As filed with the Securities and Exchange Commission on August 21, 2012

Registration No. 333-182938

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form S-1 Amendment No. 4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

FIRST COMMUNITY CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

South Carolina	**6021**	**57-1010751**
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(IRS Employer Identification Number)

5455 Sunset Boulevard

Lexington, South Carolina 29072

(803) 951-2265

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant s Principal Executive Offices)

Michael C. Crapps

President and Chief Executive Officer

First Community Corporation

5455 Sunset Boulevard

Lexington, South Carolina 29072

(803) 951-2265

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

Copies of Communications to:

Neil E. Grayson, Esq.
John M. Jennings, Esq.
Nelson Mullins Riley & Scarborough LLP
104 S. Main Street, Suite 900
Greenville, South Carolina 29601
(864) 250-2300

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box: x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) 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: o

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: o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company x

CALCULATION OF REGISTRATION FEE

[redacted]

(1) Calculated in accordance with Rule 457(a). The price is calculated based upon the liquidation preference amount per share of the Series T Preferred Stock being registered for resale which we sold to the United States Department of Treasury pursuant to Treasury's Troubled Asset Relief Program Capital Purchase Program.

(2) 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 Commission, acting pursuant to said Section 8(a), may determine.

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The information in this preliminary prospectus supplement and the accompanying prospectus is not complete and may be changed. Neither we nor the selling shareholder may sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion, Dated August 21, 2012

PROSPECTUS SUPPLEMENT
(To Prospectus Dated)

11,350 Shares of Fixed Rate Cumulative Perpetual Preferred Stock, Series T
Liquidation Preference Amount $1,000 Per Share

This prospectus supplement relates to the offer and sale of 11,350 shares of our Fixed Rate Cumulative Perpetual Preferred Stock, Series T, $1.00 par value per share (the Preferred Shares), liquidation preference amount $1,000 per share, by the United States Department of the Treasury (Treasury). We issued the Preferred Shares to Treasury on November 21, 2008 as part of Treasury s Troubled Asset Relief Program Capital Purchase Program (the CPP) in a private placement exempt from the registration requirements of the Securities Act of 1933, as amended (the Securities Act).

We will not receive any proceeds from the sale of any Preferred Shares sold by Treasury.

Dividends on the Preferred Shares are payable quarterly in arrears on each February 15, May 15, August 15, and November 15. The initial dividend rate is 5% per annum through February 14, 2014, and will increase to 9% per annum on and after February 15, 2014 if not otherwise redeemed earlier for cash by us. As of the date of this prospectus supplement, we have paid in full all of our quarterly dividend obligations on the Preferred Shares. We may redeem the Preferred Shares, at any time, in whole or in part, at our option, subject to prior approval by the appropriate federal banking agency, for cash, for a redemption price equal to 100% of the liquidation preference amount per Preferred Share plus any accrued and unpaid dividends to but excluding the date of redemption.

The Preferred Shares will not be listed for trading on any stock exchange or available for quotation on any national quotation system.

The public offering price and the allocation of the Preferred Shares in this offering will be determined by an auction process. We intend to submit one or more bids in this auction. There is no assurance that we will submit any bids (or the amount of any such bids) or that our bids will be accepted. During the auction period, potential bidders will be able to place bids to purchase Preferred Shares at any price at or above the minimum bid price of $923.30 per share (such bid price to be in increments of $0.01). The minimum size for any bid will be one Preferred Share. After the auction closes, if Treasury decides to sell any of the offered Preferred Shares, then the underwriters will agree to purchase such Preferred Shares in a firm commitment underwriting and the public offering price of such Preferred Shares will equal the clearing price plus accrued dividends thereon. If bids are received for 100% or more of the offered Preferred Shares, the clearing price will be equal to the highest price at which all of the offered Preferred Shares can be sold in the auction. If bids are received for 100% or more of the offered Preferred Shares, and Treasury elects to sell any Preferred Shares in the auction, Treasury must sell all of the offered Preferred Shares at the clearing price. If bids are received for at least half, but less than all, of the offered Preferred Shares, then the clearing price will be equal to the minimum bid price of $923.30 per share, and Treasury may (but is not required to) sell, at the public offering price, the number of Preferred Shares it chooses to sell up to the number of bids received in the auction, so long as at least half of the offered Preferred Shares are sold. In certain cases, the bids of bidders may be pro-rated. If bids are received for less than half of the offered Preferred Shares, Treasury will not sell any Preferred Shares in this offering. Even if bids are received for at least half of the offered Preferred Shares, Treasury may decide not to sell any Preferred Shares or, in the case where bids are received for at least half, but less than all, of the offered Preferred Shares, may decide to sell a portion (but not less than half) of the offered Preferred Shares in the auction process. The method for submitting bids and a more detailed description of this auction process are described in Auction Process beginning on page S-40 of this prospectus supplement.

Investing in the Preferred Shares involves risks. You should read the Risk Factors section beginning on page S-15 of this prospectus supplement and page 8 of the accompanying prospectus and in our Annual Report on Form 10-K for the year ended December 31, 2011 before making a decision to invest in the Preferred Shares.

	Per Share	Total
Public offering price(1)	$	$
Underwriting discounts and commissions to be paid by Treasury(2)	$	$
Proceeds to Treasury(1)	$	$

(1) Plus accrued dividends from and including August 15, 2012.

(2) Treasury has agreed to pay all underwriting discounts and commissions and transfer taxes. We have agreed to pay all transaction fees, if any, applicable to the sale of the Preferred Shares and certain fees and disbursements of counsel for Treasury incurred in connection with this offering.

None of the Securities and Exchange Commission (the SEC), the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation (the FDIC), the Board of Governors of the Federal Reserve System (the Federal Reserve), any state or other securities commission or any other federal or state bank regulatory agency has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

The Preferred Shares are not savings accounts, deposits or other obligations of any bank, thrift or other depositary institution and are not insured or guaranteed by the FDIC or any other governmental agency or instrumentality.

The underwriters expect to deliver the Preferred Shares in book-entry form through the facilities of The Depository Trust Company and its participants against payment on or about .

Joint Book-Running Managers

BofA Merrill Lynch **Sandler O Neill + Partners, L.P.**

The date of this prospectus supplement is .

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Prospectus Supplement

Prospectus

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ABOUT THIS PROSPECTUS SUPPLEMENT

You should read this prospectus supplement, the accompanying prospectus and the additional information described under the headings Where You Can Find More Information and Incorporation of Certain Information by Reference before you make a decision to invest in the Preferred Shares. In particular, you should review the information under the heading Risk Factors set forth on page S-15 of this prospectus supplement, the information set forth under the heading Risk Factors set forth on page 8 in the accompanying prospectus and the information under the heading Risk Factors included in our Annual Report on Form 10-K for the year ended December 31, 2011, which is incorporated by reference herein. You should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus and any related free writing prospectus required to be filed with the SEC. Neither we nor Treasury nor the underwriters are making an offer to sell the Preferred Shares in any manner in which, or in any jurisdiction where, the offer or sale thereof is not permitted. Neither we nor Treasury nor the underwriters have authorized any person to provide you with different or additional information. If any person provides you with different or additional information, you should not rely on it. You should assume that the information in this prospectus supplement, the accompanying prospectus, any such free writing prospectus and the documents incorporated by reference herein and therein is accurate only as of its date or the date which is specified in those documents. Our business, financial condition, capital levels, cash flows, liquidity, results of operations and prospects may have changed since any such date.

In this prospectus supplement, we frequently use the terms we, our and us to refer to First Community Corporation (the Company) and its subsidiaries.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements included in this prospectus supplement and the accompanying prospectus or in the documents incorporated by reference in this prospectus supplement and the accompanying prospectus, other than statements of historical fact, are forward-looking statements (as such term is defined in Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), and the regulations promulgated thereunder), which are intended to be covered by the safe harbors created thereby. These forward-looking statements involve risks and uncertainties and are based on the beliefs and assumptions of our management and on information available at the time these statements and disclosures were prepared. Forward-looking statements include, but are not limited to:

- certain statements contained in Risk Factors in this prospectus supplement and the accompanying prospectus and our Annual Report on Form 10-K for the year ended December 31, 2011;

- certain statements contained in Business in our Annual Report on Form 10-K for the year ended December 31, 2011;

- certain statements contained in Management s Discussion and Analysis of Financial Condition and Results of Operations and notes to our financial statements in our Annual Report on Form 10-K for the year ended December 31, 2011 and Quarterly Report on Form 10-Q for the quarter ended June 30, 2012 concerning the allowance for loan losses, liquidity, capital adequacy requirements, unrealized losses and impact of accounting pronouncements; and

- certain statements as to trends or events, or First Community Corporation s or our management s beliefs, expectations, objectives, plans, goals, intentions, estimates, projections and opinions.

These statements are included throughout this prospectus, and in the documents incorporated by reference in this prospectus, and relate to, among other things, projections of revenues, earnings, earnings per

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share, cash flows, capital expenditures, or other financial items, expectations regarding acquisitions, discussions of estimated future revenue enhancements, potential dispositions, and changes in interest rates. These statements also relate to our business strategy, goals and expectations concerning our market position, future operations, margins, profitability, liquidity, and capital resources. The words believe , anticipate , could , estimate , expect , intend , may , plan , predict , project , will , and similar terms and phrases identify forward-looking statements in this and in the documents incorporated by reference in this prospectus.

