

SAPPERN DONALD  
Form 4  
December 29, 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 \*  
SAPPERN DONALD

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)  
16 WEDGEWOOD RD  
  
(Street)

3. Date of Earliest Transaction  
(Month/Day/Year)  
12/27/2005

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

WESTPORT, CT 06880  
  
(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)<br>Code V Amount (D) Price                             |   |  |                                   |
| Common Stock                    |                                      |  |                                |   | 319   | I  | By wife's IRA FBO herself         |
| Common Stock                    |                                      |  |                                |   | 451   | I  | By Company                        |
| Common Stock                    |                                      |  |                                |   | 3,680   | I  | By IRA FBO himself                |
| Common Stock                    |                                      |  |                                |   | 529 <sup>(1)</sup>  | D  |                                   |

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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) | 8. P...<br>Der...<br>Sec...<br>(Ins... |                            |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|--|----------------------------|
|  |  |                                      |  | Code                           | V (A) (D)   | Date Exercisable   | Expiration Date   | Title                                  | Amount or Number of Shares |
| Director Stock Option (right to buy)       | \$ 10.909  | 12/27/2005                           |  | D                              | <u>275</u><br>(2)   | 05/17/2000 05/17/2010                                    | Common Stock  | 275                                    | \$ 2                       |
| Director Stock Option (right to buy)       | \$ 12.818  | 12/27/2005                           |  | D                              | <u>275</u><br>(2)   | 05/16/2001 05/16/2011                                    | Common Stock  | 275                                    | \$ 2                       |
| Director Stock Option (right to buy)       | \$ 17.818  | 12/27/2005                           |  | D                              | <u>275</u><br>(2)   | 05/15/2002 05/15/2012                                    | Common Stock  | 275                                    | \$ 1                       |
| Director Stock Option (right to buy)       | \$ 18  | 12/27/2005                           |  | D                              | <u>250</u><br>(2)   | 05/21/2003 05/21/2013                                    | Common Stock  | 250                                    | \$                         |
| Director Stock Option (right to buy)       | \$ 25.46   | 12/27/2005                           |  | D                              | <u>250</u><br>(2)   | 05/26/2004 05/26/2014                                    | Common Stock  | 250                                    | \$                         |

## Reporting Owners

| Reporting Owner Name / Address                          | Relationships |           |         |       |
|---|---------------|-----------|---------|-------|
|   | Director      | 10% Owner | Officer | Other |
| SAPPERN DONALD<br>16 WEDGEWOOD RD<br>WESTPORT, CT 06880 | X             |           |         |       |

## Signatures

Ernest J Verrico  
Sr 12/29/2005

\_\_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) In 2005, the reporting person received 1.647 shares of common stock as a result of participation in the Bancorp's plan for the reinvestment of dividends.
- (2) In accordance with the provisions of the Issuer's 1996 Stock Plan, in anticipation of the Issuer's merger with NewAlliance Bancshares, Inc. on January 2, 2006, the Compensation Committee of the Board of Directors of the Issuer on December 27, 2005 approved the purchase of all outstanding options by the Issuer at a price per share equal to the difference between the option exercise price and \$36.69, the price of the Issuer's common stock at the close of business on December 23, 2005, the prior business day.

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.