

FIRST COMMUNITY CORP /SC/  
Form S-4/A  
April 19, 2006

As filed with the Securities and Exchange Commission on April 19, 2006

Registration No. 333-132689

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

**PRE-EFFECTIVE AMENDMENT NO. 1  
TO THE  
FORM S-4  
REGISTRATION STATEMENT  
UNDER THE SECURITIES ACT OF 1933**

FIRST COMMUNITY CORPORATION  
(Exact name of registrant as specified in its charter)

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

6021  
(Primary Standard  
Industrial  
Classification Code  
Number)

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

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

(Name, address, including zip code, and telephone number, including area code of agent for service)

Copies to:

Neil E. Grayson, Esq.  
Jason R. Wolfersberger, Esq.  
Nelson Mullins Riley & Scarborough LLP  
Poinsett Plaza, Suite 900  
104 South Main Street  
Greenville, South Carolina 29601  
(864) 250-2235

George S. King, Jr., Esq.  
Haynsworth Sinkler Boyd, P.A.  
1201 Main Street, 22<sup>nd</sup> Floor  
Columbia, South Carolina 29201  
Fax: (803) 765-1243

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 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 <sup>(1)</sup>	Proposed maximum offering price	Proposed maximum aggregate offering price <sup>(3)</sup>	Amount of registration fee
Common Stock	441,612	<sup>(2)</sup>	\$5,672,379	\$607

(1) Based upon the maximum number of shares of common stock of First Community Corporation that may be issued in exchange for shares of common stock of DeKalb Bankshares, Inc. pursuant to the merger described in proxy statement/prospectus which is a part of this registration statement. 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) Not Applicable.

(3) Previously paid.

**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 Section 8(a), may determine.**

P.O. Box 1198 • 631 West DeKalb Street  
Camden S.C. 29020  
Telephone: (803) 432-7575

April 25, 2006

Dear DeKalb Bankshares, Inc. shareholder:

You are cordially invited to attend a special meeting of shareholders of DeKalb to be held on May 23, 2006, at 4:00 p.m., local time, at the offices of The Bank of Camden, 631 West DeKalb Street, Camden, South Carolina. At this special meeting, you will be asked to approve the acquisition of DeKalb by First Community Corporation and to approve 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 at the special meeting to approve the acquisition.

As a result of the acquisition, each share of DeKalb common stock will be converted into the right to receive \$3.875 in cash and 0.60705 shares of First Community common stock. The acquisition will be effected through the merger of DeKalb with and into First Community. The aggregate amount of cash and shares of First Community common stock received by DeKalb's shareholders will be a function of the number of shares of DeKalb common stock issued and outstanding at the effective time of the merger. DeKalb had 610,139 shares of common stock issued and outstanding as of April 17, 2006. Assuming no DeKalb shareholders exercise dissenters' rights, and assuming the total number of outstanding shares of DeKalb common stock immediately prior to the effective time is 610,139, First Community will issue an aggregate of 370,384 shares of stock and \$2,364,289 in cash. First Community common stock is listed under the symbol "FCCO" on the NASDAQ Capital Market. The common stock of DeKalb is not publicly traded.

In addition, each outstanding DeKalb stock option will be converted into an option to purchase 0.8094 shares of First Community common stock. The per share exercise price under each option will be adjusted by dividing the per share exercise price by 0.8094. All outstanding options will be exercisable for the same period and will otherwise have the same terms and conditions applicable to the DeKalb options that they replace.

**YOUR VOTE IS VERY IMPORTANT.** We cannot complete the merger unless, among other things, holders of at least two-thirds of the outstanding shares of DeKalb approve the merger agreement. **Your board of directors has approved the merger agreement, including the transactions contemplated in that agreement, and recommends that you vote "FOR" the merger and "FOR" the proposal to authorize adjournment.**

**Please carefully review and consider this proxy statement/prospectus which explains the merger proposal in detail, including the discussion under the heading "Risk Factors" beginning on page 19.** It is important that your shares are represented at the meeting, whether or not you plan to attend. An abstention or a failure to vote will have the same effect as a vote against the merger. Accordingly, please complete, date, sign, and return promptly your proxy card in the enclosed envelope. You may attend the meeting and vote your shares in person if you wish, even if you have previously returned your proxy.

Sincerely,

William C. Bochette, III  
President and Chief Executive Officer

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the securities to be issued under this proxy statement/prospectus or determined if this proxy**

**statement/prospectus is truthful or complete. Any representation to the contrary is a criminal offense. The shares of First Community Corporation common stock are not savings or deposit accounts or other obligations of any bank, savings association, 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.**

*This document is dated April 21, 2006 and is first being mailed to DeKalb shareholders on or about April 25, 2006.*

**ADDITIONAL INFORMATION**

This proxy statement/prospectus incorporates important business and financial information about First Community from documents that are not delivered with this proxy statement/prospectus. This information is available to you without charge upon your written or oral request. You can obtain documents incorporated by reference in this proxy statement/prospectus by requesting them in writing or by telephone from First Community at the following addresses:

First Community Corporation  
5455 Sunset Blvd.  
Lexington, South Carolina 29072  
Attention: Michael C. Crapps, President and Chief Executive Officer  
Telephone: (803) 951-2265

**If you would like to request documents, please do so by May 18, 2006 in order to receive them before the special meeting.**

See “Where You Can Find More Information” on page 171 for further information.

**DEKALB BANKSHARES, INC.**

**631 West DeKalb Street  
Camden, South Carolina 29020  
(803) 432-7575**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS  
To Be Held On May 23, 2006**

To the Shareholders of DeKalb Bankshares, Inc.:

We will hold an special meeting of shareholders of DeKalb on May 23, 2006, at 4:00 p.m., local time, at the offices of The Bank of Camden, 631 West DeKalb Street, Camden, South Carolina for the following purposes:

1. To consider and vote upon a proposal to approve the Agreement and Plan of Merger dated as of January 19, 2006, by and between First Community Corporation and DeKalb, and the transactions contemplated by that Agreement and Plan of Merger, pursuant to which DeKalb will merge with and into First Community, as more particularly described in the enclosed proxy statement/prospectus;
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 meeting, in person or by proxy, to approve the merger; and
3. To transact any other business as may properly be brought before the DeKalb special meeting or any adjournments or postponements of the DeKalb special meeting.

Only shareholders of record at the close of business on April 17, 2006 will be entitled to vote to notice of, and to vote at, the meeting and any adjournments or postponements of the meeting.

Whether or not you plan to attend the special meeting in person, please complete, date, sign, and return the enclosed proxy card in the accompanying pre-addressed postage-page envelope as promptly as possible. Any DeKalb shareholder may revoke his or her proxy by following the instructions in the proxy statement/prospectus at any time before the proxy has been voted at the special meeting. Even if you have given your proxy, you may still vote in person if you attend the special meeting. Please do not send any stock certificates to us at this time.

We encourage you to vote on this very important matter. **The Board of Directors of DeKalb unanimously recommends that DeKalb shareholders vote "FOR" the proposals above.**

**DeKalb shareholders are or may be entitled to assert dissenters' rights under Chapter 13 of the South Carolina Business Corporation Act of 1988. 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 proxy statement/prospectus and a summary of the provisions can be found under the caption "The Merger—Rights of Dissenting DeKalb Shareholders."**