Although we believe the assumptions upon which these forward-looking statements are based are reasonable, any of these assumptions could prove to be inaccurate and the forward-looking statements based on these assumptions could be incorrect. Our operations involve risks and uncertainties, many of which are outside our control, and any one of which, or a combination of which, could materially affect our results of operations and whether the forward-looking statements ultimately prove to be correct. Actual results and trends in the future may differ materially from those suggested or implied by the forward-looking statements depending on a number of factors. Some of the risks, uncertainties and other factors that may cause actual results, developments and business decisions to differ materially from those anticipated by such forward-looking statements include the risk factors in our Annual Report on Form 10-K for the year ended December 31, 2011 and the following:

- reduced earnings due to higher credit losses generally and specifically because losses in the sectors of our loan portfolio secured by real estate are greater than expected due to economic factors, including, but not limited to, declining real estate values, increasing interest rates, increasing unemployment, or changes in payment behavior or other factors;

- the amount of our loan portfolio collateralized by real estate and weaknesses in the real estate market;

- restrictions or conditions imposed by our regulators on our operations may make it more difficult for us to achieve our goals;

- the adequacy of the level of our allowance for loan losses and the amount of loan loss provisions required in future periods;

- results of examinations by our regulatory authorities, including the possibility that the regulatory authorities may, among other things, require us to increase our allowance for loan losses or write-down assets;

- reduced earnings due to higher other-than-temporary impairment charges resulting from additional decline in the value of our securities portfolio, specifically as a result of increasing default rates, and loss severities on the underlying real estate collateral;

- significant increases in competitive pressure in the banking and financial services industries;

- changes in the interest rate environment which could reduce anticipated or actual margins;

- changes in political conditions or the legislative or regulatory environment, including, but not limited to, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) and regulations adopted thereunder, changes in federal and/or state tax laws or interpretations thereof by taxing authorities, changes in laws, rules or regulations applicable to companies that have participated in Treasury s CPP, and other governmental initiatives affecting the financial services industry;

- general economic conditions, either nationally or regionally and especially in our primary service

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area, being less favorable than expected resulting in, among other things, a deterioration in credit quality;

- changes occurring in business conditions and inflation;
- increased funding costs due to market illiquidity, increased competition for funding, and/or increased regulatory requirements with regard to funding;
- changes in deposit flows;
- changes in technology;
- changes in monetary and tax policies, including confirmation of the income tax refund claims received by the Internal Revenue Service (IRS);
- changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as the Public Company Accounting Oversight Board and the Financial Accounting Standards Board;
- the rate of delinquencies and amounts of loans charged-off;
- the rate of loan growth in recent years and the lack of seasoning of a portion of our loan portfolio;
- our ability to maintain appropriate levels of capital and to comply with our higher individual minimum capital ratios;
- our ability to attract and retain key personnel;
- our ability to retain our existing clients, including our deposit relationships;

- adverse changes in asset quality and resulting credit risk-related losses and expenses;
- loss of consumer confidence and economic disruptions resulting from terrorist activities; and
- other risks and uncertainties described under Risk Factors below.

Because of these and other risks and uncertainties, our actual future results may be materially different from the results indicated by any forward-looking statements. In addition, our past results of operations do not necessarily indicate our future results. Therefore, we caution you not to place undue reliance on our forward-looking information and statements. We undertake no obligation to update or otherwise revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act), and file with the SEC proxy statements, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as required of a U.S. listed company. You may read and copy any document we file at the SEC s public reference room at 100 F Street, NE, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. Our SEC filings are also available to the public from the SEC s web site at www.sec.gov or on our website at www.firstcommunitysc.com. After accessing our website, the filings are available upon selecting the Investors menu items. However, the information on, or that can be accessible through, our website does not constitute a part of, and is not incorporated by reference in, this prospectus supplement or the

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accompanying prospectus. Written requests for copies of the documents we file with the SEC should be directed to First Community Corporation, Attn: Joseph G. Sawyer, 5455 Sunset Boulevard, Lexington, South Carolina 29072, telephone: (803) 951-2265 or email: InvestorRelations@firstcommunitysc.com.

This prospectus supplement and the accompanying prospectus are part of a registration statement on Form S-1 filed by us with the SEC under the Securities Act. As permitted by the SEC, this prospectus supplement and the accompanying prospectus do not contain all the information in the registration statement filed with the SEC. For a more complete understanding of this offering, you should refer to the complete registration statement, including exhibits, on Form S-1 that may be obtained as described above. Statements contained in this prospectus supplement and the accompanying prospectus about the contents of any contract or other document are not necessarily complete. If we have filed any contract or other document as an exhibit to the registration statement or any other document incorporated by reference in the registration statement, you should read the exhibit for a more complete understanding of the contract or other document or matter involved. Each statement regarding a contract or other document is qualified in its entirety by reference to the actual contract or other document.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The SEC allows us to incorporate by reference the information that we file with it, which means that we can disclose important information to you by referring you to other documents. The information incorporated by reference is an important part of this prospectus supplement and the accompanying prospectus. We incorporate by reference the following documents (other than information furnished rather than filed in accordance with SEC rules):

- the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2011;
- the Company s Quarterly Reports on Form 10-Q for the quarters ended March 31, 2012 and June 30, 2012;
- the Company s Current Reports on Form 8-K filed with the SEC on January 3, 2012, January 19, 2012, April 18, 2012, May 18, 2012, May 21, 2012, July 2, 2012, and July 12, 2012 (excluding information furnished under Item 7.01); and
- the Company s Definitive Proxy Statement related to its 2012 annual meeting of shareholders, as filed with the SEC on April 3, 2012.

Any statement contained in a document that is incorporated by reference will be modified or superseded for all purposes to the extent that a statement contained in this prospectus supplement modifies or is contrary to that previous statement. Any statement so modified or superseded will not be deemed a part of this prospectus except as so modified or superseded.

These filings are available on our website at www.firstcommunitysc.com. After accessing our website, the filings are available upon selecting the Investors menu items. You may request a copy of any of these filings at no cost, by writing, telephoning us, or emailing us at First Community Corporation, Attn: Joseph G. Sawyer, 5455 Sunset Boulevard, Lexington, South Carolina 29072, telephone: (803) 951-2265 or email: InvestorRelations@firstcommunitysc.com.

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SUMMARY

This summary highlights selected information contained elsewhere or incorporated by reference in this prospectus supplement and the accompanying prospectus and may not contain all the information that you need to consider in making your investment decision to purchase the Preferred Shares. You should carefully read this entire prospectus supplement and the accompanying prospectus, as well as the information incorporated by reference herein and therein, before deciding whether to invest in the Preferred Shares. You should carefully consider the sections entitled Risk Factors in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein to determine whether an investment in the Preferred Shares is appropriate for you.

The Company

First Community Corporation is a bank holding company headquartered in Lexington, South Carolina. Our wholly-owned subsidiary, First Community Bank, N.A., operates 11 branches in the Midlands area of South Carolina, with six branches in Lexington County, two branches in Newberry County, two branches in Richland County and one branch in Kershaw County. We are a community-oriented financial institution that offers a wide-range of traditional banking products and services for small to medium sized businesses, professionals and other individuals in our markets, including commercial and consumer loan and deposit services, as well as mortgage, financial planning and investment services. We seek to be the provider of choice for financial solutions to customers in our markets who value exceptional personalized service and local decision making.

At June 30, 2012, we had total assets of $598.0 million, total gross loans including loans held for sale of $329.3 million, total deposits of $474.0 million, and shareholders equity of $49.3 million.

Our principal executive offices are located at 5455 Sunset Boulevard, Lexington, South Carolina 29072, and our telephone number is (803) 951-2265. Our primary internet address is www.firstcommunitysc.com. The information contained on our web site is not part of this prospectus. Our common stock trades on the NASDAQ Capital Market under the symbol FCCO.

The Offering

The following summary contains basic information about the Preferred Shares and the auction process and is not intended to be complete and does not contain all the information that is important to you. For a more complete understanding of the Preferred Shares and the auction process, you should read the sections of this prospectus supplement entitled Description of Preferred Shares and Auction Process and any similar sections in the accompanying prospectus.

Issuer	First Community Corporation
Preferred Shares Offered by Treasury	

11,350 shares of our Fixed Rate Cumulative Perpetual Preferred Stock, Series T, $1.00 par value per share. The number of Preferred Shares to be sold will depend on the number of bids received in the auction described below and whether Treasury decides to sell any Preferred Shares in the auction process. See the section entitled Auction Process in this prospectus supplement.

