

COMMUNITY BANK SYSTEM INC  
Form S-4/A  
February 15, 2011

As filed with the Securities and Exchange Commission on February 15, 2011  
Registration No. 333-171656

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

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Amendment No. 1 to  
FORM S-4  
REGISTRATION STATEMENT  
UNDER THE SECURITIES ACT OF 1933

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COMMUNITY BANK SYSTEM, INC.  
(Exact name of registrant as specified in its charter)

Delaware	6712	16-1213679
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

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5790 Widewaters Parkway  
DeWitt, New York 13214  
(315) 445-2282  
(Address, including zip code, and telephone number,  
including area code, of registrant's principal executive offices)

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Mark E. Tryniski  
President and Chief Executive Officer  
Community Bank System, Inc.  
5790 Widewaters Parkway  
DeWitt, New York 13214  
(315) 445-2282  
(Name, address, including zip code, and telephone number,  
including area code, of agent for service)

With copies to:

Ronald C. Berger, Esq. Bond, Schoeneck & King, PLLC One Lincoln Center Syracuse, New York 13202-1355 (315) 218-8000	George J. Getman, Esq. Executive Vice President and General Counsel Community Bank System, Inc.	Clifford S. Weber, Esq. Hinman, Howard & Kattell, LLP 700 Security Mutual Building 80 Exchange Street
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5790 Widewaters                      Binghamton, New York  
Parkway                                      13902-5250  
DeWitt, New York 13214 (607) 723-5341  
(315) 445-2282

Approximate date of commencement of proposed sale to the public: \_\_\_\_\_ As soon as practicable after the effective date of the registration statement.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12 b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
 Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

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CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered (1)	Proposed Maximum Offering Price per Share	Proposed Maximum Aggregate Offering Price (2)	Amount of Registration Fee (3) (4)
Common Stock, \$1.00 par value . . . . .	4,133,394 Shares	N/A	\$40,548,592	\$4,707.69
.....				

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment that specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

(1) Represents the maximum number of shares of Community Bank System, Inc. (NYSE: CBU) common stock estimated to be issuable upon the completion of the merger, which may be higher or lower in accordance with the formula described below. This number is based upon the product of (x) the number of shares of The Wilber Corporation (NYSE Amex: GIW) common stock outstanding and reserved for issuance as of January 10, 2011; (y) an exchange ratio of .4820, solely for purposes of calculating the registration fee, issuable in exchange for each share of The Wilber Corporation common stock in accordance with the Agreement and Plan of Merger, dated October 22, 2010, by and among Community Bank System, Inc. and The Wilber Corporation (attached hereto as Annex A); and (z) 80% (the portion of the merger consideration consisting of Community Bank System common stock issuable in the merger).

(2) Estimated solely for the purpose of calculating the registration fee required by Section 6(b) of the Securities Act and computed pursuant to Rules 457(f)(1) and 457(c) of the Securities Act, based on the market value of the Wilber common stock expected to be exchanged in connection with the merger, as established by the average of the high and low sales price of Wilber common stock on NYSE Amex on January 10, 2011 of \$9.81.

(3) Calculated in accordance with Section 6(b) of the Securities Act and SEC Fee Advisory #5 for Fiscal Year 2011 at a rate equal to 0.0001161 multiplied by the proposed maximum aggregate offering price.

(4) Previously paid.

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The information in this proxy statement/prospectus is subject to completion or amendment. A registration statement relating to the shares of Community Bank System, Inc. common stock to be issued in the merger has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This proxy statement/prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation, or sale is not permitted or would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY - SUBJECT TO COMPLETION DATED FEBRUARY 15, 2011

PROXY STATEMENT/ PROSPECTUS

THE WILBER  
CORPORATION  
245 Main Street  
Oneonta, New York 13820

Dear Shareholder:

On October 22, 2010, The Wilber Corporation (“Wilber”) entered into an Agreement and Plan of Merger (“Merger Agreement”) with Community Bank System, Inc. (“Community Bank System”) in a stock and cash transaction. If Wilber’s shareholders approve the Merger Agreement and the merger it provides for is subsequently completed, Wilber will merge with and into Community Bank System (the “Merger”) with Community Bank System being the surviving entity.

In the Merger, you will have an opportunity to elect to receive merger consideration in the form of either cash, Community Bank System common stock, or a combination of both in exchange for your shares of Wilber common stock, as follows:

- \$9.50 in cash;
- shares of Community Bank System common stock calculated pursuant an exchange ratio based upon the average closing sale price of Community Bank System common stock over the 10 trading days before the consummation of the Merger (the “Average Closing Price”). The exchange ratio will be:
  - 0.4820 shares of Community Bank System common stock for each share of Wilber common stock that you own if the Average Closing Price is less than \$19.71 per share;
  - 0.3748 shares of Community Bank System common stock for each share of Wilber common stock that you own if the Average Closing Price is greater than \$25.35 per share; or
  - the quotient obtained by dividing \$9.50 by the Average Closing Price if the Average Closing Price is between \$19.71 and \$25.35 per share; or
- a combination of both cash and shares of Community Bank System common stock, at the respective rates described above, whereby 80% of your Wilber common stock will be exchanged for shares of Community Bank System common stock and the remaining 20% of your Wilber common stock will be exchanged for cash.

You will receive a separate mailing containing instructions on how to make your election as to whether you desire cash, stock or a combination of cash and stock. Under the election and allocation procedures that we have described in this document, shareholders who elect to receive all cash or all stock may actually receive a combination of cash and shares of Community Bank System common stock, depending on elections made by the other Wilber shareholders. The maximum number of shares to be issued by Community Bank System in the Merger is 4,133,394 shares of common stock. Community Bank System's common stock is listed on the NYSE under the symbol "CBU."

The accompanying document is also being delivered to Wilber shareholders as Community Bank System's prospectus for its offering of Community Bank System common stock in connection with the Merger, and as a proxy statement for the solicitation of proxies from Wilber shareholders to vote for the adoption of the Merger Agreement and approval of the Merger. This proxy statement/prospectus provides you with detailed information about the proposed Merger. It also contains or references information about Wilber, Community Bank System and related matters. You are encouraged to read this document carefully. In particular, you should read the "Risk Factors" section beginning on page [\_\_\_\_] for a discussion of the risks you should consider in evaluating the proposed Merger and how it will affect you.

The Merger cannot be completed unless at least two thirds of the issued and outstanding shares of Wilber common stock vote in favor of the Merger. If you fail to vote, or you do not instruct your broker how to vote any shares held for you in "street name," it will have same effect as voting "AGAINST" the Merger Agreement. Your Board of Directors has unanimously determined that the Merger and the Merger Agreement are fair and in the best interest of Wilber and its shareholders and unanimously recommends that you vote "FOR" adoption of the Merger Agreement.

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On behalf of the Board of Directors, I thank you for your prompt attention to this matter.

Sincerely,

Brian R. Wright  
Chairman of the Board

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Merger, the issuance of the Community Bank System common stock in connection with the Merger or the other transactions described in this proxy statement/prospectus, or passed upon the adequacy or accuracy of the disclosure in this document. Any representation to the contrary is a criminal offense. The securities to be issued in connection with the Merger are not savings accounts, deposits or other obligations of any bank or savings association and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

This proxy statement/prospectus is dated [\_\_\_\_\_, 2011], and is first being mailed to shareholders of Wilber on or about [\_\_\_\_\_, 2011].

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THE WILBER CORPORATION  
245 Main Street  
Oneonta, New York 13820

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS  
TO BE HELD ON [ \_\_\_\_\_ ], 2011

A special meeting of the shareholders of The Wilber Corporation, a New York corporation (“Wilber”), will be held at [ \_\_\_\_\_ ], on [ \_\_\_\_\_ ], 2011, at [ \_\_\_\_\_ ] [a.m. / p.m.], Eastern Time, for the following purposes:

1. Merger. To consider and vote upon a proposal to adopt and approve the Agreement and Plan of Merger, dated as of October 22, 2010 (the “Merger Agreement), by and between Community Bank System, Inc., a Delaware corporation (“Community Bank System”) and Wilber, which provides for the merger of Wilber with and into Community Bank System (the “Merger”);
2. Adjournments. To approve one or more adjournments of the special meeting, if necessary or appropriate, including adjournments to permit further solicitations of proxies in favor of the Merger; and
3. Other Business. To transact such other business as may properly come before the special meeting or any adjournments or postponements of the special meeting.

Only holders of record of Wilber common stock at the close of business on [ \_\_\_\_\_ ], 2011 are entitled to the notice of and to vote at the special meeting and any adjournments or postponements of the special meeting.

Please vote as soon as possible. The affirmative vote of two-thirds of all outstanding shares of Wilber common stock is required for approval of the Merger Agreement. This means that a failure to vote for approval of the Merger Agreement would have the same effect as a vote against it. Therefore, your vote is important regardless of the number of shares you own. Even if you plan to attend the special meeting, we urge you to vote by Internet, by telephone or by completing and returning the enclosed proxy without delay in the enclosed postage-paid envelope. You may revoke your proxy at any time prior to the special meeting. If you hold Wilber common stock in your own name and you are present at the special meeting, or at any adjournments or postponements of the special meeting, you may revoke your proxy and vote personally on each matter brought before the special meeting.

If you hold Wilber common stock in the name of a broker, bank or other fiduciary, please follow the instructions on the voting card provided by that broker, bank or other fiduciary. If you wish to attend the special meeting and vote in person, you must bring a letter or proxy from your broker, bank or other fiduciary to confirm your beneficial ownership of the shares.





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QUESTIONS AND ANSWERS ABOUT THE MERGER

Q: What is the purpose of this document?

A: This document serves as Wilber's proxy statement and as Community Bank System's prospectus. As a proxy statement, this document is being provided to Wilber shareholders because the Wilber Board of Directors is soliciting your proxy to vote to approve the Merger Agreement. As a prospectus, Community Bank System is providing this document to Wilber shareholders because Community Bank System is offering shares of its common stock in exchange for their shares of Wilber common stock in the Merger.

Q: What will happen to Wilber as a result of the Merger?

A: If the Merger is completed, Wilber will cease to exist and Wilber National Bank ("Wilber Bank"), currently a wholly owned subsidiary of Wilber, will become a direct, wholly-owned subsidiary of Community Bank System. Immediately following completion of the Merger, Wilber Bank will merge with and into Community Bank, N.A. ("Community Bank"), the wholly owned subsidiary of Community Bank System, with Community Bank being the surviving bank.

Q: What will I receive in the Merger?

A: You may elect to receive cash, shares of Community Bank System common stock, or a combination of cash and shares of Community Bank System common stock, by indicating your preference on the election form/letter of transmittal which will be separately mailed to each shareholder. If you receive any cash as merger consideration, you will receive \$9.50 for each share of your Wilber common stock exchanged for cash in the Merger. On the other hand, if you receive any Community Bank System common stock in the Merger, the actual value you will receive per share of Wilber common stock is dependent upon the price of Community Bank System during the 10 trading days immediately prior to the Merger. This document explains in more detail what amount of cash and/or Community Bank System common stock you are entitled to receive in the Merger. Because of certain limitations on the amount of cash and the number of shares Community Bank System will issue in the Merger, you may receive a combination of cash and shares of Community Bank System common stock even if you elect to receive only one type of merger consideration, depending on the elections made by other Wilber shareholders. For details, please see "Conversion of Wilber Common Stock," "Election Procedures" and "Allocation Mechanism" on pages [ ] through [ ].

Q: Could you tell me more about Community Bank System?

A: Community Bank System is the parent company of Community Bank and is a bank holding company registered under the Bank Holding Company Act of 1956 ("BHCA"). Community Bank is a commercial banking franchise headquartered in Upstate New York, with 147 customer facilities and 135 ATMs stretching diagonally from Northern New York to the Southern Tier and west to Lake Erie, and in Northeastern Pennsylvania.

Community Bank is a community retail bank committed to the philosophy of serving the financial needs of customers in local communities. Community Bank emphasizes the local character of business, knowledge of the customer and customer needs, comprehensive retail and small business products, and responsive decision-making at the branch and regional level. Community Bank and its subsidiaries offer a range of commercial and retail banking and financial services in their market areas to business, individual, agricultural and government customers. Community Bank and its employees strive to support, and to actively engage in important initiatives in, local communities within the market areas it serves.





Community Bank System's common stock is publicly traded on the New York Stock Exchange under the symbol "CBU." At September 30, 2010, Community Bank System had on a consolidated basis approximately \$5.5 billion in total assets, \$4.0 billion in total deposits, \$3.0 billion in total loans and shareholders' equity of \$616 million. For additional information about Community Bank System, please see "Where You Can Find More Information" on page [ ].

Q: When is the Merger expected to be completed?

A The parties are working to complete the Merger during the second quarter of 2011. Wilber and Community Bank System must first obtain the necessary regulatory approvals and the approval of the Wilber shareholders at the special meeting and satisfy other conditions. Wilber and Community Bank System cannot assure you as to when or if all the conditions to the Merger will be met, and it is possible that the parties will not complete the Merger at all.

Q: What happens if the Merger is not completed?

A: If the Merger is not completed, Wilber shareholders will not receive any consideration for their shares of common stock in connection with the Merger. Instead, Wilber will remain an independent public company and its common stock will continue to be eligible for trading on the NYSE Amex. In the event of termination of the Merger Agreement under certain specified circumstances, Wilber may be required to pay to Community Bank System a termination fee of \$4.0 million, plus all out-of-pocket expenses incurred by Community Bank System and its subsidiaries in connection with the transactions contemplated by the Merger Agreement, up to a maximum of \$500,000 in the aggregate. See the description of the Merger Agreement under "Termination Fee and Expenses" beginning on page [ ].

Q: Who is being asked to approve matters in connection with the Merger?

A: Only the Wilber shareholders are being asked to vote to approve the Merger-related proposals. Under New York law, Wilber is required to obtain shareholder approval. By this proxy statement/prospectus, Wilber's Board of Directors is soliciting proxies from Wilber's shareholders to provide the required approval at the special meeting of Wilber shareholders as discussed below. Under Delaware law, Community Bank System is not required to obtain shareholder consent in a transaction of this size.

Q: Does the Board of Directors of Wilber have a recommendation on how I should vote on the Merger Agreement?

A: Yes. The Board of Directors of Wilber believes that the proposed Merger is in the best interest of Wilber and its shareholders and unanimously recommends that the shareholders of Wilber vote in favor of the approval of the Merger Agreement.

Q: Did the Board of Directors of Wilber receive an opinion from a financial advisor with respect to the Merger?

A: Yes. On October 22, 2010, Austin Associates, LLC (“Austin Associates”) rendered its written opinion to the Board of Directors of Wilber that, as of such date and based upon and subject to the factors and assumptions described to the Wilber Board during its presentation and set forth in the opinion, the consideration in the proposed Merger was fair, from a financial point of view, to holders of Wilber common stock. The full text of Austin Associates’ written opinion is attached as Appendix B to this proxy statement/prospectus. You are urged to read the opinion in its entirety.

Q: How do the Directors and executive officers of Wilber plan to vote?

A: All of the Directors and executive officers of Wilber have committed by contract to vote in favor of the Merger Agreement all the shares of Wilber common stock that they are entitled to vote. As of the record date for the special meeting, the Directors and executive officers of Wilber together had the right to vote [ ] shares, or approximately [ ]% of the outstanding Wilber common stock.

