

FIRST COMMUNITY CORP /SC/  
Form DEF 14A  
April 13, 2007

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

**Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934**

Filed by the Registrant  x  
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Check the appropriate box:

- o Preliminary Proxy Statement  
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First Community Corporation  
(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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**FIRST COMMUNITY CORPORATION**  
**5455 Sunset Boulevard**  
**Lexington, South Carolina 29072**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**April 16, 2007**

Dear Fellow Shareholder:

We cordially invite you to attend the 2007 Annual Meeting of Shareholders of First Community Corporation, the holding company for First Community Bank, N.A. At the meeting, we will report on our performance in 2006 and answer your questions. We are excited about our accomplishments in 2006 and look forward to discussing both our accomplishments and our plans with you. We hope that you can attend the meeting and look forward to seeing you there.

This letter serves as your official notice that we will hold the meeting on May 16, 2007 at 11:00 a.m. at Woodcreek Farms Country Club 300 Club Ridge Road, Elgin, South Carolina for the following purposes:

1. To elect five Class I directors to serve on the board of directors each for three-year terms; and one Class II director to serve on the board of directors for a one year term.
2. To transact any other business that may properly come before the meeting or any adjournment of the meeting.

Shareholders owning our common stock at the close of business on March 30, 2007 are entitled to attend and vote at the meeting. A complete list of these shareholders will be available at the company's offices prior to the meeting.

Please use this opportunity to take part in the affairs of your company by voting on the business to come before this meeting. Even if you plan to attend the meeting, we encourage you to complete and return the enclosed proxy to us as promptly as possible.

By order of the Board of Directors,

James C. Leventis  
Chairman of the Board

Michael C. Crapps  
President and Chief  
Executive Officer

5455 Sunset Boulevard, Lexington, South Carolina 29072 / Telephone: (803) 951-2265 / Fax: (803) 951-1722

**FIRST COMMUNITY CORPORATION**  
**5455 Sunset Boulevard**  
**Lexington, South Carolina 29072**

**Proxy Statement for Annual Meeting of  
Shareholders to be Held on May 16, 2007**

Our board of directors is soliciting proxies for the 2007 Annual Meeting of Shareholders. This proxy statement contains important information for you to consider when deciding how to vote on the matters brought before the meeting. We encourage you to read it carefully.

**Voting Information**

The board set March 30, 2007 as the record date for the meeting. Shareholders owning our common stock at the close of business on that date are entitled to attend and vote at the meeting, with each share entitled to one vote. There were 3,217,954 shares of common stock outstanding on the record date. A majority of the outstanding shares of common stock represented at the meeting will constitute a quorum. We will count abstentions and broker non-votes, which are described below, in determining whether a quorum exists.

When you sign the proxy card, you appoint David K. Proctor and Joseph G. Sawyer as your representatives at the meeting. Messrs. Proctor and Sawyer will vote your proxy as you have instructed them on the proxy card. If you submit a proxy but do not specify how you would like it to be voted, Messrs. Proctor and Sawyer will vote your proxy for the election to the Board of Directors of all nominees listed below under "Election of Directors." We are not aware of any other matters to be considered at the meeting. However, if any other matters come before the meeting, Messrs. Proctor and Sawyer will vote your proxy on such matters in accordance with their judgment.

You may revoke your proxy and change your vote at any time before the polls close at the meeting. You may do this by signing and delivering another proxy with a later date or by voting in person at the meeting.

Brokers who hold shares for the accounts of their clients may vote these shares either as directed by their clients or in their own discretion if permitted by the exchange or other organization of which they are members. Proxies that brokers do not vote on some proposals but that they do vote on others are referred to as "broker non-votes" with respect to the proposals not voted upon. A broker non-vote does not count as a vote in favor of or against a particular proposal for which the broker has no discretionary voting authority. In addition, if a shareholder abstains from voting on a particular proposal, the abstention does not count as a vote in favor of or against the proposal.

We are paying for the costs of preparing and mailing the proxy materials and of reimbursing brokers and others for their expenses of forwarding copies of the proxy materials to our shareholders. Our officers and employees may assist in soliciting proxies but will not receive additional compensation for doing so. We are distributing this proxy statement on or about April 15, 2007.

### **Proposal No. 1: Election of Directors**

The board of directors is divided into three classes with staggered terms, so that the terms of only approximately one-third of the board members expire at each annual meeting. The current terms of the Class I directors will expire at the meeting. The terms of the Class II directors will expire at the 2008 Annual Shareholders Meeting and the terms of the Class III directors will expire at the 2009 Annual Shareholders Meeting. In addition, in connection with our merger with Dekalb Bankshares, Inc. and its wholly owned subsidiary, The Bank of Camden, which was consummated on June 9, 2006, Roderick M. Todd, Jr. was appointed to the board of directors as a Class II director. In accordance with our bylaws and the provisions of the South Carolina Business Corporation Act of 1988, Mr. Todd is up for re-election as director at the 2007 annual meeting.

