FORGOTSON MERRILL J

Form 4

January 07, 2005

FORM 4

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF

SECURITIES

OMB 3235-0287 Number:

OMB APPROVAL

Expires:

5. Relationship of Reporting Person(s) to

(Check all applicable)

Issuer

January 31, 2005

0.5

Estimated average burden hours per

response...

subject to Section 16. Form 4 or Form 5 obligations

Check this box

if no longer

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 may continue. See Instruction

Symbol

30(h) of the Investment Company Act of 1940

2. Issuer Name and Ticker or Trading

CORNERSTONE BANCORP INC

1(b).

(Print or Type Responses)

1. Name and Address of Reporting Person *

FORGOTSON MERRILL J

| | [CBN] | | | | | | (Check all applicable) | | | | |
|---|---|--|---|--------------------------------|--------|--------------|--|--|---|--|--|
| (Last) (First) (Middle) 7 BAYBERRY LANE | | | 3. Date of Earliest Transaction (Month/Day/Year) 01/05/2005 | | | | X Director 10% Owner X Officer (give title Other (specify below) President & CEO | | | | |
| WESTPOR | (Street) T, CT 06880 | | 4. If Amendment, Date Original Filed(Month/Day/Year) | | | | 6. Individual or Joint/Group Filing(Check Applicable Line) _X_ Form filed by One Reporting Person Form filed by More than One Reporting Person | | | | |
| (City) | (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) | e 2A. Deemed Execution Date, any (Month/Day/Yea | Code ar) (Instr. 8) | 4. Securion(A) or D (Instr. 3, | (A) or | d of (D) | 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 | 3,025 (1) | A | \$ 12.397 | 4,967.51 <u>(2)</u> | I | By wife | | |
| Common Stock | 01/06/2005 | 01/05/2005 | W | 6,050 (1) | A | \$ 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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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. Transactic Code (Instr. 8) | Securitie | ve es d (A) or d of (D) | 6. Date Exercisable and Expiration Date (Month/Day/Year) | | 7. Title and Amount Underlying Securitie (Instr. 3 and 4) | |
|---|---|---|---|--|--------------|----------------------------------|--|--------------------|---|------------------------------|
| | | | | Code V | (A) | (D) | Date Exercisable | Expiration Date | Title | Amou or Numb of Sha |
| Employee Stock Option - right to buy | \$ 13.636 | | | | | | 05/29/2001 | 05/29/2011 | Common Stock | 22,00 |
| Employee Stock Option - right to buy | \$ 14.545 | | | | | | 01/02/2002 | 01/02/2012 | Common Stock | 2,20 |
| Employee Stock Option - right to buy | \$ 20.3 | | | | | | 01/02/2004 | 01/02/2014 | Common Stock | 2,00 |
| Non employee stock option - right to buy | \$ 12.397 | 01/06/2005 | 01/05/2005 | W | 3,025 (1) | | 05/21/1997 | 05/21/2007 | Common Stock | 3,02 (1) |
| Non employee stock option - right to buy | \$ 16.012 | 01/06/2005 | 01/05/2005 | W | 6,050 (1) | | 12/31/1997 | 12/31/2007 | Common Stock | 6,05 (1) |
| Non employee | \$ 12.397 | 01/06/2005 | 01/05/2005 | M | | 3,025 (1) | 05/21/1997 | 05/21/2007 | Common Stock | 3,02 |

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stock option right to buy Non employee stock option -

right to buy

\$ 16.012 01/06/2005

01/05/2005

M

6,050 (1)

12/31/1997 12/31/2007

Common

6,05

Stock

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).
- Contemporaneous transfer and exercise of non-qualified stock options to Janis Forgotson, wife of Merrill J. Forgotson, from the estate of **(1)** her father, Norman H. Reader, who passed away on 1/8/2004.
- The reporting person received 33.414 shares of common stock as a result of participation in the Bancorp's plan for reinvestment of **(2)** dividends.
- The reporting person received 21.536 shares of common stock as a result of participation in the Bancorp's plan for reinvestment of **(3)** 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.

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