

CORNERSTONE BANCORP INC
Form DEF 14A
April 14, 2003

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

SCHEDULE 14A INFORMATION

**Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No.)**

Filed by the Registrant

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CORNERSTONE BANCORP, INC.

(Name of Registrant as Specified in Its Charter)

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- No fee required.
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- 1) Amount Previously Paid:

- 2) Form, Schedule or Registration Statement No:

- 3) Filing Party:

- 4) Date Filed:

CORNERSTONE BANCORP, INC.

550 Summer Street

Stamford, Connecticut 06901

(203) 356-0111

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To be held on May 21, 2003

April 4, 2003

To the Shareholders of Cornerstone Bancorp:

Notice is hereby given that the Annual Meeting of Shareholders of Cornerstone Bancorp, Inc. (the Bancorp) will be held at Cornerstone Bank, 550 Summer Street, Stamford, Connecticut 06901, on May 21, 2003, at 4:00 p.m local time, for the purpose of considering and voting upon the following matters:

1. To elect four directors for terms to expire at the 2006 Annual Meeting of Shareholders;
2. To ratify the appointment of KPMG LLP as the Bancorp s independent auditors for the fiscal year ending December 31, 2003; and
3. To transact such other business as may properly be brought before the meeting or any adjournment or postponement thereof.

The Board of Directors has fixed the close of business on March 14, 2003, as the record date for the determination of shareholders entitled to notice of, and to vote at, the 2003 Annual Meeting of Shareholders and any adjournments thereof.

By Order of the Board of Directors

Merrill J. Forgotson, President

IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AT THE 2003 ANNUAL MEETING.

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PLEASE SIGN AND RETURN THE ENCLOSED PROXY AS PROMPTLY AS POSSIBLE WHETHER OR NOT YOU PLAN TO ATTEND THE 2003 ANNUAL MEETING IN PERSON.

SHAREHOLDERS OF RECORD WHO ATTEND THE MEETING MAY REVOKE THE PROXY AND VOTE IN PERSON.

CORNERSTONE BANCORP, INC.

550 Summer Street

Stamford, Connecticut 06901

(203) 356-0111

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS

May 21, 2003

General

This Proxy Statement is furnished to shareholders of Cornerstone Bancorp, Inc. (the "Bancorp") in connection with the solicitation of proxies by the Board of Directors for use at the Annual Meeting of Shareholders of the Bancorp to be held on May 21, 2003, and any and all adjournments or postponements thereof (the "2003 Annual Meeting"). This Proxy Statement, the Notice of Annual Meeting, the enclosed form of Proxy and the 2002 Annual Report to Shareholders are first being mailed to shareholders on or about April 4, 2003. As used in this Proxy Statement, references to the "Bancorp" include references to Cornerstone Bancorp, Inc. and to its wholly-owned subsidiary, Cornerstone Bank.

Record Date, Voting Rights

Only shareholders of record at the close of business on March 14, 2003 (the "Record Date") are entitled to notice of and to vote at the 2003 Annual Meeting. On the Record Date, there were 1,219,515 shares of common stock of the Bancorp, par value \$.01 per share (the "Common Stock"), outstanding and entitled to vote. Each shareholder is entitled to one vote, in person or by proxy, for each share of Common Stock held of record in his or her name at the close of business on the Record Date. The presence, in person or by proxy, of a majority of the aggregate number of shares of Common Stock outstanding on the Record Date is necessary to constitute a quorum at the 2003 Annual Meeting. Abstentions and broker non-votes will be included in the calculation of the number of votes represented at the 2003 Annual Meeting for purposes of determining whether a quorum has been achieved.

Solicitation, Revocation and Use of Proxies

In addition to solicitation of proxies by mail, proxies may also be solicited by telephone or personal interview by employees of the Bancorp who will not receive additional compensation therefor. The expense of soliciting proxies will be borne by the Bancorp. The Bancorp will also reimburse brokerage firms and others for their expenses in forwarding proxy materials to the beneficial owners of the Common Stock.

