FIRST COMMUNITY CORP /SC/
Form 10KSB/A
March 28, 2005

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-KSB / AMENDMENT NO. 1

(Mark One)

ý	Annual Report under Section 13 or 15(d) of the Securities Exchange Act of 1934 For the fiscal year ended December 31, 2004
or	
o	Transition Report under Section 13 or 15(d) of the Securities Exchange Act of 1934 For the transition period from to

Commission file number: **000-28344**

First Community Corporation

(Name of Small Business Issuer in Its Charter)

South Carolina (State or other jurisdiction of incorporation or organization)	**571010751** (I.R.S. Employer Identification No.)
5455 Sunset Blvd., **Lexington, South Carolina** (Address of principal executive offices)	**29072** (Zip Code)

803-951-2265

Issuer s Telephone Number, Including Area Code

Securities registered pursuant to Section 12(b) of the Act: None.

Securities registered pursuant to Section 12(g) of the Act: Common Stock.

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for past 90 days. Yes ý No o

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B in this form, and no disclosure will be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. ý

The issuer s revenue for its most recent fiscal year was $14,818,945.

The aggregate market value of the voting stock as of March 15, 2005, held by non-affiliates of the registrant based on the closing price as of March 15, 2005, was $49,977,519.

2,830,962 shares of the issuer s common stock were issued and outstanding as of March 15, 2005.

Documents Incorporated by Reference

The issuer s proxy statement for the annual meeting of shareholders to be held on May 18, 2005 is incorporated by reference in this Form 10-KSB in Part III, Items 9 through 12 and 14.

Transitional Small Business Disclosure Format. (Check one): Yes o No ý

EXPLANATORY NOTE

This 10-KSB/A is being filed to amend Part II, Item 7. Financial Statements, which was filed on March 25, 2005. The company inadvertently failed to include the disclosure requirements as outlined in the paragraphs 21 and 22 of the Emerging Issues Task Force consensus number 03-1 The Meaning of Other-Than-Temporary Impairment and Its application to Certain Investments (EITF No. 03-1). The disclosure required by EITF No. 03-1 has been added to Note 4 of the financial statements. No other changes have been made to the original 10-KSB for the period ended December 31, 2004.

Part II.

Item 7. Financial Statements

REPORT OF INDEPENDENT AUDITOR

The Board of Directors

First Community Corporation

Lexington, South Carolina

I have audited the accompanying consolidated balance sheets of First Community Corporation as of December 31, 2004 and 2003, and the related consolidated statements of operations, changes in shareholders equity and comprehensive income, and cash flows for the three years ended December 31, 2004. These consolidated financial statements are the responsibility of management. My responsibility is to express an opinion on these consolidated financial statements based on my audits.

I conducted the audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of First Community Corporation at December 31, 2004 and 2003 and the results of its operations and its cash flows for the three years ended December 31, 2004, in conformity with generally accepted accounting principles in the United States of America.

/s/ Clifton D. Bodiford
Certified Public Accountant
Columbia, SC
March 11, 2005

FIRST COMMUNITY CORPORATION

Consolidated Balance Sheets

	December 31, 2004		December 31, 2003	
ASSETS				
Cash and due from banks	$	9,391,494	$	6,926,341
Interest-bearing bank balances		803,426		2,221,397
Federal funds sold and securities purchased under agreements to resell		9,130,725		17,335,461
Investment securities - available for sale		190,010,307		53,958,799
Investment securities - held to maturity (market value of $6,147,698 and $5,169,282 at December 31, 2004 and 2003, respectively)		6,015,745		4,994,896
Loans		186,771,344		121,008,673
Less, allowance for loan losses		2,763,988		1,705,082
Net loans		184,007,356		119,303,591
Property, furniture and equipment - net		14,313,090		7,981,611
Goodwill		24,256,020		35,834
Core deposit intangible		3,361,815		727,751
Other assets		14,416,034		1,543,008
Total assets	$	455,706,012	$	215,028,689
LIABILITIES				
Deposits:				
Non-interest bearing demand	$	49,519,816	$	37,043,600
NOW and money market accounts		98,846,828		57,015,473
Savings		35,370,267		11,222,761
Time deposits less than $100,000		100,629,304		45,125,843
Time deposits $100,000 and over		52,698,069		34,850,195
Total deposits		337,064,284		185,257,872
Securities sold under agreements to repurchase		7,549,900		3,941,000
Federal Home Loan Bank Advances		42,452,122		5,000,000
Long term debt		15,464,000		
Other borrowed money		184,593		160,076
Other liabilities		2,528,424		1,160,927
Total liabilities		405,243,323		195,519,875
SHAREHOLDERS EQUITY				
Preferred stock, par value $1.00 per share; 10,000,000 shares authorized; none issued and outstanding				
Common stock, par value $1.00 per share; 10,000,000 shares authorized; issued and outstanding 2,788,902 in 2004 and 1,597,224 in 2003		2,788,902		1,597,224
Additional paid in capital		41,832,090		12,862,715
Retained earnings		6,712,849		4,909,742
Accumulated other comprehensive income (loss)		(871,152)		139,133
Total shareholders equity		50,462,689		19,508,814
Total liabilities and shareholders equity	$	455,706,012	$	215,028,689