Liquidation Preference

If we liquidate, dissolve or wind up (collectively, a liquidation), holders of the Preferred Shares will have the right to receive $1,000 per share, plus any accrued and unpaid dividends (including dividends accrued on any unpaid

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	dividends) to, but not including, the date of payment, before any payments are made to holders of our common stock or any other capital stock that ranks, by its terms, junior as to rights upon liquidation to the Preferred Shares.
Dividends	Dividends on the Preferred Shares are payable quarterly in arrears on each February 15, May 15, August 15, and November 15. The initial dividend rate is 5% per annum through February 14, 2014, and will increase to 9% per annum on and after February 15, 2014 if not otherwise redeemed earlier for cash by us. As of the date of this prospectus supplement, we have paid in full all of our quarterly dividend obligations on the Preferred Shares. Holders of Preferred Shares sold by Treasury in the auction, if any, that are record holders on the record date for the November 15, 2012 dividend payment date will be entitled to any declared dividends payable on such date.
Maturity	The Preferred Shares have no maturity date.
Rank	The Preferred Shares rank (i) senior to common stock or any other capital stock that ranks, by its terms, junior as to dividend rights and/or rights upon liquidation to the Preferred Shares (collectively, the Junior Stock), (ii) equally with any shares of our capital stock whose terms do not expressly provide that such class or series will rank senior or junior to the Preferred Shares as to dividend rights and/or rights upon liquidation (collectively, the Parity Stock) and (iii) junior to all of our existing and future indebtedness and any future senior securities, in each case as to dividend rights and/or rights upon liquidation.
Priority of Dividends	So long as the Preferred Shares remain outstanding, we may not declare or pay a dividend or other distribution on our common stock or any other shares of Junior Stock (other than dividends payable solely in common stock) or Parity Stock (other than dividends paid on a pro rata basis with the Preferred Shares), and we generally may not directly or indirectly purchase, redeem or otherwise acquire any shares of common stock, Junior Stock or Parity Stock unless all accrued and unpaid dividends on the Preferred Shares for all past dividend periods are paid in full.
Redemption	We may redeem the Preferred Shares, at any time, in whole or in part, at our option, subject to prior approval by the appropriate federal banking agency, for a redemption price equal to 100% of the liquidation preference amount per Preferred Share plus any accrued and unpaid dividends (including dividends accrued on any unpaid dividends) to but excluding the date of redemption. We intend to submit one or more bids for a portion or all of the Preferred Shares. If we do not successfully bid for the Preferred Shares, we may attempt to negotiate with the holders of the Preferred Shares to repurchase the Preferred Shares. If we do not repurchase the Preferred Shares, we intend to redeem or repurchase Preferred Shares in such amounts and at such times as we deem prudent. Our ability to redeem the Preferred Shares will depend on then-present facts and circumstances and the amount of capital we hold or can raise at the holding company level. In order for us to obtain approval from our applicable regulatory authorities to redeem the Preferred Shares, we would expect that such regulatory authorities would require us to satisfy our capital commitments to them, if any, after giving effect to the redemption of the Preferred Shares so approved.
Voting Rights	Holders of the Preferred Shares generally have no voting rights. However, if we do not pay dividends on the Preferred Shares for six or more quarterly periods, whether or not consecutive, the holders of the Preferred Shares, voting as a single class with the holders of any other Parity Stock upon

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which like voting rights have been conferred and are exercisable, will be entitled to vote for the election of two additional directors to serve on our board of directors until all accrued and unpaid dividends (including dividends accrued on any unpaid dividends) on the Preferred Shares for all past dividend periods are paid in full. There is no limit on the number of nominations and a plurality of eligible voters would determine the election of the two new directors.

In addition, the affirmative vote of the holders of at least 66-2/3% of the outstanding Preferred Shares is required for us to authorize, create or increase the authorized number of shares of our capital stock ranking, as to dividends or amounts payable upon liquidation, senior to the Preferred Shares, to amend, alter or repeal any provision of our charter or the Certificate of Designations for the Preferred Shares in a manner that adversely affects the rights of the holders of the Preferred Shares or to consummate a binding share exchange or reclassification of the Preferred Shares or a merger or consolidation of us with another entity unless (x) the Preferred Shares remain outstanding or are converted into or exchanged for preference shares of the surviving entity or its ultimate parent and (y) the Preferred Shares remain outstanding or such preference shares have such terms that are not materially less favorable, taken as a whole, than the rights of the Preferred Shares immediately prior to such transaction, taken as a whole.

Auction Process

The public offering price and the allocation of the Preferred Shares in this offering will be determined through an auction process conducted by Merrill Lynch, Pierce, Fenner & Smith Incorporated and Sandler O Neill & Partners, L.P., the joint book-running managers in this offering, in their capacity as the auction agents. The auction process will entail a modified Dutch auction mechanic in which bids may be submitted through the auction agents or one of the other brokers that is a member of the broker network, which are collectively referred to in this prospectus supplement as the network brokers, established in connection with the auction process. Each broker will make suitability determinations with respect to its own customers wishing to participate in the auction process. The auction agents will not provide bidders with any information about the bids of other bidders or auction trends, or with advice regarding bidding strategies, in connection with the auction process. We encourage you to discuss any questions regarding the bidding process and suitability determinations applicable to your bids with your broker.

We intend to submit bids for all or a portion of the Preferred Shares in the auction and anticipate receiving a non-objection from our regulators to do so. Assuming we successfully bid for the maximum number of Preferred Shares for which we anticipate receiving a non-objection from our regulators, our pro forma capital ratios, as well as those of the bank (in each case, based on

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financial information and the method of calculation at and for the six months ended June 30, 2012, and also including the $13.8 million in new capital that we received pursuant to a public offering of our common shares that was consummated on July 27, 2012), would be as follows:

Assuming our bids for the maximum number of Preferred Shares are successful at a clearing price equal to the minimum bid price:

Ratio	**Company**	**First Community Bank, N.A.**
Tier 1 risk-based capital ratio:	17.41%	16.62%
Total risk-based capital ratio:	19.34%	17.88%
Leverage ratio:	10.43%	9.93%

Assuming our bids for the maximum number of Preferred Shares are successful at a clearing price that exceeds the minimum bid price, our pro forma capital ratios would be lower than those reflected in the preceding paragraph. For instance, assuming a clearing price equal to the liquidation preference amount of $1,000 per share:

Ratio	**Company**	**First Community Bank, N.A.**
Tier 1 risk-based capital ratio:	17.21%	16.62%
Total risk-based capital ratio:	19.14%	17.88%
Leverage ratio:	10.31%	9.93%

The assumed clearing prices set forth above are used solely for illustrative purposes; the actual clearing price for the Preferred Shares sold in the auction and the number of Preferred Shares purchased by the Company may differ. We have not made a final decision about the number of Preferred Shares we will bid on or the bid prices(s).

As of June 30, 2012, and without giving effect to any purchase by us of the Preferred Shares but including the $13.8 million in new capital that we received pursuant to a public offering of our common shares that was consummated on July 27, 2012, our capital ratios were:

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Ratio	Company	First Community Bank, N.A.
Tier 1 risk-based capital ratio:	19.76%	16.62%
Total risk-based capital ratio:	21.64%	17.88%
Leverage ratio:	11.99%	9.93%

For more information about the auction process, see Auction Process in this prospectus supplement.

Minimum Bid Size and Price Increments

This offering is being conducted using an auction process in which prospective purchasers are required to bid for the Preferred Shares. During the auction period, bids may be placed for Preferred Shares at any price at or above the minimum bid price of $923.30 per share (such bid price to be in increments of $0.01) with a minimum bid size of one Preferred Share. See Auction Process in this prospectus supplement.

Bid Submission Deadline

The auction will commence at 10:00 a.m., New York City time, on the date specified by the auction agents in a press release issued on such day, and will close at 6:30 p.m., New York City time, on the second business day immediately thereafter, which is referred to as the submission deadline. Network brokers and other brokers will impose earlier submission deadlines than those imposed by the auction agents. Please see page S-42 of this preliminary prospectus supplement for more information regarding the bid submission deadline.

Irrevocability of Bids

Bids that have not been modified or withdrawn by the time of the submission deadline are final and irrevocable, and bidders who submit bids that are accepted by Treasury will be obligated to purchase the Preferred Shares allocated to them. The auction agents are under no obligation to reconfirm bids for any reason, except as may be required by applicable securities laws; however, the auction agents, in their sole discretion, may require that bidders confirm their bids before the auction process closes. See Auction Process in this prospectus supplement.

Clearing Price

The price at which the Preferred Shares will be sold to the public will be the clearing price plus accrued dividends thereon. The clearing price will be determined as follows:

- If valid, irrevocable bids are received for 100% or more of the offered Preferred Shares at the submission deadline, the clearing price will be equal to the highest price at which all of the offered Preferred Shares can be sold in the auction;

- If valid, irrevocable bids are received for at least half, but less than all, of the offered Preferred Shares at the time of the submission deadline, the clearing price will be equal to the minimum bid price of $923.30 per share.

Even if bids are received for at least half of the offered Preferred Shares, Treasury may decide not to sell any Preferred Shares in the auction process or, in the case where bids are received for at least half, but less than all, of the Preferred Shares, may decide only to sell a portion (but not less than half) of the offered Preferred Shares in the auction process.

