

MCGILL JAMES C
Form 4
January 12, 2006

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

OMB APPROVAL

OMB
Number: 3235-0287
Expires: January 31,
2005
Estimated average
burden hours per
response... 0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
MCGILL JAMES C

2. Issuer Name **and** Ticker or Trading
Symbol
1ST STATE BANCORP INC
[FSBC]

5. Relationship of Reporting Person(s) to
Issuer

(Check all applicable)

(Last) (First) (Middle)
445 SOUTH MAIN STREET
(Street)

3. Date of Earliest Transaction
(Month/Day/Year)
12/30/2005

☒ Director ☐ 10% Owner
☒ Officer (give title below) ☐ Other (specify below)
President & CEO

BURLINGTON, NC 27215

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

(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)
			Code	V	Amount	(A) or (D)	Price
Common Stock	12/30/2005		M		68,318	A	<u>(1)</u> 119,313
Common Stock	01/03/2006		D		119,313	D	<u>(2)</u> 0
Common Stock	01/03/2006		D		12,492	D	<u>(2)</u> 0
Common Stock	01/03/2006		D		29,089	D	<u>(2)</u> 0
Common Stock	01/03/2006		D		288	D	<u>(2)</u> 0

By ESOP
By Profit
Sharing
Plan
By Spouse

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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)

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
Phantom Stock Unit	(3)	12/30/2005		M	68,318	(1) (1)	Common Stock 68,318
Stock Option (Right to Buy)	\$ 14.71	01/03/2006		D	79,078	06/06/2000 06/06/2010	Common Stock 79,078

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
MCGILL JAMES C 445 SOUTH MAIN STREET BURLINGTON, NC 27215	X		President & CEO	

Signatures

/s/ McGill,
James C. 01/10/2006

__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) Shares were distributed from the 1st State Bank Deferred Compensation Plan (the DCP Plan) to direct ownership upon the termination of the DCP Plan on December 30, 2005 pursuant to the Merger Agreement dated as of June 29, 2005 by and between Capital Bank Corporation and 1st State Bancorp, Inc. (the Merger Agreement).

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Pursuant to the Merger Agreement, on the effective date of the merger of 1st State Bancorp, Inc. (the Issuer) with and into Capital Bank Corporation, these shares of Issuer common stock were converted into the right to receive, at the election of the Reporting Person but subject to the allocation procedures set forth in the Merger Agreement: (i) 2.434788 shares of Capital Bank

- (2) Corporation common stock, rounded to the nearest whole share, for each share of Issuer common stock; (ii) \$37.15 in cash for each share of Issuer common stock; or (iii) 1.684457 shares of Capital Bank Corporation common stock, rounded to the nearest whole share, and \$11.4486 in cash for each share of Issuer common stock. The Reporting Person has until February 8, 2006 to elect the form of merger consideration he wishes to receive.
- (3) Each share of phantom stock was the economic equivalent of one share of 1st State Bancorp, Inc. common stock.
- (4) This option was cancelled in the merger in exchange for a cash payment representing the difference between \$37.15 per share and the exercise price of the option.

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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