

FIRST COMMUNITY CORP /SC/  
Form S-4  
June 07, 2004

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As filed with the Securities and Exchange Commission on June 7, 2004

Registration No. 333-

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

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**FORM S-4**  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

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**FIRST COMMUNITY CORPORATION**

(Exact name of registrant as specified in its charter)

**South Carolina**  
(State or other jurisdiction of  
incorporation or organization)

**6712**  
(Primary Standard Industrial  
Classification Code Number)

**57-1010751**  
(I.R.S. Employer Identification No.)

**5455 Sunset Boulevard**  
**Lexington, South Carolina 29072**  
**(803) 951-2265**  
(Address, including zip code, and telephone number,  
including area code, of registrant's principal executive offices)

**Michael C. Crapps**  
**President and Chief Executive Officer**  
**First Community Corporation**  
**5455 Sunset Boulevard**  
**Lexington, South Carolina 29072**  
**(803) 951-2265**  
(Name, address, including zip code, and telephone number,  
including area code of agent for service)

---

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**Approximate date of commencement of the proposed sale to the public:**

**As soon as practicable after the effectiveness of this registration statement and the satisfaction or waiver of all other conditions to the merger described in the joint proxy statement/prospectus.**

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 464(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

**CALCULATION OF REGISTRATION FEE**

Title of each class of securities to be registered	Amount to be registered(1) per share	Proposed maximum offering price	Proposed maximum aggregate offering price(2)	Amount of registration fee
Common Stock	1,182,412	N/A	\$5,274,531	\$669

- (1) Represents the maximum estimated number of shares to be issued by the registrant in connection with its acquisition of DutchFork Bancshares, Inc. Pursuant to Rule 416, this registration statement also covers an indeterminate number of shares of common stock as may become issuable as a result of stock splits, stock dividends or similar transactions.
- (2) In accordance with Rule 457(f), represents the average of the high and low sale price per share of the registrant as of June 1, 2004 (\$21.50), multiplied by the estimated number of shares of DutchFork Bancshares, Inc. common stock to be cancelled in connection with the merger (1,125,981 shares) less the estimated amount of cash to be paid by the registrant to the shareholders of DutchFork Bancshares, Inc. (\$18,934,061).

**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

**PROPOSED MERGER OF  
FIRST COMMUNITY CORPORATION  
AND DUTCHFORK BANCSHARES, INC.**

The boards of directors of First Community Corporation and DutchFork Bancshares, Inc. have unanimously agreed to a merger of our companies. In the merger, each share of DutchFork common stock will be converted into either \$42.75 in cash or 1.78125 shares of First Community common stock. First Community's common stock is listed on the Nasdaq SmallCap Market under the symbol "FCCO." DutchFork's common stock is listed on the Nasdaq SmallCap Market under the symbol "DFBS."

DutchFork shareholders will be able to elect to receive cash, First Community common stock, or a combination of cash and First Community common stock for their shares of DutchFork common stock. Regardless of their choice, however, elections will be limited by the requirement that only 60% of the shares of DutchFork common stock be exchanged for First Community common stock. Therefore, the allocation of cash and First Community common stock that DutchFork shareholders will receive will depend on the elections of other DutchFork shareholders. The federal income tax consequences of the merger to DutchFork shareholders will depend on whether they receive cash, stock, or a combination of cash and stock in exchange for their shares of DutchFork common stock.

We cannot complete the merger unless we obtain the necessary government approvals and unless the shareholders of both First Community and DutchFork approve the merger agreement. DutchFork will hold a special meeting of its shareholders on [ ], 2004 at [ ] p.m., local time at [ ] to consider and vote on this merger proposal. First Community will hold a special meeting of its shareholders on [ ], 2004 at [ ] p.m., local time at [ ] to consider and vote on this merger proposal.

Whether or not you plan to attend the meeting, please take the time to vote by completing and mailing the enclosed proxy card. If you sign, date, and mail your proxy card without indicating how you want to vote, your proxy will be counted as a vote "FOR" the merger and the transactions contemplated by the merger agreement. If you do not return your proxy card, or if you do not instruct your broker how to vote any shares held for you in "street name," the effect will be a vote against the merger.

This document contains a more complete description of the shareholders' meetings, the terms of the merger, and the procedures for DutchFork shareholders to elect to receive stock or cash. This document also contains information regarding the business of First Community and DutchFork. **We encourage you to read the document carefully, including the discussion under the heading "Risk Factors" beginning on page [ ]. Please review this entire document carefully.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued under this joint proxy statement/prospectus or determined if this joint proxy statement/prospectus is accurate or adequate. Any representation to the contrary is a criminal offense. The securities First Community is offering through this document are not savings or deposit accounts or other obligations of any bank or non-bank subsidiary of either of our companies, and they are not insured by the Federal Deposit Insurance Corporation, the Savings Association Insurance Fund, the Bank Insurance Fund or any other governmental agency.**

DutchFork's shareholders and First Community's shareholders have dissenters' rights under Delaware law and South Carolina law, respectively. Please see "Dissenters' Rights" beginning on page [ ] of this joint proxy statement/prospectus for more information.

*This joint proxy statement/prospectus is dated [ ], 2004 and will be first mailed to shareholders of DutchFork and First Community on or about [ ], 2004.*

This document incorporates important business and financial information about First Community and DutchFork from documents filed with the Securities and Exchange Commission that have not been included in or delivered with this document. You may read and copy these documents at the SEC's public reference facilities. **Please call the SEC at 1-800-SEC-0330 for information about these facilities.**

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This information is also available at the Internet site the SEC maintains at <http://www.sec.gov>. See "Where You Can Find More Information" on page [ ]. This information is also available without charge to shareholders upon written or verbal request. Shareholders should contact Joseph G. Sawyer, Chief Financial Officer, First Community Corporation., 5455 Sunset Boulevard, Lexington, South Carolina 29072 or J. Thomas Johnson, Chief Executive Officer, DutchFork Bancshares, Inc., 1735 Wilson Road, Newberry, South Carolina 29108. To receive timely delivery of the documents in advance of the First Community and DutchFork special meetings, you should make your request no later than , 2004.

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**First Community Corporation**

5455 Sunset Boulevard  
Lexington, South Carolina 29072  
(803) 951-2265

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**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**  
**, 2004**

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A special meeting of shareholders of First Community Corporation will be held at [ ] on [ ], 2004 at [ ] p.m., local time, for the following purposes:

1. To consider and vote upon a proposal to approve the Agreement and Plan of Merger dated as of April 12, 2004 by and between First Community Corporation and DutchFork Bancshares, Inc., pursuant to which DutchFork will merge with and into First Community and each share of common stock of DutchFork will be converted into the right to receive, at the election of the holder, either shares of First Community common stock or cash, all on and subject to the terms and conditions contained therein; and
2. To consider and vote on a proposal to authorize the board of directors to adjourn the special meeting to allow time for further solicitation of proxies in the event there are insufficient votes present at the special meeting, in person or by proxy, to approve the Agreement and Plan of Merger.
3. To transact any other business as may properly come before the meeting or any adjournment or postponement.

Only shareholders of record at the close of business on [ ], 2004 will be entitled to notice of and to vote at the meeting and at any adjournment or postponement.

The First Community board of directors unanimously recommends that you vote "FOR" the proposal to approve the merger agreement. Whether or not you plan to attend the shareholder meeting, please complete, sign, date, and return the enclosed proxy in the accompanying pre-addressed postage-paid envelope.

If the merger agreement is approved and the merger is completed, you will have the right to dissent from the merger and obtain payment in cash of the "fair value" of your shares of First Community common stock. Your right to dissent is conditioned upon your compliance with the South Carolina statutes regarding dissenters' rights. The full text of these statutes is attached as Appendix B to the accompanying joint proxy statement/prospectus and a summary of the provisions can be found under the caption "The Merger Rights of Dissenting First Community Shareholders Under South Carolina Law."

By Order of the Board of Directors

James C. Leventis  
*Corporate Secretary*

Lexington, South Carolina  
[ ], 2004

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**DutchFork Bancshares, Inc.**

1735 Wilson Road  
Newberry, South Carolina 29108  
(803) 321-3200

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**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**  
**, 2004**

---

A special meeting of shareholders of DutchFork Bancshares, Inc. will be held at [ ] on [ ], 2004 at [ ] p.m., local time, for the following purposes:

1. To consider and vote upon a proposal to approve the Agreement and Plan of Merger dated as of April 12, 2004 by and between First Community Corporation and DutchFork Bancshares, Inc., pursuant to which DutchFork will merge with and into First Community and each share of common stock of DutchFork will be converted into the right to receive, at the election of the holder, either shares of First Community common stock or cash, all on and subject to the terms and conditions contained therein; and
2. To consider and vote on a proposal to authorize the board of directors to adjourn the special meeting to allow time for further solicitation of proxies in the event there are insufficient votes present at the special meeting, in person or by proxy, to approve the Agreement and Plan of Merger.
3. To transact any other business as may properly come before the meeting or any adjournment or postponement.

Only shareholders of record at the close of business on [ ], 2004 will be entitled to notice of and to vote at the meeting and at any adjournment or postponement.

The DutchFork board of directors unanimously recommends that you vote "FOR" the proposal to approve the merger agreement. Whether or not you plan to attend the shareholder meeting, please complete, sign, date, and return the enclosed proxy in the accompanying pre-addressed postage-paid envelope.

If the merger agreement is approved and the merger is completed, you will have the right to dissent from the merger and obtain payment in cash of the "fair value" of your shares of DutchFork common stock. Your right to dissent is conditioned upon your compliance with the Delaware statutes regarding dissenters' rights. The full text of these statutes is attached as Appendix C to the accompanying joint proxy statement/prospectus and a summary of the provisions can be found under the caption "The Merger Rights of Dissenting DutchFork Shareholders Under Delaware Law."

By Order of the Board of Directors

Robert E. Livingston, III  
*Corporate Secretary*

Newberry, South Carolina  
[ ], 2004

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**QUESTIONS AND ANSWERS FOR ALL  
SHAREHOLDERS ABOUT THE MERGER**

**Q: Why is DutchFork merging with and into First Community?**

**A:** DutchFork is merging with and into First Community because the boards of directors of both companies believe that the merger will provide shareholders of both companies with substantial benefits and will enable the combined company to better serve its customers. The products and markets of First Community and DutchFork are generally complementary, and the merger should place the combined company in a better position to take advantage of those markets. After the merger, First Community Bank will have full-service banking offices in Lexington, Forest Acres, Irmo, Cayce-West Columbia, Gilbert, Chapin, Northeast Columbia, Newberry, and Prosperity, South Carolina. A detailed discussion of the background of and reasons for the proposed merger is contained under the headings "Background of the Merger," "First Community's Reasons for the Merger," and "DutchFork's Reasons for the Merger."

**Q: What am I being asked to vote on and how does my board recommend that I vote?**

**A:** You are being asked to vote FOR the approval of the Agreement and Plan of Merger dated as of April 12, 2004, providing for the merger of DutchFork with and into First Community. The boards of directors of First Community and DutchFork have determined that the proposed merger is in the best interests of First Community and DutchFork shareholders, approved the merger agreement, and recommend that you vote "FOR" the approval of the merger agreement. In addition, you are being asked to grant authority to the boards of directors to adjourn the special meetings to allow time for further solicitation of proxies in the event there are insufficient votes present at the special meetings, in person or by proxy, to approve the Agreement and Plan of Merger.

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

**A:** Approval of the merger requires the affirmative vote of the holders of two-thirds of First Community's outstanding shares of common stock. Because a two-thirds vote of all shares is required to approve the merger, your failure to vote will have the same effect as a vote against approval of the merger.

In addition, the approval of the merger requires the affirmative vote of the holders of a majority of DutchFork's outstanding shares of common stock. Because an absolute majority of all shares is required to approve the merger, your failure to vote will have the same effect as a vote against approval of the merger.

**Q: What should I do now?**

**A:** After you have read this document, please indicate on your proxy card how you want to vote. Then complete, sign, date, and mail the proxy card in the enclosed postage prepaid envelope as soon as possible, so that your shares will be represented at the special meeting.

**Q: If my shares are held in "street name" by my broker, will my broker automatically vote my shares for me?**

**A:** No. Your broker will not be able to vote your shares of common stock unless you provide instructions on how to vote. You should instruct your broker how to vote your shares by following the procedures your broker provides. If you do not provide instructions to your broker, your shares will not be voted, and this will have the effect of a vote against adoption of the merger agreement. Please check the voting form used by your broker to see if your broker offers telephone or internet voting.

Q:

**Can I change my vote after I have submitted my proxy with voting instructions?**

A:

Yes. There are three ways you can change your vote. First, you may send a written notice to the secretary of First Community or DutchFork, as appropriate, at the address included on page of this document, stating that you would like to revoke your proxy. Second, you may complete and submit a later-dated proxy with new voting instructions. The latest vote actually received by First Community or DutchFork prior to its shareholders' meeting will be your vote, and any earlier votes will be revoked. Third, you may attend your company's special meeting and vote in person. Any earlier proxy votes will be revoked. Simply attending the meeting without voting, however, will not revoke your proxy. If you have instructed a broker to vote your shares, you must follow directions you will receive from your broker to change or revoke your proxy.

Q:

**Do I have the right to dissent and obtain the fair value for my shares?**

A:

Yes. If the merger is completed, holders of First Community common stock and DutchFork common stock will each have the right to dissent and receive the "fair value" of their shares in cash. First Community shareholders' dissenters' rights are governed by South Carolina law and DutchFork shareholders' dissenters' rights are governed by Delaware law. Copies of the applicable statutes are attached as Appendices B and C, respectively, to this document.

Q:

**Who can help answer my questions?**

A:

If you want additional copies of this document, or if you want to ask questions about the merger, you should contact:

First Community Corporation  
Attention: Joseph G. Sawyer  
5455 Sunset Blvd  
Lexington, South Carolina 29072  
(803) 951-2265

DutchFork Bancshares, Inc.  
Attention: J. Thomas Johnson  
1735 Wilson Road  
Newberry, South Carolina 29108  
(803) 321-3200

**QUESTIONS AND ANSWERS FOR DUTCHFORK SHAREHOLDERS  
ABOUT ELECTING THE FORM OF MERGER CONSIDERATION**

Q.

**What will I receive in the merger?**

A.

Each share of DutchFork common stock will be exchanged in the merger for either 1.78125 shares of First Community common stock or \$42.75 in cash. You may elect either of these options, or you may elect to exchange some of your DutchFork shares for cash and some of your DutchFork shares for First Community shares. Elections are limited by a requirement that only 60% of the total number of outstanding shares of DutchFork common stock may be exchanged for First Community common stock. Therefore, the form of consideration you receive will depend in part on the elections of other DutchFork shareholders. First Community will not issue fractional shares in the merger. Instead, you will receive a cash payment, without interest, for the value of any fraction of a share of First Community common stock that you would otherwise be entitled to receive.

Q.

**How do I elect to receive cash, stock, or a combination of both for my DutchFork stock?**

A.

An election form will be sent to you separately on or about the date this joint proxy statement/prospectus is mailed. For your election to be effective, your properly completed election form, along with your DutchFork stock certificates or an appropriate guarantee of delivery, must be sent to and received by the exchange agent on or before 5:00 p.m., local time, on [ ], 2004. Do not send your election form together with your proxy card. Instead, use the separate envelope specifically provided for the election form and your stock certificates. If you do not make a timely election you will be allocated First Community common stock and/or cash depending on the elections made by other shareholders.

Q.

**How do I exchange my DutchFork stock certificates?**

A.

Please do not forward your DutchFork stock certificates with your proxy card. If you make an election, you must return your DutchFork certificates or an appropriate guarantee of delivery with your election form. Shortly after the merger, the exchange agent will allocate cash and First Community common stock among DutchFork shareholders, consistent with their elections and the allocation and proration procedures in the merger agreement. If you do not submit an election form, you will receive instructions on where to surrender your DutchFork stock certificates from the exchange agent after the consummation of the merger.

**SUMMARY**

This summary highlights the material terms of the proposed merger between First Community and DutchFork. For a more complete description of the terms of this transaction, and the parties to it, you should carefully read this entire joint proxy statement/prospectus, the documents that accompany this joint proxy statement/prospectus, and the documents to which we refer you. See "Where You Can Get More Information" at page .

**First Community Special Meeting (Page )**

First Community will hold its special meeting of shareholders at a.m. on , 2004 at , South Carolina. If you owned shares of First Community at the close of business on the record date of , 2004, you may vote at the First Community shareholders' meeting.

On [insert record date], there were shares of First Community common stock outstanding. Each First Community shareholder will have one vote at First Community's meeting for each share of stock he or she owned on the record date.

At the special meeting, shareholders are asked to consider the approval of the merger agreement and the proposal to authorize the board of directors to adjourn the special meeting to allow time for further solicitation of proxies in the event there are insufficient votes present at the special meeting, in person or by proxy, to approve the Agreement and Plan of Merger.

**The Affirmative Vote of the Holders of Two-Thirds of First Community's Outstanding Shares of Common Stock is Required to Approve the Merger (Page )**

Approval of the merger requires the affirmative vote of the holders of two-thirds of First Community's outstanding shares of common stock. Because a two-thirds vote of all shares is required to approve the merger, your failure to vote will have the same effect as a vote against approval of the merger.

You must instruct your broker how to vote your shares following the procedures your broker provides. Brokers who hold shares as nominees, or in "street name," will not have the authority to vote these shares at the First Community special meeting unless they receive instructions from the shareholder whose account they hold.

Directors and executive officers of First Community currently own % of the shares that may be voted at First Community's special meeting. We expect all of these shares to be voted in favor of the merger.

If both DutchFork and First Community receive the approval of their respective shareholders, we currently expect to complete the merger in the third quarter of 2004, although we cannot be sure of when, or whether, the merger will be completed.

**DutchFork Special Meeting (Page )**

DutchFork will hold its special meeting of shareholders at p.m. on , 2004 at , South Carolina. If you owned shares of DutchFork at the close of business on the record date of , 2004, you may vote at the DutchFork shareholders' meeting.

On [insert record date], there were [ ] shares of DutchFork common stock outstanding. Each DutchFork shareholder will have one vote at DutchFork's meeting for each share of stock he or she owned on the record date.

At the special meeting, shareholders are asked to consider the approval of the merger agreement and the proposal to authorize the board of directors to adjourn the special meeting to allow time for

further solicitation of proxies in the event there are insufficient votes present at the special meeting, in person or by proxy, to approve the Agreement and Plan of Merger.

**The Affirmative Vote of the Holders of a Majority of DutchFork's Outstanding Shares of Common Stock is Required to Approve the Merger (Page )**

Approval of the merger requires the affirmative vote of the holders of a majority of DutchFork's outstanding shares of common stock. Because an absolute majority of all shares is required to approve the merger, your failure to vote will have the same effect as a vote against approval of the merger.

You must instruct your broker how to vote your shares following the procedures your broker provides. Brokers who hold shares as nominees, or in "street name," will not have the authority to vote these shares at the DutchFork special meeting unless they receive instructions from the shareholder whose account they hold.

Directors and executive officers of DutchFork currently own [ %] of the shares that may be voted at DutchFork's special meeting. We expect all of these shares to be voted in favor of the merger.

**The Companies (Pages , )**

First Community Corporation  
5455 Sunset Blvd  
Lexington, South Carolina 29072  
(803) 951-2265

First Community is a South Carolina corporation and is registered as a bank holding company with the Federal Reserve Board. First Community engages in a general banking business through its subsidiary, First Community Bank, N.A., a national banking association which commenced operations in August 1995. First Community's executive office is in Lexington, South Carolina. In addition to the main office, First Community Bank operates five other banking offices throughout Richland and Lexington counties in South Carolina.

DutchFork Bancshares, Inc.  
1735 Wilson Road  
Newberry, South Carolina 29108  
(803) 321-3200

DutchFork Bancshares, Inc., headquartered in Newberry, South Carolina, was formed in February 2000 as the savings and loan holding company for Newberry Federal Savings Bank in connection with the conversion of Newberry Federal from mutual to stock form of ownership. DutchFork's sole business activity is the ownership of all of Newberry Federal's capital stock. DutchFork does not transact any material business other than through its subsidiary, Newberry Federal. DutchFork is subject to the regulation of the Office of Thrift Supervision and the Securities and Exchange Commission.

