

READER PAUL H
Form 4
July 15, 2005

FORM 4

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

OMB APPROVAL

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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	41,360	D	
Common Stock	07/13/2005	07/13/2005	M		1,513	A	\$ 8.988	42,873	D	
Common Stock	07/13/2005	07/13/2005	M		7,865	A	\$ 8.678	50,738 ⁽¹⁾	D	
Common Stock								1,210	I	Joint with wife
Common Stock								885 ⁽²⁾	I	Custodian for minor

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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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(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

