

FORGOTSON MERRILL J
Form 4
January 07, 2005

FORM 4

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

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
FORGOTSON MERRILL J

2. Issuer Name and Ticker or Trading Symbol
CORNERSTONE BANCORP INC [CBN]

5. Relationship of Reporting Person(s) to Issuer
(Check all applicable)

(Last) (First) (Middle)
7 BAYBERRY LANE
(Street)

3. Date of Earliest Transaction (Month/Day/Year)
01/05/2005

Director 10% Owner
 Officer (give title below) Other (specify below)
President & CEO

WESTPORT, CT 06880

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

(City) (State) (Zip)

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
Common Stock	01/06/2005	01/05/2005	W	(A) Amount 3,025 (1) Price \$ 12.397	4,967.51 (2)	I	By wife
Common Stock	01/06/2005	01/05/2005	W	(A) Amount 6,050 (1) Price \$ 16.012	11,017.51	I	By wife
Common Stock					1,251.987 (3)	I	By wife as custodian for child
Common Stock					60	I	By child
Common Stock					7,700	D	

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Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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(9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)
				Code	V (A) (D)	Date Exercisable Expiration Date	Title Amount or Number of Shares
Employee Stock Option - right to buy	\$ 13.636					05/29/2001 05/29/2011	Common Stock 22,000
Employee Stock Option - right to buy	\$ 14.545					01/02/2002 01/02/2012	Common Stock 2,200
Employee Stock Option - right to buy	\$ 20.3					01/02/2004 01/02/2014	Common Stock 2,000
Non employee stock option - right to buy	\$ 12.397	01/06/2005	01/05/2005	W	3,025 <u>(1)</u>	05/21/1997 05/21/2007	Common Stock 3,025 <u>(1)</u>
Non employee stock option - right to buy	\$ 16.012	01/06/2005	01/05/2005	W	6,050 <u>(1)</u>	12/31/1997 12/31/2007	Common Stock 6,050 <u>(1)</u>
Non employee stock option - right to buy	\$ 12.397	01/06/2005	01/05/2005	M	3,025 <u>(1)</u>	05/21/1997 05/21/2007	Common Stock 3,025 <u>(1)</u>

stock option - right to buy												
Non employee stock option - right to buy	\$ 16.012	01/06/2005	01/05/2005	M	6,050 <u>(1)</u>	12/31/1997	12/31/2007	Common Stock	6,05			

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
FORGOTSON MERRILL J 7 BAYBERRY LANE WESTPORT, CT 06880	X		President & CEO	

Signatures

Leigh A. Hardisty as power of attorney	01/07/2005
**Signature of Reporting Person	Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) Contemporaneous transfer and exercise of non-qualified stock options to Janis Forgotson, wife of Merrill J. Forgotson, from the estate of her father, Norman H. Reader, who passed away on 1/8/2004.
- (2) The reporting person received 33.414 shares of common stock as a result of participation in the Bancorp's plan for reinvestment of dividends.
- (3) The reporting person received 21.536 shares of common stock as a result of participation in the Bancorp's plan for reinvestment of dividends.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.