**The Merger (Page )**

We propose a business combination in which DutchFork will merge with and into First Community. First Community will be the surviving corporation in the merger. In addition, DutchFork's wholly owned subsidiary, Newberry Federal Savings Bank, will merge with and into First Community's banking subsidiary, First Community Bank, N.A. Upon the closing of the merger, each share of DutchFork common stock will automatically be converted into the right to receive either 1.78125 shares of First Community common stock or \$42.75 in cash. DutchFork shareholders may elect either of these options or may elect to exchange some shares for cash and some shares for First Community shares.

The amount of cash and/or stock that DutchFork shareholders receive may differ from the amounts that they elect due to the allocation and proration procedures in the merger agreement. The merger agreement provides that 60% of the DutchFork common stock will be converted into First Community common stock and 40% of the DutchFork common stock will be converted into cash. Because the tax consequences of receiving cash will differ from the tax consequences of receiving stock, DutchFork shareholders should carefully read the tax information beginning on page [ ].

The exchange agent or, if your DutchFork common stock is held in "street name," your broker, bank or nominee, will send DutchFork shareholders a form for making the election on or about the date this joint proxy statement/prospectus is being mailed. The election form allows DutchFork shareholders to elect to receive cash, First Community common stock, or a combination of cash and stock. To be effective, DutchFork shareholders must return a properly completed election form, along with their stock certificates or an appropriate guarantee of delivery, to the exchange agent on or before 5:00 p.m., local time, on [ ], 2004. Shortly after the merger, the exchange agent will allocate cash and First Community common stock among DutchFork shareholders, consistent with their elections and the allocation and proration procedures in the merger agreement. If DutchFork shareholders do not submit an election form, DutchFork shareholders will receive instructions on where to surrender their stock certificates from the exchange agent after the merger is completed. In any event, DutchFork shareholders should not forward their stock certificates with their proxy card.

If DutchFork shareholders have a preference for receiving either First Community stock or cash for their stock, DutchFork shareholders should complete and return the election form. If DutchFork shareholders do not make an election they will be allocated First Community common stock and/or cash depending on the elections made by other DutchFork shareholders. Please remember, however, that even if DutchFork shareholders do make an election, they might not receive the amount of cash and/or stock that they elect due to the requirement that exactly 60% of the shares of DutchFork common stock be exchanged for First Community common stock.

We make no recommendation about whether DutchFork shareholders should elect to receive cash or stock in the merger. DutchFork shareholders must make their own decision with respect to their election.

**Both Companies' Boards of Directors Unanimously Recommend that Shareholders Vote "FOR" Approval of the Merger (Pages , )**

The boards of directors of both First Community and DutchFork believe that the merger is fair and in the best interests of their respective shareholders and recommend that shareholders vote "FOR" approval of the merger. For a discussion of the circumstances surrounding the merger and the factors considered by First Community's board of directors and DutchFork's board of directors in approving the merger agreement, see pages [ ] and [ ], respectively.

**First Community and DutchFork Shareholders Have Dissenters' Rights in the Merger (Pages and )**

If the merger is completed, holders of First Community common stock and DutchFork common stock will each have the right to dissent and receive the "fair value" of their shares in cash. First Community shareholders' dissenters' rights are governed by South Carolina law and DutchFork shareholders' dissenters' rights are governed by Delaware law. Copies of the applicable statutes are attached as Appendices B and C, respectively, to this document. Shareholders who intend to exercise their dissenters' rights must carefully follow the requirements of the applicable statute, and they should consult with their own legal counsel. Shareholders who exercise dissenters' rights may have taxable income as a result, so shareholders who intend to dissent should also consult with their own tax advisers.

**Material Federal Income Tax Consequences (Page )**

The United States federal income tax treatment will depend primarily on whether you exchange your DutchFork common stock solely for First Community common stock, solely for cash, or for a combination of First Community common stock and cash. If you exchange your DutchFork shares solely for First Community common stock, you should not recognize gain or loss except with respect to the cash you receive instead of a fractional share. If you exchange your DutchFork shares solely for cash, you should recognize capital gain or loss on the exchange. If you exchange your DutchFork shares for a combination of First Community common stock and cash, you should recognize capital gain, but not any loss, on the exchange. The actual federal income tax consequences to you of electing to receive cash, First Community common stock, or a combination of cash and stock will not be ascertainable at the time you make your election because we will not know at that time if, or to what extent, the allocation and proration procedures will apply.

This tax treatment may not apply to all DutchFork shareholders. Determining the actual tax consequences of the merger to you can be complicated. You should consult your own tax adviser for a full understanding of the merger's tax consequences that are particular to you.

We will not be obligated to complete the merger unless we each receive a legal opinion, dated the closing date, that the merger will be treated as a transaction of a type that is generally tax-free to shareholders of First Community and DutchFork for United States federal income tax purposes. In that case, the federal income tax treatment of the merger will be as we have described it above. This opinion, however, will not bind the Internal Revenue Service and thus the tax consequences could be different than set forth in the opinion.

**Comparative Per Share Market Price Information (Page )**

The following table shows the closing price information per share of First Community common stock and the equivalent per share price for DutchFork common stock assuming a shareholder receives only First Community common stock in exchange for his or her DutchFork common stock and giving effect to the merger on (1) April 12, 2004, which is the last day on which First Community common stock traded preceding the public announcement of the proposed merger; and (2) [ ], 2004, which is the last practicable trading day before the printing of this document. The equivalent per share price of DutchFork common stock was computed by multiplying the price of First Community common stock by the 1.78125 exchange ratio.

	<b>First Community Common Stock</b>	<b>Equivalent Price Per Share of DutchFork Stock</b>
April 12, 2004	\$ 24.80	\$ 42.75
[ ], 2004	\$	\$

**The Orr Group and Sandler O'Neill & Partners, L.P. Believe that the Merger Consideration is Fair (Pages , )**

In deciding to approve the merger of First Community and DutchFork, our boards considered opinions from our respective financial advisers regarding the fairness of the merger consideration from a financial point of view. First Community received an opinion from Orr Investments, Inc., also known as The Orr Group, an investment banking firm headquartered in Winston-Salem, North Carolina, that the merger consideration to be paid by First Community to DutchFork shareholders is fair, from a financial point of view, to shareholders of First Community. DutchFork has received an opinion, dated the date of this joint proxy statement/prospectus, from Sandler O'Neill & Partners, L.P., an investment banking firm headquartered in New York, New York, that, as of that date, the merger consideration is



fair, from a financial point of view, to DutchFork's shareholders. These opinions are attached as Appendices D and E, respectively, to this joint proxy statement/prospectus and should be read in their entirety.

The Orr Group will be paid a fee of [\$ ] for its advisory services in connection with the merger, including the delivery of its fairness opinion. (See disclosure in The Orr Group's fairness opinion, included in this joint proxy statement/prospectus as Appendix D.) Based on the closing price of First Community's common stock on June , 2004, Sandler O'Neill & Partners, L.P. will receive a transaction fee of [\$ ] for its advisory services in connection with the merger, including approximately \$118,000 that has already been paid and \$100,000 for the delivery of its fairness opinion (which has already been paid and will be credited against the transaction fee payable at closing). (See disclosure in Sandler O'Neill's fairness opinion, included in this joint proxy statement/prospectus as Appendix E.)

**We Must Obtain Regulatory Approvals to Complete the Merger (Page )**

We have filed applications with the Federal Reserve Board, the Office of Thrift Supervision, the Office of the Comptroller of the Currency, and the South Carolina Board of Financial Institutions to permit DutchFork to merge with and into First Community and Newberry Federal Savings Bank to merge with and into First Community Bank. We cannot complete the merger unless we receive the requisite regulatory approvals. If the merger is approved by the Federal Reserve, we will have to wait an additional 15 to 30 days before we can complete it. During that time, the United States Department of Justice can challenge the merger.

As of the date of this document, we have not yet received the required regulatory approvals. Although we expect to obtain the necessary approvals in a timely manner, we cannot be certain when, or if, they will be received.

**Purchase Accounting Treatment to be Used for the Merger (Page )**

The merger will be accounted for under the purchase method of accounting, as this term is used under generally accepted accounting principles.

**Reselling the Stock Received in the Merger (Page )**

The issuance of shares of First Community common stock in the merger will be registered under the Securities Act of 1933. Except as noted below, shareholders may freely transfer those shares after they receive them. DutchFork has identified certain of its directors, executive officers, and others who may be deemed "affiliates" of DutchFork, and those persons are expected to enter into agreements with First Community reflecting limitations on the transfer of the shares they will receive in the merger.

**Differences in Shareholders' Rights (Page )**

Each DutchFork shareholder who receives First Community common stock will become a First Community shareholder. The rights of DutchFork's shareholders are currently governed by Delaware corporate law and DutchFork's certificate of incorporation and bylaws. The rights of First Community's shareholders are currently governed by South Carolina corporate law and First Community's articles of incorporation and bylaws. The rights of DutchFork's and First Community's shareholders differ with respect to various matters.

**DutchFork's Directors and Officers Have Some Interests in the Merger that are Different or in Addition to the Interests of the DutchFork Shareholders (Page )**

Each of DutchFork's directors and officers has interests in the merger that are different or in addition to their interests as shareholders generally. These interests relate or arise from, among other things:

The appointment of two current DutchFork directors, J. Thomas Johnson and Steve P. Sligh, as directors of First Community when the merger is completed;

The appointment of the other three DutchFork directors, James E. Wiseman, Jr., Robert E. Livingston, III, and Robert W. Owen, to an advisory board of First Community Bank and the commitment to pay advisory fees to these individuals for these services;

The execution of new employment, consulting, and noncompete agreements with Mr. Johnson and Mr. Sligh providing for payments to each individual in aggregate of at least \$1,320,000 assuming completion of the seven-year term of the agreements;

The receipt of severance and contract payments of \$863,298 to Mr. Johnson and \$749,863 to Mr. Sligh as a result of the termination of their existing employment agreements in connection with the merger;

The termination of noncompetition agreements between DutchFork and Messrs. Johnson and Sligh for no additional compensation. Such agreements provided for the payment of \$750,000 upon termination of employment for any reason other than cause for complying with certain restrictive covenants;

The payment of accrued benefits of \$58,102 to Mr. Johnson and of \$44,549 to Mr. Sligh under the DutchFork supplemental executive retirement plan following termination of the plan upon completion of the merger;

The assumption by First Community of the DutchFork salary continuation agreements entered into with, and the split dollar life insurance arrangements obtained for the benefit of, Mr. Johnson and Mr. Sligh;

The accelerated vesting of stock options and restricted stock held by DutchFork's directors and officers;

The agreement by First Community to maintain in force existing insurance policies on the lives of Mr. Johnson and Mr. Sligh;

The accelerated vesting of benefits under the DutchFork employee stock ownership plan and the payment of these benefits to the participants under the plan following termination of the plan upon completion of the merger;

The receipt of payments of \$107,145 to Mr. Wiseman, \$107,919 to Mr. Livingston, and \$107,145 to Mr. Owen as a result of the termination of their interests under the DutchFork salary continuation plan and their execution of termination and release agreements with First Community in connection with the merger;

The agreement by First Community to maintain directors' and officers' liability insurance on the former DutchFork directors and officers for a period of five years and to indemnify such persons for a period of three years.

**Terminating the Merger Agreement (Page )**

First Community and DutchFork can agree at any time not to complete the merger, even if the shareholders have approved the transaction. Also, either of us can decide, without the consent of the other, to terminate the merger agreement if:

the shareholders of either DutchFork or First Community do not approve the merger;

a required regulatory approval is denied or a governmental authority blocks the merger;

we do not complete the merger by December 31, 2004; or

the other party makes a misrepresentation, breaches a warranty, or fails to satisfy or fulfill a covenant that would have a material adverse effect on the party seeking to terminate the merger agreement.

First Community may also terminate the merger agreement if the DutchFork board of directors withdraws or revises its recommendation to its shareholders to approve the merger agreement. In addition, First Community has the right to terminate the merger agreement if the price of its common stock at any time during the three business day period commencing on the Determination Date (as defined in the merger agreement) rises above \$27.00. If First Community exercises this termination right, then DutchFork can override First Community's termination by decreasing the merger consideration as provided in the merger agreement.

DutchFork has the right to terminate the merger agreement if the price of First Community's common stock at any time during the three business day period commencing on the Determination Date (as defined in the merger agreement) falls below \$18.00. If DutchFork exercises this termination right, then First Community can override DutchFork's termination by increasing the merger consideration as provided in the merger agreement.

DutchFork may also terminate the merger agreement solely in order to enter into a letter of intent, agreement in principle, acquisition agreement, or similar agreement related to an acquisition proposal that the board of directors of DutchFork has deemed superior to First Community's offer; provided, however, that after giving notice to First Community, DutchFork must negotiate in good faith with First Community for a period of five days to make such adjustments in the terms and conditions as would enable First Community to proceed with the transaction.

**Termination Fee (Page )**

DutchFork must pay First Community a termination fee of \$1,000,000 if First Community terminates the merger agreement as a result of the failure of DutchFork's board of directors to recommend approval of the merger or the withdrawal, qualification, or revision of its recommendation to approve the merger. If within 12 months after such termination, DutchFork consummates or enters into any agreement with respect to an acquisition proposal, DutchFork must pay an additional termination fee of \$1,000,000 to First Community.

DutchFork must pay First Community a termination fee of \$2,000,000 if within 12 months after the merger agreement is terminated, DutchFork consummates or enters into any agreement with respect to an acquisition proposal and if the merger agreement is terminated under either of the following circumstances:

if First Community terminates the merger agreement as a result of a willful breach of the merger agreement by DutchFork and an acquisition proposal from a third party has been publicly announced, disclosed, or communicated or made known to DutchFork at any time after the date of the merger agreement and prior to the date of termination; or

if either party terminates the merger agreement as a result of the failure of DutchFork's shareholders to approve the merger, and an acquisition proposal from a third party has been publicly announced, disclosed, or communicated or made known to DutchFork at any time after the date of the merger agreement and prior to the date of the DutchFork shareholders' meeting.

If DutchFork terminates the merger agreement solely in order to enter into a letter of intent, agreement in principle, acquisition agreement, or similar agreement related to an acquisition proposal that the board of directors of DutchFork has deemed superior to First Community's offer, then DutchFork must pay First Community a fee of \$2,000,000.

Under no circumstances will DutchFork be required to pay more than \$2,000,000 in the aggregate under the termination fee provisions.

**Amending the Merger Agreement (Page )**

We can agree to amend the merger agreement, and each of us can waive our right to require the other party to adhere to the terms and conditions of the merger agreement, where the law allows. However, if the DutchFork shareholders approve the merger agreement, they must approve any amendment or waiver that reduces or changes the consideration to be received by the DutchFork shareholders in the merger.

**DutchFork Has Agreed Not to Solicit Alternative Transactions (Page )**

In the merger agreement, DutchFork has agreed not to encourage, negotiate with, or provide any information to any entity other than First Community concerning an acquisition transaction involving DutchFork. This restriction, along with the termination payment described below, may deter other potential parties interested in acquiring control of DutchFork. However, DutchFork may take certain of these actions if its board of directors determines that it should do so. This determination by the DutchFork board must be made after the DutchFork board consults with its legal counsel, and must be based on the DutchFork board's fiduciary duties. As a condition to First Community entering into the merger agreement, DutchFork agreed to pay First Community \$2,000,000 if DutchFork terminates the merger agreement in order to concurrently enter into a letter of intent, agreement in principle, acquisition agreement, or other similar agreement related to such superior proposal.

## RISK FACTORS

In addition to the other information included in this joint proxy statement/prospectus (including the matters addressed in "A Warning About Forward-Looking Statements"), you should carefully consider the matters described below in determining whether to approve the merger agreement.

### **You may receive a form of consideration different from what you elect.**

The consideration to be received by DutchFork shareholders in the merger is subject to the requirement that 60% of the shares of DutchFork common stock be exchanged for First Community common stock and 40% be exchanged for cash. The merger agreement contains proration and allocation methods to achieve this desired result. If you elect all cash and the available cash is oversubscribed, then you will receive a portion of the merger consideration in First Community common stock. If you elect all stock and the available stock is oversubscribed, then you will receive a portion of the merger consideration in cash. Therefore, you may not receive exactly the form of consideration that you elect.

### **Because the market price of First Community common stock may fluctuate, DutchFork shareholders cannot be sure of the market value of the First Community common stock that they may receive in the merger.**

Upon the closing of the merger, each share of DutchFork common stock will automatically be converted into the right to receive either 1.78125 shares of First Community common stock or \$42.75 in cash. Changes in the price of First Community common stock from the date of the merger agreement and from the date of this joint proxy statement/prospectus may affect the market value of First Community common stock that DutchFork shareholders will receive in the merger. Stock price changes may result from a variety of factors, including general market and economic conditions, changes in First Community's businesses, operations and prospects, and regulatory considerations. Many of these factors are beyond First Community's control. In addition, there will be a time period between the completion of the merger and the time when DutchFork shareholders receiving stock consideration actually receive certificates evidencing First Community common stock. Until stock certificates are received, DutchFork shareholders will not be able to sell their First Community shares in the open market and, thus, will not be able to avoid losses resulting from any decline in the trading price of First Community common stock during this period.

### **The price of First Community common stock might decrease after the merger.**

Following the merger, many holders of DutchFork common stock will become shareholders of First Community. First Community common stock could decline in value after the merger. For example, during the 12 month period ending on [ ], 2004 (the most recent practicable date prior to the printing of this joint proxy statement/prospectus), the closing price of First Community common stock varied from a low of [\$ ] to a high of [\$ ] and ended that period at [\$ ]. The market value of First Community common stock fluctuates based upon general market economic conditions, First Community's business and prospects, and other factors.

### **First Community's stock trading volume has been low compared with larger bank holding companies.**

The trading volume in First Community's common stock on the Nasdaq SmallCap Market has been comparable to other similarly sized bank holding companies since trading on the Nasdaq SmallCap Market began in January 2003. Nevertheless, this trading volume does not compare with more seasoned companies listed on other stock exchanges. Thus, the market in First Community's common stock is somewhat limited in scope relative to some other companies. In addition, First Community can provide no assurance that a more active and liquid trading market for its stock will develop after the merger is consummated.

**There can be no assurance that First Community will continue to pay dividends.**

Although First Community is currently paying a dividend of \$0.05 per share per quarter and expects to pay comparable dividends for the foreseeable future, there can be no assurance that First Community will continue to pay a dividend. The future dividend policy of First Community is subject to the discretion of the board of directors and will depend upon a number of factors, including future earnings, financial condition, cash requirements, and general business conditions. In addition, the ability of First Community to pay dividends will be completely dependent upon the amount of dividends its subsidiary, First Community Bank, is permitted to pay to First Community. The ability of a bank to pay dividends is restricted under applicable law and regulations. For a description of those restrictions, see the section entitled "Description of First Community Common Stock Dividends Rights."

**Directors and officers of DutchFork have conflicts of interest in the merger.**

You should be aware that the directors and officers of DutchFork have interests in the merger that are different from, or in addition to, the interests of DutchFork shareholders generally. For example, each of the executive officers and directors has entered into agreements that provide for termination and release payments or continued employment following the merger. These agreements create conflicts of interest. These and certain other additional interests of DutchFork's directors and officers may cause some of these persons to view the proposed transaction differently than you view it. Please refer to the section entitled "Interests of DutchFork Directors and Officers in the Merger that Differ From Shareholders" for additional details on these interests.

**We cannot guarantee the consummation of the contemplated merger, and we cannot predict the effect the acquisition will have on our operations.**

First Community and DutchFork will not be able to consummate the merger without the approval of certain state and federal regulatory agencies and the shareholders of both companies. Accordingly, we can give no assurances that those approvals will be obtained or that the acquisition will be completed.

**First Community may experience difficulties in managing its growth and in effectively integrating DutchFork.**

The acquisition of DutchFork is the first acquisition by First Community. Accordingly, First Community has no experience in integrating another institution's operations with its company. There can be no assurances that First Community will be able to adequately and profitably manage its growth and effectively integrate the operations of DutchFork. Acquiring DutchFork will involve risks commonly associated with acquisitions, including:

potential exposure to liabilities of DutchFork;

difficulty and expense of integrating the operations and personnel of DutchFork;

potential disruption to the business of First Community;

potential diversion of the time and attention of management of First Community; and

impairment of relationships with, and the possible loss of, key employees and customers of DutchFork.

