directors):	QCR s bylaws provide that for a stockholder to properly bring business before an annual or special meeting of stockholders, written notice of such proposal must be delivered, mailed or telegraphed to the secretary of the corporation at the principal executive offices of the corporation not less than 30 days nor more than 75 days prior to the date of the originally scheduled meeting (provided, however, that if less than 40 days notice of the date of the scheduled meeting is given or made by the corporation, notice by the stockholder to be timely must be so delivered, mailed or telegraphed to the corporation not later than the close of business on the 10th day following the day on which notice of the date of the scheduled meeting was first mailed to stockholders). A stockholder s notice to the secretary shall set forth the following as to each matter the stockholder proposes to bring before the meeting: (i) a brief description of the proposal desired to be brought before the meeting and the reasons for conducting such business at the meeting, (ii) the name and address, as they appear on the corporation s books, of the stockholder proposing such business, (iii) the number of shares of the corporation s common stock beneficially owned by such stockholder on the date of such stockholder s notice, and (iv) any financial or other interest of such stockholder in the proposal.	CNB s bylaws provide that any business brought before the meeting may be transacted at an annual meeting of shareholders, or a special meeting may be called for any purpose. Requests for special meetings shall state the purpose(s) for which the meeting is to be called.
Advance Notice Regarding Stockholders/Shareholders Nomination of Candidates for Election to the Board of Directors:	QCR s bylaws provide that nominations of persons for election to the board of directors may be made at an annual or special meeting of stockholders by a stockholder of QCR. For nominations for election to the board of directors of QCR to be	CNB s articles of incorporation and bylaws do not address shareholder nomination of candidates for election to the board of directors. The IBCA also does not address shareholder nomination of candidates for election to the board of directors.

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QCR Stockholder Rights	CNB Shareholder Rights
properly brought before an annual or special meeting, written notice of such nomination(s) must be delivered to or mailed and received by the secretary of the corporation at the principal executive offices of the corporation not less than 30 days nor more than 75 days prior to the meeting (provided, however, that in the event that less than 40 days notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the 10th day following the earlier of the day on which such notice of the date of meeting was mailed or such public disclosure was made).	
A stockholder s notice to the secretary shall set forth: (i) the name and address of record of the stockholder who intends to make the nomination, (ii) a representation that the stockholder is, a holder of record of shares of the corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice, (iii) the name, age, business and residence addresses, and principal occupation or employment of each nominee, (iv) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder, (v) such other information regarding each nominee proposed by such stockholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the SEC, as then in effect, and (vi) the consent of each nominee to serve as a director of the corporation if so elected.	

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	QCR Stockholder Rights	CNB Shareholder Rights
Stockholder/Shareholder Action by Written Consent:	QCR s certificate of incorporation provides that any action required or permitted to be taken by the holders of capital stock of the corporation must be effected at a duly called annual or special meeting of the holders of capital stock of the corporation and may not be effected by any consent in writing by such holders, unless such action is authorized by not less than 80% of the number of directors.	CNB s bylaws provide that any action required or permitted to be taken at a meeting of the shareholders may be taken without a meeting or vote if a consent in writing, setting forth the action so taken, is signed by 90% or more of the votes entitled to be cast at a meeting at which all share entitled to vote on the action were present and voted, and delivered to CNB for filing with the corporate minutes or records.
Appointment and Removal of Officers:	QCR s bylaws provide that the officers shall be elected annually by the board of directors at the first meeting of the board of directors held after each annual meeting of the stockholders. Each officer will hold office until his or her successor is duly elected and qualified or until his or her prior death, resignation or removal.	CNB s bylaws provide that the officers shall be appointed annually by the board of directors at the annual meeting thereof. Each officer will hold office until the next succeeding annual meeting of the board of directors and until a successor is duly appointed and qualified or until the officer s death, resignation or removal.
	Any officer may be removed by the board of directors whenever in its judgment the best interests of the corporation will be served thereby.	Any officer may be removed by the board of directors whenever in its judgment the best interests of the corporation will be served thereby. Officers may also be removed by any superior officer or agent upon whom the power to appoint shall have been conferred by the board of directors.
Required Vote for Certain Transactions	The QCR certificate of incorporation requires the affirmative vote of stockholders having at least 75% of the voting power of all outstanding voting stock for the following transactions: (i) merger or consolidation, (ii) sale, lease or exchange of all or substantially all of the assets of the corporation, (iii) issuance or transfer of any voting securities to a corporation, person or entity in exchange for cash, assets or securities, and (iv) voluntary dissolution of the corporation. However, such vote is not necessary for any such transaction if approved by not less than 80% of the number of directors then in office.	The CNB articles of incorporation do not specifically discuss transactions involving merger, consolidation, or sale, lease or exchange of all or substantially all of the property or assets of the corporation, except for such transactions with an interested shareholder. The applicable IBCA provisions state that such a transaction must be approved by the shareholders at a meeting at which a quorum consisting of at least a majority of the votes entitled to be cast on the plan exists. The corporation may, however, without approval by a vote of shareholders, merge with any corporation of which at least 90% of the outstanding shares of each class is owned by the corporation.

	QCR Stockholder Rights	CNB Shareholder Rights
Amendment to Charter and Bylaws:	An amendment to the certificate of incorporation that relates to certain provisions, including the amendment process, use of written ballots, business combinations with interested stockholders and stockholder action by written consent, must be approved by the affirmative vote of the holders of shares having at least 75% of the voting power of all outstanding stock of the corporation entitled to vote thereon.	As provided by the IBCA, CNB s articles of incorporation may be amended by the affirmative vote of at least a majority of the shares entitled to vote on the proposal after the board of directors has adopted the amendment and submitted it to the shareholders for their approval. Additionally, the board of directors may adopt amendments to the articles of incorporation without shareholder approval for certain enumerated purposes.
	Otherwise, as provided by the DGCL, the certificate of incorporation may be amended by the affirmative vote of at least a majority of the shares entitled to vote on the proposal after the board of directors has passed a resolution by majority vote setting forth the proposed amendment and directing that it be submitted to a vote at a stockholders meeting.	The bylaws may be altered, amended or repealed or new bylaws may be adopted by the affirmative vote of a majority of the directors then in office.
	The bylaws of QCR may be amended, altered, changed or repealed by either an affirmative vote of holders of not less than 75% of the outstanding shares of stock entitled to vote or the affirmative vote of not less than 80% of the directors then in office.	

Certain anti-takeover effects of QCR s certificate and bylaws and Delaware law and federal law

Certain provisions of QCR s certificate of incorporation, bylaws and the DGCL may have the effect of impeding the acquisition of control of QCR by means of a tender offer, a proxy fight, open-market purchases or otherwise in a transaction not approved by QCR s board of directors.

These provisions may have the effect of discouraging a future takeover attempt which is not approved by QCR s board of directors but which individual QCR stockholders may deem to be in their best interests or in which QCR stockholders may receive a substantial premium for their shares over then-current market prices. As a result, stockholders who might desire to participate in such a transaction may not have an opportunity to do so. Such provisions will also render the removal of QCR s current board of directors or management more difficult.

These provisions of QCR s certificate of incorporation and bylaws include the following:

QCR s board of directors may issue additional authorized shares of QCR s capital stock to deter future attempts to gain control of QCR, including the authority to determine the terms of any one or more series of preferred stock, such as voting rights, conversion rates and liquidation preferences. As a result of the ability to fix voting rights for a series of preferred stock, QCR s board has the power, to the extent consistent with its fiduciary duty, to issue a series of preferred stock to persons friendly to management in order to attempt to block a merger or other transaction by which a third party seeks control, and thereby assist the incumbent board of directors and management to retain their respective positions;

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QCR s certificate of incorporation does not provide for cumulative voting for any purpose, and QCR s certificate of incorporation also provides that any action required or permitted to be taken by stockholders may be taken only at an annual or special meeting and prohibits stockholder action by written consent in lieu of a meeting unless authorized by not less than 80% of the directors;

Certain transactions (including any merger or consolidation, the sale, lease or exchange of all of substantially all assets, any issuance or transfer of any voting securities to any other entity in exchange for cash, assets or securities, and the voluntary dissolution of QCR) must be approved by at least 75% of the outstanding voting stock, unless approved by not less than 80% of the directors;

When evaluating a proposal by another person to make a tender or exchange offer for an equity security, to merge or consolidate with QCR or to purchase or otherwise acquire all or substantially all of the assets of QCR, QCR s certificate of incorporation allows the board of directors to consider non-stockholder interests, such as the social and economic effects of the transaction on QCR and its subsidiaries and the other elements of the communities in which QCR and its subsidiaries operate or are located; and

The amendment of QCR s certificate of incorporation must be approved by a majority vote of the board of directors and also by a majority vote of the outstanding shares of QCR s common stock, provided, however, that an affirmative vote of at least 75% of the outstanding voting stock entitled to vote is required to amend or repeal certain provisions of the certificate of incorporation, including provisions (i) governing amendment of the bylaws, (ii) relating to the use of written ballots, (iii) limiting business combinations with interested stockholders, (iv) limiting the stockholders ability to act by written consent, and (v) regarding amendment of the foregoing supermajority provisions of QCR s certificate of incorporation. QCR s bylaws may be amended only by vote of 80% of the board of directors or by affirmative vote of not less than 75% of the outstanding shares of stock then entitled to vote.

Additionally, on September 11, 2003, QCR s board of directors adopted a stockholders rights agreement, which we refer to as the Rights Agreement. Pursuant to the terms of the Rights Agreement, QCR s board of directors authorized and declared a dividend of one preferred share purchase right, or a Right, for each share of QCR common stock outstanding as of the close of business on September 22, 2003, with each Right representing the right to purchase one one-thousandth (subject to adjustment) of a share of series B junior participating preferred stock, $1.00 par value per share. The Rights have no immediate economic value to QCR s stockholders and cannot be exercised unless and until a person, group or entity acquires 15% or more of QCR s common stock or announces a tender offer. The Rights Agreement also permits QCR s board of directors to redeem each right for $0.01 under various circumstances. In general, the Rights Agreement provides that if a person, group or entity acquires a 15% or larger stake in QCR or announces a tender offer, and QCR s board of directors chooses not to redeem the rights, all holders of rights, other than the 15% stockholder or the tender offer or, will be able to purchase a certain amount of QCR s common stock for half of its market price. The Rights Agreement will expire pursuant to its terms on September 11, 2013.

To extend the term of the Rights Plan, QCR s board of directors unanimously approved an amendment to the Rights Agreement on February 7, 2013, which we refer to as the Amended Rights Agreement. The Amended Rights Agreement will not become effective until and unless approved by QCR s stockholders at their 2013 annual meeting, which will be held on May 1, 2013. The primary purpose of the Amended Rights Agreement is to extend the term of the Rights Agreement for an additional three years, increase the trigger from 15% to 20%, add additional stockholder protections and amend certain provisions that limit the authority of QCR s board of directors. The Rights Agreement will continue in effect until shareholders approve the Amended Rights Agreement at the annual meeting, and, if the Amended Rights Agreement is not approved, the Rights Agreement will expire on September 11, 2013. If the Amended Rights Agreement is not approved and the Rights Agreement expires, QCR s board of directors may reconsider whether to pursue a stockholders rights plan in the future.

The provisions described above are intended to reduce QCR s vulnerability to takeover attempts and certain other transactions which have not been negotiated with and approved by members of QCR s board of directors.

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The ability of a third party to acquire QCR is also subject to applicable banking laws and regulations. The Bank Holding Company Act of 1956 and the regulations thereunder require any bank holding company (as defined in that Act) to obtain the approval of the Federal Reserve prior to acquiring more than 5% of the outstanding shares of a class of QCR s voting stock. Any person other than a bank holding company is required to obtain prior approval of the Federal Reserve to acquire 10% or more of the outstanding shares of a class of QCR s voting stock under the Change in Bank Control Act of 1978. Any holder of 25% or more (or between 10% and 25%, if the holder is unable to rebut the presumption that it controls QCR) of the outstanding shares of a class of QCR s voting stock, other than an individual, is subject to supervision and regulation as a bank holding company under the Bank Holding Company Act. In calculating a holder s aggregate ownership of QCR s common stock for purposes of these banking regulations, the Federal Reserve likely would include at least the minimum number of shares (and could instead include the maximum number of shares) of QCR common stock that a holder is entitled to receive pursuant to securities convertible into or settled in QCR common stock, including QCR s series E preferred stock.

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DESCRIPTION OF QCR CAPITAL STOCK

The following description of the capital stock of QCR does not purport to be complete and is qualified, in all respects, to applicable Delaware law and provisions of QCR s certificate of incorporation, as amended, and QCR s amended and restated bylaws. QCR s certificate of incorporation, as amended, and QCR s amended and restated bylaws are incorporated by reference and will be sent to stockholders of QCR and shareholders of CNB upon request. See Where You Can Find More Information.

Authorized capital stock

Under its certificate of incorporation, as amended, QCR has the authority to issue 20 million shares of common stock, par value $1.00 per share, and 250,000 shares of preferred stock, par value $1.00 per share. As of March 25, 2013, there were issued and outstanding 4,936,316 shares of QCR common stock (exclusive of shares held in treasury), 25,000 shares of series E preferred and 29,867 shares of series F preferred.

QCR common stock

QCR Common Stock Outstanding. The outstanding shares of QCR common stock are, and the shares of QCR common stock issued pursuant to the merger or issuable upon the conversion of the series E preferred will be, duly authorized, validly issued, fully paid and non-assessable. The rights, preferences and privileges of holders of QCR common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of QCR preferred stock, including the series E preferred, series F preferred and any series of preferred stock that QCR may designate and issue in the future.

Voting Rights. Each holder of QCR common stock is entitled to one vote for each share held of record on all matters voted upon by stockholders of QCR and does not have cumulative voting rights. Accordingly, holders of a majority of the shares of QCR common stock entitled to vote in any election of directors of QCR may elect all of the directors standing for election.

Dividend Rights. The holders of QCR common stock are entitled to receive dividends, if and when declared payable by the QCR board of directors from any funds legally available for the payment of dividends, subject to any preferential dividend rights of outstanding QCR preferred stock, including the series E preferred and series F preferred. Upon the liquidation, dissolution or winding up of QCR, the holders of QCR common stock are entitled to share pro rata in the net assets of QCR available after the payment of all debts and other liabilities and subject to the prior rights of any outstanding QCR preferred stock, including the series E preferred and series F preferred.

Preemptive Rights. The certificate of incorporation, as amended, does not grant the holders of QCR common stock any preemptive, subscription, redemption or conversion rights.

Preferred stock

Blank Check Preferred Stock. Under its certificate of incorporation, as amended, the QCR board of directors has the authority to issue preferred stock in one or more series, and to fix for each series the voting powers, full or limited, or no voting powers, and with such designations, preferences and relative, participating, optional or other special rights and qualifications, limitations or restrictions thereof, as shall be stated and expressed in the resolution or resolutions adopted by the QCR board of directors providing for the issuance of such series as may be permitted by the DGCL, without any further vote or action by the stockholders of QCR.

QCR series E preferred stock

Series E Preferred Stock Outstanding. As of March 25, 2013, QCR had 25,000 shares of series E preferred outstanding.

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Dividends. Non-cumulative dividends on the series E preferred are payable quarterly in arrears if, when and as declared by QCR s board of directors, at a rate of 7.00% per year on the liquidation preference of $1,000 per share. No dividends may be paid on any preferred stock ranking junior to the series E preferred or the common stock unless and until dividends have been paid on the series E preferred. The series E preferred is not redeemable by the holders thereof. After the fifth anniversary of the issuance date, QCR may redeem all, but not less than all, of the series E preferred shares.

Conversion. Holders of the series E preferred may convert their shares into common stock at any time at a per share conversion price of $12.15. QCR may convert all, but not less than all, of the series E preferred into common stock at the same share conversion price of $12.15 on or after the third anniversary of the issuance date, if, for at least 20 trading days in a period of 30 consecutive trading days, the closing price of its common stock equals or exceeds $17.22 and QCR has declared or paid in full dividends on the series E preferred for four consecutive quarters. The conversion price of the series E preferred is subject to customary anti-dilution adjustments.

Reorganization Events and Fundamental Transactions. If QCR consummates a capital reorganization of the common stock or a merger or consolidation of QCR with or into another corporation, or the sale of all or substantially all QCR s properties and assets to any other person, each share of the series E preferred will become convertible into the number of shares of stock or other securities or property to which a holder of that number of shares of common stock deliverable upon conversion of the series E preferred would have been entitled on such capital reorganization, merger, consolidation or sale.

Voting Rights. Holders of the series E preferred generally do not have any voting rights, except as required by law.

QCR series F preferred stock

Series F Preferred Stock Outstanding. As of March 25, 2013, QCR had 29,867 shares of series F preferred outstanding. QCR issued the shares of series F preferred to the United States Department of the Treasury on September 15, 2011, in connection with the SBLF program.

Dividends. Non-Cumulative dividends on the series F preferred are payable quarterly in arrears if, when and as declared by QCR s board of directors. The per annum dividend rate, as a percentage of the liquidation amount, can fluctuate on a quarterly basis during the first 10 quarters during which the series F preferred is outstanding, based upon changes in the amount of Qualified Small Business Lending or QSBL of QCR s wholly-owned bank subsidiaries from the baseline (as defined by SBLF, the baseline is the average of QSBL for the last two quarters of 2009 and first two quarters of 2010). The dividend rate for the initial dividend period (which ended September 30, 2011) was 5.00%. For the second through the 10th calendar quarters, the dividend rate may be adjusted to between 1.00% and 5.00% to reflect the change the QCR s subsidiary banks level of QSBL. For the 11th calendar quarter to four and one-half years after the issuance date, the dividend rate will be fixed at between 1.00% and 5.00%, based upon the increase in QSBL from the baseline to the level as of the end of the ninth dividend period (i.e., as of September 30, 2013), or will be fixed at 7.00% if there is no increase or there is a decrease in QSBL during such period. In addition, beginning on April 1, 2014 and ending on April 1, 2016, if there is no increase or there is a decrease in QSBL from the baseline level to the level as of the end of the ninth dividend period (i.e., as of September 30, 2013), because of QCR s participation in Treasury s Capital Purchase Program, QCR will be subject to an additional lending incentive fee of 2.00% per year. From and after four and one-half years from the issuance date (i.e., as of March 15, 2016), the dividend rate will be fixed at 9.00%, regardless of the amount of QSBL.

