

BANK OF SOUTH CAROLINA CORP

Form DEF 14A

March 07, 2006

**SCHEDULE 14A  
(Rule 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

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

**Exchange Act of 1934 (Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under Rule 14a-12
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

**Bank of South Carolina Corporation**

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(Name of Registrant as Specified In Its Charter)

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

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- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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**PROXY MATERIAL OF  
BANK OF SOUTH CAROLINA CORPORATION  
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD APRIL 11, 2006**

To Our Shareholders:

The Annual Meeting of Shareholders of Bank of South Carolina Corporation (the Company) will be held at 256 Meeting Street, Charleston, South Carolina, on Tuesday, April 11, 2006, at 2:00 p.m. for the following purposes:

1. To elect seventeen (17) Directors to serve until the Company's 2007 Annual Meeting of Shareholders;
2. To ratify the appointment of Elliott Davis, LLC, as independent certified public accountants for 2006;
3. To transact such other business as may properly come before the meeting.

Shareholders of record at the close of business on February 24, 2006, will be entitled to notice of and to vote at the Annual Meeting and any adjournments thereof.

You may revoke your Proxy at any time prior to its exercise by written notice to the Company prior to the meeting or by attending the meeting personally and voting. The Board of Directors of the Company solicits the accompanying form of Proxy.

**PLEASE SIGN AND DATE THE ACCOMPANYING PROXY AND PROMPTLY RETURN IT IN THE ENCLOSED POSTAGE-PAID ENVELOPE.**

By Order of the Board of Directors

Richard W. Hutson

Secretary

March 6, 2006

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**BANK OF SOUTH CAROLINA CORPORATION**  
**256 Meeting Street Charleston,**  
**South Carolina 29401**

**PROXY STATEMENT**

This Proxy Statement, which is first being mailed to Shareholders on or about March 6, 2006, is provided in conjunction with the solicitation of proxies by the Board of Directors of Bank of South Carolina Corporation (the Company ) for use at the 2006 Annual Shareholders Meeting of the Company. The Notice of Meeting, Proxy Form and Annual Report are enclosed in this package.

**The Proxy**

The Board of Directors of the Company selected the persons named as proxies on the enclosed Proxy Form. No officer or employee of the Company or any subsidiary may be named as proxy.

The solicitation of proxies on behalf of the Board of Directors is conducted by Directors, officers and regular employees of the Company and its wholly owned subsidiary, The Bank of South Carolina (the Bank ), at no additional compensation over regular salaries. The cost of printing and mailing of all proxy materials has been paid by the Company. Brokers and others involved in handling and forwarding the proxy materials to their customers having beneficial interests in the stock of the Company registered in the names of Nominees will be reimbursed for their reasonable expenses in doing so.

**Voting Rights**

The Common Stock of the Company is its only class of voting securities. On February 24, 2006, there were issued and outstanding 3,092,266 shares of Common Stock (no par value). Each share is entitled to one vote; provided, however, that Shareholders have cumulative voting rights for the election of Directors. The right to cumulate votes means that the Shareholders are entitled to multiply the number of votes they are entitled to cast by the number of Directors for whom they are entitled to vote and cast the product for a single candidate or distribute the product among two or more candidates.

**CUMULATIVE VOTING SHALL APPLY FOR THE ELECTION OF DIRECTORS**

The solicitation of proxies on behalf of the Board of Directors includes a solicitation for discretionary authority to cumulate votes.

The Board of Directors of the Company has fixed the close of business February 24, 2006, as the record date for the determination of Shareholders entitled to notice of and to vote at the Annual Meeting. Proxies properly executed by Shareholders of record on February 24, 2006, and received in time for the meeting, will be voted as specified on all business to be acted upon at the meeting and any adjournment thereof.

**Right of Revocation**

Any Shareholder executing a Proxy for the meeting on the Proxy Form provided may revoke the Proxy in a writing delivered to the President of the Company prior to the meeting or by attending the meeting and voting in person.

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**Principal Shareholders of the Company**

To the extent known to the Board of Directors of the Company, as of February 24, 2006, the only Shareholders of the Company having beneficial ownership of more than 5% of the shares of Common Stock of the Company are as set forth below:

Name & Address of Beneficial Owner	Amount & Nature of Beneficial Ownership	Percent of Class
Hugh C. Lane, Jr. <sup>(1)</sup> 30 Church Street Charleston, SC 29401	449,664 <sup>(2)</sup>	14.54%
Charles G. Lane <sup>(1)</sup> 10 Gillon Street Charleston, SC 29401	183,068 <sup>(3)</sup>	5.92%
The Bank of South Carolina Employee Stock Ownership Plan and Trust ( the ESOP ) 256 Meeting Street Charleston, SC 29401	198,159 <sup>(4)</sup>	6.41%