See Notes to Consolidated Financial Statements

FIRST COMMUNITY CORPORATION

Consolidated Statements of Income

	Year Ended December 31, 2004	2003	2002
Interest income:			
Loans, including fees	$ 9,063,092	$ 7,581,751	$ 7,025,363
Investment securities - available-for-sale	3,440,033	2,069,345	2,427,970
Investment securities - held-to-maturity	206,681	198,234	186,206
Other short term investments	334,518	179,030	207,577
Total interest income	13,044,324	10,028,360	9,847,116
Interest expense:			
Deposits	2,729,459	2,307,974	2,759,818
Securities sold under agreement to repurchase	40,934	29,704	41,601
Other borrowed money	677,830	42,934	1,380
Total interest expense	3,448,223	2,380,612	2,802,799
Net interest income	9,596,101	7,647,748	7,044,317
Provision for loan losses	245,000	167,000	677,000
Net interest income after provision for loan losses	9,351,101	7,480,748	6,367,317
Non-interest income:			
Deposit service charges	879,585	700,359	586,918
Mortgage origination fees	267,972	343,472	300,363
Gain on sale of securities	11,381		60,616
Other	614,783	395,973	284,359
Total non-interest income	1,773,721	1,439,804	1,232,256
Non-interest expense:			
Salaries and employee benefits	4,263,383	3,306,714	2,740,255
Occupancy	489,261	395,380	340,269
Equipment	991,793	803,482	629,119
Marketing and public relations	325,395	273,257	244,334
Amortization of intangibles	279,685	178,710	185,280
Other	1,627,470	1,200,638	1,238,255
Total non-interest expense	7,976,987	6,158,181	5,377,512
Net income before tax	3,147,835	2,762,371	2,222,061
Income taxes	962,850	964,890	757,701
Net income	$ 2,184,985	$ 1,797,481	$ 1,464,360
Basic earnings per common share	$ 1.15	$ 1.13	$ 0.92
Diluted earnings per common share	$ 1.09	$ 1.08	$ 0.90

See Notes to Consolidated Financial Statements

FIRST COMMUNITY CORPORATION

Consolidated Statement of Changes in Shareholders Equity and Comprehensive Income

	Shares Issued	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Total
Balance December 31, 2001	1,270,609	$ 1,270,609	$ 13,088,744	$ 2,144,611	$ 272,238	$ 16,776,202
Comprehensive income:						
Net income				1,464,360		1,464,360
Accumulated other comprehensive income, net of income tax of $217,860					392,898	392,898
Total comprehensive income						1,857,258
5-for-4 stock split	317,361	317,361	(317,361)	(4,181)		(4,181)
Cash dividend ($0.12 per share)				(190,556)		(190,556)
Balance December 31, 2002	1,587,970	1,587,970	12,771,383	3,414,234	665,136	18,438,723
Comprehensive income:						
Net income				1,797,481		1,797,481
Accumulated other comprehensive income, net of income tax of $299,069					(526,003)	(526,003)
Total comprehensive income						1,271,478
Cash dividend ($0.19 per share)				(301,973)		(301,973)
Exercise of stock options	6,923	6,923	45,909			52,832
Dividend reinvestment plan	2,331	2,331	45,423			47,754
Balance December 31, 2003	1,597,224	1,597,224	12,862,715	4,909,742	139,133	19,508,814
Comprehensive income:						
Net income				2,184,985		2,184,985
Accumulated other comprehensive loss, net of income tax benefit of $544,002					(1,010,285)	(1,010,285)
Total comprehensive income						1,174,700
Cash dividend ($0.20 per share)				(381,878)		(381,878)
Stock issued in acquisition	1,169,898	1,169,898	28,675,725			29,845,623
Exercise of stock options	15,409	15,409	205,365			220,774
Dividend reinvestment plan	6,371	6,371	88,285			94,656
Balance December 31, 2004	2,788,902	$ 2,788,902	$ 41,832,090	$ 6,712,849	$ (871,152)	$ 50,462,689