For 2011 and 2012, QCR reported a net decline in QSBL from the baseline; therefore, the dividend rate for all of the corresponding calendar quarters was 5.00%. As of March 25, 2013, the dividend rate was 5.00%. On a going forward basis, QCR does not anticipate reporting QSBL at a level necessary to take advantage of the reduced dividend rate discussed above.

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The liquidation preference is $1,000 per share. No dividends may be paid on any preferred stock ranking junior to the series F preferred or the common stock unless and until dividends have been paid on the series F preferred. The series F preferred is not redeemable by the holders thereof. The series F preferred is redeemable at any time at the option of QCR, subject to the approval of QCR s primary federal banking regulator, in amounts equal to at least 25% of the number of originally issued shares, or 100% of the then-outstanding shares (if less than 25% of the originally issued shares). QCR has redeemed 25% of the Series F preferred that was originally issued to the United States Department of the Treasury.

Conversion. Holders of the series F preferred may not convert their shares into common stock.

Reorganization Events and Fundamental Transactions. QCR may not (i) consummate a merger, exchange, dissolution or similar transaction that would affect the rights of series F preferred, or (ii) sell all, or any material portion of, QCR s assets if in conjunction with such sale, the series F preferred will not be redeemed in full without the consent of the holder of series F preferred.

Voting Rights. Holders of the series F preferred generally do not have any voting rights, except as required by law. However, QCR may not amend its certificate of incorporation or bylaws in a manner adverse to the rights of the series F preferred, authorize or issue capital stock ranking senior to the series F preferred or take certain other actions without the approval of the holder of the series F preferred. In addition, in the event that QCR misses five dividend payments, whether or not consecutive, the holder of series F preferred will have the right, but not the obligation, to appoint a representative as an observer on QCR s board of directors. In the event that QCR misses six dividend payments, whether or not consecutive, and if the then outstanding aggregate liquidation amount of the series F preferred is at least $25,000,000, then the holder of series F preferred will have the right to designate two directors to the board of directors of QCR. The right of the holder of the series F preferred to appoint a non-voting observer or elect directors, as the case may be, will terminate when full dividends have been timely paid on the series F preferred for at least four consecutive dividend periods.

Exchange agent and registrar

IST Shareholder Services is the exchange agent for the merger and the registrar for the QCR common stock.

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LEGAL MATTERS

Certain matters pertaining to the validity of the authorization and issuance of the QCR common stock to be issued in the merger have been passed upon by Barack Ferrazzano Kirschbaum & Nagelberg LLP. Certain matters pertaining to the federal income tax consequences of the merger have been passed upon by Barack Ferrazzano Kirschbaum & Nagelberg LLP.

EXPERTS

The consolidated financial statements of QCR for the years ended December 31, 2012 and 2011 and the effectiveness of QCR s internal control over financial reporting as of December 31, 2012 have been audited by McGladrey LLP, independent registered public accounting firm, as set forth in their reports thereon incorporated herein.

WHERE YOU CAN FIND MORE INFORMATION

QCR files annual, quarterly and current reports, proxy statements and other information with the SEC. These filings are available to the public over the Internet at the SEC s website at www.sec.gov. You may also read and copy any document QCR files with the SEC at the SEC s public reference room located at 100 F Street, N.E., Washington D.C. 20549. Copies of these documents also can be obtained at prescribed rates by writing to the Public Reference Section of the SEC, at 100 F Street, N.E., Washington D.C. 20549 or by calling 1-800-SEC-0330 for additional information on the operation of the public reference facilities. QCR s SEC filings are also available on its Web site at http://www.qcrh.com.

QCR filed with the SEC a registration statement on Form S-4 under the Securities Act to register the shares of QCR common stock to be issued to CNB s shareholders upon completion of the merger. This proxy statement/prospectus is a part of that registration statement and constitutes a prospectus of QCR in addition to being a proxy statement of CNB for its special meeting. As permitted by the SEC rules, this proxy statement/prospectus does not contain all of the information that you can find in the registration statement or in the exhibits to the registration statement. The additional information may be inspected and copied as set forth above.

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INFORMATION ABOUT QCR HOLDINGS, INC.

In this section, references to QCR Holdings, QCR, the Company, we, us and our refer to QCR Holdings, Inc. and its subsidiaries collectively, unless the context requires otherwise.

Business of QCR Holdings, Inc.

General. QCR Holdings, Inc. (the Company) is a multi-bank holding company headquartered in Moline, Illinois, that was formed in February 1993 under the laws of the state of Delaware. The Company serves the Quad Cities, Cedar Rapids, and Rockford communities through the following three wholly-owned banking subsidiaries, which provide full-service commercial and consumer banking and trust and asset management services:

Quad City Bank and Trust Company (QCBT), which is based in Bettendorf, Iowa, and commenced operations in 1994;

Cedar Rapids Bank and Trust Company (CRBT), which is based in Cedar Rapids, Iowa, and commenced operations in 2001; and

Rockford Bank and Trust Company (RB&T), which is based in Rockford, Illinois, and commenced operations in 2005.

The Company also engages in direct financing lease contracts through m2 Lease Funds, LLC (m2), a wholly-owned subsidiary of QCBT based in Brookfield, Wisconsin. QCBT previously owned 80% of m2. In August 2012, QCBT entered into an amendment to the operating agreement of m2 and purchased the remaining 20% noncontrolling interest. See Note 21 to the consolidated financial statements for further discussion of the acquisition.

Velie Plantation Holding Company (VPHC), previously owned 91% by the Company, was engaged in holding the real estate property known as the Velie Plantation in Moline, Illinois, which is the location for the Company s headquarters. In October 2012, the Company acquired the remaining 9% noncontrolling interest, and effective December 31, 2012, VPHC was dissolved and liquidated.

Quad City Bancard, Inc. (Bancard), previously a wholly-owned subsidiary of the Company, conducted the Company s credit card issuing and merchant credit cards acquiring operations. During 2008, Bancard sold its merchant credit card acquiring business. The resulting gain on sale, net of taxes and related expenses, was approximately $3.0 million. The comparative financial results associated with the merchant credit card acquiring business have been reflected as discontinued operations throughout the annual report. Effective December 31, 2009, Bancard was dissolved and liquidated. The credit card issuing operation was merged in as a department of QCBT. In January 2013, QCBT sold its credit card portfolio and the related credit card issuing operations to a third party. In connection with the transaction, the Company expects a pre-tax gain, net of transaction-related costs, of approximately $800 thousand to be realized in the first quarter of 2013.

In February 2013, the Company entered into a definitive agreement to acquire Community National Bancorporation (Community National). The transaction is expected to close in the second quarter of 2013. Based on the closing price of the Company s common stock on February 13, 2013, the implied valuation of the acquisition is approximately $20.1 million. See Note 23 to the consolidated financial statements for further discussion of the acquisition.

On December 31, 2008, the Company sold its Milwaukee, Wisconsin subsidiary, First Wisconsin Bank and Trust Company (FWBT), for $13.7 million which resulted in a pre-tax gain on sale of approximately $495 thousand. The comparative financial results associated with FWBT have been reflected as discontinued operations throughout the annual report.

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Subsidiary Banks. QCBT was capitalized on October 13, 1993, and commenced operations on January 7, 1994. QCBT is an Iowa-chartered commercial bank that is a member of the Federal Reserve System with depository accounts insured by the Federal Deposit Insurance Corporation (the FDIC) to the maximum amount permitted by law. QCBT provides full service commercial and consumer banking and trust and asset management services in the Quad Cities and adjacent communities through its five offices that are located in Bettendorf and Davenport, Iowa and in Moline, Illinois. QCBT, on a consolidated basis with m2, had total segment assets of $1.18 billion and $1.11 billion as of December 31, 2012 and 2011, respectively.

CRBT is an Iowa-chartered commercial bank that is a member of the Federal Reserve System with depository accounts insured by the FDIC to the maximum amount permitted by law. The Company commenced operations in Cedar Rapids in June 2001, operating a branch of QCBT. The Cedar Rapids branch operation then began functioning under the CRBT charter in September 2001. CRBT provides full-service commercial and consumer banking and trust and asset management services to Cedar Rapids, Iowa and adjacent communities through its two facilities. The headquarters for CRBT is located in downtown Cedar Rapids, and its branch location is located in northern Cedar Rapids. CRBT had total segment assets of $625.7 million and $560.1 million as of December 31, 2012 and 2011, respectively.

RB&T is an Illinois-chartered commercial bank that is a member of the Federal Reserve System with depository accounts insured by the FDIC to the maximum amount permitted by law. The Company commenced operations in Rockford, Illinois in September 2004, operating a branch of QCBT, and that operation began functioning under the RB&T charter in January 2005. RB&T provides full-service commercial and consumer banking and trust and asset management services to Rockford and adjacent communities through its original office located in downtown Rockford and its branch facility located on Guilford Road at Alpine Road in Rockford. RB&T had total segment assets of $313.8 million and $294.4 million as of December 31, 2012 and 2011, respectively.

See Note 20 to the consolidated financial statements for additional business segment information.

Other Operating Subsidiaries. m2, which is based in Brookfield, Wisconsin, is engaged in the business of leasing machinery and equipment to commercial and industrial businesses under direct financing lease contracts. On August 26, 2005, QCBT acquired 80% of the membership units of m2. John Engelbrecht, the President and Chief Executive Officer of m2, retained 20% of the membership units. On August 31, 2012, QCBT acquired the 20% noncontrolling interest previously owned by John Engelbrecht.

VPHC was engaged in holding the real estate property known as the Velie Plantation Mansion in Moline, Illinois. Beginning in 1998, the Company held a 20% equity investment in VPHC. The Company acquired additional membership units in 2006 (37%), in 2009 (16%), and in 2010 (18%), bringing its total equity investment to 91%. During the fourth quarter of 2012, the Company acquired the remaining 9% noncontrolling interest and, effective as of December 31, 2012, VPHC was dissolved and liquidated.

On January 1, 2008, QCBT acquired 100% of the membership units of CMG Investment Advisors, LLC, which is an investment management and advisory company. During 2010, the operating subsidiary was renamed Quad City Investment Advisors, LLC.

Trust Preferred Subsidiaries. Following is a listing of the Company s non-consolidated subsidiaries formed for the issuance of trust preferred securities, including pertinent information as of December 31, 2012 and 2011:

Name	Date Issued	Amount Issued	Interest Rate	Interest Rate as of 12/31/12	Interest Rate as of 12/31/11
QCR Holdings Statutory Trust II	February 2004	$ 12,372,000	2.85% over 3-month LIBOR*	3.21%	3.22%
QCR Holdings Statutory Trust III	February 2004	8,248,000	2.85% over 3-month LIBOR	3.21%	3.22%
QCR Holdings Statutory Trust IV	May 2005	5,155,000	1.80% over 3-month LIBOR	2.14%	2.20%
QCR Holdings Statutory Trust V	February 2006	10,310,000	1.55% over 3-month LIBOR**	1.89%	1.95%
		$ 36,085,000	Weighted Average Rate	2.68%	2.71%

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* Rate was fixed at 6.93% until March 31, 2011 when it became variable based on 3-month LIBOR plus 2.85%, reset quarterly.
** Rate was fixed at 6.62% until April 7, 2011 when it became variable based on 3-month LIBOR plus 1.55%, reset quarterly.
Securities issued by Trust II, Trust III, Trust IV, and Trust V mature thirty years from the date of issuance, but are all currently callable at par at anytime.

Other Ownership Interests. The Company invests limited amounts of its capital in stocks of financial institutions and mutual funds. In addition to its wholly-owned subsidiaries, the Company owns a 20% equity position in Nobel Real Estate Investors, LLC. In June 2005, CRBT entered into a joint venture as a 50% owner of Cedar Rapids Mortgage Company, LLC.

The Company previously owned a 2.25% equity investment in Trisource Solutions, LLC (Trisource). On July 2, 2010, the Company exercised a put option and sold its equity investment back to the majority owner of Trisource for $750 thousand received in monthly installments of $10 thousand through July 2012, and a final balloon payment of $584 thousand received in August 2012. The gain (materially all of the sales proceeds) was recognized on a cash basis.

Business. The Company s principal business consists of attracting deposits and investing those deposits in loans/leases and securities. The deposits of the subsidiary banks are insured to the maximum amount allowable by the FDIC. The Company s results of operations are dependent primarily on net interest income, which is the difference between the interest earned on its loans/leases and securities and the interest paid on deposits and borrowings. The Company s operating results are affected by economic and competitive conditions, particularly changes in interest rates, government policies and actions of regulatory authorities. Its operating results also can be affected by trust fees, investment advisory and management fees, deposit service charge fees, gains on the sale of residential real estate and government guaranteed loans, earnings from bank-owned life insurance and other income. Operating expenses include employee compensation and benefits, occupancy and equipment expense, professional and data processing fees, advertising and marketing expenses, bank service charges, FDIC and other insurance, loan/lease expenses and other administrative expenses.

The Company and its subsidiaries collectively employed 356 and 355 full-time equivalents (FTEs) at December 31, 2012 and 2011, respectively.

The Board of Governors of the Federal Reserve System (the Federal Reserve) is the primary federal regulator of the Company and its subsidiaries. In addition, QCBT and CRBT are regulated by the Iowa Superintendent of Banking (Iowa Superintendent) and RB&T is regulated by the State of Illinois Department of Financial and Professional Regulation (DFPR). The FDIC, as administrator of the Deposit Insurance Fund, has regulatory authority over the subsidiary banks.

Lending/Leasing. The Company and its subsidiaries provide a broad range of commercial and retail lending and investment services to corporations, partnerships, individuals, and government agencies. The subsidiary banks actively market their services to qualified lending and deposit clients. Officers actively solicit the business of new clients entering their market areas as well as long-standing members of the local business community. The Company has an established lending/leasing policy which includes a number of underwriting factors to be considered in making a loan/lease, including, but not limited to, location, loan-to-value ratio, cash flow, collateral and the credit history of the borrower.

In accordance with Iowa regulation, the legal lending limit to one borrower for QCBT and CRBT, calculated as 15% of aggregate capital, was $14.9 million and $8.4 million, respectively, as of December 31, 2012. In accordance with Illinois regulation, the legal lending limit to one borrower for RB&T, calculated as 25% of aggregate capital, totaled $9.4 million as of December 31, 2012.

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The Company recognizes the need to prevent excessive concentrations of credit exposure to any one borrower or group of related borrowers. As such, the Company has established an in-house lending limit, which is lower than each subsidiary bank s legal lending limit, in an effort to manage individual borrower exposure levels.

The in-house lending limit is the maximum amount of credit each subsidiary bank will extend to a single borrowing entity or group of related entities. Under the in-house limit, total credit exposure to a single borrowing entity or group of related entities will not exceed the following, subject to certain exceptions:

Quad City Bank & Trust:	$ 7.5 million
Cedar Rapids Bank & Trust:	$ 6.5 million
Rockford Bank & Trust:	$ 3.7 million

On a consolidated basis, the in-house lending limit is $10.0 million, which is the maximum amount of credit that all affiliated banks, when combined, will extend to a single borrowing entity or group of related entities, subject to certain exceptions.

In addition, m2 s in-house lending limit is $1.0 million to a single leasing entity or group of related entities.

As part of the loan monitoring activity at the three subsidiary banks, credit administration personnel interact closely with senior bank management. For example, the internal loan committee of each subsidiary bank meets weekly. The Company has a separate in-house loan review function to analyze credits of the subsidiary banks. To complement the in-house loan review, an independent third-party performs external loan reviews. Management has attempted to identify problem loans at an early stage and to aggressively seek a resolution of those situations.

The Company recognizes that a diversified loan/lease portfolio contributes to reducing risk in the overall loan/lease portfolio. The specific loan/lease portfolio mix is subject to change based on loan/lease demand, the business environment and various economic factors. The Company actively monitors concentrations within the loan/lease portfolio to ensure appropriate diversification and concentration risk is maintained.

Specifically, each subsidiary bank s total loans as a percentage of average assets may not exceed 85%. In addition, following are established policy limits and the actual allocations for the three subsidiary banks as of December 31, 2012 for the loan portfolio on a per loan type basis, reflected as a percentage of the subsidiary bank s average gross loans:

	Maximum Percentage per Loan Policy**	As of December 31, 2012		
Type of Loan*		QCBT	CRBT	RB&T
One-to-four family residential	30%	15%	11%	19%
Multi-family	15%	4%	8%	5%
Farmland	5%	0%	0%	1%
Non-farm, nonresidential	50%	28%	40%	45%
Construction and land development	20%	5%	5%	3%
Commercial and industrial	60%	20%	30%	24%
Loans to individuals	10%	3%	2%	1%
Lease financing	20%	16%	0%	0%
All other loans	10%	9%	4%	2%
		100%	100%	100%
Bank stock loans***	15%	7%	0%	1%

* The loan types above are as defined and reported in the subsidiary banks quarterly Reports of Condition and Income (also known as Call Reports).

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** The maximum percentages listed are the same for all subsidiary banks except for CRBT, where the maximum percentage for one-to-four family residential is 25%, the maximum percentage for construction and land development is 15%, and the maximum percentage for lease financing receivables is 5%. Additionally, both CRBT and RB&T have maximum percentages for bank stock loans of 10%.

*** Bank stock loans are not a separate reportable line item on the Call Reports. The loans are reported within all other loans above.

The following table presents total loans/leases by major loan/lease type and subsidiary as of December 31, 2012 and 2011. Residential real estate loans held for sale are included in residential real estate loans below.

	Quad City Bank & Trust		m2 Lease Funds		Cedar Rapids Bank & Trust		Rockford Bank & Trust		Intercompany Elimination	Consolidated Total	
	$	%	$	%	$	%	$	%	$	$	%
As of December 31, 2012:					(dollars in thousands)						
Commercial and industrial loans	$ 203,542	36%	$	0%	$ 130,261	35%	$ 60,441	26%	$	$ 394,244	31%
Commercial real estate loans	258,133	45%		0%	201,659	54%	136,025	58%	(1,838)	593,979	46%
Direct financing leases		0%	103,686	96%		0%		0%		103,686	8%
Residential real estate loans	60,666	11%		0%	27,863	7%	27,053	11%		115,582	9%
Installment and other consumer loans	47,621	8%		0%	17,425	4%	11,675	5%		76,721	6%
Deferred loan/lease origination costs, net of fees	(77)	0%	3,907	4%	(738)	0%	84	0%		3,176	0%
	$ 569,885	100%	$ 107,593	100%	$ 376,470	100%	$ 235,278	100%	$ (1,838)	$ 1,287,388	100%
As of December 31, 2011:											
Commercial and industrial loans	$ 177,069	34%	$	0%	$ 116,714	34%	$ 57,011	25%	$	$ 350,794	29%
Commercial real estate loans	260,895	49%		0%	184,338	53%	134,580	59%	(2,009)	577,804	48%
Direct financing leases		0%	93,212	97%		0%		0%		93,212	8%
Residential real estate loans	43,405	8%		0%	29,847	8%	24,855	11%		98,107	8%
Installment and other consumer loans	48,590	9%		0%	17,846	5%	11,787	5%		78,223	7%
Deferred loan/lease origination costs, net of fees	56	0%	3,217	3%	(703)	0%	35	0%		2,605	0%
	$ 530,015	100%	$ 96,429	100%	$ 348,042	100%	$ 228,268	100%	$ (2,009)	$ 1,200,745	100%

Proper pricing of loans is necessary to provide adequate return to the Company s stockholders. Loan pricing, as established by the subsidiary banks Asset/Liability Committee, shall include consideration for the cost of funds, loan maturity and risk, origination and maintenance costs, appropriate stockholder return, competitive factors, and the economic environment. The portfolio contains a mix of loans with fixed and floating interest rates. Management attempts to maximize the use of interest rate floors on its variable rate loan portfolio.