- (1) To the extent known to the Board of Directors, the estate of Hugh C. Lane, Beverly G. Lane, Beverly G. Jost, Kathleen L. Schenck, Charles G. Lane and Hugh C. Lane Jr., collectively, have beneficial ownership of 627,327 shares or 20.29% of the outstanding shares. As more fully described in the following footnotes, Hugh C. Lane, Jr. and Charles G. Lane are the only ones of the above who have a beneficial ownership interest in more than 5% percent of the Company's Common Stock. Hugh C. Lane, Jr. disclaims any beneficial interest in those shares in which other members of his family have a beneficial interest other than those shares his wife owns directly and those for which he serves as trustee or she serves as custodian (as more fully described in the following footnote). Charles G. Lane disclaims any beneficial interest in those shares in which other members of his family have a beneficial interest other than those shares his wife owns directly and those for which he serves as trustee or she serves as custodian (as more fully described in the following footnote).
- (2) To the extent known to the Board of Directors, Hugh C. Lane, Jr., an Executive Officer and Director of the Bank and the Company, directly owns and has sole voting and investment power with respect to 201,602 shares; as a trustee for one trust account holding an aggregate of 39,453 shares, he has sole voting and investment power with respect to such shares; as a co-trustee for three trust accounts holding 11,567 shares, he has joint voting and investment power with respect to such shares; as a trustee for the Mills Bee Lane Memorial Foundation, he has shared voting and investment power with respect to 7,865 shares; as a personal representative for an estate holding 37,263 shares, he has sole voting and investment power with respect to such shares; he is indirectly beneficial owner of 10,212 shares owned by his wife and an aggregate of 38,588 shares held by his wife as custodian for their son, 74,022 shares held by an unemancipated daughter, and 29,092 shares owned by the ESOP in which he has a vested interest. All of the shares beneficially owned by Hugh C. Lane, Jr. are currently owned. Hugh C. Lane, Jr. has had beneficial ownership of more than 5% of the Bank's Common Stock since October 23, 1986, and more than 10% since November 16, 1988.
- (3) To the extent known to the Board of Directors, Charles G. Lane, a Director of the Bank and the Company, directly owns and has sole voting and investment power with respect to 84,163 shares; as a co-trustee for 4 trust accounts holding 14,079 shares, he has joint voting and investment power with respect to such shares; as a trustee

for the Mills Bee Lane Memorial Foundation, he has shared voting and investment power with respect to 7,865 shares; he is indirectly beneficial owner of 3,219 shares owned by his wife, an aggregate of 38,018 shares held by his wife as custodian for two children, and 35,724 shares owned by an unemancipated daughter. All of the shares beneficially owned by Charles G. Lane are currently owned. Charles G. Lane has had beneficial ownership of more than 5% of the Bank's Common Stock since July 16, 1999.

- (4) The Trustees of the ESOP, T. Dean Harton, a Director of the Bank and the Company, Sheryl G. Sharry, an officer of the Bank and Hugh C. Lane, Jr., an Executive Officer and Director of the Bank and the Company, disclaim beneficial ownership of the 198,159 shares owned by the ESOP which have been allocated to members of the plan each of whom under the terms of the plan has the right to direct the Trustees as to the manner in which voting rights are to be exercised.

**Beneficial Ownership of Common Stock of the Company**

The table below sets forth the number of shares of Common Stock (the only class of outstanding equity securities of the Company) known by the Company to be beneficially owned by each Nominee for election as Director and by the Executive Officers and Directors of the Company as a group as of February 24, 2006. Except as otherwise indicated in the footnotes to the table, the persons named possess sole voting and investment power with respect to the shares shown opposite their names. As of February 24, 2006, no Executive Officer, Director or Nominee beneficially owned more than 10% of the outstanding shares of the Company other than Hugh C. Lane, Jr. As of February 24, 2006, the Executive Officers, Directors and Nominees beneficially owned 877,484 shares, representing approximately 28.38% of the outstanding shares.

As of February 24, 2006, the beneficial ownership of Common Stock of the Company by all current Directors and each Nominee for Director was as set forth in the following table:

Name & Address of Beneficial Owner	Amount & Nature of Beneficial Ownership	Percent of Class
Dr. Linda J. Bradley, CPA 3401 Waterway Blvd. Isle of Palms, SC 29451	121	.004%
C. Ronald Coward 537 Planters Loop Mt. Pleasant, SC 29464	43,869 <sup>(1)</sup>	1.42%
Graham M. Eubank, Jr. 546 Blackstrap Retreat Mt. Pleasant, SC 29464	440	.01%
T. Dean Harton 4620 Lazy Creek Lane Wadmalaw Island, SC 29487	10,529 <sup>(1)</sup>	.34%
Fleetwood S. Hassell 30 New Street Charleston, SC 29401	41,223 <sup>(1)</sup>	1.33%
William L. Hiott, Jr. 1831 Capri Drive Charleston, SC 29407	108,585 <sup>(1)</sup>	3.51%
Katherine M. Huger 72 Murray Boulevard Charleston, SC 29401	6,441 <sup>(1)</sup>	.21%
Richard W. Hutson, Jr. 124 Tradd Street Charleston, SC 29401	220	.007%
Charles G. Lane 10 Gillon Street Charleston, SC 29401	183,068 <sup>(1)</sup>	5.92%



Hugh C. Lane, Jr.  
30 Church Street  
Charleston, SC 29401

449,664<sub>(1)</sub>

14.54%

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<b>Name &amp; Address of Beneficial Owner</b>	<b>Amount &amp; Nature of Beneficial Ownership</b>	<b>Percent of Class</b>
Louise J. Maybank 8 Meeting Street Charleston, SC 29401	26,110 <sup>(1)</sup>	.85%
Alan I. Nussbaum, MD 37 Rebellion Road Charleston, SC 29407	363	.01%
Edmund Rhett, Jr., MD 45 South Battery Charleston, SC 29401	1,910 <sup>(1)</sup>	.06%
Malcolm M. Rhodes, MD 7 Guerard Road Charleston, SC 29407	1,430	.05%
Thomas C. Stevenson, III 173 Tradd Street Charleston, SC 29401	22,595	.73%
Steve D. Swanson 615 Pitt Street Mt. Pleasant, SC 29464	1,210	.04%
John M. Tupper 113 Linwood Lane Summerville, SC 29483	1,650	.05%