If Treasury decides to sell Preferred Shares in the auction, after Treasury confirms its acceptance of the clearing price and the number of Preferred Shares to be sold,

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	the auction agents and each network broker that has submitted a successful bid will notify successful bidders that the auction has closed and that their bids have been accepted by Treasury (subject, in some cases, to pro-ration, as described below). The clearing price and number of Preferred Shares to be sold are also expected to be announced by press release on the business day following the end of the auction. See Auction Process in this prospectus supplement.
Number of Preferred Shares to be Sold	If bids are received for 100% or more of the offered Preferred Shares, Treasury must sell all of the offered Preferred Shares if it chooses to sell any Preferred Shares. If bids are received for at least half, but less than all, of the offered Preferred Shares, then Treasury may, but is not required to, sell at the minimum bid price in the auction (which will be deemed to be the clearing price) the number of Preferred Shares it chooses to sell up to the number of bids received in the auction, so long as at least half of the offered Preferred Shares are sold. If bids are received for less than half of the offered Preferred Shares, Treasury will not sell any Preferred Shares in this offering. Even if bids are received for at least half of the offered Preferred Shares, Treasury may decide not to sell any Preferred Shares or, in the case where bids are received for at least half, but less than all, of the offered Preferred Shares, may decide only to sell a portion (but not less than half) of the offered Preferred Shares in the auction process. If Treasury elects to sell any Preferred Shares in the auction, Treasury must sell those shares at the clearing price plus accrued dividends thereon. In no event will Treasury sell more Preferred Shares than the number of Preferred Shares for which there are bids. See Auction Process in this prospectus supplement.
Allocation; Pro-Ration	If bids for 100% or more of the offered Preferred Shares are received and Treasury elects to sell Preferred Shares in the offering, then any accepted bids submitted in the auction above the clearing price will receive allocations in full, while any accepted bids submitted at the clearing price may experience pro-rata allocation. If bids for at least half, but less than all, of the offered Preferred Shares are received, and Treasury chooses to sell fewer Preferred Shares than the number of Preferred Shares for which bids were received, then all bids will experience equal pro-rata allocation. See Auction Process in this prospectus supplement.
Use of Proceeds	We will not receive any proceeds from the sale of any Preferred Shares sold by Treasury. See Use of Proceeds.
Listing	The Preferred Shares will not be listed for trading on any stock exchange nor will they be available for quotation on any national quotation system.
Risk Factors	See Risk Factors and other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus for a discussion of factors you should consider carefully before making a decision to invest in the Preferred Shares.
Auction Agents	Merrill Lynch, Pierce, Fenner & Smith Incorporated and Sandler O Neill & Partners, L.P.
Network Brokers	See page S-41 for a list of brokers participating as network brokers in the auction process.

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Summary Financial Information

The following summary financial information sets forth consolidated financial data for the periods and at the dates indicated. The summary financial data have been derived from our audited consolidated financial statements for each of the five years that ended December 31, 2011, 2010, 2009, 2008 and 2007 and from our unaudited consolidated financial statements for the six months ended June 30, 2012 and 2011. The operating data for the six months ended June 30, 2012 are not necessarily indicative of the results that might be expected for the full year. You should read the detailed information and the financial statements included elsewhere or incorporated by reference in the prospectus supplement and the accompanying prospectus.

	As of or For the Six Months Ended June 30,		As of or For the Years Ended December 31,				
	2012	2011	2011	2010	2009	2008	2007
	(in thousands except ratios and per share amounts)						
Balance Sheet Data:							
Total assets	$ 598,014	$ 605,179	$ 593,887	$ 599,023	$ 605,827	$ 650,233	$ 565,613
Loans held for sale	4,356	625	3,725				
Loans	324,913	325,671	324,311	329,954	344,187	332,964	310,028
Deposits	474,019	470,917	464,585	455,344	449,576	423,798	405,855
Total common shareholders equity	38,105	32,840	36,759	30,762	30,501	57,306	63,996
Total shareholders equity	49,296	43,926	47,896	41,797	41,440	68,156	63,996
Average shares outstanding, basic	3,319	3,274	3,287	3,262	3,252	3,203	3,234
Average shares outstanding, diluted	3,343	3,274	3,287	3,262	3,252	3,203	3,284
Results of Operations:							
Interest income	$ 11,884	$ 12,906	$ 25,526	$ 27,511	$ 30,981	$ 33,008	$ 30,955
Interest expense	2,924	3,833	7,209	9,374	13,104	15,810	15,665
Net interest income	8,960	9,073	18,317	18,137	17,877	17,198	15,290
Provision for loan losses	301	750	1,420	1,878	3,103	2,129	492
Net interest income after provision for loan losses	8,659	8,323	16,897	16,259	14,774	15,069	14,798
Non-interest income (loss)	3,345	2,457	5,710	3,017	3,543	(10,056)	4,968
Securities gains (losses)	(27)	141	575	827	1,489	(28)	49
Non-interest expense	9,520	9,103	18,401	17,684	16,580	15,539	14,125
Impairment of goodwill					27,761		
Income (loss) before taxes	2,457	1,818	4,781	2,419	(24,535)	(10,554)	5,690
Income tax expense (benefit)	730	522	1,457	565	696	(3,761)	1,725
Net income (loss)	1,727	1,296	3,324	1,854	(25,231)	(6,793)	3,965
Amortization of warrants	54	51	102	96	89	9	
Preferred stock dividends, including discount accretion	283	284	568	568	567	62	
Net income (loss) available to common shareholders	1,390	961	2,654	1,190	(25,887)	(6,864)	3,965
Per Share Data:							
	$ 0.42	$ 0.29	$ 0.81	$ 0.36	$ (7.95)	$ (2.14)	$ 1.23

Basic earnings (loss) per common share							
Diluted earnings (loss) per common share	0.42	0.29	0.81	0.36	(7.95)	(2.14)	1.21
Book value per common share at period end	11.39	10.02	11.11	9.41	9.38	17.76	19.93
Tangible book value per common share at period end	11.14	9.85	10.83	9.14	8.92	8.50	10.67
Dividends per common share	0.08	0.08	0.16	0.16	0.24	0.32	0.27
Asset Quality Ratios:							
Non-performing assets to total assets (1)	1.60%	2.03%	2.16%	2.20%	1.38%	0.39%	0.22%
Non-performing loans to period end loans	1.43%	1.02%	1.67%	1.90%	1.50%	0.54%	0.36%
Net charge-offs to average loans, including loans held for sale	0.16%	0.57%	0.50%	0.54%	0.84%	0.34%	0.06%
Allowance for loan losses to period-end total loans	1.46%	1.45%	1.45%	1.49%	1.41%	1.38%	1.14%
Allowance for loan losses to non-performing assets	49.66%	38.39%	35.83%	37.39%	58.21%	178.53%	286.06%
Selected Ratios:							
Return on average assets:							
GAAP earnings (loss)	0.47%	0.32%	0.44%	0.20%	(3.90)%	(1.10)%	0.72%
Operating earnings (2)	0.47%	0.32%	0.44%	0.20%	0.39%	0.48%	0.72%
Return on average common equity:							
GAAP earnings (loss)	7.46%	6.15%	7.98%	3.73%	(49.66)%	(11.11)%	6.20%
Operating earnings (loss) (2)	7.46%	6.15%	7.98%	3.73%	4.98%	4.82%	6.20%

Return on average tangible common equity:							
GAAP earnings (loss)	7.64%	6.30%	8.16%	3.87%	(89.13)%	(21.60)%	11.83%
Operating earnings (loss) (2)	7.64%	6.30%	8.16%	3.87%	8.94%	9.37%	11.83%
Efficiency ratio (2),(3)	75.55%	78.83%	75.55%	73.07%	73.47%	72.74%	68.41%
Non-interest income to operating revenue (2),(4)	27.02%	22.26%	25.55%	17.48%	21.97%	19.78%	24.71%
Net interest margin	3.29%	3.33%	3.33%	3.26%	3.10%	3.16%	3.21%
Equity to assets	8.24%	7.26%	8.06%	6.97%	6.84%	10.48%	11.31%
Tangible common shareholders equity to tangible assets (2)	6.24%	5.34%	6.04%	5.00%	4.80%	4.42%	6.39%
Tier 1 risk-based capital	16.63%	14.57%	15.33%	13.73%	12.41%	12.58%	13.66%
Total risk-based capital	18.58%	15.87%	17.25%	14.99%	13.56%	13.73%	14.61%
Tier 1 leverage capital	9.94%	8.98%	9.40%	8.79%	8.41%	8.28%	9.31%
Average loans to average deposits	70.39%	71.61%	70.59%	73.53%	76.99%	75.45%	73.45%

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(1) Includes non accrual loans, loans greater than 90 days delinquent and still accruing interest and other real estate owned.

(2) Constitutes a non-GAAP financial measure. Please see Reconciliation of Non-GAAP Financial Measures below.

(3) The efficiency ratio is a key performance indicator in our industry. The ratio is computed by dividing non-interest expense, less goodwill impairment, by the sum of net interest income on a tax equivalent basis and non-interest income, net of any securities gains or losses and other-than-temporary-impairment (OTTI) on securities. It is a measure of the relationship between operating expenses and earnings.

(4) Operating revenue is defined as net interest income plus non-interest income, excluding OTTI related to the write-down of Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac) preferred shares in 2008.

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Reconciliation of Non-GAAP Financial Measures

Certain financial information included in the Summary Financial Information above is determined by methods other than in accordance with generally accepted accounting principles (GAAP). These non-GAAP financial measures include efficiency ratio, tangible book value at period end, and tangible common shareholders equity to tangible assets. The efficiency ratio is defined as non-interest expense, less goodwill impairment, divided by the sum of net interest income on a tax equivalent basis and non-interest income, net of any securities gains or losses and OTTI on securities. Tangible book value at period end is defined as total equity reduced by recorded intangible assets divided by total common shares outstanding. Tangible common shareholders equity to tangible assets is defined as total common equity reduced by recorded intangible assets divided by total assets reduced by recorded intangible assets.

Our management believes that the non-GAAP measures below are useful because they enhance the ability of investors and management to evaluate and compare our operating results from period to period in a meaningful manner. These non-GAAP measures should not be considered as an alternative to any measure of performance as promulgated under GAAP, and investors should consider the OTTI charges related to Freddie Mac preferred stock in 2008 and goodwill impairment in 2009, when assessing the performance of the Company. Non-GAAP measures have limitations as analytical tools, and investors should not consider them in isolation or as a substitute for analysis of the Company s results as reported under GAAP.