By Order of the Board of Directors,

William C. Bochette, III  
President and Chief Executive Officer

Camden, South Carolina  
April 25, 2006

v

---



**TABLE OF CONTENTS**

<u>QUESTIONS AND ANSWERS ABOUT THE MERGER</u>	8
<u>SUMMARY</u>	10
<u>SELECTED FINANCIAL DATA OF FIRST COMMUNITY</u>	17
<u>SELECTED FINANCIAL DATA OF DEKALB</u>	18
<u>RISK FACTORS</u>	19
<u>A WARNING ABOUT FORWARD-LOOKING STATEMENTS</u>	21
<u>THE SPECIAL MEETING</u>	22
<u>General</u>	22
<u>Meeting Date, Time, and Place and Record Date</u>	22
<u>Matters to be Considered</u>	22
<u>Vote Required</u>	22
<u>Voting of Proxies</u>	23
<u>Revocability of Proxies</u>	23
<u>Solicitation of Proxies</u>	23
<u>Recommendation of the Board of Directors</u>	23
<u>2006 Annual Meeting</u>	24
<u>PROPOSAL NO. 1 -- THE MERGER</u>	25
<u>Structure of the Merger</u>	25
<u>Background of the Merger</u>	25
<u>DeKalb's Reasons for the Merger</u>	26
<u>Opinion of DeKalb's Financial Advisor</u>	27
<u>Merger Consideration</u>	32
<u>Fractional Shares</u>	32
<u>Treatment of Options</u>	32
<u>Exchange of Certificates</u>	33
<u>Federal Income Tax Consequences</u>	33
<u>Interests of Directors and Officers of DeKalb that Differ from Your Interests</u>	35
<u>Conditions to Consummation</u>	36
<u>Regulatory Approvals</u>	37
<u>Representations and Warranties Made By First Community and DeKalb in the Merger Agreement</u>	37
<u>Termination of the Merger Agreement</u>	38
<u>Amendment and Waiver</u>	39
<u>Conduct of Business Pending the Merger</u>	39
<u>Expenses and Termination Fees</u>	41
<u>Resales of First Community Common Stock</u>	42
<u>Accounting Treatment</u>	42
<u>Rights of Dissenting DeKalb Shareholders</u>	42
<u>DESCRIPTION OF FIRST COMMUNITY CAPITAL STOCK</u>	45
<u>COMPARATIVE RIGHTS OF FIRST COMMUNITY AND DEKALB SHAREHOLDERS</u>	48
<u>PROPOSAL NO. 2 - AUTHORIZATION TO ADJOURN</u>	54
<u>INFORMATION ABOUT DEKALB</u>	55
<u>General</u>	55
<u>Competition</u>	55
<u>Effect of Government Regulation</u>	55
<u>Description of Property</u>	60
<u>Legal Proceedings</u>	60
<u>Market for Common Equity and Related Stockholder Matters</u>	60

<u>Financial Statements</u>	62
<u>Management's Discussion and Analysis or Plan of Operation</u>	86
<u>Security Ownership, Positions and Terms of Office of Management of DeKalb</u>	101
<u>INFORMATION ABOUT FIRST COMMUNITY</u>	102
<u>General</u>	102
<u>Location and Service Area</u>	102
<u>Banking Services</u>	102
<u>Competition</u>	103

<u>Employees</u>	103
<u>Supervision and Regulation</u>	103
<u>Properties</u>	111
<u>Legal Proceedings</u>	113
<u>Market for Common Equity and Related Stockholder Matters</u>	113
<u>Supplementary Financial Information</u>	115
<u>Financial Statements</u>	116
<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	143
<u>Security Ownership of Certain Beneficial Owners and Management</u>	163
<u>INFORMATION ABOUT DIRECTORS AND EXECUTIVE OFFICERS OF SURVIVING COMPANY</u>	164
<u>LEGAL MATTERS</u>	170
<u>OTHER MATTERS</u>	170
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	171
<u>APPENDIX A Agreement and Plan of Merger</u>	A - 1
<u>APPENDIX B Chapter 13 of the South Carolina Business Corporation Act of 1988</u>	B - 1
<u>APPENDIX C Fairness Opinion of The Orr Group, LLC</u>	C - 1

## QUESTIONS AND ANSWERS ABOUT THE MERGER

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

**A:** DeKalb 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 DeKalb are generally complementary, and the merger should place the combined company in a better position to take advantage of those markets.

**Q: What am I being asked to vote on and how does the 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 January 19, 2006, providing for the merger of DeKalb with and into First Community. The board of directors of DeKalb determined that the proposed merger is in the best interests of DeKalb's shareholders, approved the merger agreement, and recommends that you vote "FOR" the approval of the merger. In addition, you are being asked to grant authority to 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 merger.

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

**A:** In the merger, each share of DeKalb common stock will be converted into the right to receive \$3.875 in cash and 0.60705 shares of First Community common stock. In addition, each outstanding DeKalb stock option will be converted into an option to purchase 0.8094 shares of First Community common stock. The per share exercise price under each option will be adjusted by dividing the per share exercise price by 0.8094. All outstanding options will be exercisable for the same period and will otherwise have the same terms and conditions applicable to the DeKalb options that they replace.

**Q: Can I elect the type of consideration that I will receive in the merger?**

**A:** No. Each DeKalb shareholder will receive cash and shares of First Community common stock as described above.

**Q: Will DeKalb shareholders be taxed on the cash and First Community common stock that they receive in exchange for their DeKalb shares?**

**A:** We expect the merger to qualify as a reorganization for United States Federal income tax purposes. If the merger qualifies as a reorganization for United States Federal income tax purposes, DeKalb shareholders will not recognize any gain or loss to the extent DeKalb shareholders receive First Community common stock in exchange for their DeKalb shares. However, DeKalb shareholders will recognize capital gain, but not loss, to the extent of the amount of cash received. We recommend that DeKalb shareholders carefully read the complete explanation of the material United States federal income tax consequences of the merger beginning on page 33, and that DeKalb shareholders consult their own tax advisors for a full understanding of the tax consequences of their participation in the merger.

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

**A:** After you have carefully read this document, please indicate on your proxy card how you want to vote, and then date, sign, and mail your proxy card in the enclosed envelope as soon as possible so that your shares will be represented at the meeting. If you date, sign, and send in a proxy card but do not indicate how you want to vote, your proxy will be voted in favor of the merger proposal.

[Back to Table of Contents](#)

**Q: Why is my vote important?**

**A:** The merger proposal must be approved by holders of at least two-thirds of the outstanding shares of DeKalb entitled to vote at the special meeting. Accordingly, if a DeKalb shareholder fails to vote on the merger, it will have the same effect as a vote against the merger proposal.

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

**A:** Your broker will vote your shares on the merger proposal only if you provide instructions on how to vote. You should instruct your broker how to vote your shares following the directions your broker provides. Failure to instruct your broker how to vote your shares will be the equivalent of voting against the merger proposal.

**Q: Can I change my vote after I have submitted my proxy?**

**A:** Yes. There are three ways you can change your vote. First, you may send a written notice to the person to whom you submitted your proxy 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 DeKalb prior to the special meeting will be your vote. Any earlier votes will be revoked. Third, you may attend the special meeting and vote in person. Any earlier votes will be revoked. Simply attending the special meeting without voting, however, will not revoke your proxy. If you have instructed a broker to vote your shares, you must follow the 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, you will have the right to dissent and receive the “fair value” of your shares in cash, but you must follow carefully the requirements of the South Carolina statutes which are attached as Appendix B to this proxy statement/prospectus, and should consult with your own legal counsel. For a description of these requirements, see “The Merger—Rights of Dissenting DeKalb Shareholders.”

**Q: Should I send in my stock certificates now?**

**A:** No. You should not send in your stock certificates at this time. Promptly after the effective time of the merger, you will receive transmittal materials with instructions for surrendering your DeKalb shares. *You should follow the instructions in the post-closing letter of transmittal regarding how and when to surrender your stock certificates.*

**Q: When do you expect to complete the merger?**

**A:** We presently expect to complete the merger in the late second or early third quarter of 2006. However, we cannot assure you when or if the merger will occur. We must first obtain the approval of DeKalb shareholders at the special meeting and the necessary regulatory approvals.

**Q: Whom should I call with questions about the merger?**

**A:** DeKalb shareholders may contact William C. Bochette, III, president and chief executive officer of DeKalb, at (803) 432-7575. You can also find more information about DeKalb and First Community from various sources described under “Additional Information” and “Where You Can Find More Information” of this proxy statement/prospectus.

[Back to Table of Contents](#)



## SUMMARY

*This summary highlights selected information from this proxy statement/prospectus. It may not contain all of the information that is important to you. To better understand the merger and its potential impact on you, we urge you to read this entire document carefully, including the exhibits and enclosures. Each item in this summary includes a page reference directing you to a more complete discussion of the item.*

### **The Companies (pages 55 and 102)**

First Community Corporation  
5455 Sunset Blvd.  
Lexington, South Carolina 29072  
Attention: Michael C. Crapps, President and Chief Executive Officer  
Telephone: (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. First Community Bank operates 11 full-service offices located in Lexington (two), Forest Acres, Irmo, Cayce-West Columbia, Gilbert, Chapin, Northeast Columbia, Prosperity, and Newberry (two).