Our directors and their classes are:

<u>Class I</u>	<u>Class II</u>	<u>Class III</u>
Richard K. Bogan, MD	Thomas C. Brown	Chimin J. Chao
Michael C. Crapps	O.A. Ethridge, D.M.D.	James C. Leventis
Hinton G. Davis	W. James Kitchens, Jr.	Loretta R. Whitehead
Anita B. Easter	Mitchell M. Willoughby	J. Thomas Johnson
George H. Fann, Jr., D.M.D.	Roderick M. Todd, Jr.	Alexander Snipe, Jr.

There are currently five directors in Class I. Shareholders will elect five nominees as Class I directors at the meeting to serve a three-year term, expiring at the 2010 annual meeting of shareholders. Shareholders will elect one director at the meeting to serve a one year term expiring at the 2008 annual meeting of shareholders. The directors will be elected by a plurality of the votes cast at the meeting. This means that the five Class I and one Class II nominees receiving the highest number of votes will be elected directors. The board of directors recommends that you elect Richard K. Bogan, MD, Michael C. Crapps, Hinton G. Davis, Anita B. Easter, and George H. Fann, Jr., DMD as Class I directors. In addition, the board of directors recommends that you elect Roderick M. Todd, Jr. as Class II director to serve a one-year term expiring at the 2008 annual meeting of shareholders. As noted above, in connection with our merger with DeKalb Bankshares, Mr. Todd was appointed to the board of directors as a Class II director. All nominees are currently members of the Board and each has consented to being named in this Proxy Statement and to serving as a director on the Board if elected.

If you submit a proxy but do not specify how you would like it to be voted, Messrs. Proctor and Sawyer will vote your proxy to elect Dr. Bogan, Mr. Crapps, Mr. Davis, Ms. Easter, Dr. Fann and Mr. Todd. If any of these nominees is unable or fails to accept nomination or election (which we do not anticipate), Messrs. Proctor and Sawyer will vote instead for a replacement to be recommended by the board of directors, unless you specifically instruct otherwise in the proxy.

#### **Information Regarding Nominees for Directors**

Set forth below is certain information about the Class I nominees and Class II nominee, each of whom is also a director of the bank:

*Richard K. Bogan*, 61, Class I director, has served as a director of the company since its formation in 1994. Dr. Bogan has practiced medicine in Columbia, South Carolina since he started Pulmonary Associates of Carolina in 1978. He graduated with a B.S. degree from Wofford College in Spartanburg in 1966 and earned an M.D. degree

from the Medical College of South Carolina in Charleston in 1970. Dr. Bogan has been president of Bogan Consulting, Inc., a medical consulting company, since December 1992 and holds memberships in numerous medical organizations. He is currently chairman, chief medical officer of SleepMed Inc.

*Michael C. Crapps*, 48, Class I director, has served as our President and Chief Executive Officer and as a director of the company since its formation in 1994. A lifelong Lexington County resident, he began his banking career with South Carolina National Bank in 1980, and by the time he changed jobs in 1985 he was a vice president and senior commercial lender in a regional office of that bank. From 1985 to 1993, he worked for Republic National Bank in Columbia, becoming President, chief executive officer, and a director of that bank. During his career, Mr. Crapps has been responsible for virtually all aspects of banking, including branches, commercial banking, operations, credit administration, accounting, human resources, and compliance. He also serves the banking industry through his involvement in the South Carolina Bankers Association having served as its Chairman and on its Board of Directors. Mr. Crapps was selected as the 1997 Young Banker of the Year by the South Carolina Bankers Association. He received a B.S. degree in Economics in 1980 from Clemson University and an M.B.A. degree from the University of South Carolina in 1984. Mr. Crapps is also a graduate of the L.S.U. Banking School of the South. Mr. Crapps is presently on the Boards of Directors of the South Atlantic Division of the American Cancer Society and serves as its Chairman, the Saluda Shoals Park Foundation and the Lexington School District #1 Foundation. He is also a Past Chairman of the Lexington Chamber of Commerce.