The following is a reconciliation for each of the five years ended December 31, 2011 and six months ended June 30, 2012 and 2011, of net income (loss) as reported for GAAP and the non-GAAP measure referred to throughout our discussion of operating earnings.

	As of or For the Six Months Ended June 30,		As of or For the Years Ended December 31,				
	2012	2011	2011	2010	2009	2008	2007
				(dollars in thousands)			
Net income (loss), as reported (GAAP)	$ 1,727	$ 1,296	$ 3,324	$ 1,854	$ (25,231)	$ (6,793)	$ 3,965
Add: Income tax expense (benefit)	730	522	1,457	565	696	(3,761)	1,725
	2,457	1,818	4,781	2,419	(24,535)	(10,554)	5,690
Non-operating items:							
Goodwill impairment					27,761		
Other-than-temporary-impairment on FHLMC preferred shares						14,325	
Pre-tax operating earnings	2,457	1,818	4,781	2,419	3,226	3,771	5,690
Related income tax expense	730	522	1,457	565	696	825	1,725
Operating earnings (net income, excluding non operating items)	$ 1,727	$ 1,296	$ 3,324	$ 1,854	$ 2,530	$ 2,946	$ 3,965

The following is a reconciliation for each of the five years ended December 31, 2011 and six months ended June 30, 2012 and 2011 of non-interest income (loss) as reported for GAAP and the non-GAAP measure referred to throughout our discussion regarding non-interest income (loss).

As of or For the Six Months	As of or For the Years Ended December 31,

	Ended June 30, 2012	2011	2011	2010	2009	2008	2007
				(dollars in thousands)			
Non-interest income (loss), as reported (GAAP)	$ 3,318	$ 2,598	$ 6,285	$ 3,844	$ 5,032	$ (10,084)	$ 5,017
Non-operating items:							
Other-than-temporary-impairment charge						14,325	
Operating non-interest income	$ 3,318	$ 2,598	$ 6,285	$ 3,844	$ 5,032	$ 4,241	$ 5,017

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The following is a reconciliation for each of the five years ended December 31, 2011 and six months ended June 30, 2012 and 2011 of non-interest expense as reported for GAAP and the non-GAAP measure referred to throughout our discussion regarding non-interest expense.

	As of or For the Six Months Ended June 30,		As of or For the Years Ended December 31,				
	2012	2011	2011	2010	2009	2008	2007
				(dollars in thousands)			
Non-interest expense, as reported (GAAP)	$ 9,520	$ 9,103	$ 18,401	$ 17,684	$ 44,341	$ 15,539	$ 14,125
Non-operating items:							
Impairment of goodwill					$ 27,761		
Operating non-interest expense	$ 9,520	$ 9,103	$ 18,401	$ 17,684	$ 16,580	$ 15,539	$ 14,125

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RISK FACTORS

An investment in our Preferred Shares is subject to risks inherent in our business, risks relating to the structure of the Preferred Shares and risks relating to the auction process being conducted as part of this offering. The material risks and uncertainties that management believes affect your investment in the Preferred Shares are described below and in the sections entitled Risk Factors in the accompanying prospectus and our Annual Report on Form 10-K for the year ended December 31, 2011 incorporated by reference herein. Before making an investment decision, you should carefully consider the risks and uncertainties described below and in the accompanying prospectus and information included or incorporated by reference in this prospectus supplement and the accompanying prospectus. If any of these risks or uncertainties are realized, our business, financial condition, capital levels, cash flows, liquidity, results of operations and prospects, as well as our ability to pay dividends on the Preferred Shares, could be materially and adversely affected and the market price of the Preferred Shares could decline significantly and you could lose some or all of your investment.

Risk Factors Related to our Business

Changes in the financial markets could impair the value of our investment portfolio.

The investment securities portfolio is a significant component of our total earning assets. Total investment securities averaged $205.7 million in 2011, as compared to $194.4 million in 2010. This represents 37.4% and 35.0% of the average earning assets for the year ended December 31, 2011 and 2010, respectively. At June 30, 2012, the portfolio was 36.7% of earning assets. Turmoil in the financial markets could impair the market value of our investment portfolio, which could adversely affect our net income and possibly our capital.

Since the last half of 2007, the bond markets and many institutional holders of bonds have been under a great deal of stress partially as a result of the ongoing recessionary economic conditions. At June 30, 2012, we had MBSs including collateralized mortgage obligations (CMOs) with a fair value of $118.3 million. Of these, approximately $115.1 million were issued by government sponsored enterprises (GSEs) and $3.2 million by private label issuers. The market for CMOs of private label MBSs has become less liquid and the spread as compared to alternative investments has widened dramatically. To a lesser extent, MBSs issued by GSEs such as Freddie Mac and the Federal National Mortgage Association (FNMA or Fannie Mae) have been impacted and spreads have increased on these investments. These entities have also experienced increasing delinquencies in the underlying loans that make up the MBSs and CMOs. In 2008 and 2009, the private label MBSs and CMOs we own incurred rating agency downgrades, many to below investment grade.

During the first six months of 2012, we sold eight below investment grade non-agency MBSs with a total book value of approximately $11.1 million. The loss on the sale of these securities was approximately $2.1 million and has been offset by gains of the approximate same amount from the sale of certain agency MBSs and municipal securities. These sales have served to significantly reduce the level of below investment grade securities on our balance sheet. As of June 30, 2012, we had total CMOs by private label issuers with an amortized cost of $3.7 million. Of these CMOs, there were four investments with an amortized cost of $1.7 million downgraded to below investment grade.

Delinquencies on the underlying mortgages on all mortgage securities increased dramatically throughout 2008, 2009, 2010 and 2011 and continued to remain at high levels at June 30, 2012. We monitor these investments on a monthly basis. Increasing delinquencies and defaults in the underlying mortgages have resulted in recognizing other-than-temporary-impairment (OTTI) during 2009, 2010, 2011 and the first six months of 2012. In evaluating these securities for OTTI, we use assumptions relative to continued defaults

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rates, loss severities on the underlying collateral and prepayment speeds. Differences in actual experience and the assumptions used could result in a loss of earnings as a result of further OTTI charges.

On September 7, 2008, Treasury, the Federal Reserve and the Federal Housing Finance Agency (FHFA) announced that FHFA was placing the Federal Home Loan Mortgage Corporation under conservatorship. Due to these actions, we took an OTTI charge of $8.1 million in the third quarter of 2008 relating to the Freddie Mac preferred stock that we held. This charge, along with our second quarter of 2008 charge of $6.1 million related to our investment in preferred stock issued by Freddie Mac, eliminated any further direct material exposure in our investment portfolio to Freddie Mac equity securities.

As of June 30, 2012 and December 31, 2011, our securities, all of which are classified as Available for Sale, that have unrealized losses were not considered to be other than temporary and we believe it is more likely than not we will be able to hold these until they mature or recover our current book value. We currently maintain substantial liquidity which supports our intent and ability to hold these investments until they mature, or until there is a market price recovery. However, if we were to cease to have the ability and intent to hold these investments until maturity or the market prices do not recover and we were to sell these securities at a loss, it could adversely affect our net income and possibly our capital.

Recent negative developments in the financial industry and the domestic and international credit markets may adversely affect our operations and results.

Negative developments in the global credit and securitization markets have resulted in uncertainty in the financial markets in general with the expectation of continuing uncertainty in 2012. As a result, commercial as well as consumer loan portfolio performances have deteriorated at many institutions and the competition for deposits and quality loans has increased significantly. In addition, the values of real estate collateral supporting many commercial loans and home mortgages have declined and may continue to decline. Global securities markets and bank holding company stock prices in particular, have been negatively affected, as has the ability of banks and bank holding companies in general to raise capital or borrow in the debt markets. As a result, bank regulatory agencies have been active in responding to concerns and trends identified in examinations, including by issuing a historically high number of formal enforcement orders over the past three years. In addition, significant new federal laws and regulations have been adopted relating to financial institutions, including, without limitation, the Emergency Economic Stabilization Act of 2008, Treasury s CPP, the American Recovery and Reinvestment Act and the Dodd-Frank Act. Furthermore, the potential exists for additional federal or state laws and regulations, and bank regulatory agencies are expected to be active in responding to concerns and trends identified in examinations by issuing formal enforcement orders. Negative developments in the financial industry and the domestic and international credit markets, and the impact of new legislation, regulations and bank examination practices in response to those developments, may negatively impact our operations by restricting our business operations, including our ability to originate or sell loans, and adversely impact our financial performance. We can provide no assurance regarding the manner in which any new laws and regulations will affect us.

There can be no assurance that recently enacted legislation will help stabilize the U.S. financial system.

In response to the challenges facing the financial services sector, a number of regulatory and legislative actions have been enacted or announced. There can be no assurance that these government actions will achieve their purpose. The failure of the financial markets to stabilize, or a continuation or worsening of the current financial market conditions, could have a material adverse affect on our business, our financial condition, the financial condition of our customers, our common stock trading price, as well as our ability to access credit. It could also result in declines in our investment portfolio which could be other-than-temporary impairments.

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Our focus on lending to small to mid-sized community-based businesses may increase our credit risk.

