

CORNERSTONE BANCORP INC
 Form 5
 February 11, 2005

FORM 5

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

OMB APPROVAL
 OMB Number: 3235-0362
 Expires: January 31, 2005
 Estimated average burden hours per response... 1.0

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).
 Form 3 Holdings Reported Form 4 Transactions Reported

ANNUAL 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

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)

3. Statement for Issuer's Fiscal Year Ended (Month/Day/Year)
 12/31/2004

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

7 BAYBERRY LANE
 (Street)

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

6. Individual or Joint/Group Reporting
 (check applicable line)

WESTPORT, CT 06880

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 at end of Issuer's Fiscal Year (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|--|--|---|
| | | | | (A) or (D) Amount Price | | | |
| Common Stock | Â | Â | Â | Â | 7,700 | D | Â |
| Common Stock | Â | Â | Â | Â | 1,251.987 ⁽¹⁾ | I | By wife as custodian for child |
| Common Stock | Â | Â | Â | Â | 1,942.508 ⁽²⁾ | I | By wife |
| Common | Â | Â | Â | Â | 60 | I | By child |

Stock

| | | | | | | | | | |
|--------------|------------|------------|---|--------|---|------|------------------|---|-----------------------------------|
| Common Stock | 04/07/2004 | 04/07/2004 | W | 10,250 | A | \$ 0 | 10,330.99 (3) | I | By trust of which wife is trustee |
|--------------|------------|------------|---|--------|---|------|------------------|---|-----------------------------------|

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

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SEC 2270
(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 Underlying Securities (Instr. 3 and 4) | Amount or Number of Shares |
|--|--|--------------------------------------|--|--------------------------------|---|--|--|----------------------------|
| Employee stock option - right to buy | \$ 13.636 | Â | Â | Â | Â | 05/29/2001 05/29/2011 | Common Stock | 22,000 |
| Employee stock option - right to buy | \$ 14.545 | Â | Â | Â | Â | 01/02/2002 01/02/2012 | Common Stock | 2,200 |
| Employee stock option - right to buy | \$ 20.3 | 01/02/2004 | 01/02/2004 | A | 2,000 | 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 | Â X | Â | Â Chairman & CEO | Â |

Signatures

Leigh A. Hardisty as Power of
Attorney

02/11/2005

__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) The reporting person received 21.536 shares of common stock as a result of participation in the Bancorp's plan for the reinvestment of dividends.
- (2) The reporting person received 33.414 shares of common stock as a result of participation in the Bancorp's plan for the reinvestment of dividends.
- (3) The reporting person received 80.99 shares of common stock as a result of participation in 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 provided 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.