- (1) To the extent known to the Board of Directors, each of the following Directors and Nominees for election as Directors (each of whom directly owns and has sole voting and investment power of all shares beneficially owned by him or her except as set forth in this footnote) indirectly owns the following number of shares: C. Ronald Coward - an aggregate of 1,331 shares owned by a company of which he is chairman and director; T. Dean Harton - an aggregate of 2,580 shares owned by his wife and held by his wife as custodian for his step-son; Fleetwood S. Hassell - an aggregate of 8,474 shares owned by his wife, held by her as custodian for their son, held by him as trustee for the revocable trust of his father, held by him as a co-trustee with Charles G. Lane for the children of Hugh C. Lane, Jr. and 17,851 shares owned by the ESOP, in which he has a vested interest; William L. Hiott, Jr. - an aggregate of 11,923 shares directly owned by his wife and by his two children and 16,838 shares owned by the ESOP, in which he has a vested interest; Katherine M. Huger - 585 shares owned by her husband; Charles G. Lane - an aggregate of 98,905 shares owned by his wife, held by her as custodian for two of their children, held by an unemancipated daughter, held by him as a co-trustee with Hugh C. Lane, Jr. under two trusts for their sisters' children, held by him as a co-trustee with Fleetwood S. Hassell for the children of Hugh C. Lane, Jr., held by him as co-trustee under the Irrevocable Trust of Hugh C. Lane and held by him as a trustee of Mills Bee Lane Memorial Foundation; Hugh C. Lane, Jr. - an aggregate of 247,612 shares owned by his wife, held by his wife as custodian for their son, held by an unemancipated daughter, held by him as a co-trustee with Charles G. Lane under two trusts for their sisters' children, held by him as a co-trustee under the Hugh C. Lane Irrevocable Trust for the benefit of three of the grandchildren of Hugh C. Lane, held by him as a co-trustee

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for the Hugh C. Lane Irrevocable Trust, held by him as a trustee of Mills Bee Lane Memorial Foundation, and 29,092 shares owned by the ESOP in which he has a vested interest; Louise J. Maybank - 11,469 shares held by her as a co-trustee for a charitable trust; Edmund Rhett, Jr., MD - 605 shares owned by his wife; and Thomas C. Stevenson, III - 19,020 shares held by him as co-trustee under a Marital Trust, and 2,990 shares held by him as co-trustee of a QTIP Trust. All such indirectly owned shares are included in the totals of the number of shares set forth in the above table and beneficially owned by the Directors and Nominees.

As a group, all Directors and Executive Officers (including Hugh C. Lane, Jr., President and Chief Executive Officer; Fleetwood S. Hassell Executive Vice President; and William L. Hiott, Jr., Executive Vice President and Treasurer) are seventeen in number and beneficially own an aggregate of 877,484 shares, representing 28.38% of the issued and outstanding Common Stock of the Company. All of these shares beneficially owned by the Directors, Nominees and Executive Officers are currently owned.

**Independence of Directors**

With the exception of Hugh C. Lane, Jr., Fleetwood S. Hassell, and William L. Hiott, Jr., all Executive Officers of the Company, and Charles G. Lane, brother of Hugh C. Lane, Jr., all of the Directors proposed to be elected are independent and they constitute a majority of the Board of Directors.

**Election of Directors**

One director, Nathaniel I. Ball, III, Executive Vice President and Secretary, retired July 31, 2005. Sixteen Directors, constituting the current Board of Directors, will be elected at the Annual Meeting, each to hold office for one year and until a successor shall have been duly elected or appointed and shall have qualified. In addition the Nominating Committee of the Company Board of Directors recommended at its December 15, 2005 meeting to approve Fleetwood S. Hassell, Executive Vice President, for nomination to the Board of Directors. This recommendation was approved by the Board of Directors and will be voted on at the annual meeting. In the absence of instructions to the contrary, shares of Common Stock represented by properly executed proxies will be voted for the seventeen Nominees listed on pages 6 and 7, all of whom are recommended by the Nominating Committee and the Board of Directors of the Company and have consented to be named and to serve if elected.

The Company does not presently know of anything that would preclude any Nominee from serving; however, should any Nominee for any reason become unable or unwilling to serve as a Director, the number of Directors to be elected will be reduced accordingly.

The name of each Nominee designated by the Board of Directors of the Company for election as a Director of the Company and certain information provided by such Nominee to the Company are set forth in the table below. Eight of the current Nominees served as initial Directors of the Bank from October 22, 1986, when the Bank's charter was issued until the first Annual Meeting of Shareholders on April 14, 1987, and were elected to serve a one year term at such Annual Meeting. John M. Tupper was first elected as a Director of the Bank during 1993. All of the above nine Directors of the Bank were elected to serve one-year terms at subsequent Annual Meetings. All of the above nine Directors of the Bank were elected Directors of the Company upon its organization in 1995. Alan I. Nussbaum, MD and Edmund Rhett, Jr., MD, were first elected as Directors of the Company during 1999. Linda J. Bradley and Steve D. Swanson were first elected as Directors of the Company during 2002. They were all re-elected as Directors of the Company to serve one year terms at subsequent Annual Meetings. Graham M. Eubank, Jr., Richard W. Hutson, Jr. and Malcolm M. Rhodes, MD were elected pursuant to the By-Laws of the Company on December 16, 2004, and were elected to serve at the subsequent annual meeting. All of the above current Nominees served as Directors of the Company from April 12, 2005, the date of the last Annual Meeting of shareholders.