See Notes to Consolidated Financial Statements

FIRST COMMUNITY CORPORATION

Consolidated Statements of Cash Flows

	Year Ended December 31, 2004	2003	2002
Cash flows from operating activities:			
Net income	$ 2,184,985	$ 1,797,481	$ 1,464,360
Adjustments to reconcile net income to net cash used in operating activities:			
Depreciation	761,277	631,356	502,666
Premium amortization (Discount accretion)	(93,782)	225,564	146,623
Provision for loan losses	245,000	167,000	677,000
Amortization of intangibles	279,685	178,710	185,280
Gain on sale of equipment	(21,707)		
Gain on sale of securities	(11,381)		(60,616)
(Increase) decrease in other assets	(425,079)	109,035	(382,533)
Tax benefit from exercise of stock options	51,621		
Increase (decrease) in accounts payable	14,681	(68,241)	64,884
Net cash provided in operating activities	2,985,300	3,040,905	2,597,664
Cash flows form investing activities:			
Proceeds from sale of securities available-for-sale	56,586,668		
Purchase of investment securities available-for-sale	(108,265,814)	(39,509,065)	(55,130,066)
Maturity/call of investment securities available-for-sale	36,424,205	49,297,109	33,207,257
Purchase of investment securities held-to-maturity	(1,052,057)	(767,685)	(951,762)
Maturity/call of investment securities held-to-maturity		760,000	
Increase in loans	(14,813,202)	(21,004,651)	(12,624,773)
Net cash disbursed in business combination	(11,131,142)		
Proceeds from sale of equipment	23,800		
Purchase of property and equipment	(2,427,322)	(1,801,427)	(817,231)
Net cash used in investing activities	(44,654,864)	(13,025,719)	(36,316,575)
Cash flows from financing activities:			
Increase in deposit accounts	16,996,662	17,195,399	33,660,817
Proceeds from issuance of long term debt	15,000,000		
Advances from the Federal Home Loan Bank		5,000,000	
Repayment of advances from the Federal Home Loan Bank	(1,000,000)		
Increase (decrease) in securities sold under agreements to repurchase	3,608,900	(3,365,064)	3,255,364
Increase (decrease) in other borrowings	24,517	(4,211)	1,938
Proceeds from exercise of stock options	169,153	52,832	
Dividend reinvestment plan	94,656	47,754	
Cash in lieu of fractional shares			(4,181)
Cash dividends paid	(381,878)	(301,973)	(190,556)
Net cash provided from financing activities	34,512,010	18,624,737	36,723,382
Net increase in cash and cash equivalents	(7,157,554)	8,639,923	3,004,471
Cash and cash equivalents at beginning of period	26,483,199	17,843,276	14,838,805
Cash and cash equivalents at end of period	$ 19,325,645	$ 26,483,199	$ 17,843,276

Supplemental disclosure:						
Cash paid during the period for:						
Interest	$	3,139,817	$	2,431,318	$	2,754,208
Taxes	$	907,268	$	1,000,000	$	818,000
Non-cash investing and financing activities:						
Unrealized (loss) gain on securities available-for-sale	$	(1,554,287)	$	(825,072)	$	629,930
Transfer of loans to foreclosed property	$	119,916	$	25,701	$	
Common stock issued in acquisition	$	29,845,623	$		$	