Most of our commercial business and commercial real estate loans are made to small business or middle market customers. These businesses generally have fewer financial resources in terms of capital or borrowing capacity than larger entities and have a heightened vulnerability to economic conditions. If general economic conditions in the markets in which we operate negatively impact this important customer sector, our results of operations and financial condition and the value of our common stock may be adversely affected. Moreover, a portion of these loans have been made by us in recent years and the borrowers may not have experienced a complete business or economic cycle. Furthermore, the deterioration of our borrowers businesses may hinder their ability to repay their loans with us, which could have a material adverse effect on our financial condition and results of operations.

Our decisions regarding credit risk and reserves for loan losses may materially and adversely affect our business.

Making loans and other extensions of credit is an essential element of our business. Although we seek to mitigate risks inherent in lending by adhering to specific underwriting practices, our loans and other extensions of credit may not be repaid. The risk of nonpayment is affected by a number of factors, including:

- the duration of the credit;
- credit risks of a particular customer;
- changes in economic and industry conditions; and
- in the case of a collateralized loan, risks resulting from uncertainties about the future value of the collateral.

We attempt to maintain an appropriate allowance for loan losses to provide for potential losses in our loan portfolio. We periodically determine the amount of the allowance based on consideration of several factors, including:

- an ongoing review of the quality, mix and size of our overall loan portfolio;
- our historical loan loss experience;

- evaluation of economic conditions;

- regular reviews of loan delinquencies and loan portfolio quality; and

- the amount and quality of collateral, including guarantees, securing the loans.

There is no precise method of predicting credit losses; therefore, we face the risk that charge-offs in future periods will exceed our allowance for loan losses and that additional increases in the allowance for loan losses will be required. Additions to the allowance for loan losses would result in a decrease of our net income, and possibly our capital.

Federal and state regulators periodically review our allowance for loan losses and may require us to increase our provision for loan losses or recognize further loan charge-offs, based on judgments different than those of our management. Any increase in the amount of our provision or loans charged-off as required by these regulatory agencies could have a negative effect on our operating results.

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We may have higher loan losses than we have allowed for in our allowance for loan losses.

Our actual loan losses could exceed our allowance for loan losses. As of June 30, 2012, approximately 3.8% of our loan portfolio (excluding loans held for sale) was composed of construction loans, 68.3% was comprised of commercial mortgage loans and 6.1% was comprised of commercial loans. Repayment of such loans is generally considered more subject to market risk than residential mortgage loans. Industry experience shows that a portion of loans will become delinquent and a portion of loans will require partial or entire charge-off. Regardless of the underwriting criteria utilized, losses may be experienced as a result of various factors beyond our control, including among other things, changes in market conditions affecting the value of loan collateral and problems affecting the credit of our borrowers.

Economic challenges, especially those affecting Lexington, Richland, Newberry, and Kershaw Counties and the surrounding areas, may reduce our customer base, our level of deposits, and demand for financial products such as loans.

Our success significantly depends upon the growth in population, income levels, deposits, and housing starts in our markets of Lexington, Richland, Newberry, and Kershaw Counties and the surrounding area. The current economic downturn has negatively affected the markets in which we operate and, in turn, the size and quality of our loan portfolio. If the communities in which we operate do not grow or if prevailing economic conditions locally or nationally remain unfavorable, our business could be adversely impacted. A continuation of the economic downturn or prolonged recession would likely result in reductions in the size of our loan portfolio and the continued deterioration of the quality of our loan portfolio and could reduce our level of deposits, which in turn would hurt our business. Interest received on loans represented approximately 74.9% of our interest income for the year ended December 31, 2011 and 77.9% of our interest income for the six months ended June 30, 2012. If the economic downturn continues or a prolonged economic recession occurs in the economy as a whole, there may be less demand for new loans and borrowers will be less likely to repay their loans as scheduled. Moreover, in many cases the value of real estate or other collateral that secures our loans has been adversely affected by the economic conditions and could continue to be negatively affected. Unlike many larger institutions, we are not able to spread the risks of unfavorable local economic conditions across a large number of diversified economies. A continued economic downturn could, therefore, result in losses that materially and adversely affect our business.

We face strong competition for customers, which could prevent us from obtaining customers and may cause us to pay higher interest rates to attract customers.

The banking business is highly competitive, and we experience competition in our market from many other financial institutions. We compete with commercial banks, credit unions, savings and loan associations, mortgage banking firms, consumer finance companies, securities brokerage firms, insurance companies, money market funds, and other mutual funds, as well as other super-regional, national, and international financial institutions that operate offices in our primary market areas and elsewhere. We compete with these institutions both in attracting deposits and in making loans. In addition, we have to attract our customer base from other existing financial institutions and from new residents. Many of our competitors are well-established, larger financial institutions. These institutions offer some services, such as extensive and established branch networks, that we do not provide. There is a risk that we will not be able to compete successfully with other financial institutions in our market, and that we may have to pay higher interest rates to attract deposits, resulting in reduced profitability. In addition, competitors that are not depository institutions are generally not subject to the extensive regulations that apply to us.

Our deposit insurance premiums could be substantially higher in the future, which could have a material adverse effect on our future earnings.

The FDIC insures deposits at FDIC-insured depository institutions, such as the bank, up to applicable limits. The amount of a particular institution s deposit insurance assessment is based on that institution s risk classification under an FDIC risk-based assessment system. An institution s risk classification is assigned based on its capital levels and the level of supervisory concern the institution poses to its regulators. Recent market developments and bank failures significantly depleted the FDIC s Deposit Insurance Fund and reduced the ratio of reserves to insured deposits. As a result of recent economic conditions and the enactment of the Dodd-Frank Act, banks are now assessed deposit insurance premiums based on the bank s average consolidated total assets, and the FDIC has modified certain risk-based adjustments, which increase or decrease a bank s overall assessment rate. This has resulted in increases to the deposit insurance assessment rates and thus raised deposit premiums for many insured depository institutions. If these increases are insufficient for the Deposit Insurance Fund to meet its funding requirements, further special assessments or increases in deposit insurance premiums may be required. We are generally unable to control the amount of premiums that we are required to pay for FDIC insurance. If there are additional bank or financial institution failures, we may be required to pay even higher FDIC premiums than the recently increased levels. Any future additional assessments, increases or required prepayments in FDIC insurance premiums could reduce our profitability, may limit our ability to pursue certain business opportunities or otherwise negatively impact our operations.

We have a concentration of credit exposure in commercial real estate and challenges faced by the commercial real estate market could adversely affect our business, financial condition, and results of operations.

As of June 30, 2012, we had approximately $231.0 million in loans outstanding to borrowers whereby the collateral securing the loan was commercial real estate, representing approximately 71.1% of our total loans outstanding as of that date. Approximately 33.7%, or $77.8 million, of this real estate collateral consist of owner-occupied properties. Commercial real estate loans are generally viewed as having more risk of default than residential real estate loans. They are also typically larger than residential real estate loans and consumer loans and depend on cash flows from the owner s business or the property to service the debt. Cash flows may be affected significantly by general economic conditions, and a downturn in the local economy or in occupancy rates in the local economy where the property is located could increase the likelihood of default. Because our loan portfolio contains a number of commercial real estate loans with relatively large balances, the deterioration of one or a few of these loans could cause a significant increase in our level of non-performing loans. An increase in non-performing loans could result in a loss of earnings from these loans, an increase in the related provision for loan losses and an increase in charge-offs, all of which could have a material adverse effect on our financial condition and results of operations. The banking regulators are giving commercial real estate lending greater scrutiny, and may require banks with higher levels of commercial real estate loans to implement more stringent underwriting, internal controls, risk management policies and portfolio stress testing, as well as possibly higher levels of allowances for losses and capital levels as a result of commercial real estate lending growth and exposures.

A significant portion of our loan portfolio is secured by real estate, and events that negatively impact the real estate market could hurt our business.

A significant portion of our loan portfolio is secured by real estate. As of June 30, 2012, approximately 92.3% of our loans (excluding loans held for sale) had real estate as a primary or secondary component of collateral. The real estate collateral in each case provides an alternate source of repayment in the event of default by the borrower and may deteriorate in value during the time the credit is extended. A continued weakening of the real estate market in our primary market area could result in an increase in the number of borrowers who default on their loans and a reduction in the value of the collateral securing their loans, which in turn could have an adverse effect on our profitability and asset quality. If we are required to liquidate the collateral securing a loan to satisfy the debt during a period of reduced real estate values, our earnings and capital could be adversely affected. Acts of nature, including hurricanes, tornados, earthquakes, fires and floods, which could be exacerbated by potential climate change and may cause uninsured damage and other loss of value to real estate that secures these loans, may also negatively impact our financial condition.

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Changes in prevailing interest rates may reduce our profitability.

Our results of operations depend in large part upon the level of our net interest income, which is the difference between interest income from interest- earning assets, such as loans and MBSs, and interest expense on interest-bearing liabilities, such as deposits and other borrowings. Depending on the terms and maturities of our assets and liabilities, we believe it is more likely than not a significant change in interest rates could have a material adverse effect on our profitability. Many factors cause changes in interest rates, including governmental monetary policies and domestic and international economic and political conditions. While we intend to manage the effects of changes in interest rates by adjusting the terms, maturities, and pricing of our assets and liabilities, our efforts may not be effective and our financial condition and results of operations could suffer.

We are dependent on key individuals, and the loss of one or more of these key individuals could curtail our growth and adversely affect our prospects.

Michael C. Crapps, our president and chief executive officer, has extensive and long-standing ties within our primary market area and substantial experience with our operations, and he has contributed significantly to our business. If we lose the services of Mr. Crapps, he would be difficult to replace and our business and development could be materially and adversely affected.