Commercial and Industrial Lending. As noted above, the subsidiary banks are active commercial and industrial lenders. The current areas of emphasis include loans to small and mid-sized businesses with a wide range of operations such as wholesalers, manufacturers, building contractors, business services companies, other banks, and retailers. The banks provide a wide range of business loans, including lines of credit for working capital and operational purposes, and term loans for the acquisition of facilities, equipment and other purposes. Since 2010, the subsidiary banks have been active in participating in lending programs offered by the Small Business Administration (SBA) and the United States Department of Agriculture (USDA). Under these programs, the government entities will generally provide a guarantee of repayment ranging from 50% to 85% of the principal amount of the qualifying loan.

Loan approval is generally based on the following factors:

Ability and stability of current management of the borrower;

Stable earnings with positive financial trends;

Sufficient cash flow to support debt repayment;

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- Earnings projections based on reasonable assumptions;
- Financial strength of the industry and business; and
- Value and marketability of collateral.

For commercial and industrial loans, the Company assigns internal risk ratings which are largely dependent upon the aforementioned approval factors. The risk rating is reviewed annually or on an as needed basis depending on the specific circumstances of the loan. See Note 1 to the consolidated financial statements for additional information, including the internal risk rating scale.

As part of the underwriting process, management reviews current borrower financial statements. When appropriate, certain commercial and industrial loans may contain covenants requiring maintenance of financial performance ratios such as, but not limited to:

- Minimum debt service coverage ratio;
- Minimum current ratio;
- Maximum debt to tangible net worth ratio; and/or
- Minimum tangible net worth

Establishment of these financial performance ratios depends on a number of factors, including risk rating and the specific industry.

Collateral for these loans generally includes accounts receivable, inventory, equipment, and real estate. The lending policy specifies approved collateral types and corresponding maximum advance percentages. The value of collateral pledged on loans must exceed the loan amount by a margin sufficient to absorb potential erosion of its value in the event of foreclosure and cover the loan amount plus costs incurred to convert it to cash. Approved non-real estate collateral types and corresponding maximum advance percentages for each are listed below.

Approved Collateral Type	Maximum Advance %
Financial Instruments	
U.S. Government Securities	90% of market value
Securities of Federal Agencies	90% of market value
Municipal Bonds rated by Moody s	
As A or better	80% of market value
Listed Stocks	75% of market value
Mutual Funds	75% of market value
Cash Value Life Insurance	95%, less policy loans
Savings/Time Deposits (Bank)	100% of current value
General Business	
Accounts Receivable	80% of eligible accounts
Inventory	50% of value
Fixed Assets (Existing)	50% of net book value, or
	75% of orderly liquidation appraised value
Fixed Assets (New)	80% of cost
Leasehold Improvements	0%

Generally, if the above collateral is part of a cross-collateralization with other approved assets, then the maximum advance percentage may be higher.

The lending policy specifies maximum term limits for commercial and industrial loans. For term loans, the maximum term is generally 7 years. Generally, term loans range from 3 to 5 years. For lines of credit, the maximum term is typically 365 days.

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In addition, the subsidiary banks often take personal guarantees or cosignors to help assure repayment. Loans may be made on an unsecured basis if warranted by the overall financial condition of the borrower.

Commercial Real Estate Lending. The subsidiary banks also make commercial real estate loans. Commercial real estate loans are subject to underwriting standards and processes similar to commercial and industrial loans, in addition to those standards and processes specific to real estate loans. Collateral for these loans generally includes the underlying real estate and improvements, and may include additional assets of the borrower. The lending policy specifies maximum loan-to-value limits based on the category of commercial real estate (commercial real estate loans on improved property, raw land, land development, and commercial construction). These limits are the same limits as, or in some situations, more conservative than, those established by regulatory authorities. Following is a listing of these limits as well as some of the other guidelines included in the lending policy for the major categories of commercial real estate loans:

Commercial Real Estate Loan Types	Maximum Advance Rate**	Maximum Term
Commercial Real Estate Loans on Improved Property*	80%	7 years
Raw Land	Lesser of 90% of project cost, or 65% of as is appraised value	12 months
Land Development	Lesser of 90% of project cost, or 75% of appraised value	24 months
Commerical Construction Loans	Lesser of 90% of project cost, or 80% of appraised value	365 days

* Generally, the debt service coverage ratio must be a minimum of 1.25x for non-owner occupied loans and 1.15x for owner-occupied loans. For loans greater than $500 thousand, the subsidiary banks sensitivity test this ratio for deteriorated economic conditions, major changes in interest rates, and/or significant increases in vacancy rates.

** These maximum rates are consistent with , or in some situations, more conservative than, those established by regulatory authorities.

The lending policy also includes guidelines for real estate appraisals and evaluations, including minimum appraisal and evaluation standards based on certain transactions. In addition, the subsidiary banks often take personal guarantees to help assure repayment.

In addition, management tracks the level of owner-occupied commercial real estate loans versus non-owner occupied loans. Owner-occupied loans are generally considered to have less risk. As of December 31, 2012 and 2011, approximately 35% and 29%, respectively, of the commercial real estate loan portfolio was owner-occupied.

The Company s lending policy limits non-owner occupied commercial real estate lending to 300% of total risk-based capital, and limits construction, land development, and other land loans to 100% of total risk-based capital. Exceeding these limits warrants the use of heightened risk management practices in accordance with regulatory guidelines. As of December 31, 2012, all three subsidiary banks were in compliance with these limits.

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Following is a listing of the significant industries within the Company s commercial real estate loan portfolio as of December 31, 2012 and 2011:

	2012		2011	
	Amount	%	Amount	%
		(dollars in thousands)		
Lessors of Nonresidential Buildings	$ 178,060	30%	$ 179,511	31%
Lessors of Residential Buildings	61,460	10%	50,029	9%
Land Subdivision	28,854	5%	33,252	6%
New Car Dealers	27,079	5%	25,223	4%
Hotels	26,710	4%	19,061	3%
Lessors of Other Real Estate Property	12,765	2%	15,830	3%
New Single Family Construction	10,746	2%	10,788	2%
Other*	248,305	42%	244,110	42%
Total Commercial Real Estate Loans	$ 593,979	100%	$ 577,804	100%

* Other consists of all other industries. None of these had concentrations greater than $10.0 million, or 2.0% of total commercial real estate loans.

Direct Financing Leasing. m2 leases machinery and equipment to commercial and industrial customers under direct financing leases. All lease requests are subject to the credit requirements and criteria as set forth in the lending/leasing policy. In all cases, a formal independent credit analysis of the lessee is performed.

The following private and public sector business assets are generally acceptable to consider for lease funding:

Computer systems

Photocopy systems

Fire trucks

Specialized road maintenance equipment

Medical equipment

Commercial business furnishings

Vehicles classified as heavy equipment

Aircraft

- Equipment classified as plant or office equipment
- Marine boat lifts

m2 will generally refrain from funding leases of the following type:

- Leases collateralized by non-marketable items
- Leases collateralized by consumer items, such as vehicles, household goods, recreational vehicles, boats, etc.
- Leases collateralized by used equipment, unless its remaining useful life can be readily determined
- Leases with a repayment schedule exceeding 7 years

Residential Real Estate Lending. Generally, the subsidiary banks residential real estate loans conform to the underwriting requirements of Freddie Mac and Fannie Mae to allow the subsidiary banks to resell loans in the secondary market. The subsidiary banks structure most loans that will not conform to those underwriting requirements as adjustable rate mortgages that adjust in one to five years, and then retain these loans in their portfolios. During 2011 and 2012, the subsidiary banks originated and held a limited amount of 15-year fixed rate residential real estate loans that met certain credit guidelines. Servicing rights are not presently retained on the loans sold in the secondary market. The lending policy establishes minimum appraisal and other credit guidelines.

As mentioned above, the subsidiary banks sell the majority of their residential real estate loans in the secondary market. The following table presents the originations and sales of residential real estate loans for the Company.

	For the year ended December 31,		
	2012	2011	2010
		(dollars in thousands)	
Originations of residential real estate loans	$ 151,676	$ 117,914	$ 164,572
Sales of residential real estate loans	$ 104,740	$ 83,926	$ 134,304
Percentage of sales to originations	69%	71%	82%

Installment and Other Consumer Lending. The consumer lending department of each subsidiary bank provides many types of consumer loans, including motor vehicle, home improvement, home equity, signature loans and small personal credit lines. The lending policy addresses specific credit guidelines by consumer loan type. In particular, for home equity loans and home equity lines of credit, the minimum credit bureau score is 680. For both home equity loans and lines of credit, the maximum advance rate is 90% of value with a minimum credit bureau score of 720, and the maximum advance rate is 80% of value with a credit bureau score of 680 to 719. The maximum term on home equity loans is 10 years and maximum amortization is 15 years. The maximum term on home equity lines of credit is 5 years.

In some instances for all loans/leases, it may be appropriate to originate or purchase loans/leases that are exceptions to the guidelines and limits established within the lending policy described above. In general, exceptions to the lending policy do not significantly deviate from the guidelines and limits established within the lending policy and, if there are exceptions, they are generally noted as such and specifically identified in loan/lease approval documents.

Competition. The Company currently operates in the highly competitive Quad Cities, Cedar Rapids, and Rockford markets. Competitors include not only other commercial banks, credit unions, thrift institutions, and mutual funds, but also insurance companies, finance companies, brokerage firms, investment banking companies, and a variety of other financial services and advisory companies. Many of these competitors are not subject to the same regulatory restrictions as the Company. Many of these unregulated competitors compete across geographic boundaries and provide customers increasing access to meaningful alternatives to banking services. The Company competes in markets with a number of much larger financial institutions with substantially greater resources and larger lending limits.

Internet Site, Securities Filings and Governance Documents. The Company maintains Internet sites for itself and each of its three banking subsidiaries. The Company makes available free of charge through these sites its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and other reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 after it electronically files such material with, or furnishes it to, the Securities and Exchange Commission. Also available are many of its corporate governance documents, including the Code of Conduct and Ethics Policy. The sites are www.qcrh.com, www.qcbt.com, www.crbt.com, and www.rkfdbank.com.

Supervision and Regulation

General. Financial institutions, their holding companies and their affiliates are extensively regulated under federal and state law. As a result, the growth and earnings performance of the Company may be affected not only by management decisions and general economic conditions, but also by the requirements of federal and state

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statutes and by the regulations and policies of various bank regulatory authorities, including the Iowa Superintendent of Banking (the Iowa Superintendent), the Illinois Department of Financial and Professional Regulation (the DFPR), the Board of Governors of the Federal Reserve System (the Federal Reserve), the Federal Deposit Insurance Corporation (the FDIC) and the newly-created Bureau of Consumer Financial Protection (the CFPB). Furthermore, taxation laws administered by the Internal Revenue Service and state taxing authorities, accounting rules developed by the Financial Accounting Standards Board (the FASB) and securities laws administered by the Securities and Exchange Commission (the SEC) and state securities authorities have an impact on the business of the Company. The effect of these statutes, regulations, regulatory policies and accounting rules are significant to the operations and results of the Company and its subsidiary Banks, and the nature and extent of future legislative, regulatory or other changes affecting financial institutions are impossible to predict with any certainty.

Federal and state banking laws impose a comprehensive system of supervision, regulation and enforcement on the operations of financial institutions, their holding companies and affiliates that is intended primarily for the protection of the FDIC-insured deposits and depositors of banks, rather than stockholders. These federal and state laws, and the regulations of the bank regulatory authorities issued under them, affect, among other things, the scope of business, the kinds and amounts of investments banks may make, reserve requirements, capital levels relative to operations, the nature and amount of collateral for loans, the establishment of branches, the ability to merge, consolidate and acquire, dealings with insiders and affiliates and the payment of dividends. Moreover, turmoil in the credit markets in recent years prompted the enactment of unprecedented legislation that has allowed the U.S. Department of the Treasury (the Treasury) to make equity capital available to qualifying financial institutions to help restore confidence and stability in the U.S. financial markets, which imposes additional requirements on institutions in which the Treasury invests.

The Company and its subsidiary Banks are also subject to regular examination by their respective regulatory authorities, which results in examination reports and ratings that are not publicly available and that can impact the conduct and growth of business. These examinations consider not only compliance with applicable laws and regulations, but also capital levels, asset quality and risk, management ability and performance, earnings, liquidity, and various other factors. The regulatory agencies generally have broad discretion to impose restrictions and limitations on the operations of a regulated entity where the agencies determine, among other things, that such operations are unsafe or unsound, fail to comply with applicable law or are otherwise inconsistent with laws and regulations or with the supervisory policies of these agencies.

The following is a summary of the material elements of the supervisory and regulatory framework applicable to the Company and its subsidiaries. It does not describe all of the statutes, regulations and regulatory policies that apply, nor does it restate all of the requirements of those that are described. The descriptions are qualified in their entirety by reference to the particular statutory or regulatory provision.

Financial Regulatory Reform. On July 21, 2010, President Obama signed the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) into law. The Dodd-Frank Act represents a sweeping reform of the supervisory and regulatory framework applicable to financial institutions and capital markets in the United States, certain aspects of which are described below in more detail. The Dodd-Frank Act creates new federal governmental entities responsible for overseeing different aspects of the U.S. financial services industry, including identifying emerging systemic risks. It also shifts certain authorities and responsibilities among federal financial institution regulators, including the supervision of holding company affiliates and the regulation of consumer financial services and products. In particular, and among other things, the Dodd-Frank Act: creates the CFPB, which is authorized to regulate providers of consumer credit, savings, payment and other consumer financial products and services; narrows the scope of federal preemption of state consumer laws enjoyed by national banks and federal savings associations and expands the authority of state attorneys general to bring actions to enforce federal consumer protection legislation; imposes more stringent capital requirements on bank holding companies and subjects certain activities, including interstate mergers and acquisitions, to heightened capital conditions; significantly expands underwriting requirements applicable to loans secured by 1-4 family residential real property; restricts the interchange fees payable on debit card transactions for issuers with $10 billion in assets or greater; requires the originator of a securitized loan, or the sponsor of a securitization, to retain at least 5% of the credit risk of securitized exposures unless the underlying exposures are qualified residential mortgages or meet certain underwriting standards to be determined by regulation; creates a Financial Stability Oversight Council as part of a regulatory structure for identifying emerging systemic risks and improving interagency cooperation; provides for enhanced regulation of advisers to private funds and of the derivatives markets; enhances oversight of credit rating agencies; and prohibits banking agency requirements tied to credit ratings.

Numerous provisions of the Dodd-Frank Act are required to be implemented through rulemaking by the appropriate federal regulatory agencies. Many of the required regulations have been issued and others have been released for public comment, but there remain a number that have yet to be released in any form. Furthermore, while the reforms primarily target systemically important financial service providers, their influence is expected to filter down in varying degrees to smaller institutions over time. Management of the Company will continue to evaluate the effect of the changes; however, in many respects, the ultimate impact of the Dodd-Frank Act will not be fully known for years, and no current assurance may be given that the Dodd-Frank Act, or any other new legislative changes, will not have a negative impact on the results of operations and financial condition of the Company and its subsidiaries.

The Increasing Regulatory Emphasis on Capital. The Company is subject to various regulatory capital requirements administered by the federal and state banking regulators noted above. Failure to meet regulatory capital requirements may result in certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have a direct material effect on our financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action (described below), the Company must meet specific capital guidelines that involve quantitative measures of our assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting policies. Our capital amounts and classifications are also subject to judgments by the regulators regarding qualitative components, risk weightings and other factors.

While capital has historically been one of the key measures of the financial health of both bank holding companies and depository institutions, its role is becoming fundamentally more important in the wake of the financial crisis, as the regulators have recognized that the amount and quality of capital held by banking organizations was insufficient to absorb losses during periods of severe stress. Certain provisions of the Dodd-Frank Act and Basel III, discussed below, will ultimately establish strengthened capital standards for banks and bank holding companies, will require more capital to be held in the form of common stock and will disallow certain funds from being included in capital determinations. Once fully implemented, these provisions will represent regulatory capital requirements that are meaningfully more stringent than those in place currently.

Company and Bank Required Capital Levels*.* Bank holding companies have historically had to comply with less stringent capital standards than their bank subsidiaries and were able to raise capital with hybrid instruments such as trust preferred securities. The Dodd-Frank Act mandated the Federal Reserve to establish minimum capital levels for bank holding companies on a consolidated basis that are as stringent as those required for insured depository institutions. As a consequence, over a phase-in period of three years, the components of holding company permanent capital known as Tier 1 capital are being restricted to capital instruments that are considered to be Tier 1 capital for insured depository institutions. A result of this change is that the proceeds of trust preferred securities are being excluded from Tier 1 capital unless such securities were issued prior to May 19, 2010 by bank holding companies with less than $15 billion of assets. Because the Company has assets of less than $15 billion, it is able to maintain its trust preferred proceeds as Tier 1 capital but will have to comply with new capital mandates in other respects, and will not be able to raise Tier 1 capital in the future through the issuance of trust preferred securities. In addition, the Basel III proposal, discussed below, includes a phase-out of trust preferred securities for all bank holding companies, including the Company.