See Notes to Consolidated Financial Statements

FIRST COMMUNITY CORPORATION

Notes to Consolidated Financial Statements

Note 1 - ORGANIZATION AND BASIS OF PRESENTATION

The consolidated financial statements include the accounts of First Community Corporation (the company) and its wholly owned subsidiary First Community Bank, N.A (the bank). All material intercompany transactions are eliminated in consolidation. The Company was organized on November 2, 1994, as a South Carolina corporation, and was formed to become a bank holding company. The bank opened for business on August 17, 1995.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. These principles require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the reserve for loan losses. The estimation process includes management s judgment as to future losses on existing loans based on an internal review of the loan portfolio, including an analysis of the borrowers current financial position, the consideration of current and anticipated economic conditions and the effect on specific borrowers. In determining the collectibility of loans management also considers the fair value of underlying collateral. Various regulatory agencies, as an integral part of their examination process, review the Company s allowance for loan losses. Such agencies may require the company to recognize additions to the allowance based on their judgments about information available to them at the time of their examination. Because of these factors it is possible that the allowance for loan losses could change materially.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, due from banks, federal funds sold and securities purchased under agreements to resell. Generally federal funds are sold for a one-day period and securities purchased under agreements to resell mature in less than 90 days.

Investment Securities

Investment securities are classified as either held-to-maturity or available-for-sale. In determining such classification, securities that the company has the positive intent and ability to hold to maturity are classified as held-to maturity and are carried at amortized cost. All other securities are classified as available-for-sale and carried at estimated fair values with unrealized gains and losses included in shareholders equity on an after tax basis.

Gains and losses on the sale of available-for-sale securities are determined using the specific identification method. Declines in the fair value of individual held-to-maturity and available-for-sale securities below their cost that are judged to be other than temporary are written down to fair value and charged to income in the Consolidated Statement of Income.

Premiums and discounts are recognized in interest income using the interest method over the period to maturity.

Loans and Allowance for Loan Losses

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding principal balance adjusted for any charge-offs, the allowance for loan losses, and any deferred fees or costs on originated loans. Interest is recognized over the term of the loan based on the loan balance outstanding. Fees charged for originating loans, if any, are deferred and offset by the deferral of certain direct expenses associated with loans originated. The net deferred fees are recognized as yield adjustments by applying the interest method.

The allowance for loan losses is maintained at a level believed to be adequate by management to absorb potential losses in the loan portfolio. Management s determination of the adequacy of the allowance is based on an evaluation of the portfolio, past loss experience, economic conditions and volume, growth and composition of the portfolio.

The company considers a loan to be impaired when, based upon current information and events, it is believed that the company will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans that are considered impaired are accounted for at fair value. The accrual of interest on impaired loans is discontinued when, in management s opinion , the borrower may be unable to meet payments as they become due, generally when a loan becomes 90 days past due. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received first to principal and then to interest income.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the asset s estimated useful life. Estimated lives range up to 39 years for buildings and up to 10 years for furniture, fixtures and equipment.

Goodwill and Other Intangible Assets

Goodwill represents the cost in excess of fair value of net assets acquired (including identifiable intangibles) in purchase transactions. Other intangible assets represent premiums paid for acquisitions of core deposits (core deposit intangibles). Core deposit intangibles are being amortized on a straight-line basis over seven years. Goodwill is not amortized but is tested annually for impairment.

Comprehensive Income

The Company reports comprehensive income in accordance with SFAS 130, Reporting Comprehensive Income. SFAS 130 requires that all items that are required to be reported under accounting standards as comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. The disclosures requirements have been included in the Company s consolidated statements of shareholders equity and comprehensive income.

Marketing and Public Relations Expense

The company expenses marketing and public relations expense as incurred

Income Taxes

A deferred income tax liability or asset is recognized for the estimated future effects attributable to differences in the tax bases of assets or liabilities and their reported amounts in the financial statements as well as operating loss and tax credit carryforwards. The deferred tax asset or liability is measured using the enacted tax rate expected to apply to taxable income in the period in which the deferred tax asset or liability is expected to be realized.

Stock Based Compensation Cost

The Company applies Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees . Accordingly, compensation cost for stock options is measured as the excess, if any, of the market price of the Company s stock at the date of the grant over the amount an employee must pay to acquire the stock. Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation (SFAS 123) was issued in October 1995, and encourages but does not require, adoption of a fair value method of accounting for employee stock based compensation plans. The company has adopted the disclosure-only provisions of SFAS 123 and has disclosed in the footnotes pro-forma net income and earnings per share information as if the fair value method had been applied.