*Hinton G. Davis*, 69, Class I director, has served as a director of the company since its formation in 1994. Mr. Davis is the founder and chief executive officer of Capital City Insurance Company, Inc. and Davis Garvin Agency, Inc., an insurance company and insurance agency, respectively. Since founding these companies in 1981, Mr. Davis has worked as chief executive officer and primary owner of three related insurance businesses: Southeastern Claims Services, Inc., Capital E & S Brokers, and Charter Premium Audits. Mr. Davis has resided in Columbia for over 20 years and holds a B.B.A. degree in Insurance from the University of Georgia.

*Anita B. Easter*, 62, Class I director, has served as a director of the company since its formation in 1994. Mrs. Easter is retired. She is a former owner and director of Anchor Continental, Inc., a manufacturer of pressure sensitive tapes. She received a B.S. in Nursing from the University of South Carolina in 1979. In 2003, she completed the South Carolina Bankers Association Bank Directors College at the University of South Carolina. She is past chair of the Greater Columbia Community Relations Council and serves on the past chairs' advisory council. She is a member of Women in Philanthropy, the Columbia Luncheon Club and the League of Women Voters.

*George H. Fann, Jr., D.M.D.*, 62, Class I director, has served as a director of the company since its formation in 1994. Dr. Fann has practiced dentistry in West Columbia, South Carolina for 34 years. He earned a B.S. degree from Clemson University in 1966 and a D.M.D. from the University of Louisville School of Dentistry in 1969. Dr. Fann is past chairman of the board of directors of Lexington Medical Center in West Columbia, South Carolina. Dr. Fann is a recipient of the Order of the Palmetto awarded by the Governor of South Carolina.

*Roderick M. Todd, Jr.*, 42, Class II director, has served as a director of the company since the merger with DeKalb Bankshares, Inc. in June 2006. He served as a director of DeKalb Bankshares, Inc. and the Bank of Camden from its inception in 2001 until June 2006. Mr. Todd is the founding member of the law firm Roderick M. Todd, Jr. Attorney and Counselor at Law since July, 2000. Formerly he was a partner in Cooper and Todd, LLP, Attorneys, from 1994 to 2000. He currently serves as a Summary Court Judge, for Kershaw County, South Carolina and as a Municipal Judge for the City of Camden, South Carolina.

### **Information Regarding Continuing Directors**

Set forth below is also information about each of the company's other directors and each of its executive officers. Each of the following directors is also a director of our bank.

*Thomas C. Brown*, 48, Class II director, has served as a director of the company since its formation in 1994. Since 1989, Mr. Brown has been the president and owner of T.C.B. Enterprises of South Carolina, Inc., a restaurant business

based in Myrtle Beach. Mr. Brown graduated from Clemson University in 1981 with a B.S. degree in Civil Engineering. He serves part-time as an ordained minister at All Saints Church, Pawleys Island, South Carolina.



*O.A. Ethridge, D.M.D.*, 63, Class II director, has served as a director of the company since its formation in 1994. Dr. Ethridge currently resides in Lexington, South Carolina and has practiced children's dentistry in West Columbia, South Carolina for more than 20 years. After graduating with a B.A. degree in Science from Erskine College in Due West, South Carolina in 1965, Dr. Ethridge received a D.M.D. in 1971 from the University of Louisville School of Dentistry in Louisville, Kentucky. He became a pedodontist in 1974 after receiving a pedodontist specialty from Children's Medical Center in Dayton, Ohio.

*W. James Kitchens, Jr.*, 45, Class II director, has served as a director of the company since its formation in 1994. Mr. Kitchens is a Certified Public Accountant and holds the Chartered Financial Analyst designation. He is the president of The Kitchens Firm, P.A., a certified public accounting firm in Columbia. Mr. Kitchens earned a B.S. degree in Mathematics from The University of the South and an M.B.A. degree from Duke University.

*Mitchell M. Willoughby*, 59, Class II director, has served as a director of the company since its formation in 1994. Mr. Willoughby has lived in Columbia, South Carolina since 1970 and practiced law since 1975. He is currently a founding member of the law firm Willoughby & Hoefler, P.A. Mr. Willoughby formerly served as general counsel to the Greater Columbia Chamber of Commerce and serves in the South Carolina Army National Guard with the rank of Brigadier General. He received a B.S. degree in 1969 from Clemson University and a J.D. degree from the University of South Carolina in 1975.

*Chimin J. Chao*, 51, Class III director, has served as a director of the company since its formation in 1994. Mr. Chao lives in Lexington, South Carolina and since 1987 has been president of the engineering firm Chao and Associates, Inc. in Irmo, South Carolina. Mr. Chao is a member of the American Society of Engineers and the National Society of Professional Engineers. He received a M.S. degree in Structural Engineering at the University of South Carolina and holds a Professional Engineer license and General Contractors license in South Carolina.