DeKalb Bankshares, Inc.  
631 West DeKalb Street  
Camden, South Carolina 29020  
Telephone: (803) 432-7575

DeKalb is a South Carolina corporation and is registered as a bank holding company with the Federal Reserve Board. DeKalb engages in a general banking business through its subsidiary, Bank of Camden, a South Carolina chartered commercial bank which commenced operations in February 2001. DeKalb's executive office is in Camden, South Carolina. Bank of Camden operates one banking office located in Camden, South Carolina.

### **The Merger (page 25)**

The merger agreement is attached as Appendix A to this document. You should read the merger agreement because it is the legal document that governs the merger. The merger agreement provides for the merger of DeKalb with and into First Community. In addition, DeKalb's wholly owned subsidiary, the Bank of Camden, will be merged with and into First Community's wholly owned subsidiary, First Community Bank, N.A. Upon the closing of the merger, each share of DeKalb common stock will be converted into the right to receive \$3.875 in cash and 0.60705 shares of First Community common stock. In addition, each outstanding DeKalb stock option will be converted into an option to purchase 0.8094 shares of First Community common stock. The per share exercise price under each option will be adjusted by dividing the per share exercise price by 0.8094. All outstanding options will be exercisable for the same period and will otherwise have the same terms and conditions applicable to the DeKalb options that they replace.

### **Reasons for the Merger (page 26)**

In reaching its decision to adopt and approve the merger agreement and recommend the merger to its shareholders, the DeKalb board of directors consulted with DeKalb management, as well as its legal and financial advisors, and considered a number of factors, including:



- A review of DeKalb's current business, operations, earnings, and financial condition and reasonable expectations of future performance and operations;
- The terms of the First Community's offer, including both the amount and nature of the consideration proposed to be paid in comparison to other similar transactions occurring in the recent past within South Carolina;

[Back to Table of Contents](#)

- The recent market performance of First Community common stock, as well as the recent earnings performance and dividend payment history of First Community;
- The belief of the DeKalb board of directors that the terms of the agreement and plan of merger are attractive in that the agreement and plan of merger allow DeKalb's shareholders to become shareholders in First Community and receive a substantial cash payment;
- The difficulty of remaining independent in close proximity to the Columbia market and risks of de novo branching into the Columbia market versus the benefits of combining with an institution with a significant Columbia market presence;
  - The alternatives to the merger, including remaining an independent institution;
  - The competitive and regulatory environment for financial institutions generally;
  - The wide range of banking products and services First Community offers to its customers;
  - The impact of the proposed merger on DeKalb's employees and the Camden community;
- The belief of DeKalb's board of directors, based upon analysis of the anticipated financial effects of the merger, that upon consummation of the merger, First Community and its banking subsidiaries would remain well-capitalized institutions, the financial positions of which would be in excess of all applicable regulatory capital requirements;
- The Orr Group, LLC's opinion that the consideration DeKalb shareholders will receive as a result of the merger is fair from a financial point of view;
- The belief of DeKalb's board of directors that, in light of the reasons discussed above, First Community was an attractive choice as a long-term affiliation partner of DeKalb; and
- The expectation that the merger will generally be a tax-free transaction to DeKalb shareholders with respect to the First Community common stock received by virtue of the merger. See "Federal Income Tax Consequences."

In addition, DeKalb's board knew and considered the financial interests of certain DeKalb directors and executives when it approved the merger agreement. These financial interests are addressed in greater detail under the heading "The Merger - Interests of Directors and Officers of DeKalb that Differ from Your Interests."

### **Regulatory Approvals (page 37)**

We cannot complete our merger unless we obtain the approval of the Board of Governors of the Federal Reserve System and the South Carolina State Board of Financial Institutions. 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.

### **DeKalb Shareholders' Meeting (page 22)**

DeKalb will hold its shareholders' special meeting on May 23, 2006, at 4:00 p.m., local time, at the offices of The Bank of Camden, 631 West DeKalb Street, Camden, South Carolina. At the special meeting, DeKalb shareholders will be asked to vote to approve the merger proposal 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 at the special

meeting, in person or by proxy, to approve the merger proposal.

[Back to Table of Contents](#)

### **DeKalb Shareholders' Meeting Record Date and Voting (page 22)**

If you owned shares of DeKalb at the close of business on April 17, 2006, the record date, you are entitled to vote on the merger proposal, as well as any other matters considered at the meeting. On the record date, there were 610,139 shares of DeKalb stock outstanding. You will have one vote at the meeting for each share of DeKalb stock you owned on the record date. The affirmative vote of the holders of at least two-thirds of DeKalb outstanding shares of common stock is required to approve the merger proposal. As of April 17, 2006, DeKalb's current directors and executive officers had or shared the right to vote approximately 27.26% of the outstanding shares of DeKalb common stock. Each of DeKalb's directors and executive officers has agreed, subject to several conditions, to vote his or her shares of DeKalb common stock in favor of the merger proposal.

### **The Board of Directors of DeKalb Recommends Shareholder Approval (page 23)**

The board of directors of DeKalb has approved the merger proposal, believes that the merger proposal is in the best interest of DeKalb and its shareholders, and recommends that the shareholders vote **"FOR"** approval of the merger proposal.

### **The Financial Advisor for DeKalb Believes the Merger Proposal Consideration is Fair to DeKalb Shareholders (page 27)**

The Orr Group, LLC has served as financial advisor to DeKalb in connection with the merger proposal and has given an opinion to the DeKalb board of directors that, as of January 17, 2006, the date the DeKalb board of directors voted on the merger proposal, the consideration First Community will pay for the DeKalb common stock is fair to DeKalb shareholders from a financial point of view. A copy of the opinion delivered by The Orr Group, LLC is attached to this proxy statement/prospectus as Appendix C. DeKalb shareholders should read the opinion completely to understand the assumptions made, matters considered, and limitations of the review undertaken by The Orr Group, LLC in providing its opinion.

### **Interests of Directors and Officers of DeKalb that Differ from Your Interests (page 35)**

When considering the recommendations of the DeKalb board of directors, you should be aware that some directors and officers have interests in the merger proposal that differ from the interests of other shareholders, including the following:

- Following the merger, one current DeKalb director, who has not yet been selected, will be appointed to the board of directors of First Community;
  - Following the merger, seven current DeKalb directors will be appointed to an advisory board of First Community Bank and First Community Bank will pay advisory fees to these individuals for these services;
- Following the merger, William C. Bochette, III will serve as a senior vice president of First Community Bank. In addition to an annual salary of \$150,000 and benefits, he will also receive a lump sum payment of \$400,000 in connection with the termination of his existing employment agreement with DeKalb;
- Following the merger, First Community will generally indemnify and provide liability insurance for up to three years following the merger to the present directors and officers of DeKalb, subject to certain exceptions.

Each board member was aware of these and other interests and considered them before approving and adopting the merger proposal.

**Federal Income Tax Consequences (page 33)**

We have structured the merger so that it will be considered a reorganization for United States federal income tax purposes. If the merger is a reorganization for United States federal income tax purposes, DeKalb

[Back to Table of Contents](#)

shareholders generally will not recognize any gain or loss on the exchange of shares of DeKalb common stock for shares of First Community common stock. However, DeKalb shareholders will recognize gain, but not loss, for federal income tax purposes, to the extent of the cash they receive in the exchange. Such gain will be a capital gain, provided that such shares were held as capital assets of the DeKalb shareholder at the effective time of the merger. Determining the actual tax consequences of the merger to a DeKalb shareholder may be complex. These tax consequences will depend on each shareholder's specific situation and on factors not within our control. DeKalb shareholders should consult their own tax advisors for a full understanding of the tax consequences of their participation in the merger.

#### **Comparative Rights of Shareholders (page 48)**

The rights of DeKalb shareholders are currently governed by South Carolina corporate law and DeKalb's articles of incorporation and bylaws. The rights of First Community shareholders are currently governed by South Carolina corporate law and First Community's articles of incorporation and bylaws. Upon consummation of the merger, the shareholders of DeKalb will become shareholders of First Community and the articles of incorporation and bylaws of First Community will govern their rights. First Community's articles of incorporation and bylaws differ somewhat from those of DeKalb.