Q: What risks should I consider before I vote on the Merger and make my election as to the form of merger consideration?

A: You should read “Risk Factors” on pages [ ] to [ ].

Q: Is there other information I should consider?

A: Yes. Much of the business and financial information about each of the companies that may be important to you is not included in this document. Instead, that information is incorporated by reference to documents Wilber and Community Bank System separately filed with the Securities and Exchange Commission (“SEC”). This means that Wilber and Community Bank System can satisfy their disclosure obligations to you by referring you to one of more documents separately filed by Community Bank System or Wilber with the SEC. For additional information, please see “Where You Can Find More Information” on pages [ ] through [ ], for a list of documents that they have incorporated by reference into this document and for instructions on how to obtain copies of those documents, free of charge.

Q: When and where will Wilber shareholders meet?

A: Wilber will hold a special meeting of its shareholders on [\_\_\_\_\_], 2011, at [ ] : [ ] a.m./p.m., Eastern Standard Time, at [\_\_\_\_\_], Oneonta, New York.

Q: Who can vote at the Wilber special meeting?

A: Holders of record of Wilber common stock at the close of business on [\_\_\_\_\_], 2011, which is the record date for the Wilber special meeting, are entitled to vote at the special meeting.

Q: How many votes must be represented in person or by proxy at the Wilber special meeting to have a quorum?

A: The holders of a majority of the shares of Wilber common stock outstanding and entitled to vote at the special meeting, present in person or represented by proxy, will constitute a quorum at the special meeting.

Q: What vote by Wilber shareholders is required to approve the Merger?

A: Assuming a quorum is present at the Wilber special meeting, approval of the Merger proposal will require the affirmative vote of the holders of at least two-thirds of the outstanding shares of Wilber common stock entitled to vote. Submission of proxies not designating an election will have the same effect as shares voted "FOR" the Merger proposal. Abstentions and broker non-votes will have the same effect as shares voted "AGAINST" the Merger proposal.

Q: What do I need to do now?

A: After you have carefully read this proxy statement/prospectus and have decided how you wish to vote your shares, please vote your shares promptly. If you hold common stock in your name as a shareholder of record, Wilber and Community Bank System request that you complete, sign, date and mail your proxy card in the enclosed postage paid return envelope as soon as possible. You may also authorize a proxy to vote your shares by telephone or through the Internet as instructed on the enclosed proxy card. If you hold your stock in "street name" through a bank, broker or other fiduciary, you must direct your bank or broker to vote in accordance with the instructions you have received from your bank, broker or other fiduciary. Submitting your proxy card, authorizing a proxy by telephone or through the Internet, or directing your bank, broker or other fiduciary to vote your shares will ensure that your shares are represented and voted at the special meeting.

If you sign and send in your proxy and do not indicate how you want to vote, your proxy will be voted in favor of the Merger Agreement. Your failure to sign and send in your proxy or your abstention will have the same effect as a vote against the Merger.

Q: Should Wilber shareholders send in their stock certificates with the enclosed proxy?

A: No. Wilber shareholders SHOULD NOT send in any stock certificates now with the enclosed proxy. An election form and transmittal materials, with instructions for their completion will be provided to Wilber shareholders under separate cover and the stock certificates should be sent with those materials at that time.

In the event that a Wilber shareholder fails to return a completed election form with such shareholder's stock certificates prior to the expiration of the election period, a letter of transmittal with instructions for submission of such stock certificates will be mailed to such shareholder shortly following the effective time of the Merger.

Q: If my shares are held in “street name” by my broker, will the broker vote my shares for me?

A: No. Your broker will vote your shares only if you provide instructions on how to vote. You should instruct your broker how to vote your shares, following the directions your broker provides. If you do not give instructions to your broker, your broker will not be able to vote your shares.

Q: What if I fail to instruct my broker?

A: If you do not provide your broker with instructions and your broker submits an unvoted proxy, referred to as a broker non-vote, the broker non-vote will be counted toward a quorum at the special meeting, but it will have the same effect as a vote against adoption of the Merger Agreement. With respect to the proposal to adjourn the special meeting if necessary to solicit additional proxies, an abstention will have the same effect as a vote against the proposal. If you fail to instruct your broker to vote your shares, your broker may vote your shares in its discretion to adjourn the special meeting.

Q: Can I attend the special meeting and vote my shares in person?

A: Yes. All common shareholders, including common shareholders of record and common shareholders who hold their shares through banks, brokers, nominees or any other holder of record, may attend the special meeting. Holders of record of Wilber common stock can vote in person at the special meeting. If you are not a common shareholder of record, you must obtain a proxy, executed in your favor, from the record holder of your shares of common stock, such as a broker, bank or other fiduciary, to be able to vote in person at the special meeting. If you plan to attend the special meeting, you must hold your shares of common stock in your own name or have a letter from the record holder of your shares of common stock confirming your ownership and you must bring a form of personal photo identification with you in order to be admitted.

Q: Can I change my vote?

A: Yes. A Wilber common shareholder who is a shareholder of record and has given a proxy may revoke it at any time before its exercise at the special meeting by (i) giving written notice of revocation to Wilber’s corporate secretary, (ii) properly submitting to Wilber a duly executed proxy bearing a later date or (iii) attending the special meeting and voting in person. Any common shareholder entitled to vote in person at the special meeting may vote in person regardless of whether a proxy has been previously given, and such vote will revoke any previous proxy, but the mere presence (without notifying the Corporate Secretary) of a common shareholder at the special meeting will not constitute revocation of a previously given proxy. If you hold your shares in “street name” through a bank, broker or other fiduciary, you should contact your bank, broker or other fiduciary to revoke your proxy.

Any written notices of revocation and other communications with respect to revocation of proxies should be addressed to Wilber as follows: Corporate Secretary, Joseph E. Sutaris, 245 Main Street, Oneonta, New York 13820, which must be received by 11:59 p.m. Eastern time on [        ].

Proxies may also be revoked via the Internet or telephone following the instructions on your proxy card.

Q: How do I make an election as to the form of merger consideration I wish to receive in the Merger?

A: American Stock Transfer & Trust Company (“American Stock Transfer”), the exchange agent for the Merger, must receive your properly completed election form/letter of transmittal and your stock certificates by no later than the election deadline in order for your choice as to the form of merger consideration to be considered with those made by the other Wilber shareholders. Wilber and Community Bank System expect the election deadline will be 5:00 p.m., Eastern time, on [ ], 2011, but they will notify you if this date changes. Wilber and Community Bank System will mail to each Wilber shareholder an election form/letter of transmittal which will contain instructions for making a selection of merger consideration and for surrendering your stock certificates in exchange for the merger consideration.

Q: What happens if I don’t make a valid election as to the form of merger consideration before the election deadline?

A: You will automatically be deemed to have made an election to receive a mixture of cash and shares of Community Bank System common stock. If the Merger is completed, the exchange agent will send you a new letter of transmittal that you can use to submit your stock certificate in exchange for the merger consideration.

Q: Can I change my election as to the form of merger consideration?

A: Yes. You can change your election as to the form of merger consideration by submitting a new election form/letter of transmittal. For a change to be effective, the exchange agent must receive your election form/letter of transmittal before the election deadline.

Q: What are the tax consequences of the Merger to me?

A: Wilber and Community Bank System expect that for federal income tax purposes, the Merger will be a taxable event to those Wilber shareholders who receive cash, in whole or in part, in exchange for their shares of Wilber common stock, to the extent of the cash received, and the Merger will not be a taxable event to those Wilber shareholders who receive solely shares of Community Bank System common stock except to the extent they receive cash in lieu of fractional shares, if any. The material U.S. federal income tax consequences of the Merger are described in more detail on pages [ ] to [ ]. The tax consequences of the Merger to you will depend upon the facts of your own situation. Please consult your own tax advisor for a full understanding of the tax consequences of the Merger to you.

Q: Are Wilber’s shareholders entitled to seek appraisal or dissenters’ rights if they do not vote in favor of the approval of the Merger Agreement?

A: No. As a holder of Wilber common stock, you are not entitled to appraisal or dissenters’ rights under Section 910 of the New York Business Corporation Law in connection with the Merger. See “The Merger—No Appraisal or Dissenters’ Rights” beginning on page [ ].

WHO CAN HELP ANSWER YOUR QUESTIONS

If you want to ask any questions about the Merger or the merger consideration to be issued in the Merger, you should contact:

Community Bank System, Inc.  
Scott A. Kingsley  
Executive Vice President and Chief Financial  
Officer  
Community Bank System, Inc.  
5790 Widewaters Parkway  
DeWitt, New York 13214  
(315) 445-7378

The Wilber Corporation  
Joseph E. Sutaris  
Executive Vice President and Chief  
Financial Officer  
The Wilber Corporation  
245 Main Street  
Oneonta, New York 13820  
(607) 432-1700

If you wish to obtain an additional copy of this document, or any other information, please see “Where You Can Find More Information” on pages [ ] through [ ] to find out where you can find more information about Community Bank System and Wilber, or contact:

Community Bank System, Inc.  
Donna J. Drengel  
Corporate Secretary  
Community Bank System, Inc.  
5790 Widewaters Parkway  
DeWitt, New York 13214  
(315) 445-7313

The Wilber Corporation  
Joseph E. Sutaris  
Executive Vice President, Chief Financial  
Officer, and Corporate Secretary  
The Wilber Corporation  
245 Main Street  
Oneonta, New York 13820  
(607) 432-1700

## SUMMARY

This summary highlights selected information from this document and may not contain all the information that is important to you. For a more complete understanding of the Merger and for a more complete description of the legal terms of the Merger, you should read this entire document carefully, as well as the additional documents that the parties refer you to. See “Where You Can Find More Information” on page [ ].

The Merger Agreement is attached to this document as Annex A. Please read that document carefully. It is the legal document that governs the Merger and your rights in the Merger.

Wilber and Community Bank System propose a merger of Community Bank System and Wilber (Page [ ]).

Wilber and Community Bank System are proposing a merger of Wilber into Community Bank System, which will combine both companies. Community Bank System will continue as the surviving corporation of the Merger. Immediately following the Merger, the parties will merge Wilber Bank, a wholly-owned banking subsidiary of Wilber, with and into Community Bank, a wholly-owned banking subsidiary of Community Bank System, with Community Bank surviving the Merger.

In the Merger, You may Elect to Receive Either Cash, Shares of Community Bank System or a Combination of Both (Page [ ]).

You are entitled to elect to receive either cash, shares of Community Bank System common stock, or a combination of cash and Community Bank System common stock, in exchange for your shares of Wilber common stock. To enable you to make this election, Wilber and Community Bank System will mail separately an election form/letter of transmittal. Please read the instructions to the election form/letter of transmittal, and complete, sign and return it with your Wilber stock certificates before the election deadline of [ ], 2011. If you don't make a timely election, or if you fail to make your election properly, you will automatically receive a mixture of cash and stock in the Merger.

Subject to certain allocation procedures, you will receive either:

- \$9.50 in cash for each share of Wilber common stock you own; or
- a number of Community Bank System common stock based on the exchange ratio, as explained below, for each share of Wilber common stock you own; or
- a combination of \$9.50 in cash per share for 20% of the total number of shares of Wilber common stock you own, and a number of shares of Community Bank System common stock based on the exchange ratio, as explained below, for the remaining 80% of the total number of shares of Wilber common stock you own.

The exchange ratio for the Merger will be calculated as follows:

If the applicable Community Bank System market price is: Then you will receive, for each Wilber share converted into Community Bank System common stock:

Greater than \$25.35 0.3748 shares of Community Bank System common stock

Equal to or greater than \$19.71, or



equal to or less than \$25.35

Quotient (rounded to the nearest one-thousandth) obtained by dividing \$9.50 by the applicable market price

Less than \$19.71

0.4820 shares of Community Bank System common stock

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For these purposes, the applicable market price is the average closing sale price of Community Bank Stock common stock over the 10 trading days immediately preceding the closing of the Merger. The maximum number of shares to be issued by Community Bank System in the Merger is 4,133,394 shares of common stock.

Your Election of Merger Consideration May be Subject to Certain Allocation Procedures (Page [ ]).

Wilber and Community Bank System have agreed that no more than 80% of the outstanding shares of Wilber common stock will be exchanged for shares of Community Bank System common stock, and that no more than 20% of the outstanding shares of Wilber common stock will be exchanged for cash. Depending on the elections made by the other Wilber shareholders, your election as to the form of merger consideration might be subject to certain allocation mechanisms which are designed to ensure compliance with those limitations on the form of merger consideration. Accordingly, unless you elect to receive a mixture of cash for 20% of your Wilber shares, and Community Bank System common stock for 80% of your Wilber shares, Wilber and Community Bank System cannot assure you that you will receive the form of consideration that you elect with respect to all of the shares of Wilber common stock you hold. However, if you own 100 or fewer shares of Wilber common stock and elect to receive only cash in the Merger, you will receive only cash in the Merger.

Wilber and Community Bank System Expect that Wilber Shareholders Will Own Approximately [\_\_\_\_%] of the Combined Company Following the Merger (Page [ ]).

At the completion of the Merger, if 80% of the outstanding shares of Wilber common stock are exchanged for shares of Community Bank System common stock at an exchange ratio of .3748, Wilber shareholders are expected to own approximately [\_\_\_\_%] of the outstanding shares of common stock of the combined company. The actual ownership percentage of the Wilber shareholders in the combined company could be higher or lower, depending on:

- the actual number of shares of Wilber common stock subject to elections made by Wilber shareholders to receive shares of Community Bank System common stock in the Merger; or
- the actual exchange ratio of the Merger, which will be adjusted if the market price of Community Bank System common stock over a specified period before the Merger falls outside of a certain range, as described above.

No Federal Income Tax on Community Bank System Common Stock Received in the Merger, but Any Cash Received in the Merger May be Taxed (Page [ ]).

Wilber and Community Bank System expect that Wilber shareholders will not recognize any gain or loss for U.S. Federal income tax purposes in the Merger, except for those who receive cash, whether as entire or partial merger consideration, or for fractional shares of Community Bank System common stock. Tax matters are complicated, and tax consequences of the Merger may vary among Wilber shareholders depending on their election and specific situations. You are urged to consult your own tax advisor to fully understand how the Merger will affect you.

Austin Associates, an Independent Financial Advisor, Says that the Merger Consideration is Fair from a Financial Point of View (Page [ ]).

Austin Associates, an independent financial advisor, rendered an opinion to the Board of Directors of Wilber, dated October 22, 2010, that the merger consideration was fair from a financial point of view to the shareholders of Wilber. This opinion is attached as Annex B to this document. You should read it carefully.

Share Information and Market Price (Page [ ]).

Community Bank System common stock is traded on the NYSE under the symbol "CBU." Wilber common stock is traded on the NYSE Amex (formerly the American Stock Exchange) under the symbol "GIW." The following table shows the closing or last sale prices of Community Bank System common stock and Wilber common stock on October 21, 2010 and [ ], 2011. October 21, 2010 is the last full trading day prior to the announcement of the signing of the Merger Agreement. [ ], 2011 was the last practicable trading day for which information was available prior to the date of this document. The equivalent price per share of Wilber common stock is determined by multiplying the closing price of Community Bank System common stock by the assumed exchange ratio. As described above, the exchange ratio may be adjusted, depending on the market price of Community Bank System common stock during a specified period before the Merger. You will need to multiply the closing price of Community Bank System common stock by the actual exchange ratio to obtain an equivalent price per share of Wilber common stock.