<b>Name</b>	<b>Age</b>	<b>Positions and Offices Held With Corporation</b>	<b>Family Relationship</b>	<b>Business Experience 1987-2005 and Other Directorships</b>
Dr. Linda J. Bradley, CPA	55	Director	None	Director, MS in Accountancy Program College of Charleston (education) 1998-2006; Chairman, Dept. of Accountancy 1999-2004; Associate Professor 1999-2006; Assistant Professor 1993-1999
C. Ronald Coward	70	Director	None	Chairman, Coward Hund Construction Company, Inc. (construction) 2004-2006; President, 1976-2004
Graham M. Eubank, Jr.	38	Director	None	President, Palmetto Ford, Inc. (retail automobile) 2000-2006; Vice President 1996-2000
T. Dean Harton	60	Director	None	Vice-Chairman, Piedmont Hawthorne Holdings, Inc. (aviation) 2004-2006; President, Piedmont Hawthorne Holdings, Inc. 1999-2004; President, Hawthorne Corporation (aviation) 1986-1999
Fleetwood S. Hassell	46	Executive Vice President	Brother-in-law Charles G. Lane, Director	The Bank of South Carolina (banking) 1986-2006
William L. Hiott, Jr.	61	Executive Vice President, Treasurer, Director	None	The Bank of South Carolina (banking) 1986-2006
Katherine M. Huger	64	Director	None	Emerita Professor of Economics, Charleston Southern University; Assistant Professor of Economics, Charleston Southern University (education) 1972-2004
Richard W. Hutson, Jr.	48	Secretary Director	None	Manager, William M. Means Company Insurance, LLC (insurance) 1998-2006; Sole Proprietor, William M. Means Insurance Co. (insurance) 1992-1998
Charles G. Lane	51	Director	Brother of Hugh C. Lane, Jr.; Brother-in-law	Managing Member Holcombe, Fair & LLC (real estate) 1996-2006; Associate Holcombe & Fair Realtors 1987-1996

Fleetwood S.  
Hassell,  
Executive Vice  
President

Hugh C. Lane, Jr.	58	President, Chief Exec. Officer, Director	Brother of Charles G. Lane 6	The Bank of South Carolina (banking) 1986-2006
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<b>Name</b>	<b>Age</b>	<b>Positions and Offices Held With Corporation</b>	<b>Family Relationship</b>	<b>Business Experience 1987-2005 and Other Directorships</b>
Louise J. Maybank	66	Director	None	Active in community programs
Alan I. Nussbaum, MD	54	Director	None	Physician in private practice with Rheumatology Associates, PA
Edmund Rhett, Jr., MD	58	Director	None	Physician in private obstetrical practice with Low Country Obstetrics & Gynecology, PA
Malcolm M. Rhodes, MD	47	Director	None	Physician in private practice with Parkwood Pediatric Group
Thomas C. Stevenson, III	55	Director	None	President, Fabtech, Inc. (metal fabrication) 1991-2006; Private Investor 1990-91; Chairman of the Board Stevenson Hagerty, Inc. (diversified holding company) 1984-1990
Steve D. Swanson	38	Director	None	President, Automated Trading Desk, Inc. (automated limit order stock trading) 1989-2006
John M. Tupper	64	Director	None	President, Tupperway Tire and Service, Inc. (retail tires and service) 1980-2006

#### **Committees of the Board of Directors**

Hugh C. Lane, Jr. presently serves as President of the Board of Directors. The Board has four committees: the Executive/Long-Range Planning Committee, resulting from the merger of the Executive Committee and the Long-Range Planning Committee in 2004, the Compensation Committee, the Nominating Committee, and the Audit and Compliance Committee. The Compensation Committee and the Nominating Committee were established at the regular monthly meeting of the Board of Directors on December 18, 2003.

The Executive/Long-Range Planning Committee consists of the President of the Company and seven designated Directors. The President of the Company chairs the Committee. At present, the fixed membership of the Committee consists of C. Ronald Coward, T. Dean Harton, William L. Hiott, Jr., Charles G. Lane, Hugh C. Lane, Jr., Alan I. Nussbaum, MD, and Steve D. Swanson. During 2005, this Committee held five meetings. In addition to long-range and strategic planning, the principal function of the Committee is to exercise all authority of the Board of Directors in the management and affairs of the Company and the Bank. In addition, the Executive Committee acts on behalf of the entire Board of the Company between the regular Board Meetings.

The Audit and Compliance Committee reviews and examines detailed reports of the internal auditor for the Bank; meets periodically with the internal auditor; reviews reports of regulatory bodies having jurisdiction over the Company and the Bank; evaluates internal accounting

controls; recommends and approves the engagement and continuation of engagement of independent auditors, the scope of their work and the fees for their services; and meets with and considers recommendations of the independent auditors for the Company and the Bank. The Audit and Compliance Committee consists of Linda J. Bradley, C. Ronald Coward, Graham M. Eubank, Jr., Katherine M. Huger, Alan I. Nussbaum, MD, Malcolm M. Rhodes, MD and John M. Tupper, all independent Directors of the Company. The Audit and Compliance Committee met six times during 2005.

The Compensation Committee consists of T. Dean Harton, Thomas C. Stevenson, III and Steve D. Swanson, all independent Directors of the Company. The function of the Compensation Committee is to recommend the compensation of Executive Officers to the Directors of the Company. The Compensation Committee met once during 2005.

The Nominating Committee consists of C. Ronald Coward, Edmund Rhett, Jr., MD and John M. Tupper, all independent Directors of the Company. The function of the Nominating Committee is to recommend a slate of proposed Directors to the Board of Directors of the Company. The Nominating Committee has adopted a written Charter. The Charter was attached as Exhibit A to the 2005 Proxy Statement. The Nominating Committee met two times during 2005.