**First Community Bank and Newberry Federal Savings Bank face strong competition in their market areas which may limit their asset growth and profitability.**

First Community Bank's primary market area is in Richland and Lexington counties of South Carolina and the surrounding areas. The primary market area for Newberry Federal Savings Bank is Newberry County, South Carolina and surrounding communities. The banking business in both of these

areas is extremely competitive, and the level of competition facing First Community following the merger may increase further, which may limit its asset growth and profitability. Each of First Community Bank and Newberry Federal Savings Bank experiences competition in both lending and attracting funds from other banks and non-bank financial institutions located within its market area, many of which are significantly larger institutions. Non-bank competitors for deposits and deposit-type accounts include savings associations, credit unions, securities firms, money market funds, life insurance companies, and the mutual funds industry. For loans, they encounter competition from other banks, savings associations, finance companies, mortgage bankers and brokers, insurance companies, small loan and credit card companies, credit unions, pension trusts, and securities firms.

**Increases in interest rates could adversely affect the combined companies' investment portfolio.**

Due to the size of the DutchFork's investment portfolio, periods of extreme volatility in interest rates can heavily impact cash flows from the investment portfolio. This results when call options by issuers are exercised and prepayments increase dramatically. During these periods alternative reinvestment opportunities are also heavily impacted. In an attempt to manage current and future interest rate spreads, control liquidity, and preserve investment value, DutchFork management has periodically restructured portions of its investment portfolio. These restructurings have resulted in positive income gains for DutchFork for the year ended September 30, 2003 and six months ended March 31, 2004. Restructuring also can impact future income capabilities due to lower rates of return afforded from reinvestment opportunities. Future changes in the interest rate and economic environment may require management to restructure portions of the investment portfolio. There can be no assurance that future restructurings will result in the positive gains experienced in prior periods nor that interest rate spreads will be preserved at the levels previously experienced.

**Following the merger, we may have higher loan losses than our combined companies have reserved for.**

Following the merger, our loan losses could exceed the allowance for loan losses our combined companies have reserved for. Reliance on historic loan loss experience may not be indicative of future loan losses, especially if general economic conditions, either nationally or regionally and especially in our primary service areas, become less favorable than expected resulting in, among other things, a deterioration in credit quality. The judgment by management of each of First Community and DutchFork about the adequacy of each company's respective allowance is based upon a number of assumptions about future events that such management believes to be reasonable, but which may or may not prove to be accurate. Following the merger, our losses will undoubtedly vary from these estimates, and there is a possibility that charge-offs in future periods will exceed the allowance for loan losses as estimated at any point in time. Thus, there can be no assurance that charge-offs in future periods will not exceed the allowance for loan losses or that additional increases in the allowance for loan losses will not be required.

**The opinion obtained by DutchFork from its financial adviser will not reflect changes in circumstances before the merger.**

On April 12, 2004, and as updated on the date of this joint proxy statement/prospectus, Sandler O'Neill delivered to the DutchFork board of directors its opinion as to the fairness from a financial point of view to the shareholders of DutchFork, as of that date, of the merger consideration to be received by them under the merger agreement. This opinion did not reflect changes that may occur or may have occurred after the date of this document, to the operations and prospects of First Community or DutchFork, general market and economic conditions, and other factors. Moreover, DutchFork does not intend to request an updated opinion from Sandler O'Neill. As a result of the foregoing, DutchFork shareholders should be aware that the opinion of Sandler O'Neill does not address the fairness of the merger consideration from a financial point of view at any time other than as of the date of this document.

**A WARNING ABOUT FORWARD-LOOKING STATEMENTS**

This joint proxy statement/prospectus, including information included or incorporated by reference in this document, contains certain forward-looking statements with respect to the financial condition, results of operations, plans, objectives, future performance, and business of each of First Community and DutchFork, as well as certain information relating to the merger. These statements are preceded by, followed by, or include the words "believes," "expects," "anticipates," "estimates," or similar expressions.

These forward-looking statements involve certain risks and uncertainties. Actual results may differ materially from those contemplated by the forward-looking statements due to, among others, the following factors:

deposit attrition, customer loss, or revenue loss following the merger may be greater than expected;

expected cost savings from the merger may not be fully realized or realized within the expected time frame;

revenues following the merger may be lower than expected;

competitive pressures among financial services companies may increase significantly;

costs or difficulties related to the integration of the business of First Community and DutchFork may be greater than expected;

changes in the interest rate environment may reduce interest margins;

general economic conditions, either nationally or in South Carolina, may be less favorable than expected resulting in, among other things, a deterioration in credit quality and an increase in credit risk-related losses and expenses;

loan losses may exceed the level of allowance for loan losses of the combined company;

the rate of delinquencies and amount of charge-offs may be greater than expected;

the rates of loan growth may not increase as expected;

legislative or regulatory changes may adversely affect the business in which First Community or DutchFork is engaged; and

changes may occur in the securities markets.

First Community does not intend to update or otherwise revise any forward-looking statements to reflect circumstances existing since their preparation or to reflect the occurrence of unanticipated events, even in the event that any or all of the underlying assumptions are shown to be in error. Furthermore, First Community does not intend to update or revise the forward-looking statements to reflect changes in general economic or industry conditions.



**COMPARATIVE PER SHARE DATA**

The following table shows information about our income per common share, dividends per share, book value per share, and similar information as if the merger had occurred on the date indicated (which we refer to as "pro forma" information). In presenting the comparative pro forma information for certain time periods, we assumed that we had been merged throughout those periods and made certain other assumptions. See "Pro Forma Financial Information." Historically, DutchFork has not paid any dividends. First Community is currently paying a dividend of \$0.05 per share per quarter. First Community expects comparable dividends to be paid to the shareholders for the foreseeable future. Notwithstanding the foregoing, the future dividend policy of the company is subject to the discretion of the board of directors and will depend upon a number of factors, including future earnings, financial condition, cash requirements, and general business conditions. In addition, the ability of First Community to pay dividends will be completely dependent upon the amount of dividends its subsidiary, First Community Bank, is permitted to pay to First Community. The ability of a bank to pay dividends is restricted under applicable law and regulations. For a description of those restrictions, see the section entitled "Description of First Community Common Stock Dividends Rights."

The information listed as "per equivalent DutchFork share" was obtained by multiplying the pro forma amounts by an exchange ratio of 1.78125. We present this information to reflect the fact that some DutchFork shareholders will receive shares of First Community common stock for each share of DutchFork common stock exchanged in the merger. We also anticipate that the combined company will derive financial benefits from the merger that include reduced operating expenses and the opportunity to earn more revenue. The pro forma information, while helpful in illustrating the financial characteristics of the new company under one set of assumptions, does not reflect these benefits and, accordingly, does not attempt to predict or suggest future results. The pro forma information also does not necessarily reflect what the historical results of the combined company would have been had our companies been combined during these periods.

The information in the following table is based on, and should be read together with, the historical financial information that we have presented in this document. See "Pro Forma Financial Information."

**For the Twelve Months Ended December 31, 2003**

	<b>First Community Historical</b>	<b>DutchFork Historical</b>	<b>Pro Forma Combined</b>	<b>DutchFork Pro Forma Equivalent</b>
Net Income per share, basic	\$ 1.13	\$ 3.31	\$ 2.01	\$ 3.44
Net Income per share, diluted	\$ 1.08	\$ 3.13	\$ 1.90	\$ 3.38
Dividends declared per share	\$ 0.19		\$ 0.20	\$ 0.36
Book value per share	\$ 12.21	\$ 28.87	\$ 17.42	\$ 31.03

**For the Three Months Ended March 31, 2004**

	<b>First Community Historical</b>	<b>DutchFork Historical</b>	<b>Pro Forma Combined</b>	<b>DutchFork Pro Forma Equivalent</b>
Net Income per share, basic	\$ 0.26	\$ 0.73	\$ 0.45	\$ 0.80
Net Income per share, diluted	\$ 0.25	\$ 0.68	\$ 0.42	\$ 0.75
Dividends declared per share	\$ 0.05		\$ 0.05	\$ 0.09
Book value per share	\$ 12.55	\$ 28.71	\$ 17.87	\$ 31.83

**MARKET PRICES AND DIVIDEND INFORMATION  
FIRST COMMUNITY**

As of [ ], 2004, there were approximately [ ] shareholders of record of First Community common stock. On January 15, 2003, First Community stock began trading on the Nasdaq SmallCap Market under the trading symbol of "FCCO." Prior to January 15, 2003, the stock was quoted on the OTC Bulletin Board under the trading symbol "FCCO.OB." The following table sets forth the high and low sales price information as reported by Nasdaq in 2004 and 2003, the high and low bid information as reported by the OTC in 2002, and the dividends per share declared on First Community common stock in each such quarter. All information has been adjusted for any stock splits and stock dividends effected during the periods presented.

First Community Common Stock			
	High	Low	Dividends
<b>2002*</b>			
Quarter ended March 31, 2002	\$ 14.00	\$ 9.57	
Quarter ended June 30, 2002	\$ 14.50	\$ 13.00	\$ 0.04
Quarter ended September 30, 2002	\$ 14.50	\$ 12.25	\$ 0.04
Quarter ended December 31, 2002	\$ 13.30	\$ 12.50	\$ 0.04
<b>2003</b>			
Quarter ended March 31, 2003	\$ 17.00	\$ 14.00	\$ 0.04
Quarter ended June 30, 2003	\$ 19.47	\$ 16.35	\$ 0.05
Quarter ended September 30, 2003	\$ 20.16	\$ 18.30	\$ 0.05
Quarter ended December 31, 2003	\$ 22.30	\$ 19.60	\$ 0.05
<b>2004</b>			
Quarter ended March 31, 2004	\$ 24.50	21.75	\$ 0.05
Quarter ending June 30, 2004 (through , 2004)			

\*

Because First Community stock was quoted on the OTC Bulletin Board during 2002, the prices listed above for 2002 are quotations, which reflect inter-dealer prices, without retail mark-up, mark-down, or commission, and may not represent actual transactions.

You should obtain current market quotations for First Community common stock as the market price of First Community common stock will fluctuate between the date of this document and the date on which the merger is completed, and thereafter. You can get these quotations from a newspaper, on the Internet, or by calling your broker.

First Community expects comparable dividends to be paid to the shareholders for the foreseeable future. Notwithstanding the foregoing, the future dividend policy of the company is subject to the discretion of the board of directors and will depend upon a number of factors, including future earnings, financial condition, cash requirements, and general business conditions. As a national bank, First Community Bank may only pay dividends out of its net profits then on hand, after deducting expenses, including losses and bad debts. In addition, the bank is prohibited from declaring a dividend on its shares of common stock until its surplus equals its stated capital, unless there has been transferred to surplus no less than one-tenth of the bank's net profits of the preceding two consecutive half-year periods (in the case of an annual dividend). The approval of the OCC will be required if the total of all dividends declared in any calendar year by the bank exceeds the bank's net profits to date, as defined, for that year combined with its retained net profits for the preceding two years less any required transfers to surplus. At March 31, 2004, the bank had \$3,389,000 free of these restrictions. The OCC also has the authority under federal law to enjoin a national bank from engaging in what in

its opinion constitutes an unsafe or unsound practice in conducting its business, including the payment of a dividend under certain circumstances.

The following table sets forth equity compensation plan information for First Community at December 31, 2003. All information has been adjusted for any stock splits and stock dividends effected during the periods presented.

**Equity Compensation Plan Information**

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (c) (excluding securities reflected in column (a))
Equity compensation plans approved by security holders(1)	150,763	\$ 9.91	39,287
Total	150,763	\$ 9.91	39,287

(1) The number of shares of common stock available for issuance under the 1999 Stock Incentive Plan automatically increases on the first trading day each calendar year beginning January 1, 2000, by an amount equal to 3% of the shares of common stock outstanding.



**FIRST COMMUNITY AND DUTCHFORK  
UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION**

The following unaudited pro forma combined condensed balance sheet as of March 31, 2004 and unaudited pro forma combined statements of income for the three months ended March 31, 2004 and the year ended December 31, 2003 combine the historical financial statements of First Community and DutchFork. The pro forma combined condensed statements give effect to the proposed merger of DutchFork with and into First Community as if the merger occurred on March 31, 2004 with respect to the balance sheet and on January 1, 2004 or January 1, 2003, respectively, with respect to the statements of income for the three months ended March 31, 2004 and the year ended December 31, 2003, respectively. First Community reports on a calendar year basis while DutchFork reports on a fiscal year ending on September 30. For purposes of the unaudited pro forma combined condensed statement of income for the year ended December 31, 2003, and the three months ended March 31, 2004, the companies have been combined using DutchFork's fiscal year ended September 30, 2003 and first quarter ended December 31, 2003 as though they reported using the same year for accounting purposes as First Community. The pro forma combined condensed statements give effect to the proposed merger under the purchase method of accounting using an exchange value of \$24.00 per share for First Community common stock.

The purchase method of accounting requires that all of DutchFork's assets and liabilities be adjusted to their estimated fair market values as of the date of acquisition. For purposes of the pro forma combined condensed statements, fair market value of March 31, 2004 assets and liabilities has been estimated by management of First Community using market information available on March 31, 2004. Accordingly, these adjustments are only approximations. This information may not necessarily be indicative of the financial position or results of operations that would have occurred if the merger had been consummated on the date or at the beginning of the period indicated or which may be obtained in the future. Upon consummation of the merger, First Community will make adjustments as of the date of consummation based on appraisals and estimates.

The pro forma combined condensed statements also contain adjustments based on assumed interest rates and estimates by First Community management regarding changes in revenues and expenses that management believes will be achieved after consummation of the merger. Of course, there can be no assurance that such changes will be of the magnitude estimated or that they will occur at all.

**First Community Corporation**  
**Unaudited Pro Forma Combined Condensed Balance Sheet**  
**At March 31, 2004**

	Actual (Unaudited)		Pro Forma	
	First Community Corporation	DutchFork Bancshares	Adjustments	Combined
<b>ASSETS</b>				
Cash and due from banks	\$ 6,606	\$ 7,223		\$ 13,829
Interest-bearing bank balances	2,897			2,897
Federal funds sold and securities purchased under agreements to resell	20,983		(19,559) (2)	
Investment securities available for sale	47,884	130,332	10,000 (4)	11,424
Investment securities held to maturity	4,987	3,211		8,198
Loans	127,009	55,289	849 (3)	183,147
Less, allowance for loan losses	1,790	153		1,943
	<u>125,219</u>	<u>55,136</u>		<u>181,204</u>
Net loans	125,219	55,136		181,204
Property, furniture and equipment net	8,412	3,064	300 (3)	11,776
Core deposit intangible	684		4,200 (3)	4,884
Goodwill	35		20,762 (3)	20,797
Other assets	2,506	8,083	1,210 (3)	11,799
	<u>220,213</u>	<u>207,049</u>	<u>17,762</u>	<u>445,024</u>
Total assets	\$ 220,213	\$ 207,049	\$ 17,762	\$ 445,024
<b>LIABILITIES</b>				
Deposits	\$ 187,405	\$ 139,984	\$ 472 (3)	\$ 327,861
Federal Home Loan Bank advances	5,000	35,000	3,221 (3)	43,221
Securities sold under agreements to repurchase	6,397			6,397
Other borrowed money	149	32	10,000 (4)	10,181
Other liabilities	1,208	931	6,792 (5)	8,931
	<u>200,159</u>	<u>175,947</u>		<u>396,591</u>
Total liabilities	200,159	175,947		396,591
<b>SHAREHOLDERS' EQUITY</b>				
Preferred stock-none issued and outstanding				
Common stock	1,598	15	1,168 (1)	2,781
Additional paid in capital	12,889	15,137	12,059 (1)	40,085
Retained earnings	5,252	32,626	(32,626) (1)	5,252
Other	315	(16,676)	16,676 (1)	315
	<u>20,054</u>	<u>31,102</u>		<u>48,433</u>
Total shareholders' equity	20,054	31,102		48,433
Total liabilities and shareholders' equity	\$ 220,213	\$ 207,049	\$ 17,762	\$ 445,024

(1)

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Record issuance of 1,182,412 shares of First Community Corporation Stock based on a price of \$24.00 and to reflect the elimination of DFBS equity accounts.

(2)

Record cash paid for DFBS shares in the amount of \$18,934,000 and for estimated transaction cost in the amount of \$625,000. These costs include investment banking fees, legal fees, and accounting fees.

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(3)

Adjust acquired assets and liabilities of DFBS to fair value and related tax effects as follows (in thousands):

Purchase price and transaction cost in excess of DFBS equity at March 31, 2004	\$ 16,835
	<u>          </u>
Fair value purchase accounting adjustments:	
Loans	849
Property and equipment	300
Deposits	(472)
Advances to FHLB	(3,221)
Other, including income taxes	890
	<u>          </u>
	(1,654)
	<u>          </u>
Exit cost purchase accounting adjustments:	
Personnel and employee termination benefits	2,362
Contract cancellation	250
Fair value of options granted	2,500
Savings and loan bad debt reserve tax liability	1,680
Income taxes	(1,789)
	<u>          </u>
	5,003
	<u>          </u>
Total purchase intangibles	23,492
Deposit base intangible	4,200
Deferred income tax	(1,470)
	<u>          </u>
Goodwill	\$ 20,762
	<u>          </u>

(4)

Record \$10.0 million in trust preferred securities anticipated to be issued prior to the effective date.



**First Community Corporation**  
**Unaudited Pro Forma Combined Condensed Statement of Income**  
**For the 2003 Fiscal Year**  
(Dollars in thousands, except per share amounts)

	First Community Corporation December 31, 2003	DutchFork Bancshares September 30, 2003	Pro Forma	
			Adjustments	Combined
Interest income	\$ 10,028	\$ 10,986	\$ (206)(1)	\$ 20,808
Interest expense	2,381	4,848	(493)(2)	6,736
Net interest income	7,647	6,138		14,072
Provision for loan losses	167	195		362
Net interest income after provision for loan losses	7,480	5,943		13,710
Gain on sale of securities		2,465		2,465
Gain on disposition of assets		1,080	(1,080)(3)	
Other noninterest income	1,440	1,017		2,457
Total noninterest income	1,440	4,562		4,922
Contributions		1,140	(1,080)(3)	60
Other noninterest expense	6,158	5,705	(322)(4)	11,541
Total noninterest expense	6,158	6,845		11,601
Income before income taxes	2,762	3,660		5,577
Income taxes	965	279	210(5)	1,454
Net Income	\$ 1,797	\$ 3,381	399	\$ 5,577
Basic net income per share	\$ 1.13	\$ 3.31	(6)	\$ 2.01
Diluted net income per share	\$ 1.08	\$ 3.13	(6)	\$ 1.90
Weighted average common shares outstanding				
Basic	1,590,052	1,022,804		2,772,464
Diluted	1,660,977	1,081,582		2,931,406

**Pro forma adjustments**

(1) Interest income adjustments:

Opportunity cost on \$9.6 million in net cash disbursed at 1.0%.	\$ (96)
Estimated amortization of fair value adjustment to loans	(110)
	<u>          </u>
	\$ (206)

(2)

Interest expense adjustment:

Interest expense on \$10.0 million trust preferred securities issued at 3.85%	\$ 385
Estimated amortization of fair value adjustment on deposits	(190)
Estimated amortization of fair value adjustment on FHLB advances	(688)
	<hr/>
	\$ (493)
	<hr/>

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(3) During the year ended September 30, 2003, DutchFork Bancshares sold to two local not-for-profit organizations land with an appraised value of \$1.5 million and book value of \$420,000. The excess of value over cost of \$1.08 million was recognized as income and recorded as a contribution. This transaction has been eliminated for pro forma purposes.

(4) Noninterest expense adjustments:

Amortization of \$4.2 million core deposit premium over seven years straightline.	\$	600
Record estimated 16% reduction in noninterest expenses subsequent to the merger.		(922)
		<u>          </u>
	\$	<u>(322)</u>

(5) Record tax effect of pro forma adjustments at a 34.5% effective tax rate.

(6) Pro forma earnings per share is based on an exchange ratio of 1.78125 or the issuance of 1,182,412 shares.