	Community Bank ____System____	Wilber Equivalent Market Value Per Share	
Closing or Last Sale Prices Per Share on:	Historical	Historical	Share
October 21, 2010. . . . .	\$23.37	\$6.11	\$9.50
.....			
[ ], 2011 . . . . .	\$[ ]	\$[ ]	\$[ ]
.....			

The market prices of both Community Bank System common stock and Wilber common stock will fluctuate before the Merger. Wilber and Community Bank System encourage you to obtain current market prices.

Information about the Companies (Page [ ]).

Community Bank System, Inc.  
5790 Widewaters Parkway  
DeWitt, New York 13214  
(315) 445-2282

Community Bank System is a bank holding company operating Community Bank, which currently has 147 customer facilities and 135 ATMs in 28 counties in Upstate New York: Allegany, Clinton, Hamilton, Essex, St. Lawrence, Jefferson, Lewis, Oneida, Cayuga, Seneca, Ontario, Oswego, Wayne, Yates, Cattaraugus, Tioga, Tompkins, Steuben,

Chautauqua, Franklin, Herkimer, Erie, Livingston, Chemung, Schuylers, Washington, Warren, and Onondaga, and five counties in Northern Pennsylvania: Bradford, Lackawanna, Luzerne, Susquehanna and Wyoming. Community Bank and its subsidiaries offer a broad range of commercial banking, trust, pension administration, investment and financial services to business, individual, agricultural and government customers.

Community Bank is Community Bank System's principal operating subsidiary. At September 30, 2010, Community Bank System had on a consolidated basis approximately \$5.5 billion in total assets, \$4.0 billion in total deposits, \$3.0 billion in total loans and shareholders' equity of \$616 million.

The Wilber Corporation  
245 Main Street  
Oneonta, New York 13820  
(607) 432-1700

Wilber is a financial holding company operating Wilber Bank. Wilber Bank is a bank operating 22 banking offices and 20 ATMs in Broome, Otsego, Delaware, Schoharie, Chenango, Saratoga, Ulster and Onondaga Counties. Wilber National Bank offers a broad range of commercial banking and trust services to individuals and small to medium-sized businesses in its market area.

Wilber National Bank is Wilber's principal operating subsidiary. At September 30, 2010, Wilber had on a consolidated basis approximately \$906.63 million in assets, \$753.40 million in total deposits, \$540.44 million in total loans and shareholders' equity of \$77.62 million.

The Special Meeting will be held on [ ], 2011 (Page [ ]).

A special meeting of the Wilber shareholders will be held at [ ], at [ ].m., Eastern time, on [ ], 2011. At the special meeting, shareholders of Wilber will vote on a proposal to adopt and approve the Merger Agreement.

Record Date for the Special Meeting is [ ], 2011; Each Share will Entitle You to One Vote on the Merger (Page \_\_\_).

You are entitled to vote at the special meeting if you owned shares of Wilber common stock on the record date of [ ], 2011. As of that date, there were [ ] shares of Wilber common stock issued and outstanding held by approximately [ ] holders of record. Each share of Wilber common stock entitles its holder to one vote on any matter that may properly come before the special meeting, including the proposal to approve the Merger Agreement.

Merger Approval Requires Affirmative Vote of Two-Thirds (2/3) of Outstanding Common Shares (Page [ ]).

The approval of the Merger Agreement requires the affirmative vote of the holders of two-thirds (2/3) of the outstanding shares of Wilber common stock. Abstentions would have the same effect as a vote against the Merger Agreement.

Wilber and Community Bank System Expect Directors and Executive Officers of Wilber to Vote Their Shares in Favor of Approving the Merger (Page [ ]).

On the record date set for the Wilber special meeting, the executive officers and Directors of Wilber, including certain related parties, had voting power with respect to an aggregate of [ ] shares of Wilber common stock, or approximately [ ]% of the shares of the Wilber common stock then outstanding. Each director and executive officer of Wilber executed an agreement which commits him or her to vote in favor of the Merger Agreement all of the shares of Wilber common stock that he or she is entitled to vote.



Wilber's Board of Directors has unanimously approved the Merger Agreement, and recommends a vote FOR approval of the Merger Agreement. Wilber shareholders should refer to the reasons that their Board of Directors considered in determining whether to adopt and approve the Merger Agreement on pages [ ] through [ ].

Terms of the Merger Agreement (Page [ ]).

The Merger Agreement is attached to this document as Annex A. You are encouraged to read the Merger Agreement in its entirety. It is the legal document that governs the Merger and your rights in it. You are also encouraged to read the risk factors beginning on page [ ].

**General.** The Merger Agreement provides that Wilber will merge with and into Community Bank System, with Community Bank System continuing as the surviving corporation. Following the Merger, Wilber Bank will merge with and into Community Bank, with Community Bank being the continuing bank.

**Merger Consideration.** If the Merger is completed, you will receive either cash, shares of Community Bank System common stock, or a combination of cash and stock. In the Merger, in exchange for each share of Wilber common stock you own, Community Bank System will pay \$9.50 in cash, and/or issue a number of shares of Community Bank System based upon an exchange ratio that is calculated using the market price of Community Bank System common stock during a specified period before the Merger. You are entitled to elect the form of merger consideration, but your election is subject to certain allocation procedures. As a result, you may not necessarily receive the form of merger consideration you selected with respect to all of your shares.

**Completion of the Merger.** The Merger will become effective on the date and at the time that Wilber and Community Bank System file a certificate or articles of merger with each of the Delaware Secretary of State and the New York Secretary of State.

**Conditions to the Merger.** The completion of the Merger depends upon the satisfaction of a number of conditions, including:

the SEC declares effective the registration statement covering the Community Bank System common stock to be issued in the Merger, and the registration statement is not the subject of any stop order or proceeding seeking a stop order;

Wilber shareholders approve the Merger Agreement by the affirmative vote of at least two-thirds of the shares outstanding at the special meeting;

Community Bank System and Wilber receive all approvals or consents required by law from any applicable governmental agency, and all applicable notice or waiting periods have expired;

no court or regulatory actions, nor any judgments, orders, decrees or injunctions, have been instituted or issued by any governmental authority, court, or administrative agency preventing or seeking to prevent the consummation of the Merger;

the representations and warranties made by Community Bank System and Wilber in the Merger Agreement shall continue to be true and accurate as of the effective time of the Merger;

the New York Stock Exchange lists the Community Bank System common stock to be issued in the Merger, subject to official notification of issuance;

Hinman, Howard & Kattell, LLP, Wilber's outside legal counsel, delivers an opinion to Wilber, to the effect that the Merger will qualify as a tax-free reorganization under Section 368 of the Internal Revenue Code; and

Austin Associates delivers an updated written fairness opinion to Wilber dated as of the date of this document.





Unless prohibited by law, either Wilber or Community Bank System could elect to waive a condition designed for the benefit of the waiving party that has not been satisfied and complete the Merger anyway.

**Fees and Expenses; Termination Fee.** Wilber and Community Bank System will each pay its own expenses in connection with the Merger, except that the parties will share equally all filing fees paid to the SEC in connection with the registration statement for the Merger, and all costs associated with the printing and mailing of this document. If, however, the Merger Agreement is terminated under certain circumstances, Wilber must pay a termination fee of \$4,000,000 plus all out-of-pocket expenses incurred by Community Bank System and its subsidiaries in connection with the transactions contemplated by the Merger Agreement, up to a maximum of \$500,000 in the aggregate. Generally, the termination fee and expenses will become payable in connection with a competing third party offer to acquire Wilber or a material portion of its stock or assets.

**Termination.** Either of Wilber or Community Bank System may call off the Merger under certain circumstances, including if:

- both parties consent in writing to the termination;
- the Merger is not completed before May 31, 2011, unless the Merger was not completed principally because the party seeking to terminate breached a covenant or obligation of the Merger Agreement;
- Wilber and Community Bank System are not able to obtain required governmental approvals, after all appeals and requests for reconsideration have been exhausted;
  - any governmental entity issues a final and non-appealable order to prohibit the completion of the Merger;
  - Wilber shareholders do not approve the Merger Agreement at the special meeting;
- the other party materially breaches, and does not cure within 30 days, any of the representations, warranties or covenants it has made under the Merger Agreement, and the breach entitles the non-breaching party to not complete the Merger;
- the Wilber Board of Directors fails to recommend, or withdraws its approval of, the Merger, or fails to include its recommendation in the registration statement;
- Wilber's Board of Directors recommends to Wilber shareholders a "Superior Proposal," as defined in the Merger Agreement, or Wilber signs a letter of intent, definitive agreement or similar document with respect of a Superior Proposal, provided that Wilber may not terminate the Merger Agreement under this provision unless it has complied with the specified procedures set forth in the Merger Agreement.

In addition, Community Bank System may call off the Merger under certain circumstances, including if:

- Wilber's delinquent loans (as more fully described on page [ ]) exceed \$32.160 million. At January 31, 2011, Wilber had \$34.8 million in delinquent loans. This amount includes a \$6.2 million loan to borrower that was 31 days past due on January 31, 2011, due to administrative delays in processing payments. The borrower brought the loan current on February 1, 2011. Under the Merger Agreement, the \$34.8 million in delinquent loans on January 31, 2011 was an amount which would permit Community Bank System to cancel the Merger. However, Community Bank System has waived this occurrence but the condition remains operative as a continuing closing condition;
- Wilber's Board of Directors withdraws, modifies or changes its approval or recommendation of the Merger Agreement in a manner adverse to Community Bank System;
- Wilber fails to send its shareholders, within 10 business days of the commencement of a tender or exchange offer in respect of the Wilber common stock, a statement that the Wilber Board of Directors recommends rejection of the tender or exchange offer; or
- Wilber fails to issue a press release announcing its Board's opposition to a publicly announced Takeover Proposal (as defined in the Merger Agreement) within three business days of Community Bank System's request to do so.



In the event that the conditions to close the Merger are not satisfied, or waived, Community Bank System can terminate the Merger Agreement without completing the Merger, even if the shareholders of Wilber have already voted to approve the Merger Agreement.

Financial Interests of Wilber Management in the Merger (Page [ ]).

In considering the recommendation of the Wilber Board of Directors, you should be aware that certain of the Directors and executive officers of Wilber have financial interests in the Merger that are different from, and may conflict with, interests of other Wilber shareholders. These interests include: (1) payments of director fees to the two Wilber Directors, Brian R. Wright and Alfred S. Whittet, who will serve on Community Bank System's and Community Bank's Boards of Directors following the consummation of the Merger, (2) payments of advisory board fees to the remaining Wilber Directors who will not be appointed to serve on Community Bank System's Board but will serve on an advisory board, and (3) certain retention bonus payments that may be subject to approval by Wilber Bank's regulators. These interests are described in more detail in the section of this proxy statement/prospectus entitled "The Merger — Interests of Wilber's Directors and Executive Officers in the Merger" beginning on page [ ]. The Wilber Board knew about these interests and determined that they did not affect the benefits to Wilber shareholders of the Merger.

Directors of Community Bank System and Community Bank Following the Merger (Page [ ]).

If the Merger is completed, two of Wilber's Directors, Brian R. Wright and Alfred S. Whittet, will be appointed to serve as members of Community Bank System's Board of Directors, in addition to the 14 current Directors of Community Bank System. These two new Directors of Community Bank System will also be appointed to serve on the Board of Directors of Community Bank. In addition, Community Bank System has also agreed to nominate the two designees of Wilber on the Board of Directors of Community Bank System at the 2011 Annual Meeting and to recommend that Community Bank System shareholders vote in favor of their reelection.

Wilber and Community Bank System Must Obtain Regulatory Approvals to Complete the Merger (Page [ ]).

Community Bank System must make filings with or obtain approvals from certain regulatory authorities to effect the Merger. In addition, before Wilber and Community Bank System can complete the Merger, they will make all filings and obtain all regulatory approvals required for the merger of their banking subsidiaries, Community Bank and Wilber Bank. These include the approvals of the Federal Reserve Board and the Office of the Comptroller of the Currency (the "OCC"). In addition, Community Bank System must apply to list the common stock to be issued in the Merger with the NYSE.

There are Differences in Shareholder Rights (Page [ ]).

The rights of Wilber shareholders as such are currently governed by New York law and Wilber's certificate of incorporation and bylaws. If the Merger is completed, certain Wilber shareholders will become shareholders of Community Bank System and their rights will be governed by Delaware law and Community Bank System's certificate of incorporation and bylaws. There are certain differences in the rights of shareholders of the two companies. These differences are described in more detail in the section of this proxy statement/prospectus entitled "Comparison of Rights of Holders of Wilber Common Stock and Community Bank System Common Stock" beginning on page [ ].

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## SELECTED HISTORICAL FINANCIAL DATA

The following information is provided to assist you in analyzing the financial aspects of the Merger. This information shows selected historical consolidated financial data for Community Bank System and Wilber. Community Bank System and Wilber has derived this information from each company's audited consolidated financial statements for the years ended December 31, 2005 through 2009, and its unaudited financial statements for the nine months ended September 30, 2009 and 2010. The information is only a summary and should be read in conjunction with each company's financial statements and related notes and management's discussions and analysis contained in the annual, quarterly and other reports filed with the SEC. For information on how to obtain these reports filed by each company, please refer to "Where You Can Find More Information" on page [ ].

