

COMMUNITY BANK SYSTEM INC  
Form 4  
January 18, 2008

**FORM 4**

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

OMB APPROVAL

OMB Number: 3235-0287  
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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 \*  
PARENTE CHARLES E

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)

3. Date of Earliest Transaction (Month/Day/Year)  
01/01/2008

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

356 SEDGWICK COURT

(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

NAPLES, FL 34108

(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	01/01/2008		M	5,976 A	7,813	D	
Common Stock					293,000	I	By Benevento & Mayo Partners
Common Stock					3,000	I	By Spouse
Common Stock					16,000	I	By C.E. Parente Trust U/A

dated Sept.  
12, 1979

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 Underlying (Instr. 3)	
					Code	V	(A)	(D)		Date Exercisable
Deferred Stock (Deferred Compensation)	(2)	01/01/2008		A		1,940.2		(2)	(2)	Common Stock
Deferred Stock (Deferred Compensation)	(2)	01/01/2008		M		5,976.31		(2)	(2)	Common Stock
Stock Option	\$ 18.09	01/16/2008		A		5,457		01/16/2008	01/16/2018	Common Stock
Phantom Stock (Stock Balance Plan)	(3)	01/16/2008		A		520.29		(3)	(3)	Common Stock

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
PARENTE CHARLES E 356 SEDGWICK COURT NAPLES, FL 34108		X		

## Signatures

Donna J. Drengel, as attorney-in-fact, pursuant to a power of attorney for Charles E. Parente

01/18/2008

\_\_\_\_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).
- (1) Each deferred stock unit entitles the reporting person to receive one share of Community Bank System, Inc. common stock. On January 1, 2008, the reporting person's deferred stock units were settled for an equal number of shares and cash for .3050 shares at \$19.87 per share.
- (2) Each deferred stock unit entitles the reporting person to receive one share of Community Bank System, Inc. common stock. Awards relating to the deferred stock units (Deferred Comp. Plan) may be settled upon the reporting person's attainment of age 55.
- Each phantom stock unit is the economic equivalent of one share of Community Bank System, Inc. common stock. Phantom Stock (Stock Balance Plan) may be settled upon the later of the reporting person's attainment of age 55 or termination of service on Community Bank System, Inc.'s Board of Directors.
- (3)

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es New Roman" SIZE="2">Pork prices continued their upward trend during 3Q04, increasing 25.5% compared to the previous year, which has compensated significantly for the increase in the costs of grain and soy paste, resulting in an important improvement in operating margin from 3.1% in 3Q03 to 15.1% in 3Q04, as well as an increase of 193% in EBITDA generation. Another positive effect was the improved sales in the export market due to higher demand from Japan.

The capacity utilization rate remains at 100% in the southeast region.

The following table provides the operating margins of the branded products and pork businesses:

**Table 6. Food Sector Relevant Figures**

	<u>3Q04</u>	<u>3Q03</u>	<u>3Q04 vs. 3Q03</u>
Branded Products			
Sales (millions of US\$)	58	56	3.2%
Operating Margin	7.2%	4.7%	
Pork Business			
Sales (millions of US\$)	42	32	30.4%
Operating Margin	15.1%	3.1%	

**Real Estate Sector**

Table 7 shows figures for the Real Estate Sector:

**Table 7. Real Estate Sector Results**

(Figures in millions of constant pesos (Ps. and U.S. dollars (US\$))

**Real Estate Sector**

	<u>3Q04</u>	<u>3Q03</u>	<u>3Q04 vs.</u> <u>3Q03</u>
Sales (Ps.)	355	412	-13.8%
<b>Sales (US \$)</b>	31	36	-14.4%
Operating Income (Ps.)	58	104	-43.9%
<b>Operating Income (US \$)</b>	5	9	-43.2%
Operating Margin	16.6%	24.9%	
EBITDA (Ps.) <sup>1</sup>	64	111	-42.1%
<b>EBITDA (US \$) <sup>1</sup></b>	6	10	-41.5%

<sup>1</sup> All EBITDA figures used in this report are calculated as Operating Income (Loss) plus the sum of Depreciation and Amortization (according to Mexican GAAP). This information is included since it is useful for our credit contracts. EBITDA should not substitute income or cash flow in our Consolidated Income Statement or any other Financial Statement prepared according to Mexican GAAP. Please refer to the table Non-GAAP Reconciliation Schedule Table in the back of this report.