Earnings Per Share

Basic earnings per share (EPS) excludes dilution and is computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted EPS is computed by dividing net income by the weighted number of average shares of common stock and common stock equivalents. Common stock equivalents consist of stock options and are computed using the treasury stock method.

Segment Information

Statement of Financial Accounting Standards (SFAS) No. 131 Disclosures about Segments of an Enterprise and Related Information requires selected segment information of operating segments based on a management approach. The company operates as one business segment.

Note 3 - Business Combination

On October 1, 2004, First Community completed its acquisition of DutchFork Bancshares the holding company for Newberry Federal Savings Bank located in Newberry, South Carolina. The merger enabled First Community to increase its market share in the Midlands of South Carolina. The total purchase price was $49,273,493, including $18,342,357 in cash, 1,169,898 shares of our common stock valued at $27,258,623, stock options valued at $2,587,000 and direct acqusition cost of $1,085,513. The value of the common stock issued was determined based on the average closing price over the six day period beginning two days before and ending three days after the terms of the acquisition were agreed to and announced. The intangible assets acquired in conjunction with the purchase are core deposit intangible and goodwill. The core deposit intangible is being written off over a period of seven years using the straight-line method. The transaction was a tax-free reorganization for federal income tax purposes and intangible assets are not deductible for tax purposes.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at October 1, 2004, the date of acquisition including subsequent adjustments to the allocation of the purchase price.

Cash and cash equivalents	$	8,296,728
Securities		122,438,367
Loans, net of allowance		50,194,807
Premises and equipment		4,667,527
Other assets		11,439,945
Core deposit intangible		2,916,325
Goodwill		24,220,185
Total assets acquired		224,173,884
Deposits		134,937,575
Advances from the Federal Home Loan Bank		38,610,000
Other liabilities		1,352,816
Total liabilities assumed		174,900,391
Net assets acquired	$	49,273,493

The following unaudited presentation reflects selected information from the Consolidated Income Statements on a Pro Forma basis as if the purchase transaction had been completed as of the beginning of the years presented:

	For Fiscal Year Ending			
	2004		2003	
Total revenues	$	22,754,043	$	25,742,579
Income before cummulative effect of change in accounting principle	$	2,367,732	$	5,823,778
Net Income	$	2,367,732	$	5,823,778
Basic EPS	$	0.85	$	2.11
Diluted EPS	$	0.80	$	1.99

During the year ending December 31, 2003 and for the nine months ended September 30, 2004 DutchFork Bancshares had gains on the sale of securities in the amount of $2.1 million and $750,000, respectively as a result of restructuring their available-for-sale investment portfolio. Future restructurings may not result in the positive gains experienced in these prior periods.Prior to the consummation of the merger DutchFork Bancshares had significant direct merger related expenses as well as expenses to terminate various benefit plans. These expenses of approximately $2,870,000 have been excluded in the pro-forma results for the fiscal year ending in 2004.

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Note 4 - INVESTMENT SECURITIES

The amortized cost and estimated fair values of investment securities are summarized below:

HELD-TO-MATURITY:

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
December 31, 2004:				
State and local government	$ 6,005,745	$ 144,919	$ 12,966	$ 6,137,698
Other	10,000			10,000
	$ 6,015,745	$ 144,919	$ 12,966	6,147,698
December 31, 2003:				
State and local government	$ 4,984,896	$ 193,254	$ 18,868	5,159,282
Other	10,000			10,000
	$ 4,994,896	$ 193,254	$ 18,868	$ 5,169,282

AVAILABLE-FOR-SALE:

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
December 31, 2004:				
US Treasury securities	$ 999,546	$	$ 1,734	$ 997,812
US Government agency securities	64,106,098	47,693	398,390	63,755,401
Mortgage-backed securities	71,096,802	155,312	196,538	71,055,576
Equity and other securities	55,148,097	189,631	1,136,210	54,201,518
	$ 191,350,543	$ 392,636	$ 1,732,872	190,010,307
December 31, 2003:				
US Treasury securities	$ 3,004,510	$ 22,389	$	3,026,899
US Government agency securities	35,519,237	197,131	120,055	35,596,313
Mortgage-backed securities	14,280,293	140,250	25,663	14,394,880
Other	940,707			940,707
	$ 53,744,747	$ 359,770	$ 145,718	$ 53,958,799