#### **Termination of the Merger Agreement (page 38)**

Notwithstanding the approval of the merger proposal by DeKalb shareholders, DeKalb and First Community can mutually agree in writing at any time to terminate the merger agreement before completing the merger.

Either DeKalb or First Community can also terminate the merger agreement:

- If the other party materially violates any of its representations or warranties under the merger agreement and fails to cure the violation;
- If required regulatory approval is denied by final nonappealable action of such regulatory authority or if any action taken by such authority is not appealed within the time limit for appeal;
- If any law or order permanently restraining, enjoining, or otherwise prohibiting the consummation of the merger shall have become final and nonappealable;

· If DeKalb shareholder approval is not obtained at the special meeting; or

· If we do not complete the merger by October 31, 2006.

First Community can also terminate the merger agreement, provided that it is not in material breach of any representation, warranty, or covenant, or other agreement in the merger agreement, and the DeKalb shareholders have not approved the merger:

- If the DeKalb board of directors fails to reaffirm its approval upon First Community's request for such reaffirmation of the merger or if the DeKalb board of directors resolves not to reaffirm the merger;
- If the DeKalb board of directors withdraws, qualifies, modifies, or proposes publicly to withdraw, qualify, or modify, in a manner adverse to First Community, its recommendation that the shareholders approve the merger;
- If the DeKalb board of directors affirms, recommends, or authorizes entering into any acquisition transaction other than the merger or, within five business days after commencement of any tender or exchange offer for any shares of

its common stock, the DeKalb board of directors makes any recommendation other than against such tender or exchange offer; or

[Back to Table of Contents](#)

· If the DeKalb board of directors negotiates or authorizes the conduct of negotiations (and five business days have elapsed without such negotiations being discontinued) with a third party regarding an acquisition proposal other than the merger.

First Community may also terminate the merger agreement if at any time during the three business day period commencing on the Determination Date (as defined in the merger agreement) the final FCCO Stock Price (as defined in the merger agreement) is greater than \$22.98. Within three business days of receiving First Community's notice of termination, DeKalb will have the option of decreasing the per share purchase price to be received by DeKalb shareholders so that it would equal \$22.98.

DeKalb can terminate the merger agreement, provided that it is not in material breach of any representation, warranty, or covenant, or other agreement in the merger agreement, if, prior to the adoption of the merger agreement by the shareholders at the special meeting, the DeKalb board of directors has (x) withdrawn or modified or changed its recommendation or approval of the merger agreement in a manner adverse to First Community in order to approve and permit DeKalb to accept a superior proposal and (y) determined, after consultation with and the receipt of advice from outside legal counsel to DeKalb, that the failure to take such action would be likely to result in a breach of the board of directors' fiduciary duties under applicable law.

DeKalb may also terminate the Agreement if at any time during the three business day period commencing on the Determination Date (as defined in the merger agreement) the final FCCO Stock Price (as defined in the merger agreement) is less than \$15.32. Within three business days of receiving DeKalb's notice of termination, First Community will have the option of increasing the per share purchase price to be received by DeKalb shareholders so that it would equal \$15.32.

#### **DeKalb Must Pay First Community a Termination Fee Under Certain Circumstances (page 41)**

The merger agreement provides for the reimbursement of First Community's out-of-pocket expenses, not to exceed \$150,000, if First Community terminates the merger agreement because:

- the DeKalb board of directors fails to reaffirm its approval upon First Community's request for such reaffirmation of the merger or the DeKalb board of directors resolves not to reaffirm the merger;
- the DeKalb board of directors withdraws, qualifies, modifies, or proposes publicly to withdraw, qualify, or modify, in a manner adverse to First Community, the recommendation that the shareholders approve the merger;
- the DeKalb board of directors affirms, recommends, or authorizes entering into any acquisition transaction other than the merger or, within five business days after commencement of any tender or exchange offer for any shares of its common stock, the DeKalb board of directors makes any recommendation other than against acceptance of such tender or exchange offer; or
- the DeKalb board of directors negotiates or authorizes the conduct of negotiations (and five business days have elapsed without such negotiations being discontinued) with a third party regarding an acquisition proposal other than the merger.

If within 12 months after such termination DeKalb consummates another acquisition transaction (as defined in the merger agreement), DeKalb must pay an additional \$500,000 termination fee (less the amount paid for First Community's out-of-pocket expenses).



If the board of directors of DeKalb determines, after consultation with legal counsel, that in light of a superior proposal (as defined in the merger agreement), it is necessary to terminate the agreement to comply with its fiduciary duties, and within 12 months of such termination an acquisition transaction has been announced or an acquisition agreement has been entered into by DeKalb, DeKalb must pay First Community's out-of-pocket expenses as described above. If within 12 months after such termination, DeKalb consummates the acquisition transaction, DeKalb must pay the additional termination fee as described above.

[Back to Table of Contents](#)

Finally, if the merger agreement is terminated following the commencement of any tender or exchange offer for more than 50% of the shares of DeKalb and within 12 months of such termination an acquisition transaction has occurred involving the tender offeror or its affiliates and DeKalb, then DeKalb must reimburse First Community's out-of-pocket expenses and pay the additional termination as described above.

### **Dissenters' Rights (page 42)**

South Carolina law permits DeKalb shareholders to dissent from the approval of the merger proposal and to have the fair value of their DeKalb shares paid to them in cash. To do this, DeKalb shareholders must follow specific procedures, including filing a written notice with DeKalb **prior to the shareholder vote on the merger proposal**. If you follow the required procedures, your only right will be to receive the fair value of your common stock in cash. Copies of the applicable South Carolina statutes are attached to this document as Appendix B.

### **The Merger is Expected to Occur in the Late Second or Early Third Quarter of 2006 (page 25)**

The merger will occur shortly after all of the conditions to its completion have been satisfied or waived. Currently, we anticipate that the merger will occur in the late second or early third quarter of 2006. However, we cannot assure you when or if the merger will occur. We must first obtain the approval of the DeKalb shareholders at the special meeting and all the necessary regulatory approvals.

### **Accounting Treatment (page 42)**

The merger will be accounted for using the purchase method of accounting, with First Community being treated as the acquiring entity for accounting purposes. Under the purchase method of accounting, the assets and liabilities of DeKalb as of the effective time of the merger will be recorded at their respective fair values and added to those of First Community.

### **Completion of the Merger is Subject to Certain Conditions (page 36)**

Completion of the merger is subject to a number of conditions, including the approval of the merger proposal by DeKalb shareholders and the receipt of all the regulatory consents and approvals that are necessary to permit the completion of the merger. Certain conditions to the merger may be waived by First Community or DeKalb, as applicable.

### **Comparative Market Value of Securities**

The following table sets forth the closing price per share of First Community common stock and the closing price per share of DeKalb on December 8, 2005 (the last business day preceding the public announcement of the proposed merger) and April 18, 2006 (the most recent practicable trading date prior to the mailing the proxy statement/prospectus). The table also presents the equivalent market value per share of DeKalb common stock assuming that the consideration for the transaction is 0.60705 of a share of First Community common stock and \$3.875 in cash for each share outstanding of DeKalb common stock.

	First Community <u>Common Stock</u>	DeKalb <u>Common Stock</u>	Equivalent Price Per Share of <u>DeKalb Common Stock</u> <sup>(2)</sup>
December 8, 2005	\$19.25	\$12.00 <sup>(1)</sup>	\$15.56
April 18, 2006	\$18.00	\$11.50 <sup>(3)</sup>	\$14.80

- (1) The price of the last known sale preceding December 8, 2005.
- (2) The equivalent prices per share of DeKalb common stock have been calculated by multiplying the closing price per share of First Community common stock on each of the two dates by the exchange ratio of 0.60705 and adding \$3.875.
- (3) The price of the last known sale preceding April 18, 2006.

**Because the exchange ratio is fixed and because the market price of First Community common stock is subject to fluctuation, the market value of the shares of First Community common stock that you may**

[Back to Table of Contents](#)

receive in the merger may increase or decrease prior to and following the merger. You are urged to obtain current market quotations for First Community common stock.

### Comparative Per Share Data

The following table shows income per common share, dividends per share, book value per share, and similar information as if the merger had occurred on the dates indicated (which are referred to as "pro forma" information). In presenting the comparative pro forma information for certain time periods, it was assumed that First Community and DeKalb had been merged throughout those periods and made certain other assumptions. 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 the 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 Capital Stock - Common Stock - Dividends Rights."