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A shareholder giving a proxy may revoke it at any time before it is voted by delivery of a written notice of such revocation or a duly executed proxy bearing a later date to the Secretary of the Bancorp or by attending the 2003 Annual Meeting and revoking the proxy at such time. Attendance at the 2003 Annual Meeting will not itself revoke a proxy. Shares represented by properly executed proxies will be voted at the 2003 Annual Meeting in accordance with the specifications thereon. Shareholders of record who are present at the 2003 Annual Meeting may vote by ballot.

Each proxy received will be voted as directed; however, if no direction is indicated, the proxy will be voted in Item 1 FOR the election of the Bancorp's nominees to the Board of Directors; in Item 2 FOR the ratification of the appointment of KPMG LLP as the Bancorp's independent auditors for the fiscal year ending December 31, 2003; and in the discretion of the proxy holder as to such other matters as may properly come before the 2003 Annual Meeting.

Security Ownership of Principal Shareholders

The following table sets forth certain information known to the Bancorp regarding the beneficial ownership of the Common Stock as of the Record Date by each person known by the Bancorp to own beneficially more than five percent of the outstanding Common Stock.

<u>Name and Address of Beneficial Owner</u>	<u>Shares Beneficially Owned</u>	<u>Percent of Class</u>
Melvin L. Maisel 36 Birchwood Dr. Greenwich, Connecticut 06831	96,596(a)	7.9%
Stuart Weitzman 169 Taconic Road Greenwich, Connecticut 06831	95,940(b)	7.9%

(a) Information with respect to Mr. Maisel's beneficial ownership is described below in Security Ownership of Management.

(b) The shares shown as beneficially owned by Mr. Weitzman were those reported as beneficially owned by him as of December 31, 2002 in his Schedule 13G filed February 14, 2003 with the Securities and Exchange Commission (the SEC). Such Schedule indicated that Mr. Weitzman has sole voting and dispositive power with respect to all shares reported as beneficially owned.

Security Ownership of Management

The following table sets forth certain information known to the Bancorp regarding the beneficial ownership of the Common Stock as of the Record Date by (i) each director of the Bancorp, (ii) the executive officers of the Bancorp named in the Summary Compensation Table on page 9 and (iii) all directors and executive officers of the Bancorp as a group. Except as otherwise indicated, all shares are owned directly. Except as indicated by footnote and subject to community property laws where applicable, the persons named in the table have sole voting and investment power with respect to all shares shown as beneficially owned by them.

<u>Name of Beneficial Owner</u>	<u>Shares Beneficially Owned</u>	<u>Percent of Class</u>
Joseph S. Field, Jr.	40,313(a)	3.3%
Merrill J. Forgotson	32,047(b)	2.6%
J. James Gordon	3,643(c)	*
James P. Jakubek	40,789(d)	3.3%
Stanley A. Levine	11,227(e)	*
Joseph A. Maida	13,429(f)	1.1%
Melvin L. Maisel	96,596(g)	7.9%

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Ronald C. Miller	48,757(h)	4.0%
Courtney A. Nelthropp	4,888(i)	*

Name of Beneficial Owner	Shares Beneficially Owned	Percent of Class
Martin Prince	49,081(j)	4.0%
Norman H. Reader	19,325(k)	1.6%
Paul H. Reader	67,175(l)	5.3%
Donald Sappern	4,129(m)	*
Patrick Tisano	15,375(n)	1.3%
Ernest J. Verrico	4,300(o)	*
Joseph D. Waxberg	7,066(p)	*
All directors and executive officers as a Group (16 persons)	458,141(q)	32.9%

* Less than 1% of the outstanding Common Stock.

