

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

[LOGO] CORNERSTONE
BANCSHARES, INC.

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15 (d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): December 1, 2004

CORNERSTONE BANCSHARES, INC.
(Exact name of registrant as specified in its charter)

Tennessee	000-30497	62-1175427
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(State of Incorporation)	(Commission File No.)	(IRS Employer Identification No.)

5319 Highway 153,
Chattanooga, Tennessee 37343
(Address of principal executive offices)

(423) 385-3000
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

Written communications pursuant to Rule 425 under the Securities Act

(17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act

(17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13a-4(c))

Item 8.01. Other Events.

On December 1, 2004, the Registrant issued a press release reporting the authorization by the Board of Directors to issue an annual \$.10 cash dividend to all shareholders of record December 27, 2004 with a payment date of January 18, 2005.

Item 9.01. Financial Statements and Exhibits.

(c) Exhibits

99.1 Press release dated December 1, 2004 reporting the declaration of a cash dividend.

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CORNERSTONE BANCSHARES, INC.

Date: December 1, 2004

By: /s/ Nathaniel F. Hughes

*Nathaniel F. Hughes,
President and
Chief Operations Officer*

EXHIBIT INDEX

Exhibit No. -----	Description -----
99.1	Press release dated December 1, 2004 reporting the declaration of a cash dividend.

Exhibit 99.1

Cornerstone Bancshares, Inc. Announces Cash Dividend

HIXSON, Tenn., Dec. 1 /PRNewswire-FirstCall/ -- Cornerstone Bancshares, Inc. (OTC Bulletin Board: CSBQ) today announced the following:

Cornerstone Bancshares, Inc Board of Directors announced its second dividend since inception. The dividend \$.10 a share was announced as an annual dividend which represents a 100% increase over last year's dividend. The dividend was increased due to the Company's success in 2004 and the positive outlook the Company has for 2005. The dividend will be issued to shareholders of record as of December 27, 2004, and will be paid January 18, 2005.

Cornerstone Bancshares, Inc. is a one-bank holding company serving the Chattanooga, Tennessee MSA with 5 branches and \$240 million in assets specializing in business financial services.

SOURCE Cornerstone Bancshares, Inc.

-0- 12/01/2004 /CONTACT: Frank Hughes, President & COO of Cornerstone Community Bank,
+1-423-385-3009, or fax, +1-423-385-3100, or fhughes@cscb-chatt.com / /Web site: <http://www.cscbank.com> /
(CSBQ)

CO: Cornerstone Bancshares, Inc.

ST: Tennessee

IN: FIN

SU: DIV