### **Report of the Audit and Compliance Committee of the Board of Directors**

#### **Membership and Role of the Audit and Compliance Committee**

The Audit and Compliance Committee (the Audit Committee ) presently consists of seven members of the Board of Directors. During 2005, the Audit Committee held six meetings. The Audit Committee operates under a written charter adopted by the Board of Directors. The charter was attached as Exhibit A to the 2004 Proxy Statement. Members are considered to be independent of the Company under applicable rules and regulations, including Rule 4200(a) (15) of the National Association of Securities Dealers.

#### **Review of the Company's Audited Financial Statements for the Fiscal Year Ended December 31, 2005**

The Audit Committee has reviewed and discussed with management the audited financial statements of the Company for the fiscal year ended December 31, 2005. The Audit Committee has discussed with KPMG LLP, the Company's independent public accountants, the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees).

The Audit Committee has also received the written disclosures and the letter from KPMG LLP required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and the Audit Committee has discussed the independence of KPMG LLP with that firm. Based on the Audit Committee's review and discussions mentioned above, the Audit Committee recommended to the Board of Directors that the Company's audited financial statements be included in the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2005 for filing with the Securities and Exchange Commission.

Submitted by:

Alan I. Nussbaum, MD, Chairman  
Dr. Linda J. Bradley, CPA  
C. Ronald Coward  
Graham M. Eubank, Jr.

Katherine M. Huger  
Malcolm M. Rhodes, MD  
John M. Tupper



### **Nominations for Director**

Nominations, other than those made by the Nominating Committee of the Company, shall be made in writing and shall be delivered or mailed to the President of the Company not less than 14 days nor more than 50 days prior to any meeting of Shareholders calling for election of Directors; provided however, that if less than 21 days notice of the meeting is given to Shareholders, such nomination shall be mailed or delivered to the President of the Company not later than the close of business on the 7<sup>th</sup> day following the day on which the Notice of Meeting was mailed.

Nominations not made according to these procedures will be disregarded.

### **Nominating Committee Policy for Shareholder Nominations**

The Nominating Committee has a policy with regard to consideration of any Director candidates recommended by security holders and that policy is to consider any and all such recommendations. The Nominating Committee has adopted specific minimum qualifications which the Nominating Committee believes must be met by a Nominating Committee recommended Nominee for a position on the Company's Board of Directors, and those are that such Nominee must be generally recognized as successful in such Nominee's business or community efforts, have a generally recognized reputation for honesty and integrity, have demonstrated such Nominee's commitment to the community in which the Company and its subsidiary Bank operates and have demonstrated in meetings with the Nominating Committee such Nominee's commitment to the best interests of the Company, its subsidiary Bank, and its and their officers, directors, employees and shareholders. The Nominating Committee's process for identifying and evaluating Nominees for Director of the Company and its subsidiary Bank, including Nominees recommended by security holders, is to investigate whether or not such Nominee meets the specific minimum qualifications adopted as a policy by the Nominating Committee through contacts the members of the Nominating Committee have in their community. There are no differences in the manner in which the Nominating Committee evaluates Nominees for Director based on whether the Nominee is recommended by a security holder.

The Company does not utilize or pay a fee to any third party to evaluate Nominees for Director.

### **Directors Meetings**

The Board of Directors of the Company held six meetings (including all regularly scheduled and special meetings) during the year ended December 31, 2005. No Director during such year attended fewer than 75% of the aggregate of (i) the total number of meetings of the Board of Directors and (ii) the total number of meetings held by all committees of the Board of Directors on which he or she served.

### **Compensation of Executive Officers and Directors**

The following table sets forth all remuneration (including remuneration under any contract, authorization or arrangement, whether or not set forth in a formal document) paid during the year ended December 31, 2005, by the Bank to the four Executive Officers of the Company and the Bank whose cash remuneration from the Bank exceeded \$100,000.00 dollars for their services in all capacities. Such Executive Officers receive no compensation from the Company as Executive Officers or as Directors or in any other capacity.

Name and Principal Position	Year	Annual Compensation			Long Term Compensation Awards	
		Salary	Bonus	Other Annual Compensation <sup>(1)</sup>	Options/SARS <sup>(2)</sup>	All Other Compensation <sup>(3)</sup>
Hugh C. Lane, Jr. CEO & President	2005	\$ 166,652.67		\$ 6,001.86	0	\$ 18,687.27
	2004	159,830.69		6,123.74	0	11,351.58
	2003	153,500.00		5,300.64	0	9,528.83
Nathaniel I. Ball, III Executive Vice President & Secretary (retired)	2005	\$ 159,999.84		\$ 5,902.96	0	\$ 17,567.20
	2004	152,851.45		4,302.24	0	10,855.90
	2003	147,000.00		4,397.40	0	9,125.61
Fleetwood S. Hassell Executive Vice President <sup>(4)</sup>	2005	\$ 104,876.35		\$ 6,279.94	0	\$ 11,857.11
William L. Hiott, Jr. Executive Vice President	2005	\$ 158,523.47		\$ 5,369.66	0	\$ 17,589.31
	2004	152,851.45		4,302.24	0	10,855.90
	2003	147,000.00		4,397.40	0	9,125.61

- (1) Includes same life, disability, dental and health insurance benefits as all other employees of the Bank who work at least 30 hours a week.
- (2) Amounts shown represent the number of shares underlying incentive stock options granted, as adjusted for a 10% stock dividend effective on July 15, 2003 and a 10% stock distribution effective April 29, 2005.
- (3) Amounts contributed to the Bank's ESOP.
- (4) Fleetwood S. Hassell was promoted to Executive Vice President on August 16, 2005.