Community Bank System, Inc.  
Selected Historical Financial Data

	Nine Months ended September 30, (Unaudited)		Years ended December 31,				
	2010	2009	2009	2008	2007	2006	2005
(in thousands, except share and per share data)							
Summarized							
Income Statement Data:							
Loan interest income	\$134,618	\$138,992	\$185,119	\$186,833	\$186,784	\$167,113	\$147,608
Investment interest income	51,654	47,950	63,663	64,026	69,453	64,788	71,836
Interest expense	50,721	64,390	83,282	102,352	120,263	97,092	75,572
Net interest income	135,551	122,552	165,500	148,507	135,974	134,809	143,872
Provision for loan losses	5,270	7,200	9,790	6,730	2,004	6,585	8,534
Noninterest income	67,009	61,811	83,528	73,244	63,260	51,679	48,401
Gain (loss) on investment securities & early retirement of long-term borrowings	---	7	7	230	(9,974)	(2,403)	12,195
Special charges/acquisition expenses	---	---	1,716	1,399	382	647	2,943
Noninterest expenses	132,765	135,995	184,462	157,163	141,692	126,556	124,446
Income before income taxes	64,525	41,175	53,067	56,689	45,182	50,297	68,545
Net income	\$47,426	\$32,075	\$41,445	\$45,940	\$42,891	\$38,377	\$50,805
Balance Sheet Data:							
Cash equivalents	\$66,621	\$245,200	\$257,812	\$112,181	\$4,533	\$104,231	\$5,039
Investment securities	1,769,149	1,497,826	1,487,127	1,395,011	1,391,872	1,229,271	1,303,117
Loans, net of unearned discount	3,080,397	3,087,093	3,099,485	3,136,140	2,821,055	2,701,558	2,411,769
Allowance for loan losses	(42,610)	(41,072)	(41,910)	(39,575)	(36,427)	(36,313)	(32,581)
Intangible assets	312,686	322,661	317,671	328,624	256,216	246,136	224,878
Total assets	5,496,217	5,378,095	5,402,813	5,174,552	4,697,502	4,497,797	4,152,529
Deposits	3,966,335	3,888,245	3,924,486	3,700,812	3,228,464	3,168,299	2,983,507
Borrowings	831,526	858,435	856,778	862,533	929,328	805,495	653,090
Shareholders' equity	615,800	565,900	565,697	544,651	478,784	461,528	457,595
Capital and Related Ratios:							
	\$0.70	\$0.66	\$0.88	\$0.86	\$0.82	\$0.78	\$0.74

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Cash dividend declared per share							
Book value per share	18.57	17.28	17.25	16.69	16.16	15.37	15.28
Tangible book value per share	9.74	7.99	8.09	6.62	7.51	7.17	7.77
Market capitalization (in millions)	763	598	633	796	589	690	676
Tier 1 leverage ratio	7.99%	7.27%	7.39%	7.22%	7.77%	8.81%	7.57%
Total risk-based capital to risk-adjusted assets	14.13%	13.29%	13.46%	12.53%	14.05%	15.47%	13.64%
Tangible equity to tangible assets(2)	6.21%	5.15%	5.20%	4.74%	5.01%	5.07%	5.93%
Dividend payout ratio	48.9%	67.4%	69.5%	57.3%	57.1%	60.7%	43.9%
Period end common shares outstanding	33,162	32,740	32,800	32,633	29,635	30,020	29,957
Diluted weighted-average shares outstanding	33,193	32,785	32,992	30,826	30,232	30,392	30,838

	Nine Months ended September 30, (Unaudited)						
	2010	2009	Years ended December 31,				2005
			2009	2008	2007	2006	
	(in thousands, except share and per share data)						
<b>Selected Performance Ratios:</b>							
Return on average assets	1.16%	0.81%	0.78%	0.97%	0.93%	0.90%	1.19%
Return on average equity	10.79%	7.77%	7.46%	9.23%	9.20%	8.36%	10.89%
Net interest margin	4.04%	3.78%	3.80%	3.82%	3.64%	3.91%	4.17%
Noninterest income/operating income (FTE)	31.3%	31.5%	31.6%	31.0%	26.1%	24.8%	27.7%
Efficiency ratio(1)	59.1%	64.7%	65.4%	62.7%	63.3%	59.9%	56.8%
<b>Asset Quality Ratios:</b>							
Allowance for loan losses/total loans	1.38%	1.33%	1.35%	1.26%	1.29%	1.34%	1.35%
Nonperforming loans/total loans	0.58%	0.57%	0.61%	0.40%	0.32%	0.47%	0.55%
Allowance for loan losses/nonperforming loans	238%	232%	222%	312%	410%	288%	245%
Net charge-offs/average loans	0.20%	0.25%	0.24%	0.20%	0.10%	0.24%	0.33%
Loan loss provision/net charge-offs	115%	126%	131%	117%	76%	108%	110%

(1) Efficiency ratio excludes intangible amortization, gain (loss) on investment securities & debt extinguishments, goodwill impairment, and special charges/acquisition expenses. The efficiency ratio is not a financial measurement required by accounting principles generally accepted in the United States of America. However, the efficiency ratio is used by management in its assessment of financial performance specifically as it relates to non-interest expense control and also believes such information is useful to investors in evaluating Company performance.

(2) The tangible equity to tangible asset ratio excludes goodwill and identifiable intangible assets. The ratio is not a financial measurement required by accounting principles generally accepted in the United States of America. However, management believes such information is useful to analyze the relative strength of the Company's capital position and is useful to investors in evaluating Company performance.

Wilber  
Selected Historical Financial Data

Nine Months  
ended  
September 30,  
(Unaudited)                      Years ended December 31,  
2010    2009    2009    2008    2007    2006    2005  
(in thousands, except share and per share data)

## Summarized

## Income Statement Data:

Interest and Dividend Income	\$32,268	\$35,390	\$46,838	\$46,392	\$46,030	\$43,341	\$40,310
Interest Expense	8,697	11,564	14,502	19,958	21,474	18,360	14,930
Net Interest Income	23,571	23,826	32,336	26,434	24,556	24,981	25,380
Provision for Loan Losses	3,425	2,720	3,570	1,530	900	1,560	1,580
Net Interest Income After Provision for Loan Losses	20,146	21,106	28,766	24,904	23,656	23,421	23,800
Noninterest Income (Excl. Investment Securities Gains, Net)	4,119	4,033	5,484	6,227	6,956	5,455	5,156
Investment Securities Gains, Net	3,619	2,622	3,850	82	80	514	469
Noninterest Expense	20,782	20,616	28,110	23,724	20,857	20,032	18,966
Income Before Provision for Income Taxes	7,174	7,145	9,990	7,489	9,835	9,358	10,459
Provision for Income Taxes	1,909	1,745	2,589	1,673	2,128	2,206	2,715
Net Income	\$5,265	\$5,400	\$7,401	\$5,816	\$7,707	\$7,152	\$7,744

## Per Common Share:

Earnings (Basic)	\$0.49	\$0.51	\$0.70	\$0.55	\$0.73	\$0.66	\$0.69
Cash Dividends	0.18	0.215	0.275	0.380	0.380	0.380	0.380
Book Value	7.29	6.82	6.82	6.42	6.61	5.99	6.08
Tangible Book Value (1)	6.86	6.38	6.39	5.97	6.13	5.52	5.61

## Consolidated Period-End

## Balance Sheet Data:

Total Assets	\$906,905	\$916,137	\$906,577	\$924,874	\$793,680	\$761,981	\$752,728
Securities Available-for-Sale	219,196	192,334	173,302	216,744	237,274	228,959	235,097
Securities Held-to-Maturity	59,995	69,570	69,391	44,454	52,202	62,358	54,939
Gross Loans	540,439	597,248	587,237	583,861	445,105	406,920	404,958
Allowance for Loan Losses	10,056	9,162	8,622	7,564	6,977	6,680	6,640
Deposits	752,973	759,031	753,740	765,873	657,494	629,044	604,958
Long-Term Borrowings	57,246	56,716	60,627	59,970	41,538	42,204	52,472
Short-Term Borrowings	13,290	19,932	12,650	21,428	15,786	18,459	19,357
Shareholders' Equity	78,184	71,842	72,919	67,459	69,399	63,332	67,717

## Selected Key Ratios:

Return on Average Assets	0.76%	0.77%	0.79%	0.67%	0.99%	0.95%	1.02%
Return on Average Equity	9.31%	10.54%	10.63%	8.35%	11.84%	11.20%	11.40%



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Net Interest Margin (tax-equivalent)	3.69%	3.69%	3.77%	3.46%	3.62%	3.81%	3.82%
Efficiency Ratio (2)	72.63%	70.90%	71.25%	68.42%	61.76%	61.14%	57.67%
Dividend Payout	36.73%	42.16%	39.29%	69.09%	52.05%	57.58%	55.07%

Asset Quality:

Nonperforming Loans (3)	\$23,736	\$12,108	\$12,880	\$7,211	\$6,136	\$2,529	\$4,918
Nonperforming Assets (4)	25,442	12,340	14,564	7,369	6,383	2,632	4,938
Net Loan Charge-Offs to Average Loans	0.47%	0.25%	0.42%	0.19%	0.14%	0.38%	0.30%

Nine Months  
 ended  
 September 30,  
 (Unaudited)  
 2010    2009    2009    2008    2007    2006    2005  
 Years ended December  
 31,  
 (in thousands, except share and per share  
 data)

Allowance for Loan Losses to Period-End Loans	1.86%	1.53%	1.47%	1.30%	1.57%	1.64%	1.64%
Allowance for Loan Losses to Nonperforming Loans	42%	76%	67%	105%	114%	264%	135%
Nonperforming Loans to Period-End Loans	4.39%	2.03%	2.19%	1.24%	1.38%	0.62%	1.21%

- (1) Tangible book value numbers exclude goodwill and intangible assets associated with prior business combinations.
- (2) The efficiency ratio is calculated by dividing total noninterest expense less amortization of intangibles and other real estate expense by tax-equivalent net interest income plus noninterest income other than securities gains and losses.
- (3) Nonperforming loans include nonaccrual loans, troubled debt restructured loans and accruing loans 90 days or more delinquent.
- (4) Nonperforming assets include nonperforming loans and OREO properties acquired through insubstance foreclosure, voluntary deed transfer, legal foreclosure or similar proceedings. Excludes properties acquired by the Company for its own development.

## COMPARATIVE UNAUDITED PER SHARE DATA

The following table summarizes information, for the periods indicated, about Community Bank System's and Wilber's historical basic earnings per share, diluted earnings per share, dividends per share and book value per share, prepared using the acquisition method of accounting. The pro forma and pro forma per equivalent share information give effect to the Merger as if the Merger had been effective on the date presented in the case of the book value data, and as if the Merger had been effective as of January 1, 2009 in the case of the earnings per share and the cash dividends data. The pro forma information assumes that 80% of the outstanding shares of Wilber common stock will be exchanged for shares of Community Bank System common stock in the Merger. As described elsewhere in this document, the exchange ratio may be adjusted, depending on the market price of Community Bank System common stock during a specified period before the Merger.

The pro forma information, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not reflect the impact of factors that may result as a consequence of the Merger or consider any potential impacts of current market conditions or the Merger on revenues, expense efficiencies, asset dispositions, and share repurchases, among other factors, nor the impact of possible business model changes. As a result, the pro forma results are not necessarily indicative of what would have occurred had the acquisition taken place on the assumed dates, nor do they represent an attempt to predict or suggest future results. You should read the information in the following table in conjunction with the historical financial information and related notes contained in the annual, quarterly and other reports filed by Community Bank System or Wilber with the SEC. For information on how to obtain the reports filed by Community Bank System or Wilber, please refer to "Where You Can Find More Information" on page [ ]. You should not rely on the pro forma information as being indicative of the results that Community Bank System will achieve in the Merger.

Per Common Share Data:	Historical		Pro Forma	
	Community Bank System	Wilber	Combined Company (1)(2)(3)	Wilber Equivalent
<b>Basic Earnings</b>				
For the nine months ended September 30, 2010	\$1.43	\$0.49	\$1.45	\$0.13
For the year ended December 31, 2009	\$1.26	\$0.70	\$1.36	\$0.12
<b>Diluted Earnings</b>				
For the nine months ended September 30, 2010	\$1.42	\$0.49	\$1.44	\$0.13
For the year ended December 31, 2009	\$1.26	\$0.70	\$1.35	\$0.12
<b>Cash Dividends</b>				
For the nine months ended September 30, 2010	\$0.70	\$0.18	\$0.70	\$0.06
For the year ended December 31, 2009	\$0.88	\$0.28	\$0.88	\$0.08
<b>Book Value</b>				
As of nine months ended September 30, 2010	\$18.57	\$7.29	\$19.17	\$1.69
As of year ended December 31, 2009	\$17.25	\$6.82	\$17.97	\$1.60

(1) The pro forma combined basic earnings and diluted earnings of Community Bank System common stock is based on the pro forma combined net income for Community Bank System and Wilber divided by total pro forma common shares or diluted common shares of the combined entities. The pro forma information includes adjustments related to the fair value of assets and liabilities and is subject to adjustment as additional information becomes available and as additional analyses are performed. The pro forma information does not include transactional costs or anticipated cost savings or adjustments related to the fair value of assets and liabilities.

(2) The pro forma combined book value of Community Bank System common stock is based on the pro forma combined common stockholders' equity of Community Bank System and Wilber divided by total pro forma common shares of the combined entities. The pro forma information does not include transactional costs or anticipated cost savings or adjustments related to the fair value of assets and liabilities.

(3) Cash dividend amounts are the same as historical because no change in dividend policy is expected as a result of the Merger.

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## RISK FACTORS

In addition to the other information included in this document, you should consider the matters described below carefully in determining whether to approve the Merger Agreement.

### Risks Related to the Merger

The value of the Community Bank System common stock you receive in the Merger may vary.

If you elect to receive shares of Community Bank System common stock in the Merger, or if you receive shares of Community Bank System common stock in the Merger as a result of the allocation procedure, an appropriate number of shares of Wilber common stock you own will be automatically converted into shares of Community Bank System common stock based upon the exchange ratio. The exchange ratio is a floating exchange ratio if the average closing sale price of Community Bank System common stock over 10 trading days is equal to or greater than \$19.71 per share, or equal to or less than \$25.35 per share, based upon the quotient (rounded to the nearest one-thousandth) obtained by dividing \$9.50 by the average market price for such period. If the average closing sale price of Community Bank System common stock over 10 trading days before the Merger is greater than \$25.35, the exchange ratio will be fixed at 0.3748 and if the average closing sale price is less than \$19.41 over 10 trading days before the Merger, the exchange ratio is fixed at 0.4820. As a result, the value of the shares of Community Bank System common stock that you will receive in the Merger will not be known at the time you make your election as to the form of merger consideration or at the time you vote on the approval of the Merger Agreement at the special meeting, and the value may go up or down as the market price of Community Bank System common stock fluctuates. Similarly, the value of Community Bank System common stock to be issued in the Merger may be more or less than the cash merger consideration of \$9.50 per share. The specific dollar value of Community Bank System common stock you receive upon completion of the Merger will depend on the market value of Community Bank System common stock at the time of completion of the Merger. The share price of Community Bank System common stock is by nature subject to the general price fluctuations in the market for publicly traded equity securities which has historically experienced some degree of volatility. Wilber and Community Bank System cannot predict the market price of Community Bank System common stock at any time before or after the completion of the Merger.

You may not receive the form of merger consideration that you elect, which could have an effect on your tax situation.

No more than 20% of the outstanding shares of Wilber common stock will be exchanged for cash and no more than 80% of the outstanding shares of Wilber common stock will be exchanged for Community Bank System common stock. Accordingly, unless you elect to receive a mixture of cash for 20% of your Wilber shares and Community Bank System common stock for 80% of your Wilber shares, or unless you have 100 or fewer shares of Wilber common stock and elect to receive only cash, you may not receive the form of consideration that you elect with respect to all shares of Wilber common stock you hold. There is a risk that you will receive a portion of the merger consideration in the form that you do not elect that could result in, among other things, tax consequences that differ from those that would have resulted had you received the form of consideration you elected, including with respect to the recognition of taxable gain to the extent cash is received.

Wilber will be subject to business uncertainties and contractual restrictions while the Merger is pending.

Uncertainty about the effect of the Merger on employees and customers may have an adverse effect on Wilber and consequently on Community Bank System. These uncertainties may impair Wilber's ability to attract, retain and motivate key personnel until the Merger is consummated, and could cause customers and others that deal with Wilber to seek to change existing business relationships with Wilber. Retention of certain employees by Wilber may be challenging while the Merger is pending, as certain employees may experience uncertainty about their future roles with Community Bank System. If key employees depart because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with Community Bank System, Community Bank System's business following the Merger could be harmed. In addition, the Merger Agreement restricts Wilber from operating its business other than in the ordinary course, and prohibits it from taking specified actions until the Merger occurs without the consent of Community Bank System. These restrictions may prevent Wilber from pursuing business opportunities that may arise prior to the completion of the Merger. Please see the section entitled "The Merger Agreement — Conduct of Business Prior to Completion of the Merger; Covenants" commencing on page [ ] of this proxy statement/prospectus for a description of the restrictive covenants applicable to Wilber.