**First Community Corporation**  
**Unaudited Pro Forma Combined Condensed Statement of Income**  
**For the 2004 Fiscal First Quarter**  
(Dollars in thousands, except per share amounts)

	First Community Corporation March 31, 2004	DutchFork Bancshares December 31, 2003	Pro Forma	
			Adjustments	Combined
Interest income	\$ 2,575	\$ 3,023	\$ (51)(1)	\$ 5,547
Interest expense	552	1,070	(122)(2)	1,500
Net interest income	2,023	1,953		4,047
Provision for loan losses	66			66
Net interest income after provision for loan losses	1,957	1,953		3,981
Gain on sale of securities		71		71
Other noninterest income	378	196		574
Total noninterest income	378	267		645
Noninterest expense	1,699	1,410	(86)(3)	3,023
Income before income taxes	636	810		1,603
Income taxes	214	89	54(4)	357
Net Income	\$ 422	\$ 721	103	\$ 1,246
Basic net income per share	\$ 0.26	\$ 0.73	(5)	\$ 0.45
Diluted net income per share	\$ 0.25	\$ 0.68	(5)	\$ 0.42
Weighted average common shares outstanding				
Basic	1,597,806	989,444		2,780,218
Diluted	1,684,514	1,063,452		2,971,883

**Pro forma adjustment**

(1)

Interest income adjustments:

Opportunity cost on \$9.6 million in net cash disbursed at 1.0%.	\$ (24)
Estimated amortization of fair value adjustment to loans	(27)
	<u>          </u>
	\$ (51)

(2)

Interest expense adjustment:

Interest expense on \$10.0 million in trust preferred securities anticipated to be issued at 3.85%	\$ 96
Estimated amortization of fair value adjustment on deposits	(47)
Estimated amortization of fair value adjustment on FHLB advances	(171)
	<hr/>
	\$ (122)
	<hr/>

(3)

Noninterest expense adjustments:

Amortization of \$4.2 million core deposit premium over seven years straightline.	\$ 150
Record estimated 16% reduction in noninterest expenses subsequent to the merger.	(236)
	<u>          </u>
	<u>\$ (86)</u>

(4)

Record tax effect of pro forma adjustments at a 34.5% effective tax rate.

(5)

Pro forma earnings per share is based on an exchange ratio of 1.78125 or the issuance of 1,182,412 shares.

**THE SPECIAL MEETINGS OF SHAREHOLDERS**

**First Community Shareholders' Meeting**

**General.** This joint proxy statement/prospectus is being furnished to the shareholders of First Community in connection with the solicitation by the board of directors of First Community of proxies for use at the First Community special meeting of shareholders to be held:

, 2004  
a.m. (local time)  
, South Carolina

and at any adjournment or postponement thereof.

At the special meeting, shareholders are asked to consider the approval of the merger agreement and the proposal to authorize the board of directors to adjourn the special meeting to allow time for further solicitation of proxies in the event there are insufficient votes present at the special meeting, in person or by proxy, to approve the Agreement and Plan of Merger. A copy of the merger agreement is attached as Appendix A to this joint proxy statement/prospectus.

**Record Date.** First Community's shareholders of record at the close of business on , 2004 are entitled to vote at the First Community special meeting, or following any adjournment or postponement of the First Community special meeting. On , 2004, there were shares of First Community's common stock outstanding and entitled to vote held by approximately holders of record. As of the record date for the First Community special meeting, the executive officers and directors of First Community and their affiliates owned an aggregate of shares, or % of First Community's issued and outstanding common stock as of that date. All of such shares are expected to be voted in favor of approval of the merger agreement.

**Voting Rights.** Each share of First Community's common stock outstanding on , 2004 entitles the holder to one vote on each matter submitted to a vote at the special meeting. Shares can be voted at the meeting only if the shareholder is represented by proxy or present in person.

**Vote Required.** Approval of the merger will require the affirmative vote of holders of two-thirds of the shares of First Community's common stock entitled to vote at the special meeting. Approval of the proposal to authorize adjournment will require that the number votes cast in favor of the proposal exceed the number of votes cast against the proposal.

**Quorum.** Pursuant to First Community's articles of incorporation and South Carolina corporate law, a majority of the votes entitled to be cast by holders of First Community's common stock, represented in person or by proxy, will constitute a quorum for the transaction of business at the meeting. If there is no quorum present at the opening of the meeting, the special meeting may be adjourned by the vote of a majority of the shares voting on the motion to adjourn.

**Solicitation of Proxies.** A proxy card is enclosed for your use. You are solicited on behalf of the board of directors of First Community to complete, date, sign, and return the proxy card in the accompanying envelope, which is postage paid if mailed in the United States.

**Voting of Proxies.** You have three choices with regard to the proposal to approve the merger agreement. By checking the appropriate box on the proxy card you may:

vote "FOR" approval of the merger agreement;

vote "AGAINST" approval of the merger agreement; or

"ABSTAIN" from voting altogether.

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The merger cannot be completed unless holders of two-thirds of all outstanding shares, voting either in person or by proxy, vote "FOR" the proposal. Your failure to vote, or a vote to "ABSTAIN," would have the same effect as a vote "AGAINST" the merger agreement.

If your shares are held in "street name," your broker will not be able to vote your shares without instructions from you. You should instruct your broker to vote your shares following the directions your broker provides. Your failure to instruct your broker to vote your shares will result in your shares not being voted. If you wish to change your voting instructions after you have returned your voting instructions to your broker, you must contact your broker. Broker non-votes will have the same effect as a vote "AGAINST" the merger agreement.

Each proxy card that is properly executed, received prior to the beginning of the special meeting, and not revoked will be voted as indicated. If you sign, date, and return the proxy card without giving voting instructions, the proxy will be voted "FOR" the merger agreement as recommended by the board of directors.

**Whether or not you plan to attend First Community's special meeting, you are requested to complete, date, and sign the accompanying proxy and return it promptly in the enclosed, postage-prepaid envelope.**

**Revocation of Proxies.** If you give an appointment of proxy in the accompanying form, you may revoke that appointment at any time before the actual voting. To revoke the proxy, notify the corporate secretary of First Community in writing, or execute another appointment of proxy bearing a later date and file it with the corporate secretary. The address for the corporate secretary of First Community is:

James C. Leventis, Corporate Secretary  
First Community Corporation  
5455 Sunset Boulevard  
Lexington, South Carolina 29072

*If you return the appointment of proxy,* you may still attend the meeting and vote in person. When you arrive at the meeting, first notify the corporate secretary of your desire to vote in person. You will then be given a ballot to vote in person, and your appointment of proxy will be disregarded.

*If you attend the meeting in person,* you may vote your shares without returning the enclosed appointment of proxy. However, if your plans change and you are not able to attend, your shares will not be voted. Even if you plan to attend the meeting, the best way to ensure that your shares will be voted is to return the enclosed appointment of proxy and, when you get to the meeting, notify the corporate secretary that you wish to vote in person.

Your death or incapacity will not revoke your proxy unless, before the shares are voted, notice of death or incapacity is filed with the corporate secretary of First Community or other person authorized to tabulate votes.

**Dissenters' Rights.** Under the applicable provisions of South Carolina corporate law, First Community's shareholders will have dissenters' rights with respect to approval of the merger agreement. See "Dissenters' Rights of First Community Shareholders" on page .



**DutchFork Shareholders' Meeting**

**General.** This joint proxy statement/prospectus is being furnished to shareholders of DutchFork as of \_\_\_\_\_, 2004, and is accompanied by a form of proxy which is solicited by the board of directors of DutchFork for use at DutchFork's special meeting to be held:

\_\_\_\_\_, 2004  
p.m. (local time)  
\_\_\_\_\_, South Carolina.

and at any adjournment or postponement thereof.

At the special meeting, shareholders are asked to consider the approval of the merger agreement and the proposal to authorize the board of directors to adjourn the special meeting to allow time for further solicitation of proxies in the event there are insufficient votes present at the special meeting, in person or by proxy, to approve the Agreement and Plan of Merger. A copy of the merger agreement is attached as Appendix A to this joint proxy statement/prospectus.

**Record Date.** Shareholders of record at the close of business on \_\_\_\_\_, 2004 are entitled to vote at DutchFork's special meeting or at any adjournment or postponement thereof. On \_\_\_\_\_, 2004, there were [ ] shares of DutchFork's common stock outstanding which were held by approximately \_\_\_\_\_ holders of record. As of the record date for the DutchFork special meeting, the executive officers and directors of DutchFork and their affiliates owned an aggregate of [ ] shares, or [ %] of DutchFork's issued and outstanding common stock as of that date. All of such shares are expected to be voted in favor of the merger agreement.

**Voting Rights.** Each share of DutchFork's common stock outstanding on \_\_\_\_\_, 2004 is entitled to one vote on each matter submitted to a vote at the special meeting. Shares can be voted at the meeting only if the shareholder is represented by proxy or present in person.

**Vote Required.** Approval of the merger and the proposal to authorize adjournment will require the affirmative vote of holders of a majority of the shares of DutchFork entitled to vote at the special meeting.

**Quorum.** Pursuant to the bylaws of DutchFork, a majority of the votes entitled to be cast by holders of DutchFork's common stock, represented in person or by proxy, will constitute a quorum for the transaction of business at the meeting. If there is no quorum present at the opening of the meeting, the special meeting may be adjourned by the vote of a majority of the shares voting on the motion to adjourn.

**Solicitation of Proxies.** A proxy card is enclosed for your use. You are solicited on behalf of the board of directors of DutchFork to complete, date, sign, and return the proxy card in the accompanying envelope, which is postage-paid if mailed in the United States.

**Voting of Proxies.** You have three choices with regard to the proposal to approve the merger agreement. By checking the appropriate box on the proxy card you may:

vote "FOR" the merger;

vote "AGAINST" the merger; or

"ABSTAIN" from voting altogether.

The merger cannot be completed unless holders of majority of all outstanding shares, voting either in person or by proxy, vote "FOR" the proposal. Your failure to vote, or a vote to "ABSTAIN," would have the same effect as a vote "AGAINST" the merger agreement.

If your shares are held in "street name," your broker will not be able to vote your shares without instructions from you. You should instruct your broker to vote your shares following the directions your broker provides. Your failure to instruct your broker to vote your shares will result in your shares not being voted. If you wish to change your voting instructions after you have returned your voting instructions to your broker, you must contact your broker. Broker non-votes will have the same effect as a vote "AGAINST" the merger agreement.

Each proxy card that is properly executed, received prior to the beginning of the special meeting, and not revoked will be voted as indicated. If you sign, date, and return the proxy card without giving voting instructions, the proxy will be voted "FOR" the merger agreement as recommended by the board of directors.

**Whether or not you plan to attend DutchFork's special meeting, you are requested to complete, date, and sign the accompanying proxy and return it promptly in the enclosed, postage-prepaid envelope.**

**Revocation of Proxies.** If you give an appointment of proxy in the accompanying form, you may revoke that appointment at any time before the actual voting. To revoke the proxy, notify the corporate secretary of DutchFork in writing, or execute another appointment of proxy bearing a later date and file it with the corporate secretary. The address for the corporate secretary of DutchFork is:

Robert E. Livingston, Corporate Secretary  
DutchFork Bancshares, Inc.  
1735 Wilson Road,  
Newberry, South Carolina 29108

*If you return the appointment of proxy, you may still attend the meeting and vote in person. When you arrive at the meeting, first notify the corporate secretary of your desire to vote in person. You will then be given a ballot to vote in person, and your appointment of proxy will be disregarded.*

*If you attend the meeting in person, you may vote your shares without returning the enclosed appointment of proxy. However, if your plans change and you are not able to attend, your shares will not be voted. Even if you plan to attend the meeting, the best way to ensure that your shares will be voted is to return the enclosed appointment of proxy and, when you get to the meeting, notify the corporate secretary that you wish to vote in person.*

Your death or incapacity will not revoke your proxy unless, before the shares are voted, notice of death or incapacity is filed with the corporate secretary of DutchFork or other person authorized to tabulate votes.

**Dissenters' Rights.** Under the applicable provisions of Delaware corporate law, DutchFork's shareholders will have dissenters' rights with respect to approval of the merger agreement. See "Dissenters' Rights of DutchFork's Shareholders" on page .

**Authorization to Vote on Adjournment.**

At the special meetings, you are being asked to grant authority to the boards of directors to adjourn the special meetings to allow time for further solicitation of proxies in the event there are insufficient votes present at the special meetings, in person or by proxy, to approve the Agreement and Plan of Merger. If you do not specify whether authority is granted or withheld, the proxy will be voted to grant authority to adjourn. Neither company has any plans to adjourn its special meeting at this time, but each intends to do so, if needed, to promote shareholder interests. The boards of directors of DutchFork and First Community each unanimously recommends that shareholders grant authority to the proxies to vote on adjournment of the special meetings.

**Board Recommendation**

**The boards of directors of DutchFork and First Community each unanimously recommends that shareholders vote "FOR" the merger agreement.**

**Expenses of the Special Meetings**

The expense of preparing, printing, and mailing this joint proxy statement/prospectus will be shared equally by First Community and DutchFork. In addition to the use of the mails, proxies may be solicited personally or by telephone by regular employees of First Community and DutchFork without additional compensation. DutchFork will also pay [ ], a proxy solicitation firm, a fee of \$ , plus out-of-pocket expenses, to assist in soliciting proxies. First Community and DutchFork will each reimburse banks, brokers and other custodians, nominees and fiduciaries for their costs in sending the proxy materials to the respective beneficial owners of First Community's and DutchFork's common stock.

## THE MERGER

The following information describes material aspects of the proposed transaction by which DutchFork will be merged with and into First Community pursuant to the terms of the merger agreement. The merger agreement is attached as Appendix A and incorporated by reference into this joint proxy statement/prospectus. You should read the entire merger agreement carefully.

### Form of the Merger

The boards of directors of DutchFork and First Community each have unanimously approved a merger agreement that provides for the merger of DutchFork with and into First Community. First Community will survive the merger. Upon completion of the merger, each share of DutchFork common stock will be converted into the right to receive, at the election of the holder, either \$42.75 in cash or 1.78125 shares of First Community common stock. The common stock of First Community will continue to trade on the Nasdaq SmallCap Market under the symbol "FCCO" after completion of the merger.

### Conversion of DutchFork Common Stock

When the merger becomes effective, each share of DutchFork common stock issued and outstanding immediately prior to the completion of the merger will automatically be converted into the right to receive, at the holder's election, either (a) \$42.75 in cash without interest or (b) 1.78125 shares of First Community common stock and cash instead of fractional shares. A DutchFork shareholder's receipt of either cash and/or stock, however, is subject to the limitation that only 60% of the shares of DutchFork common stock will be exchanged for First Community common stock and proration procedures as well as other provisions in the merger agreement. See "Cash or Stock Election." First Community will not issue fractional shares of First Community common stock, but instead will pay each holder of DutchFork common stock who would otherwise be entitled to a fractional share of First Community common stock an amount in cash determined by multiplying that fraction by the average closing price of First Community common stock over a measurement period prior to the completion of the merger. If there is a change in the number or classification of shares of First Community outstanding as a result of a stock split, stock dividend, reclassification, recapitalization, or other similar transaction, the exchange ratio will be equitably adjusted. Shares of DutchFork common stock held directly or indirectly by First Community will be canceled and retired upon completion of the merger, and no payment will be made for them. Canceled shares will not include shares held by either DutchFork or First Community in a fiduciary capacity or in satisfaction of a debt previously contracted. Holders of shares for which dissenters' rights have been exercised will be entitled only to the rights granted by Delaware law or South Carolina law as applicable. We can give you no assurance about what the market price of First Community common stock will be if and when the merger is completed, and you are advised to obtain current market quotations for First Community common stock. In addition, because the tax consequences of receiving cash will differ from the tax consequences of receiving First Community common stock, you should carefully read the information included below under "Material Federal Income Tax Consequences of the Merger."

### Cash or Stock Election

Under the terms of the merger agreement, DutchFork shareholders may elect to convert their shares into cash, First Community common stock, or a mixture of cash and First Community common stock. All elections of DutchFork shareholders are further subject to the allocation and proration procedures described in the merger agreement. These procedures provide that the number of shares of DutchFork common stock to be converted into First Community common stock in the merger must be 60% of the total number of shares of DutchFork common stock issued and outstanding on the date of the merger. We are not making any recommendation about whether DutchFork shareholders should

elect to receive cash or First Community common stock in the merger. Each holder of DutchFork common stock must make his or her own decision with respect to such election.

It is unlikely that elections will be made in the exact proportions provided for in the merger agreement. As a result, the merger agreement describes procedures to be followed if DutchFork shareholders in the aggregate elect to receive more or less of the First Community common stock than First Community has agreed to issue. These procedures are summarized below:

**If Stock Is Oversubscribed:** If DutchFork shareholders elect to receive more First Community common stock than First Community has agreed to issue in the merger, then all DutchFork shareholders who have elected to receive cash or who have made no election will receive cash for their DutchFork shares and all shareholders who elected to receive First Community common stock will receive a pro rata portion of the available First Community shares plus cash for those shares not converted into First Community common stock.

**If Stock Is Undersubscribed:** If DutchFork shareholders elect to receive fewer shares of First Community common stock than First Community has agreed to issue in the merger, then all DutchFork shareholders who have elected to receive First Community common stock will receive First Community common stock and those shareholders who elected to receive cash or who have made no election will be treated in the following manner:

If the number of shares held by DutchFork shareholders who have made no election is sufficient to make up the shortfall in the number of First Community shares that First Community is required to issue, then all DutchFork shareholders who elected cash will receive cash, and those shareholders who made no election will receive both cash and First Community common stock in whatever proportion is necessary to make up the shortfall.

If the number of shares held by DutchFork shareholders who have made no election is insufficient to make up the shortfall, then all DutchFork shareholders who made no election will receive First Community common stock and those DutchFork shareholders who elected to receive cash will receive cash and First Community common stock in whatever proportion is necessary to make up the shortfall.

No guarantee can be made that DutchFork shareholders will receive the amounts of cash and stock they elect. As a result of the allocation procedures and other limitations outlined in this document and in the merger agreement, DutchFork shareholders may receive First Community common stock or cash in amounts that vary from the amounts they elect to receive.

#### **Election Procedures; Surrender of Stock Certificates**

An election form is being mailed separately from this joint proxy statement/prospectus to holders of shares of DutchFork common stock on or about the date this joint proxy statement/prospectus is being mailed. Each election form entitles the holder of the DutchFork common stock to elect to receive cash, First Community common stock, or a combination of cash and stock, or make no election with respect to the merger consideration they wish to receive.

To make an effective election, DutchFork shareholders must submit a properly completed election form, along with their DutchFork stock certificates representing all shares of DutchFork common stock covered by the election form (or an appropriate guarantee of delivery) to the exchange agent on or before 5:00 p.m., local time, on [ ], 2004. Shortly after the merger, the exchange agent will allocate cash and stock among DutchFork shareholders, consistent with their elections and the allocation and proration procedures. If DutchFork shareholders do not submit an election form, they will receive instructions from the exchange agent on where to surrender their DutchFork stock certificates after the merger is completed. In any event, do not forward your DutchFork stock certificates with your proxy cards.

DutchFork shareholders may change their election at any time prior to the election deadline by written notice accompanied by a properly completed and signed later dated election form received by the exchange agent or by withdrawal of their stock certificates by written notice. All elections will be revoked automatically if the merger agreement is terminated. If DutchFork shareholders have a preference for receiving either First Community stock and/or cash for their DutchFork stock, they should complete and return the election form. If DutchFork shareholders do not make an election, they will be allocated First Community common stock and cash depending on the elections made by other shareholders and pursuant to the allocation and proration provisions in the merger agreement.

We make no recommendation about whether DutchFork shareholders should elect to receive cash, stock, or a combination of cash and stock in the merger. DutchFork shareholders must make their own decision with respect to their election.

If certificates for DutchFork common stock are not immediately available or you are unable to send the election form and other required documents to the exchange agent prior to the election deadline, DutchFork shares may be properly exchanged, and an election will be effective, if:

such exchanges are made by or through a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., or by a commercial bank or trust company having an office, branch, or agency in the United States;

the exchange agent receives, prior to the election deadline, a properly completed and duly executed notice of guaranteed delivery substantially in the form provided with the election form (delivered by hand, mail, telegram, telex, or facsimile transmission); and

the exchange agent receives, within three business days after the election deadline, the certificates for all exchanged DutchFork shares, or confirmation of the delivery of all such certificates into the exchange agent's account with The Depository Trust Company in accordance with the proper procedures for such transfer, together with a properly completed and duly executed election form and any other documents required by the election form.

DutchFork shareholders who do not submit a properly completed election form or revoke their election form prior to the election deadline and do not submit a new election form will have their shares of DutchFork common stock designated as non-election shares. DutchFork stock certificates represented by elections that have been revoked will be promptly returned without charge to the DutchFork shareholder revoking the election upon written request.