Non-officer Directors of the Company received \$100.00 for each meeting of the Board of Directors of the Company attended and non-officer Directors of the Bank received \$250.00 for each meeting of the Board of Directors of the Bank attended and \$100.00 for each Company or Bank Board Committee meeting attended.

On November 2, 1989, the Bank adopted an Employee Stock Ownership Plan and Trust Agreement (the Plan) to provide retirement benefits to eligible employees for long and faithful service.

An employee of the Bank is eligible to become a participant in the ESOP upon reaching 21 years of age and upon completion of 1,000 hours of service in a plan year. No contributions by employees are permitted. The amount and time of contributions are at the sole discretion of the Board of Directors of the Bank. The contribution for all participants is based solely on each participant's respective regular or base salary and wages paid by the Bank including commissions, bonuses and overtime, if any.

A participant becomes vested in the ESOP upon completion of five years of service, as defined in the Plan. There is no vesting prior to the completion of five years of service.

The Plan became effective as of January 1, 1989.

The Board of Directors of the Bank approved the contribution of \$300,000.00 to the ESOP for the fiscal year ended December 31, 2005. The contribution was made during 2005. T. Dean Harton, Sheryl G. Sharry and Hugh C. Lane, Jr., currently serve as Plan Administrators and as Trustees for the Plan. The Plan currently owns 198,159 shares or 6.41% of the Company's Common Stock.

During the fiscal year ended December 31, 2005, the Company had no plans or arrangements pursuant to which any Executive Officer, Director or Principal Shareholder received contingent remuneration or personal benefits other than the contingent remuneration and life, disability, dental and health insurance benefits referred to in the footnotes to the preceding table.

On April 14, 1998, the Shareholders of the Company approved an Incentive Stock Option Plan for the benefit of eligible officers and employees of the Bank and reserved a total 180,000 shares. On April 16, 1998, the Bank granted options to purchase Common Stock in the aggregate amount of 146,000 shares to 52 employees of the Bank (including officers, such Directors as are also employees and other employees) pursuant to the Incentive Stock Option Plan. These grants included those to Hugh C. Lane, Jr., Nathaniel I. Ball, III and William L. Hiott, Jr., Executive Officers and Directors and Fleetwood S. Hassell, Executive Vice President. As adjusted for a 10% stock dividend paid on May 15, 1998, 198,000 shares were being held in reserve.

As of July 10, 2000, all of the option holders, including the above Executive Officers, terminated their existing stock options. There was no obligation on the part of the Company or The Bank of South Carolina to issue additional or replacement options. No options were exercised in 1998, 1999 or 2000. On May 14, 2001, the Bank granted options to purchase Common Stock in the aggregate amount of 152,350 shares to 45 employees of the Bank (including officers, such Directors as are also employees and other employees) pursuant to the Incentive Stock Option Plan. These grants included those to Hugh C. Lane, Jr., Nathaniel I. Ball, III., and William L. Hiott, Jr., Executive Officers and Directors and Fleetwood S. Hassell, Executive Vice President. Except for those options granted to Hugh C. Lane, Jr. as described below, all of the options were granted at an exercise price of \$13.50 per share. No additional options were granted during 2001. Additional options for 9,500 shares were granted at an exercise price of \$14.925 per share to 4 employees of the Bank during 2002. Options for 13,500 shares with an exercise price of \$14.20 per share were granted to 13 employees in 2003. Options for 4,000 shares with an exercise price of \$14.00 were granted to one employee in 2004. No options were exercised during 2001, 2002, 2003 or 2004.

As adjusted for a 10% stock dividend effective on July 15, 2003, and a 10% stock distribution effective April 29, 2005, there are currently 239,580 shares being held in reserve. There are currently outstanding option to purchase 19,965 shares at an option price of \$12.27 per share, 12,705 shares at an option price of \$11.74 per share, 123,240 shares at an option price of \$11.15 per share, 2,420 shares at an option price of \$12.34 per share, resulting in total outstanding options to purchase 158,330 shares at the prices set forth above.

As adjusted for a 10% stock dividend effective on July 15, 2003, and a 10% stock distribution effective April 29, 2005, options for 19,964 shares with an exercise price of \$11.15 per share, options for 3,025 shares with an exercise price of \$11.74 per share, and options for 4,440 shares with an exercise price of \$12.73 per share and options for 2,420 shares with an exercise price of \$12.34 per share have expired. There were no options granted during 2005.

On October 2, 2005, Nathaniel I. Ball, III in accordance with the Incentive Stock Option Plan, exercised his options to purchase 16,637 share of common stock. The stock was purchased with the redemption of 10,300 shares of Bank of South Carolina Corporation common stock (personally held) with a price of \$18.00 a share and the payment of \$225 cash. The stock options were fully vested and fully exercisable.

Hugh C. Lane, Jr., President and Chief Executive Officer, was granted the option to purchase 16,500 shares of Common Stock of the Company pursuant to the Incentive Stock Option Plan at a price of \$14.85 per share. This option is exercisable on May 14, 2006 and expires if not exercised on that date. William L. Hiott, Jr., Executive Vice President and Treasurer, was granted the option to purchase 13,750 shares of Common Stock of the Company and Fleetwood S. Hassell, Executive Vice President was granted the option to purchase 8,250 pursuant to the Incentive Stock Option Plan at a price of \$13.50 per share. All of these options are exercisable in five 20% increments beginning on and for the year following May 14, 2006, with an additional 20% to be exercisable on and for the year following each successive anniversary. The right to exercise each such 20% of each option is cumulative and will not expire until the 10<sup>th</sup> anniversary of the date of the grant.