For the year ended December 31, 2004, proceeds from the sale of securities available-for-sale amounted to $56,586,668. Gross realized gain amounted to $16,119 and gross realized losses amounted to $4,738 in 2004. For the year ended December 31, 2002, proceeds from the sales of securities available-for-sale amounted to $2,590,782. Gross realized gains amounted to $60,616 in 2002. There were no gross realized losses. The tax provision applicable to the realized net gains was approximately $3,400 and $20,700 for 2004 and 2002, respectively. There were no sales of securities in 2003.

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The amortized cost and fair value of investment securities at December 31, 2004, by contractual maturity, follow. Expected maturities differ from contractual maturities because borrowers may have the right to call or prepay the obligations with or without prepayment penalties.

	Held-to-maturity				Available-for-sale			
		Amortized Cost		Fair Value		Amortized Cost		Fair Value
Due in one year or less	$	326,683	$	328,175	$	43,736,357	$	43,631,746
Due after one year through five years		3,496,635		3,573,859		71,111,401	$	70,927,416
Due after five years through ten years		1,784,145		1,834,098		22,732,876	$	22,655,917
Due after ten years		408,282		411,566		53,769,909	$	52,795,228
	$	6,015,745	$	6,147,698	$	191,350,543	$	190,010,307

Securities with an amortized cost of $39,534,000 and fair value of $39,480,000 at December 31, 2004, were pledged to secure FHLB Advances, public deposits, demand notes due the U.S. Treasury and securities sold under agreements to repurchase.

The following table shows gross unrealized losses and fair values, aggregated by investment category and length of time that individual securities have been in a continuous loss position at December 31, 2004.

	Less than 12 months				12 months or more				Total			
		Fair Value		Unrealized Loss		Fair Value		Unrealized Loss		Fair Value		Unrealized Loss
Available-for-sale securities:												
US Treasury securities	$	997,812	$	1,734	$		$		$	997,812	$	1,734
US Government agency securities		52,274,164		358,525		959,238		39,865		53,233,402		398,390
Mortgage-backed securities		32,467,779		183,844		1,308,068		12,694		33,775,847		196,538
Equity and other securities		39,778,987		1,136,210						39,778,987		1,136,210
		125,518,742		1,680,313		2,267,306		52,559		127,786,048		1,732,872
Held-to-maturity securities:												
State and local government		893,104		12,966						893,104		12,966
Total	$	126,411,846	$	1,693,279	$	2,267,306	$	52,559	$	128,679,152	$	1,745,838

On December 31, 2004, the company held certain investments having continuous unrealized loss positions for more than 12 months totaling $2,267,306. These include one government agency bond and three mortgage-backed securities. The company has not recognized any other than temporary impairment in connection with these investments. The decline in market value is related to fluctuations in interest rates and it is expected that the securities will be settled at a price no less than their amortized cost.

Note 5 - LOANS

Loans summarized by category are as follows:

	December 31, 2004	December 31, 2003
Commercial, financial and agricultural	$ 19,001,033	$ 11,517,891
Real estate - construction	8,065,516	7,781,620
Real estate - mortgage		
Commercial	96,811,130	72,668,233
Residential	35,438,373	11,803,875
Consumer	27,455,292	17,237,054
	$ 186,771,344	$ 121,008,673

Activity in the allowance for loan losses was as follows:

	December 31, 2004	December 31, 2003	December 31, 2002
Balance at the beginning of year	$ 1,705,082	$ 1,525,308	$ 1,000,412
Allowance purchased in acquisition	$ 994,878		
Provision for loan losses	245,000	167,000	677,000
Charged off loans	(293,479)	(235,183)	(171,735)
Recoveries	112,507	247,957	19,631
Balance at end of year	$ 2,763,988	$ 1,705,082	$ 1,525,308

At December 31, 2004 , the Bank had no loans in a non accrual status. Loans classified impaired at December 31, 2004 and 2003 totaled $0.00 and $80,292. These loans were recorded at or below fair value. The average recorded investment in loans classifed as impaired for the years ended December 31, 2004 and 2003 amounted to $149,084 and $170,178, respectively.

