

GORDON JEROLD JAMES  
 Form 4  
 December 29, 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 \*  
 GORDON JEROLD JAMES

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)  
 383 ROUND HILL RD  
 (Street)

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

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

GREENWICH, CT 06831  
 (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)
Common Stock				(A) or (D) Price	2,694 (1) (2)	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)	8. P Der Sec (Ins
Director Stock Option (right to buy)	\$ 17.252	12/27/2005		D	303 (3)	05/20/1998 05/20/2008	Common Stock	303 \$ 1
Director Stock Option (right to buy)	\$ 17.818	12/27/2005		D	275 (3)	05/15/2002 05/15/2012	Common Stock	275 \$ 1
Director Stock Option (right to buy)	\$ 18	12/27/2005		D	250 (3)	05/21/2003 05/21/2013	Common Stock	250 \$
Director Stock Option (right to buy)	\$ 25.46	12/27/2005		D	250 (3)	05/26/2004 05/26/2014	Common Stock	250 \$

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
GORDON JEROLD JAMES 383 ROUND HILL RD GREENWICH, CT 06831	X			

## Signatures

Leigh A. Hardisty as Power of Attorney  
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 3.468 shares of common stock as a result of participation in the Cornerstone Bancorp, Inc. dividend reinvestment plan.
- (2) Approximately .497 fractional shares were converted to cash as a result of the termination of the Bancorp's plan for the reinvestment of dividends in May 2005.

- 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.
- (3)

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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