- (a) Includes 37,216 shares owned by Mr. Field in an individual retirement account, 484 shares owned by Mr. Field's spouse in an individual retirement account and 2,613 shares that may be acquired within 60 days of the Record Date upon exercise of stock options.
- (b) Includes 1,877 shares owned by Mr. Forgotson's spouse and 1,270 shares owned by Mr. Forgotson's minor child, 24,200 shares that may be acquired within 60 days of the Record Date upon exercise of stock options and 4,700 shares of restricted stock that vests pursuant to the provisions of the 2001 Restricted Stock Plan.
- (c) Includes 2,310 shares that may be acquired within 60 days of the Record Date upon exercise of stock options.
- (d) Includes 1,399 shares owned by Mr. Jakubek as custodian for his minor children, 33,770 shares that may be acquired within 60 days of the Record Date upon exercise of stock options and 4,700 shares of restricted stock that vests pursuant to the provisions of the 2001 Restricted Stock Plan.
- (e) Includes 5,304 shares owned by Mr. Levine's spouse and 4,730 shares that may be acquired within 60 days of the Record Date upon exercise of stock options.
- (f) Includes 3,014 shares owned by Mr. Maida's minor children, 110 shares owned by Mr. Maida in an individual retirement account and 4,730 shares that may be acquired within 60 days of the Record Date upon exercise of stock options.
- (g) Includes 165 shares owned by Mr. Maisel's spouse, 90,152 shares owned by Mr. Maisel in an individual retirement account and 4,730 shares that may be acquired within 60 days of the Record Date upon exercise of stock options.
- (h) Includes 19,521 shares owned jointly with Mr. Miller's spouse, 3,386 shares owned by Mr. Miller's spouse in a retirement plan, 18,640 shares owned by Mr. Miller in an individual retirement account and 4,730 shares that may be acquired within 60 days of the Record Date upon exercise of stock options.
- (i) Includes 2,275 shares owned jointly with Mr. Nelthropp's spouse and 2,613 shares that may be acquired within 60 days of the Record Date upon exercise of stock options.
- (j) Includes 16,637 shares owned by a corporate pension plan in which Mr. Prince and his spouse participate and for which they are both trustees, 30,088 shares owned jointly by Mr. Prince and his spouse and 1,705 shares that may be acquired within 60 days of the Record Date upon exercise of stock options.
- (k) Includes 9,075 shares that may be acquired within 60 days of the Record Date upon exercise of stock options.
- (l) Includes 1,210 shares owned jointly with Mr. Reader's spouse, 850 owned by Mr. Reader's minor children, 59,180 shares that may be acquired within 60 days of the Record Date upon exercise of stock options and 4,200 shares of restricted stock that vests pursuant to the provisions of the 2001 Restricted Stock Plan.
- (m) Includes 3,680 shares owned by Mr. Sappern in an individual retirement account and 449 shares owned by a corporation, which is 100% owned by Mr. Sappern.

- (n) Includes 8,412 shares owned by a trust for the benefit of Mr. Tisano of which his son is a trustee, 1,391 shares owned by a limited partnership of which Mr. Tisano is a partner and 4,730 shares that may be acquired within 60 days of the Record Date upon exercise of stock options. Mr. Tisano who has served as a director since 1986, will serve on the Board of Directors until the 2003 Annual Meeting of Shareholders to be held on May 21, 2003.
- (o) Includes 1,100 shares that may be acquired within 60 days of the Record Date upon exercise of stock options and 3,200 shares of restricted stock that vests pursuant to the provisions of the 2001 Restricted Stock Plan.
- (p) Includes 1,705 shares that may be acquired within 60 days of the Record Date upon exercise of stock options.
- (q) Includes 162,746 shares that may be acquired within 60 days of the Record Date upon exercise of stock options.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, required the Bancorp's directors, executive officers and persons who beneficially own more than 10% of the Common Stock to file certain reports with the SEC during and for the year ended December 31, 2002 concerning their beneficial ownership of the Common Stock. Based solely upon the Bancorp's review of the copies of such reports received by it, and on written representations by certain reporting persons, with the exception of Ronald C. Miller and Paul H. Reader, each of whom filed one late Form 4 regarding one transaction respectively, the Bancorp believes that during the year ended December 31, 2002, all such reports were filed on a timely basis.