Loans outstanding to Bank directors, executive officers and their related business interests amounted to $2,318,853 and $2,419,324 at December 31, 2004 and 2003, respectively. Repayments on these loans during the year ended December 31, 2004 were $606,538 and loans made amounted to $220,000. Loans acquired in the DutchFork acquisition amounted to $286,067. Related party loans are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated persons and generally do not involve more than the normal risk of collectibility.

Note 6 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	December 31, 2004		December 31, 2003	
Land	$	4,906,222	$	2,806,306
Premises		7,174,008		3,859,107
Equipment		4,245,711		3,034,271
Construction in progress		1,050,855		801,694
		17,376,796		10,501,378
Accumulated depreciation		3,063,706		2,519,767
	$	14,313,090	$	7,981,611

Provision for depreciation included in operating expenses for the years ended December 31, 2004, 2003 and 2002 amounted to $761,277, $631,356 and $502,665, respectively.

Note 7 - INTANGIBLE AND OTHER ASSETS

Intangible assets (excluding goodwill) consisted of the following:

	December 31, 2004		December 31, 2003	
Core deposit premiums, gross carrying amount	$	4,148,273	$	1,231,948
Accumulated amortization		(786,458)		(504,197)
Net	$	3,361,815	$	727,751

With the acquisition of DutchFork Bancshares the company acquired certain bank-owned life insurance policies that provide benefits to various employees and officers. The carrying value of these these policies at December 31, 2004 were $5,560,208 and are included in other assets. The company did not have any bank-owned life insurance policies at December 31, 2003.

Note 8 - DEPOSITS

At December 31, 2004, the scheduled maturities of Certificates of Deposits are as follows:

2005	$	108,512,823

2006		12,823,386
2007		12,177,201
2008		4,020,245
2009		15,792,718
	$	153,327,373

Note 9 - SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE AND OTHER BORROWED MONEY

Securities sold under agreements to repurchase generally mature within one to four days from the transaction date. The weighted average interest rate at December 31, 2004 and 2003, was 0.71% and 0.51%, respectively. The maximum month-end balance during 2004 and 2003 was $7,564,700 and $8,155,100 respectively.

Other borrowed money at December 31, 2004 and 2003 consisted of $184,593 and $160,076, repectively which was due under the treasury tax and loan note program.

Note 10 - ADVANCES FROM FEDERAL HOME LOAN BANK AND LONG-TERM DEBT

Advances from the Federal Home Loan Bank of Atlanta at December 31, 2004 consisted of the following:

	2004			2003		
Maturing	**Weighted Average Rate**		**Amount**	**Weighted Average Rate**		**Amount**
2004		$		1.60%	$	1,000,000
2005	2.08%		2,500,000	2.08%		2,500,000
2006	2.83%		1,500,000	2.83%		1,500,000
2008	3.42%		10,709,697			
2010	3.64%		27,742,425			
	3.46%	$	42,452,122	2.24%	$	5,000,000

As collateral for its advances, the Company has pledged in the form of blanket liens, eligible single family loans,home equity lines of credit, second mortgage loans commercial real estate loans and multi family loans in the amount of $69,531,000 at December 31, 2004. In addition, securities with a fair value of $18,393,735 have been pledged as collateral for advances as of December 31, 2004. At December 31, 2003 securities with a fair value of $5,314,730 were pledged as collateral for advances. In addition, the company s investment in Federal Home Loan Bank stock is pledged for advances. Advances are subject to prepayment penalties. The average advances during 2004 and 2003 were $14,314,420 and $1,904,000, respectively. The average interest rate for 2004 and 2003 was 3.23% and 2.24%, respectively. The maximum outstanding amount at any month end was $42,556,961 and $5,000,000 for 2004 and 2003.

Purchase premiums included in advances acquired in the acquisition of DutchFork reflected in the advances maturing in 2008 and 2010 amount to $709,697 and $2,742,425, respectively at December 31, 2004. The coupon rate on these advances are 5.67% and 5.76%, respectively.

