

WAXBERG JOSEPH D
 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 *
WAXBERG JOSEPH D

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)
81 SKYVIEW LN
 (Street)

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

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

NEW CANAAN, CT 06840
 (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) Code V Amount (D) Price			
Common Stock					6,118 (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			
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	
Director Stock Option (right to buy)	\$ 12.4	12/27/2005		D		<u>303</u>	(3)	05/21/1997	05/21/2007	Common Stock	303	\$
Director Stock Option (right to buy)	\$ 17.25	12/27/2005		D		<u>303</u>	(3)	05/20/1998	05/20/2008	Common Stock	303	\$
Director Stock Option (right to buy)	\$ 13.64	12/27/2005		D		<u>275</u>	(3)	05/19/1999	05/19/2009	Common Stock	275	\$
Director Stock Option (right to buy)	\$ 10.91	12/27/2005		D		<u>275</u>	(3)	05/17/2000	05/17/2010	Common Stock	275	\$
Director Stock Option (right to buy)	\$ 12.82	12/27/2005		D		<u>275</u>	(3)	05/16/2001	05/16/2011	Common Stock	275	\$
Director Stock Option (right to buy)	\$ 17.82	12/27/2005		D		<u>275</u>	(3)	05/15/2002	05/15/2012	Common Stock	275	\$
Director Stock Option (right to	\$ 18	12/27/2005		D		<u>250</u>	(3)	05/21/2003	05/21/2013	Common Stock	250	\$

buy)													
Director													
Stock													
Option	\$ 25.46	12/27/2005		D	250	05/26/2004	05/26/2014	Common	250	\$			
(right to buy)					<u>(3)</u>			Stock					

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
WAXBERG JOSEPH D 81 SKYVIEW LN NEW CANAAN, CT 06840	X			

Signatures

Leigh A. Hardisty as Power of Attorney	12/29/2005
<small>**Signature of Reporting Person</small>	<small>Date</small>

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) During 2005, the reporting person received 39.916 shares of common stock as a result of participation in the Bancorp's plan for the reinvestment of dividends.
 - (2) Approximately .383 fractional shares of common stock were converted to cash as a result of the termination of the Bancorp's plan for the reinvestment of dividends in May 2005.
 - (3) 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.