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The Company owns three subsidiary banks (collectively, the Banks): Quad City Bank and Trust Company (QCBT), Cedar Rapids Bank and Trust Company (CRBT), and Rockford Bank and Trust Company (RB&T). Under current federal regulations, the Banks are subject to, and, after the phase-in period, the Company will be subject to, the following minimum capital standards:

- a leverage requirement, consisting of a minimum ratio of Tier 1 capital to total assets of 3% for the most highly-rated banks with a minimum requirement of at least 4% for all others, and

- a risk-based capital requirement, consisting of a minimum ratio of total capital to total risk-weighted assets of 8% and a minimum ratio of Tier 1 capital to total risk-weighted assets of 4%. For this purpose, Tier 1 capital consists primarily of common stock, noncumulative perpetual preferred stock and related surplus less intangible assets (other than certain loan servicing rights and purchased credit card relationships). Total capital consists primarily of Tier 1 capital plus Tier 2 capital, which includes other non-permanent capital items, such as certain other debt and equity instruments that do not qualify as Tier 1 capital, and a portion of the Banks allowance for loan and leases losses.

The capital standards described above are minimum requirements. Federal law and regulations provide various incentives for banking organizations to maintain regulatory capital at levels in excess of minimum regulatory requirements. For example, a banking organization that is well-capitalized may: (i) qualify for exemptions from prior notice or application requirements otherwise applicable to certain types of activities; (ii) qualify for expedited processing of other required notices or applications; and (iii) accept brokered deposits. Under the capital regulations of the Federal Reserve, in order to be well-capitalized, a banking organization must maintain a ratio of total capital to total risk-weighted assets of 10% or greater, a ratio of Tier 1 capital to total risk-weighted assets of 6% or greater and a ratio of Tier 1 capital to total assets of 5% or greater. The Federal Reserve s guidelines also provide that bank holding companies experiencing internal growth or making acquisitions will be expected to maintain strong capital positions substantially above the minimum supervisory levels without significant reliance on intangible assets. Furthermore, the guidelines indicate that the Federal Reserve will continue to consider a tangible tier 1 leverage ratio (deducting all intangibles) in evaluating proposals for expansion or to engage in new activity.

Higher capital levels may also be required if warranted by the particular circumstances or risk profiles of individual banking organizations. For example, the Federal Reserve s capital guidelines contemplate that additional capital may be required to take adequate account of, among other things, interest rate risk, or the risks posed by concentrations of credit, nontraditional activities or securities trading activities. Further, any banking organization experiencing or anticipating significant growth would be expected to maintain capital ratios, including tangible capital positions (*i.e.*, Tier 1 capital less all intangible assets), well above the minimum levels.

Prompt Corrective Action**.** A banking organization s capital plays an important role in connection with regulatory enforcement as well. Federal law provides the federal banking regulators with broad power to take prompt corrective action to resolve the problems of undercapitalized institutions. The extent of the regulators powers depends on whether the institution in question is adequately capitalized, undercapitalized, significantly undercapitalized or critically undercapitalized, in each case as defined by regulation. Depending upon the capital category to which an institution is assigned, the regulators corrective powers include: (i) requiring the institution to submit a capital restoration plan; (ii) limiting the institution s asset growth and restricting its activities; (iii) requiring the institution to issue additional capital stock (including additional voting stock) or to be acquired; (iv) restricting transactions between the institution and its affiliates; (v) restricting the interest rate the institution may pay on deposits; (vi) ordering a new election of directors of the institution; (vii) requiring that senior executive officers or directors be dismissed; (viii) prohibiting the institution from accepting deposits from correspondent banks; (ix) requiring the institution to divest certain subsidiaries; (x) prohibiting the payment of principal or interest on subordinated debt; and (xi) ultimately, appointing a receiver for the institution.

As of December 31, 2012: (i) none of the Banks was subject to a directive from the Federal Reserve to increase capital to an amount in excess of the minimum regulatory capital requirements; (ii) each Bank exceeded

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its minimum regulatory capital requirements under Federal Reserve capital adequacy guidelines; and (iii) each Bank was well-capitalized, as defined by Federal Reserve regulations. As of December 31, 2012, the Company had regulatory capital in excess of the Federal Reserve s requirements and met the Dodd-Frank capital requirements.

Basel III. The current risk-based capital guidelines described above, which apply to the Banks and are being phased in for the Company, are based upon the 1988 capital accord known as Basel I adopted by the international Basel Committee on Banking Supervision, a committee of central banks and bank supervisors, as implemented by the U.S. federal banking regulators on an interagency basis. In 2008, the banking agencies collaboratively began to phase-in capital standards based on a second capital accord, referred to as Basel II, for large or core international banks (generally defined for U.S. purposes as having total assets of $250 billion or more, or consolidated foreign exposures of $10 billion or more). Basel II emphasized internal assessment of credit, market and operational risk, as well as supervisory assessment and market discipline in determining minimum capital requirements.

On September 12, 2010, the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee on Banking Supervision, announced agreement on a strengthened set of capital requirements for banking organizations around the world, known as Basel III, to address deficiencies recognized in connection with the global financial crisis. Basel III requires, among other things:

- a new required ratio of minimum common equity equal to 4.5% of risk-weighted assets,
- an increase in the minimum required amount of Tier 1 capital from the current level of 4% of total assets to 6% of risk-weighted assets, and
- a continuation of the current minimum required amount of total capital at 8% of risk-weighted assets.

In addition, institutions that seek the freedom to make capital distributions (including for dividends and repurchases of stock) and pay discretionary bonuses to executive officers without restriction must also maintain 2.5% in common equity attributable to a capital conservation buffer to be phased in over three years. The purpose of the conservation buffer is to ensure that banks maintain a buffer of capital that can be used to absorb losses during periods of financial and economic stress. Factoring in the conservation buffer increases the ratios depicted above to 7% for common equity, 8.5% for Tier 1 capital and 10.5% for total capital.

On June 12, 2012, the federal banking regulators (the Office of the Comptroller of the Currency, the Federal Reserve and the FDIC) (the Agencies) formally proposed for comment, in three separate but related proposals, rules to implement Basel III in the United States. The proposals are: (i) the Basel III Proposal, which applies the Basel III capital framework to almost all U.S. banking organizations; (ii) the Standardized Approach Proposal, which applies certain elements of the Basel II standardized approach for credit risk weightings to almost all U.S. banking organizations; and (iii) the Advanced Approaches Proposal, which applies changes made to Basel II and Basel III in the past few years to large U.S. banking organizations subject to the advanced Basel II capital framework. The comment period for these notices of proposed rulemaking ended October 22, 2012.

The Basel III Proposal and the Standardized Approach Proposal are expected to have a direct impact on the Company and the Banks. The Basel III Proposal is applicable to all U.S. banks that are subject to minimum capital requirements, including federal and state banks, as well as to bank and savings and loan holding companies other than small bank holding companies (generally bank holding companies with consolidated assets of less than $500 million). There will be separate phase-in/phase-out periods for: (i) minimum capital ratios; (ii) regulatory capital adjustments and deductions; (iii) nonqualifying capital instruments; (iv) capital conservation and countercyclical capital buffers; (v) a supplemental leverage ratio for advanced approaches banks; and (vi) changes to the FDIC s prompt corrective action rules.

The criteria in the U.S. proposal for common equity and additional Tier 1 capital instruments, as well as Tier 2 capital instruments, are broadly consistent with the Basel III criteria. A number of instruments that now

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qualify as Tier 1 capital will not qualify, or their qualification will change, if the Basel III Proposal becomes final. For example, cumulative preferred stock and certain hybrid capital instruments, including trust preferred securities, which the Company may retain under the Dodd-Frank Act, will no longer qualify as Tier 1 capital of any kind. Noncumulative perpetual preferred stock, which now qualifies as simple Tier 1 capital, would not qualify as common equity Tier 1 capital, but would qualify as additional Tier 1 capital.

In addition to the changes in capital requirements included within the Basel III Proposal, the Standardized Approach Proposal revises a large number of the risk weightings (or their methodologies) for bank assets that are used to determine the capital ratios. For nearly every class of assets, the proposal requires a more complex, detailed and calibrated assessment of credit risk and calculation of risk weightings. For example, under the current risk-weighting rules, residential mortgages have a risk weighting of 50%. Under the proposed new rules, two categories of residential mortgage lending would be created: (i) traditional lending would be category 1, where the risk weightings range from 35 to 100%; and (ii) nontraditional loans would fall within category 2, where the risk weightings would range from 50 to 150%. There is concern in the U.S. that the proposed methodology for risk weighting residential mortgage exposures and the higher risk weightings for certain types of mortgage products will increase costs to consumers and reduce their access to mortgage credit.

In addition, there is significant concern noted by the financial industry in connection with the Basel III rulemaking as to the proposed treatment of accumulated other comprehensive income (AOCI). The proposed treatment of AOCI would require unrealized gains and losses on available-for-sale securities to flow through to regulatory capital as opposed to the current treatment, which neutralizes such effects. There is concern that this treatment would introduce capital volatility, due not only to credit risk but also to interest rate risk, and affect the composition of firms securities holdings.

While the Basel III accord called for national jurisdictions to implement the new requirements beginning January 1, 2013, in light of the volume of comments received by the Agencies and the concerns expressed above, the Agencies have indicated that the commencement date for the proposed Basel III rules has been delayed and it is unclear when the Basel III regime, as it may be implemented by final rules, will become effective in the United States.

The Company.

General**.** The Company, as the sole stockholder of the Banks, is a bank holding company. As a bank holding company, the Company is registered with, and is subject to regulation by, the Federal Reserve under the Bank Holding Company Act of 1956, as amended (the BHCA). In accordance with Federal Reserve policy, and as now codified by the Dodd-Frank Act, the Company is legally obligated to act as a source of financial strength to the Banks and to commit resources to support the Banks in circumstances where the Company might not otherwise do so. Under the BHCA, the Company is subject to periodic examination by the Federal Reserve. The Company is also required to file with the Federal Reserve periodic reports of the Company s operations and such additional information regarding the Company and its subsidiaries as the Federal Reserve may require.

Acquisitions, Activities and Change in Control. The primary purpose of a bank holding company is to control and manage banks. The BHCA generally requires the prior approval of the Federal Reserve for any merger involving a bank holding company or any acquisition by a bank holding company of another bank or bank holding company. Subject to certain conditions (including deposit concentration limits established by the BHCA and the Dodd-Frank Act), the Federal Reserve may allow a bank holding company to acquire banks located in any state of the United States. In approving interstate acquisitions, the Federal Reserve is required to give effect to applicable state law limitations on the aggregate amount of deposits that may be held by the acquiring bank holding company and its insured depository institution affiliates in the state in which the target bank is located (provided that those limits do not discriminate against out-of-state depository institutions or their holding companies) and state laws that require that the target bank have been in existence for a minimum period of time (not to exceed five years) before being acquired by an out-of-state bank holding company. Furthermore, in accordance with the Dodd-Frank Act, bank holding companies must be well-capitalized and well-managed in order to effect interstate mergers or acquisitions. For a discussion of the capital requirements, see The Increasing Regulatory Emphasis on Capital above.

The BHCA generally prohibits the Company from acquiring direct or indirect ownership or control of more than 5% of the voting shares of any company that is not a bank and from engaging in any business other than that of banking, managing and controlling banks or furnishing services to banks and their subsidiaries. This general prohibition is subject to a number of exceptions. The principal exception allows bank holding companies to engage in, and to own shares of companies engaged in, certain businesses found by the Federal Reserve prior to November 11, 1999 to be so closely related to banking. as to be a proper incident thereto. This authority would permit the Company to engage in a variety of banking-related businesses, including the ownership and operation of a savings association, or any entity engaged in consumer finance, equipment leasing, the operation of a computer service bureau (including software development) and mortgage banking and brokerage. The BHCA generally does not place territorial restrictions on the domestic activities of non-bank subsidiaries of bank holding companies.

Additionally, bank holding companies that meet certain eligibility requirements prescribed by the BHCA and elect to operate as financial holding companies may engage in, or own shares in companies engaged in, a wider range of nonbanking activities, including securities and insurance underwriting and sales, merchant banking and any other activity that the Federal Reserve, in consultation with the Secretary of the Treasury, determines by regulation or order is financial in nature or incidental to any such financial activity or that the Federal Reserve determines by order to be complementary to any such financial activity and does not pose a substantial risk to the safety or soundness of depository institutions or the financial system generally. As of the date of this filing, the Company has not elected to operate as a financial holding company.

Federal law also prohibits any person or company from acquiring control of an FDIC-insured depository institution or its holding company without prior notice to the appropriate federal bank regulator. Control is conclusively presumed to exist upon the acquisition of 25% or more of the outstanding voting securities of a bank or bank holding company, but may arise under certain circumstances between 10% and 24.99% ownership.

Capital Requirements. Bank holding companies are required to maintain minimum levels of capital in accordance with Federal Reserve capital adequacy guidelines, as affected by the Dodd-Frank Act and Basel III. For a discussion of capital requirements, see The Increasing Regulatory Emphasis on Capital above. If capital levels fall below the minimum required levels, a bank holding company, among other things, may be denied approval to acquire or establish additional banks or non-bank businesses.

U.S. Government Investment in Bank Holding Companies. Events in the U.S. and global financial markets in 2008 and 2009, including the deterioration of the worldwide credit markets, created significant challenges for financial institutions throughout the country. In response to this crisis affecting the U.S. banking system and financial markets, on October 3, 2008, the U.S. Congress passed, and the President signed into law, the Emergency Economic Stabilization Act of 2008 (the EESA). The EESA authorized the Secretary of the Treasury to implement various temporary emergency programs designed to strengthen the capital positions of financial institutions and stimulate the availability of credit within the U.S. financial system. Financial institutions participating in certain of the programs established under the EESA are required to adopt the Treasury s standards for executive compensation and corporate governance.

On October 14, 2008, the Treasury announced that it would provide Tier 1 capital (in the form of perpetual preferred stock) to eligible financial institutions. This program, known as the TARP Capital Purchase Program (the TCPP), allocated $250 billion from the $700 billion authorized by the EESA to the Treasury for the purchase of senior preferred shares from qualifying financial institutions (the TCPP Preferred Stock). Under the program, eligible institutions were able to sell equity interests to the Treasury in amounts equal to between 1% and 3% of the institution s risk-weighted assets. In conjunction with the purchase of the TCPP Preferred

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Stock, the Treasury received warrants to purchase common stock from the participating public institutions with an aggregate market price equal to 15% of the preferred stock investment. Participating financial institutions were required to adopt the Treasury s standards for executive compensation and corporate governance for the period during which the Treasury holds equity issued under the TCPP.

Pursuant to the TCPP, on February 13, 2009, the Company entered into a Letter Agreement with the Treasury, pursuant to which the Company issued (i) 38,237 shares of its Fixed Rate Cumulative Perpetual Preferred Stock, Series D (the Series D Preferred Stock) and (ii) a warrant to purchase 521,888 shares of the Company s common stock for an aggregate purchase price of $38.237 million in cash.

Small Business Lending Fund and TCPP Redemption. Under the Small Business Jobs Act of 2010, the Treasury established a Small Business Lending Fund (the SBLF), a $30 billion fund that encourages lending to small businesses by providing capital to qualified community banks with assets of less than $10 billion. The Company applied for the SBLF program, was accepted, and on September 15, 2011, entered into a Securities Purchase Agreement (the Purchase Agreement) with the Treasury, pursuant to which it issued and sold to the Treasury 40,090 shares of its Senior Non-Cumulative Perpetual Preferred Stock, Series F (the Series F Preferred Stock), having a liquidation preference of $1,000 per share (the Liquidation Amount), for aggregate proceeds of $40,090,000. On the same date, the Company redeemed from the Treasury, using the proceeds from the issuance of the Series F Preferred Stock, all 38,237 outstanding shares of its Series D Preferred Stock issued under the TCPP, for a redemption price of approximately $38.4 million, including accrued but unpaid dividends to the date of redemption. The Treasury remitted a cash payment to the Company in the amount of approximately $1.7 million to cover the difference between the outstanding balance of the Series D Preferred Stock and the proceeds from the issuance of the Series F Preferred Stock. As a result of its redemption of the Series D Preferred Stock, the Company is no longer subject to the limits on executive compensation and other restrictions stipulated under the TCPP. The Company also repurchased the warrant issued to the Treasury in November of 2011 for an aggregate purchase price of $1.1 million.

On June 29, 2012, the Company redeemed 10,223 shares of the Series F Preferred Stock from the Treasury for an aggregate redemption amount of $10,223,000 plus unpaid dividends to the date of redemption of $124,948. The remaining Series F Preferred Stock may be redeemed at any time at the option of the Company, subject to the approval of the Company s primary federal banking regulator. All redemptions must be in amounts equal to at least 25% of the number of originally issued shares, or 100% of the then-outstanding shares (if less than 25% of the originally issued shares).

Dividend Payments. The Company s ability to pay dividends to its stockholders may be affected by both general corporate law considerations and policies of the Federal Reserve applicable to bank holding companies. As a Delaware corporation, the Company is subject to the limitations of the Delaware General Corporation Law (the DGCL), which allow the Company to pay dividends only out of its surplus (as defined and computed in accordance with the provisions of the DGCL) or if the Company has no such surplus, out of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year.

As a general matter, the Federal Reserve indicates that the board of directors of a bank holding company should eliminate, defer or significantly reduce the dividends if: (i) the company s net income available to stockholders for the past four quarters, net of dividends previously paid during that period, is not sufficient to fully fund the dividends; (ii) the prospective rate of earnings retention is inconsistent with the company s capital needs and overall current and prospective financial condition; or (iii) the company will not meet, or is in danger of not meeting, its minimum regulatory capital adequacy ratios. The Federal Reserve also possesses enforcement powers over bank holding companies and their non-bank subsidiaries to prevent or remedy actions that represent unsafe or unsound practices or violations of applicable statutes and regulations. Among these powers is the ability to proscribe the payment of dividends by banks and bank holding companies.

The terms of the Series F Preferred Stock issued in connection with the SBLF impose limits on the Company s ability to pay dividends on and repurchase shares of its common stock and other securities. In general, the Company

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may declare and pay dividends on its common stock or any other stock junior to the Series F Preferred Stock, or repurchase shares of any such stock, only, if after payment of such dividends or repurchase of such shares, the Company s Tier 1 Capital would be at least 90% of the Signing Date Tier 1 Capital (as defined and set forth in the Certificate of Designation), excluding any subsequent net charge-offs and any redemption of the Series F Preferred Stock (the Tier 1 Dividend Threshold). The Tier 1 Dividend Threshold is subject to reduction, beginning on the 2nd anniversary and ending on the 10th anniversary of issuance of the Series F Preferred Stock, by 10% for each one 1% increase in the Banks QSBL over the baseline level. If, however, the Company fails to declare and pay dividends on the Series F Preferred Stock in a given quarter, then during such quarter and for the next three quarters following such missed dividend payment the Company may not pay dividends on or repurchase any common stock or any other securities that are junior to (or in parity with) the Series F Preferred Stock, except in very limited circumstances. If any Series F Preferred Stock remains outstanding on the 10th anniversary of issuance, the Company may not pay any further dividends on its common stock or any other junior stock until the Series F Preferred Stock is redeemed in full.

