

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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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 *
 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)

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

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

383 ROUND HILL RD

(Street)

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

GREENWICH, CT 06831

(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 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. Price or Value of Underlying Securities (Instr. 3 and 4) |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|---|
| Director Stock Option (right to buy) | \$ 17.252 | 12/27/2005 | | D | 303 (3) | 05/20/1998 05/20/2008 | Common Stock | 303 \$ 17.252 |
| Director Stock Option (right to buy) | \$ 17.818 | 12/27/2005 | | D | 275 (3) | 05/15/2002 05/15/2012 | Common Stock | 275 \$ 17.818 |
| Director Stock Option (right to buy) | \$ 18 | 12/27/2005 | | D | 250 (3) | 05/21/2003 05/21/2013 | Common Stock | 250 \$ 18 |
| Director Stock Option (right to buy) | \$ 25.46 | 12/27/2005 | | D | 250 (3) | 05/26/2004 05/26/2014 | Common Stock | 250 \$ 25.46 |

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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