After the completion of the merger, the exchange agent will mail to DutchFork shareholders who do not submit election forms or who have revoked such forms a letter of transmittal, together with instructions for the exchange of their DutchFork common stock certificates for the merger consideration. Until you surrender your DutchFork stock certificates for exchange after completion of the merger, you will not be paid dividends or other distributions declared after the merger with respect to any First Community common stock into which your DutchFork shares have been converted. When you surrender your DutchFork stock certificates, First Community will pay any unpaid dividends or other distributions, without interest. After the completion of the merger, there will be no further transfers of DutchFork common stock. DutchFork stock certificates presented for transfer after the completion of the merger will be canceled and exchanged for the merger consideration.

If your DutchFork stock certificates have been either lost, stolen, or destroyed, you will have to prove your ownership of these certificates and that they were lost, stolen, or destroyed before you receive any consideration for your shares. Upon request, our transfer agent will send you instructions on how to provide evidence of ownership.

### **When the Merger Will be Completed**

The closing of the merger will take place on a date designated by First Community that is no later than five days following the date on which all of the conditions to the merger contained in the merger agreement are satisfied or waived, unless we agree to a later date. See " Conditions to Completing the Merger." On the closing date, First Community will file a certificate of merger with the Delaware Secretary of State and articles of merger with the South Carolina Secretary of State merging DutchFork with and into First Community. The merger will become effective at the time stated in the articles of merger and certificate of merger.

First Community and DutchFork expect to complete the merger in the third calendar quarter of 2004. However, we cannot guarantee when or if the required regulatory approvals will be obtained. See "The Merger Regulatory Approvals Needed to Complete the Merger." Furthermore, either company may terminate the merger agreement if, among other reasons, the merger has not been completed on or before December 31, 2004, unless failure to complete the merger by that time is due to a misrepresentation, breach of warranty, or failure to fulfill a covenant by the party seeking to terminate the agreement. See " Terminating the Merger Agreement."

### **Conditions to Completing the Merger**

First Community's and DutchFork's obligations to consummate the merger are conditioned on the following:

approval of the merger agreement by DutchFork and First Community shareholders;

receipt of all required regulatory approvals without any conditions that would materially and adversely impact the benefits of the merger to First Community and the expiration of all statutory waiting periods;

no party to the merger being subject to any legal order that prohibits consummating any part of the transaction, no governmental entity having instituted any proceeding for the purpose of blocking the transaction, and the absence of any statute, rule, or regulation that prohibits completion of any part of the transaction;

the registration statement of which this joint proxy statement/prospectus is a part being declared effective by the Securities and Exchange Commission, the absence of any pending or threatened proceeding by the Securities and Exchange Commission to suspend the effectiveness of the registration statement, and the receipt of all required state "blue sky" approvals;

receipt by each of us of all consents and approvals from third parties (other than those required from government agencies) required to complete the merger, unless failure to obtain those consents or approvals would not have a material adverse effect on First Community after completion of the merger;

receipt by each of us of an opinion from Nelson Mullins Riley & Scarborough, L.L.P. to the effect that the merger will be treated for federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code;

the exchange of 100% of the outstanding shares of DutchFork common stock except for the dissent by holders of no more than 8% of the outstanding shares;

the listing of shares of First Community common stock to be issued in the merger on the Nasdaq SmallCap Market; and

the other party having performed in all material respects its obligations under the merger agreement, the other party's representations and warranties being true and correct as of the date





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of the merger agreement and as of the closing date, and receipt of a certificate signed by the other party's chief executive officer and chief financial officer to that effect.

The obligation of DutchFork to complete the merger is also conditioned on First Community having deposited the cash portion of the merger consideration with the exchange agent.

We cannot guarantee whether all of the conditions to the merger will be satisfied or waived by the party permitted to do so.

### **Covenants of DutchFork and First Community in the Merger Agreement**

*Agreement Not to Solicit Other Proposals.* DutchFork has agreed not to initiate, solicit, encourage, facilitate, obtain, or endorse any acquisition proposal with a third party. An acquisition proposal includes the following:

any merger, consolidation, share exchange, business combination, or other similar transaction involving DutchFork or its subsidiaries;

any sale, lease, exchange, mortgage, pledge, transfer, or other disposition of 25% or more of the assets of DutchFork outside of the regular course of business;

any tender offer or exchange offer for 25% or more of the outstanding shares of capital stock of DutchFork; and

any public announcement of a proposal, plan, or intention to do any of the foregoing or any agreement to engage in any of the foregoing.

Despite the agreement of DutchFork not to solicit other acquisition proposals, the board of directors of DutchFork may generally negotiate or have discussions with, or provide information to, a third party who makes an unsolicited, written, bona fide acquisition proposal, provided that the DutchFork board of directors, after consultation with and receipt of advice from outside legal counsel, in good faith deems such action to be required in order for the board of directors to comply with its fiduciary duties to DutchFork shareholders under applicable law.

If DutchFork receives a proposal or information request from a third party, DutchFork must notify First Community and provide First Community with information about the third party and its proposal.

*Employee Matters.* Subject to determination of its staffing needs, each person who is an employee of Newberry Federal Savings Bank as of the closing of the merger (whose employment is not specifically terminated upon the closing) will become an employee of First Community Bank. First Community will make available employer provided health and other employee welfare benefit plans to each continuing employee on the same basis that it provides such coverage to First Community employees. Former employees of Newberry Federal will be eligible to participate in First Community's 401(k) plan and employee stock option plan with full credit for prior service with DutchFork for purposes of eligibility and vesting. For those employees of Newberry Federal that are terminated within one year following the effective date of the merger, First Community will honor the terms of the current Newberry Federal employee severance plan.

*Indemnification of Officers and Directors.* First Community has agreed to indemnify and hold harmless each director and officer of DutchFork for a period of three years from liability and expenses arising out of matters existing or occurring at or before the consummation of the merger to the fullest extent allowed under Delaware law. First Community has also agreed that it will maintain a policy of directors' and officers' liability insurance coverage for the benefit of DutchFork's directors and officers who are currently covered by insurance for five years following consummation of the merger, or such lesser period of time as can be purchased for an aggregate amount equal to three times the current annual premium.

*Certain Other Covenants.* The merger agreement also contains other agreements relating to our conduct before consummation of the merger, including the following:

After all requisite approvals and third party consents necessary to consummate the merger are obtained, Newberry Federal will modify and change its loan, litigation, real estate valuation, and investment and asset/liability management policies and practices so as to be consistent with those of First Community Bank.

First Community and DutchFork will use their reasonable best efforts to submit all necessary applications, notices, and other filings with any governmental entity, the approval of which is required to complete the merger and related transactions.

First Community and DutchFork will use their reasonable best efforts to obtain all third party consents necessary to consummate the merger.

DutchFork and First Community will consult with each other regarding any public statements about the merger and any filings with any governmental entity or with any national securities exchange or market.

First Community will file a registration statement, of which this joint proxy statement/prospectus forms a part, with the Securities and Exchange Commission registering the shares of First Community common stock to be issued in the merger to DutchFork shareholders.

DutchFork and First Community will take all actions necessary to convene a meeting of their shareholders to vote on the merger agreement. The DutchFork and First Community boards of directors will recommend at the shareholder meetings that their shareholders vote to approve the merger and will use their best efforts to solicit shareholder approval, unless they determine that such actions would not comply with their fiduciary obligations.

DutchFork will use its best efforts to cause each person who is an affiliate of it under Rule 145 of the Securities Act to deliver to First Community a letter to the effect that such person will comply with Rule 145.

First Community and DutchFork will notify each other of any material contract defaults and any events that, so far as can be foreseen at the time of its occurrence, would reasonably be likely to result in a material adverse effect on the other. They also will notify each other of any communication from a third party regarding the need to obtain that party's consent in connection with the merger.

#### **Representations and Warranties Made by First Community and DutchFork in the Merger Agreement**

First Community and DutchFork have made certain customary representations and warranties to each other in the merger agreement relating to our businesses. For information on these representations and warranties, please refer to the merger agreement attached as Appendix A. The representations and warranties must be true in all material respects through the completion of the merger unless the change does not have a material negative impact on our business, financial condition, or results of operations. See " Conditions to Completing the Merger."

#### **Terminating the Merger Agreement**

The merger agreement may be terminated at any time prior to the completion of the merger, either before or after approval of the merger agreement by shareholders, as follows:

with the mutual written consent of First Community and DutchFork;

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by either party, if the shareholders of First Community or DutchFork fail to approve the merger agreement (provided that either party will only be entitled to terminate for this reason if it has

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complied with its obligations under the merger agreement with respect to its shareholder meeting);

by either party, if a required regulatory approval, consent, or waiver is denied or any governmental entity prohibits the consummation of the merger or the transactions contemplated by the merger agreement;

by either party, if the merger is not consummated by December 31, 2004, unless failure to complete the merger by that time is due to a breach of any representation, warranty, or covenant by the party seeking to terminate the agreement;

by either party, if the other party makes a misrepresentation, breaches a warranty, or fails to fulfill a covenant that cannot be or has not been cured within 30 calendar days after giving written notice to the breaching party;

by First Community, if the board of directors of DutchFork does not recommend approval of the merger in this joint proxy statement/prospectus or withdraws, qualifies, or revises its recommendation in any respect materially adverse to First Community;

by DutchFork solely in order to enter into a letter of intent, agreement in principle, acquisition agreement, or similar agreement related to an acquisition proposal that the board of directors of DutchFork has deemed superior to First Community's offer; provided, however, that after giving notice to First Community, DutchFork must negotiate in good faith with First Community for a period of five days to make such adjustments in the terms and conditions as would enable First Community to proceed with the transaction;

by DutchFork, if the price of First Community's common stock at any time during the three business day period commencing on the Determination Date (as defined in the merger agreement) has fallen below \$18.00. If DutchFork exercises this termination right, First Community has the right to increase the exchange ratio such that the stock consideration is adjusted as if the price of First Community common stock equaled \$18.00. Upon such increase by First Community, no termination by DutchFork will be deemed to have taken place; or

by First Community, if the price of First Community's common stock at any time during the three business day period commencing on the Determination Date (as defined in the merger agreement) has risen above \$27.00. If First Community exercises this termination right, DutchFork has the right to decrease the exchange ratio such that the stock consideration is adjusted as if the price of First Community common stock equaled \$27.00. Upon such decrease by DutchFork, no termination by First Community will be deemed to have taken place.

### **Termination Fee**

The merger agreement requires DutchFork to pay First Community a fee of \$1,000,000 if First Community terminates the merger agreement as a result of the failure of DutchFork's board of directors to recommend approval of the merger or the withdrawal, qualification, or revision of its recommendation to approve the merger. If within 12 months after such termination, DutchFork consummates or enters into an agreement with respect to an acquisition proposal, DutchFork must pay an additional termination fee of \$1,000,000.

The merger agreement also requires DutchFork to pay First Community a fee of \$2,000,000 if within 12 months after the merger agreement is terminated, DutchFork consummates or enters into any agreement with respect to an acquisition proposal and if the merger agreement is terminated under either of the following circumstances:

if First Community terminates the merger agreement as a result of a willful breach of the merger agreement by DutchFork, and an acquisition proposal from a third party with respect to

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DutchFork has been publicly announced, disclosed, or communicated or made known to DutchFork at any time after the date of the merger agreement and prior to the date of termination; or

if either party terminates the merger agreement as a result of the failure of DutchFork's shareholders to approve the merger, and an acquisition proposal from a third party has been publicly announced, disclosed, or communicated or made known to DutchFork at any time after the date of the merger agreement and prior to the date of the DutchFork shareholders' meeting.

If DutchFork terminates the merger agreement solely in order to enter into a letter of intent, agreement in principle, acquisition agreement, or similar agreement related to an acquisition proposal that the board of directors of DutchFork has deemed superior to First Community's offer, then DutchFork must pay First Community a fee of \$2,000,000.

Under no circumstances will DutchFork be required to pay more than \$2,000,000 in the aggregate under the termination fee provisions.

### **Expenses**

Each of First Community and DutchFork will pay its own costs and expenses incurred in connection with the merger.

### **Changing the Terms of the Merger Agreement**

Before the completion of the merger, First Community and DutchFork may agree to waive, amend, or modify any provision of the merger agreement. However, after the vote by DutchFork shareholders, First Community and DutchFork can make no amendment or modification that would reduce the amount or alter the kind of consideration to be received by DutchFork's shareholders under the terms of the merger.

### **Material Federal Income Tax Consequences of the Merger**

The following discussion addresses the material United States federal income tax consequences of the merger to holders of DutchFork common stock. This discussion applies only to DutchFork shareholders that hold their DutchFork common stock as a capital asset within the meaning of Section 1221 of the Internal Revenue Code. Further, this discussion does not address all aspects of United States federal income taxation that may be relevant to a particular shareholder in light of its personal circumstances or to shareholders subject to special treatment under the United States federal income tax laws including: banks or trusts; tax-exempt organizations; insurance companies; dealers in securities or foreign currency; traders in securities who elect to apply a mark-to-market method of accounting; pass-through entities and investors in such entities; foreign persons; and shareholders who hold DutchFork common stock as part of a hedge, straddle, constructive sale, conversion transaction, or other integrated instrument.

This discussion is based on the Internal Revenue Code of 1986, as amended, Treasury regulations, administrative rulings, and judicial decisions, all as in effect as of the date of this joint proxy statement/prospectus and all of which are subject to change (possibly with retroactive effect) and to differing interpretations. Tax considerations under state, local, and foreign laws are not addressed in this document. The tax consequences of the merger to a holder of DutchFork common stock may vary depending upon the shareholder's particular circumstances. Therefore, each holder of DutchFork common stock should consult its tax adviser to determine the particular tax consequences of the merger to the shareholder, including those relating to state and local taxes.

It is a condition to the obligations of First Community and DutchFork to complete the merger that each of First Community and DutchFork receive an opinion of Nelson Mullins Riley & Scarborough,

L.L.P. to the effect that (1) the merger will be treated for United States federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, (2) First Community and DutchFork will each be a party to that reorganization within the meaning of Section 368(b) of the Internal Revenue Code, and (3) except to the extent of any cash received in lieu of a fractional share interest in First Community common stock, no gain or loss will be recognized by shareholders of DutchFork who exchange their DutchFork common stock for First Community common stock in the merger.

In rendering its opinions, counsel may require and rely upon representations contained in letters and certificates to be received from officers of First Community, DutchFork, and others. This tax opinion will not be binding on the Internal Revenue Service or the courts, and we do not intend to request any ruling from the Internal Revenue Service with respect to the United States federal income tax consequences of the merger.

Although the merger agreement allows both of us to waive the condition that we receive a tax opinion from Nelson Mullins Riley & Scarborough, L.L.P., we currently do not anticipate doing so.

The United States federal income tax consequences of the merger to a holder of DutchFork common stock will depend primarily on whether such shareholder exchanges its DutchFork common stock for solely First Community common stock (except for cash received instead of a fractional share of First Community common stock), solely cash, or a combination of stock and cash. Regardless of whether a holder of DutchFork common stock elects to receive First Community common stock, cash, or a combination of stock and cash, the federal income tax consequences will depend on the actual merger consideration that such shareholder receives.

*Exchange Solely for First Community Common Stock.* No gain or loss will be recognized by a DutchFork shareholder who receives solely shares of First Community common stock (except for cash received in lieu of fractional shares, as discussed below) in exchange for all of his or her shares of DutchFork common stock. The aggregate adjusted tax basis of the shares of First Community common stock received by a DutchFork shareholder in such exchange will be equal (except for the basis attributable to any fractional shares of First Community common stock for which cash is received, as discussed below) to the aggregate adjusted tax basis of the DutchFork common stock surrendered in exchange for the First Community common stock. The holding period of the First Community common stock received will include the holding period of shares of DutchFork common stock surrendered in exchange for the First Community common stock, provided that such shares were held as capital assets of the DutchFork shareholder at the effective time of the merger. If a DutchFork shareholder has differing bases or holding periods in respect of its shares of DutchFork common stock, it should consult its tax advisor prior to the exchange with regard to identifying the bases or holding periods of the particular shares of First Community common stock received in the exchange.

*Exchange Solely for Cash.* A DutchFork shareholder who receives solely cash in exchange for all of his or her shares of DutchFork common stock (and is not treated as constructively owning First Community common stock after the merger under the circumstances referred to below under "Possible Dividend Treatment") will recognize gain or loss for federal income tax purposes equal to the difference between the cash received and the shareholder's adjusted tax basis in the DutchFork common stock surrendered in exchange for the cash. Such gain or loss will be a capital gain or loss, provided that such shares were held as capital assets of the DutchFork shareholder at the effective time of the merger. Such gain or loss will be long-term capital gain or loss if the DutchFork shareholder's holding period is more than one year. The Internal Revenue Code contains limitations on the extent to which a taxpayer may deduct capital losses from ordinary income.

*Exchange for First Community Common Stock and Cash.* A DutchFork shareholder who receives a combination of First Community common stock and cash in exchange for his or her DutchFork

common stock will not be permitted to recognize any loss for federal income tax purposes. The shareholder will recognize gain, if any, equal to the lesser of (1) the amount of cash received or (2) the amount of gain "realized" in the transaction. The amount of gain a DutchFork shareholder "realizes" will equal the amount by which (a) the cash plus the fair market value at the effective time of the merger of the First Community common stock received exceeds (b) the shareholders' adjusted tax basis in the DutchFork common stock to be surrendered in the exchange for the cash and First Community common stock. Any recognized gain could be taxed as a capital gain or a dividend, as described below. The aggregate tax basis of the shares of First Community common stock received by the DutchFork shareholder will be the same as the basis of the shares of DutchFork common stock surrendered in exchange for the shares of First Community common stock and cash, reduced by the amount of cash received by the shareholder, and increased by the amount of gain (including any portion of the gain that is treated as a dividend as described below), if any, recognized by the shareholder in the exchange. The holding period for shares of First Community common stock received by the DutchFork shareholder will include the shareholder's holding period for the DutchFork common stock surrendered in exchange for the First Community common stock, provided that the shares were held as capital assets of the shareholder at the effective time of the merger.

A DutchFork shareholder's federal income tax consequences will also depend on whether his or her shares of DutchFork common stock were purchased at different times at different prices. If they were, gain or loss must be calculated separately for each identifiable block of DutchFork shares surrendered in the exchange, and a loss realized on one block of shares may not be used to offset a gain realized on another block of shares. Any disallowed loss would be included in the adjusted basis of the First Community common stock received in the exchange. A DutchFork shareholder who purchased his or her shares of DutchFork common stock at different times at different prices is urged to consult his or her own tax adviser respecting the tax consequences of the merger to that shareholder.

*Possible Dividend Treatment.* In certain circumstances, the gain recognized by a DutchFork shareholder who receives solely cash or a combination of cash and First Community common stock in the merger may have the effect of a distribution of a dividend taxable as ordinary income depending upon whether and to what extent the exchange reduces the shareholder's deemed percentage stock ownership of First Community. For purposes of this determination, the DutchFork shareholder is treated as if it first exchanged all of its shares of DutchFork common stock solely for First Community common stock and then First Community immediately redeemed (the "deemed redemption") a portion of the First Community common stock in exchange for the cash the DutchFork shareholder actually received. The gain recognized in the exchange followed by a deemed redemption will be treated as capital gain if the deemed redemption is (1) "substantially disproportionate" with respect to the DutchFork shareholder or (2) "not essentially equivalent to a dividend."

The deemed redemption, generally, will be "substantially disproportionate" with respect to a DutchFork shareholder if the percentage described in (2) below is less than 80% of the percentage described in (1) below. Whether the deemed redemption is "not essentially equivalent to a dividend" with respect to a DutchFork shareholder will depend upon the DutchFork shareholder's particular circumstances. At a minimum, however, in order for the deemed redemption to be "not essentially equivalent to a dividend," the deemed redemption must result in a "meaningful reduction" in the DutchFork shareholder's deemed percentage stock ownership of First Community. In general, that determination requires a comparison of (1) the percentage of the outstanding stock of First Community that the DutchFork shareholder is deemed actually and constructively to have owned immediately before the deemed redemption and (2) the percentage of the outstanding stock of First Community that is actually and constructively owned by the DutchFork shareholder immediately after the deemed redemption. In applying the above tests, a DutchFork shareholder may, under the constructive ownership rules, be deemed to own stock that is owned by other persons or otherwise in addition to the stock actually owned by the DutchFork shareholder. Because these rules are complex, each

DutchFork shareholder that may be subject to these rules should consult its tax advisor. The IRS has ruled that a minority shareholder in a publicly held corporation whose relative stock interest is minimal and who exercises no control with respect to corporate affairs is considered to have a "meaningful reduction" if that shareholder has a relatively minor reduction in its percentage stock ownership under the above analysis. The amount of the cash payment that may be treated as a dividend is limited to the shareholder's ratable share of the accumulated earnings and profits of DutchFork at the effective time of the merger. Any gain that is not treated as a dividend will be taxed as a capital gain, provided that the shareholder's shares were held as capital assets at the effective time of the merger.

