

COMMUNITY BANK SYSTEM INC  
 Form 4  
 August 22, 2008

**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 \*  
 DEMPSEY WILLIAM M

2. Issuer Name and Ticker or Trading Symbol  
 COMMUNITY BANK SYSTEM INC [CBU]

5. Relationship of Reporting Person(s) to Issuer  
 (Check all applicable)

(Last) (First) (Middle)  
 3003 GULFSHORE BLVD.,  
 NORTH, APT. #202  
 (Street)

3. Date of Earliest Transaction (Month/Day/Year)  
 08/20/2008

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

NAPLES, FL 34103

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) |     |       |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|-----------------------------------|-----|-------|
|                                 |                                      |  |                                | (A) or (D)  | Code  | V  | Amount                            | (D) | Price |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

**Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

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 | 2. Conversion | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if | 4. Transaction | 5. Number of Derivative | 6. Date Exercisable and Expiration Date | 7. Title and Amount Underlying Security |
|---------------------------------|---------------|--------------------------------------|-------------------------------|----------------|-------------------------|---|---|
|---------------------------------|---------------|--------------------------------------|-------------------------------|----------------|-------------------------|---|---|

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| (Instr. 3)                                  | or Exercise<br>Price of<br>Derivative<br>Security | any<br>(Month/Day/Year) | Code<br>(Instr. 8) | Securities<br>Acquired (A) or<br>Disposed of (D)<br>(Instr. 3, 4, and<br>5) | (Month/Day/Year)    | (Instr. 3 and 4)   |                 |                    |
|---|---|-------------------------|--------------------|---|---------------------|--------------------|-----------------|--------------------|
|   |   |                         | Code V             | (A) (D)   | Date<br>Exercisable | Expiration<br>Date | Title           | Amo<br>Num<br>Shar |
| Phantom Stock<br>(Deferred<br>Compensation) | (1)   | 08/20/2008              | A                  | 152.9052  | (1)                 | (1)                | Common<br>Stock | 152                |

## Reporting Owners

| Reporting Owner Name / Address  | Relationships |           |         |       |
|---|---------------|-----------|---------|-------|
|   | Director      | 10% Owner | Officer | Other |
| DEMPSEY WILLIAM M<br>3003 GULFSHORE BLVD., NORTH<br>APT. #202<br>NAPLES, FL 34103 | X             |           |         |       |

## Signatures

/s/ Donna J. Drengel, as attorney-in-fact, pursuant to a power of attorney for William M. Dempsey 08/22/2008

\_\_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).
- Each unit of phantom stock is the economic equivalent of one share of Community Bank System, Inc. common stock. The units of
- (1) phantom stock relating to the Deferred Compensation Plan will be settled in Community Bank System, Inc. common stock at future dates selected by the reporting person.

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.