*James C. Leventis*, 69, Class III director, Chairman of the Board, has served as Chairman of the Board of Directors of the company since its formation in 1994. Mr. Leventis is of counsel with the law firm Rogers, Townsend & Thomas, PC where he has practiced since 1996. Mr. Leventis received a J.D. degree and a B.S. degree in Business Administration from the University of South Carolina. Mr. Leventis also has extensive experience in the banking industry. From 1964 to 1968, Mr. Leventis was a commercial lending officer with First National City Bank of New York; from 1968 to 1974, he served as vice president and general manager of Genway Corp., a nationwide leasing system of General Motors dealers; and from 1985 to 1988, he served as president and chairman of Republic National Bank in Columbia. Mr. Leventis is also past vice chairman of the School Board of Richland District I, a past member and former chairman of the Richland County Council and Central Midlands Regional Planning Council, and past president of the Alumni Association of the University of South Carolina. He served on the Boards of the South Carolina State Chamber of Commerce, South Carolina Bankers Association, Business Development Corporation, the Governor's School for Science and Mathematics, the Indian Waters Council and Southeastern Region Boy Scouts of America, the City Center Partnership of Columbia, and the Blue Ribbon Committee, Richland County School District One.

*Loretta R. Whitehead*, 64, Class III director, has served as a director of the company since its formation in 1994. Ms. Whitehead has been a realtor since 1981 and is currently a broker with RE/MAX Real Estate Services in Columbia, South Carolina. She taught full-time from 1964 through 1968 after receiving a B.A. degree in English and Elementary Education from Columbia College in 1963. She is a board member of the Lexington Medical Center Foundation. She also took additional graduate work at the University of South Carolina and University of Tennessee from 1963 through 1968.

*J. Thomas Johnson*, 60, Class III director, has served as Vice Chairman of the Board and Executive Vice President of the company since the merger with DutchFork BancShares in October 2004. Mr. Johnson previously served as Chairman and CEO of DutchFork BancShares and Newberry Federal Savings Bank since 1984. Mr. Johnson has been

in banking since 1968. He has served as Chairman of the Community Financial Institutions of South Carolina and formerly served on the board of directors of the South Carolina Bankers Association. He is a member of the board of directors of the Federal Home Loan Bank of Atlanta representing South Carolina member banks. He is also Chairman of Business Carolina, a statewide economic development lender. He received a B.S. in Marketing in 1968 from the University of South Carolina. He currently serves on the boards of the Newberry Opera House Foundation; Newberry Chamber of Commerce; the Central Carolina Alliance; the Central Carolina Community Foundation and the S.C. Independent Colleges and Universities.

*Alexander Snipe, Jr.*, 56, has served as a Class III director of our company since May 2005. Mr. Snipe has been the president and chief executive officer of Glory Communications, Inc. since September 1992. Glory Communications, Inc. operates five gospel radio stations located in South Carolina markets, including its first station, WFMV, which began broadcasting in November 1993 in Columbia, South Carolina. Prior to forming Glory Communications, Inc., Mr. Snipe was the general sales manager at a radio station for 10 years. He has over 20 years of broadcasting experience. Mr. Snipe serves on the board of the William L. Bonner Bible College, The National Association of Broadcasters Radio Board, The Radio Board's Membership Committee (chairman), and The Gospel Heritage Foundation. Mr. Snipe is a former board member of the Columbia Urban League and The Gospel Music Association, and he is Past President of the South Carolina Broadcasters Association.

### **Information Regarding Remaining Executive Officers**

Set forth below is also information about each of our executive officers.

*David K. Proctor*, 50, has been the Senior Vice President/Senior Credit Officer of the company since First Community Bank opened for business in 1995. From May 1994 to June 1995, he was the vice president of credit for Republic Leasing Company. From 1987 to 1994, he held various positions with Republic National Bank in Columbia and most recently was executive vice president and senior credit officer. He is a 1979 graduate of Clemson University with a B.S. in Business Administration.

*Joseph G. Sawyer*, 56, has been Senior Vice President/Chief Financial Officer of the company since First Community Bank opened for business in 1995. Prior to joining the company, he was senior vice president and general auditor for the National Bank of South Carolina. He is a certified public accountant and a 1973 graduate of The Citadel with a B.A. in Political Science.

*J. Ted Nissen*, 45, has been Senior Vice President and Group Executive of the company since July 1999. From July 1995 to July 1999 he was a Vice President and City Executive of the company. He is a 1984 graduate of Presbyterian College with a BS in Business Management.