*Cash in Lieu of Fractional Shares.* A DutchFork shareholder who holds DutchFork common stock as a capital asset and who receives in the merger, in exchange for such stock, solely First Community common stock and cash in lieu of a fractional share interest in First Community common stock, will be treated as having received such cash in full payment for such fractional share of stock and, notwithstanding the dividend rules discussed above, will recognize gain or loss based on the difference between the amount of cash received in lieu of the fractional share and the portion of the DutchFork shareholder's aggregate adjusted tax basis of the shares of DutchFork common stock surrendered allocable to the fractional share. Such gain or loss generally will be long-term capital gain or loss if the holding period for such shares of DutchFork common stock is more than one year.

### **Background of the Merger**

As part of DutchFork's continuing efforts to enhance both its community banking franchise and shareholder value, DutchFork's board of directors has periodically reviewed various strategic alternatives available to DutchFork, including continued independence (as an SEC-reporting, Nasdaq-listed public company and as a non-reporting, non-listed private company), the acquisition of other institutions, and a merger with or acquisition by another financial institution. The board of directors directed management to consult with outside financial advisers to assist with this review. As part of this process, DutchFork's legal counsel also reviewed with DutchFork's board of directors its fiduciary duties in the context of the various strategic alternatives.

Similarly, the board of directors of First Community believes that its primary responsibility is to increase shareholder value. Since its organization, the board of directors of First Community has sought to achieve this goal through profitable operations and growth primarily through de novo branching. In September 2002, the board of directors of First Community approved a change in the company's growth strategy to include expansion through acquisitions. This change in strategy was preceded by two educational presentations to the board by different investment banking firms comparing expansion through de novo branching, expansion through acquisition, or a combination of strategies. The board of directors directed management, in consultation with legal counsel, to retain the services of an independent financial adviser to assist with this process. First Community retained The Orr Group as its independent financial adviser on January 2, 2004.

J. Thomas Johnson, DutchFork's President and Chief Executive Officer, and his counterpart at First Community, Michael C. Crapps, have known each other professionally and personally for several years. First Community and DutchFork had engaged in a successful strategic transaction in February 2001 when Newberry Federal Savings Bank sold its branch banking office in Chapin, South Carolina, to First Community Bank, N.A. In light of this relationship, Mr. Crapps invited Mr. Johnson to lunch on June 21, 2003. At that meeting, Mr. Crapps broached the subject of a potential "merger of equals" between DutchFork and First Community. There was no discussion of proposed transaction terms. Mr. Johnson informed Mr. Crapps that DutchFork's board of directors was in the midst of its annual review of DutchFork's strategic business plan and that the board of directors had not specifically considered a "merger of equals" as an element of the strategic plan. Mr. Johnson told Mr. Crapps that, if warranted, he would follow up with him as the planning process evolved.



On August 28, 2003, DutchFork's board of directors held its annual strategic planning meeting. Legal counsel was present to review and discuss certain legal considerations in connection with the board's review of the strategic plan, including the board's fiduciary duties in the context of considering a potential merger or acquisition transaction. The board of directors considered and discussed DutchFork's prospects for franchise growth and shareholder value enhancement. The board of directors considered the limited growth prospects within DutchFork's primary market area and DutchFork's limited resources as a small community bank as significant hurdles to the prospects for growing the franchise and enhancing shareholder value as an independent entity. After considering these and other factors that the board of directors deemed relevant, the board of directors unanimously decided that it would be in the best interests of DutchFork and its shareholders to conduct a process to determine what, if any, level of interest other institutions might have in engaging in a potential merger or acquisition transaction with DutchFork. The board of directors directed management, in consultation with legal counsel, to retain the services of an independent financial adviser to assist with this process. DutchFork retained Sandler O'Neill & Partners, L.P. as its independent financial adviser on September 16, 2003.

In early September 2003, representatives of Sandler O'Neill met with DutchFork's management to create a list of institutions that Sandler O'Neill identified as having a likelihood of interest in a potential business combination with DutchFork based on their relative size and geographic location, among other relevant factors. Management placed no limitations on Sandler O'Neill during this identification process. An initial group of nine institutions were identified, all of which were larger in asset size than DutchFork, and, therefore, excluded First Community. The institutions, headquartered in or with substantial operations in South Carolina, ranged in asset size from \$400 million to \$50 billion. Working with DutchFork's management, Sandler O'Neill assisted in preparing a Confidential Information Memorandum containing financial and operational information, both public and nonpublic, regarding DutchFork and outlining the procedures for the recipient to follow in submitting a written, nonbinding indication of interest, if any, for DutchFork's board of directors to consider.

In mid-October 2003, Sandler O'Neill, on behalf of DutchFork, began a confidential inquiry and contacted 15 potential interested candidates, including the nine institutions identified initially. Seven of the 15 institutions executed confidentiality agreements and received copies of the Confidential Information Memorandum. While some of these candidates indicated interest in pursuing a potential business combination with DutchFork, only one candidate, a South Carolina bank holding company, indicated an interest in submitting a nonbinding indication of interest.

By letter dated November 3, 2003, a senior management official of the South Carolina bank holding company informed representatives of Sandler O'Neill that they would like to conduct discussions with DutchFork's management regarding DutchFork's operations and other business matters before submitting a nonbinding indication of interest. These discussions occurred over the course of the following days.

On November 19, 2003, the South Carolina bank holding company submitted its written nonbinding indication of interest. It proposed an all-cash transaction, with each outstanding share of DutchFork common stock eligible for exchange for \$39.00 in cash. Upon receipt of the indication of interest, DutchFork management consulted with DutchFork's legal and financial advisers regarding its terms and conditions. Shortly thereafter, the South Carolina bank holding company informed DutchFork that the proposed per share merger consideration had been miscalculated because the South Carolina bank holding company understated the number of DutchFork's outstanding common shares used in the calculation. DutchFork did not seek or obtain a revised indication of interest and, by letter dated December 1, 2003, the South Carolina bank holding company formally withdrew the indication of interest.

On or about December 3, 2003, Mr. Crapps contacted Mr. Johnson to discuss the general prospects of a potential business combination between First Community and DutchFork. Mr. Johnson promptly communicated his conversation with Mr. Crapps to Sandler O'Neill, which then contacted The Orr Group regarding the procedures for obtaining a Confidential Information Memorandum. Around this same time period, representatives of a North Carolina bank holding company contacted Sandler O'Neill to indicate general interest in a potential business combination with DutchFork. This institution executed a confidentiality agreement and received a copy of the Confidential Information Memorandum, but it did not submit an indication of interest.

On December 15, 2003, Messrs. Johnson and Crapps met again to discuss the merits of a strategic combination. At this meeting, Mr. Crapps was informed that DutchFork had engaged Sandler O'Neill as its financial adviser to pursue various strategic alternatives, including a possible sale or merger of DutchFork.

On December 16, 2003, First Community executed a confidentiality agreement and received a copy of the Confidential Information Memorandum.

On December 23, 2003, representatives of Sandler O'Neill met with Mr. Crapps, James C. Leventis, Chairman of the Board of First Community, and several other members of management to discuss First Community's level of interest in the proposed business combination. Representatives of The Orr Group were also present via teleconference.

On December 31, 2003, Messrs. Johnson and Crapps met to discuss matters relating to the contents of the Confidential Information Memorandum and other matters that First Community deemed relevant in preparing its written, nonbinding indication of interest.

On January 8, 2004, First Community's board of directors met to consider the proposed transaction with DutchFork. At the meeting, The Orr Group presented a detailed financial analysis of the merger. Following a lengthy review and discussion, the board of directors unanimously authorized management to pursue discussions with DutchFork.

On January 12, 2004, First Community submitted its written nonbinding indication of interest. It proposed a cash and stock transaction, with each outstanding share of DutchFork common stock eligible for exchange for \$40.00 in cash or a fixed exchange ratio of 1.778 shares of First Community common stock, for a blended value of approximately \$40.00 per share based on First Community's closing stock price on January 11, 2004. The indication of interest also required that, if and once DutchFork determined to proceed on the basis of the indication of interest, DutchFork would engage in exclusive negotiations with First Community for a 45-day period subject to monetary damages should DutchFork breach the exclusivity provision. The indication of interest was also conditioned on First Community's due diligence investigation of DutchFork.

On January 16, 2004, DutchFork's board of directors met to consider First Community's indication of interest. In connection with the meeting, management consulted with Sandler O'Neill and legal counsel regarding the terms and conditions of the indication of interest. Management informed the board of directors about these discussions at the meeting. Following a lengthy review and discussion, the board of directors unanimously determined not to pursue the indication to interest because, among other things, the proposed consideration was inadequate. The board of directors further determined to terminate the exploratory process undertaken to date in favor of devoting DutchFork's limited resources to pursuing its strategic plan as an independent entity. Promptly following the meeting, Mr. Johnson communicated to Mr. Crapps, and representatives of Sandler O'Neill communicated to representatives of The Orr Group, the board of directors' determination.

On January 21, 2004, Mr. Crapps contacted Mr. Johnson to request a meeting. They met the same day and Mr. Crapps communicated First Community's continued interest in engaging in a potential transaction with DutchFork and he informally proposed to increase the proposed merger consideration.

Mr. Johnson indicated to Mr. Crapps that he would communicate First Community's continued interest to DutchFork's board of directors but that the board of directors had determined to pursue its strategy of independence after full and careful consideration.

On January 29, 2004, First Community submitted an unsolicited, revised nonbinding indication of interest proposing an increase in the merger consideration to \$44.00 in cash or a fixed exchange ratio of 1.8334 shares of First Community common stock, for a blended value of approximately \$43.18 per share based on First Community's closing stock price on that date. The other terms and conditions of the revised indication of interest were substantially similar to the initial January 12<sup>th</sup> indication of interest, including the exclusive negotiations provision and the due diligence condition.

On January 30, 2004, DutchFork's board of directors met to consider the revised indication of interest. Mr. Johnson informed the board that he had consulted with DutchFork's legal counsel and financial adviser regarding the revised indication of interest and advised that they discussed and reviewed with him certain proposed modifications to its nonfinancial terms that, in their view, were advisable. Following a lengthy review and discussion, the board of directors unanimously authorized management, in consultation with DutchFork's legal counsel and financial adviser, to obtain from First Community a revised indication of interest containing such modifications. On February 4, 2004, First Community delivered to DutchFork a revised indication of interest incorporating such modifications.

On February 5, 2004, DutchFork's board of directors met to consider the revised indication of interest. Legal counsel and representatives of Sandler O'Neill were present. Legal counsel reviewed the nonfinancial terms of the indication of interest with the board of directors. Representatives of Sandler O'Neill reviewed with the board of directors a financial analysis of the proposed transaction, including a projected pro forma earnings analysis, and the historical financial performance and stock prices of both DutchFork and First Community. Following a lengthy review and discussion of the revised indication of interest, the board of directors unanimously authorized management, in consultation with DutchFork's legal counsel and financial adviser, to enter into exclusive negotiations with First Community toward a definitive agreement, that would incorporate the terms of the revised indication of interest, for presentation to the board of directors for its consideration. On February 6, 2004, DutchFork and First Community executed an addendum to the December 16, 2003 confidentiality agreement to formalize the agreement to participate in exclusive negotiations.

On February 11, 2004, First Community's legal counsel delivered a draft of a definitive merger agreement to DutchFork's legal counsel. Representatives of DutchFork and First Community negotiated the terms of the merger agreement and of the other related documents over the next several days.

From February 11 to 16, 2004, representatives of First Community conducted due diligence on DutchFork.

On February 23 and March 3, 2004, Messrs. Johnson and Crapps met to discuss the status of negotiations.

On March 23, 2004, Messrs. Crapps and Johnson met to discuss the findings of First Community's due diligence investigation of DutchFork. Based on the due diligence findings, Mr. Crapps proposed a price adjustment from \$44.00 in cash or a fixed exchange ratio of 1.8334 shares of First Community common stock to \$42.75 in cash or a fixed exchange ratio of 1.78125 shares of First Community common stock, for an adjusted blended value of approximately \$40.08 per share based on First Community's closing stock price on March 23, 2004.

On March 23, 2004, DutchFork's board of directors held a special meeting to re-consider the proposed transaction in light of First Community's proposed price adjustment. Mr. Johnson informed the board of directors that he had consulted with DutchFork's legal counsel and financial adviser regarding the proposed adjustment in price. Mr. Johnson informed the board of directors of Sandler

O'Neill's belief that despite the price adjustment and based upon the market and other relevant conditions in effect at the time, Sandler O'Neill would be able to render an opinion to the board with respect to the fairness of the proposed merger consideration to DutchFork's shareholders from a financial point of view absent any change that would preclude the issuance of such an opinion. Following a lengthy review and discussion, the board unanimously authorized management, in consultation with DutchFork's legal counsel and financial adviser, to continue to negotiate exclusively with First Community toward a definitive agreement based on the adjustment in price. Representatives of DutchFork and First Community conducted negotiations over the ensuing days.

On March 26, 2004, representatives of DutchFork conducted due diligence on First Community.

On April 4, 2004, Messrs. Johnson and Crapps met to discuss the status of negotiations.

In the afternoon of April 12, 2004, DutchFork's and First Community's boards of directors each held special meetings to consider the definitive merger agreement and related documents that the parties had negotiated. Legal counsel and representatives of Sandler O'Neill were present at the DutchFork meeting and legal counsel and representatives of The Orr Group were present at the First Community meeting. First Community received an opinion from The Orr Group that as of April 12, 2004 the merger consideration to be paid by First Community to DutchFork shareholders was fair, from a financial point of view, to shareholders of First Community. DutchFork received an opinion from Sandler O'Neill & Partners, L.P. that as of April 12, 2004 the merger consideration was fair, from a financial point of view, to DutchFork's shareholders. The boards of directors of DutchFork and First Community each considered the opinion of their financial adviser carefully as well as the financial advisers' experience, qualifications, and interest in the proposed transaction. In addition, respective legal counsel for DutchFork and First Community reviewed in detail with the boards of directors the definitive merger agreement and all related documents, copies of which were delivered to each director before the date of the meeting. Following extensive review and discussion, the boards of directors of both DutchFork and First Community unanimously approved the merger agreement and authorized and directed management to execute and deliver the merger agreement and related documents.

Before the opening of the Nasdaq Stock Market on April 13, 2004, and as required by the terms of the definitive merger agreement, DutchFork and First Community issued a joint press release announcing the adoption and execution of the agreement.

#### **DutchFork's Reasons for the Merger**

DutchFork's board of directors has unanimously approved the merger agreement and unanimously recommends that DutchFork's shareholders vote "FOR" the approval of the merger agreement.

DutchFork's board of directors has determined that the merger is fair to, and in the best interests of, DutchFork and its shareholders. In approving the merger agreement, DutchFork's board of directors consulted with DutchFork's financial adviser with respect to the financial aspects of the transaction and the fairness of the merger consideration to DutchFork shareholders from a financial point-of-view and with DutchFork's legal counsel as to the board of directors' fiduciary duties and the terms of the merger agreement. In arriving at its determination, the board of directors also considered a number of factors, including the following:

The results that could be expected to be obtained by continuing to operate independently, and the likely benefits to shareholders, compared with the value of the merger consideration offered by First Community.

Information concerning the business, earnings, operations, financial condition, and prospects of DutchFork and First Community, both individually and as combined. DutchFork's board of directors took into account the results of the due diligence review conducted on First

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Community, including the likelihood of the transaction receiving the requisite regulatory approvals in a timely manner.

The opinion rendered by Sandler O'Neill as financial adviser to DutchFork, that on April 12, 2004, and subject to the qualifications and limitations set forth in the opinion, the merger consideration is fair, from a financial point of view, to DutchFork's shareholders.

The review conducted by DutchFork's board of directors of the strategic options available to DutchFork and the board of directors' assessment that none of those options were likely to create greater value for shareholders than value of the merger consideration offered by First Community.

The terms of the merger agreement and the structure of the merger, including that the merger is intended to qualify as a transaction of a type that is generally tax-free for United States federal income tax purposes.

That two members of DutchFork's board of directors will be appointed to the First Community's board of directors and that the remaining board members will serve as members of a Newberry County advisory board.

The current and prospective economic, competitive, and regulatory environment facing DutchFork and independent community banking institutions generally.

The effect of the merger on Newberry Federal Savings Bank's depositors and customers and the communities served by Newberry Federal. DutchFork deems the merger with First Community to be an opportunity to provide depositors, customers, and the communities served by Newberry Federal with increased financial services and more branch offices in the South Carolina Midlands.

The significant number of DutchFork employees that would be retained after the merger, combined with opportunities for career advancement in a larger organization.

The foregoing information and factors considered by DutchFork's board of directors is not exhaustive, but includes all material factors that DutchFork's board of directors considered and discussed in approving and recommending the merger. In view of the wide variety of factors considered and discussed by DutchFork's board of directors in connection with its evaluation of the merger and the complexity of these factors, the board of directors did not consider it practical to, nor did it attempt to, quantify, rank, or otherwise assign any specific or relative weights to the specific factors that it considered in reaching its decision; rather it considered all of the factors as a whole. The board of directors discussed the foregoing factors, including asking questions of DutchFork's management and legal and financial advisers, and reached a general consensus that the merger was in the best interests of DutchFork and its shareholders. In considering the foregoing factors, individual directors may have assigned different weights to different factors. DutchFork's board of directors relied on the experience and expertise of DutchFork's financial adviser for quantitative analysis of the financial terms of the merger. See "The Merger Opinion of DutchFork's Financial Adviser" on page . It should be noted that this explanation of the reasoning of DutchFork's board of directors and all other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed under "A Warning About Forward-Looking Statements" on page .

### **First Community's Reasons for the Merger**

First Community's board of directors believes that the merger is in the best interest of First Community and its shareholders because it presents an important opportunity for First Community to increase shareholder value through growth by acquiring a financial institution in a market that is

contiguous to existing markets served by First Community. It is a natural expansion into a county located in the Midlands of South Carolina.

In reaching its decision to approve the merger agreement, First Community's board of directors consulted with management of First Community, as well as its financial and legal advisers, and considered the following factors:

The pro forma and prospective financial impact of the acquisition upon First Community;

The business, operations, financial condition, earnings, and prospects of each of First Community and DutchFork. In making its determination, the First Community board took into account the results of First Community's due diligence review of DutchFork's business, which indicated that First Community can enhance existing and provide new banking products to DutchFork customers and that could appeal to a broader customer base in DutchFork markets;

The customer service culture of First Community and DutchFork are very similar;

The markets served by DutchFork are contiguous to the existing markets of First Community without any overlap in their existing branch facilities;

The current and prospective economic and competitive environment facing financial institutions, including First Community, which competitive position First Community believes could be enhanced by having a larger deposit market share in the growing Midlands region of South Carolina;

The structure of the merger, the terms of the merger agreement, and the fact that the merger is intended to qualify, in part, as a transaction of a type that is generally tax-free for federal income tax purposes;

The opinion of The Orr Group to First Community's board of directors that the merger consideration to be paid by First Community to DutchFork shareholders was fair, from a financial point of view; and

The likelihood of the merger being approved by the appropriate regulatory authorities.

The foregoing information and factors considered by First Community's board of directors is not exhaustive, but includes all material factors that First Community's board of directors considered and discussed in approving and recommending the merger. In view of the wide variety of factors considered and discussed by First Community's board of directors in connection with its evaluation of the merger and the complexity of these factors, the board of directors did not consider it practical to, nor did it attempt to, quantify, rank, or otherwise assign any specific or relative weights to the specific factors that it considered in reaching its decision, rather it considered all of the factors as a whole. The board of directors discussed the foregoing factors, including asking questions of First Community's management and legal and financial advisers, and reached general consensus that the merger was in the best interests of First Community and its shareholders. In considering the foregoing factors, individual directors may have assigned different weights to different factors. First Community's board of directors relied on the experience and expertise of First Community's financial adviser for quantitative analysis of the financial terms of the merger. See "The Merger Opinion of First Community's Financial Adviser" on page . It should be noted that this explanation of the reasoning of First Community's board of directors and all other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed under "A Warning About Forward-Looking Statements" on page .