The information listed as "DeKalb Pro Forma Equivalent" was obtained by multiplying the pro forma amounts by an exchange ratio of 0.60705. First Community and DeKalb 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 the companies been combined during these periods.

#### For the Twelve Months Ended December 31, 2005

	DeKalb Historical	First Community Historical	Pro Forma Combined	DeKalb Pro Forma Equivalent
Net Income per share, basic	\$ 0.17	\$ 1.09	\$ 1.00	\$ 0.61
Net Income per share, diluted	\$ 0.17	\$ 1.04	\$ 0.95	\$ 0.58
Dividends declared per share	\$ 0.00	\$ 0.20	\$ 0.20	\$ 0.12
Book value per share	\$ 8.45	\$ 17.82	\$ 17.98	\$ 10.91

[Back to Table of Contents](#)

**SELECTED FINANCIAL DATA OF FIRST COMMUNITY**

The following selected financial data for the years ended December 31, 2001 through 2005 is derived from the financial statements and other data of First Community. The selected financial data should be read in conjunction with the financial statements of First Community, including the accompanying notes, included elsewhere herein.

**Selected Financial Data**

(Amounts in thousands, except per share data)

	Year ended December 31,				
	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
<b>Operations Statement Data:</b>					
Net interest income	\$ 12,994	\$ 9,596	\$ 7,648	\$ 7,044	\$ 5,523
Provision for loan losses	329	245	167	677	407
Non-interest income	3,298	1,774	1,440	1,232	938
Non-interest expense	11,838	7,977	6,158	5,377	4,381
Income taxes	1,032	963	965	758	569
Net income	\$ 3,093	\$ 2,185	\$ 1,797	\$ 1,464	\$ 1,104
<b>Per Share Data:</b>					
Net income diluted (1)	\$ 1.04	\$ 1.09	\$ 1.08	\$ 0.90	\$ \$ 0.68
Cash dividends	.20	0.20	0.19	0.12	-
Book value at period end (1)	17.82	18.09	12.21	11.61	10.56
Tangible book value at period end (1)	8.34	8.19	11.74	11.02	9.85
<b>Balance Sheet Data:</b>					
Total assets	\$ 467,455	\$ 455,706	\$ 215,029	\$ 195,201	\$ 156,555
Loans, net	221,668	184,007	119,304	98,466	86,518
Securities	176,372	196,026	58,954	69,785	46,366
Deposits	349,604	337,064	185,259	168,062	134,402
Shareholders' equity	50,767	50,463	19,509	18,439	16,776
Average shares outstanding (1)	2,847	1,903	1,590	1,588	1,585
<b>Performance Ratios:</b>					
Return on average assets	0.67%	0.76%	0.88%	0.82%	0.77%
Return on average equity	6.12%	8.00%	9.49%	8.35%	8.00%
Return on average tangible equity	13.33%	10.39%	9.94%	8.87%	7.40%
Net interest margin	3.30%	3.72%	4.02%	4.26%	4.19%
Dividend payout ratio	18.35%	17.39%	16.81%	13.04%	N/A
<b>Asset Quality Ratios:</b>					
Allowance for loan losses to period end total loans	1.22%	1.48%	1.41%	1.53%	1.14%
Allowance for loan losses to non-performing assets	487.48%	2,291.34%	2,123.60%	1,059.24%	247.00%
Non-performing assets to total assets	.12%	.03%	.04%	.07%	0.26%
Net charge-offs (recoveries) to average loans	.19%	.13%	(.01%)	.16%	0.35%
<b>Capital and Liquidity Ratios:</b>					
Tier 1 risk-based capital	13.24%	12.91%	13.21%	14.03%	14.90%
Total risk-based capital	14.12%	13.86%	14.42%	15.28%	15.90%
Leverage ratio	9.29%	8.51%	8.87%	8.77%	10.00%
Equity to assets ratio	10.86%	9.60%	9.07%	9.45%	10.72%

Average loans to average deposits	59.81%	61.00%	63.33%	60.71%	68.66%
-----------------------------------	--------	--------	--------	--------	--------

(1) Adjusted for the June 30, 2001 5% stock dividend and the February 28, 2002 5-for-4 stock split.

[Back to Table of Contents](#)

**SELECTED FINANCIAL DATA OF DEKALB**

The following selected financial data for the years ended December 31, 2005, 2004 and 2003 is derived from the financial statements and other data of DeKalb. The selected financial data should be read in conjunction with the financial statements of DeKalb, including the accompanying notes, included elsewhere herein.

<i>(Dollars in thousands)</i>	2005	2004	2003
<b>Income Statement Data:</b>			
Interest income	\$ 2,436	\$ 1,977	\$ 1,523
Interest expense	936	576	429
Net interest income	1,500	1,401	1,094
Provision for loan losses	58	109	95
Net interest income after provision for loan losses	1,442	1,292	999
Noninterest income	393	224	347
Noninterest expense	1,649	1,376	1,265
Income before income taxes	186	140	81
Income tax expense	80	52	31
Net income	\$ 106	\$ 88	\$ 50
<b>Balance Sheet Data:</b>			
Assets	\$ 46,326	\$ 42,560	\$ 33,035
Earning assets	44,025	40,262	31,058
Securities <sup>(1)</sup>	11,032	9,594	7,159
Loans <sup>(2)</sup>	30,532	26,643	21,504
Allowance for loan losses	305	266	305
Deposits	30,301	28,310	23,847
Interest-bearing liabilities	37,921	34,421	25,532
Shareholders' equity	5,158	5,192	5,112
<b>Per-Share Data:</b>			
Earnings per-share	\$ 0.17	\$ 0.14	\$ 0.08
Book value (period end)	8.45	8.51	8.39
Tangible book value (period end)	8.45	8.51	8.39
<b>Selected Ratios:</b>			
Return on average assets	0.24%	0.23%	0.17%
Return on average equity	2.42%	1.70%	0.98%
Net interest margin <sup>(3)</sup>	3.60%	3.72%	4.22%
Efficiency <sup>(4)</sup>	87.11%	84.68%	90.38%
Average equity to average assets	11.85%	13.41%	17.88

(1) All securities are available for sale and are stated at fair value.

(2) Loans are stated at gross amounts before allowance for loan losses.

(3) Net interest income divided by average earning assets.

(4) Noninterest expense divided by the sum of net interest income and noninterest income, net of gains and losses on sales of assets.

[Back to Table of Contents](#)





## RISK FACTORS

*If the merger is consummated, you will receive shares of First Community common stock in exchange for your shares of DeKalb common stock. An investment in First Community common stock is subject to a number of risks and uncertainties, many of which also apply to your existing investment in DeKalb common stock. Risks and uncertainties relating to general economic conditions are not summarized below. Those risks, among others, are highlighted on page 21 under the heading "A Warning About Forward-Looking Statements."*

*However, there are a number of other risks and uncertainties relating to First Community and your decision on the merger proposal that you should consider in addition to the risks and uncertainties associated with financial institutions generally. Many of these risks and uncertainties could affect First Community's future financial results and may cause First Community's future earnings and financial condition to be less favorable than First Community's expectations. This section summarizes those risks.*

**You will experience a substantial reduction in percentage ownership and voting power with respect to your shares as a result of the merger.**

DeKalb shareholders will experience a substantial reduction in their respective percentage ownership interests and effective voting power through their stock ownership in First Community relative to their percentage ownership interest in DeKalb prior to the merger. If the merger is consummated, current DeKalb shareholders will own approximately 12% of First Community outstanding common stock, on a fully diluted basis, based on First Community outstanding common stock as of March 31, 2006. Accordingly, even if they were to vote as a group, current DeKalb shareholders could be outvoted by other First Community shareholders.