Sales in 3Q04 reached US\$31 million, which represents a decrease of 14.4% compared to sales for 3Q03. This reduction is due to lower sales in the Bosques de Santa Fe project.

Sales for 3Q04 were distributed as follows:

Punta Mita 72.9%

Corporativo Arcos Bosques 24.9%

Bosques de Santa Fe 2.2%

Explanation of Responses:

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In this period Desc registered an operating profit of US\$5 million and an EBITDA level of US\$6 million, both of which were lower than those obtained during 3Q03, due to the sales mix.

The Punta Mita project continues enjoying excellent acceptance in the market. In the third quarter Desc finalized the sale of 8 beachfront lots, one golf course lot and a lot to be used in the development of a hotel.

In the Arcos Bosques complex, the final two remaining lots were sold.

In Bosques de Santa Fe one single-family lot was sold for US\$0.7 million.

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◇◇ Financial Tables Follow ◇◇

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**FINANCIAL INDICATORS**

	<u>3Q04</u>	<u>2Q04</u>	<u>1Q04</u>	<u>4Q03</u>	<u>3Q03</u>
Interest Coverage	3.1x	2.7x	2.9x	2.9x	2.7x
Leverage Ratio*	3.8x	4.1x	4.9x	4.9x	5.5x
Short-Term Debt	5%	5%	3%	3%	29%
Long-Term Debt	95%	95%	97%	97%	71%
Peso & Udi - denominated debt	39%	33%	31%	30%	30%
Dollar-denominated debt	61%	67%	69%	70%	70%

\* The Leverage Ratio is equal to (Total Debt less Cash plus US\$50 million) / EBITDA for the last 12 months.

As of 4Q03, the way of calculating the Leverage Ratio changed, and in order for all the figures to be comparable, all previous quarters were recalculated.

**TOTAL OUTSTANDING SHARES**

A Shares	1,166,108,597	51.10%
B Shares	1,115,690,363	48.90%
<b>Total</b>	<b>2,281,798,960</b>	<b>100.00%</b>

**Non-GAAP Financial Reconciliation Table****Desc, S.A. de C.V. And Subsidiaries**

Figures in millions of constant pesos (Ps.) and U.S. Dollars (US\$)

	<u>3Q04</u>	<u>Adjusted 3Q03<sup>1</sup></u>	<u>3Q04 vs. Adjusted 3Q03<sup>1</sup></u>	<u>3Q03</u>	<u>3Q04 vs. 3Q03</u>
Operating Income (Ps.)	279	152	83.6%	153	82.9%
Operating Income (US \$)	24	13	84.5%	13	83.4%
Depreciation and Amortization (Ps.)	313	344	-9.2%	362	-13.8%
Depreciation and Amortization (US \$)	27	31	-11.2%	32	-15.6%
EBITDA (Ps.)	592	496	19.2%	515	14.9%
EBITDA (US \$)	51	44	17.7%	45	13.3%

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The adjusted 3Q03 totals exclude the financial figures for Desc's aluminum wheel and adhesive and sealant businesses, which were sold. Desc believes that investors can better evaluate and analyze historical and future business trends if they consider results of operations without these divested businesses.

