



March 5, 2009

Neil M. Barofsky
Special Inspector General – TARP
1500 Pennsylvania Avenue, NW
Suite 1064
Washington DC, 20220

Dear Mr. Barofsky,

In response to your letter dated February 6, 2009, we are providing the following as it relates to the use of funds provided under the terms of the Capital Purchase Plan (CPP) as well as compliance with the Emergency Economic Stabilization Act of 2008 (EESA) executive compensation requirements.

- (1) Under the terms of the CPP Securities Purchase Agreement, we issued 11,350 shares of Fixed Rate Cumulative Perpetual Preferred Stock and received \$11.350 million on November 21, 2008. The receipt of these funds was recorded on the books of First Community Corporation (FCCO), a one-bank holding company, as preferred stock equity and qualifies as capital under the "risk based capital" guidelines by our various regulatory agencies. A significant portion of the funds received (\$9.0 million) were then pushed down to First Community Bank, NA (FCB) as additional equity capital.

The purpose/use of the funds is twofold:

First, as a result of the actions of the Treasury Department on September 7, 2008, whereby the Federal Home Loan Mortgage Corporation (FHLMC) was placed into receivership, FCCO recognized a significant (\$14.3 million) other-than-temporary-impairment (OTTI) on a FHLMC preferred stock investment held by FCB. Although both FCCO and FCB remained "well capitalized" after the OTTI write-down, capital ratios were at levels that could have ultimately restricted asset (loan) growth.

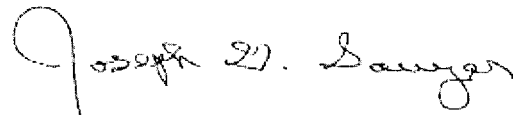
~~_____~~ This capital acquired through the CPP provided the company with an additional regulatory capital cushion in the event of further asset deterioration in our loan and investment portfolios. In addition, this capital provides us the opportunity to continue growth in our loan portfolio. h(k)

Second, one of our goals as a community bank has, and continues to be, to grow our assets through quality loan growth by providing credit to small and mid-size businesses, as well as, individuals within the markets we serve. In 2008, we funded new loans in the amount of \$79.2 million. In 2008, our loan portfolio grew by approximately 7.1% (\$22.9 million). Specifically, in November and December of 2008, the loan portfolio grew by approximately 11.4% (\$3.1 million) and 18.1% (\$4.9 million) on an annualized basis, respectively. Future loan production and portfolio growth rates will be impacted by the current economic recession, as borrowers are less inclined to leverage their corporate and personal balance sheets; however, we remain committed to meeting the credit needs of our local markets.

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We are aware that the American Recovery and Reinvestment Act of 2009 (ARRA), was signed by the President on February 17, 2009, has established restrictive new limits on executive compensation for all CPP participants. These conditions are more restrictive and far-reaching than the guidelines under the prior legislation. The company is reviewing these new guidelines with the HR committee, legal counsel and the consulting group and will be revising existing plans as deemed necessary to insure full and timely compliance.

Sincerely,

A handwritten signature in black ink that reads "Joseph G. Sawyer". The signature is written in a cursive style with a large initial "J".

Joseph G. Sawyer
Senior Vice President and CFO

I, Michael C. Crapps, certify that I have reviewed this response and supporting documents, and, based on my knowledge, this response and supporting documents do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which statements were made, not misleading.

Sincerely,

A handwritten signature in black ink that reads "Michael C. Crapps". The signature is written in a cursive style with a large initial "M".

Michael C. Crapps
President and CEO
March 5, 2009