**Because the market price of First Community common stock may fluctuate, DeKalb 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 DeKalb common stock will automatically be converted into the right to receive \$3.875 in cash and 0.60705 shares of First Community common stock. Changes in the price of First Community common stock from the date of the merger agreement and from the date of this proxy statement/prospectus may affect the market value of First Community common stock that DeKalb 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 DeKalb shareholders actually receive certificates evidencing First Community common stock. Until stock certificates are received, DeKalb 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, holders of DeKalb 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 April 18, 2006 (the most recent practicable date prior to the printing of this proxy statement/prospectus), the closing price of First Community common stock varied from a low of \$16.73 to a high of \$20.50 and ended that period at \$18.00. 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 Capital Market has been comparable to other similarly sized bank holding companies since trading on the NASDAQ Capital Market began in January 2003. Nevertheless, this trading volume does not compare with more seasoned companies listed on the NASDAQ Capital Market or 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.

[Back to Table of Contents](#)

**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, capital and 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 Capital Stock - Common Stock - Dividend Rights.”

**We cannot guarantee the consummation of the contemplated merger.**

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

**We cannot predict the effect the acquisition will have on our operations if First Community does not successfully integrate the operations of DeKalb.**

First Community’s ability to achieve fully the expected benefits of the merger depends on its successful integration of DeKalb. There is a risk that integrating DeKalb into First Community’s existing operations may take a greater amount of resources and time than we expect. Accordingly, there is a risk that the anticipated benefits may not be realized or that they may be less than we expect if we are unable to integrate in a timely manner, fail to realize cost savings from the merger, or disrupt customer relationships.

[Back to Table of Contents](#)

## A WARNING ABOUT FORWARD-LOOKING STATEMENTS

This proxy statement/prospectus, including information included or incorporated by reference in this document, contains forward-looking statements with respect to the financial condition, results of operations, plans, objectives, future performance, and business of each of First Community and DeKalb, as well as information relating to the merger. These statements are preceded by, followed by, or include the words "believes," "expects," "anticipates," or "estimates," or similar expressions. **Many possible events or factors could affect our future financial results and performance. This could cause our results or performance to differ materially from those expressed in our forward-looking statements. You should consider these important factors when you vote on the merger.** Factors that may cause actual results to differ materially from those contemplated by our forward-looking statements include the following:

- our operating costs after the merger may be greater than expected, and our cost savings from the merger may be less than expected, or we may be unable to attain those cost savings as soon as expected;
- we may be unable to successfully integrate DeKalb or we may have more trouble integrating acquired businesses than we expected;
- we could lose our key personnel, including the DeKalb personnel we will employ as a result of the merger, or spend a greater amount of resources attracting, retaining, and motivating them than we have in the past;
  - competition among depository and other financial institutions may increase significantly;
  - changes in the interest rate environment may reduce operating 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 the 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; and
  - legislative or regulatory changes may adversely affect our businesses.

We have based our forward-looking statements on our current expectations about future events. Although we believe that the expectations reflected in our forward-looking statements are reasonable, we cannot guarantee you that these expectations actually will be achieved. We are under no duty to update any of the forward-looking statements after the date of this proxy statement/prospectus to conform those statements to actual results. In evaluating these statements, you should consider various factors, including the risks outlined in the section entitled "Risk Factors," beginning on page 19. You should also consider the cautionary statements contained in First Community's filings with the Securities and Exchange Commission.

[Back to Table of Contents](#)

## THE SPECIAL MEETING

### General

The DeKalb board of directors is providing this proxy statement/prospectus to you in connection with its solicitation of proxies for use at the special meeting of DeKalb shareholders and at any adjournments or postponements of the special meeting.

First Community is also providing this proxy statement/prospectus to you as a prospectus in connection with the offer and sale by First Community of shares of its common stock to shareholders of DeKalb in the merger.

Your vote is important. Please complete, date, and sign the enclosed proxy card and return it in the postage prepaid envelope provided. If your shares are held in "street name," you should instruct your broker how to vote by following the directions provided by your broker.

### Meeting Date, Time, and Place and Record Date

DeKalb will hold the special meeting on May 23, 2006, at 4:00 p.m, local time, at the offices of The Bank of Camden, 631 West DeKalb Street, Camden South Carolina. At the special meeting (and any adjournment or postponement of the meeting), holders of DeKalb common stock will be asked to consider and vote upon a proposal to approve the merger agreement and a proposal to authorize the board of directors to adjourn the special meeting to allow for 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 merger agreement. Only holders of DeKalb common stock of record at the close of business on April 17, 2006, the record date, will be entitled to receive notice of and to vote at the special meeting. As of the record date, there were 610,139 shares of DeKalb common stock outstanding and entitled to vote, with each such share entitled to one vote.

### Matters to be Considered

At the special meeting, DeKalb shareholders will be asked to approve the Agreement and Plan of Merger, dated as of January 19, 2006, by and between DeKalb and First Community and 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. Under the merger agreement, DeKalb will merge with and into First Community and shares of DeKalb common stock will be converted into the right to receive \$3.875 in cash and 0.60705 shares of First Community common stock. DeKalb shareholders will also 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 meeting, in person or by proxy, to approve the merger. Finally, DeKalb shareholders may also be asked to consider any other business that properly comes before the special meeting. Each copy of this proxy statement/prospectus mailed to DeKalb shareholders is accompanied by a proxy card for use in connection with the special meeting.

### Vote Required

Approval of the merger proposal requires the affirmative vote of the holders of at least two-thirds of the issued and outstanding shares entitled to vote at the DeKalb special meeting. Approval of the proposal to authorize adjournment requires that the number of votes cast in favor of the proposal exceed the number of votes cast against the proposal. On the record date, there were approximately 610,139 outstanding shares of DeKalb common stock, each of which is entitled to one vote at the special meeting. On that date, the directors and executive officers of DeKalb had or shared the right to vote a total of approximately 27.26% of the outstanding shares of DeKalb common stock. Each of DeKalb's directors and executive officers has agreed, subject to several conditions, to vote his or her shares of DeKalb

common stock in favor of the merger agreement. The presence, in person or by proxy, of shares of DeKalb common stock representing a majority of DeKalb outstanding shares entitled to vote at the special meeting is necessary in order for there to be a quorum at the special meeting. A quorum must be present in order for the vote on the merger agreement and vote on the authorization to adjourn to occur. 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 shares voting on the motion to adjourn.

[Back to Table of Contents](#)

## **Voting of Proxies**

Shares of common stock represented by properly executed proxies received at or prior to the DeKalb special meeting will be voted at the special meeting in the manner specified by the holders of such shares. Properly executed proxies which do not contain voting instructions will be voted **“FOR”** approval of the merger agreement and the proposal to authorize adjournment.

Any shareholder present in person or by proxy (including broker non-votes, which generally occur when a broker who holds shares in street name for a customer does not have the authority to vote on certain non-routine matters because its customer has not provided any voting instructions with respect to the matter) at the special meeting who abstains from voting will be counted for purposes of determining whether a quorum exists.

**Because approval of the merger proposal requires the affirmative vote of the holders of at least two-thirds of all shares entitled to vote at the DeKalb special meeting, abstentions and broker non-votes will have the same effect as negative votes. Accordingly, the DeKalb board of directors urges its shareholders to complete, date, and sign the accompanying proxy card and return it promptly in the enclosed, postage-paid envelope.**

## **Revocability of Proxies**

The grant of a proxy on the enclosed proxy card does not preclude you from voting in person or otherwise revoking a proxy. There are three ways you can change your vote. First, you may send a written notice to the person to whom you submitted your proxy or to the secretary of DeKalb 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 DeKalb prior to the special meeting will be your vote. Any earlier votes will be revoked. Third, you may attend the special meeting and vote in person. Any earlier votes will be revoked. Simply attending the special meeting without voting, however, will not revoke your proxy. If you have instructed a broker to vote your shares, you must follow the directions you will receive from your broker to change or revoke your proxy.

## **Solicitation of Proxies**

First Community and DeKalb will pay all of the costs of printing this proxy statement/prospectus and of soliciting proxies in connection with the special meeting. Solicitation of proxies may be made in person or by mail, telephone, or facsimile, or other form of communication by directors, officers, and employees of DeKalb who will not be specially compensated for such solicitation. Nominees, fiduciaries, and other custodians will be requested to forward solicitation materials to beneficial owners and to secure their voting instructions, if necessary, and will be reimbursed for the expenses incurred in sending proxy materials to beneficial owners.

No person is authorized to give any information or to make any representation not contained in this proxy statement/prospectus and, if given or made, such information or representation should not be relied upon as having been authorized by DeKalb, First Community, or any other person. The delivery of this proxy statement/prospectus does not, under any circumstances, create any implication that there has been no change in the business or affairs of DeKalb or First Community since the date of the proxy statement/prospectus.