Federal Securities Regulation**.** The Company s common stock is registered with the SEC under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended (the Exchange Act). Consequently, the Company is subject to the information, proxy solicitation, insider trading and other restrictions and requirements of the SEC under the Exchange Act.

Corporate Governance**.** The Dodd-Frank Act addresses many investor protection, corporate governance and executive compensation matters that will affect most U.S. publicly traded companies. The Dodd-Frank Act will increase stockholder influence over boards of directors by requiring companies to give stockholders a non-binding vote on executive compensation and so-called golden parachute payments, and authorizing the SEC to promulgate rules that would allow stockholders to nominate and solicit voters for their own candidates using a company s proxy materials. The legislation also directs the Federal Reserve to promulgate rules prohibiting excessive compensation paid to bank holding company executives, regardless of whether the company is publicly traded.

The Banks.

General**.** The Company owns three subsidiary banks: QCBT and CRBT are chartered under Iowa law (collectively, the Iowa Banks) and RB&T is chartered under Illinois law. The deposit accounts of the Banks are insured by the FDIC s Deposit Insurance Fund (DIF) to the maximum extent provided under federal law and FDIC regulations. The Banks are also members of the Federal Reserve System (member banks).

As Iowa-chartered, FDIC-insured member banks, the Iowa Banks are subject to the examination, supervision, reporting and enforcement requirements of the Iowa Superintendent, as the chartering authority for Iowa banks. As an Illinois-chartered, FDIC-insured member bank, RB&T is subject to the examination, supervision, reporting and enforcement requirements of the DFPR, as the chartering authority for Illinois banks. The Banks are also subject to the examination, reporting and enforcement requirements of the Federal Reserve, as the primary federal regulator of member banks. In addition, the FDIC, as administrator of the DIF, has regulatory authority over the Banks.

Deposit Insurance**.** As FDIC-insured institutions, the Banks are required to pay deposit insurance premium assessments to the FDIC. The FDIC has adopted a risk-based assessment system whereby FDIC-insured depository institutions pay insurance premiums at rates based on their risk classification. An institution s risk classification is assigned based on its capital levels and the level of supervisory concern the institution poses to the regulators.

On November 12, 2009, the FDIC adopted a final rule that required insured depository institutions to prepay on December 30, 2009, their estimated quarterly risk-based assessments for the fourth quarter of 2009 and for all of 2010, 2011, and 2012. As such, on December 31, 2009, the Banks prepaid the FDIC its assessments. The FDIC determined each institution s prepaid assessment based on the institution s: (i) actual September 30, 2009 assessment base, increased quarterly by a 5% annual growth rate through the fourth quarter of 2012; and (ii) total base assessment rate in effect on September 30, 2009, increased by an annualized three basis points beginning in 2011. The FDIC began to offset prepaid assessments on March 30, 2010, representing payment of the regular quarterly risk-based deposit insurance assessment for the fourth quarter of 2009. Any prepaid assessment not exhausted after collection of the amount due on June 30, 2013, will be returned to the institution.

Amendments to the Federal Deposit Insurance Act also revise the assessment base against which an insured depository institution s deposit insurance premiums paid to the DIF will be calculated. Under the amendments, the assessment base will no longer be the institution s deposit base, but rather its average consolidated total assets less its average tangible equity. This may shift the burden of deposit insurance premiums toward those large depository institutions that rely on funding sources other than U.S. deposits. Additionally, the Dodd-Frank Act makes changes to the minimum designated reserve ratio of the DIF, increasing the minimum from 1.15% to 1.35% of the estimated amount of total insured deposits, and eliminating the requirement that the FDIC pay dividends to depository institutions when the reserve ratio exceeds certain thresholds. The FDIC is given until September 3, 2020 to meet the 1.35% reserve ratio target. Several of these provisions could increase the Banks FDIC deposit insurance premiums.

The Dodd-Frank Act permanently increases the maximum amount of deposit insurance for banks, savings institutions and credit unions to $250,000 per insured depositor, retroactive to January 1, 2009. Although the legislation provided that non-interest-bearing transaction accounts had unlimited deposit insurance coverage through December 31, 2012.

FICO Assessments*.* The Financing Corporation (FICO) is a mixed-ownership governmental corporation chartered by the former Federal Home Loan Bank Board pursuant to the Competitive Equality Banking Act of 1987 to function as a financing vehicle for the recapitalization of the former Federal Savings and Loan Insurance Corporation. FICO issued 30-year noncallable bonds of approximately $8.1 billion that mature in 2017 through 2019. FICO s authority to issue bonds ended on December 12, 1991. Since 1996, federal legislation has required that all FDIC-insured depository institutions pay assessments to cover interest payments on FICO s outstanding obligations. These FICO assessments are in addition to amounts assessed by the FDIC for deposit insurance. During the year ended December 31, 2012, the FICO assessment rate was approximately 0.0066%, which reflects the change from an assessment base computed on deposits to an assessment base computed on assets as required by the Dodd-Frank Act.

Supervisory Assessments*.* Each of the Banks is required to pay supervisory assessments to its respective state banking regulator to fund the operations of that agency. The amount of the assessment payable by each Bank is calculated on the basis of that Bank s total assets. During the year ended December 31, 2012, the Iowa Banks paid supervisory assessments to the Iowa Superintendent totaling $160 thousand and RB&T paid supervisory assessments to the DFPR totaling $48 thousand.

Capital Requirements*.* Banks are generally required to maintain capital levels in excess of other businesses. For a discussion of capital requirements, see The Increasing Regulatory Emphasis on Capital above.

Liability of Commonly Controlled Institutions*.* Under federal law, institutions insured by the FDIC may be liable for any loss incurred by, or reasonably expected to be incurred by, the FDIC in connection with the default of commonly controlled FDIC-insured depository institutions or any assistance provided by the FDIC to commonly controlled FDIC-insured depository institutions in danger of default. Because the Company controls each of the Banks, the Banks are commonly controlled for purposes of these provisions of federal law.

Dividend Payments*.* The primary source of funds for the Company is dividends from the Banks. In general, the Banks may only pay dividends either out of their historical net income after any required transfers to surplus or reserves have been made or out of their retained earnings. The Federal Reserve Act also imposes limitations on the amount of dividends that may be paid by state member banks, such as the Banks. Without prior Federal

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Reserve approval, a state member bank may not pay dividends in any calendar year that, in the aggregate, exceed the bank s calendar year-to-date net income plus the bank s retained net income for the two preceding calendar years.

The payment of dividends by any financial institution is affected by the requirement to maintain adequate capital pursuant to applicable capital adequacy guidelines and regulations, and a financial institution generally is prohibited from paying any dividends if, following payment thereof, the institution would be undercapitalized. As described above, each of the Banks exceeded its minimum capital requirements under applicable guidelines as of December 31, 2012. As of December 31, 2012, approximately $10.9 million was available to be paid as dividends by the Banks. Notwithstanding the availability of funds for dividends, however, the Federal Reserve may prohibit the payment of any dividends by the Banks if the Federal Reserve determines such payment would constitute an unsafe or unsound practice.

Insider Transactions. The Banks are subject to certain restrictions imposed by federal law on covered transactions between the Banks and their affiliates. The Company is an affiliate of each Bank for purposes of these restrictions, and covered transactions subject to the restrictions include extensions of credit to the Company, investments in the stock or other securities of the Company and the acceptance of the stock or other securities of the Company as collateral for loans made by the Banks. The Dodd-Frank Act enhances the requirements for certain transactions with affiliates as of July 21, 2011, including an expansion of the definition of covered transactions and an increase in the amount of time for which collateral requirements regarding covered transactions must be maintained.

Certain limitations and reporting requirements are also placed on extensions of credit by the Banks to directors and officers, to directors and officers of the Company, to principal stockholders of the Company and to related interests of such directors, officers and principal stockholders. In addition, federal law and regulations may affect the terms upon which any person who is a director or officer of the Company or the Banks, or a principal stockholder of the Company, may obtain credit from banks with which the Banks maintain correspondent relationships.

Safety and Soundness Standards. The federal banking agencies have adopted guidelines that establish operational and managerial standards to promote the safety and soundness of federally insured depository institutions. The guidelines set forth standards for internal controls, information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, compensation, fees and benefits, asset quality and earnings.

In general, the safety and soundness guidelines prescribe the goals to be achieved in each area, and each institution is responsible for establishing its own procedures to achieve those goals. If an institution fails to comply with any of the standards set forth in the guidelines, the institution s primary federal regulator may require the institution to submit a plan for achieving and maintaining compliance. If an institution fails to submit an acceptable compliance plan, or fails in any material respect to implement a compliance plan that has been accepted by its primary federal regulator, the regulator is required to issue an order directing the institution to cure the deficiency. Until the deficiency cited in the regulator s order is cured, the regulator may restrict the institution s rate of growth, require the institution to increase its capital, restrict the rates the institution pays on deposits or require the institution to take any action the regulator deems appropriate under the circumstances. Noncompliance with the standards established by the safety and soundness guidelines may also constitute grounds for other enforcement action by the federal banking regulators, including cease and desist orders and civil money penalty assessments.

Branching Authority. The Iowa Banks have the authority under Iowa law to establish branches anywhere in the State of Iowa, subject to receipt of all required regulatory approvals. In 1997, the Company formed a de novo Illinois bank that was merged into QCBT, resulting in QCBT establishing a branch office in Illinois. Under Illinois law, QCBT may continue to establish offices in Illinois to the same extent permitted for an Illinois bank (subject to certain conditions, including certain regulatory notice requirements). Similarly, RB&T has the authority under Illinois law to establish branches anywhere in the State of Illinois, subject to receipt of all required regulatory approvals.

Federal law permits state and national banks to merge with banks in other states subject to: (i) regulatory approval; (ii) federal and state deposit concentration limits; and (iii) state law limitations requiring the merging bank to have been in existence for a minimum period of time (not to exceed five years) prior to the merger. The establishment of new interstate branches or the acquisition of individual branches of a bank in another state (rather than the acquisition of an out-of-state bank in its entirety) has historically been permitted only in those states the laws of which expressly authorize such expansion. However, the Dodd-Frank Act permits well-capitalized and well-managed banks to establish new branches across state lines without these impediments.

State Bank Investments and Activities. The Banks are permitted to make investments and engage in activities directly or through subsidiaries as authorized by Iowa or Illinois law, as applicable. However, under federal law and FDIC regulations, FDIC-insured state banks are prohibited, subject to certain exceptions, from making or retaining equity investments of a type, or in an amount, that are not permissible for a national bank. Federal law and FDIC regulations also prohibit FDIC-insured state banks and their subsidiaries, subject to certain exceptions, from engaging as principal in any activity that is not permitted for a national bank unless the bank meets, and continues to meet, its minimum regulatory capital requirements and the FDIC determines that the activity would not pose a significant risk to the DIF. These restrictions have not had, and are not currently expected to have, a material impact on the operations of the Banks.

Transaction Account Reserves. Federal Reserve regulations require depository institutions to maintain reserves against their transaction accounts (primarily NOW and regular checking accounts). For 2013: the first $12.4 million of otherwise reservable balances are exempt from the reserve requirements; for transaction accounts aggregating more than $12.4 million to $79.5 million, the reserve requirement is 3% of total transaction accounts; and for net transaction accounts in excess of $79.5 million, the reserve requirement is $2,013,000 plus 10% of the aggregate amount of total transaction accounts in excess of $79.5 million. These reserve requirements are subject to annual adjustment by the Federal Reserve. The Banks are in compliance with the foregoing requirements.

Consumer Financial Service.

There are numerous developments in federal and state laws regarding consumer financial products and services that impact the Banks business. Importantly, the current structure of federal consumer protection regulation applicable to all providers of consumer financial products and services changed significantly on July 21, 2011, when the CFPB commenced operations to supervise and enforce consumer protection laws. The CFPB has broad rulemaking authority for a wide range of consumer protection laws that apply to all providers of consumer products and services, including the Banks, as well as the authority to prohibit unfair, deceptive or abusive acts and practices. The CFPB has examination and enforcement authority over providers with more than $10 billion in assets. Banks and savings institutions with $10 billion or less in assets, like the Banks, will continue to be examined by their applicable bank regulators.

Ability-to-Repay Requirement and Qualified Mortgage Rule. The Dodd-Frank Act contains additional provisions that affect consumer mortgage lending. First, it significantly expands underwriting requirements applicable to loans secured by 1-4 family residential real property and augments federal law combating predatory lending practices. In addition to numerous new disclosure requirements, the Dodd-Frank Act imposes new standards for mortgage loan originations on all lenders, including banks and savings associations, in an effort to strongly encourage lenders to verify a borrower s ability to repay, while also establishing a presumption of compliance for certain qualified mortgages. Most significantly, the new standards limit the total points and fees that the Banks and/or a broker may charge on conforming and jumbo loans to 3% of the total loan amount. In addition, the Dodd-Frank Act generally requires lenders or securitizers to retain an economic interest in the credit

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risk relating to loans that the lender sells and other asset-backed securities that the securitizer issues if the loans have not complied with the ability-to-repay standards. The risk retention requirement generally will be 5%, but could be increased or decreased by regulation.

On January 10, 2013, the CFPB issued a final rule, effective January 10, 2014, which implements the Dodd-Frank Act s ability-to-repay requirements and clarifies the presumption of compliance for qualified mortgages. In assessing a borrower s ability to repay a mortgage-related obligation, lenders generally must consider eight underwriting factors: (i) current or reasonably expected income or assets; (ii) current employment status; (iii) monthly payment on the subject transaction; (iv) monthly payment on any simultaneous loan; (v) monthly payment for all mortgage-related obligations; (vi) current debt obligations, alimony, and child support; (vii) monthly debt-to-income ratio or residual income; and (viii) credit history. The final rule also includes guidance regarding the application of, and methodology for evaluating, these factors.

Further, the final rule also clarifies that qualified mortgages do not include no-doc loans and loans with negative amortization, interest-only payments, balloon payments, terms in excess of 30 years, or points and fees paid by the borrower that exceed 3% of the loan amount, subject to certain exceptions. In addition, for qualified mortgages, the monthly payment must be calculated on the highest payment that will occur in the first five years of the loan, and the borrower s total debt-to-income ratio generally may not be more than 43%. The final rule also provides that certain mortgages that satisfy the general product feature requirements for qualified mortgages and that also satisfy the underwriting requirements of Fannie Mae and Freddie Mac (while they operate under federal conservatorship or receivership) or the U.S. Department of Housing and Urban Development, Department of Veterans Affairs, or Department of Agriculture or Rural Housing Service are also considered to be qualified mortgages. This second category of qualified mortgages will phase out as the aforementioned federal agencies issue their own rules regarding qualified mortgages, the conservatorship of Fannie Mae and Freddie Mac ends, and, in any event, after seven years.

As set forth in the Dodd-Frank Act, subprime (or higher-priced) mortgage loans are subject to the ability-to-repay requirement, and the final rule provides for a rebuttable presumption of lender compliance for those loans. The final rule also applies the ability-to-repay requirement to prime loans, while also providing a conclusive presumption of compliance (*i.e.*, a safe harbor) for prime loans that are also qualified mortgages. Additionally, the final rule generally prohibits prepayment penalties (subject to certain exceptions) and sets forth a 3-year record retention period with respect to documenting and demonstrating the ability-to-repay requirement and other provisions.

Changes to Mortgage Loan Originator Compensation. Effective April 2, 2011, previously existing regulations concerning the compensation of mortgage loan originators were amended. As a result of these amendments, mortgage loan originators may not receive compensation based on a mortgage transaction s terms or conditions other than the amount of credit extended under the mortgage loan. Further, the new standards limit the total points and fees that a bank and/or a broker may charge on conforming and jumbo loans to 3% of the total loan amount. Mortgage loan originators may receive compensation from a consumer or from a lender, but not both. These rules contain requirements designed to prohibit mortgage loan originators from steering consumers to loans that provide mortgage loan originators with greater compensation. In addition, the rules contain other requirements concerning recordkeeping.

Foreclosure and Loan Modifications. Federal and state laws further impact foreclosures and loan modifications, with many of such laws having the effect of delaying or impeding the foreclosure process on real estate secured loans in default. Mortgages on commercial property can be modified, such as by reducing the principal amount of the loan or the interest rate, or by extending the term of the loan, through plans confirmed under Chapter 11 of the Bankruptcy Code. In recent years, legislation has been introduced in the U.S. Congress that would amend the Bankruptcy Code to permit the modification of mortgages secured by residences, although at this time the enactment of such legislation is not presently proposed. The scope, duration and terms of potential future legislation with similar effect continue to be discussed. We cannot predict whether any such legislation will be passed or the impact, if any, it would have on our business.

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Properties of QCR Holdings

The following table is a listing of the Company s operating facilities for its subsidiary banks:

Facility Address	Facility Square Footage	Facility Owned or Leased
Quad City Bank & Trust		
2118 Middle Road in Bettendorf, IA	6,700	Owned
4500 Brady Street in Davenport, IA	36,000	Owned
3551 7th Street in Moline, IL	30,000	Owned*
5405 Utica Ridge Road in Davenport, IA	7,400	Leased
1700 Division Street in Davenport, IA	12,000	Owned
Cedar Rapids Bank & Trust		
500 1st Avenue NE, Suite 100 in Cedar Rapids, IA	36,000	Owned
5400 Council Street in Cedar Rapids, IA	5,900	Owned
Rockford Bank & Trust		
127 North Wyman Street in Rockford, IL	7,800	Leased
4571 Guilford Road in Rockford, IL	20,000	Owned

* The building was previously owned by VPHC. With the acquisition of the remaining 9% noncontrolling interest and the subsequent dissolution of VPHC, the Company now owns 100% of the building as of December 31, 2012.

The subsidiary banks intend to limit their investment in premises to no more than 50% of their capital. Management believes that the facilities are of sound construction, in good operating condition, are appropriately insured, and are adequately equipped for carrying on the business of the Company.

No individual real estate property or mortgage amounts to 10% or more of consolidated assets.

Legal Proceedings

There are no material pending legal proceedings to which the Company or any of its subsidiaries is a party other than ordinary routine litigation incidental to their respective businesses.

