READER PAUL H Form 4

Form 4 July 15, 2005

FORM 4

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

OMB Number: 3235-0287

OMB APPROVAL

Check this box if no longer subject to Section 16.

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

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Form 4 or Form 5 obligations may continue. See Instruction

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(b).

(Print or Type Responses)

07/13/2005

Stock

Stock

Stock

Common

Common

07/13/2005

M

7,865

50,738 (1)

1,210

885 (2)

8.678

D

Ι

I

1. Name and READER	Symbo	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) 181 CARTER ST			3. Date of Earliest Transaction (Month/Day/Year) 07/13/2005				X Director 10% OwnerX Officer (give title Other (specify below) Senior Vice President			
	(Street)		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			
	NAAN, CT 06840						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)		Code	4. Securit or(A) or Di (Instr. 3,	spose	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	07/13/2005	07/13/2005	M	23,595	A	\$ 8.678	41,360	D		
Common Stock	07/13/2005	07/13/2005	M	1,513	A	\$ 8.988	42,873	D		
Common	07/13/2005	07/13/2005	М	7 865	٨	\$	50 738 (1)	D		

Joint with

Custodian

for minor

wife

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Common Stock

10,398 (3) I By trust for which he 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. Transactic Code (Instr. 8)	5. Number of tionDerivative 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	\$ 8.678	07/13/2005	07/13/2005	M		7,865	07/19/1995	07/19/2005	Common Stock	7,865
Employee Stock Option - right to buy	\$ 8.988	07/13/2005	07/13/2005	M		1,513	02/21/1996	02/21/2006	Common Stock	1,513
Employee Stock Option - right to buy	\$ 8.678	07/13/2005	07/13/2005	M		23,595	07/19/1995	07/19/2005	Common Stock	23,595
Employee Stock Option - right to buy	\$ 12.397						05/21/1997	05/21/2007	Common Stock	1,513
Employee Stock Option - right to	\$ 16.012						12/31/1997	12/31/2007	Common Stock	14,520

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buy

Employee

Stock

right to buy

Employee

Stock

right to

Reporting Owners

Reporting Owner Name / Address Relationships

Director 10% Owner Officer Other

READER PAUL H

181 CARTER ST X Senior Vice President

NEW CANAAN, CT 06840

Signatures

Leigh A. 07/13/2005 Hardisty

**Signature of Date
Reporting Person

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) Approximately 0.74 fractional shares of common stock were converted to cash as a result of the termination of the Bancorp's plan for the reinvestment of dividends in May 2005.
- (2) Approximately 0.837 fractional shares of common stock were converted to cash as a result of the termination of the Bancorp's plan for the inrevestment of dividends in May 2005.
- (3) Approximately 0.83 fractional shares of common stock were converted to cash as a result of the termination of the Bancorp's plan for the reinvestment of dividends in May 2005.

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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