## **Recommendation of the Board of Directors**

The DeKalb board of directors has determined that the merger proposal and the transactions contemplated thereby and the authorization to adjourn are in the best interests of DeKalb and its shareholders. The members of the DeKalb board of directors unanimously recommend that the DeKalb shareholders vote at the special meeting to approve these proposals.

In the course of reaching its decision to approve the merger proposal and the transactions contemplated thereby, the DeKalb board of directors, among other things, consulted with its legal advisors, Haynsworth Sinkler Boyd, P.A., regarding the legal terms of the merger agreement and with its financial advisor, The Orr Group, LLC, as to the fairness, from a financial point of view, of the consideration to be received by the holders of DeKalb common stock in the merger. For a discussion of the factors considered by the DeKalb board of directors in

[Back to Table of Contents](#)



reaching its conclusion, see “Proposal No. 1 - The Merger—DeKalb’s Reasons for the Merger” and “- The Merger—Opinion of DeKalb’s Financial Advisor.”

DeKalb shareholders should note that DeKalb directors and officers have certain interests in, and may derive benefits as a result of, the merger that are in addition to their interests as shareholders of DeKalb. See “Proposal No. 1 -The Merger—Interests of Directors and Officers of DeKalb that Differ from Your Interests.”

### **2006 Annual Meeting**

If the merger is approved by the shareholders, DeKalb does not intend to hold an annual meeting of shareholders in 2006. However, if the merger is not approved by the shareholders or is not completed, DeKalb will hold an annual meeting as soon as it may conveniently do so. As soon as a date for such meeting is set, DeKalb will notify shareholders of the meeting date and the dates by which any shareholder proposals must be received for inclusion, if otherwise appropriate, in DeKalb’s proxy statement and form of proxy relating to that meeting and determining whether proxies solicited by management of DeKalb may be voted on any shareholder proposal in the discretion of the designated proxy agents.

[Back to Table of Contents](#)

## **PROPOSAL NO. 1 -- THE MERGER**

*The descriptions of the terms and conditions of the merger proposal, the merger agreement, and any related documents in this proxy statement/prospectus are qualified in their entirety by reference to the copy of the merger agreement attached as Appendix A to this proxy statement/prospectus, to the registration statement, of which this proxy statement/prospectus is a part, and to the exhibits to the registration statement.*

### **Structure of the Merger**

The merger agreement provides for the merger of DeKalb with and into First Community. First Community will be the surviving corporation in the merger. Bank of Camden, a wholly owned subsidiary of DeKalb, will merge with and into First Community Bank, a wholly owned subsidiary of First Community. Each share of DeKalb common stock issued and outstanding at the effective time of the merger will be converted into the right to receive \$3.875 in cash and 0.60705 shares of First Community common stock. Upon completion of the merger, William C. Bochette, III, president and chief executive officer of DeKalb, will serve as a senior vice president of First Community Bank. In addition, First Community will appoint one current DeKalb director who is mutually acceptable to both parties to the board of directors of First Community. First Community will also appoint seven current DeKalb directors to an advisory board of First Community Bank.

### **Background of the Merger**

From time to time DeKalb's chief executive officer has received casual expressions of possible interest in combining forces or working together at some indeterminate further time from senior officials of a number of financial institutions. In October 2003, First Community's chief executive officer, Mr. Crapps, contacted Mr. Bochette, DeKalb's new chief executive officer for a meeting at which they discussed how First Community could provide assistance to DeKalb. In 2004, management of DeKalb realized that the additional requirements being imposed on public companies pursuant to the Sarbanes-Oxley Act would significantly increase the costs, both in management time and money, of operating a public company and that those costs would be difficult to bear for a company the size of DeKalb. Management began to consider the options that could be available, including supporting efforts to secure regulatory relief for smaller companies, "going private," seeking a merger transaction, or continuing to operate as an independent community bank in the higher cost environment. Management concluded that going private was not an attractive option and that it should explore the possibility of a merger transaction while supporting regulatory relief efforts and planning to continue independent operations. In late 2004, DeKalb was contacted by an out-of-area financial institution interested in exploring ways to enter the greater Columbia area market and some very general discussions were held.

In early 2005, Mr. Bochette contacted Mr. Crapps and arranged a meeting with Mr. Crapps on February 4, 2005. At that meeting Mr. Bochette and Mr. Crapps discussed ways in which First Community might provide assistance to DeKalb by buying loan participations, extending credit, and otherwise. They also discussed, in general terms, that First Community might have an interest in acquiring DeKalb in the future.

In March 2005, the SEC delayed the implementation of some of the more burdensome Sarbanes-Oxley provisions but did not reduce the requirements. Mr. Bochette realized that the costs would rise in the future and began to analyze what DeKalb would need to do in order to produce the level of growth and earnings to be able to produce returns at the levels that were anticipated prior to the enactment of Sarbanes-Oxley.

In August 2005, Mr. Bochette met with representatives of a correspondent bank to discuss DeKalb's strategic planning issues, including peer group analysis, various growth strategies, and projected earnings over a five-year period as well as potential merger price premiums. Mr. Bochette considered that discussion in conjunction with the difficulties of achieving rapid growth in a market that was growing slowly compared to the nearby Columbia market and of

managing personnel costs in the face of the availability of numerous well paid similar positions in the Columbia market. He reached the conclusion that a merger with another institution already in the Columbia market would be more likely to produce favorable results for DeKalb shareholders than would be likely if DeKalb remained independent. Mr. Bochette then contacted another financial institution that he believed might have an interest in acquiring DeKalb. Based on that contact, Mr. Bochette concluded that the institution had some interest but would not be interested in a transaction with DeKalb in the near term.

[Back to Table of Contents](#)

In September 2005, Mr. Bochette and the executive committee of DeKalb's board of directors met and reviewed the situation. The committee agreed that a merger transaction with an appropriate merger partner might be in the best interests of DeKalb's shareholders. Mr. Bochette advised the committee that he believed that First Community would be a desirable merger partner due to its size, office locations in the greater Columbia area, and the structure of its business if it would provide DeKalb shareholders with a reasonable merger premium. The committee authorized Mr. Bochette to pursue discussions with First Community and to engage an investment adviser, The Orr Group LLC, to assist with negotiations and the evaluation of alternatives.

Mr. Bochette arranged a meeting with Mr. Crapps on October 4, 2005 to discuss DeKalb's interest in pursuing a transaction and, at that meeting, Mr. Bochette and Mr. Crapps reviewed various elements of a possible transaction. On October 18, 2005, Mr. Crapps gave Mr. Bochette a preliminary outline of the terms of a possible transaction and expressed a desire to proceed with discussions.

On November 3, 2005, the DeKalb board of directors met with the financial adviser and discussed First Community's preliminary outline. The board voted to pursue negotiations with First Community to determine whether an acceptable agreement could be reached. Thereafter, Mr. Bochette and the investment adviser had numerous contacts with Mr. Crapps regarding various elements of the proposed transaction, especially the consideration to be received by DeKalb shareholders.

On November 29, 2005, First Community delivered a non-binding letter of intent to DeKalb describing the terms of a proposed transaction. The DeKalb board met on November 30, 2005 with its financial adviser and counsel to consider the letter of intent. The financial adviser presented an analysis of the proposed transaction and an analysis of the consideration that DeKalb shareholders might receive in a similar transaction with a number of other companies that had recently been active as acquirors or had publicly announced their interest in acquisitions and that the adviser believed might have an interest in DeKalb. After considering the interests of DeKalb's employees, the Camden community, and DeKalb's shareholders, the DeKalb board authorized Mr. Bochette to negotiate changes to the letter of intent to provide for its immediate public disclosure and to sign it on behalf of DeKalb.

After further discussions with Mr. Crapps and revisions to the letter of intent, it was signed by both parties and disclosed to the public on December 8, 2005. Shortly thereafter, the parties, with the assistance of counsel and, in the case of DeKalb, its financial adviser, negotiated the terms of a definitive agreement and plan of merger for presentation to and approval of the parties' respective boards of directors. The negotiations revealed numerous areas of disagreement and resulted in compromises by both sides to reach an agreement acceptable to both parties. During the course of the negotiations with First Community, DeKalb was not contacted by any other institution to propose the acquisition of DeKalb by the other institution.