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**Automotive Sector**

Figures in millions of constant pesos (Ps.) and U.S. Dollars (US\$)

	3Q04	Adjusted 3Q03 <sup>1</sup>	3Q04 vs. Adjusted 3Q03 <sup>1</sup>	3Q03	3Q04 vs. 3Q03
Operating Income (Ps.)	20	13	53.1%	2	716.4%
Operating Income (US \$)	2	1	64.5%	0	N/A
Depreciation and Amortization (Ps.)	164	187	-12.0%	195	-15.4%
Depreciation and Amortization (US \$)	14	17	-13.8%	17	-17.1%
EBITDA (Ps.)	184	200	-7.8%	197	-6.4%
EBITDA (US \$)	16	18	-9.1%	17	-7.7%

<sup>1</sup> The adjusted 3Q03 totals exclude the financial figures for Desc's aluminum wheel business, which was sold. Management believes that investors can better evaluate and analyze Desc's historical and future business trends if they consider results of operations without this divested business.

**Chemical Sector**

Figures in millions of constant pesos (Ps.) and U.S. Dollars (US\$)

	3Q04	Adjusted 3Q03 <sup>1</sup>	3Q04 vs. Adjusted 3Q03 <sup>1</sup>	3Q03	3Q04 vs. 3Q03
Operating Income (Ps.)	113	44	157.4%	55	105.2%
Operating Income (US \$)	10	4	151.6%	5	99.1%
Depreciation and Amortization (Ps.)	81	81	0.6%	91	-10.5%
Depreciation and Amortization (US \$)	7	7	0.0%	8	-12.5%
EBITDA (Ps.)	194	125	55.8%	146	32.9%
EBITDA (US \$)	17	11	52.5%	13	29.7%

<sup>1</sup> The adjusted 3Q03 totals exclude the financial figures for Desc's adhesive and sealant business, which was sold. Desc believes that investors can better evaluate and analyze historical and future business trends if they consider results of operations without these divested businesses.

**Food Sector**

Figures in millions of constant pesos (Ps.) and U.S. Dollars (US\$)

	3Q04	3Q03	3Q04 vs. 3Q03
	<u>          </u>	<u>          </u>	<u>          </u>
Operating Income (Ps.)	121	42	189.2%
Operating Income (US \$)	10	4	184.4%
Depreciation and Amortization (Ps.)	41	43	-4.6%
Depreciation and Amortization (US \$)	4	4	-7.5%
EBITDA (Ps.)	162	85	89.4%
EBITDA (US \$)	14	8	86.0%

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**Real Estate Sector**

Figures in millions of constant pesos (Ps.) and U.S. Dollars (US\$)

	<u>3Q04</u>	<u>3Q03</u>	<u>3Q04 vs.</u> <u>3Q03</u>
Operating Income (Ps.)	58	104	-43.9%
Operating Income (US \$)	5	9	-43.2%
Depreciation and Amortization (Ps.)	6	7	-15.2%
Depreciation and Amortization (US \$)	0	1	-16.9%
EBITDA (Ps.)	64	111	-42.1%
EBITDA (US \$)	6	10	-41.5%

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**Desc, S.A. de C.V. and Subsidiaries**

## Consolidated Balance Sheets

September 30, 2004 and September 30, 2003

(In millions of constant pesos, as of September 30, 2004).

	<u>2004</u>	<u>2003</u>	<u>%</u>
<b>Assets</b>			
Current Assets:			
Cash and Short Term Investments	430	1,341	-67.9%
Account and Documents Receivable (net)	5,304	5,168	2.6%
Inventories and Other Assets	3,687	3,243	13.7%
<b>Total Current Assets</b>	<b>9,421</b>	<b>9,752</b>	<b>-3.4%</b>
Account and Documents Receivable of long-term debt (net)	1,206	1,356	-11.1%
Land held for development and real estate projects	3,419	3,843	-11.0%
Fixed Assets	11,266	13,131	-14.2%
Deferred Assets (net)	624	1,648	-62.1%
Other Assets	1,138	1,326	-47.0%
<b>Total Assets</b>	<b>27,074</b>	<b>31,056</b>	<b>-12.8%</b>
<b>Liabilities</b>			
Current Liabilities:			
Banks Loans	435	3,665	-88.1%
Suppliers	2,374	1,968	20.7%
Taxes to be paid	269	733	-63.3%
Other Liabilities	1,753	1,728	1.4%
<b>Total Current Liabilities</b>	<b>4,831</b>	<b>8,094</b>	<b>-40.3%</b>
Long-Term Debt	8,024	8,770	-8.5%
Deferred Taxes	703	1,461	-51.8%
Other	807	608	32.7%
<b>Total Liabilities</b>	<b>14,365</b>	<b>18,933</b>	<b>-24.1%</b>
<b>Stockholders Equity</b>			
Capital Stock	30	18	66.7%
Paid-in Surplus	3,808	1,170	225.5%
Restatement of Paid-In Capital Stock	11,913	11,544	3.2%
Other	(6,751)	(4,671)	44.5%
<b>Total Majority Interest</b>	<b>9,000</b>	<b>8,061</b>	<b>4.8%</b>
Minority Interest	3,709	4,062	-8.7%
<b>Total Stockholders Equity</b>	<b>12,709</b>	<b>12,123</b>	<b>4.8%</b>
<b>Total Liabilities and Stockholders Equity</b>	<b>27,151</b>	<b>30,054</b>	<b>-9.7%</b>

