

DONAHUE BRIAN D
Form 4
January 22, 2010

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 *
DONAHUE BRIAN D

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)
229 CAROLINA STREET
(Street)

3. Date of Earliest Transaction (Month/Day/Year)
01/20/2010

____ Director _____ 10% Owner
 Officer (give title below) _____ Other (specify below)
Chief Banking Officer

OLEAN, NY 14760

(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) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|-----------------------------------|
| | | | Code | V | Amount | (D) | Price |
| Common Stock | 01/20/2010 | | A | | 1,556 | A | \$ 0 |
| Common Stock | | | | | 5,946.6222 ⁽¹⁾ | I | |

By 401(k) Plan

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

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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) | Amount or Number of Shares |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|----------------------------|
| Stock Option | \$ 22.94 | 01/20/2010 | | D | 1,785 | 01/17/2010 01/17/2017 | Common Stock | 1,785 |
| Stock Option | \$ 19.48 | 01/20/2010 | | A | 5,483 | ⁽³⁾ 01/20/2010 01/20/2020 | Common Stock | 5,483 |
| Stock Option | \$ 17.82 | 01/20/2010 | | A | 14,978 | 01/20/2010 04/22/2019 | Common Stock | 14,978 |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|---|---------------|-----------|-----------------------|-------|
| | Director | 10% Owner | Officer | Other |
| DONAHUE BRIAN D 229 CAROLINA STREET OLEAN, NY 14760 | | | Chief Banking Officer | |

Signatures

/s/ Donna J. Drengel, as attorney-in-fact, pursuant to a power of attorney for Brian D. Donahue 01/22/2010

**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) The number of shares reported herein were acquired pursuant to Community Bank System, Inc.'s 401(K) Plan and are based on a current plan statement.
 - (2) Represents the cancellation of 1,785 shares of the January 2007 performance option based on the determination that the performance criteria was not fully satisfied. The reporting person did not receive any consideration in connection with the cancellation.
 - (3) The options vest in five equal installments on January 20, 2011, 2012, 2013, 2014 and 2015.
 - (4) On April 22, 2009, the reporting person was granted an option to purchase 14,978 shares of common stock at the fair market value on the date of grant subject to the achievement of predetermined performance criteria. The option vested on January 20, 2010 upon the determination that the performance criteria was satisfied.

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.