ITEM 1

ELECTION OF DIRECTORS

The Board of Directors is classified into three classes. The directors serving in Class II have terms expiring at the 2003 Annual Meeting. The Board of Directors has nominated for re-election, four of the Class II directors currently serving on the Board of Directors, Stanley A. Levine, Ronald C. Miller, Martin Prince, and Joseph D. Waxberg, for election to serve as directors of the Bancorp until the 2006 Annual Meeting of Shareholders and until their successors are elected and qualified or until their earlier resignation or removal. Each nominee is currently a director of the Bancorp. In the event that any of the nominees becomes unable to serve, an event which the Board of Directors does not expect, the shares represented by proxy may be voted for a substitute nominee to be designated by the Board of Directors or a committee thereof, unless the proxy withholds authority to vote for all nominees.

If a quorum is present at the 2003 Annual Meeting, the election of directors will require the affirmative vote of a plurality of the votes cast by the shares of Common Stock entitled to vote. Abstentions by shareholders and broker non-votes with respect to the election of directors will not be included in determining whether nominees have received the vote of such plurality.

The following sets forth certain information regarding the nominees named above and the other directors of the Bancorp whose terms will continue after the 2003 Annual Meeting. There are no family relationships among the directors except that Norman H. Reader is the father of Paul H. Reader and the father-in-law of Merrill J. Forgotson, respectively, who are brothers-in-law.

Nominees for Terms Expiring in 2003 (Class II):

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Stanley A. Levine, age 65, has served as a director of the Bancorp since 1985. He has been an independent pharmacist for more than the past five years.

Ronald C. Miller, age 58, has served as a director of the Bancorp since 1985. He has been the owner of Miller's Hallmark, a chain of greeting cards stores, for more than the past five years.

Martin Prince, age 73, has served as a director of the Bancorp since 1986. He has been the owner and CEO of DLX Industries, Inc., a vinyl goods manufacturing company, for more than the past five years.

Dr. Joseph D. Waxberg, age 80, has served as a director of the Bancorp since 1985. He has been a physician practicing for more than the past five years.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR
THE ELECTION OF SUCH NOMINEES.**

Continuing Directors

Terms Expiring in 2004 (Class III):

James P. Jakubek, age 53, has served as a director of the Bancorp since 1996. He has been the Executive Vice President and Chief Operating Officer of the Bancorp since joining the Bancorp in 1991.

Joseph A. Maida, age 54, has served as a director of the Bancorp since 1985. He has been a certified public accountant with Maida & Maida, an accounting firm, for more than the past five years.

Melvin L. Maisel, age 78, has served as a director of the Bancorp since 1985. He has been the owner and President of Stabilization Plans for Business, Inc., an estate and retirement planning firm, for more than the past five years.

Norman H. Reader, age 78, has been Vice Chairman and a director of the Bancorp since 1985 and was President and Chief Executive Officer of the Bancorp from 1985 until November 2000.

Paul H. Reader, age 44, has served as a director of the Bancorp since 1999. He has been the Senior Vice President of the Bancorp since 1985.

Terms Expiring in 2005 (Class I)

Joseph S. Field Jr., age 64, has served as a director of the Bancorp since 1993. He has been a partner at Field Group, a real estate development firm, for more than the past five years.

Merrill J. Forgotson, age 60 was elected to the Board on December 13, 2000. He has been President and CEO of the Bancorp since November 2000. Prior to joining the Bancorp, he was with Peoples Bank in Bridgeport, CT for 10 years and a Senior Vice President of Peoples Bank since 1990.

J. James Gordon, age 72, has served as a director of the Bancorp since 1995. He has been the President of Gordon Textiles International, Ltd., a textile sales and consulting agency, for more than the past five years. Mr. Gordon also serves as a director of Liz Claiborne, Inc.