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**Desc, S.A. de C.V. and Subsidiaries**

## Consolidated Income Statements

(In millions of constant pesos, as of September 30, 2004)

The figures below are the same as those reported to the Mexican Stock Exchange and include all operations corresponding to 2003. Thus, these figures are not comparable to 2004.

	<u>3Q04</u>	<u>3Q03</u>	<u>Var.</u>
Net Sales	6,166	5,525	11.6%
Cost of Sales	4,972	4,321	15.1%
<b>Gross Profit</b>	<b>1,194</b>	<b>1,204</b>	<b>-0.8%</b>
Operating Expenses			
Administrative and Selling Expenses	915	1,051	-13.0%
<b>Operating Income</b>	<b>279</b>	<b>153</b>	<b>82.9%</b>
Interest Expense	127	200	-36.4%
Interest Income	(2)	(11)	-79.8%
Exchange Gain (loss), net	21	318	-93.4%
Gain on Monetary Position	(67)	(75)	-10.6%
Other Financial Expenses	93	57	61.8%
<b>Comprehensive Financial Result</b>	<b>172</b>	<b>489</b>	<b>-64.9%</b>
<b>Other Expenses</b>	<b>28</b>	<b>33</b>	<b>-15.2%</b>
<b>Income before Provisions</b>	<b>79</b>	<b>(369)</b>	<b>NA</b>
Provisions for:			
Income and Asset Tax	129	37	252.8%
Employee Profit Sharing	14	19	NA
Deferred Income Taxes	(147)	(38)	284.1%
<b>Total Taxes</b>	<b>(4)</b>	<b>18</b>	<b>NA</b>
<b>Net Consolidated Income</b>	<b>83</b>	<b>(387)</b>	<b>NA</b>
Minority Interest	31	16	92.0%
<b>Majority Net Income</b>	<b>52</b>	<b>(403)</b>	<b>NA</b>
12 months Net Income per Share	(0.90)	(1.03)	0.0%
Number of shares outstanding: (Thousands of shares)	2,282	1,369	0.0%
Operating Income+Depreciation	592	515	14.9%



This press release contains forward-looking statements (within the meaning of the Private Securities Litigation Reform Act of 1995) that reflect the current views of Desc's management with respect to future events. The words anticipate, believe, estimate, expect, intend, may, and should and similar expressions generally are intended to identify forward-looking statements. These statements are subject to risks, uncertainties and changes in circumstances. Actual results may differ materially from present expectations as a result of many factors, including, but not limited to, changes in global and domestic political, economic, business, competitive, market and regulatory factors, the cyclical nature of the autoparts and chemicals industries and other factors which are described under the heading Risk Factors in Desc's most recent Annual Report on Form 20-F filed with the Securities and Exchange Commission. Desc does not assume any obligation to update these forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Desc, S.A. de C.V.

(Registrant)

Date: October 20, 2004

By /s/ Arturo D Acosta Ruiz  
(Signature)  
Name: Arturo D Acosta Ruiz  
Title: Chief Financial Officer