On September 16, 2004, FCC Capital Trust I (Trust I), a wholly owned subsidiary of the Company, issued and sold floating rate securities having an aggregate liquidation amount of $15,000,000. The Trust I securities accrue and pay distributions quarterly at a rate per annum equal to LIBOR plus 257 basis points. The distributions are cummulative and payable in arrears. The company has the right, subject to events of default, to defer payments of interest on the Trust I securities for a period not to exceed 20 consecutive quarters, provided no extension can extend beyond the maturity date of September 16, 2034. The Trust I securities are mandatorily redeemable upon maturity of September 16, 2034. If the Trust I securities are redeemed on or after September 16, 2009, the redemption price will be 100% of the principal amount plus accrued and unpaid interest. The Trust I securities may be redeemed in whole but not in part, at any time prior to September 16, 2009 following the occurrence of a tax event, a capital treatment event or an investment company event. Currently these securities qualify under risk-based capital guidelines as Tier 1 capital, subject to certain limitations. The company has no current intention to exercise its right to defer payments of interest on the Trust I securities.

Note 11 - INCOME TAXES

Income tax expense for the years ended December 31, 2004, 2003 and 2002 consists of the following:

	Year ended December 31		
	2004	2003	2002
Current			
Federal	$ 651,304	$ 869,508	$ 917,475
State	104,072	97,727	91,064
	755,376	967,235	1,008,539
Deferred			
Federal	197,474	6,749	(229,816)
State	10,000	(9,094)	(21,022)
	207,474	(2,345)	(250,838)
Change in valuation allowance			
Income tax expense	$ 962,850	$ 964,890	$ 757,701

A reconciliation from expected federal tax expense to effective income tax expense for the periods indicated are as follows:

	Year ended December 31		
	2004	2003	2002
Expected federal income tax expense	$ 1,101,742	$ 939,206	$ 755,500
State income tax net of federal benefit	37,584	64,600	60,100
Tax exempt interest	(64,126)	(61,300)	(58,700)
Nontaxable dividends	(101,821)		
Other	(10,529)	22,384	801
	$ 962,850	$ 964,890	$ 757,701

The following is a summary of the tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities:

	December 31, 2004	December 31, 2003
Assets:		
Provision for bad debts	$ 994,777	$ 613,671
Excess tax basis of deductible intangible assets	131,376	98,005
Premium on purchased FHLB Advances	1,242,441	
Net operating loss carryforward	5,161,156	
Excess tax basis of assets acquired	488,534	
Unrealized loss on available-for sale-securities	482,359	
Compensation expense deferred for tax purposes	453,385	
Other	859,779	
Deferred tax asset	9,813,807	711,676
Liabilities:		
Tax depreciation in excess of book depreciation	266,919	157,672
Excess tax basis of non-deductible intangible assets	1,012,121	
Excess financial reporting basis of assets acquired	1,022,207	
Income tax bad debt reserve recapture adjustment	1,653,746	
Unrealized gain on securities available-for-sale		77,038
Other	66,943	
Total deferred tax liabilities	4,021,936	234,710
Net deferred tax asset recognized	$ 5,791,871	$ 476,966

At December 31, 2004, the company has net operating loss carryforwards for state and federal income tax purposes of $14,340,000 available to offset future taxable income through 2023. There was no valuation allowance for deferred tax assets at either December 31, 2004 or 2003. No valuation allowance has been established as it is management s belief that realization of the deferred tax asset is more likely than not. The ultimate realizatiion of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income and tax planning strategies in making this assessment. The amount of these deferred tax assets considered to be realizable could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced. The net deferred asset is included in other assets on the consolidated balance sheets.

A portion of the change in the net deferred tax asset relates to unrealized gains and losses on securities available-for-sale. The related tax benefit of $559,397 has been recorded directly to shareholders equity. The balance of the change in the net deferred tax asset results from acquired net deferred tax assets of $4,962,982 less current period deferred taxes of $207,474.

Note 12 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Statement of Financial Accounting Standards No. 107, Disclosure about Fair Value of Financial Instruments (SFAS 107), requires the Company to disclose estimated fair values for its financial instruments. Fair value estimates, methods, and assumptions are set forth below.

Cash and short term investments - The carrying amount of these financial instruments (cash and due from banks, federal funds sold and securities purchased under agreements to resell) approximate fair value. All mature within 90 days and do not present unanticipated credit concerns.

Investment Securities - Fair values are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.