As adjusted for a 10% stock dividend effective on July 15, 2003 and a 10% stock distribution effective on April 29, 2005 Hugh C. Lane, Jr. now has the option to purchase 19,965 shares of Common Stock of the Company at a price of \$12.27 per share, William L. Hiott, Jr. now has the option to purchase 16,637 shares at a price of \$11.15 per share and Fleetwood S. Hassell now has the option to purchase 9,982 shares at a price of \$11.15 per share.

Shown below is information with respect to unexercised options to purchase Common Stock of the Company held by the named Executive Officers at December 31, 2005.

	# of Shares Acquired On Exercise		Value Realized(\$)		Number of Securities Underlying Unexercised Options/SARS at Year-End(#)		Value of Unexercised In-the-Money Options/SARS at Year-End(\$)	
Hugh C. Lane, Jr.	0	0	0	0	19,965	0	\$380,333	
Nathaniel I. Ball, III	16,637	\$185,650	0	0	0	0	0	0
Fleetwood S Hassell	0	0	9,982	\$190,157	0	0	0	0
William L. Hiott, Jr.	0	0	16,637	\$316,935	0	0	0	0

In the event of a prospective reorganization, consolidation or sale of substantially all of the assets or any other form of corporate reorganization in which the Company would not be the surviving entity or in the event of the acquisition, directly or indirectly, of the beneficial ownership of 24% of the Common Stock of the Company or the making, orally or in writing, of a tender offer for, or any request or invitation for tender of, or any advertisement making or inviting tenders of the Company stock by any person, all options in effect at that time would accelerate so that all options would become immediately exercisable and could be exercised within one year immediately following the date of acceleration but not thereafter.

In the case of termination of employment of an option holder other than involuntary termination without just cause, retirement, death or legal disability, the option holder may exercise the option only with respect to those shares of Common Stock as to which he or she has become vested. The option holder may exercise the option with respect to such shares no more than 30 days after the date of termination of employment (but in any event prior to the expiration date).

In the event that the option holder's employment is terminated without just cause, the option shall become fully vested and fully exercisable as of the date of his or her termination without regard to the five year initial vesting and exercisability or to the 20% annual increments thereafter. The option holder may exercise the option following an involuntary termination without just cause until the expiration date of the option.



In the event the option holder remains in the continuous employ of the Company or any subsidiary from the date of the grant until the option holder's retirement, the option shall become fully vested and fully exercisable as of the date of his or her retirement without regard to the five year initial vesting and exercisability or to the 20% annual increments thereafter. The option holder may exercise the option following his or her retirement until the expiration date.

In the event the option holder remains in the continuous employ of the Company or a subsidiary from the date of the grant until his or her death, the option shall become fully vested and fully exercisable as of the date of death without regard to the five year initial vesting and exercisability or the 20% annual increments thereafter. The person or persons entitled to exercise the option following the option holder's death may exercise the option until the expiration date.

In the event the option holder remains in the continuous employ of the Company or any subsidiary from the date of the grant until the date of his or her legal disability, the option shall become fully vested and fully exercisable as of the date of his or her termination of employment on account of his or her legal disability without regard to the five year initial vesting and exercisability or to the 20% annual increments thereafter. The option holder may exercise the option following such termination of employment until the expiration date.

The Stock Incentive Plan provides for adjustment in the number of shares of Common Stock authorized under the Plan or granted to an optionee to protect against dilution in the event of changes in the Company's capitalization, including stock splits and dividends.

**Transactions and Relations with Directors, Executive Officers, and their Associates and Affiliates of Directors**

The Company does not have any existing continuing contractual relationships with any Director, Nominee for election as Director or Executive Officer of the Company or the Bank, or any Shareholder owning, directly or indirectly, more than 5% of the shares of Common Stock of the Company, or any associate of the foregoing persons. Directors, Executive Officers, Nominees for election as Directors, and members of the immediate family of any of the foregoing have had in the past, have at present, and will have in the future, customer relationships with the Bank. Such transactions have been and will continue to be made in the ordinary course of business, made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and such transactions did not and will not involve more than the normal risk of collectability or present other unfavorable features.

Fleetwood S. Hassell failed to file one Form 4 in a timely manner.

**RELATIONSHIP WITH INDEPENDENT PUBLIC ACCOUNTANTS**

On November 17, 2005, the appointment of KPMG, LLP as independent auditor was terminated effective upon the completion of the audit of the Company's financial statements as of and for the year ending December 31, 2005 and the issuance of KPMG LLP's report thereon. The decision to change accountants to Elliott Davis, LLC was approved by the audit committee of the board of directors. At the 2006 Annual Shareholders' Meeting the following resolution will be subject to ratification by a simple majority vote of shares represented at the meeting:

RESOLVED, that the selection of Elliott Davis, LLC as the independent certified public accountants of Bank of South Carolina Corporation (the Company) and its sole subsidiary, The Bank of South Carolina (the Bank), for the fiscal year ending December 31, 2006, is hereby ratified.

If ratification is not achieved, the selection of an independent certified public accountant will be reconsidered and made by the Board of Directors. Even if selection is ratified, the Board of Directors reserves the right to, and in its discretion may, direct the appointment of any other independent certified public accounting firm at any time if the Board decides that such a change would be in the best interests of the Company and its Shareholders.

The services provided by KPMG LLP include the examination and reporting of the financial status of the Company and the Bank. These services have been furnished at customary rates and terms. There are no existing direct or indirect agreements or understandings that fix a limit on current or future fees for these audit services.

KPMG LLP assisted in the preparation of the Company's and Bank's tax returns for the fiscal years ending December 31, 1995 through 2005. These non-audit services were routine in nature and did not compose more than 25% of the total fees paid to KPMG LLP in 2005.

