

CORNERSTONE BANCORP INC
 Form 5
 February 11, 2005

FORM 5

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

OMB APPROVAL
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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).
 Form 3 Holdings Reported Form 4 Transactions Reported

ANNUAL 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

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)

3. Statement for Issuer's Fiscal Year Ended (Month/Day/Year)
 12/31/2004

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

181 CARTER ST
 (Street)

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Reporting
 (check applicable line)

NEW CANAAN, CT 06840

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 at end of Issuer's Fiscal Year (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
Common Stock	^	^	^	^	^	D	^
Common Stock	^	^	^	^	^	I	Joint with wife
Common Stock	^	^	^	^	^	I	Custodian for minor
Common Stock	04/07/2004	04/07/2004	W	10,250 A	\$ 0	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)	Amount or Number of Shares
					(A)	(D)	Date Exercisable	Expiration Date		
Employee stock option - right to buy	\$ 8.678	Â	Â	Â	Â	Â	06/21/1995	06/21/2005	Common Stock	3,025
Employee stock option - right to buy	\$ 8.678	Â	Â	Â	Â	Â	07/19/1995	07/19/2005	Common Stock	7,865
Employee stock option - right to buy	\$ 8.988	Â	Â	Â	Â	Â	02/21/1996	02/21/2006	Common Stock	1,513
Employee stock option - right to buy	\$ 12.397	Â	Â	Â	Â	Â	05/21/1997	05/21/2007	Common Stock	1,513
Employee stock option - right to buy	\$ 16.012	Â	Â	Â	Â	Â	12/31/1997	12/31/2007	Common Stock	14,520
	\$ 8.678	Â	Â	Â	Â	Â	06/21/1995	06/21/2005		6,050

Employee stock option - right to buy										Common Stock	
Employee stock option - right to buy	\$ 8.678	^	^	^	^	^	07/19/1995	07/19/2005		Common Stock	23,595
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 as Power of Attorney 02/11/2005

__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) The reporting person received 141.899 shares of common stock as a result of participation in the Bancorp's plan for the reinvestment of dividends.
 - (2) The reporting person received 15.138 shares of common stock as a result of participation in the Bancorp's plan for the reinvestment of dividends.
 - (3) The reporting person received 80.99 shares of common stock as a result of participation in the Bancorp's plan for the reinvestment of dividends.

Note: File three copies of this Form, one of which must be manually signed. If space provided 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.