The fairness opinion obtained by Wilber will not reflect changes in circumstances subsequent to the date of the fairness opinion.

Austin Associates delivered to the Board of Directors of Wilber its opinion dated as of October 22, 2010 and has updated it as of the date of this proxy statement/prospectus. The opinion of Austin Associates states that as of the date of this proxy statement/prospectus, and based upon and subject to the factors and assumptions set forth therein, the merger consideration to be paid to the holders of the outstanding shares of Wilber common stock pursuant to the Merger Agreement was fair from a financial point of view to such holders. Changes in the operations and prospects of Wilber or Community Bank System, general market and economic conditions and other factors that may be beyond the control of Wilber or Community Bank System, and on which Austin Associates' opinions were based, may significantly alter the value of Wilber or the prices of shares of Community Bank System common stock or Wilber common stock by the time the Merger is completed. The opinion does not speak as of the time the Merger will be completed or as of any date other than the date of such opinion. Wilber's Board of Directors' recommendation that Wilber common shareholders vote "FOR" adoption of the Merger Agreement, however, is made as of the date of this proxy statement/prospectus. For a description of the opinion that Wilber received from Austin Associates, please refer to "The Merger — Opinion of Austin Associates," commencing on page [ ]. For a description of the other factors considered by Wilber's Board of Directors in determining to approve the Merger and the other transactions contemplated in the Merger Agreement, please refer to "The Merger — Background of the Merger," and "The Merger — Wilber's Reasons for the Merger; Recommendation of Wilber's Board of Directors," commencing on page [ ] and page [ ], respectively.

Community Bank System may fail to implement the Merger successfully, achieve savings and realize the other anticipated benefits from the Merger because of difficulties in integrating the two business operations.

The integration of our companies following the Merger will be complex and time-consuming and will present us with challenges. As a result, Community Bank System may not be able to operate the combined company as effectively as it expects, including any data conversion into Community Bank's core processing platform. Community Bank System may also fail to achieve the anticipated potential benefits of the Merger as quickly or as cost effectively as we anticipate or may not be able to achieve those benefits at all. Specifically, Community Bank System will face significant challenges integrating the two companies' organizations, procedures and operations in a timely and efficient manner and retaining key personnel. During the third quarter of 2010, Community Bank System converted its core loan, deposit and financial reporting information technology platform from an out-sourced, third-party provided system to an in-house, integrated solution. Although Community Bank System expects to benefit from the enhanced functionality and process efficiencies of the new system, the conversion continues to include meaningful execution risk. In addition, the management of Community Bank System will have to dedicate substantial effort to integrating our two companies and, therefore, its focus and resources may be diverted from other strategic opportunities and from operational matters.

In addition, certain employees of Wilber and Wilber Bank may not be employed after the Merger. Employees of Wilber and Wilber Bank that Community Bank System wishes to retain may elect to terminate their employment as a result of the Merger, which could delay or disrupt the integration process. It is possible that the integration process could result in the disruption of the ongoing business of Community Bank System and Community Bank following the Merger or cause inconsistencies in standards, controls, procedures and policies that adversely affect the ability of Community Bank System and Community Bank to maintain relationships with Wilber and Wilber Bank customers and employees or to achieve the anticipated benefits of the Merger.

Regulatory approvals may not be received, may take longer than expected or impose conditions that are not presently anticipated.

Before the Merger may be completed, Community Bank System must obtain various approvals or consents from the OCC, Federal Reserve Board and various bank regulatory and other authorities. These governmental entities, including the OCC, may not be received, may not be received in a timely fashion, may impose conditions on the completion of the Merger or require changes to the terms of the Merger Agreement or the manner in which Wilber or Community Bank System conducts its business. Although Community Bank System and Wilber do not currently expect that any such conditions or changes would be imposed, such conditions or changes may be imposed, and such conditions or changes could have the effect of delaying completion of the Merger or imposing additional costs on or limiting the revenues of Community Bank System, any of which might have a material adverse effect on Community Bank System following the Merger.

Some of the Directors and executive officers of Wilber may have interests and arrangements that may have influenced their decisions to support or recommend that you adopt the Merger Agreement.

The interests of some of the Directors and executive officers of Wilber may be different from those of other Wilber common shareholders, and Directors and officers of Wilber may be participants in arrangements that are different from, or in addition to, those of other Wilber common shareholders. These interests include: (1) payments of Director fees to the two Wilber Directors, Brian R. Wright and Alfred S. Whittet, who will serve on Community Bank System's and Community Bank's Boards of Directors following the consummation of the Merger (Directors of Community Bank System receive an annual retainer of \$25,000, \$1,250 for each Board meeting they attend, and \$1,000 for each committee meeting they attend), (2) payments of advisory board fees (retainer fee of \$5,000 per quarter) to the remaining Wilber Directors who will not be appointed to serve on Community Bank System's Board but will serve on an advisory board (which will advise Community Bank on the deposit, lending and financial services activities in Wilber's market area and generally work to ensure a smooth transition of business relationships and the continued



development of business relationships throughout Wilber’s market area), and (3) retention bonus payments, which are subject to the regulatory approvals described on page [ ], made to Joseph Sutaris, Executive Vice President and Chief Financial Officer (\$315,000 in payments), Jeffrey Lord, Regional President of the Southern Tier and Hudson Valley (\$157,500 in payments), and Robert Hayes, Regional President of the Capital District (\$142,500 in payments) to encourage such executive officers to remain with Wilber during the integration of the parties’ organizations, procedures and operations and completion of the Merger. These interests are described in more detail in the section of this proxy statement/prospectus entitled “The Merger — Interests of Wilber’s Directors and Executive Officers in the Merger” beginning on page [ ].

The shares of Community Bank System common stock to be received by Wilber common shareholders as a result of the Merger will have different rights from the shares of Wilber common stock they currently hold.

The rights associated with Wilber common stock are different from the rights associated with Community Bank System common stock. For example, Delaware law requires at least one-third of the shares entitled to vote on a matter to be present to establish a quorum and New York law requires at least a majority of the shares entitled to vote on a matter to be present to establish a quorum. See the section of this proxy statement/prospectus entitled “Comparison of Common Shareholder Rights” commencing on page [ ] for a more detailed description of the shareholder rights for each corporation.

The market price of Community Bank System common stock after the Merger may be affected by factors different from those affecting Wilber common stock or Community Bank System common stock currently.

The businesses of Community Bank System and Wilber differ in some respects and, accordingly, the results of operations of the combined company and the market price of Community Bank System’s shares of common stock after the Merger may be affected by factors different from those currently affecting the independent results of operations and market price of each of Community Bank System or Wilber. For a discussion of the businesses of Community Bank System and Wilber and of certain factors to consider in connection with those businesses, see the documents incorporated by reference into this proxy statement/prospectus and referred to under “Where You Can Find More Information” on page [ ].

Wilber common shareholders will have a reduced ownership and voting interest after the Merger and will exercise less influence over management of the combined organization.

Wilber’s common shareholders currently have the right to vote in the election of the Board of Directors of Wilber and on other matters affecting Wilber. Upon the completion of the Merger, each Wilber common shareholder who receives shares of Community Bank System common stock will become a shareholder of Community Bank System with a percentage ownership of the combined organization that is much smaller than the shareholder’s percentage ownership of Wilber. It is expected that the former common shareholders of Wilber as a group will receive shares in the Merger constituting less than [\_\_\_%] of the outstanding shares of Community Bank System common stock immediately after the Merger. Because of this, Wilber’s common shareholders will have significantly less influence on the management and policies of Community Bank System than they now have on the management and policies of Wilber.

Wilber shareholders who make elections may be unable to sell their shares in the market pending the Merger.

Wilber shareholders may elect to receive cash, stock or mixed consideration in the Merger by completing an election form to be mailed separately to each shareholder. Elections will require that shareholders making the election turn in their Wilber stock certificates. This means that during the time between when the election is made and the date the merger consideration is paid, Wilber shareholders will be unable to sell their Wilber common stock. Wilber shareholders can shorten the period during which they cannot sell their shares by delivering their election shortly before the election deadline. However, elections received after the election deadline will not be accepted or honored.

If the Merger is not consummated by May 31, 2011, either Community Bank System or Wilber may choose not to proceed with the Merger.

Either Community Bank System or Wilber may terminate the Merger Agreement if the Merger has not been completed by May 31, 2011, unless the failure of the Merger to be completed has resulted from the material failure of the party seeking to terminate the Merger Agreement to perform its obligations.

Two class action lawsuits have been filed against Wilber and the members of the Wilber Board of Directors, as well as Community Bank System, challenging the Merger, and an adverse judgment in such lawsuits may prevent the Merger from becoming effective or from becoming effective within the expected timeframe.

Wilber and the members of the Wilber Board of Directors are named as defendants in two purported class action lawsuits brought by certain Wilber shareholders challenging the Merger, seeking, among other things, to enjoin the defendants from consummating the Merger on the agreed-upon terms. Both complaints name Wilber, Wilber's Directors, and Community Bank System as defendants and allege that the Director Defendants breached their fiduciary duties by failing to maximize shareholder value in connection with the Merger and allege that Community Bank System aided and abetted those alleged breaches of fiduciary duty. The complaints allege that the Director Defendants improperly favored Community Bank System and discouraged alternative bids by agreeing to the Merger Agreement's non-solicitation provision and termination fee provision. Plaintiffs cite that pursuant to the Merger Agreement, Community Bank agreed to appoint two of Wilber's Directors to the Boards of Community Bank System and Community Bank, effective upon the closing of the Merger. Plaintiffs further cite that Community Bank System agreed to establish an advisory board of Community Bank, made up of the current Directors of Wilber. The complaints also cite that the Directors and officers of Wilber entered into voting agreements to vote their shares of Wilber common stock in favor of the Merger Agreement. The complaints allege that the consideration to be received by Wilber's common shareholders is inadequate and unfair. See "Litigation Relating to the Merger" for more information about the class action lawsuits related to the Merger that has been filed.

One of the conditions to the closing of the Merger is that no action has been instituted, pending or threatened in writing, nor any order, decree or injunction issued by a court or agency of competent jurisdiction that enjoins or prohibits the consummation of the Merger shall be in effect. As such, the fact that lawsuits have been instituted is grounds for either Wilber or Community Bank System to terminate the Merger Agreement and, if the plaintiffs are successful in obtaining an injunction prohibiting the defendants from consummating the Merger on the agreed upon terms, then such injunction may prevent the Merger from becoming effective, or from becoming effective within the expected timeframe, even if Wilber and Community Bank System waive this closing condition.

Termination of the Merger Agreement could negatively impact Wilber.

If the Merger Agreement is terminated, there may be various consequences. For example, if the Merger Agreement is terminated and Wilber's Board of Directors seeks another merger or business combination, Wilber shareholders cannot be certain that Wilber will be able to find a party willing to pay an equivalent or greater price than the price Community Bank System has agreed to pay in the Merger or that such party has the same level of experience in merger and acquisition transactions. In addition, Wilber's businesses could be impacted adversely by the failure to timely consummate the Merger, without realizing any of the anticipated benefits of completing the Merger, or the market price of Wilber common stock could decline to the extent that the current market price reflects a market assumption that the Merger will be completed. In addition, termination of the Merger Agreement would increase the possibility of downgrades by Wilber's credit rating agencies or adverse regulatory actions which could adversely affect Wilber's businesses and require Wilber to raise additional capital to comply with the OCC Formal Agreement described on page [ ]. Furthermore, if the Merger Agreement is terminated under certain circumstances, Wilber may

be required to pay a termination fee of \$4.0 million, plus expenses up to \$500,000, to Community Bank System. See “Termination; Termination Fee” beginning on page [ ].

The Merger Agreement limits Wilber's ability to pursue alternatives to the Merger.

The Merger Agreement contains "no-shop" provisions that, subject to limited exceptions, limit Wilber's ability to initiate, solicit, encourage or knowingly facilitate any inquiries or competing third-party proposals, or engage in any negotiations, or provide any confidential information, or have any discussions with any person relating to a proposal to acquire all or a significant part of Wilber. In addition, Wilber has agreed to pay Community Bank System a termination fee in the amount of \$4.0 million, plus expenses up to \$500,000, in the event that Community Bank System terminates the Merger Agreement for certain reasons. These provisions might discourage a potential competing acquiror that might have an interest in acquiring all or a significant part of Wilber from considering or proposing that acquisition even if it were prepared to pay consideration with a higher per share market price than that proposed in the Merger, or might result in a potential competing acquiror proposing to pay a lower per share price to acquire Wilber than it might otherwise have proposed to pay. Until the Merger Agreement is adopted by Wilber's shareholders, Wilber can consider and participate in discussions and negotiations with respect to an alternative unsolicited bona fide acquisition proposal (subject to its obligation to pay a termination fee under certain circumstances) so long as the Wilber Board of Directors determines in good faith, after reasonable inquiry and consultation with its financial advisors, that failure to do so would result in a violation of its fiduciary duties to Wilber shareholders under New York law and that such alternative acquisition proposal constitutes a superior proposal or would reasonably be likely to result in a superior proposal. Wilber has agreed to keep Community Bank System apprised of developments, discussions and negotiations relating to any such acquisition proposal.

#### Risk Factors Related to Community Bank System

Community Bank System may pursue future acquisitions and investments that could adversely affect our business.

In the future, Community Bank System may continue to make acquisitions of and investments in businesses that could complement or expand our business. If Community Bank System identifies an acquisition candidate, it may not be able to successfully negotiate or finance the acquisition or integrate the acquired businesses into our existing business. To complete future acquisitions, Community Bank System may issue equity securities, incur debt, assume contingent liabilities or have amortization expenses and write-downs of acquired assets, which could cause our earnings per share to decline.

Changes in interest rates affect Community Bank System's profitability and assets.

Changes in prevailing interest rates may hurt Community Bank System's business. It derives its income mainly from the difference or "spread" between the interest earned on loans, securities and other interest-earning assets, and interest paid on deposits, borrowings and other interest-bearing liabilities. In general, the larger the spread, the more it earns. When market rates of interest change, the interest it receives on its assets and the interest it pays on its liabilities will fluctuate. This can cause decreases in Community Bank System's spread and can affect its income.

Changes in market interest rates could reduce the value of Community Bank System's financial assets. Fixed-rate investments, mortgage-backed and related securities and mortgage loans generally decrease in value as interest rates rise. In addition, interest rates affect how much money Community Bank System can lend. For example, when interest rates rise, loan originations tend to decrease.

If Community Bank System is unsuccessful in managing the effects of changes in interest rates, its financial condition and results of operations could suffer.

Regional economic factors may have an adverse impact on our business.

