

## **QC HOLDINGS, INC.**

### **PROCEDURES REGARDING NOMINATIONS AND CORPORATE GOVERNANCE (As adopted on June 15, 2004)**

The following procedures are designed to assist the Board of Directors in fulfilling its responsibilities to govern the Company in a manner consistent with the interests of its stockholders. These procedures will govern (i) organization and membership of the board of directors; (ii) structure, composition and operations of the Company's various committees; (iii) succession planning for key officers and employees of the Company; (iv) establishing and maintaining the Company's corporate governance policy; and (v) dealing with all other matters related to corporate governance and the rights and interests of the Company's stockholders.

#### **Procedures Governing Nominations to the Board of Directors**

All functions regarding nominations of individuals to the Board of Directors will be carried out by the members of the Board determined by the Company to be "independent" under applicable SEC and NASDAQ rules. The independent directors will meet at least once per year and at such additional times as necessary to carry out its nominating responsibilities. All meetings and actions taken by the independent directors shall be pursuant to the Company's bylaws, including the provisions regarding notice of meetings, waivers of notice, action by written consent, and related matters.

The independent directors will keep a record of all actions taken at meetings. The independent directors will select a representative to present the actions of the independent directors and answer questions, if any, at the next regularly scheduled meeting of the Board.

#### **Objectives**

The independent directors have the following responsibilities and objectives with respect to the nominating process:

- Develop a Board that provides management with experienced and seasoned advisors and meet the qualification of directors established by the Board from time to time;
- Make recommendations to the Board regarding all nominees for Board membership, whether for the slate of director nominees to be proposed by the Board to the stockholders or any director nominees to be appointed by the Board to fill interim director vacancies;
- Review director candidates submitted by stockholders;
- Conduct the appropriate and necessary inquiries into the backgrounds, qualifications and independence of possible candidates;
- Review periodically the membership of each committee of the Board and recommend committee assignments to the Board, including rotation, reassignment or removal of any committee member; and

- Determine, acting through the Chairman and the CEO, the effect of a change in the reputation of character and integrity, interests, or employment status of a director and, if necessary or appropriate, request the Board to consider and accept the resignation of a director.

### **Qualifications of Director Candidates**

The independent directors will evaluate and select nominees based on their ability to fulfill the duties of care and loyalty to the Company's stockholders. To be considered for nomination to the Board of Directors by the independent directors, an individual should:

- Be of the highest character and integrity and have an inquiring mind, the willingness to ask hard questions and the ability to work with others;
- Be free of any conflict of interest that would violate applicable laws or regulations or otherwise interfere with the individual's ability to perform properly his or her duties as a director;
- Be willing to devote sufficient time to the Company's affairs and diligently fulfill his responsibilities as a directors;
- Have substantial experience in the one or more areas of business, education or government service that will provide value to the overall Board of Directors; and
- Have the capacity and desire to represent the best interests of the stockholders as a whole.

### **Nominating Procedures**

At each required annual meeting of the independent directors, the independent directors will follow the following processes in making nominations to the Board of Directors:

- Evaluate each new director candidate, whether recommended by management, a third party search firm, another director or directors, or a stockholder or group of stockholders, and each incumbent director pursuant to the objectives and qualifications listed above, or such other objectives and qualifications as the independent directors then determine to be relevant.
- Upon careful consideration and evaluation recommend that the Board nominate or re-nominate each individual nominee.
- Evaluate current committee membership and recommend members for each committee of the Company
- Submit its recommended candidates to the Board of Directors and applicable committees.

### **Ongoing Responsibilities**

The independent directors should monitor the performance of each director based on the general criteria provided herein and any specific criteria created by the independent directors. The independent directors should identify any problem areas and seek appropriate resolutions, including asking for a director's resignation or removal. The independent directors should develop and periodically evaluate orientation guidelines and continuing education guidelines for directors so that each director is fully aware of his or her duties as well as the general business plan of the Company.

### **Evaluation and Successor Planning for Key Management Personnel**

The independent directors (either as a group or acting through the Compensation Committee) will assist the Board of Directors in evaluating the performance and other factors related to the retention of the Chief Executive Officer and other key executive officers. In addition, the independent directors will develop and periodically review and revise a management succession plan to ensure a smooth transition when the Chief Executive Officer or other key management retires or resigns.

### **Corporate Governance**

The independent directors (either as a group or acting through the Compensation Committee) have the following additional responsibilities with respect to corporate governance:

- Regularly review issues and developments related to corporate governance trends and issues and formulate and recommend governance standards to the Board;
- Review and make recommendations to the Board regarding the Company's responses to stockholder proposals;
- Make recommendations to the Board regarding committee structure and delegated responsibilities to be included in the charter of each Board committee;
- Annually review and oversee Board and Board committee evaluation process and evaluate and recommend any revisions to Board and committee meeting policies and logistics;
- Consider and recommend changes in the size of the Board;
- Review on an annual basis director compensation and benefits;
- Oversee and review on a periodic basis the orientation program for new directors and the continuing education program for existing directors; and
- Retain and/or terminate outside advisors, including any search firm to be used to assist the Committee in identifying director candidates, and approve the advisors' or search firm's fees and other retention terms.