## **CORPORATE GOVERNANCE**

The Board of Directors met twelve (12) times in 2006. Each director in 2006 attended at least 75% of the combined total of meetings of the Board of Directors and meetings of each committee on which such director served, with the exception of Mr. Todd. Mr. Todd became a Board member in June of 2006 in conjunction with the merger of DeKalb Bankshares. He attended 71% or five of seven of the meetings subsequent to becoming a Board member. The two meetings he missed were a result of scheduling conflicts made prior to the consummation of the merger.

Neither the Board nor the Governance Committee have implemented a formal policy regarding director attendance at an annual meeting of shareholders. Board members are expected to attend the annual shareholders meeting. In 2006, eleven (11) Directors attended the 2006 Annual Meeting of Shareholders.

In accordance with Nasdaq National Market rules, the Board of Directors determines the independence of each Director and nominee for election as a Director in accordance with the standards set forth in Rule 4200(a)(1)-(15) of the Nasdaq National Market listing rules. The Board has determined that a majority of its members are independent

as defined by the listing standards of the NASDAQ Capital Markets and meet the standards of independence set by the Board. The Company Board has determined that the following directors are independent: Richard K. Bogan, MD, Thomas C. Brown, Chimin J. Chao, Hinton G. Davis, Anita B. Easter, O. A. Ethridge DMD, George H. Fann, Jr. DMD, W James Kitchens, Jr. Alexander Snipe Jr., Roderick M. Todd, Jr., Loretta R. Whitehead, and Mitchell M. Willoughby.

The Board of Directors has established a Code of Business Conduct and Ethics that applies to all directors, officers and employees, which may be found on the Corporation's website at [www.firstcommunitysc.com](http://www.firstcommunitysc.com). The information on the Corporation's website is not part of this proxy statement. The Corporation intends to post on its website all disclosures that are required by law or Nasdaq National Market listing standards concerning any amendments to, or waivers from, the Code of Business Conduct and Ethics.

Shareholders may request a copy of the Code of Business Conduct and Ethics by written request directed to First Community Corporation Inc., Attention: Corporate Secretary, 5455 Sunset Blvd. Lexington, S.C. 29072.

Shareholders may communicate directly to the Board of Directors in writing by sending a letter to the Board at: First Community Corporation Inc., Attention: Corporate Secretary, 5455 Sunset Blvd. Lexington, S.C. 29072. All letters directed to the Board of Directors will be received and processed by the Corporate Secretary and will be forwarded to the Chairman of the Nominations and Corporate Governance Committee without any editing or screening.

## **Committees of the Board**

The Board of Directors of First Community Corporation, has three standing committees: the Audit/Compliance and Insurance Committee, the Human Resources/Compensation Committee and the Nominations and Corporate Governance Committee. Each Committee serves in a dual capacity as a Committee of the Company and First Community Bank, NA.

### **Audit/Compliance Committee**

#### Membership

Mitchell M. Willoughby, Chairman

Anita B. Easter

O. A. Ethridge, DMD

W. James Kitchens, Jr.

Loretta R. Whitehead

The board of directors has determined that all members are independent, as contemplated in the listing standards of the NASD and The NASDAQ Capital Market. Our board has determined that Mr. Kitchens, who was appointed to the audit committee on March 16, 2004, qualifies as an audit committee financial expert under the SEC rules. The audit committee operates under a written charter. The audit committee met four times in 2006.

The audit committee has the responsibility of reviewing the company's financial statements, evaluating internal accounting controls, reviewing reports of regulatory authorities, and determining that all audits and examinations required by law are performed. The committee recommends to the board the appointment of the independent auditors for the next fiscal year, reviews and approves the auditor's audit plans, and reviews with the independent auditors the results of the audit and management's responses. The Board of Directors has adopted an audit committee charter which may be found on the Company's website at [www.firstcommunitysc.com](http://www.firstcommunitysc.com) by clicking on the link for "Investor Relations." The charter outlines the committee's responsibilities for overseeing the entire audit function and appraising the effectiveness of internal and external audit efforts and may be amended by the board at any time. The audit committee reports its findings to the board of directors.

### **Human Resources/Compensation Committee**

#### Membership

Thomas C. Brown, Chairman

Chimin J. Chao

Hinton G. Davis

Loretta R. Whitehead

The Compensation Committee is comprised entirely of independent directors as prescribed by Nasdaq National Market listing standards. The Board of Directors has adopted a Compensation Committee Charter, which may be found on the Company's website at [www.firstcommunitysc.com](http://www.firstcommunitysc.com) by clicking on the link for "Investor Relations." The Compensation Committee met three times during 2006. This Committee is responsible for determining Director and executive officer compensation. The Compensation Committee's role in establishing compensation for the Corporation's executive compensation is discussed further under the caption "Compensation Discussion and Analysis" and the committee's report on executive compensation matters for 2006 appears under the caption "Report of the Compensation Committee on Executive Compensation."