Substantially all of Community Bank System's business before the Merger is with customers in Upstate New York and Northeastern Pennsylvania. Following the Merger, an increased portion of our business will be with customers in Upstate New York. Most of our customers are individuals and small and medium-sized businesses which are dependent upon the regional economy. Adverse changes in economic and business conditions in our markets could adversely affect our borrowers, their ability to repay their loans and to borrow additional funds or buy financial services and products from us, and consequently our financial condition and performance.

Community Bank System faces strong competition from other banks and financial institutions which can hurt its business.

Community Bank System conducts its banking operations in a number of competitive local markets. In those markets, it competes against commercial banks, savings banks, savings and loans associations, credit unions, mortgage banks, brokerage firms, and other financial institutions. Many of these entities are larger organizations with significantly greater financial, management and other resources than Community Bank System has, and they offer the same or similar banking or financial services that it offers in its markets. Moreover, new and existing competitors may expand their business in or into Community Bank System's markets. Increased competition in its markets may result in a reduction in loans, deposits and other sources of its revenues. Ultimately, Community Bank System may not be able to compete successfully against current and future competitors.

Community Bank System depends on dividends from its banking subsidiary for cash revenues, but those dividends are subject to restrictions.

Community Bank System's ability to satisfy its obligations and pay cash dividends to its shareholders is primarily dependent on the earnings of and dividends from Community Bank, its subsidiary bank. However, payment of dividends by the bank subsidiary is limited by dividend restrictions and capital requirements imposed by bank regulations.

Community Bank System's ability to pay dividends is also subject to its continued payment of interest that it owes on certain subordinated junior debentures issued by Community Bank System in connection with trust preferred securities offerings. Community Bank System has the right to defer payment of interest on the subordinated junior debentures for a period not exceeding 20 quarters. If Community Bank System defers interest payments on the subordinated junior debentures, it will be prohibited, subject to certain exceptions, from paying cash dividends on its common stock until it pays all deferred interest and resume interest payments on the subordinated junior debentures. Community Bank has not, and does not presently expect, to defer such interest payments.



Anti-takeover provisions may prevent or discourage takeover attempts in which Community Bank System's shareholders may receive a premium.

After the Merger, certain Wilber shareholders will become shareholders of Community Bank System. Community Bank System's certificate of incorporation and by-laws contain provisions that could make it more difficult for a third party to acquire, or could discourage a third party from attempting to acquire, control of Community Bank System. These provisions allow Community Bank System's Board of Directors to issue, without shareholder approval (subject to rules of the New York Stock Exchange, if applicable), preferred stock with rights senior to those of its common stock and impose various procedural and non-procedural requirements that could make it more difficult to effect certain corporate actions. The certificate of incorporation of Community Bank System also provides for a classified or "staggered" Board of Directors, a supermajority vote requirement for Board and shareholder approval of certain business combination transactions and a prohibition against written consents in lieu of a shareholders' meeting.

The foregoing provisions are intended to avoid costly takeover battles and lessen Community Bank System's exposure to coercive takeover attempts at a unfair price, and are designed to maximize shareholder value in connection with unsolicited takeover attempts. The provisions, however, could reduce the premium that potential acquirors might be willing to pay in an acquisition, which may in turn reduce the market price that investors might be willing to pay in the future for shares of Community Bank System common stock.

Community Bank System operates in a highly regulated environment and may be adversely affected by changes in laws and regulations.

Currently, Community Bank System and its subsidiaries are subject to extensive regulation, supervision, and examination by regulatory authorities. For example, Community Bank System is regulated by the Federal Reserve Board and Community Bank is regulated by the Federal Deposit Insurance Corporation (the "FDIC") and the OCC. Such regulators govern the activities in which Community Bank System and its subsidiaries may engage. These regulatory authorities have extensive discretion in connection with their supervisory and enforcement activities, including the imposition of restrictions on the operation of a bank, the classification of assets by a bank, and the adequacy of a bank's allowance for credit losses. Any change in such regulation and oversight, whether in the form of regulatory policy, regulations, or legislation, could have a material impact on Community Bank System and its operations. Because Community Bank System's business is highly regulated, the laws, rules and applicable regulations are subject to regular modification and change. Proposed laws, rules and regulations, or any other law, rule or regulation, may be adopted in the future, which could make compliance more difficult or expensive or otherwise adversely affect Community Bank System's business, financial condition or prospects.

Recent legislation regarding the financial services industry may have a significant adverse effect on Community Bank System's operations.

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") was signed into law. The Dodd-Frank Act implements a variety of far-reaching changes and has been called the most sweeping reform of the financial services industry since the Great Depression. Many of the provisions of the Dodd-Frank Act will directly affect Community Bank System's ability to conduct its business, including:

- Imposition of higher prudential standards, including more stringent risk-based capital, leverage, liquidity and risk-management requirements, and numerous other requirements on "systemically significant institutions," currently defined to include, among other things, all bank holding companies with assets of at least \$50 billion (although neither Wilber nor Community Bank System fall within this definition of systemically significant institution, these standards may apply to their business);





- Mandates requiring the Federal Reserve Board to establish standards for determining whether interchange fees charged by certain financial institutions are reasonable and proportional to the costs incurred by such institution;
- Repeal of the federal prohibitions on the payment of interest on demand deposits, thereby permitting depository institutions to pay interest on business transaction and other accounts;
- Increase in the FDIC assessment for depository institutions with assets of \$10 billion or more and increases in the minimum reserve ratio for the Deposit Insurance Fund;
- Establishment of a consumer financial protection bureau with broad authority to implement new consumer protection regulations and, for bank holding companies with \$10 billion or more in assets, to examine and enforce compliance with federal consumer laws;
- Application to bank holding companies above \$15 billion in assets of regulatory capital requirements similar to those applied to banks, which requirements exclude, on a phase-out basis, all trust preferred securities and cumulative preferred securities from Tier 1 capital (except for preferred stock issued under the Troubled Asset Relief Program, which will continue to qualify as Tier 1 capital as long as it remains outstanding); and
- Establishment of new rules and restrictions regarding the origination of mortgages.

Many provisions in the Dodd-Frank Act remain subject to regulatory rule-making and implementation, the effects of which are not yet known, including mandates requiring the Federal Reserve Board to establish compensation guidelines covering regulated financial institutions. The provisions of the Dodd-Frank Act and any rules adopted to implement those provisions as well as any additional legislative or regulatory changes may impact the profitability of Community Bank System's business activities, may require that it changes certain of its business practices, may materially affect its business model or affect retention of key personnel, may require us to raise additional regulatory capital and could expose Community Bank System to additional costs (including increased compliance costs). These and other changes may also require us to invest significant management attention and resources to make any necessary changes and may adversely affect its ability to conduct its business as previously conducted or its results of operations or financial condition.

Community Bank System may be subject to more stringent capital requirements.

As discussed above, the Dodd-Frank Act would require the federal banking agencies to establish stricter risk-based capital requirements and leverage limits to apply to banks and bank holding companies. Under the legislation, the federal banking agencies would be required to develop capital requirements that address systemically risky activities. The capital rules must address, at a minimum, risks arising from significant volumes of activity in derivatives, securitized products, financial guarantees, securities borrowing and lending and repurchase agreements; concentrations in assets for which reported values are based on models; and concentrations in market share for any activity that would substantially disrupt financial markets if the institutions were forced to unexpectedly cease the activity. These requirements, and any other new regulations, could adversely affect Community Bank System's ability to pay dividends, or could require it to reduce business levels or to raise capital, including in ways that may adversely affect its results of operations or financial condition.

Increases to the allowance for credit losses may cause Community Bank System's earnings to decrease.

Community Bank System's customers may not repay their loans according to the original terms, and the collateral securing the payment of those loans may be insufficient to pay any remaining loan balance. Hence, Community Bank System may experience significant loan losses, which could have a material adverse effect on its operating results. Community Bank System makes various assumptions and judgments about the collectability of its loan portfolio, including the creditworthiness of its borrowers and the value of the real estate and other assets serving as collateral for the repayment of loans. In determining the amount of the allowance for credit losses, Community Bank System relies on loan quality reviews, past loss experience, and an evaluation of economic conditions, among other factors. If Community Bank System's assumptions prove to be incorrect, Community Bank System's allowance for credit losses may not be sufficient to cover losses inherent in Community Bank System's loan portfolio, resulting in additions to the allowance. Material additions to the allowance would materially decrease its net income.

Community Bank System's emphasis on the origination of commercial loans is one of the more significant factors in evaluating its allowance for credit losses. As Community Bank System continues to increase the amount of these loans, additional or increased provisions for credit losses may be necessary and as a result would decrease Community Bank System's earnings.

Bank regulators periodically review Community Bank System's allowance for credit losses and may require Community Bank System to increase its provision for credit losses or loan charge-offs. Any increase in Community Bank System's allowance for credit losses or loan charge-offs as required by these regulatory authorities could have a material adverse effect on its results of operations and/or financial condition.

Concentration of loans in Community Bank System's primary market area may increase risk.

Community Bank System's success depends primarily on the general economic conditions in Upstate New York and Northeastern Pennsylvania, as nearly all of Community Bank System's loans are to customers in these markets. Accordingly, the local economic conditions in Upstate New York and Northeastern Pennsylvania have a significant impact on the ability of borrowers to repay loans. In addition, the Merger will expand Community Bank System's market to additional counties in Upstate New York. As such, a decline in real estate valuations in this market would lower the value of the collateral securing those loans. A significant weakening in general economic conditions such as inflation, recession, unemployment, or other factors beyond its control could also negatively affect Community Bank System's financial results.

Community Bank System's expanding branch network may affect its financial performance.

Community Bank System has expanded its branch network both by acquiring financial institutions and establishing de novo branches. At September 30, 2010, Community Bank System operated 147 branches across Upstate New York and Northeast Pennsylvania. Upon completion, the Merger will add 22 branches in seven additional counties to Community Bank System's branch network. Community Bank System cannot assure that its ongoing branch expansion strategy will be accretive to earnings, or that it will be accretive to earnings within a reasonable period of time. Numerous factors contribute to the performance of a new branch, such as a suitable location, qualified personnel, and an effective marketing strategy. Additionally, it takes time for a new branch to gather sufficient loans and deposits to generate enough income to offset its expenses, some of which, like salaries and occupancy expense, are relatively fixed costs.



Any future FDIC insurance premiums may adversely affect Community Bank System's earnings.

Community Bank System is generally unable to control the amount of premiums that it is required to pay for FDIC insurance. If there are additional bank or financial institution failures, Community Bank System may be required to pay even higher FDIC premiums than the recently increased levels. These announced increases and any future increases or required prepayments of FDIC insurance premiums may adversely impact Community Bank System's earnings.

#### Risk Factors Related to Wilber

Commercial real estate and business loans increase the combined entity's exposure to credit risks.

At September 30, 2010, Wilber's portfolio of commercial real estate and business loans totaled \$293.788 million, or 54.22% of total loans. These types of loans generally expose the bank to a greater risk of nonpayment and loss than residential real estate loans because repayment of such loans often depends on the successful operations and income stream of the borrowers. Additionally, such loans typically involve larger loan balances to single borrowers or groups of related borrowers compared to residential real estate loans. Also, many of Wilber's borrowers have more than one commercial loan outstanding. Consequently, an adverse development with respect to one loan or one credit relationship can expose Wilber to a significantly greater risk of loss compared to an adverse development with respect to a residential real estate loan. Wilber targets its business lending and marketing strategy towards small to medium-sized businesses. These small to medium-sized businesses generally have fewer financial resources in terms of capital or borrowing capacity than larger entities. If general economic conditions negatively impact these businesses, Wilber's results of operations and financial condition may be adversely affected.

Wilber's asset quality may deteriorate prior to completion of the Merger.

Wilber's nonperforming assets were \$25.442 million at September 30, 2010 and \$24.492 million at June 30, 2010, compared to \$14.564 million at December 31, 2009. Nonperforming assets as a percentage of total assets were 2.80% at September 30, 2010 and 2.64% at June 30, 2010, compared to 1.61% at December 31, 2009 and 1.35% at September 30, 2009. Net charge-offs for the third quarter of 2010 were \$740,000, compared to \$246,000 in the same period of 2009. The allowance for credit losses increased to \$10.056 million at September 30, 2010, compared to \$8.622 million at December 31, 2009, and \$9.162 million at September 30, 2009. Should these adverse trends continue, they may have an adverse effect on Wilber's financial and capital positions, and may differ from Community Bank System's estimates thereof. The Merger Agreement provides that if delinquent loans (defined as (i) all loans with principal and/or interest that are 30-89 days past due, (ii) all loans with principal and/or interest that are at least 90 days past due and still accruing, (iii) all loans with principal and/or interest that are nonaccruing, (iv) loans which constitute troubled debt restructurings under Generally Accepted Accounting Principles or applicable law, (v) Other Real Estate Owned and (vi) net charge-offs from August 31, 2010 through the effective time of the Merger) exceed \$32.160 million then Community Bank System can terminate the Merger Agreement.

Wilber has entered into a Formal Written Agreement with the Office of the Comptroller of the Currency.

Wilber's primary regulator is the OCC. On October 13, 2010, Wilber Bank and the OCC entered into a Formal Written Agreement based on the findings of the OCC during their on-site examination of Wilber Bank as of March 22, 2010. Since the completion of the examination, the Board of Directors of Wilber Bank and its management have aggressively worked to address the findings of the OCC examination, and have already successfully implemented initiatives and strategies to address and resolve a number of the issues noted in the Formal Written Agreement. Wilber Bank continues to work in cooperation with its regulators to bring its policies and procedures into conformity with directives; however, there is no guarantee that the measures outlined in the Formal Written Agreement will have the intended results. See "Formal Agreement with the Office of the Comptroller of the Currency" on page [ ].

A WARNING ABOUT FORWARD-LOOKING INFORMATION

Wilber and Community Bank System have each made forward-looking statements in this document and in certain documents that are referred to in this document. These forward-looking statements are subject to risks and uncertainties. These statements are based on the beliefs and assumptions of each respective company's management, and on information currently available to that management. Forward-looking statements include statements preceded by, followed by or that include the words "will," "believes," "expects," "anticipates," "intends," "plans," "estimates" or expressions.

Although Wilber and Community Bank System believe these forward-looking statements are reasonable, you should not place undue reliance on the forward-looking statements, which are based on current expectations. Actual results may differ materially from those expressed in our forward-looking statements.

Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. The future results of Community Bank System following completion of the Merger may differ materially from those expressed in these forward-looking statements. You should note that many factors, some of which are discussed under "Risk Factors", may affect these results and are beyond our ability to control or predict. For those statements, Wilber and Community Bank System claim the protection of the safe harbor contained in the Private Securities Litigation Reform Act of 1995.

## THE COMPANIES

### Community Bank System

Community Bank System is a Delaware corporation registered as a bank holding company under the BHCA. Community Bank System was incorporated in April 1983. At September 30, 2010, Community Bank System had on a consolidated basis approximately \$5.5 billion in total assets, \$4.0 billion in total deposits, \$3.0 billion in total loans and shareholders' equity of \$616 million. Its common stock is publicly traded on the New York Stock Exchange under the symbol "CBU." Community Bank System, with its principal executive offices in DeWitt, New York, is the parent company of Community Bank.