Stock Information

Market Information. The common stock, par value $1.00 per share, of the Company is listed on The NASDAQ Global Market under the symbol QCRH . The stock began trading on NASDAQ on October 6, 1993. The Company transferred its listing from the NASDAQ Capital Market to the NASDAQ Global Market on March 1, 2010. As of December 31, 2012, there were 4,918,202 shares of common stock outstanding held by approximately 2,600 holders of record.

The following table sets forth the high and low sales prices of the common stock, as reported by NASDAQ for the periods indicated.

	2012 Sales Price		2011 Sales Price		2010 Sales Price	
	High	Low	High	Low	High	Low
First quarter	$ 12.450	$ 8.500	$ 8.670	$ 7.220	$ 10.000	$ 7.650
Second quarter	14.500	10.700	9.470	7.290	14.400	8.730
Third quarter	14.980	12.620	9.928	8.701	10.970	8.930
Fourth quarter	15.500	11.400	9.234	8.420	9.520	6.745

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Dividends on Common Stock. On May 2, 2012, the Company declared a cash dividend of $0.04 per share, or $189 thousand, which was paid on July 6, 2012, to stockholders of record as of June 21, 2012. On November 8, 2012, the Company declared a cash dividend of $0.04 per share, or $192 thousand, which was paid on January 7, 2013, to stockholders of record as of December 22, 2012. In the future, it is the Company s intention to continue to consider the payment of dividends on a semi-annual basis. The Company anticipates an ongoing need to retain much of its operating income to help provide the capital to redeem the Series F Noncumulative Perpetual Preferred Stock (the Series F Preferred Stock (see Note 10 to the consolidated financial statements for a detailed discussion of preferred stock) in the short-term and for continued growth in the long-term, but believes that operating results have reached a level that can sustain dividends to stockholders as well.

The Company is heavily dependent on dividend payments from its subsidiary banks to make dividend payments on the Company s preferred and common stock. Under applicable state laws, the banks are restricted as to the maximum amount of dividends that they may pay on their common stock. Iowa and Illinois law provide that state-chartered banks in those states may not pay dividends in excess of their undivided profits.

The Company s ability to pay dividends to its stockholders may be affected by both general corporate law considerations and policies of the Federal Reserve applicable to bank holding companies. The payment of dividends by any financial institution or its holding company is affected by the requirement to maintain adequate capital pursuant to applicable capital adequacy guidelines and regulations, and a financial institution generally is prohibited from paying any dividends if, following payment thereof, the institution would be undercapitalized.

The Company also has certain contractual restrictions on its ability to pay dividends. The Company has issued junior subordinated debentures in four private placements. Under the terms of the debentures, the Company may be prohibited, under certain circumstances, from paying dividends on shares of its common stock. Additionally, the Company has issued shares of non-cumulative perpetual preferred stock and under the terms of this preferred stock, the Company may be prohibited, under certain circumstances, from paying dividends on shares of its common stock. See Note 10 to the consolidated financial statements for additional detail on the preferred stock. None of these circumstances existed through the date of filing of this Form S-4 filed with the Securities and Exchange Commission.

Purchase of Equity Securities by the Company. There were no purchases of common stock by the Company for the years ended December 31, 2012, 2011, and 2010.

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Directors and Executive Officers

Our directors are divided into three classes having staggered terms of three years. At QCR s next annual meeting, scheduled for May 1, 2013, stockholders have been asked to elect four Class II directors for a term expiring in 2016. The board has considered and nominated current directors Patrick S. Baird, Larry J. Helling, Douglas M. Hultquist and Mark C. Kilmer to serve as Class II directors of QCR Holdings. Charles M. Peters, a Class II director since 2007, informed the board that he would not seek re-election for an additional term as a director of QCR Holdings, and accordingly, the board did not re-nominate him for election at this year s meeting. As a result, his directorship will end at the 2013 annual meeting of stockholders. Following the merger, Michael L. Peterson, CNB s current Chairman of the Board, will be appointed to the board as a Class III director.

Name - (Age)	**Director Since**	**Positions with QCR Holdings and subsidiaries**
CLASS II *(Pending re-election at the May 1, 2013 stockholder meeting (New term will expire in 2016)*		
Patrick S. Baird (Age 59)	2010	Vice Chairman of the Board and Director of QCR Holdings; Vice Chairman of the Board and Director of Cedar Rapids Bank and Trust
Larry J. Helling (Age 57)	2001	Director of QCR Holdings; President, Chief Executive Officer and Director of Cedar Rapids Bank and Trust; Director of Quad City Bank and Trust; Director of m2 Lease Funds
Douglas M. Hultquist (Age 57)	1993	President, Chief Executive Officer and Director of QCR Holdings; Director of Quad City Bank and Trust; Director of Rockford Bank and Trust; Director of m2 Lease Funds
Mark C. Kilmer (Age 54)	2004	Director of QCR Holdings; Chairman of the Board and Director of Quad City Bank and Trust
CLASS III (Term expires 2014)		
John K. Lawson (Age 73)	2000	Director of QCR Holdings
Ronald G. Peterson (Age 69)	1993	Director of QCR Holdings; Director of Quad City Bank and Trust
John D. Whitcher (Age 58)	2008	Director of QCR Holdings; Chairman of the Board and Director of Rockford Bank and Trust
Marie Z. Ziegler (Age 55)	2008	Director of QCR Holdings; Director of Quad City Bank and Trust
Michael L. Peterson (Age 51)		Chairman of the Board and Director of Community National and Community National Bank; will be appointed to QCR Holdings board following the merger
CLASS I (Term Expires 2015)		
James J. Brownson (Age 67)	1997	Chairman of the Board and Director of QCR Holdings; Director of Quad City Bank and Trust
Lindsay Y. Corby (Age 35)	2012	Director of QCR Holdings
Todd A. Gipple (Age 49)	2009	Director of QCR Holdings; Executive Vice President, Chief Operating Officer, and Chief Financial Officer of QCR Holdings; Director of Quad City Bank and Trust; Director of Cedar Rapids Bank and Trust; Director of Rockford Bank and Trust
Donna J. Sorensen (Age 63)	2009	Director of QCR Holdings; Chairman of the Board and Director of Cedar Rapids Bank and Trust

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All of our continuing directors and nominees will hold office for the terms indicated, or until their earlier death, resignation, removal, disqualification, or ineligibility due to exceeding age eligibility requirements (a person who has reached age 72 before the date of the annual meeting is not eligible for election to the board) and until their respective successors are duly elected and qualified. All of our executive officers hold office for a term of one year. There are no arrangements or understandings between any of the directors, executive officers or any other person pursuant to which any of our directors or executive officers have been selected for their respective positions. Mr. Hultquist is a director of United Fire Group, Inc. and Mr. Baird is a director of National Financial Partners Corp, both companies with securities registered under the Securities Exchange Act of 1934, as amended (the Exchange Act). No other nominee or director has been a director of another company with securities registered under the Exchange Act within the past five years.

The business experience of each of the directors of QCR Holdings following the merger for the past five years, as well as their qualifications to serve on the board, are as follows:

Patrick S. Baird is the retired President and Chief Executive Officer of AEGON USA, LLC, the U.S. subsidiary of the AEGON Insurance Group, a leading multinational insurance organization. Mr. Baird joined the AEGON USA companies in 1976. He was appointed to that position in March 2002, having previously served as Executive Vice President and Chief Operating Officer, Chief Financial Officer and Chief Tax Officer. He is a graduate of the University of Iowa, and is a Certified Public Accountant. Mr. Baird was appointed by the Governor of the State of Iowa to the Ijobs Commission as Vice Chairman and also serves as a Commissioner for the Eastern Iowa Airport. Mr. Baird is also a founding board member and Treasurer of the Zach Johnson Foundation. He currently serves as a director, audit committee member and compensation committee member for National Financial Partners, a NYSE listed firm. Mr. Baird has been a director of Cedar Rapids Bank and Trust since its formation in 2001. We consider Mr. Baird to be a qualified candidate for service on the board and on the committees he is a member of due to his experience as the President and Chief Executive Officer of a successful insurance company in Cedar Rapids, Iowa, one of our market areas, his knowledge of the business community in this area and his broad based financial acumen.

James J. Brownson is President of W.E. Brownson Co., a manufacturers representative agency located in Eldridge, Iowa involved in the sale of custom engineered products to OEM manufacturers in the Midwest, and has been in that position since 1978. Mr. Brownson is a graduate of St. Ambrose University, Davenport, Iowa and the Graduate School of Banking, University of Wisconsin, Madison, Wisconsin. He began his career in 1967 as a member of the audit staff at Arthur Young & Co., in Chicago, Illinois. From 1969 until 1978, Mr. Brownson was employed by Davenport Bank and Trust Company, where he left as Senior Vice President and Cashier. He is a past member of the National Sales Representative Council of Crane Plastics, Columbus, Ohio, and Dayton Rogers Manufacturing Co., Minneapolis, Minnesota. Mr. Brownson has been a featured speaker at national *Bank Director Magazine* and *SNL Financial* conferences on the role of the board of directors in executive compensation, strategic planning and the boards strategic role in successful community banking. Mr. Brownson has served on the board of directors of the United Way of the Quad Cities, Junior Achievement of the Quad Cities, St. Ambrose University Alumni Association and United Cerebral Palsy of the Quad Cities. Mr. Brownson has been a director of Quad City Bank and Trust since its formation in October 1993. We consider Mr. Brownson to be a qualified candidate for service on the board and the committees he is a member of due to his experience as the President of a successful manufacturer s representative business in Davenport, Iowa, one of our market areas, his prior experience in banking and public accounting, his educational background in banking, his participation in numerous national banking conferences, and his knowledge of the business community throughout the Midwest.

Lindsay Y. Corby is a Principal at BXM Holdings, Inc., based in Chicago, Illinois, a financial services company formed to facilitate recapitalization transactions in depository institutions. Ms. Corby joined BXM Holdings, Inc. in February 2011. Prior to joining BXM Holdings, Ms. Corby was a Vice President in the investment banking group of Keefe, Bruyette & Woods, holding various positions since 2001. During her years at KBW, she focused on mergers and acquisitions, capital markets transactions, complex recapitalizations and valuation activities for U.S. financial institutions. Prior to joining KBW, Ms. Corby worked at Merrill Lynch as an analyst in its Technology Investment Banking Group. Ms. Corby received a M.S. in Accounting, a B.A. in Spanish and a B.B.A. in Accounting from Southern Methodist University. Ms. Corby is a graduate of the Kellogg Executive Education, Women s Senior Leadership Program, and is a Registered Certified Public Accountant. We consider Ms. Corby to be a qualified candidate for service on the board and the committees she is a member of due to her experience in the investment banking area advising financial institutions and her education and training.

Todd A. Gipple is a Certified Public Accountant and began his career with KPMG Peat Marwick in 1985. In 1991, McGladrey & Pullen acquired the Quad Cities practice of KPMG. Mr. Gipple was named Tax Partner with McGladrey & Pullen in 1994 and served as the Tax Partner-in-Charge of the firm s Mississippi Valley Practice and as one of five Regional Tax Coordinators for the national firm. He specialized in Financial Institutions Taxation and Mergers and Acquisitions throughout his 14-year career in Public Accounting. He joined QCR Holdings in January of 2000, and currently serves as Executive Vice President, Chief Operating Officer and Chief Financial Officer. He also serves as a Director of Quad City Bank and Trust, Cedar Rapids Bank and Trust, and Rockford Bank and Trust. Mr. Gipple previously served on the board of directors and the Executive Committee of the Davenport Chamber of Commerce, United Way of the Quad Cities and the Scott County Beautification Foundation, and was a member of the original Governing Body for the Quad City s Success by 6 Initiative. Mr. Gipple currently serves on the Audit Committee for the Community Foundation of the Great River Bend. He is also Chairman of the board of directors of SAL Family and Community Services, and is a member of the American Institute of CPAs and the Iowa Society of CPAs. We consider Mr. Gipple to be a qualified candidate for service on the board and the committees he is a member of due to his experience as the Chief Financial Officer and Chief Operating Officer of QCR Holdings and his prior experience as a tax partner in public accounting.

Larry J. Helling was previously the Executive Vice President and Regional Commercial Banking Manager of Firstar Bank in Cedar Rapids with a focus on the Cedar Rapids metropolitan area and the Eastern Iowa region. Prior to his six years with Firstar, Mr. Helling spent twelve years with Omaha National Bank. Mr. Helling is a graduate of the Cedar Rapids Leadership for Five Seasons program and currently serves on the board of trustees of the United Way of East Central Iowa and the board of trustees of Junior Achievement. He is past President and a member of the Rotary Club of Cedar Rapids, on the board of the Entrepreneurial Development Center, is past Chairman and board member of the Downtown Cedar Rapids Self-Supported Municipal Improvement District and is on the board of the Human Services Campus of East Central Iowa. We consider Mr. Helling to be a qualified candidate for service on the board and the committees he is a member of due to his past experience as an executive officer of Firstar Bank, located in Cedar Rapids, Iowa, one of our market areas, and his prior banking experience.

Douglas M. Hultquist is a certified public accountant and previously served as a tax partner with two major accounting firms. He began his career with KPMG Peat Marwick in 1977 and was named a partner in 1987. In 1991, the Quad Cities office of KPMG Peat Marwick merged with McGladrey & Pullen. Mr. Hultquist served as a tax partner in the Illinois Quad Cities office of McGladrey & Pullen from 1991 until co-founding QCR Holdings in 1993. During his public accounting career, Mr. Hultquist specialized in bank taxation, taxation of closely held businesses, and mergers and acquisitions. Mr. Hultquist served on the board of directors of the PGA TOUR John Deere Classic and was its Chairman for the July 2001 tournament. Mr. Hultquist serves on the board of United Fire Group, Inc., and is chair of its Risk Management Committee, is past chairman of the Augustana College board of trustees, a past president of the Quad City Estate Planning Council, past finance chairman of Butterworth Memorial Trust and previously served on the board of the Illinois Bankers Association. He is also a member of the American Institute of CPAs and the Iowa Society of CPAs, and was recently selected as the Iowa Society of CPAs Outstanding CPA in Business and Industry for 2011. Mr. Hultquist is a member of the Quad Cities Chamber of Commerce board of directors, and is Chair of its Finance Committee, is a board member of the Rock Island County Children s Advocacy Center and participates in Big Brothers/Big Sisters. He received his undergraduate degree from Augustana College in Accounting and Economics in 1977 and in 2009 received an

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Honorary Doctorate degree from the college. Along with QCR Holdings co-founder Mr. Michael A. Bauer, Mr. Hultquist received the 1998 Ernst & Young Entrepreneur of the Year award for the Iowa and Nebraska region and was inducted into the Quad Cities Area Junior Achievement Business Hall of Fame in 2003. We consider Mr. Hultquist to be a qualified candidate for service on the board and the committees he is a member of due to his experience as the President and Chief Executive Officer of QCR Holdings and his prior public accounting experience as a tax partner.

Mark C. Kilmer is President of The Republic Companies, a family-owned group of businesses founded in 1916 and headquartered in Davenport, Iowa involved in the wholesale equipment and supplies distribution of energy management, electrical, refrigeration, heating, air-conditioning and sign support systems. Prior to joining Republic in 1984, Mr. Kilmer worked in the Management Information Systems Department of Standard Oil of California (Chevron) in San Francisco. Mr. Kilmer currently is a board member of The Genesis Health System and serves on the board of directors of IMARK Group, Inc., a national member-owned purchasing cooperative of electric supplies and equipment distributors. He is a two-term past chairman of the PGA TOUR John Deere Classic and the past chairman of the Scott County YMCA s board of directors. Mr. Kilmer is the past chairman of the board of Genesis Medical Center, and has served on the board of directors of The Genesis Heart Institute, St. Luke s Hospital, Rejuvenate Davenport, The Vera French Foundation and Trinity Lutheran Church. He was a four-time project business consultant for Junior Achievement. Mr. Kilmer has been a director of Quad City Bank and Trust since February 1996 and named its Chairman in January 2007. Prior to joining the board of Quad City Bank and Trust, Mr. Kilmer served on the board of Citizen s Federal Savings Bank in Davenport, Iowa. We consider Mr. Kilmer to be a qualified candidate for service on the board and the committees he is a member of due to his experience as the President of a successful wholesale and supply distribution business in Davenport, Iowa, one of our market areas, prior service on a bank board and his knowledge of the business community in this area.

John K. Lawson began his career with Deere & Company in 1958 as an engineering co-op trainee and worked in various positions with Deere & Company until his retirement in 2002. He received his mechanical engineering degree in 1962 from Iowa State University. Mr. Lawson held a variety of positions in several manufacturing operations, including General Manager in Dubuque and Davenport. In 1985, Mr. Lawson was named Vice President, Manufacturing, Agricultural Equipment Division. In 1992, he became President of the Construction Division. In his final position with Deere & Company as Senior Vice President, Technology and Engineering for Deere & Company, Mr. Lawson was responsible for the company s engineering, business computer systems, quality, supply management and communications areas. He is a member of the board of governors of the Iowa State University Foundation, the board of directors of Junior Achievement of the Heartland Foundation, and the Moline Foundation Finance Committee. Mr. Lawson also serves as a board member for Kent Corporation, located in Muscatine, Iowa. Mr. Lawson has been director of Quad City Bank and Trust since July 1997. Prior to joining the board of Quad City Bank and Trust, Mr. Lawson served on the board of First of America in Rock Island, Illinois. We consider Mr. Lawson to be a qualified candidate for service on the board and the committees he is a member of due to his past experience as an executive officer of Deere & Company, prior service on a bank board, and his knowledge of, and prominence in, our Iowa and Illinois market areas.

Michael L. Peterson is Chairman of Community National Bancorporation and Community National Bank, based in Waterloo, Iowa, and will be appointed to the board of directors of QCR Holdings following the merger. Mr. Peterson is also owner and President of Peterson Genetics, Inc., based in Cedar Falls, Iowa, providing soybean genetics to seed companies for over 25 years. Mr. Peterson is a graduate of Iowa State University with a B.S. in Agricultural Business. He is a past President of the Iowa Seed Association, past Chair of the Soybean Division of the American Seed Trade Association and past Chairman of the American Seed Trade Association. We consider Mr. Peterson qualified for service on the board due to his experience in the banking industry and his business connections in and extensive knowledge of our market areas.