Courtney A. Nelthropp, age 61, has served as a director of the Bancorp since 1993. He has been the President of Printing and Graphics Emporium, Inc., a printing company, for more than the past five years.

Donald Sappern, age 74, has served as a director of the Bancorp since 1999. He has been the President and owner of Donald Sappern & Co., an insurance agency, for more than the past five years.

Committees and Meetings

During 2002, the Board of Directors held a total of 12 meetings. Each director attended at least 75% of the aggregate of (i) the total number of meetings of the Board of Directors and (ii) the total number of meetings held by all committees of the Board of Directors on which such director served, except Messrs. Field and Gordon who attended 73% and 71% of the meetings, respectively,

The Board of Directors has established the following committees, the members of which are appointed by the Board of Directors:

The Funds Management Committee, which includes Messrs. Field, Forgotson, Jakubek, Maisel, Norman Reader, Prince and Waxberg, is responsible for setting and enforcing investment policy, interest rate risk policies and liquidity policy. The Funds Management Committee also is responsible for general supervision of pricing, profitability goals and policies, as well as dividend and tax planning. The Funds Management Committee met 12 times during 2002.

The Loan Committee, comprised of Messrs. Forgotson, Jakubek, Maida, Miller, Levine, Norman Reader and Paul Reader, is responsible for the approval of extensions of credit and the terms under which Bancorp credit will be extended. The Loan Committee also reviews officer lending limits, and approves changes to the Bancorp's loan policy. The Loan Committee met 26 times during 2002.

The Nominating Committee, which includes Messrs. Gordon, Levine, Maisel, Miller, Norman Reader and Waxberg, is responsible for selecting and presenting potential candidates to the Board of Directors. The Nominating Committee did not meet during 2002. The nominees for election as directors at the 2003 Annual Meeting were nominated by the full Board of Directors.

The Compensation Committee was formed in December 2001 and combines the compensation functions of the former Loan/Compensation Committee and the Stock Option Committee. The Compensation Committee, which includes all non-employee directors, is responsible to determine the officers and other key employees to whom awards shall be granted under the 1996 Stock Plan (the "Stock Plan") and the 2001 Restricted Stock Plan (the "Restricted Plan"), to determine the number of shares to be covered by each award, the terms and conditions of each award, to amend any award, to accelerate any vesting period or exchange any such grant with a new grant, to make all determinations required or provided under both Plans, to establish rules and regulations pertaining to participation and administration of the Stock Plan, and to interpret the Stock Plan. The Compensation Committee also approves compensation levels and promotions. The Compensation Committee met 4 times during 2002.

The Audit and Compliance Committee for fiscal year 2002, was composed of Messrs. Gordon, Nelthropp, Sappern and Tisano and met 5 times during 2002. Subject to the more detailed description set forth in its Charter, which is attached as Appendix A to this proxy, the Audit Committee's primary duties and responsibilities are to: monitor the integrity of the Bancorp's financial reporting process and systems of internal controls regarding finance, accounting, and legal compliance; monitor the independence and performance of the Bancorp's independent auditors and internal auditors, and; provide an avenue of communication among the independent auditors, management, the internal auditors, and the Board of Directors.

In response to changes mandated by the recently enacted Sarbanes-Oxley Act of 2002, the Bancorp revised its Audit Committee Charter and changed the composition of the Committee. Each member of the Audit Committee is independent as defined by American Stock Exchange (AMEX) listing standards, the Sarbanes-Oxley Act of 2002 and the applicable regulations of the Securities and Exchange Commission promulgated pursuant thereto and each has the required understanding of finance and accounting to read and understand fundamental financial statements.

Currently, the Audit Committee is composed of the following three independent outside directors: Joseph A. Maida (chairman), J. James Gordon and Joseph Field. Director Maida, who chairs the Audit Committee, is a CPA and has audit and financial experience and financial sophistication commensurate with his chairman duties. Director Field is a partner at the Field Group and Director Gordon is the President of Gordon Textiles International, Ltd.