**Opinion of First Community's Financial Adviser**

First Community retained The Orr Group to render a written opinion to the board of directors of First Community as to the fairness, from a financial point of view, of the consideration (the "Merger Consideration") to be paid by First Community to the shareholders of DutchFork as set forth in the Agreement and Plan of Merger (the "Merger Agreement") dated April 12, 2004 with DutchFork.

The Orr Group is an investment banking firm that specializes in providing investment banking advisory services to financial institutions. The Orr Group has been involved in numerous bank related mergers and acquisitions. No limitations were imposed by First Community upon The Orr Group with respect to rendering its opinion.

On April 12, 2004, The Orr Group rendered its oral opinion to the board of directors of First Community as to the fairness, from a financial point of view, of the Merger Consideration to be paid by First Community to the shareholders of DutchFork. The Orr Group subsequently confirmed its opinion in writing as of \_\_\_\_\_, 2004 which is attached as Appendix D hereto and should be read in its entirety with respect to the procedures followed, assumptions made, matters considered, and qualifications and limitations on the review undertaken by The Orr Group in connection with its opinion. First Community's shareholders are urged to read the opinion in its entirety.

The Orr Group's opinion to First Community's board of directors is directed only to the Merger Consideration as defined in the Merger Agreement dated April 12, 2004 as of this date and does not address the fairness, from a financial point of view, of any change in the Merger Consideration that may be agreed upon by First Community and DutchFork in the future. The Orr Group's opinion does not constitute a recommendation to any shareholder of First Community as to how such shareholder should vote at the First Community special meeting.

In arriving at its opinion, The Orr Group, among other things:

- (i) reviewed the Merger Agreement and certain related documents;
- (ii) reviewed the historical and current financial position and results of operations of First Community and DutchFork;
- (iii) reviewed certain publicly available information concerning First Community including Annual Reports on Form 10-KSB for each of the years in the three year period ended December 31, 2002 and Quarterly Reports on Form 10-QSB for the periods ending March 31, 2003, June 30, 2003, and September 30, 2003;
- (iv) reviewed certain publicly available information concerning DutchFork including Annual Reports on Form 10-KSB for each of the years in the three year period ended September 30, 2003 and Quarterly Reports on Form 10-QSB for the periods ending December 31, 2002, March 31, 2003, June 30, 2003, and December 31, 2003;
- (v) reviewed certain available financial forecasts concerning the business and operations of First Community and DutchFork that were prepared by management of First Community and DutchFork, respectively;
- (vi) participated in discussions with certain officers and employees of First Community and DutchFork to discuss the past and current business operations, financial condition, and prospects of First Community and DutchFork, as well as matters they believe relevant to their inquiry;
- (vii) reviewed certain publicly available operating and financial information with respect to other companies that they believe to be comparable in certain respects to First Community and DutchFork;

- (viii) reviewed the current and historical relationships between the trading levels of First Community's common stock and DutchFork's common stock and the historical and current market for the common stock of First Community, DutchFork and other companies that they believe to be comparable in certain respects to First Community or DutchFork;
- (ix) reviewed the nature and terms of certain other acquisition transactions that they believe to be relevant; and
- (x) performed such other reviews and analyses they have deemed appropriate.

Within its review and analysis, The Orr Group assumed and relied upon the accuracy and completeness of all of the financial and other information provided to The Orr Group, or that was publicly available, and has not attempted independently to verify nor assumed responsibility for verifying any such information. With respect to the financial projections, The Orr Group assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of First Community or DutchFork, as the case may be, and The Orr Group expresses no opinion with respect to such forecasts or the assumptions on which they are based. The Orr Group has not made or obtained, or assumed any responsibility for making or obtaining, any independent evaluations or appraisals of any of the assets, including properties and facilities, or liabilities of First Community or DutchFork.

The Orr Group employed a variety of analyses, of which some are briefly summarized below. The analyses outlined below do not represent a complete description of the analyses performed by The Orr Group. The Orr Group believes that it is necessary to consider all analyses as a whole and that relying on a select number of the analyses, without considering the whole, could create a misunderstanding of the opinion derived from them. In addition, The Orr Group may have deemed various assumptions more or less probable than other assumptions, so that the ranges of valuations resulting from any particular analysis should not be taken to be The Orr Group's view of the entire analysis as a whole.

#### Selected Companies Analysis

The Orr Group compared the financial performance data of DutchFork with a peer group of twenty-two publicly traded thrifts that as of April 8, 2004 operated in the Southeast, had total assets of less than \$550 million and greater than \$100 million. The peer group included the following:

#### Peer Group List (22 institutions)

Southern Banc Company	SRNN	South Street Financial	SSFC
BUCS Financial Corp	BUCS	American Bank Holdings	ABKD
United Tennessee Bkshs	UTBI	HCB Bancshares	HCBB
SouthFirst Bancshares	SZB	Community Financial Corp	CFFC
Frankfort First Bancorp	FKKY	Jefferson Bancshares	JFBI
Coddle Creek Financial	CDLC	Advance Financial Bancorp	AFBC
CKF Bancorp	CKFB	Washington Savings Bank	WSB
Great Pee Dee Bancorp	PEDE	Federal Trust Corp	FDT
First Community Bank Corp	FCFL	Citizens South Banking Corp	CSBC
Harrodsburg First Fnc'l	HFFB	Security Federal Corp	SFDL
KS Bancorp	KSAV	Greater Atlantic Financial	GAFC

The results of the analysis involve complex considerations of the selected companies and DutchFork. The Orr Group compared performance indicators of DutchFork with the median, upper, and lower quartile performance indicators of the selected peer group. The performance indicators



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utilized by The Orr Group based on financial information reported as of December 31, 2003. An overview comparison of the indicators included the following:

	DFBS Data	Peer Data		
		Upper Quart	Median	Lower Quart
<b>Profitability</b>				
MRQ Data (%)				
ROAA	1.2	1.0	0.7	0.4
ROAE	9.0	10.9	5.4	3.8
NIM	3.5	3.7	3.4	2.8
LTM Data (%)				
ROAA	1.6	0.9	0.7	0.5
ROAE	11.9	11.1	5.9	4.2
NIM	3.3	3.9	3.1	2.8
<b>Trading Data</b>				
P/E (MRQ)	14.3	30.2	22.3	14.2
P/E (LTM)	11.8	31.3	20.4	14.6
P/E (Core MRQ)	15.2	31.1	22.5	14.1
P/E (Core LTM)	28.3	29.7	21.5	14.8
P/TB	135.8	163.9	135.6	114.8
<b>Balance Sheet Data</b>				
Assets (\$000s)	\$ 225,585	\$ 322,130	\$ 220,154	\$ 142,258
Deposits (\$000s)	\$ 142,585	\$ 261,647	\$ 142,251	\$ 110,530
Loans/Deposits	40.3	105.8	92.6	82.3
Loans/Assets	25.5	82.6	67.4	59.4
Deposits/Assets	63.2	67.6	71.2	80.7
TCE Ratio	14.4	8.2	11.0	14.1
<b>Capital Adequacy</b>				
Reserves/Loans	0.7	1.2	0.8	0.6
NPAs/Assets	0.5	0.2	0.5	0.9
NCOs/Loans	0.2	0.2	0.1	0.0

**Comparable Transaction Analysis**

The Orr Group reviewed data of selected transactions involving pending and completed thrift acquisitions that it deemed pertinent to an analysis of the Merger. The transactions selected were mergers that were announced after December 31, 2001 through April 6, 2004 and where the selling thrift had assets between \$75 million and \$500 million and return on average assets ("ROAA") greater than or equal to 0.50% and less than or equal to 2.0%. From these transactions, The Orr Group selected four groups for comparison purposes:

All National Comparables (19 transactions)

All National Comparables where the seller had a ROAA greater than 0.69% and less than 1.74% (14 transactions)



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All National Comparables where the seller had a tangible common equity ("TCE") greater than 11.1% and less than 17.2% (8 transactions)

Regional Comparables (3 transactions)

The Orr Group compared the median, upper quartile, and lower quartile pricing ratios of the comparable transactions to the pricing ratios of the Merger. The pricing ratios included price to book, price to tangible book, price to earnings per share for the latest twelve months, price to assets, price to deposits, and the franchise premium to core deposit ratio. A summary of the analysis is included in the following table:

<b>Results:</b>	<b>Price to Book</b>	<b>Price to Tang Book</b>	<b>Price to LTM EPS</b>	<b>Price to Assets</b>	<b>Price to Deposits</b>	<b>Fran Prem / Core Dep</b>
<b>FCCO DFBS</b>	<b>149.0</b>	<b>149.0</b>	<b>12.9</b>	<b>22.2</b>	<b>35.1</b>	<b>15.9</b>
<b>All Comparables</b>						
Median	159.6	160.1	18.8	17.3	25.3	11.0
Upper Quart	168.3	177.2	21.8	25.7	33.0	18.6
Lower Quart	147.7	147.7	13.4	13.4	16.7	8.6
<b>ROAA Comparables</b>						
Median	159.1	161.9	19.0	18.3	25.9	12.5
Upper Quart	169.6	172.2	21.8	25.7	31.2	18.8
Lower Quart	145.5	145.5	15.1	16.3	20.7	9.3
<b>TCE Comparables</b>						
Median	158.8	160.6	20.5	26.7	37.7	18.4
Upper Quart	198.4	211.6	23.0	32.7	46.4	31.5
Lower Quart	152.1	152.1	15.2	20.5	28.5	10.9
<b>Regional Comparables</b>						
Median	164.2	164.2	16.5	19.7	28.7	18.1
Upper Quart	178.4	178.4	19.1	24.5	35.0	18.6
Lower Quart	161.9	161.9	15.7	15.4	22.8	13.5

### Discount Dividend Analysis

The Orr Group performed a discount dividend analysis to estimate a range of present values per share of DutchFork's common stock as a stand-alone entity including appropriate synergies that would be implemented by First Community. The Orr Group discounted five years of estimated cash flows for DutchFork based on projected growth rates and capital requirements. The Orr Group derived a range of terminal values by applying multiples ranging from 10 times to 12 times estimated forward net income for the terminal year 2008. The present value of the estimated excess cash flows and terminal value was calculated using discount rates ranging from 10% to 14%. The analysis yielded a range of stand-alone, fully diluted values for First Community's stock of approximately \$34.30 to \$43.15. The Orr Group included the discount dividend analysis because it is a widely used valuation methodology; however the results of such methodology are highly dependent upon numerous assumptions.

### Contribution Analysis

In its contribution analysis, The Orr Group compared the pro forma financial contribution of First Community to the combined company to the pro forma ownership of First Community shareholders in the combined company's shareholder base. The contribution analysis did not take into account any merger adjustments or cost savings as a result of the merger. The contribution analysis revealed that

First Community would contribute 48.8%, 36.7%, and 48.3% of the assets, equity, and estimated 2004 net income, respectively. This was compared to the pro forma ownership for First Community shareholders of 56.6% in the combined company.

### **Pro Forma Merger Analysis**

The Orr Group analyzed the financial impact of the merger on the estimated earnings per share for DutchFork. Based on the various assumptions made to determine the pro forma numbers and the consideration paid by First Community, the merger would be accretive to First Community's GAAP and cash earnings per share in 2004 and 2005.

No company or transaction used in the above analyses as a comparison is identical to First Community, DutchFork, or the Merger. Accordingly, an analysis of the results of the foregoing involves complex considerations and judgments concerning differences in financial growth and operating characteristics of the companies and other factors that could affect the public trading value of the companies to which they are being compared. Mathematical analysis in and of itself does not necessarily provide meaningful comparisons.

The Orr Group will be paid a fee in connection with the proposed Merger. The payment of a portion of that fee is contingent upon consummation of the Merger. Further, First Community has agreed to reimburse legal and other reasonable expenses and to indemnify The Orr Group and its affiliates, directors, agents, employees and controlling persons in connection with certain matters related to rendering its opinion, including liabilities under securities laws.

THE WRITTEN OPINION OF THE ORR GROUP TO FIRST COMMUNITY IS ATTACHED AS APPENDIX D TO THIS JOINT PROXY STATEMENT/PROSPECTUS AND IS INCORPORATED HEREIN BY REFERENCE. THE DESCRIPTION OF THE FIRST COMMUNITY FAIRNESS OPINION IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO APPENDIX D. FIRST COMMUNITY SHAREHOLDERS ARE URGED TO READ THE OPINION IN ITS ENTIRETY FOR A DESCRIPTION OF THE PROCEDURES FOLLOWED, ASSUMPTIONS MADE, MATTERS CONSIDERED, AND QUALIFICATIONS AND LIMITATIONS ON THE REVIEW UNDERTAKEN BY THE ORR GROUP IN CONNECTION WITH RENDERING ITS OPINION.

### **Opinion of DutchFork's Financial Adviser**

By letter dated September 16, 2003, DutchFork retained Sandler O'Neill as its independent financial adviser in connection with a possible business combination with another financial institution. Sandler O'Neill is a nationally recognized investment banking firm whose principal business specialty is financial institutions. In the ordinary course of its investment banking business, Sandler O'Neill is regularly engaged in the valuation of financial institutions and their securities in connection with mergers and acquisitions and other corporate transactions.

Sandler O'Neill acted as DutchFork's financial adviser in connection with the proposed merger and participated in certain of the negotiations leading to the merger agreement. At the April 12, 2004 meeting at which DutchFork's board considered and approved the merger agreement, Sandler O'Neill delivered to the board its oral opinion, subsequently confirmed in writing, that, as of such date, the merger consideration was fair to DutchFork from a financial point of view. Sandler O'Neill has confirmed its April 12<sup>th</sup> opinion by delivering to the board a written opinion dated the date of this joint proxy statement/prospectus. In rendering its updated opinion, Sandler O'Neill confirmed the appropriateness of its reliance on the analyses used to render its earlier opinion by reviewing the assumptions upon which its analyses were based, performing procedures to update certain of its analyses, and reviewing the other factors considered in rendering its opinion. **The full text of Sandler O'Neill's updated opinion is attached as Appendix E to this joint proxy statement/prospectus. The**

**opinion outlines the procedures followed, assumptions made, matters considered, and qualifications and limitations on the review undertaken by Sandler O'Neill in rendering its opinion. The description of the opinion set forth below is qualified in its entirety by reference to the opinion. We urge you to read the entire opinion carefully in connection with your consideration of the proposed merger.**

**Sandler O'Neill's opinion speaks only as of the date of the opinion. The opinion was directed to the DutchFork board and is directed only to the fairness of the merger consideration to DutchFork from a financial point of view. It does not address the underlying business decision of DutchFork to engage in the merger or any other aspect of the merger and is not a recommendation to any DutchFork shareholder as to how such shareholder should vote at the special meeting with respect to the merger, the form of consideration a shareholder should elect in the merger or any other matter.**

In connection with rendering its April 12, 2004 opinion, Sandler O'Neill reviewed and considered, among other things:

1. the merger agreement;
2. certain publicly available financial statements and other historical financial information of DutchFork that Sandler O'Neill deemed relevant;
3. certain publicly available financial statements and other historical financial information of First Community that Sandler O'Neill deemed relevant;
4. internal financial projections for DutchFork for the year ending December 31, 2004 furnished by and reviewed with the management of DutchFork;
5. internal financial projections for First Community for the year ending December 31, 2004 furnished by and reviewed with the management of First Community;
6. the pro forma financial impact of the merger on First Community, based on assumptions relating to transaction expenses, purchase accounting adjustments, and cost savings determined by the senior managements of DutchFork and First Community;
7. the publicly reported historical price and trading activity for DutchFork's and First Community's common stock, including a comparison of certain financial and stock market information for DutchFork and First Community with similar publicly available information for certain other companies the securities of which are publicly traded;
8. the financial terms of certain recent business combinations in the savings institutions industry, to the extent publicly available;
9. the current market environment generally and the banking environment in particular; and
10. such other information, financial studies, analyses and investigations, and financial, economic, and market criteria as Sandler O'Neill considered relevant.

Sandler O'Neill also discussed the business, financial condition, results of operations, and prospects of DutchFork with certain members of DutchFork's senior management and held similar discussions with certain members of First Community's senior management regarding the business, financial condition, results of operations, and prospects of First Community.

In performing its reviews and analyses and in rendering its opinion, Sandler O'Neill assumed and relied upon the accuracy and completeness of all the financial information, analyses, and other information that was publicly available or otherwise furnished to, reviewed by, or discussed with it and further relied on the assurances of DutchFork's and First Community's managements that they were not aware of any facts or circumstances that would make such information inaccurate or misleading. Sandler O'Neill was not asked to and did not independently verify the accuracy or completeness of any of such information and they did not assume any responsibility or liability for the accuracy or

completeness of any of such information. Sandler O'Neill did not make an independent evaluation or appraisal of the assets, the collateral securing assets, or the liabilities (contingent or otherwise) of DutchFork or First Community or any of their subsidiaries, or the collectibility of any such assets, nor was it furnished with any such evaluations or appraisals. Sandler O'Neill did not make an independent evaluation of the adequacy of the allowance for loan losses of DutchFork or First Community, nor did it review any individual credit files relating to DutchFork or First Community. Sandler O'Neill has assumed, with DutchFork's consent, that the respective allowances for loan losses for both DutchFork and First Community were adequate to cover such losses and would be adequate on a combined basis for the combined entity.

Sandler O'Neill's opinion was necessarily based upon market, economic, and other conditions as they existed on, and could be evaluated as of, the date of its opinion. Sandler O'Neill assumed, in all respects material to its analyses, that all of the representations and warranties contained in the merger agreement and all related agreements were true and correct, that each party to such agreements would perform all of the covenants required to be performed by such party under such agreements and that the conditions precedent in the merger agreement were not waived. Sandler O'Neill also assumed, with DutchFork's consent, that there had been no material change in DutchFork's and First Community's assets, financial condition, results of operations, business, or prospects since the date of the last financial statements made available to them, that DutchFork and First Community would remain as going concerns for all periods relevant to its analyses, and that the merger would qualify as a tax-free reorganization for federal income tax purposes. With DutchFork's consent, Sandler O'Neill also relied upon the advice DutchFork received from its legal, accounting, and tax advisors as to all legal, accounting, and tax matters relating to the merger and the other transactions contemplated by the merger agreement.

In rendering its April 12, 2004 opinion, Sandler O'Neill performed a variety of financial analyses. The following is a summary of the material analyses performed by Sandler O'Neill, but is not a complete description of all the analyses underlying Sandler O'Neill's opinion. The summary includes information presented in tabular format. **In order to fully understand the financial analyses, these tables must be read together with the accompanying text. The tables alone do not constitute a complete description of the financial analyses.** The preparation of a fairness opinion is a complex process involving subjective judgments as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. The process, therefore, is not necessarily susceptible to a partial analysis or summary description. Sandler O'Neill believes that its analyses must be considered as a whole and that selecting portions of the factors and analyses without considering all factors and analyses, or attempting to ascribe relative weights to some or all such factors and analyses, could create an incomplete view of the evaluation process underlying its opinion. Also, no company included in Sandler O'Neill's comparative analyses described below is identical to DutchFork or First Community and no transaction is identical to the merger. Accordingly, an analysis of comparable companies or transactions involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that could affect the public trading values or merger transaction values, as the case may be, of DutchFork or First Community and the companies to which they are being compared.

The earnings projections for DutchFork and First Community used and relied upon by Sandler O'Neill in its analyses were based upon internal financial projections provided by each company. With respect to such financial projections and all projections of transaction costs, purchase accounting adjustments, and expected cost savings relating to the merger, DutchFork's and First Community's managements confirmed to Sandler O'Neill that they reflected the best currently available estimates and judgments of the future financial performance of DutchFork and First Community, respectively, and Sandler O'Neill assumed for purposes of its analyses that such performances would be achieved. Sandler O'Neill expressed no opinion as to such financial projections or the assumptions on which they

were based. The financial projections for DutchFork and First Community were prepared for internal purposes only and not with a view towards public disclosure. These projections, as well as the other estimates used by Sandler O'Neill in its analyses, were based on numerous variables and assumptions which are inherently uncertain and, accordingly, actual results could vary materially from those set forth in such projections.

