

FORGOTSON MERRILL J
Form 4
August 08, 2005

FORM 4

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

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

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)
08/04/2005

Director 10% Owner
 Officer (give title below) Other (specify below)
President and 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) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|---|
| | | | Code | V | Amount | (A) or (D) | Price |
| Common stock | 08/04/2005 | 08/04/2005 | M | | 15,000 | A | \$ 13.636 |
| Common Stock | | | | | 1,260 | I | (1) |
| Common Stock | | | | | 11,060 | I | (2) |
| Common stock | | | | | 60 | I | |
| Common stock | | | | | 10,398 | I | (3) |

wife is trustee

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

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SEC 1474 (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 | 08/04/2005 | 08/04/2005 | M | | 15,000 | | 05/29/2001 | 05/29/2011 | Common stock | 15,000 |
| 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 |

Reporting Owners

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

Signatures

Leigh A. Hardisty as power of
attorney

08/08/2005

__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) During 2005 the reporting persons received 8.221 shares of common stock as a result of participation in the Bancorp's plan for the reinvestment of dividends. In May 2005, 0.21 shares of common stock were converted to cash as a result of the termination of the Bancorp's plan for the reinvestment of dividends.

(2) During 2005 the reporting person received 43.23 shares of common stock as a result of participation in the Bancorp's plan for the reinvestment of dividends. In May 2005, 0.74 shares of common stock were converted to cash as a result of the termination of the Bancorp's plan for the reinvestment of dividends.

(3) During 2005 the reporting person received 67.84 shares of common stock as a result of participation in the Bcorp's plan for the reinvestment of dividends. In May 2005, 0.83 shares of common stock were converted to cash as a result of termination of the Bancorp's plan for the 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.