

CORNERSTONE BANCORP INC
 Form 4
 July 13, 2005

FORM 4

**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).

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 *
HARDISTY LEIGH A

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)
80 STAPLES ROAD
 (Street)

3. Date of Earliest Transaction (Month/Day/Year)
07/11/2005

____ Director _____ 10% Owner
 Officer (give title below) _____ Other (specify below)
Vice President and Secretary

EASTON, CT 06612
 (City) (State) (Zip)

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

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 Ownership (Instr. 4)
				(A) or (D)	Price		
Common Stock	07/11/2005	07/11/2005	M	6,050	\$ 8.678	7,875 ⁽¹⁾	D

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)

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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					07/19/1995	07/19/2005	Common Stock	6,050
Employee Stock option - right to buy	\$ 8.678	07/11/2005	07/11/2005	M	6,050	07/19/1995	07/19/2005	Common Stock	6,050
Employee Stock option - right to buy	\$ 8.988					02/21/1996	02/21/2006	Common Stock	303
Employee Stock Option - right to buy	\$ 12.397					05/21/1997	05/21/2007	Common Stock	303
Employee Stock Option - right to buy	\$ 16.012					12/31/1997	12/31/2007	Common Stock	4,840

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
HARDISTY LEIGH A 80 STAPLES ROAD EASTON, CT 06612			Vice President and Secretary	

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).

During 2005, the reporting person received 4.702 shares of common stock as a result of participation in the Bancorp's plan for the
(1) reinvestment of dividends. Approximately 0.70 fractional shares of common atock 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.
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