In performing its analyses, Sandler O'Neill also made numerous assumptions with respect to industry performance, business and economic conditions, and various other matters, many of which cannot be predicted and are beyond the control of DutchFork, First Community, and Sandler O'Neill. The analyses performed by Sandler O'Neill are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by such analyses. Sandler O'Neill prepared its analyses solely for purposes of rendering its opinion and provided such analyses to the DutchFork board at the April 12<sup>th</sup> meeting. Estimates on the values of companies do not purport to be appraisals or necessarily reflect the prices at which companies or their securities may actually be sold. Such estimates are inherently subject to uncertainty and actual values may be materially different. Accordingly, Sandler O'Neill's analyses do not necessarily reflect the value of DutchFork's common stock or First Community's common stock or the prices at which DutchFork's or First Community's common stock may be sold at any time.

**Summary of Proposal.** Sandler O'Neill reviewed the financial terms of the proposed transaction. Based upon the closing price of First Community's common stock on April 8, 2004 of \$24.00 and assuming 60% of DutchFork's shares are converted into First Community common stock at an exchange ratio of 1.78125 and the remaining shares are converted into \$42.75 per share in cash in the merger, Sandler O'Neill calculated an implied transaction value of \$42.75 per share. Based upon DutchFork's December 31, 2003 financial information, Sandler O'Neill calculated the following ratios:

**Transaction Ratios**

Transaction value / LTM Earnings per share(1)	21.28x
Transaction value / 2004 EPS (Mgmt.)	18.51x
Transaction value / Stated book value per share	148.90%
Transaction value / Tangible book value per share	148.90%
Tangible book premium / Core deposits(2)	15.26%

(1) Assumes DutchFork net income of \$2.2 million, which excludes the impact of a \$1.3 million after-tax gain on sale of securities.

(2) Assumes DutchFork's total core deposits are \$115 million as of December 31, 2003 (all deposits other than jumbo certificates of deposit).

For purposes of Sandler O'Neill's analyses, earnings per share were based on fully diluted shares. Based on First Community's stock price as of April 8, 2004, the aggregate transaction value was approximately \$50.0 million, based upon 1.1 million shares of DutchFork common stock outstanding plus the value of outstanding options to purchase 101,437 DutchFork shares, calculated using the implied per share transaction value less the weighted average exercise price of the option of \$16.44. Sandler O'Neill noted that the transaction value represented a 9.62% premium to the April 8, 2004 closing price of DutchFork's common stock.

**Stock Trading History.** Sandler O'Neill reviewed the history of the reported trading prices and volume of DutchFork's and First Community's common stock and the relationship between the movements in the prices of DutchFork's and First Community's common stock to movements in certain stock indices, including the Standard & Poor's 500 Index, the Standard & Poor's Bank Index, the Nasdaq Bank Index, and the weighted average performance (based upon market capitalization) of peer

groups of publicly-traded savings institutions for DutchFork and First Community, respectively, selected by Sandler O'Neill. The composition of the peer groups is discussed under "Comparable Company Analysis" below. During the one year period ended April 8, 2004, DutchFork's common stock outperformed the Standard & Poor's 500 Index and the Standard & Poor's Bank Index but underperformed its Peer Group and the Nasdaq Bank Index. During that same period, First Community's common stock outperformed its Peer Group and each of the indices to which it was compared.

**DutchFork's and First Community's One-Year Stock Performance**

	<b>Beginning Index Value April 7, 2003</b>	<b>Ending Index Value April 8, 2004</b>
DutchFork	100.00%	129.93%
DutchFork Peer Group	100.00	156.99
Nasdaq Bank Index	100.00	133.51
S&P 500 Index	100.00	129.62
S&P Bank Index	100.00	128.98

  

	<b>Beginning Index Value April 7, 2003</b>	<b>Ending Index Value April 8, 2004</b>
First Community	100.00%	145.21%
First Community Peer Group	100.00	136.46
Nasdaq Bank Index	100.00	133.51
S&P 500 Index	100.00	129.62
S&P Bank Index	100.00	128.98

**Comparable Company Analysis.** Sandler O'Neill used publicly available information to compare selected financial and market trading information for DutchFork and First Community and a peer group for each institution selected by Sandler O'Neill. The peer group for DutchFork consisted of the following publicly traded savings institutions that had total assets of between \$139 million and \$528 million and are located in the Southeast region of the United States:

- |                                    |                              |
|------------------------------------|------------------------------|
| Citizens South Banking Corporation | Great Pee Dee Bancorp, Inc.  |
| Coddle Creek Financial Corp.       | KS Bancorp, Inc.             |
| Community Financial Corporation    | Security Federal Corporation |
| Federal Trust Corporation          | South Street Financial Corp. |
| First Community Bank Corporation   |                              |

The analysis compared publicly available financial information for DutchFork and the median data for the Peer Group as of or for the period ended December 31, 2003. The table below sets forth the



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comparative data as of or for the period ended December 31, 2003 with pricing data as of April 8, 2004.

	<u>DutchFork</u>	<u>Peer Group(1)</u>
Total assets ( <i>in millions</i> )	\$ 225.6	\$ 220.2
Tangible equity/Tangible assets	14.36%	10.98%
Intangible assets/Total equity	0.00%	0.00%
Net loans/Total assets	25.31%	74.84%
Gross loans/Total deposits	40.31%	104.05%
Total borrowings/Total assets	22.00%	12.64%
NPAs/Assets	0.47%	0.65%
LLR/Gross loans	0.65%	0.89%
Net interest margin	3.32%	3.62%
Noninterest income/Average assets	0.43%	0.63%
Noninterest expense/Average assets	3.09%	2.66%
Efficiency Ratio	89.40%	66.59%
LTM Return on average assets	1.58%	0.75%
LTM Return on average equity	11.87%	7.74%
Price/Book value per share	135.82%	135.32%
Price/Tangible book value per share	135.82%	144.29%
Price/LTM earnings per share	11.78x	19.38x
Price/LTM core earnings per share	28.26x	21.03x
Dividend payout ratio	0.00%	53.78%
Dividend Yield	0.00%	1.80%

(1)

Data for one company in the Peer Group was as of or for the period ended September 30, 2003.

Sandler O'Neill also used publicly available information to compare selected financial and market trading information for First Community and the following publicly traded savings institutions that had total assets of between \$109 million and \$372 million and are located in the Southeast region of the United States:

Bank of South Carolina Corp.	Greenville First Bancshares, Inc.
Beach First National Bancshares, Inc.	MidCarolina Financial Corporation
BNC Bancorp	People's Community Capital Corporation
Crescent Financial Corporation	Southcoast Financial Corporation
First National Bancshares, Inc.	Summit Financial Corporation
Four Oaks Fincorp, Inc.	United Financial, Inc.
Grandsouth Bancorporation	Waccamaw Bankshares, Inc.

The analysis compared publicly available financial information for First Community and the median data for the peer group as of or for the period ended December 31, 2003. The table below sets

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forth the comparative data as of or for the period ended December 31, 2003 with pricing data as of April 8, 2004.

	<b>First Community</b>	<b>Peer Group(1)</b>
	<u>                    </u>	<u>                    </u>
Total assets ( <i>in millions</i> )	\$ 215.0	\$ 202.9
Tangible equity/Tangible assets	8.75%	8.06%
Intangible assets/Total equity	3.92%	0.00%
Net loans/Total assets	55.48%	78.38%
Gross loans/Total deposits	65.32%	98.67%
Total borrowings/Total assets	4.23%	9.23%
NPAs/Assets	0.04%	0.25%
LLR/Gross loans	1.41%	1.40%
Net interest margin	4.02%	3.73%
Noninterest income/Average assets	0.70%	0.83%
Noninterest expense/Average assets	3.01%	2.82%
Efficiency Ratio	67.77%	65.05%
LTM Return on average assets	0.88%	0.83%
LTM Return on average equity	9.48%	9.32%
Price/Book value per share	196.55%	205.64%
Price/Tangible book value per share	204.56%	217.93%
Price/LTM earnings per share	22.22x	23.07x
Price/LTM core earnings per share	22.22x	24.38x
Dividend payout ratio	17.59%	0.00%
Dividend Yield	0.79%	0.00%

**Analysis of Selected Merger Transactions.** Sandler O'Neill reviewed all merger transactions announced nationwide from January 1, 2003 to April 8, 2004 involving savings institutions as acquired institutions with transaction values greater than \$15 million announced. Sandler O'Neill also reviewed 7 transactions announced in the Southeast region of the United States. Sandler O'Neill reviewed the multiples of transaction price at announcement to last twelve months' earnings per share, transaction price to estimated current year earnings per share, transaction price to book value per share, transaction price to tangible book value per share, tangible book premium to core deposits, and premium to market price and computed high, low, mean, and median multiples and premiums for both groups of transactions. These multiples were applied to DutchFork's financial information as of and for the year ended December 31, 2003. As illustrated in the following table, Sandler O'Neill derived an imputed range of values per share of DutchFork's common stock of \$39.87 to \$57.87 based upon the median multiples for nationwide savings institution transactions and \$42.46 to \$51.41 based upon the

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median multiples for regional savings institution transactions. The implied transaction value of the merger was calculated by Sandler O'Neill was \$42.75 per share.

	Southeast		Nationwide	
	Median Multiple	Implied Value	Median Multiple	Implied Value
Transaction price/LTM EPS(1)	22.7x	\$ 45.67	19.9x	\$ 39.87
Transaction price/Estimated 2004 EPS(2)	18.4x	\$ 42.46	17.8x	\$ 41.07
Transaction price/Book value(3)	145.6%	\$ 42.58	183.8%	\$ 53.76
Transaction price/Tangible book value(3)	175.8%	\$ 51.41	197.9%	\$ 57.87
Tangible book premium/Core deposits(4)	14.1%	\$ 43.90	17.6%	\$ 47.61
Premium to market(5)	13.7%	\$ 44.32	21.0%	\$ 47.18

- (1) Assumes DutchFork net income of \$2.2 million, which excludes the impact of a \$1.3 million after-tax gain on sale of securities; based upon 1.071 million average diluted shares outstanding as of December 31, 2003.
- (2) Based upon 1.094 million projected average diluted shares outstanding as of December 31, 2004.
- (3) Based upon 1.107 million common shares outstanding as of December 31, 2003.
- (4) Assumes core deposits of \$115 million (all deposits other than jumbo certificates of deposit).
- (5) Based upon DutchFork's April 8, 2004 closing price of \$39.00.

**Discounted Dividend Stream and Terminal Value Analysis.** Sandler O'Neill performed an analysis that estimated the future stream of after-tax dividend flows of DutchFork through December 31, 2007 under various circumstances, assuming DutchFork's projected dividend stream and that DutchFork performed in accordance with the earnings projections reviewed with management. For periods after 2004, Sandler O'Neill assumed a 1% growth in earning assets. To approximate the terminal value of DutchFork common stock at December 31, 2007, Sandler O'Neill applied price/earnings multiples ranging from 10.0x to 20.0x and multiples of tangible book value ranging from 100% to 200%. The dividend income streams and terminal values were then discounted to present values using different discount rates ranging from 9% to 15% chosen to reflect different assumptions regarding required rates of return of holders or prospective buyers of DutchFork common stock. As illustrated in the following tables, this analysis indicated an imputed range of values per share of DutchFork common stock of \$13.34 to \$32.62 when applying multiples of earnings per share and \$22.51 to \$55.03 when applying multiples of tangible book value.

**Earnings Per Share Multiples**

Discount Rate	10x	12x	14x	16x	18x	20x
9.0%	\$ 16.31	\$ 19.57	\$ 22.84	\$ 26.10	\$ 29.36	\$ 32.62
10.0%	15.76	18.92	22.07	25.22	28.37	31.53
11.0%	15.24	18.28	21.33	24.38	27.43	30.47
12.0%	14.73	17.68	20.63	23.57	26.52	29.47
13.0%	14.25	17.10	19.95	22.80	25.65	28.50
14.0%	13.79	16.54	19.30	22.06	24.82	27.57
15.0%	13.34	16.01	18.68	21.35	24.02	26.69

*Tangible Book Value Multiples*

<b>Discount Rate</b>	<b>100%</b>	<b>120%</b>	<b>140%</b>	<b>160%</b>	<b>180%</b>	<b>200%</b>
9.0%	\$ 27.51	\$ 33.02	\$ 38.52	\$ 44.02	\$ 49.53	\$ 55.03
10.0%	26.59	31.91	37.22	42.54	47.86	53.18
11.0%	25.70	30.84	35.98	41.12	46.26	51.40
12.0%	24.85	29.82	34.79	39.76	44.73	49.70
13.0%	24.04	28.84	33.65	38.46	43.26	48.07
14.0%	23.25	27.91	32.56	37.21	41.86	46.51
15.0%	22.51	27.01	31.51	36.01	40.51	45.01

Sandler O'Neill performed a similar analysis that estimated the future stream of after-tax dividend flows of First Community through December 31, 2007 under various circumstances, assuming First Community's projected dividend stream and that First Community performed in accordance with the earnings projections reviewed with management. For periods after 2004, Sandler O'Neill assumed an annual growth rate of earnings of approximately 7.5%. To approximate the terminal value of First Community common stock at December 31, 2007, Sandler O'Neill applied price/earnings multiples ranging from 14x to 24x and multiples of tangible book value ranging from 150% to 250%. The dividend income streams and terminal values were then discounted to present values using different discount rates ranging from 9% to 15% chosen to reflect different assumptions regarding required rates of return of holders or prospective buyers of First Community common stock. As illustrated in the following tables, this analysis indicated an imputed range of values per share of First Community common stock of \$14.82 to \$30.42 when applying multiples of earnings per share and \$15.79 to \$31.53 when applying multiples of tangible book value.

*Earnings Per Share Multiples*

<b>Discount Rate</b>	<b>14x</b>	<b>16x</b>	<b>18x</b>	<b>20x</b>	<b>22x</b>	<b>24x</b>
9.0%	\$ 18.06	\$ 20.53	\$ 23.00	\$ 25.47	\$ 27.95	\$ 30.42
10.0%	17.46	19.85	22.24	24.62	27.01	29.40
11.0%	16.88	19.19	21.50	23.81	26.12	28.43
12.0%	16.33	18.57	20.80	23.03	25.27	27.50
13.0%	15.81	17.97	20.13	22.29	24.45	26.60
14.0%	15.30	17.39	19.48	21.57	23.66	25.75
15.0%	14.82	16.84	18.86	20.88	22.90	24.93

*Tangible Book Value Multiples*

<b>Discount Rate</b>	<b>150%</b>	<b>170%</b>	<b>190%</b>	<b>210%</b>	<b>230%</b>	<b>250%</b>
9.0%	\$ 19.24	\$ 21.70	\$ 24.16	\$ 26.62	\$ 29.07	\$ 31.53
10.0%	18.60	20.98	23.35	25.73	28.10	30.48
11.0%	17.99	20.29	22.58	24.88	27.18	29.47
12.0%	17.40	19.62	21.84	24.07	26.29	28.51
13.0%	16.84	18.99	21.14	23.29	25.43	27.58
14.0%	16.30	18.38	20.46	22.54	24.61	26.69
15.0%	15.79	17.80	19.81	21.82	23.83	25.84

In connection with its analyses, Sandler O'Neill considered and discussed with the DutchFork board how the present value analyses would be affected by changes in the underlying assumptions, including variations with respect to net income. Sandler O'Neill noted that the discounted dividend

stream and terminal value analysis is a widely used valuation methodology, but the results of such methodology are highly dependent upon the numerous assumptions that must be made, and the results thereof are not necessarily indicative of actual values or future results.

**Pro Forma Merger Analysis.** Sandler O'Neill analyzed certain potential pro forma effects of the merger, assuming the following: (1) the merger closes in the fourth quarter of 2004, (2) 40% of the DutchFork shares are exchanged for cash at a value of \$42.75 per share, (3) 60% of the DutchFork shares are exchanged for First Community common stock at an exchange ratio of 1.78125, (4) DutchFork's stock options are converted into options of First Community, adjusted to take the exchange ratio into effect, and (5) purchase accounting adjustments, charges, and transaction costs associated with the merger and cost savings determined by the senior managements of DutchFork and First Community. The analysis indicated that, for the year ending December 31, 2005, the merger would be accretive to First Community's projected earnings per share and at December 31, 2004 (the assumed closing date for the merger) the merger would be dilutive to First Community's tangible book value per share. The actual results achieved by the combined company may vary from projected results and the variations may be material.

DutchFork has agreed to pay Sandler O'Neill a transaction fee in connection with the merger of an amount equal to 0.80% of the Aggregate Purchase Price, or approximately \$ , based upon the closing price of First Community's common stock on May , a substantial portion of which is due and contingent upon the closing of the merger. DutchFork has also paid Sandler O'Neill a fee of \$100,000 for rendering its opinion, which will be credited against that portion of the transaction fee due upon closing of the merger. DutchFork has also agreed to reimburse certain of Sandler O'Neill's reasonable out-of-pocket expenses incurred in connection with its engagement and to indemnify Sandler O'Neill and its affiliates and their respective partners, directors, officers, employees, agents, and controlling persons against certain expenses and liabilities, including liabilities under securities laws.

In the ordinary course of its business as a broker-dealer, Sandler O'Neill may purchase securities from and sell securities to DutchFork and First Community and their respective affiliates and may actively trade the debt and/or equity securities of DutchFork and First Community and their respective affiliates for its own account and for the accounts of customers and, accordingly, may at any time hold a long or short position in such securities.

#### **Rights of Dissenting First Community Shareholders Under South Carolina Law**

Chapter 13 of the South Carolina Business Corporation Act sets forth the rights of the shareholders of First Community who object to the merger. The following summarizes the material terms of the statutory procedures to be followed by a shareholder in order to dissent from the merger and perfect dissenters' rights under the South Carolina Business Corporation Act. A copy of Chapter 13 of the South Carolina Business Corporation Act is attached as Appendix B to this joint proxy statement/prospectus.

If you elect to exercise such a right to dissent and demand appraisal, you must satisfy each of the following conditions:

(a) you must give to First Community and First Community must actually receive, before the vote at the special shareholders' meeting on approval or disapproval of the merger is taken, written notice of your intent to demand payment for your shares if the merger is effectuated (this notice must be in addition to and separate from any proxy or vote against the merger; neither voting against, abstaining from voting, nor failing to vote on the merger will constitute a notice within the meaning of the South Carolina Business Corporation Act); and

(b) you must not vote in favor of the merger. A failure to vote or a vote against the merger will satisfy this requirement. The return of a signed proxy which does not specify whether you vote

in favor or against approval of the merger will not constitute a waiver of your dissenters' rights. If you notify First Community that you intend to dissent, a vote cast in favor of the merger by the holder of the proxy will not disqualify you from demanding payment for your shares.

If the requirements of (a) and (b) above are not satisfied and the merger becomes effective, you will not be entitled to payment for your shares under the provisions of Chapter 13 of the South Carolina Business Corporation Act.

If you are a dissenting First Community shareholder, any notices should be addressed to First Community Corporation, 5455 Sunset Blvd., Lexington, South Carolina 29072, Attention: Joseph G. Sawyer. The notice must be executed by the holder of record of the shares of First Community common stock as to which dissenters' rights are to be exercised. A beneficial owner may assert dissenters' rights only if he dissents with respect to all shares of First Community common stock of which he is the beneficial owner. With respect to shares of First Community common stock which are owned of record by a voting trust or by a nominee, the beneficial owner of such shares may exercise dissenters' rights if such beneficial holder also submits to First Community the name and address of the record shareholder of the shares, if known to him. A record owner, such as a broker, who holds shares of First Community common stock as a nominee for others may exercise dissenters' rights with respect to the shares held for all or less than all beneficial owners of shares as to which such person is the record owner, provided such record owner dissents with respect to all First Community common stock beneficially owned by any one person. In such case, the notice submitted by the broker as record owner must set forth the name and address of the shareholder who is objecting to the merger and demanding payment for such person's shares.

If you properly dissent and the merger is approved, First Community must mail by registered or certified mail, return receipt requested, a written dissenters' notice to you. This notice must be sent no later than 10 days after the shareholder approval of the merger. The dissenters' notice will state where your payment demand must be sent, and where and when certificates for shares of First Community common stock must be deposited; supply a form for demanding payment; set a date by which First Community must receive your payment demand (not fewer than 30 days nor more than 60 days after the dissenters' notice).