Ronald G. Peterson is the retired President and Chief Executive Officer of the First State Bank of Illinois, located in La Harpe, Illinois. Prior to his retirement, he served in that position since 1982. Mr. Peterson serves on

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the board of directors of First State Bank of Illinois, and is Treasurer and Vice President of First State Bancorporation, Inc. He currently serves as a member of the board of directors and Vice President of the La Harpe Educational Foundation, and is a member of the Macomb Rotary Club. He is a past co-chairman of the McDonough District Hospital Development Council, past President of the Macomb Rotary Club, past Treasurer of the Western Illinois University Foundation and is a current member of the Foundation s Executive Committee. In 2005, Mr. Peterson was named Banker of the Year by the Illinois Bankers Association. Mr. Peterson has been a director of Quad City Bank and Trust since its formation in October 1993, and currently serves as Chair of its Loan Committee. We consider Mr. Peterson to be a qualified candidate for service on the board and the committees he is a member of due to his experience in the banking industry serving as the President and Chief Executive Officer of First State Bank of Illinois, located in La Harpe, Illinois.

Donna J. Sorensen is President of Sorensen Consulting, a management consulting and executive coaching firm. Ms. Sorensen earned her undergraduate degree from Marycrest College and her Juris Doctorate degree from the University of Iowa College of Law. She has twenty years of prior experience in trust and investment management serving as Executive Vice President Institutional Trust for U.S. Bank (formerly Firstar Bank). Ms. Sorensen currently serves on the boards of the University of Iowa Obermann Center for Advanced Research and the Greater Cedar Rapids Community Foundation Agency Investment Advisory Council and is a member of the Iowa State Bar Association. She has been a director of Cedar Rapids Bank and Trust since 2002, and she currently serves as Chair of its Board, as well as serving on its Loan and Wealth Management Committee. We consider Ms. Sorensen to be a qualified candidate for service on the board and the committees she is a member of due to her experience as the President of a consulting firm in Iowa City, Iowa, her prior banking experience and her education and training as an attorney.

John D. Whitcher is Vice President and General Counsel, as well as Director and Shareholder, of Viking Chemical Company. Mr. Whitcher earned his undergraduate and Juris Doctorate degrees from Southern Methodist University. He is a past director of Rockford Health System, the largest health system in the region, and previously served as chairman of the audit committee and is a past member of the finance committee, the planning committee and the executive compensation committee. He is a past chairman of the board of both the Northern Illinois Chapter of Big Brothers/Big Sisters and the Crusader Clinic Health Foundation and remains active in the Rockford community. Mr. Whitcher has been a director of Rockford Bank and Trust since its formation in January 2005, and was named its Chairman in May 2009. We consider Mr. Whitcher to be a qualified candidate for service on the board and the committees he is a member of due to his experience as Vice President and General Counsel of a chemical company in Rockford, Illinois, one of our market areas, his knowledge of the business community in this area and his education and training as an attorney.

Marie Z. Ziegler is Vice President and Deputy Financial Officer of Deere & Company. Ms. Ziegler joined Deere & Company in 1978 as a consolidation accountant and has held management positions in finance, treasury operations, strategic planning and investor and banking relations. Most recently, she served as Vice President and Treasurer for the company. Ms. Ziegler is a 1978 graduate of St. Ambrose University, with a bachelor of arts in accounting. She received her CPA in 1979 and an MBA from the University of Iowa in 1985. Ms. Ziegler is on the board of trustees for the Two Rivers YMCA (Moline, Illinois) and on the fundraising committee of Playcrafters Barn Theatre (Moline, Illinois). She is a member of The University of Iowa s College of Business Board of Visitors. Ms. Ziegler is a past member of Unified Growth Strategy Committee of the Illinois Quad City Chamber of Commerce, and a past member of the board of the Girl Scouts of the Mississippi Valley, Inc., Trinity Regional Health System and Trinity Medical Center. She also served on the Deere & Company Credit Union board, and as a member of the board of the United Way of the Quad Cities, chaired its 2003 Quad Cities United Way Campaign. She also is past treasurer of fundraising for Playcrafters Barn Theatre, Moline. We consider Ms. Ziegler to be a qualified candidate for service on the board and the committees she is a member of due primarily to the knowledge and experience regarding public companies she gained in her role as Vice President and Treasurer of Deere & Company, a publicly-traded company with over $36 billion in annual revenues. At Deere & Company, Ms. Ziegler regularly interacts with banks, institutional investors and sell side analysts as a company representative, and this experience with participants in the public marketplace makes her a valuable

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contributor as a director of QCR Holdings. Ms. Ziegler is also involved with a number of charitable organizations headquartered in communities served by QCR Holdings, providing her with business connections and extensive knowledge of our market areas.

Our executive officers consist of Douglas M. Hultquist, Todd A. Gipple and Larry J. Helling, each of whom is also a director of QCR Holdings. Mr. Hultquist has served as the President and Chief Executive Officer of QCR Holdings since 1993; Mr. Gipple has served as the Executive Vice President, Chief Operating Officer and Chief Financial Officer since 2008, and he previously served as Executive Vice President and Chief Financial Officer since 2000; and Mr. Helling has served as President and Chief Executive Officer of Cedar Rapids Bank and Trust since 2001.

Generally, the board oversees our business and monitors the performance of our management. In accordance with our corporate governance procedures, the board does not involve itself in the day-to-day operations of QCR Holdings, which is monitored by our executive officers and management. Our directors fulfill their duties and responsibilities by attending regular meetings of the full board, which are held no less frequently than quarterly. Our directors also discuss business and other matters with Mr. Hultquist, our Chief Executive Officer, other key executives and our principal external advisors (legal counsel, auditors and other consultants). Director Corby was appointed to the Board on September 21, 2012 after the Board of Directors increased the number of directors constituting the full Board from 12 to 13, to fill the resultant vacancy. Following the merger, Michael L. Peterson will be appointed to the board.

Directors Baird, Brownson, Corby, Kilmer, Lawson, Ronald G. Peterson, Sorensen, Whitcher and Ziegler are deemed to be independent as that term is defined by Nasdaq. Following his appointment, Director Michael L. Peterson will be considered independent. Directors Gipple, Helling, and Hultquist are not considered to be independent because they also serve as executive officers of either QCR Holdings or one of our subsidiaries.

Executive Compensation

The Compensation Committee has overall responsibility for evaluating the compensation plans, policies and programs relating to the executive officers of QCR Holdings. The Compensation Committee relies upon the input of management, particularly Mr. Hultquist, when carrying out its responsibilities in establishing executive compensation. Management provides the committee with evaluations as to employee performance, guidance on establishing performance targets and objectives and recommends salary levels and equity awards. The committee also consults with management on matters that are related to executive compensation and benefit plans where board or stockholder action is expected, including the adoption of new plans or the amendment of existing plans. No executive officer participates in any recommendation or decision regarding his or her own compensation.

The Compensation Committee s charter gives it the authority to hire outside consultants to further its objectives and responsibilities. During 2012, the Compensation Committee retained Pearl Meyer & Partners, LLC to provide services to the committee in connection with a review of the compensation paid or provided to QCR Holdings s named executive officers. Pearl Meyer & Partners, LLC does not provide any services, other than those performed at the direction of the Compensation Committee, to QCR Holdings. The committee s charter also gives it the ability to delegate its authority to subcommittees and employees to facilitate the operation and administration of compensation plans.

QCR Holdings maintains a comprehensive compensation program. The compensation program is designed to attract and retain key employees, motivate the key employees to achieve, and reward key employees for, superior performance. The overall design of the compensation program strives to balance short- and long-term performance goals, with the ultimate goal being the increase of stockholder value over the long term. With respect to the individuals named in the Summary Compensation Table, the compensation program includes the following: salary, annual cash incentive bonus, long-term incentive compensation (which is delivered primarily through equity awards) and other benefits and perquisites. The executive compensation program is administered by the Compensation Committee.

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Regulatory Impact on Compensation. Under its long-standing *Interagency Guidelines Establishing Standards for Safety and Soundness*, the FDIC has long held that excessive compensation is prohibited as an unsafe and unsound practice. In describing a framework within which to make a determination as to whether compensation is to be considered excessive, the FDIC has indicated that financial institutions should consider whether aggregate cash amounts paid, or noncash benefits provided, to employees are unreasonable or disproportionate to the services performed by an employee. The FDIC encourages financial institutions to review an employee s compensation history and to consider internal pay equity, and, as appropriate, to consider benchmarking compensation to peer groups. Finally, the FDIC provides that, in order to give proper context, such an assessment must be made in light of the institution s overall financial condition.

In addition to the *Safety and Soundness* standards, the Compensation Committee must also take into account the joint agency *Guidance on Sound Incentive Compensation Policies*. Various financial institution regulatory agencies worked together to issue the *Guidance*, which is intended to serve as a compliment to the *Safety and Soundness* standards. The *Guidance* sets forth a framework for assessing and mitigating risk associated with incentive compensation plans, programs and arrangements maintained by financial institutions. The *Guidance* is more narrow in scope than the *Safety and Soundness* standards because it applies only to senior executive officers and those other individuals who, either alone or as a group, could pose a material risk to an institution. With respect to such individuals, the *Guidance* is intended to focus an institution s attention on balanced risk-taking incentives, compatibility of incentives with effective controls and risk management, and a focus on general principles of strong corporate governance in establishing, reviewing and maintaining incentive compensation programs.

The Compensation Committee, with the assistance of its advisors and management, continues to monitor the status of compensation-related rules and regulations expected to be finalized or issued under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act). While the committee believes its own risk assessment procedures are effective, the committee is prepared to implement any additional steps that may be deemed necessary to fully comply with such rules and regulations when finally finalized or issued. The Compensation Committee does note, however, that the proposed risk assessment rules issued under the Dodd-Frank Act nearly mirror the *Safety and Soundness* standards and the framework of the *Guidance*. As such, the committee already adheres, in many respects, with the proposed rules and regulations under the Dodd-Frank Act.

Finally, in addition to the foregoing, as a publicly-traded corporation, QCR Holdings is also subject to the Securities and Exchange Commission rules regarding risk assessment. Those rules require a publicly-traded company to determine whether any of its existing incentive compensation plans, programs or arrangements create risks that are reasonably likely to have a material adverse effect on the company.

The Compensation Committee continues to believe in and practice a sensible approach to balancing risk-taking and rewarding reasonable, but not necessarily easily attainable, goals, and this has always been a component of its overall assessment of the compensation plans, programs and arrangements it has put in place for QCR Holdings s named executive officers. In this regard, the committee has regularly revisited the components of the frameworks set forth in the *Safety and Soundness* standards and the *Guidance* as an effective tool for conducting its own assessment of the balance between risk and reward built into QCR Holdings s compensation programs for its named executive officers. The committee believes there are adequate policies and procedures in place to balance and control any risk-taking that may be incentivized by the employee compensation plans. The Compensation Committee further believes that such policies and procedures will work to limit the risk that any employee would manipulate reporting earnings in an effort to enhance his or her compensation.

2012 Say-On-Pay. QCR Holdings successfully received 94.3% of votes cast in support of executive compensation during the 2012 annual stockholder s meeting. QCR Holdings, the board and the Compensation Committee pay careful attention to communications received from stockholders regarding executive compensation, including the results of these non-binding advisory votes. The committee considered the results of the advisory vote, but not for specific 2012 compensation decisions. The committee believes that the vote reflects

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our stockholders agreement with our compensation philosophy and the manner in which we compensate our named executive officers, as such the committee did not alter our compensation philosophy for 2012 as a result of the 2012 vote.

Summary of Compensation Paid to Named Executive Officers. The table below sets forth the following information for the years ended December 31, 2012 and 2011: (i) the dollar value of base salary earned; (ii) the aggregate grant date fair value of stock awards granted, calculated in accordance with FASB ASC Topic 718; (iii) the aggregate grant date fair value of option awards granted, calculated in accordance with FASB ASC Topic 718; (iv) the dollar value of earnings for services pursuant to awards granted under non-equity incentive plans; (v) above-market earnings on nonqualified deferred compensation; (vi) all other compensation; and, finally, (vii) the dollar value of total compensation.

Summary Compensation Table

Name and principal position (a)	Year (b)	Salary ($) (c)	Stock awards ($)[1] (e)	Option awards ($)[1] (f)	Non-equity incentive plan compensation ($) (g)	Nonqualified deferred compensation earnings ($) [2] (h)	All other compensation ($) (i)	Total ($) (j)
Douglas M. Hultquist,	2012	$ 290,000	$ 124,872	$ 27,476	$ 236,594[3]	$ 8,831	$ 71,954[5]	$ 759,727
President & CEO	2011	$ 275,000	$ 107,500		$ 68,690[4]	$ 8,057	$ 66,392[6]	$ 525,639
Todd A. Gipple,	2012	$ 240,000	$ 95,649	$ 14,191	$ 123,556[3]		$ 53,136[7]	$ 526,532
EVP, COO & CFO	2011	$ 230,000	$ 103,750		$ 39,026[4]		$ 45,756[8]	$ 418,532
Larry J. Helling,	2012	$ 240,000	$ 46,308	$ 46,308	$ 141,109[3]	$ 5,632	$ 96,851[9]	$ 576,208
President & CEO of Cedar Rapids Bank	2011	$ 230,000	$ 103,750		$ 127,347[4]	$ 4,597	$ 45,814[10]	$ 511,508

(1) In accordance with the Securities and Exchange Commission reporting requirements, we report all equity awards at full grant date fair value of each award calculated in accordance with FASB ASC Topic 718. For restricted stock, the fair value per share is equal to the closing price of our stock on the date of the grant. The restricted stock was granted pursuant to the applicable exception to the bonus prohibition set forth in the TARP rules. For stock options, the fair value per share is based on certain assumptions that are explained in the footnotes to our financial statements, which are included in our Annual Report on Form 10-K. To the extent it was the subject of a written employment agreement between a named executive officer and QCR Holdings (or a subsidiary) or otherwise satisfied an exception to the TARP bonus prohibition, any such equity award granted during the TARP period was not subject to the TARP bonus prohibition.

(2) As determined in accordance with, and for purposes of, proxy disclosure rules only, represents above market earnings (generally over 120% of the applicable federal long-term rate) under the deferred compensation arrangement.

(3) The Compensation Committee defined specific threshold, target, and maximum award opportunities as a percentage of salary for each named executive officer. The specific percentages were based on the individual executive s position and competitive market data for similar positions. The 2012 awards were contingent primarily on performance relative to goals for net income, non performing assets and deposit growth. The performance criteria were weighted to reflect QCR Holdings s strategic objectives. In addition, certain executives also had individual performance goals that were consistent with QCR Holdings s 2012 strategic objectives and more closely aligned with their specific role with QCR Holdings.

(4) The Compensation Committee defined specific threshold, target, and maximum award opportunities as a percentage of salary for each named executive officer. The specific percentages were based on the individual executive s position and competitive market data for similar positions. The 2011 awards were contingent primarily on performance relative to goals for net income, nonperforming assets and deposit

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growth. The performance criteria were weighted to reflect QCR Holdings s strategic objectives. In addition, certain executives also had individual performance goals that were consistent with QCR Holdings s 2011 strategic objectives and more closely aligned with their specific role with QCR Holdings. The awards reflected here are with respect to only that portion of 2011 that followed QCR Holdings s exit from TARP.

(5) Mr. Hultquist had contributions made to the QCR Holdings 401(k)/Profit Sharing Plan (the 401(k) Plan) for his benefit in the amount of $13,162; reimbursement for tax preparation services in the amount of $2,250; car allowance of $12,000; annual physical examination of $3,418 and dividends paid on his restricted stock of $1,781. In addition, pursuant to the deferred compensation arrangement, QCR Holdings made a matching contribution for his benefit in the amount of $20,000. QCR Holdings also provided a life insurance benefit to Mr. Hultquist that was valued, pursuant to Internal Revenue Code rules, at $19,343.

(6) Mr. Hultquist had contributions made to the 401(k) Plan for his benefit in the amount of $12,653; reimbursement for tax preparation services in the amount of $2,190; car allowance of $12,000; annual physical examination of $4,032 and dividends paid on his restricted stock of $961. In addition, pursuant to the deferred compensation arrangement, QCR Holdings made a matching contribution for his benefit in the amount of $20,000. QCR Holdings also provided a life insurance benefit to Mr. Hultquist that was valued, pursuant to Internal Revenue Code rules, at $14,556.

(7) Mr. Gipple had contributions made to the 401(k) Plan for his benefit in the amount of $13,162; reimbursement for tax preparation services in the amount of $2,250; car allowance of $8,000; annual physical examination of $2,911 and dividends paid on his restricted stock of $1,514. In addition, pursuant to the deferred compensation arrangement, QCR Holdings made a matching contribution for his benefit in the amount of $15,000. QCR Holdings also provided a life insurance benefit to Mr. Gipple that was valued, pursuant to Internal Revenue Code rules, at $10,299.

(8) Mr. Gipple had contributions made to the 401(k) Plan for his benefit in the amount of $12,048; reimbursement for tax preparation services in the amount of $2,190; car allowance of $8,000; and dividends paid on his restricted stock of $768. In addition, pursuant to the deferred compensation arrangement, QCR Holdings made a matching contribution for his benefit in the amount of $15,000. QCR Holdings also provided a life insurance benefit to Mr. Gipple that was valued, pursuant to Internal Revenue Code rules, at $7,750.

(9) Mr. Helling had contributions made to the 401(k) Plan for his benefit in the amount of $11,166; reimbursement for tax preparation services in the amount of $970; car allowance of $6,000; annual physical examination of $2,750 and dividends paid on his restricted stock of $1,309. In addition, pursuant to the deferred compensation arrangement, QCR Holdings made a matching contribution for his benefit in the amount of $15,000 and made a contribution under the Long-Term Deferred Incentive Compensation Program in the amount of $40,000. QCR Holdings also provided a life insurance benefit to Mr. Helling that was valued, pursuant to Internal Revenue Code rules, at $19,701.

(10) Mr. Helling had contributions made to the 401(k) Plan for his benefit in the amount of $8,396; reimbursement for tax preparation services in the amount of $895; car allowance of $6,000; and dividends paid on his restricted stock of $698. In addition, pursuant to the deferred compensation arrangement, QCR Holdings made a matching contribution for his benefit in the amount of $15,000. QCR Holdings also provided a life insurance benefit to Mr. Helling that was valued, pursuant to Internal Revenue Code rules, at $14,825.

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The following table sets forth information on outstanding equity awards held by the individuals named in the Summary Compensation Table at December 31, 2012, including the number of shares underlying both exercisable and unexercisable portions of each stock option as well as the exercise price and the expiration date of each outstanding option. Other than what is footnoted below, the options expire 10 years from the date of grant and vest in five equal annual portions beginning one year from the date of grant. All stock awards are restricted stock. The market value of stock awards is based on our closing stock price on December 31, 2012, which was $13.22.