Audit Committee Report

The Audit Committee has (i) reviewed and discussed the Bancorp's audited consolidated financial statements for the year ended December 31, 2002 with management, (ii) discussed with KPMG LLP, independent auditors for the Bancorp, the matters relating to the conduct of the audit required to be discussed by Statement of Accounting Standards

No. 61 (Communication with Audit Committees), (iii) received the written disclosures and the letter from KPMG LLP required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and (iv) discussed with KPMG LLP its independence.

Based on the review and discussions referred to in the preceding paragraph, the Audit Committee recommended to the Board of Directors that the audited consolidated statements of the Bancorp for the year ended December 31, 2002 be included in the Bancorp s Annual Report on Form 10-KSB for filing with the SEC.

Signed: The Audit Committee of Cornerstone Bancorp, Inc.

Joseph A. Maida, Chairman

Joseph Field

J. James Gordon

Director Compensation

Directors who are not otherwise employed by the Bancorp (Outside Directors) receive \$200 for each Board of Directors meeting attended and \$200 for each committee meeting attended. During 2002, an attendance bonus of an additional \$250 was paid for each board meeting attended. At the election of each Outside Director, fees may be paid either in cash or shares of Common Stock, or a combination thereof, pursuant to the Bancorp s Directors Compensation Plan. Under the plan, Outside Directors accumulate compensation credit for attending Board and committee meetings during each one-year period ending on the date of each annual meeting of the Bancorp. The Board of Directors, by a majority vote, may adjust the amount of the credits from time to time. Outside Directors may elect to receive their compensation earned under the plan in the form of cash or shares of Common Stock, based on an annual election made by each Outside Director at the first Board meeting subsequent to each annual meeting. Outside Directors who elect cash receive such compensation at each Board meeting. Outside Directors who elect to receive shares of Common Stock are issued a certificate for a whole number of shares equal to their accumulated compensation credit divided by the fair market value of the shares of Common Stock as of the date of each Board meeting and a cash payment in lieu of fractional shares on the last business day of May of each year for the last twelve months. The Board of Directors, by a majority vote, may amend or terminate the Directors Compensation Plan at any time provided, however, that certain material amendments may not be made without shareholder approval. During 2002, 899 shares of Common Stock were issued under the Directors Compensation Plan.

Outside Directors also receive a formula grant of non-qualified stock options (NQOs) under the Bancorp s 1996 Stock Plan. At the annual meeting, each Outside Director is granted NQOs to purchase 250 shares of Common Stock. The exercise price of such NQOs is the fair market value of the Common Stock on the date of grant. The NQOs do not vest until the Outside Director has served five full consecutive years on the Board, except that NQOs for any Outside Director who has completed such service vest immediately. All NQOs granted to Outside Directors expire ten years after the date of grant.

Officers or employees of the Bancorp who serve on the Board of Directors receive no additional compensation for their services in that capacity.

Certain Transactions

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As of December 31, 2002, loans to directors, principal officers and their associates and affiliated businesses totaled \$4,043,000, or approximately 21% of the Bancorp's equity capital accounts. All loans made by the Bancorp to such persons were made in the ordinary course of business on substantially the same terms, including interest rates, collateral and repayment terms, as those prevailing at the time for comparable transactions with other persons. Such loans do not involve more than the normal risk of collectability or present other unfavorable features.

EXECUTIVE COMPENSATION

Summary Compensation

The following table sets forth certain information regarding the compensation paid by the Bancorp to each person who served as Chief Executive Officer during 2002 and to the four other executive officers whose total salary and bonus for fiscal 2002 exceeded \$100,000 for services rendered during 2002 (together, the Named Executive Officers).