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## Nominations and Corporate Governance Committee

### Membership

George H. Fann, Chairman

Chimin J. Chao

Alexander Snipe, Jr.

Mitchell M. Willoughby

The Nominations and Corporate Governance Committee is comprised entirely of independent directors as prescribed by Nasdaq National Market listing standards. The Board of Directors has adopted a Nominations and Corporate Governance Committee Charter which may be found on the Company's website at [www.firstcommunitysc.com.com](http://www.firstcommunitysc.com.com) by clicking on the link for "Investor Relations." This Committee met three (3) times during 2006.

On March 16, 2004, our board adopted a nominating committee charter. The charter provides that the responsibilities of the committee include: (a) reviewing the qualifications and independence of the members of the board and its various committee assignments; (b) evaluating incumbent directors in determining consideration for reelection; (c) recommending board nominees for election as officers; (d) providing guidance on board and corporate governance issues; and (e) considering director candidates recommended by shareholders who submit nominations in accordance with our bylaws.

### Director Nominations

Shareholders who submit candidates for nomination must deliver nominations in writing to the secretary of the company no later than (i) with respect to an election to be held at an annual meeting of shareholders, 90 days in advance of such meeting; and (ii) with respect to an election to be held at a special meeting of shareholders for the election of directors, seven days after notice of the special meeting is given to shareholder. Each notice must set forth: (i) the name and address of the shareholder who intends to make the nomination and of the person or persons to be nominated; (ii) a representation that the shareholder is a holder of record of stock of the company entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (iii) a description of all arrangements or understandings between the shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder; (iv) such other information regarding each nominee proposed by such shareholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission, had the nominee been nominated, or intended to be nominated, by the board of directors; and (v) the consent of each nominee to serve as a director of the company if so elected. The chairman of the meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure.

In evaluating such recommendations, the committee uses a variety of criteria to evaluate the qualifications and skills necessary for members of our board of directors. Under these criteria, members of the board of directors should have the highest professional and personal ethics and values, consistent with our longstanding values and standards. They should have broad experience at the policy-making level in business, government, education, technology or public interest. They should be committed to enhancing shareholder value and should have sufficient time to carry out their duties and to provide insight and practical wisdom based on experience. Their service on other boards of public companies should be limited to a number that permits them, given their individual circumstances, to perform responsibly all director duties. Each director must represent the interests of our shareholders.

Our committee uses a variety of methods for identifying and evaluating nominees for director. They regularly assess the appropriate size of the board of directors, and whether any vacancies are expected due to retirement or otherwise. If vacancies are anticipated, or otherwise arise, the committee considers various potential candidates for director. Candidates may come to their attention through current members of the board, shareholders, or other

persons. These candidates are evaluated at regular or special meetings of the board, and may be considered at any point during the year. The committee considers properly submitted shareholder recommendations for candidates. In evaluating such recommendations, the committee uses the qualifications and standards discussed above and seeks to achieve a balance of knowledge, experience and capability on the board of directors



## **Report of the Audit/Compliance Committee**

Management is responsible for the Company's internal controls and the financial reporting process. The independent auditors are responsible for performing an independent audit of the Company's consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and issuing a report thereon. The Committee's responsibility is to monitor and oversee these processes.

In this context, the Committee has met and held discussions with management and Elliott Davis, LLC, the Corporation's independent auditors in 2006. In discharging its oversight responsibility as to the audit process, the Committee obtained from the independent auditors a formal written statement describing all relationships between the auditors and the Corporation that might bear on the auditors' independence consistent with Independence Standards Board Standard No. 1, "Independence Discussions with Audit and Finance Committees," discussed with the auditors any relationships that may impact their objectivity and independence and satisfied itself as to the auditors' independence. The Committee also discussed with management, the internal auditors and the independent auditors the quality and adequacy of First Community Corporation internal controls and the internal audit function's organization, responsibilities, budget and staffing. The Committee reviewed both with the independent and internal auditors their audit plans, audit scope and identification of audit risks.

The Committee discussed and reviewed with the independent auditors all communications required by generally accepted auditing standards, including those described in Statement on Auditing Standards No. 61, as amended, "Communication with Audit and Finance Committees," and, with and without management present, discussed and reviewed the results of the independent auditors' examination of the financial statements. The Committee also discussed the results of the internal audit examinations.

The Committee reviewed the audited consolidated financial statements of First Community Corporation as of and for the year ended December 31, 2006, with management and the independent auditors.