Our success also depends, in part, on our continued ability to attract and retain experienced loan originators, as well as other management personnel. Competition for personnel is intense, and we may not be successful in attracting or retaining qualified personnel. Our failure to compete for these personnel, or the loss of the services of several of such key personnel, could adversely affect our business strategy and seriously harm our business, results of operations, and financial condition.

Because of our participation in Treasury s CPP, we are subject to several restrictions including restrictions on compensation paid to our executives.

Pursuant to the terms of the CPP Purchase Agreement between us and Treasury, we adopted certain standards for executive compensation and corporate governance for the period during which Treasury holds the equity issued pursuant to the CPP Purchase Agreement, including the common stock which may be issued pursuant to the Warrant. These standards generally apply to our chief executive officer, chief financial officer and the three next most highly compensated senior executive officers. The standards include (1) ensuring that incentive compensation for senior executives does not encourage unnecessary and excessive risks that threaten the value of the financial institution; (2) required clawback of any bonus or incentive compensation paid to a senior executive based on statements of earnings, gains or other criteria that are later proven to be materially inaccurate; (3) prohibition on making golden parachute payments to senior executives; and (4) agreement not to deduct for tax purposes executive compensation in excess of $500,000 for each senior executive. In particular, the change to the deductibility limit on executive compensation will likely increase the overall cost of our compensation programs in future periods and may make it more difficult to attract suitable candidates to serve as executive officers. If Treasury elects to sell all of the Preferred Shares, these executive compensation and corporate governance standards will no longer be applicable.

The American Recovery and Reinvestment Act of 2009 has imposed additional and broader compensation restrictions on CPP participants, which restrictions have been implemented by additional regulations, requiring significant time, effort, and resources on our part to ensure compliance. The evolving regulations regarding compensation may restrict our ability to compete successfully for executive and management talent.

We are subject to extensive regulation that could limit or restrict our activities.

We operate in a highly regulated industry and are subject to examination, supervision, and

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comprehensive regulation by various regulatory agencies. Our compliance with these regulations is costly and restricts certain of our activities, including payment of dividends, mergers and acquisitions, investments, loans and interest rates charged, interest rates paid on deposits, and locations of offices.

We are also subject to capitalization guidelines established by our regulators, which require us to maintain adequate capital to support our growth. As of June 30, 2012, the bank exceeded each of these ratios and remains well capitalized.

The laws and regulations applicable to the banking industry could change at any time, and we cannot predict the effects of these changes on our business and profitability. Because government regulation greatly affects the business and financial results of all commercial banks and bank holding companies, our cost of compliance could adversely affect our ability to operate profitably. See also *Risk Factors Recent negative developments in the financial industry and the domestic and international credit markets may adversely impact our operations and results.*

Proposals for further regulation of the financial services industry are continually being introduced in the Congress of the United States of America and the General Assembly of the State of South Carolina. The agencies regulating the financial services industry also periodically adopt changes to their regulations. It is possible that additional legislative proposals may be adopted or regulatory changes may be made that would have an adverse effect on our business.

The short-term and long-term impact of the changing regulatory capital requirements and anticipated new capital rules is uncertain.

On September 12, 2010, the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee on Banking Supervision, announced an agreement to a strengthened set of capital requirements for internationally active banking organizations in the U.S. and around the world, known as Basel III. Basel III calls for increases in the requirements for minimum common equity, minimum Tier 1 capital and minimum total capital for certain systemically important financial institutions, to be phased in over time until fully phased in by January 1, 2019. Any regulations adopted for systemically significant institutions may also be applied to or otherwise impact other financial institutions such as the Company or the banks.

Various provisions of the Dodd-Frank Act increase the capital requirements of bank holding companies, such as the Company, and non-bank financial companies that are supervised by the Federal Reserve Board. The leverage and risk-based capital ratios of these entities may not be lower than the leverage and risk-based capital ratios for insured depository institutions. In particular, bank holding companies, many of which have long relied on trust preferred securities as a component of their regulatory capital, will no longer be permitted to issue new trust preferred securities that count toward their Tier 1 capital. While the Basel III changes and other regulatory capital requirements will likely result in generally higher regulatory capital standards, it is difficult at this time to predict how any new standards will ultimately be applied to the Company and the bank.

In addition, in the current economic and regulatory environment, regulators of banks and bank holding companies have become more likely to impose capital requirements on bank holding companies and banks that are more stringent than those required by applicable existing regulations.

The application of more stringent capital requirements for the Company or the bank could, among other things, result in lower returns on invested capital, require the issuance of additional capital, and result in regulatory actions if we were to be unable to comply with such requirements.

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Our future growth may require us to raise additional capital in the future, but that capital may not be available when it is needed.

We are required by regulatory authorities to maintain adequate levels of capital to support our operations. To support our future growth, we may need to raise additional capital. Our ability to raise additional capital, if needed, will depend in part on conditions in the capital markets at that time, which are outside our control. Accordingly, we cannot assure you of our ability to raise additional capital, if needed, on terms acceptable to us. If we cannot raise additional capital when needed, our ability to further expand our operations through internal growth and acquisitions could be materially impaired. In addition, if we decide to raise additional equity capital, your interest could be diluted.

Our historical operating results may not be indicative of our future operating results.

Our historical results of operations will not necessarily be indicative of our future operations. Various factors, such as economic conditions, regulatory and legislative considerations, and competition, may negatively impact our operations and may impede our ability to expand our market presence.

We may be adversely affected by the soundness of other financial institutions.

Financial services institutions are interrelated as a result of trading, clearing, counterparty, or other relationships. We have exposure to many different industries and counterparties, and routinely execute transactions with counterparties in the financial services industry, including commercial banks, brokers and dealers, investment banks, and other institutional clients. Many of these transactions expose us to credit risk in the event of a default by a counterparty or client. In addition, our credit risk may be exacerbated when the collateral held by the bank cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the credit or derivative exposure due to the bank. Any such losses could have a material adverse affect on our financial condition and results of operations.

We will face risks with respect to expansion through acquisitions or mergers.

From time to time we may seek to acquire other financial institutions or parts of those institutions. We may also expand into new markets or lines of business or offer new products or services. These activities would involve a number of risks, including:

- the potential inaccuracy of the estimates and judgments used to evaluate credit, operations, management, and market risks with respect to a target institution;

- the time and costs of evaluating new markets, hiring or retaining experienced local management, and opening new offices and the time lags between these activities and the generation of sufficient assets and deposits to support the costs of the expansion;

- the incurrence and possible impairment of goodwill associated with an acquisition and possible adverse effects on our results of operations; and

- the risk of loss of key employees and customers.

In addition, there can be no assurances as to when or whether we will be permitted by our regulators to acquire banks, banking branches or other bank assets.

Our underwriting decisions may materially and adversely affect our business.

While we generally underwrite the loans in our portfolio in accordance with our own internal underwriting guidelines and regulatory supervisory guidelines, in certain circumstances we have made loans

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which exceed either our internal underwriting guidelines, supervisory guidelines, or both. As of June 30, 2012, approximately $10.20 million of our loans, or 16.18% of our bank s regulatory capital, had loan-to-value ratios that exceeded regulatory supervisory guidelines, of which five loans totaling approximately $677 thousand had loan-to-value ratios of 100% or more. In addition, supervisory limits on commercial loan to value exceptions are set at 30% of our bank s capital. At June 30, 2012, $8.45 million of our commercial loans, or 13.39% of our bank s regulatory capital, exceeded the supervisory loan to value ratio. The number of loans in our portfolio with loan-to-value ratios in excess of supervisory guidelines, our internal guidelines, or both could increase the risk of delinquencies and defaults in our portfolio.

We depend on the accuracy and completeness of information about clients and counterparties and our financial condition could be adversely affected if it relies on misleading information.

In deciding whether to extend credit or to enter into other transactions with clients and counterparties, we may rely on information furnished to us by or on behalf of clients and counterparties, including financial statements and other financial information, which we do not independently verify. We also may rely on representations of clients and counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. For example, in deciding whether to extend credit to clients, we may assume that a customer s audited financial statements conform with GAAP and present fairly, in all material respects, the financial condition, results of operations and cash flows of the customer. Our financial condition and results of operations could be negatively impacted to the extent we rely on financial statements that do not comply with GAAP or are materially misleading.

Legislation or regulatory changes related to the Series T Preferred Stock and the Warrant that we issued to Treasury pursuant to the CPP could adversely affect our business.

Legislation that has been adopted after we closed on our sale of the Series T Preferred Stock and the Warrant on November 21, 2008, or any legislation or regulations that may be implemented in the future, may have a material impact on the terms of our TARP Transaction with Treasury. The terms of our TARP Transaction have been altered since we closed on our sale of Series T Preferred Stock and the Warrant in ways that create additional restrictions, complexity and compliance time and expense with respect to compensation. The terms may be further altered in ways that we believe could adversely affect our ability to effectively manage our business. Such additional regulation and supervision may increase our costs and limit our ability to pursue business opportunities. The effects of such enacted and potential future legislation and regulation programs on us cannot reliably be determined at this time.

We are exposed to the possibility of technology failure and a disruption in our operations may adversely affect our business.