The DeKalb board of directors met on January 17, 2006 with counsel and its investment adviser to review the obligations of directors when considering a merger of the company, the proposed terms of the agreement and plan of merger, and an analysis of the fairness of the proposed transaction from a financial point of view to the shareholders of DeKalb. The board of directors then voted to approve the agreement and plan of merger and to recommend it to the shareholders of DeKalb for their approval, and authorized Mr. Bochette to execute the agreement on behalf of DeKalb.

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

In reaching its determination that the merger and the merger agreement and plan of merger are fair to, and in the best interests of, DeKalb and its shareholders, DeKalb's board of directors consulted with its advisers and counsel, as well as with DeKalb's management, and considered a number of factors, including, without limitation, the following:

- A review of DeKalb's current business, operations, earnings, and financial condition and reasonable expectations of future performance and operations;

[Back to Table of Contents](#)

- The terms of the First Community's offer, including both the amount and nature of the consideration proposed to be paid in comparison to other similar transactions occurring in the recent past within South Carolina;
- The recent market performance of First Community common stock, as well as the recent earnings performance and dividend payment history of First Community;
- The belief of the DeKalb board of directors that the terms of the agreement and plan of merger are attractive in that the agreement and plan of merger allow DeKalb's shareholders to become shareholders in First Community and receive a substantial cash payment;
- The difficulty of remaining independent in close proximity to the Columbia market and risks of de novo branching into the Columbia market versus the benefits of combining with an institution with a significant Columbia market presence;
  - The alternatives to the merger, including remaining an independent institution;
  - The competitive and regulatory environment for financial institutions generally;
  - The wide range of banking products and services First Community offers to its customers;
  - The anticipated impact of the proposed merger on DeKalb's employees and the Camden community;
- The belief of DeKalb's board of directors, based upon analysis of the anticipated financial effects of the merger, that upon consummation of the merger, First Community and its banking subsidiaries would remain well-capitalized institutions, the financial positions of which would be in excess of all applicable regulatory capital requirements;
- The Orr Group, LLC's opinion that the consideration DeKalb shareholders will receive as a result of the merger is fair from a financial point of view;
- The belief of DeKalb's board of directors that, in light of the reasons discussed above, First Community was an attractive choice as a long-term affiliation partner of DeKalb; and
- The expectation that the merger will generally be a tax-free transaction to DeKalb shareholders with respect to the First Community common stock received by virtue of the merger. See "Federal Income Tax Consequences."

DeKalb's board of directors did not assign any specific or relative weight to the foregoing factors in their considerations

### **Opinion of DeKalb's Financial Advisor**

DeKalb retained The Orr Group, LLC to render a written opinion to the board of directors of DeKalb 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 DeKalb as set forth in the Agreement and Plan of Merger dated January 19, 2006 with DeKalb.

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

On January 17, 2006, The Orr Group, LLC rendered its oral opinion to the board of directors of DeKalb, subsequently confirmed in writing, as to the fairness, from a financial point of view, of the merger consideration to

[Back to Table of Contents](#)

be paid by First Community to the shareholders of DeKalb. The Orr Group, LLC's written opinion is attached as Appendix C 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, LLC in connection with its opinion.

The Orr Group, LLC's opinion to DeKalb's board of directors is directed only to the merger consideration as defined in the merger agreement dated January 19, 2006 as of that 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 DeKalb and First Community in the future. The Orr Group, LLC's opinion does not constitute a recommendation to any shareholder of DeKalb as to how such shareholder should vote at the DeKalb special meeting.

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

- (i) reviewed the merger agreement and certain related documents;
- (ii) reviewed the historical and current financial position and results of the operations of DeKalb and First Community;
- (iii) reviewed certain publicly available information concerning First Community including Annual Reports on Form 10-K for each of the years in the three year period ended December 31, 2004 and Quarterly Reports on Form 10-Q for the periods ending March 31, 2005, June 30, 2005, and September 30, 2005;
- (iv) reviewed certain publicly available information concerning DeKalb including Annual Reports on Form 10-KSB for each of the years in the three year period ended December 31, 2004 and Quarterly Reports on Form 10-QSB for the periods ending March 31, 2005, June 30, 2005, and September 30, 2005;
- (v) reviewed certain available financial forecasts concerning the business and operations of DeKalb that were prepared by management of DeKalb;
- (vi) participated in discussions with certain officers and employees of DeKalb and First Community to discuss the past and current business operations, financial condition and prospects of DeKalb and First Community, as well as matters we believed relevant to its inquiry;
- (vii) reviewed certain publicly available operating and financial information with respect to other companies that we believe to be comparable in certain respects to DeKalb and First Community;
- (viii) reviewed the current and historical relationships between the trading levels of First Community's common stock and the historical and current market for the common stock of First Community and other companies that it believed to be comparable in certain respects to First Community;
- (ix) reviewed the nature and terms of certain other acquisition transactions that it believed to be relevant; and
  - (x) performed such other reviews and analyses it deemed appropriate.

In making its review and analysis, The Orr Group, LLC assumed and relied upon the accuracy and completeness of all of the financial and other information provided to it, or that was publicly available, and did not attempt independently to verify nor assumed responsibility for verifying any such information. With respect to the financial projections, The Orr Group, LLC assumed that they had been reasonably prepared on bases reflecting the best currently available estimates and judgments of DeKalb or First Community, as the case may be, and The Orr Group, LLC expressed no opinion with respect to such forecasts or the assumptions on which they are based. The Orr Group, LLC did not make or obtain, or assume any responsibility for making or obtaining, any independent evaluations or appraisals of any of the assets, including properties and facilities, or liabilities of DeKalb or First Community.

The Orr Group, LLC employed a variety of analyses, some of which are briefly summarized below. The analyses outlined below do not represent a complete description of the analyses performed by The Orr Group, LLC. The Orr Group, LLC 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, LLC 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, LLC's



view of the entire analysis as a whole.

[Back to Table of Contents](#)

**Selected Companies Analysis - First Community**

The Orr Group, LLC compared the financial performance data of First Community with a peer group of 25 publicly traded North Carolina and South Carolina banks that had total assets of greater than \$300 million and less than \$600 million. The peer group included the following:

## Peer Group List

American Community Bancshares, Inc.	ACBA	First Reliance Bancshares, Inc.	FSRL
Bank of the Carolinas	BCAR	First South Bancorp, Inc.	FSBS
Bank of Wilmington Corporation	BKWW	Four Oaks Fincorp, Inc.	FOFN
Beach First National Bancshares, Inc.	BFNB	Greenville First Bancshares, Inc.	GVBK
BNC Bancorp	BNCN	HCSB Financial Corporation	HCFB
Carolina Bank Holdings, Inc.	CLBH	MidCarolina Financial Corporation	MCFI
Community Bankshares, Inc.	SCB	New Century Bancorp, Inc.	NCBC
Community Capital Corp.	CYL	North State Bancorp	NSBC
Community First Bancorporation	CFOK	Peoples Bancorporation, Inc.	PBCE
Crescent Financial Corporation	CRFN	Southcoast Financial Corporation	SOCB
ECB Bancorp, Inc.	ECBE	Union Financial Bancshares, Incorporated	UFBS

First National FNSC  
Bancshares, Inc.

Uwharrie UWHR  
Capital Corp

Waccamaw WBNK  
Bankshares, Inc.

[Back to Table of Contents](#)

The results of the analysis involve complex considerations regarding the selected companies and First Community. The Orr Group, LLC compared performance indicators of First Community with the median, upper and lower quartile performance indicators of the selected peer group. The performance indicators utilized by The Orr Group, LLC based on financial information reported as of September 30, 2005. An overview comparison of the indicators included the following:

	<b>First Community</b>	<b>Peer Data</b>		
	<b>Data</b>	<b>Upper Quartile</b>	<b>Median</b>	<b>Lower Quartile</b>
<b>Balance Sheet Data</b>				
Assets (\$000s)	\$ 463,534	\$ 466,729	\$ 372,778	\$ 328,338
Deposits (\$000s)	\$ 335,836	\$ 360,221	\$ 296,126	\$ 263,982
Tangible Equity (\$000s)				