

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	<sup>(1)</sup>
Common Stock					11,060	I	<sup>(2)</sup>
Common stock					60	I	
Common stock					10,398	I	<sup>(3)</sup>

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.