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation		Long-Term Compensation Securities Underlying Options(#)(1)	Long-Term Compensation Restricted Stock Awards\$(2)	All Other Compensation (\$)
		Salary (\$)	Bonus (\$)			
Merrill J. Forgotson President and CEO	2002	187,613	55,000	2,200	31,999	11,134(3)
	2001	187,500	42,500	22,000	0	7,820(3)
	2000	18,510(4)	0	0	0	0(3)
Norman H. Reader Vice Chairman	2002	109,625	79,625	0	0	16,008(5)
	2001	122,375	61,875	0	0	15,644(5)
	2000	141,500	42,750	0	0	14,959(5)
James P. Jakubek Executive Vice President and Chief Operating Officer	2002	150,000	50,000	1,100	31,999	14,977(6)
	2001	150,000	40,000	0	0	13,891(6)
	2000	125,000	62,500	0	0	13,550(6)
Paul H. Reader Senior Vice President	2002	125,000	40,000	1,100	31,999	13,833(7)
	2001	125,000	30,000	0	0	12,011(7)
	2000	100,000	50,000	0	0	11,514(7)
Ernest J. Verrico Vice President and Chief Financial Officer	2002	117,302	15,000	1,100	31,999	5,341(8)
	2001	20,731(9)	1,000	0	0	0(8)

(1) Number of common shares adjusted for 10% stock dividend paid June 2002.

(2) Restricted Stock grants have been issued pursuant to the 2001 Restricted Stock Plan. The Restricted Stock was issued on January 2, 2002 and the figures include a 10% stock dividend issued June 2002, with adjusted stock price at January 2, 2002 at \$14.545. As of December 31, 2002, each named Executive Officer held 2,200 shares of unvested restricted stock which represented a value of \$37,400. The December 31, 2002 values of these shares are based upon the fair market value of the common stock as of December 31, 2002 of \$17.00

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The vesting schedules are as follows: 40% 2004, 20% 2005, 20% 2006, 20% 2007.

- (3) In 2002, amount includes \$6,000 contribution match paid by the Bank under the Bank's 401(k) plan for the benefit of Mr. Forgotson; \$2,383 for the value of personal use of a company-owned vehicle; \$2,031 for the value of personal use of club dues and entertainment and \$720 cash dividends on restricted stock issued pursuant to the 2001 Restricted Stock Plan. In 2001, amount includes \$5,100 contribution match paid by the Bank under the Bank's 401(k) plan for the benefit of Mr. Forgotson and \$2,720 for the value of personal use of a company-owned vehicle.
- (4) Mr. Forgotson was hired in November 2000.