Community Bank is a commercial banking franchise with 147 customer facilities and 135 ATMs stretching diagonally from Northern New York to the Southern Tier and west to Lake Erie, and in Northern Pennsylvania. Community Bank is a national bank and a member of the Federal Reserve System and the Federal Home Loan Bank System, and its deposits are insured by the FDIC, up to applicable limits.

Community Bank System's business strategy is to operate as a profitable, diversified financial services company providing a variety of banking and other financial services, with an emphasis on consumer and residential mortgage lending and commercial business loans to small and medium-sized businesses. As a result of consolidation of small to medium-sized financial institutions and the deemphasis on retail branch banking by larger bank holding companies in the markets Community Bank serves, it believes there is a significant opportunity for a community-focused bank to provide a full range of financial services to small and middle-market commercial and retail customers. Community Bank's branches are located in small towns and villages where competition is less intense. It emphasizes comprehensive retail and small business products and responsive, decentralized decision-making which reflects Community Bank's knowledge of its local markets and customers.

Through its subsidiaries, Community Bank System offers a wide range of commercial and retail banking and financial services to businesses, individuals, agricultural and government customers. Community Bank's account services include checking, interest-bearing checking, money market, savings, certificates of deposit and individual retirement accounts. It also offer residential and farm loans, business lines of credit, working capital facilities, inventory and dealer floor plans, as well as installment, commercial, term and student loans. Community Bank's lending focuses predominantly on consumer and small to medium-sized business borrowers, which enables its loan portfolio to be highly diversified. Because Community Bank believes that there is a significant potential market for financial services and products, it offers a full range of services to satisfy its customers' financial needs. In addition to traditional banking services and products, it offers personal trust, employee benefit trust, benefits administration and consulting, investment and insurance services to customers in our banking markets as well as in other parts of the country.

For additional information concerning the business of Community Bank System and its financial condition, results of operations and prospects, you should refer to the documents incorporated in this document by reference. See "Where You Can Find More Information" on page [ ].

### The Wilber Corporation

Wilber is a New York corporation that was originally incorporated in 1928. Wilber held and disposed of various real estate assets until 1974. In 1974, Wilber and its real estate assets were sold to Wilber Bank, a national bank established in 1874. Wilber's real estate assets were used to expand the banking house of Wilber Bank. Wilber was an inactive subsidiary of Wilber Bank until 1982. In 1983, under a plan of reorganization, Wilber was re-capitalized, acquired 100% of the voting stock of Wilber Bank, and registered as a bank holding company pursuant to the BHCA.





The business of Wilber consists primarily of the ownership, supervision, and control of Wilber Bank. Wilber Bank is chartered by the OCC, and its deposits are insured up to applicable limits by the FDIC. Wilber, through Wilber Bank and Wilber Bank's subsidiaries, offers a full range of commercial and consumer financial products, including business, municipal, and consumer loans, deposits, trust and investment services, and credit-related insurance products. Wilber Bank serves its customers through 22 full-service branch banking offices and two loan production offices located in eight counties in Central and Upstate New York, as well as an ATM network, and electronic / Internet banking services.

Wilber's and Wilber Bank's main office is located at 245 Main Street, Oneonta, New York, 13820. Wilber Bank employed 261 full-time equivalent employees at December 31, 2010. On September 30, 2010, the Company had \$907 million in assets, \$829 million in liabilities and \$78 million in shareholders' equity. Wilber Bank's website address, which also serves as Wilber's website address, is [www.wilberbank.com](http://www.wilberbank.com).

Wilber Bank's principal business is to act as a financial intermediary and lending institution in the Central New York communities it serves by obtaining funds through customer deposits and institutional borrowings, lending the proceeds of those funds to its customers, and investing excess funds in debt securities and short-term liquid investments. Its investment activities primarily consist of purchases of U.S. Treasury, U.S. Government Agency, and U.S. Government Sponsored Entities obligations, as well as municipal, mortgage-backed, and high quality corporate debt instruments. Wilber Bank also offers personal trust, agency, estate administration, and retirement planning services for individuals, as well as custodial and investment management services to institutions.

Wilber Bank's subsidiaries include Wilber REIT, Inc. and Western Catskill Realty, LLC. Wilber REIT, Inc. is wholly - owned by the bank and primarily holds mortgage-related assets. Western Catskill Realty, LLC is a wholly - owned real estate holding company, which primarily holds foreclosed and other real estate. In 2007, Wilber acquired Provantage Funding Corporation, a New York State licensed mortgage banking company based in Clifton Park, New York (Saratoga County). In 2008, Provantage Funding Corporation was merged into Wilber Bank and now operates as Provantage Home Loans ("Provantage"), a division of Wilber Bank.

For additional information concerning the business of Wilber and its financial condition, results of operations and prospects, you should refer to the documents Wilber has filed with the SEC. See "Where You Can Find More Information" on page [ ].

## RECENT DEVELOPMENTS

### Community Bank System

On January 24, 2011, Community Bank System reported fourth quarter 2010 net income of \$15.9 million, or \$0.47 per share, an increase of 70% over the \$9.4 million, or \$0.28 per share reported for the fourth quarter of 2009. Community Bank System's full year 2010 net income of \$63.3 million, or \$1.89 per share, which was an all-time record, was 50% higher than the \$1.26 per share reported in 2009. Community Bank System's continued focus on revenue growth, operating expense control, productive liquidity development, and excellent asset quality drove stronger operating results for the fourth quarter and all of 2010.

Wilber

On January 28, 2011, Wilber reported fourth quarter 2010 net income of \$1.059 million and earnings per share of \$0.10, as compared to \$2.001 million in net income and earnings per share of \$0.19 for the fourth quarter of 2009. This represents a \$942 thousand decrease in net income and a \$0.09 decrease in earnings per share between comparable quarters. The decrease in earnings for the quarterly period was primarily attributed to a decrease in net interest income.

For the year ended December 31, 2010, Wilber reported net income of \$6.324 million and earnings per share of \$0.59. This compares to \$7.401 million in net income and earnings per share of \$0.70 for the year ended December 31, 2009, a \$1.077 million decrease in net income and an \$0.11 decrease in earnings per share over comparable annual periods. The decrease in earnings over comparable annual periods was largely due to a decrease in net interest income. Wilber's management noted a moderate improvement in asset quality during the fourth quarter of 2010.

## SPECIAL MEETING OF WILBER SHAREHOLDERS

### General

Wilber will hold a special meeting of its shareholders on [ ], 2011 at [ ].m., Eastern time, at [ ]. At the special meeting, Wilber shareholders will vote upon a proposal to approve the Merger Agreement and the proposal to adjourn or postpone the special meeting of shareholders.

### Record Date; Voting Power

Holders of record of Wilber common stock at the close of business on [ ], 2011, may vote at the special meeting. This date is called a “record date.” As of the record date, there were [ ] issued and outstanding shares of Wilber common stock held by approximately [ ] holders of record. Wilber shareholders have one vote per share on any matter that may properly come before the special meeting. Brokers who hold shares of Wilber common stock as nominees will not have discretionary authority to vote these shares without instructions from the beneficial owners. Any shares of Wilber common stock for which a broker has submitted an executed proxy but for which the beneficial owner has not given instructions on voting to the broker are referred to as “broker non-votes.” These broker non-votes will have the same effect as a vote against the Merger Agreement.

### Vote Required

The presence in person or by proxy of the holders of a majority of the shares of Wilber common stock outstanding on the record date will constitute a quorum for the transaction of business at the special meeting. Wilber will count abstentions and broker non-votes for purposes of establishing the presence of a quorum at the special meeting. The approval of the proposal to approve the Merger Agreement requires the affirmative vote of the holders of two-thirds (2/3) of the outstanding shares of Wilber common stock at the special meeting. Broker non-votes and abstentions will have the effect of a vote against the proposal to approve the Merger Agreement.

On the record date, the executive officers and Directors of Wilber, including certain of their related parties, had voting power with respect to an aggregate of [ ] shares of Wilber common stock, or approximately [ ]% of the shares of Wilber common stock then outstanding. All of the Directors and executive officers of Wilber have agreed in writing to vote in favor of the approval of the Merger Agreement all of the shares of Wilber common stock that they are entitled to vote.

On the record date, to the knowledge of Community Bank System, its Directors and executive officers did not beneficially own any shares of Wilber common stock.

### Recommendation of the Wilber Board

The Board of Directors of Wilber has unanimously adopted and approved the Merger Agreement and the transactions contemplated by it. The Board believes that the Merger is fair to and in the best interests of the Wilber shareholders. It unanimously recommends that Wilber shareholders vote FOR approval of the Merger Agreement. You are also asked to vote FOR the proposal to adjourn or postpone the special meeting of shareholders. Wilber could use any adjournment or postponement for the purpose of allowing additional time to solicit proxies. See “Wilber’s Reasons for the Merger; Recommendation of Wilber’s Board of Directors” starting on page [ ].



### Solicitation and Revocation of Proxies

Wilber has enclosed a form of proxy with this document. Shares represented by a proxy will be voted at the special meeting as specified in the proxy. Proxies that are properly signed and dated but which do not have voting instructions will be voted by the proxy holders FOR the approval of the Merger Agreement, the proposal to adjourn or postpone the special meeting, and in the discretion of the proxy holders as to any other matter which may properly come before the special meeting.

Wilber and Community Bank System are asking you to vote by Internet, by telephone or by completing, dating and signing the accompanying proxy card and returning it promptly in the enclosed postage-paid envelope, whether or not you intend to attend the special meeting in person.

If you deliver a properly executed proxy, you may revoke the proxy at any time before it is exercised at the special meeting. You may revoke your proxy by:

- filing with Secretary of Wilber prior to the special meeting, at Wilber's principal executive offices, either a written revocation of the proxy or a duly executed proxy containing a later date;
- submitting a new vote by telephone or on the Internet before the special meeting; or
- attending the special meeting and voting in person. Being present at the special meeting, by itself, will not revoke the proxy. You must vote in person if you wish to revoke the proxy.

If you shares are held in street name, you should follow the instructions from your broker regarding voting and revocation of proxies.

Wilber will bear the cost of solicitation of proxies. Wilber and Community Bank System will share equally the cost of printing and mailing this document. In addition to solicitation by mail, Directors, officers and employees of Wilber may solicit proxies from shareholders by telephone, in person or through other means. These persons will not receive additional compensation, but they will be reimbursed for the reasonable out-of-pocket expenses they incur in connection with this solicitation, if any. In addition, Wilber has retained Phoenix Advisory Partners to act as a proxy solicitor for the special meeting. Wilber has agreed to pay Phoenix Advisory Partners \$5,000, plus reasonable out of pocket expenses up to a maximum of \$2,500. Additional charges for a telephone solicitation campaign and votes obtained by telephone may apply (i.e., \$4.00 per call and \$4.00 per telephone vote obtained). Wilber also expects to make arrangements with brokerage firms, fiduciaries and other custodians who hold shares of record as nominees to forward this document and other solicitation materials to the beneficial owner of these shares. Wilber will reimburse these brokerage firms, fiduciaries and other custodians for their reasonable out-of-pocket expenses in connection with this solicitation. Under certain circumstances, Wilber must reimburse Community Bank System's expenses incurred in connection with the Merger. Please see "Termination Fee and Expenses" on page [ ].

### Other Matters

Wilber is unaware of any matter to be presented at the special meeting other than the proposal to approve the Merger Agreement. If other matters are properly presented at the special meeting, the persons named in the proxy will have authority to vote all properly executed proxies in accordance with their judgment on any such matter. Proxies that have been designated to vote against approval of the Merger Agreement will not be voted in favor of any proposal to adjourn or postpone the special meeting for the purpose of soliciting additional proxies to approve the Merger Agreement.



## THE MERGER

The detailed terms of the Merger are contained in the Merger Agreement attached as Annex A to this document. The following discussion and the discussion under the caption “The Merger Agreement” describe the more important aspects of the Merger and material terms of the Merger Agreement. These descriptions are only a summary and thus must be qualified by reference to the Merger Agreement, which is attached as Annex A. You are urged to read the Merger Agreement carefully because it is the legal document that actually governs your rights in the Merger.

### General

**Effect of the Merger; Management.** The Merger Agreement provides that, after approval by the shareholders of Wilber and the satisfaction or waiver of the other conditions to the Merger, Wilber will merge with and into Community Bank System, which will continue as the surviving corporation. The certificate of incorporation and bylaws of Community Bank System will be the certificate of incorporation and bylaws of Community Bank System after the Merger. The Directors and officers of Community Bank System immediately prior to the Merger will be the Directors and officers of Community Bank System after the Merger until they resign or until their successors are duly elected and qualified. In addition, Brian R. Wright and Alfred S. Whittet, each currently a director of Wilber, will be elected to the Board of Directors of Community Bank System following the Merger.

**Bank Merger.** Immediately following the Merger of Community Bank System and Wilber, the parties expect to merge Wilber Bank with and into Community Bank, with Community Bank being the continuing bank. After the bank merger, Community Bank System intends to operate the existing business of Wilber Bank as additional branches of Community Bank using the name Community Bank.

**Closing; Effectiveness of the Merger.** Wilber and Community Bank System will close the Merger on the first business day, or any other day they mutually agree to, after the satisfaction or waiver of all conditions to the Merger Agreement and after they obtain all necessary regulatory approvals. The Merger will become effective on the date and at the time that Community Bank System and Wilber file a certificate or articles of merger with each of the Delaware Secretary of State and the New York Secretary of State.

The parties are working to complete the Merger in the second quarter of calendar year 2011, but they must first obtain the necessary regulatory approvals and the approval of Wilber shareholders at the special meeting, and satisfy other conditions. They cannot assure you as to when or if all the conditions to the Merger will be met or waived, and it is possible they will not complete the Merger at all.

### Background of the Merger

Community Bank System has historically sought both organic growth and expansion through strategic acquisitions. The company has acquired and successfully integrated eight whole bank acquisitions and three different branch acquisitions in the last 10 years, and in so doing, significantly expanded its upstate New York and northeastern Pennsylvania banking franchise. Consistent with this strategy, in 2010, Community Bank System’s Board of Directors continued to discuss and analyze market conditions, the mergers and acquisitions landscape and potential opportunities for growth with its senior management and Janney Montgomery Scott LLC (“Janney”), which has served as a financial advisor and investment banking firm to Community Bank System since 2000. These discussions included a review of the operating results and financial characteristics of a number of community banks, including Wilber Bank. Among other attractive features, Wilber Bank operates an established branch network in the Central New York market and, like Community Bank, is regulated by the OCC. On July 7, 2010, Community Bank System’s President and Chief Executive Officer, Mark E. Tryniski, sent an introductory email to Brian Wright, the Chairman of Wilber’s Board of Directors, and proposed a meeting. Mr. Wright responded that he would like to meet but could not



do so until September.

Wilber's Board of Directors also regularly reviews its operating environment and opportunities to build value for its shareholders. Beginning in 2007, the Board began to examine whether it could continue to generate sufficient earnings to support its historical dividend payments, while still contributing enough retained earnings to capital to support growth. Among other factors, the Board considered that its traditional Central New York markets are growing slowly or declining, both economically and demographically, and that increases in its compliance and general administrative expenses were outpacing its ability to increase revenue and, consequently, earnings per share.