A representative of KPMG LLP is expected to attend the Annual Shareholders Meeting with the opportunity to make a statement, if desired, and is expected to be available to respond to appropriate questions.

Before the independent certified public accountants of the Company and the Bank are engaged to render non-audit services for the Company or the Bank, each engagement is approved by the Audit Committee. All of the audit and tax services provided by KPMG LLP for the fiscal year ending December 31, 2005 were preapproved by the Audit Committee.

**Audit Fees**

KPMG's aggregate fees billed for professional services rendered for the audit of the Company's annual financial statements and for the reviews of the financial statements included in the Company's Form 10-KSB and Quarterly Reports on Form 10-QSB were \$39,775 for 2005 and \$47,000 for 2004.

**Tax Fees**

KPMG's fees for tax compliance services were \$11,200 for 2005 and \$11,724 for 2004.

The Audit Committee of the Board of Directors has determined that the provision of tax services is compatible with maintaining the accountant's independence.

**OTHER MATTERS**

Management is not aware of any matters to come before the meeting that will require the vote of Shareholders other than those matters indicated in the Notice of Meeting and this Proxy Statement.

However, if any other matter calling for Shareholder action should properly come before the meeting or any adjournments thereof, those persons named as proxies in the enclosed Proxy Form will vote thereon according to their best judgment.

**PENDING LITIGATION**

There is no pending litigation involving the Company.

**COMMUNICATIONS WITH THE BOARD OF DIRECTORS**

The Board of Directors has adopted a process by which security holders may send communications to the Board of Directors of the Company. That process is for any security holder to send a written communication to Hugh C. Lane, Jr., President, Bank of South Carolina Corporation, 256 Meeting Street, Charleston, South Carolina 29401, or to fax such communication to Hugh C. Lane, Jr., President, at (843) 724-1513. A security holder is free to address any communication to any Director at the address of such Director set forth in this Proxy Statement. Any communication from a security holder received by the President shall be sent to all Members of the Executive Committee and, if any member of the Executive Committee so directs, will be sent to all members of the Board of Directors.

**ANNUAL REPORT**

The Annual Report for the fiscal year ended December 31, 2005, filed with the Securities and Exchange Commission on Form 10-KSB, is mailed herewith to all Shareholders.

**SHAREHOLDER PROPOSALS FOR THE 2007 ANNUAL SHAREHOLDERS MEETING**

Shareholder proposals, if any, for inclusion in the Proxy Statement relating to the 2007 Annual Shareholders meeting, must be addressed to and received in the office of the President no later than December 8, 2006.

By Order of the Board of Directors

Richard W. Hutson, Jr.

Secretary

February 23, 2006



**PROXY CARD**  
**BANK OF SOUTH CAROLINA CORPORATION**  
**PROXY FOR ANNUAL MEETING OF SHAREHOLDERS APRIL 11, 2006**  
**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

KNOW ALL PERSONS BY THESE PRESENTS THAT I, the undersigned Shareholder of Bank of South Carolina Corporation (the Company) do hereby appoint Edmund Rhett, Jr., MD, Richard W. Hutson, Jr. and Louise J. Maybank, (no officer or employee of the Company or any subsidiary may be appointed), or any one of them, with full power to act alone, my true and lawful attorney(s) with full power of substitution, to vote on behalf of the undersigned all shares of common stock of the Company which the undersigned would be entitled to vote at the Annual Meeting of Shareholders of the Company to be held at The Bank of South Carolina, 256 Meeting Street, Charleston, South Carolina on Tuesday, April 11, 2006, at 2:00 p.m., or at any adjournments or postponements thereof, with all the powers the undersigned would possess if personally present upon the following matters:

**The Board of Directors recommends a vote FOR proposals 1 and 2.**

**1. ELECTION OF DIRECTORS**

- FOR** all nominees listed below (except as marked to the contrary below).
- WITHHOLD AUTHORITY** to vote for all nominees listed below.

Dr. Linda J. Bradley, CPA, C. Ronald Coward, Graham M. Eubank, T. Dean Harton, Fleetwood S. Hassell, William L. Hiott, Jr., Katherine M. Huger, Richard W. Hutson, Jr., Charles G. Lane, Hugh C. Lane, Jr., Louise J. Maybank, Alan I. Nussbaum, MD, Edmund Rhett, Jr., MD, Malcolm M. Rhodes, MD, Thomas C. Stevenson, III., Steve D. Swanson and John M. Tupper

(**INSTRUCTION:** To withhold authority to vote for any individual nominee, write the nominee's name in the space provided below.)

**2. APPROVAL OF ELLIOTT DAVIS, LLC** as the Company's independent auditors for the fiscal year ending December 31, 2006.

- FOR**       **AGAINST**       **ABSTAIN**

3. The transaction of such other business as may properly come before the meeting.

**Each properly executed proxy will be voted in accordance with specifications made hereon. If no specification is made, the shares represented by this Proxy will be voted FOR the nominees, FOR Elliott Davis, LLC and in the discretion of the Proxies, on any other business as may properly come before the meeting.**

The undersigned hereby acknowledges receipt of the Company's 2005 Annual Report on Form 10-KSB as filed with the Securities and Exchange Commission and the accompanying Notice of Meeting and Proxy Statement and hereby revokes any proxy or proxies heretofore given.

Dated: \_\_\_\_\_,  
2006

Signature(s) of Shareholder(s)

**Please date and sign exactly as name appears hereon. Executors, Administrators, Trustees, etc., must so indicate when signing. If shares are held jointly, both owners should sign.**