Based on the above-mentioned review and discussions with management and the independent auditors, the Committee recommended to the Board that First Community Corporation's audited consolidated financial statements be included in its Annual Report on Form 10-K for the year ended December 31, 2006, for filing with the Securities and Exchange Commission. During 2006 the Committee appointed Elliott Davis, LLC as the Corporation's independent auditors for 2006.

**Audit/Compliance  
Committee**  
Mitchell M.  
Willoughby, Chairman  
Anita B. Easter  
O. A. Ethridge, DMD  
W. James Kitchens, Jr.  
Loretta R. Whitehead



## **EXECUTIVE COMPENSATION AND OTHER INFORMATION**

### **Compensation Discussion and Analysis**

#### **Introduction**

The Human Resources/Compensation Committee of the Board of Directors (the "Compensation Committee") operates under a written charter adopted by the Board of Directors and is responsible for developing and making recommendations to the Board with respect to the Corporation's executive compensation policies and for the approval and administration of the Corporation's existing and proposed executive compensation plans, including determining the contents of the Corporation's executive compensation plans, authorizing the awards to be made pursuant to such plans and reviewing and approving annually all compensation decisions relating to the Corporation's executive officers, including the President and Chief Executive Officer and the other executive officers named in the Summary Compensation Table (the "Named Executive Officers").

#### **Role of Executives in Establishing Compensation**

The Corporation's Human Resources Department and other members of management assist the Compensation Committee in its administration of the Corporation's executive compensation program and the Corporation's broad-based benefits programs. The Corporation's Chief Executive Officer assesses the performance of each of the Corporation's other executive officers and provides recommendations to the Compensation Committee as to the structure and amounts of salary, cash bonus awards and equity incentive awards to be paid to such executive officers. The CEO formulates his recommendations with the assistance of the Senior Vice President of Human Resources and by using external industry data surveys previously developed by Clark Bardes Consulting. The Corporation did not engage the independent compensation consultant during 2006.

The CEO and the Senior Vice President of Human Resources both attend each meeting of the Compensation Committee for the purpose of providing insight into the Company's performance, the performance of individual executives and their contribution to the Company's performance and to make recommendations as to the structure and implementation of elements of executive compensation. The CEO and the Senior Vice President of Human Resources each excuse themselves from any discussions or determinations of their individual compensation by the Compensation Committee. The Compensation Committee believes that the input of these executives provides the Compensation Committee with information necessary to make informed decisions on executive compensation that are consistent with the Compensation Committee's overall philosophy.

#### **General Compensation Philosophy**

The Compensation Committee has determined that the Company, as a performance-driven business, should reward outstanding financial results with appropriate compensation. The Compensation Committee's strategy for carrying out this philosophy is to seek to link executive compensation with the Company's financial performance and, at the same time, to be sensitive to external market factors which might affect such performance but be outside the control of the Company's executives. The Compensation Committee recognizes the importance of maintaining compensation and benefits at competitive levels in order to attract and retain talented executives. The Compensation Committee has included occasional equity award grants as an element of executive compensation and may consider implementation of additional equity awards grants in the future as a component of executive compensation. The Compensation Committee believes that equity-based compensation aligns the long-term interests of employees with those of shareholders. In determining whether to make equity award grants in the future, the Compensation Committee will

consider the recommendations of the Chief Executive Officer regarding the granting of equity awards for the Corporation's key executives including the Named Executive Officers. In determining appropriate equity-based compensation awards for the Corporation's executives, the Compensation Committee anticipates that it will generally focus on the current performance and achievements of the executive, the competitive market survey information, and the executive's present and potential future contribution to the Corporation's success.

The Company's executive compensation program consists of three primary components: base salary, an annual cash bonus and equity incentive awards. In general, base salaries are established at or near what we believe to be market median levels of base salaries for comparable positions, and an opportunity for higher compensation is provided through annual cash bonuses. These opportunities are dependent upon the achievement of financial objectives established in advance and reflective of the opportunities and challenges present in the Company's industry. In addition, long-term compensation has been awarded in the form of a cash bonus, and in the form of equity awards, in particular stock options, to the Named Executive Officers, all of which are intended to provide key executives with competitive financial benefits, to the extent that shareholder value is enhanced.

The Corporation also provides its executives with certain other benefits, including the opportunity to participate in a 401(k) retirement savings plan. Certain insurance benefits and other perquisites described below and in the Summary Compensation Table also are available to the Corporation's executives. Some of the Named Executive Officers have entered into agreements with the Corporation that provide for certain benefits based upon certain events following a change of control of the Corporation, which the Compensation Committee believes will tend to align the interests of the executives and the Corporation's shareholders should such a change arise, to encourage the Named Executive Officers to remain in their positions during periods of ownership transition.

