

READER PAUL H  
Form 4  
July 15, 2005

**FORM 4**

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

OMB APPROVAL

OMB Number: 3235-0287  
Expires: January 31, 2005  
Estimated average burden hours per response... 0.5

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 \*  
READER PAUL H

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  
(Street)

3. Date of Earliest Transaction (Month/Day/Year)  
07/13/2005

Director  10% Owner  
 Officer (give title below)  Other (specify below)  
Senior Vice President

NEW CANAAN, CT 06840

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	07/13/2005	07/13/2005	M		23,595	A	\$ 8.678	
Common Stock	07/13/2005	07/13/2005	M		1,513	A	\$ 8.988	
Common Stock	07/13/2005	07/13/2005	M		7,865	A	\$ 8.678	
Common Stock							1,210	
Common Stock							885 <sup>(2)</sup>	
								Joint with wife
								Custodian for minor

Common Stock	10,398 <sup>(3)</sup>	I	By trust for which he is trustee
-----------------	-----------------------	---	--

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

**Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

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	\$ 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

buy						
Employee Stock Option - right to buy	\$ 14.545	01/02/2002	01/02/2012	Common Stock	1,100	
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
READER PAUL H 181 CARTER ST NEW CANAAN, CT 06840	X		Senior Vice President	

## Signatures

Leigh A.  
Hardisty

07/13/2005

\*\*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) 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 investment 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.