

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 (OTI) on a FHLMC preferred stock investment held by FCB. Although both FCCO and FCB remained "well capitalized" after the OTI write-down, capital ratios were at levels that could have ultimately restricted asset (loan) arowth

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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.

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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The receipt of the CPP funds are not segregated from other funds within the company except to the extent that the Series T Perpetual Preferred Stock issued is separately recorded in the equity section of our general ledger. As with any capital raised by the company, our goal is to leverage it to the extent that we are providing an appropriate return to the constituencies (primarily shareholders and customers) we serve

continued deteriorating national and local economic conditions as well as deteriorating asset quality within our company. If and when these events impact our earnings, our ability to grow the capital base will be impacted and will result in reducing our ability to grow our balance sheet and expand the loan portfolio. Other events that will prevent us from fully leveraging these funds include regulatory changes such as, but not limited to, raising the required regulatory capital ratios as well as the recent proposed significant increase in the FDIC assessments.

To date, the only public disclosure that has been made by the company relative to the receipt of the CPP funds was a press release and Securities and Exchange Commission 8K filing outlining the general terms of the program, the amount of funds received, as well as the approximate impact on the company's regulatory capital ratios.

In summary, to date these funds have been employed exactly as we had anticipated and more importantly we believe exactly as was intended under the terms of the TARP- CPP plan and agreement. They have enhanced our regulatory capital ratios and provided the ability to continue growing the loan portfolio by providing credit within our local markets.

(2) At the time of entering into the agreement the conditions relative to executive compensation were reviewed and agreed to by the executive officers of the company. The company has an independent Human Resources/Compensation Committee (HR Committee) of the Board of Directors that is responsible for reviewing and submitting recommendations to the full Board relative to all executive compensation programs. The HR Committee has reviewed the current executive compensation arrangements and determined that they are in compliance with the Emergency Economic Stabilization Act of 2008 (EESA) and the terms of the CPP. The HR Committee has reviewed the incentive compensation plans and determined that they are designed in a way that does not promote excessive risk taking. No modifications were deemed necessary to any of the plans to be in compliance with EESA.



It should be noted that no incentive compensation (bonuses) were paid to the executive officers for the 2008 calendar year.

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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,

Joseph G. Sawyer

Senior Vice President and CFO

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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,

Michael C. Crapps President and CEO

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