Outstanding Equity Awards at Fiscal Year-End

	Option Awards					Stock Awards	
Name (a)	Number of securities underlying unexercised options (#) Exercisable (b)	Number of securities underlying unexercised options (#) Unexercisable (c)	Equity incentive plan awards: Number of securities underlying unexercised unearned options (#) (d)	Option exercise price ($) (e)	Option expiration date (f)	Number of shares or units of stock that have not vested (#) (g)	Market value of shares or units of stock that have not vested ($) (h)
Douglas M. Hultquist							
	5,000			$ 21.00	1/28/2015		
	3,900			$ 19.05	1/27/2016		
	2,450			$ 16.85	1/26/2017		
	25,785			$ 15.62	5/7/2018		
	11,282			$ 9.30	2/2/2019		
	6,452 (1)	3,225 (1)		$ 9.00	2/1/2020		
		9,848(1)		$ 9.30	2/1/2022	1,035 (2)	$ 13,683
						13,454 (3)	$ 177,862
						10,471 (4)	$ 138,427
						2,954(5)	$ 39,052
Todd A. Gipple	1,125			$ 18.67	1/5/2014		
	750			$ 22.00	1/5/2015		
	1,500			$ 21.00	1/28/2015		
	1,250			$ 19.05	1/27/2016		
	375			$ 17.60	10/26/2016		
	1,125			$ 16.85	1/26/2017		
	5,920			$ 15.62	5/7/2018		

	4,914		$ 9.30	2/2/2019			
	2,332[1]	1,166 [1]	$ 9.00	2/1/2020			
		5,086[1]	$ 9.30	2/1/2022	374 [2]	$	4,944
					12,985[3]	$	171,662
					8,758 [4]	$	115,781
					1,525[5]	$	20,161
Larry J. Helling	2,000		$ 21.00	1/28/2015			
	2,350		$ 19.05	1/27/2016			
	2,800		$ 16.85	1/26/2017			
	5,021		$ 15.62	5/7/2018			
	4,581		$ 9.30	2/2/2019			
	2,791[1]	1,395 [1]	$ 9.00	2/1/2020			
		16,597[1]	$ 9.30	2/1/2022	448 [2]	$	5,923
					12,985[3]	$	171,662
					4,978 [5]	$	65,809

(1) Options vest in three equal annual portions beginning one year from date of grant. Because the stock options granted during the TARP period were the subject of a written employment agreement between a named executive officer and QCR Holdings (or a subsidiary), they were not subject to the TARP bonus prohibition.

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(2) Unvested stock awards were granted on February 2, 2010 and vest in three equal annual portions beginning one year from date of grant.

(3) Unvested stock awards were granted on February 1, 2011 and, in accordance with applicable TARP rules, vest two years following the date of grant on February 1, 2013. Because QCR Holdings has exited TARP, these shares will be freely transferable as of the vesting date, February 1, 2013.

(4) Unvested stock awards were granted on February 1, 2012, and, in accordance with applicable TARP rules, vest two years following the date of grant on February 1, 2014. Because QCR Holdings has exited TARP, these shares will be freely transferable as of the vesting date, February 1, 2014.

(5) Unvested stock awards were granted on February 1, 2012 and vest in three equal annual portions beginning one year from date of grant.

The following table sets forth information for each of the individuals named in the Summary Compensation Table regarding stock option exercises and vesting of stock awards during 2012.

Option (and SAR) Exercises and Stock Vested in 2012

	Option Awards		Stock Awards	
(a)	(b)	(c)	(d)	(e)
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Douglas M. Hultquist			2,127	$ 19,783
Todd A. Gipple	1,181	$ 2,261	850	$ 7,905
Larry J. Helling			891	$ 8,287

The following table sets forth the present value of accumulated benefits payable to each of the individuals named in the Summary Compensation Table, including the number of years of service credited to each under the QCR Holdings, Inc. Non-qualified Supplemental Executive Retirement Plan (the Supplemental Executive Retirement Plan) determined using interest rate and mortality rate assumptions consistent with those used in our financial statements.

Non-Qualified Supplemental Executive Retirement Plan

Name (a)	Plan name (b)	Number of years credited service (#) (c)	Present value of accumulated benefit ($) (d)[1]	Payments during last fiscal year ($) (e)
Douglas M. Hultquist	Supplemental Executive Retirement Plan	18	962,004	
Todd A. Gipple	Supplemental Executive Retirement Plan	12	431,012	
Larry J. Helling	Supplemental Executive Retirement Plan	11	467,217	

(1) Each calendar year, QCR Holdings accrues an expense with respect to the Supplemental Executive Retirement Plan in accordance with generally accepted accounting principles. During 2012, the following amounts were accrued with respect to each of our named executive officers: Mr. Hultquist $152,252; Mr. Gipple $61,135; and Mr. Helling $19,662.

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The following table sets forth information concerning our non-qualified deferred compensation agreements with each individual named in the Summary Compensation Table. The agreements are discussed in detail on page 27 of this proxy statement.

Non-Qualified Deferred Compensation

Name (a)	Executive contributions in 2012 ($) (b)	Registrant contributions in 2012 ($) (c)	Aggregate earnings in 2012 ($) (d)	Aggregate withdrawals/ distributions ($) (e)	Aggregate balance at 12/31/12 ($) (f)
Douglas M. Hultquist	$ 30,000	$ 20,000	$ 60,494		$ 829,085
Todd A.Gipple	$ 15,000	$ 15,000	$ 20,773		$ 382,443
Larry J.Helling	$ 15,000	$ 55,000	$ 38,097		$ 531,165

Terms of Mr. Douglas M. Hultquist s Employment Agreement. On January 1, 2004, we entered into an employment agreement with Mr. Hultquist. In 2008, certain provisions of the employment agreement were amended in order to bring such provisions into compliance with the applicable provisions of Section 409A of the Internal Revenue Code of 1986, as amended (and guidance issued thereunder). The agreement has a three-year term and in the absence of notice from either party to the contrary, the employment term extends for an additional one year on the anniversary of the agreement. Pursuant to the agreement, Mr. Hultquist will receive a minimum salary of $175,000. The agreement includes provisions for the possible increase of compensation on an annual basis, performance bonuses, membership in various local clubs, an automobile allowance and participation in our benefit plans. The agreement also provides term life insurance coverage of two times Mr. Hultquist s base salary and average annual bonus as of the date of the agreement, which may be provided through a group term carve-out plan. The agreement further provides for severance compensation equal to one year of salary plus average annual bonus and three months of outplacement services in the event Mr. Hultquist is terminated without cause; and three times the sum of salary and average annual bonus and three years of continued health insurance if he is terminated within one year following a change in control or if he voluntarily terminates employment within six months of a change in control. Under the agreement, Mr. Hultquist is subject to a two-year non-compete provision following the termination of his employment.

Terms of Mr. Todd A. Gipple s Employment Agreement. On January 1, 2004, we entered into an employment agreement with Mr. Gipple. In 2008, certain provisions of the employment agreement were amended in order to bring such provisions into compliance with the applicable provisions of Section 409A of the Internal Revenue Code of 1986, as amended (and guidance issued thereunder). The agreement has a three-year term and in the absence of notice from either party to the contrary, the employment term extends for an additional one year on the anniversary of the agreement. Mr. Gipple s employment agreement provides that Mr. Gipple is to receive a minimum salary of $140,500. The agreement includes a provision for the possible increase in compensation on an annual basis, performance bonuses, membership in a country club, a monthly automobile allowance and participation in our benefit plans. Mr. Gipple s agreement also provides term life insurance coverage of two times the sum of his base salary and average annual bonus as of the date of the agreement, which may be provided through a group term carve-out plan. The agreement further provides that he is entitled to a payment equal to the sum of one-half of his then-current annual salary plus one-half of his average annual bonus and three months of outplacement services if he is terminated without cause; and two times the sum of his annual salary and average annual bonus and three years of continued health insurance if he is terminated within one year following a change in control or if he voluntarily terminates employment within six months of a change in control. Under the agreement, Mr. Gipple is subject to a two-year non-compete provision following the termination of his employment

Terms of Mr. Larry J. Helling s Employment Agreement. On January 1, 2004, we entered into an employment agreement with Mr. Helling. In 2008, certain provisions of the employment agreement were amended in order to bring such provisions into compliance with the applicable provisions of Section 409A of the

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Internal Revenue Code of 1986, as amended (and guidance issued thereunder). The agreement has a two-year term and in the absence of notice from either party to the contrary, the employment term extends for an additional one year on the anniversary of the agreement. Mr. Helling s employment agreement provides that Mr. Helling is to receive a minimum salary of $167,000. The agreement includes a provision for the possible increase in compensation on an annual basis, performance bonuses, a monthly automobile allowance, membership in various country clubs and participation in our benefit plans. Mr. Helling s agreement also provides term life insurance coverage of two times the sum of his base salary and average annual bonus as of the date of the agreement, which may be provided through a group term carve-out plan. The agreement further provides for a severance payment equal to six months of his salary in the event of a termination without cause and two times his annual salary in the event he is terminated within one year following a change in control or if he voluntarily terminates employment within six months of a change in control. Under the agreement, Mr. Helling is subject to a two-year non-compete provision following the termination of his employment. Additionally, Mr. Helling s agreement allowed him to participate in the Cedar Rapids Long-term Deferred Incentive Compensation Program. Under the agreement, Mr. Helling was allocated a total of 40% of amounts paid pursuant to the incentive program.

Beginning in 2009, QCR Holdings no longer reimburses Messrs. Hultquist, Gipple, and Helling for country club memberships.

Stock Ownership and Retention Guidelines. As indicated previously, to reinforce our philosophy of equity ownership for executives and to further align the interests of our executives with our stockholders, we have share retention and ownership guidelines for our executives. The stock ownership guidelines vary based upon position, and for our named executive officers, is 30,000 shares of QCR Holdings common stock. Currently all named executive officers exceed these ownership guidelines.

Long-Term Incentive Plans.

2004 Stock Incentive Plan. In 2004, we adopted the QCR Holdings, Inc. 2004 Stock Incentive Plan for the benefit of our directors, officers and employees. The plan was approved by stockholders and authorized 150,000 shares for issuance under the plan. This plan provides for the issuance of incentive stock options, nonqualified stock options, restricted stock, tax benefit rights and stock appreciation rights. As of the approval of the 2008 Stock Incentive Plan, all of the remaining shares available for grant transferred to the 2008 Stock Incentive Plan.

2008 Equity Incentive Plan. In 2008, we adopted the QCR Holdings, Inc. 2008 Equity Incentive Plan for the benefit of our directors, officers and employees. The plan was approved by stockholders and authorized 250,000 shares for issuance under the plan plus unissued shares under prior plans. This plan provides for the issuance of incentive stock options, nonqualified stock options, restricted stock and stock appreciation rights. As of December 31, 2012, there were 14,922 remaining shares available for grant under this plan.

2010 Equity Incentive Plan. In 2010, we adopted the QCR Holdings, Inc. 2010 Equity Incentive Plan for the benefit of our directors, officers and employees. The plan was approved by stockholders and authorized 350,000 shares for issuance under the plan. This plan provides for the issuance of incentive stock options, nonqualified stock options, restricted stock and stock appreciation rights. As of December 31, 2012, there were 57,872 remaining shares available for grant under this plan.

2013 Equity Incentive Plan. In 2013, our board of directors, subject to stockholder approval, adopted the QCR Holdings, Inc. 2013 Equity Incentive Plan for the benefit of our directors, officers and employees. The plan is being presented to stockholders at our 2013 annual meeting and, if approved, will have 350,000 shares authorized for issuance. This plan provides for the issuance of nonqualified stock options, restricted stock, stock appreciation rights and other stock and cash-based awards. If adopted by our stockholders, this plan will replace the 2008 Equity Incentive Plan and the 2010 Equity Incentive Plan.

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Employee Stock Purchase Plan. QCR Holdings adopted and stockholders approved the QCR Holdings Employee Stock Purchase Plan to be effective in 2003, and in May 2012, the stockholders approved the amended and restated plan. The plan is intended to qualify as an employee stock purchase plan under Section 423 of the Internal Revenue Code. The plan allows employees of QCR Holdings and our subsidiaries to purchase shares of common stock available under the plan. The purchase price is currently 90% of the lesser of the fair market value at the date of the grant or the investment date. The investment date is the date common stock is purchased after the end of each calendar quarter during an offering period. Beginning January 1, 2007, the maximum percentage that any one participant can elect to contribute is 8% of his or her compensation. During 2012, 31,554 shares were purchased under the plan.

QCR Holdings 401(k)/Profit Sharing Plan. QCR Holdings sponsors a tax-qualified profit sharing plan qualifying under Section 401(k) of the Internal Revenue Code of 1986 (the Code). All employees are eligible to participate in the plan. Pursuant to the 401(k) Plan, QCR Holdings matches 100% of the first 3% of employee contributions and 50% of the next 3% of employee contributions, up to a maximum of 4.5% of an employee s compensation. Additionally, at its discretion, QCR Holdings may make additional contributions to the 401(k) Plan, which are allocated to the accounts of participants based on relative compensation. The total contributions under the 401(k) Plan for the benefit of our named executive officers are reflected in the Summary Compensation Table on page 20 of this proxy statement.

Non-qualified Supplemental Executive Retirement Program (SERP). QCR Holdings provides SERP benefits to its key executives, which will provide supplemental retirement income to the named executive officers. The SERP arrangements are an important, common component of competitive compensation packages and they include retention and non-competition provisions that protect QCR Holdings and help support the objective of maintaining a stable, committed, and qualified team of key executives.

QCR Holdings currently has SERP arrangements in place for Messrs. Hultquist, Gipple, and Helling. The SERP arrangements were approved by QCR Holdings in April 2004, and have an effective date of May 2004. Under the agreements, the executives will receive a supplemental retirement benefit in an annual pre-tax amount equal to 2.5% for each year of full-time service until the executive reaches age 65 (not to exceed 40 years), multiplied by the executive s average annual base salary plus cash bonus for the three most recently completed plan years, subject to a maximum of 70%.

The supplemental retirement benefit will be reduced by any contributions plus earnings thereon made by QCR Holdings to the credit of the executive pursuant to the 401(k) Plan or other deferred compensation plans. The supplemental retirement benefit payable under the plans will generally be made in monthly installments for a period of 180 months. If an executive retires after reaching age 55 (but before reaching age 65) and has at least 10 years of service, QCR Holdings will pay a supplemental early retirement benefit made in monthly installments for a period of 180 months to the executive. The SERP arrangements also provide for the payment of a survivor s benefit payable to a participating executive s beneficiary upon the executive s death.

Pursuant to the existing SERP arrangements and the TARP rules, assuming the participating executives retire on or after reaching age 55 and based on the participants salary and cash bonus paid for 2012, we will owe the following projected annual amounts at age 55 or retirement age, whichever comes later: Mr. Hultquist $78,543; Mr. Gipple $118,493; Mr. Helling $35,870.

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Non-Qualified Deferred Compensation Plan Agreements. QCR Holdings has entered into deferred compensation plan agreements with the executive officers to allow them to defer a portion of their salary or annual bonus. These plans are voluntary, non-tax qualified, deferred compensation plans that enable the executives to save for retirement by deferring a portion of their current cash compensation. QCR Holdings matches these deferrals up to certain maximums and interest is earned at the prime rate subject to certain floor and cap rates, as follows:

	Deferred Compensation Plan Agreements			
Executive	2012 Contribution	2012 Match Maximum	Interest Rate Floor and	Cap
Douglas M. Hultquist	$20,000	$20,000	8.00%	10.00%
Todd A. Gipple	$15,000	$15,000	6.00%	12.00%
Larry J. Helling	$15,000	$15,000	8.00%	12.00%

Both the SERP and the non-qualified deferred compensation plan agreements are considered unfunded general contractual obligations of QCR Holdings and are subject to the claims of our creditors. In the event that QCR Holdings becomes insolvent, the participants will be unsecured general creditors of QCR Holdings. This status with respect to these benefits should help insure that the interests of the officer participants are aligned with the long-term interests of QCR Holdings, its debt holders, and its stockholders.

Long-Term Deferred Incentive Compensation Program. QCR Holdings has entered into a Long-Term Deferred Incentive Compensation Program with certain key senior management members at Cedar Rapids Bank and Trust and Rockford Bank and Trust. The program is administered by the Compensation Committee and results in deferred incentive compensation contributions being made into the plan, for the benefit of the participants, if certain growth and earnings objectives are met. Mr. Helling was a participant in the plan for the years 2006 through 2011, and could earn between $16,000 and $120,000 annually based on the performance of Cedar Rapids Bank and Trust. Mr. Helling earned a $40,000 contribution to his deferred compensation plan in 2011 that was paid in January 2012. He did not earn any incentive compensation in 2006 through 2010.

Deferred Income Plans. QCR Holdings adopted and stockholders approved the 1997 Deferred Income Plan and 2005 Deferred Income Plan to enable directors and selected key officers of QCR Holdings and its related companies, to elect to defer all or a portion of the fees and cash compensation payable to them for their service as directors or employees. The plan then purchases shares of QCR Holdings common stock at market value.

Compensation Committee Interlocks and Insider Participation

During 2012, the Compensation Committee, which sets the salaries and compensation for our executive officers, was comprised solely of independent directors Brownson, Lawson, Ronald G. Peterson, Whitcher and Ziegler. None of these individuals was an officer or employee of QCR Holdings in 2012, and none of these individuals is a former officer or employee of QCR Holdings. In addition, during 2012, no executive officer of QCR Holdings served on the board of directors or compensation committee of any other corporation with respect to which any member of the Compensation Committee was engaged as an executive officer.

Director Compensation

QCR Holdings uses a combination of cash and stock-based compensation to attract and retain qualified candidates to serve on the board. In setting director compensation, we consider the significant amount of time that directors expend in fulfilling their duties as well as the skill level required of members of the board.

Cash Compensation Paid to Board Members. In 2012, members of the board who were not employees of QCR Holdings were entitled to receive an annual cash retainer. Pursuant to the QCR Holdings, Inc. 1997 Deferred Income Plan and the 2005 Deferred Income Plan, a director may elect to defer the fees and cash

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compensation payable by us for the director s service until either the termination of such director s service on the board or the age specified in the director s deferral election. During 2012, all but five directors (at the subsidiary banks) deferred 100% of their director fees pursuant to the plan, and the total expense for the deferred fees with respect to all participating directors was $441,558 for 2012. Directors who are emplo