- (5) In 2002, amount includes \$5,469 contribution match paid by the Bank under the Bank's 401(k) plan for the benefit of Mr. Norman Reader; \$4,527 for the value of personal use of a company-owned vehicle; \$2,298 for the value of personal use of club dues and entertainment and \$3,714 which is Mr. Norman Reader's taxable benefit portion of the Split Dollar Life Insurance policy, for the benefit of Mr. Norman Reader, see Employment Contracts, Change in Control Agreements, Salary Continuation Plans and Split Dollar Life Insurance. In 2001, amount includes \$5,100 contribution match paid by the Bank under the Bank's 401(k) plan for the benefit of Mr. Norman Reader; \$4,565 for the value of personal use of a company-owned vehicle; \$2,485 for the value of personal use of club dues and entertainment and \$3,494 which is Mr. Norman Reader's taxable benefit portion of the Split Dollar Life Insurance policy, for the benefit of Mr. Norman Reader, see Employment Contracts, Change in Control Agreements, Salary Continuation Plans and Split Dollar Life Insurance. In 2000, amount includes \$5,100 contribution match paid by the Bank under the Bank's 401(k) plan for the benefit of Mr. Norman Reader; \$4,217 for the value of personal use of a company-owned vehicle; \$2,362 for the value of personal use of club dues and entertainment and \$3,280 which is Mr. Norman Reader's taxable benefit portion of the Split Dollar Life Insurance policy, for the benefit of Mr. Norman Reader, see Employment Contracts, Change in Control Agreements, Salary Continuation Plans and Split Dollar Life Insurance.
- (6) In 2002, amount includes \$6,000 contribution match paid by the Bank under the Bank's 401(k) plan for the benefit of Mr. Jakubek; \$7,548 for the value of personal use of a company-owned vehicle; \$709 which is Mr. Jakubek's taxable benefit portion of the Split Dollar Life Insurance policy, for the benefit of Mr. Jakubek, see Employment Contracts, Change in Control Agreements, Salary Continuation Plans and Split Dollar Life Insurance and \$720 cash dividends on restricted stock issued pursuant to the 2001 Restricted Stock Plan. In 2001, amount includes \$5,100 contribution match paid by the Bank under the Bank's 401(k) plan for the benefit of Mr. Jakubek; \$8,117 for the value of personal use of a company-owned vehicle and \$674 which is Mr. Jakubek's taxable benefit portion of the Split Dollar Life Insurance policy, for the benefit of Mr. Jakubek, see Employment Contracts, Change in Control Agreements, Salary Continuation Plans and Split Dollar Life Insurance. In 2000, amount includes \$4,900 contribution match paid by the Bank under the Bank's 401(k) plan for the benefit of Mr. Jakubek; \$8,005 for the value of personal use of a company-owned vehicle and \$645 which is Mr. Jakubek's taxable benefit portion of the Split Dollar Life Insurance policy, for the benefit of Mr. Jakubek, see Employment Contracts, Change in Control Agreements, Salary Continuation Plans and Split Dollar Life Insurance.
- (7) Amount includes \$5,180 contribution match paid by the Bank under the Bank's 401(k) plan for the benefit of Mr. Paul Reader; \$7,655 for the value of personal use of a company-owned vehicle; \$278 which is Mr. Paul Reader's taxable benefit portion of the Split Dollar Life Insurance policy, for the benefit of Mr. Paul Reader, see Employment Contracts, Change in Control Agreements, Salary Continuation Plans and Split Dollar Life Insurance and \$720 cash dividends on restricted stock issued pursuant to the 2001 Restricted Stock Plan. In 2001, amount includes \$4,858 contribution match paid by the Bank under the Bank's 401(k) plan for the benefit of Mr. Paul Reader; \$6,942 for the value of personal use of a company-owned vehicle and \$211 which is Mr. Paul Reader's taxable benefit portion of the Split Dollar Life Insurance policy, for the benefit of Mr. Paul Reader, see Employment Contracts, Change in Control Agreements, Salary Continuation Plans and Split Dollar Life Insurance. In 2000, amount includes \$4,699 contribution match paid by the Bank under the Bank's 401(k) plan for the benefit of Mr. Paul Reader; \$6,620 for the value of personal use of a company-owned vehicle and \$195 which is Mr. Paul Reader's taxable benefit portion of the Split Dollar Life Insurance policy, for the benefit of Mr. Paul Reader, see Employment Contracts, Change in Control Agreements, Salary Continuation Plans and Split Dollar Life Insurance.
- (8) Amount includes \$3,701 contribution match paid by the Bank under the Bank's 401(k) plan for the benefit of Mr. Verrico; \$920 for the value of personal use of club dues and \$720 cash dividends on restricted stock issued pursuant to the 2001 Restricted Stock Plan.
- (9) Mr. Verrico was hired in October 2001.

Stock Option Grants

The following table sets forth information concerning all stock options granted during 2002 to the Named Executive Officers.

Option/SAR Grants In Last Fiscal Year

(Individual Grants)

<u>Name</u>	<u>Number Of Securities Underlying Options/ SAR s Granted (#) (1)</u>	<u>Percent Of Total Options/ SAR s Granted To Employees In Fiscal Year</u>	<u>Exercise Or Base Price (\$/Sh)</u>	<u>Expiration date</u>
Merrill J. Forgotson	2,200	18.1%	\$14.545	January 2, 2012
James P. Jakubek	1,100	9.05%	\$14.545	January 2, 2012
Paul H. Reader	1,100	9.05%	\$14,545	January 2, 2012
Ernest J. Verrico	1,100	9.05%	\$14.545	