The Compensation Committee believes these various elements of the executive compensation and benefits program further the Corporation's business objectives and the interests of its shareholders by attracting and retaining the talented executive leadership necessary for the growth and success of the Corporation's business and motivating its executives to exert great efforts to further the interests of shareholders.

### **Elements of Compensation**

A primary role of the Committee is to analyze the competitiveness of, and the structure and amounts of annual base salary, annual cash bonus awards and long-term equity incentive awards, where applicable, to be paid to the Corporation's executives. The Compensation Committee also structures and monitors the Corporation's equity-based compensation plans, employment and change in control contracts with its executive officers which include, among other things, provisions relating to executives in the event of a change in control of the Corporation. In order to gauge the competitiveness of the Corporation's executive compensation level, the Compensation Committee may analyze market data regarding annual base salary, annual cash bonus awards and long-term equity incentive awards paid by companies in what the Compensation Committee considers the Corporation's "primary competitor group," which includes a selected group of peer banks within Georgia, North Carolina and South Carolina. These banks are of the same approximate age and asset size of the Corporation. The group of peer banks is selected by an external national compensation consulting firm which the Committee believes provides an independent and objective recommendation. The Corporation periodically engages the consulting firm to assist with accumulation and analysis of the peer group data. The last time the Company engaged the firm was in November 2004 to provide data to assist in establishing executive compensation for 2005. It is anticipated that the Company will engage this firm every two to three years to update the study. The consulting firm is available to the Senior Vice President of Human Resources and the Committee for ongoing consultation relative to compensation issues.

The assembled data is reviewed by the Chief Executive Officer, the Senior Vice President of Human Resources and with respect to each of the top executive officer positions, adjusted for the scope of responsibilities of the position within the Corporation as compared to the equivalent responsibilities of positions within the companies included in the survey data. The Compensation Committee then compares the Corporation's compensation and benefits practices with those of the banks included in the survey data and takes the results into account when establishing compensation guidelines and recommendations for executives. In determining each executive's base salary and annual cash bonus opportunity, the Compensation Committee considers those two elements together in order to set an appropriate level of total annual cash compensation. In general, the Compensation Committee seeks to give each executive the

opportunity to earn an annual cash bonus that, if earned, and when combined with the executive's base salary, would result in total annual cash compensation to the executive that is competitive with the market data provided by the surveys. For 2006 the amounts the Compensation Committee adopted for base salary and annual cash bonus opportunities for the Named Executive Officers were consistent with the previously compiled survey data and rolled forward with an estimated increase in the four to six percent range.

### **Annual Base Salary**

Generally, the Compensation Committee seeks to establish an annual base salary level for each executive that falls within the competitive market levels established for the surveyed positions of executives having similar responsibilities. The Compensation Committee believes that establishing base salaries at this level helps the Corporation attract and retain talented executives and, when paired with the opportunity to earn annual cash bonuses, appropriately rewards executives based on performance.

In establishing salary levels for each executive other than the CEO, the Compensation Committee, at its regular meeting early in the fiscal year, reviews annual recommendations from the CEO. The Compensation Committee also takes into account whether each executive met key objectives, and considers each executive's potential future contributions to the Corporation. In addition, the Compensation Committee determines whether each executive's base salary provides an appropriate reward for the executive's role in the Corporation's performance and incentive for the executive to contribute to sustaining and enhancing the Corporation's long-term performance. Important components that are considered by the Compensation Committee in establishing base salary levels are: ability and experience necessary to meet the position requirements, span of control, accountability, educational requirements, years of experience, key departmental objectives, and compiled market salary surveys. Operating objectives vary for each executive and typically change from year-to-year. Financial and operating objectives are considered in the aggregate by the Compensation Committee and are not specifically weighted in establishing base salaries. The base salary levels established for 2006 were based on the judgment of the Compensation Committee, taking into account the CEO's input regarding each executive's achievement of applicable 2005 operating and financial objectives and the targeted salary ranges based on market salary information. Where necessary, the Compensation Committee may recognize the particular talents, unique skills, experience, length of service to the Corporation and depth of banking or functional knowledge of certain key executives and determine that their base salary levels must be established above the market range to retain these executives.

The CEO's base salary for 2006 was established in the same manner used for other Named Executive Officers described above without the input from the CEO. The Compensation Committee determined that the base salary was appropriate based upon the CEO's experience, accountability, problem solving abilities and the most recent market survey data reviewed by the Compensation Committee.

### **Annual Cash Bonus**