We rely on our computer systems and the technology of outside service providers. Our daily operations depend on the operational effectiveness of their technology. We rely on our systems to accurately track and record our assets and liabilities. If our computer systems or outside technology sources become unreliable, fail, or experience a breach of security, our ability to maintain accurate financial records may be impaired, which could materially affect our business operations and financial condition. In addition, a disruption in our operations resulting from failure of transportation and telecommunication systems, loss of power, interruption of other utilities, natural disaster, fire, global climate changes, computer hacking or viruses, failure of technology, terrorist activity or the domestic and foreign response to such activity or other events outside of our control could have an adverse impact on the financial services industry as a whole and/or on our business. Our business recovery plan may not be adequate and may not prevent significant interruptions of our operations or substantial losses.

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Negative public opinion surrounding our Company and the financial institutions industry generally could damage our reputation and adversely impact our earnings.

Reputation risk, or the risk to our business, earnings and capital from negative public opinion surrounding our company and the financial institutions industry generally, is inherent in our business. Negative public opinion can result from our actual or alleged conduct in any number of activities, including lending practices, corporate governance and acquisitions, and from actions taken by government regulators and community organizations in response to those activities. Negative public opinion can adversely affect our ability to keep and attract clients and employees and can expose us to litigation and regulatory action. Although we take steps to minimize reputation risk in dealing with our clients and communities, this risk will always be present given the nature of our business.

The change of control rules under Section 382 of the Internal Revenue Code could limit our ability to use net operating loss carryforwards to reduce future taxable income, if we were to undergo a change of control.

We have net operating loss (NOL) carryforwards for federal and state income tax purposes which, generally, can be used to reduce future taxable income. Our use of our NOL carryforwards would be limited, however, under Section 382 of the Internal Revenue Code, if we were to undergo a change in ownership of more than 50% of our capital stock over a three-year period as measured under Section 382 of the Internal Revenue Code. These complex change of ownership rules generally focus on ownership changes involving shareholders owning directly or indirectly 5% or more of our stock, including certain public groups of shareholders as set forth under Section 382 of the Internal Revenue Code, including those arising from new stock issuances and other equity transactions.

Whether a change in ownership occurs in the future is largely outside of our control, and there can be no assurance that such a change will not occur. If we experience an ownership change, the resulting annual limit on the use of our NOL carryforwards (which generally would equal the product of the applicable federal long-term tax-exempt rate, multiplied by the value of our capital stock immediately before the ownership change, then increased by certain existing gains recognized within five years after the ownership change if we have a net built-in gain in our assets at the time of the ownership change) could result in a meaningful increase in our federal and state income tax liability in future years. Whether an ownership change occurs by reason of public trading in our stock is largely outside of our control, and the determination of whether an ownership change has occurred is complex. No assurance can be given that we will not in the future undergo an ownership change that would have an adverse effect on the value of our stock.

If we are required to take an additional valuation allowance to our deferred tax asset in the future, our earnings and capital position may be adversely impacted.

Deferred income tax represents the tax impact of the differences between the book and tax basis of assets and liabilities. Deferred tax assets are assessed periodically by us to determine if they are realizable. Factors in our determination include the ability to carry back or carry forward net operating losses and the performance of the business including the ability to generate taxable income from a variety of sources and tax planning strategies. If, based on available information, it is more likely than not that the deferred income tax asset will not be realized, then a valuation allowance against the deferred tax asset must be established with a corresponding charge to income tax expense.

Analysis of our ability to realize deferred tax assets requires us to apply significant judgment and is inherently subjective because it requires the future occurrence of circumstances that cannot be predicted with certainty. The determination of how much of the net operating losses we will be able to utilize and, therefore, how much of the valuation allowance that may be reversed and the timing is based on our future results of operations and the amount and timing of actual loan charge-offs and asset writedowns. The resulting loss could have a material adverse effect on our results of operations and financial condition and could also decrease the

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bank s regulatory capital.

We are subject to risks in the event of certain borrower default, which could have an adverse impact on our liquidity position and results of operations.

We may be required to repurchase mortgage loans or indemnify mortgage loan purchasers as a result of certain borrower defaults, which could adversely affect our liquidity position, results of operations, and financial condition. When we sell mortgage loans, we are required to make customary representations and warranties to the purchaser about the mortgage loans and the manner in which the loans were originated. In the event of a breach of any of the representations and warranties related to a loan sold, we could be liable for damages to the investor up to and including a make whole demand that involves, at the investor s option, either reimbursing the investor for actual losses incurred on the loan or repurchasing the loan in full. Our maximum exposure to credit loss in the event of a make whole loan repurchase claim would be the unpaid principal balance of the loan to be repurchased along with any premium paid by the investor when the loan was purchased and other minor collection cost reimbursements. While we have taken steps to enhance our underwriting policies and procedures, these steps might not be effective and might not lessen the risks associated with loans sold in the past. If repurchase demands increase, our liquidity position, results of operations, and financial condition could be adversely affected.

The amount of our other real estate owned (OREO) may increase, resulting in additional OREO-related losses, and costs and expenses that will negatively affect our operations.

It is possible that the balance of OREO could increase in 2012 and future years. Our level of OREO is affected by, among other things, the continued deterioration of the residential and commercial real estate markets and the tightening of the credit market. As the amount of OREO increases, our losses, and the costs and expenses to maintain the real estate likewise increase. Any additional increase in losses, and maintenance costs and expenses due to OREO may have material adverse effects on our business, financial condition, and results of operations. Such effects may be particularly pronounced in the current market of reduced real estate values and excess inventory, which may continue to make the disposition of OREO properties more difficult, increase maintenance costs and expenses, and may reduce our ultimate realization from any OREO sales. In addition, we are required to reflect the fair market value of our OREO in our financial statements. If the OREO declines in value, we are required to recognize a loss in connection with continuing to hold the property. As a result, declines in the value of our OREO have a negative effect on our results of operations and financial condition.

Our use of appraisals in deciding whether to make a loan on or secured by real property or how to value such loan in the future may not accurately describe the net value of the real property collateral that we can realize.

In considering whether to make a loan secured by real property, we generally require an appraisal of the property. However, an appraisal is only an estimate of the value of the property at the time the appraisal is made, and, as real estate values in our market area have experienced changes in value in relatively short periods of time, this estimate might not accurately describe the net value of the real property collateral after the loan has been closed. If the appraisal does not reflect the amount that may be obtained upon any sale or foreclosure of the property, we may not realize an amount equal to the indebtedness secured by the property. In addition, we rely on appraisals to establish the value of our OREO and to determine certain loan impairments. If appraisals are inaccurate, our financial statements may not reflect the correct value of OREO, and our allowance for loan losses may not reflect accurate loan impairments. The valuation of the property may negatively impact the continuing value of such loan or OREO and could adversely affect our results of operations and financial condition.

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We are subject to liquidity risk in our operations.

Liquidity risk is the possibility of being unable, at a reasonable cost and within acceptable risk tolerances, to pay obligations as they come due, to capitalize on growth opportunities as they arise, or to pay regular dividends because of an inability to liquidate assets or obtain adequate funding on a timely basis. Liquidity is required to fund various obligations, including credit obligations to borrowers, mortgage originations, withdrawals by depositors, repayment of debt, dividends to shareholders, operating expenses, and capital expenditures. Liquidity is derived primarily from retail deposit growth and retention, principal and interest payments on loans and investment securities, net cash provided from operations, and access to other funding sources. Our access to funding sources in amounts adequate to finance our activities could be impaired by factors that affect us specifically or the financial services industry in general. Factors that could detrimentally affect our access to liquidity sources include a decrease in the level of our business activity due to a market downturn or adverse regulatory action against us. Our ability to borrow could also be impaired by factors that are not specific to us, such as a severe disruption in the financial markets or negative views and expectations about the prospects for the financial services industry as a whole, given the recent turmoil faced by banking organizations in the domestic and worldwide credit markets. Currently, we have access to liquidity to meet our current anticipated needs; however, our access to additional borrowed funds could become limited in the future, and we may be required to pay above market rates for additional borrowed funds, if we are able to obtain them at all, which may adversely affect our results of operations.

Our compensation expense may increase substantially after Treasury s sale of the Preferred Shares.

As a result of our participation in the CPP, among other things, we are subject to Treasury s current standards for executive compensation and corporate governance for the period during which Treasury holds any of our Preferred Shares. These standards were most recently set forth in the Interim Final Rule on TARP Standards for Compensation and Corporate Governance, published June 15, 2009. If the auction is successful and Treasury elects to sell all of the Preferred Shares, these executive compensation and corporate governance standards will no longer be applicable and our compensation expense for our executive officers and other senior employees may increase substantially.

Risk Factors Related to an Investment in the Preferred Shares

The Preferred Shares are equity and are subordinated to all of our existing and future indebtedness; we are highly dependent on dividends and other amounts from our subsidiaries in order to pay dividends on, and redeem at our option, the Preferred Shares, which are subject to various prohibitions and other restrictions; and the Preferred Shares place no limitations on the amount of indebtedness we and our subsidiaries may incur in the future.

The Preferred Shares are equity interests in the Company and do not constitute indebtedness. As such, the Preferred Shares, like our common stock, rank junior to all existing and future indebtedness and other non-equity claims on the Company with respect to assets available to satisfy claims on the Company, including in a liquidation of the Company. Additionally, unlike indebtedness, where principal and interest would customarily be payable on specified due dates, in the case of perpetual preferred stock like the Preferred Shares, there is no stated maturity date (although the Preferred Shares are subject to redemption at our option) and dividends are payable only if, when and as authorized and declared by our board of directors and depend on, among other matters, our historical and projected results of operations, liquidity, cash flows, capital levels, financial condition, debt service