In 2008, Wilber's Board of Directors adopted a strategic plan which continued the expansion of its geographic markets within Central New York State. The plan called for growth in earning assets, primarily real estate and non-real estate secured commercial loans, in new, more densely populated markets, including the greater Capital District region and the greater Syracuse, New York markets. As envisioned in the plan, the company expanded its operations into the Capital District and around Syracuse and began to originate an increased volume of residential and commercial real estate loans. As a result of the execution of the plan, Wilber's total loans increased from \$406.9 million at December 31, 2006 to \$583.9 million at December 31, 2008, a \$177 million or 43.5% increase over a two-year period.

During 2008, downward economic trends nationally and in the mid-Atlantic region began to have a negative effect on Wilber, as interest rates fell to historic lows, financial markets experienced extreme volatility, capital markets froze, and consumer confidence stalled. These negative trends resulted in loan repayment problems, increased loan loss provisions and a significant increase in delinquent and non-performing loans. Many of Wilber's commercial real estate borrowers, in particular, were adversely affected by decreased tenant occupancy rates, and were unable to make their contractual loan payments and/or pay the associated real estate taxes on the properties financed by Wilber. This increased the level of troubled loans and charge offs, requiring increases in Wilber's provision for loan losses, which produced weaker earnings for the company.

Even as these pressures mounted, Wilber Bank remained well capitalized under OCC standards. Nonetheless, as the weakness in general economic conditions persisted and the level of nonperforming assets increased, Wilber's Board of Directors took steps to strengthen the company's capital. In May 2009, the Board of Directors cut the company's quarterly dividend from its long-established historical amount of \$.095 per share to \$.06 per share, where it remained until being suspended in the fourth quarter of 2010. Wilber Bank also severely curtailed its lending and devoted more resources to loan administration and loan workouts.

In September 2009, as a result of a growing number of criticized loans and weaknesses in credit administration, Wilber Bank became subject to more stringent regulatory oversight by the OCC. Among other remedial actions, Wilber Bank was required to: (i) improve its loan portfolio management; (ii) reduce its credit risk; (iii) improve collateral documentation; (iv) revise its written loan policy; (v) conform its charge-off practices to regulatory call report requirements; (vi) implement a policy to ensure proper management of other real estate owned; (vii) maintain a program to ensure an adequate loan loss allowance; (viii) develop a three year capital program to enable the bank to remain "well capitalized" under regulatory guidelines, and adopt a conforming dividend policy; and (ix) adopt a strategic plan addressing the bank's risk profile, earnings performance and growth. These requirements were formalized in an agreement between Wilber Bank and the OCC entered into on October 13, 2010. See "Formal Agreement with the Office of the Comptroller of the Currency" on page [ ]. In August 2010, Douglas C. Gulotty, the bank's former President and Chief Executive Officer, departed and was replaced on an interim basis by Alfred S. Whittet, a Director of the bank and the company and the immediate past President and Chief Executive Officer of both Wilber Bank and Wilber. Mr. Whittet was appointed to these positions on a permanent basis in October 2010. On November 22, 2010, Mr. Whittet resigned his positions with Wilber Bank and James M. Mack was appointed as its interim President and Chief Executive Officer. Mr. Whittet's resignation was unrelated to regulatory oversight, and he continues to serve as President and Chief Executive Officer of Wilber.



The combination of Wilber's asset quality problems and regulatory limitations on its business led its Board of Directors to evaluate the company's prospects as an independent community bank and to explore alternative choices for its future. Beginning on July 28, 2010, the Board of Directors held a series of meetings with its financial advisor, Sandler O'Neil & Partners, LLP ("Sandler"), during which it considered alternative strategies for dealing with these challenges. Wilber's Board examined two different possible paths: raising additional capital and resuming the strategic plan or entering into a business combination with another financial institution. The Board of Directors reviewed many factors, including, but not limited to, its current and pending regulatory status, anticipated increasing regulatory compliance costs and related burdens, current and future anticipated FDIC insurance premiums, as well as the anticipated dilutive impact of raising new capital and the cumulative impact of these factors on future earnings and shareholder dividends. The Board of Directors agreed that raising capital given all relevant conditions would be difficult and would likely require significant participation from existing shareholders and negatively affect the price of the common stock. The Board of Directors believed Wilber's core franchise value would command a premium to the then current stock price and decided to explore merger opportunities. A strategic planning meeting was held on July 28, 2010, which was attended by William Hickey, Sandler's co-head of investment banking, at which Wilber's Board of Directors decided to further consider its strategic options at its regularly scheduled monthly Board meeting to be held on July 30, 2010. At the July 30th meeting, the Board decided to engage Sandler to solicit expressions of interest in a business combination from other financial institutions.

In August 2010, Wilber's senior management worked with Sandler to develop a Confidential Information Memorandum containing financial, operational and other confidential information about the company for distribution to potential merger partners. During the same period, Sandler identified and contacted nine banking organizations to determine their level of interest in a merger with Wilber. As part of that process, Sandler contacted Mark Tryniski, Community Bank System's President and Chief Executive Officer on August 4, 2010. Mr. Tryniski indicated an interest in Wilber and made arrangements for Community Bank System to sign a confidentiality agreement which would allow Community Bank System to receive the Confidential Information Memorandum when it was available for distribution to interested parties. Mr. Tryniski then contacted the Chairman of Community Bank System's Board of Directors, David C. Patterson, and the Chair of the Board's Strategic Planning and Executive Committee, Nicholas DiCerbo, to inform them about the discussions. On August 5, 2010, Mr. Tryniski contacted Edward Losty, a Managing Director at Janney who specializes financial institutions, and informed him about the discussions and on that date, Sandler and Community Bank System entered into a confidentiality agreement.

At Wilber's August 27, 2010 Board of Directors meeting, Mr. Hickey of Sandler advised the Directors that nine companies, including Community Bank System, had been contacted and expressed interest in receiving the Confidential Information Memorandum. He also informed the Board that Bidder A, a banking company based in another state, had verbally expressed an interest in paying \$8.00 per share to Wilber's shareholders with the consideration being 100% in the form of Bidder A common stock. Clifford Weber, a partner in Hinman, Howard & Kattell, LLP, counsel to Wilber and Wilber Bank, explained in detail the Directors' fiduciary duties when considering merger proposals. At the direction of the Board of Directors, on August 30, 2010, Sandler sent a Confidential Information Memorandum to Community Bank System and the five other companies that had signed confidentiality agreements. Three of the nine companies that were originally contacted by Sandler O'Neill ultimately declined to enter into a confidentiality agreement in order to receive a copy the Confidential Information Memorandum. Two of these companies were engaged in other business transactions and indicated that they were not interested in pursuing the Wilber transaction. The third company did not follow through on executing the confidentiality agreement. Ultimately, three companies decided to submit offers in the bidding process and three companies declined to enter preliminary discussions after reviewing the Confidential Information Memorandum.



Working with Janney, Community Bank System reviewed the information about Wilber in the Confidential Information Memorandum, developed an analysis of a possible transaction and considered the terms for a preliminary indication of interest. During this period, representatives from Janney and Sandler discussed the bidding process and a possible transaction.

Sandler was in contact with Bidder A and its financial advisor beginning in early August when the confidentiality agreement was signed. Sandler remained in contact with Bidder A as its preliminary non-binding indications of interest were submitted in late August and met with Bidder A and its financial advisor during on-site due diligence at Wilber's main office in Oneonta, New York during the second full weekend of September.

Sandler was in contact with Bidder B beginning in early August when the confidentiality agreement was signed. Sandler remained in contact with Bidder B as its preliminary non-binding indication of interest was submitted in early September.

By letter dated August 31, 2010, Bidder A offered to acquire all of Wilber's common stock in an all stock exchange transaction in which Wilber's shareholders would receive from .3947 to .4474 shares of Bidder A stock for each of their shares of Wilber stock. Based upon the average closing price of Bidder A's stock for the two month period between June 27, 2010 and August 27, 2010, this exchange ratio represented value of between \$7.50 and \$8.50 per share of Wilber stock. On September 3, 2010, Sandler informed Wilber's management team that Community Bank System was interested in pursuing a deal. On September 7, 2010, Mr. Tryniski and Brian Wright, the Chairman of Wilber and Wilber Bank, met in DeWitt, New York and had general discussions regarding their respective organizations. Mr. Wright had previously met with the chief executive officer of Bidder A on August 19, 2010 to generally discuss their organizations. Mr. Wright did not meet with the chief executive officer of Bidder B because he was already familiar with Bidder B's operations and management.

On September 8, 2010, Mr. Tryniski discussed the Confidential Information Memorandum and a transaction analysis prepared by Janney and senior management with the Strategic Planning and Executive Committee of Community Bank System's Board of Directors, together with other Directors present. The transaction analysis included information on Wilber Bank's branch network and Wilber's senior management, financial position and operating results, as well as pro forma financial information and an overview of comparable deal terms and consideration. Following the presentation, the committee authorized management to continue discussions regarding a potential transaction with Wilber and to submit a preliminary non-binding indication of interest consistent with the presentation at the meeting.

Community Bank System submitted a written preliminary non-binding indication of interest to Sandler on September 9, 2010, outlining the key terms of a proposed merger transaction, subject to, among other matters, completion of satisfactory due diligence, regulatory and board approvals, and the negotiation and execution of a definitive agreement. The preliminary indication of interest proposed a total merger consideration of \$107.15 million or \$10.00 per share in a combination of 20% cash and 80% stock. Bidder B, a New York based bank holding company, also delivered a written non-binding expression of interest by letter dated September 9, 2010. In the letter, Bidder B offered a per share price of \$8.75 per share.

Wilber's Board of Directors met on September 10, 2010 to consider the proposals of Community Bank System, Bidder A and Bidder B. Mr. Hickey reviewed the three bids in detail and explained pricing methodologies, forms of merger consideration and transactions based on fixed exchange ratios and fixed prices, as well as possible reasons for pricing adjustments, such as movements in the acquiror's stock price and deterioration in the asset quality of the selling institution. The Board of Directors participated in an extensive discussion with Mr. Hickey about the three bids, including, but not limited to, the forms of consideration, pro forma ownership by Wilber shareholders, dividend accretion, the regulatory environment, earnings potential, perceived franchise value and management capabilities. Following this discussion, the Board of Directors resolved to invite Community Bank System and Bidder A to conduct due diligence at Wilber's offices in Oneonta. Wilber's Board decided not to invite Bidder B to participate in due diligence because its bid proposal was below Community Bank System's and Bidder A, its stock was not as liquid as the other bidders and it had less potential for growth and dividend accretion than the other bidders. Bidder A and Community Bank System conducted on site due diligence at Wilber's Oneonta, New York offices during the weekends of September 11-12 and September 18-19, respectively.

On September 22, 2010, Community Bank System submitted a revised indication of interest together with a proposed form of merger agreement. The revised indication of interest provided for a total merger consideration of \$101.8 million, or \$9.50 per share, in a combination of 20% cash and 80% stock. The revised indication of interest also included the appointment of two Directors chosen by Wilber to the Boards of the resulting bank and the bank holding company and proposed that the Merger Agreement contain a definition of material adverse effect related to deterioration in Wilber Bank's loan portfolio as to be mutually agreed upon by the parties. Bidder A also submitted a revised indication of interest on September 22, 2010. In that proposal, Bidder A offered an all stock transaction at a fixed exchange ratio of .549, which equated to \$10.00 per share of Wilber's common stock, for an aggregate transaction value of \$107.2 million.

At a September 24, 2010 meeting, Wilber's Board of Directors considered the Bidder A and the Community Bank System proposals, both of which exceeded the Board of Directors' expectations about the value of Wilber. Mr. Hickey was present at the meeting and made an extensive oral presentation, discussing among other things:

- that both offers included two seats on the Board of Directors of the surviving company and the creation of an advisory board for two years;
  - that Wilber Bank's non-performing or underperforming loans were likely to increase prior to year's end;
- that both offers were close to the median when compared to recent sales of banks nationally and in the Mid-Atlantic region;
- that Community Bank System had: high stock valuation, strong asset quality, a stable stock price, superior and consistent liquidity in its stock as compared to Bidder A's stock, capital ratios, while considered to be well capitalized for regulatory purposes, were somewhat below that of other peer group institutions, a dividend payout ratio of approximately 50%, no publicly disclosed regulatory issues, experience in and growth through acquisitions, 150 locations in New York State and northern Pennsylvania, concentration in rural areas which could limit further marketability of the combined entities, majority ownership by institutional investors, strong management, and status as an established, conservative, OCC-regulated community bank; and
- that Bidder A had: no publicly disclosed regulatory issues, experience in growth through acquisition, status as a thrift institution with a commercial banking platform, an aggressive loan growth strategy, 10 locations in New York, a volatile stock price, underperformance vis-à-vis its peer group, asset quality issues, majority ownership by institutional investors, a possibly higher upside potential for increased stock price in the long run, and strong management.





The Board then discussed extensively the relative merits of each offer. Mr. Hickey assisted the Board's deliberations by participating in the general discussion and answering Directors' questions about the balance sheets, results of operations and other financial and operating characteristics of the two institutions. The material factors the Board of Directors considered included:

- that the price and dividend payouts were comparable;
- that the Community Bank System offer included a fixed price within upper and lower limits, while the Bidder A offer included a fixed exchange ratio fluctuating with the relative market prices, thus making the Community Bank System offer more advantageous if its stock prices were to fall and the Bidder A offer more advantageous if its stock prices were to rise;
  - the likelihood of stock price fluctuation;
  - Community Bank System's steady earnings history;
    - Bidder A's uneven earnings history;
  - Community Bank System's superior market liquidity;
    - the business strategies of each company;
    - the market faced by community banks;
    - likely shareholder expectations and preferences;
  - the similarity of Bidder A's business plan to Wilber's 2007-2008 strategic plan;
    - that the OCC might favor the Community Bank System offer;
  - that both offers would provide a significant premium over Wilber's market price;
    - the likely "social impact" of each deal;
- that Community Bank System's stock would likely provide stable dividend income but possibly less growth opportunity;
- that, unlike Bidder A, Community Bank System was regulated by, and had experience dealing with, the OCC;
- that Community Bank System would not have to obtain its shareholders' approval, while Bidder A would be required to obtain such approval;
  - that Bidder A's stock possibly had more price appreciation potential;
- that Community Bank System's offer consisted of 80% stock and 20% cash, as opposed to Bidder A's all stock offer;
  - that Bidder A's loan portfolio might have more credit risk; and
- that Bidder A, as a thrift institution, might have more difficulty integrating a commercial bank into its operations.

After weighing the merits of the two proposals, the Board of Directors instructed management to proceed with the negotiation of a definitive Merger Agreement with Community Bank System and to engage Austin Associates as an independent advisor to assess the fairness of the Community Bank System proposal to Wilber's shareholders from a financial perspective.

On October 4, 2010, a team of Wilber officers and employees performed a due diligence review of Community Bank System records on site at its offices in DeWitt, New York. The review did not disclose any facts or circumstances that, in the judgment of the reviewers, could materially adversely effect the financial condition or results of operations of the combined organization.

Counsel for Wilber and Community Bank System negotiated most of the material terms of the Merger Agreement during the first two weeks of October, 2010. At a meeting of Wilber's Board of Directors held on October 13, 2010, Mr. Weber briefed the Directors on the negotiations with Community Bank System. He reported that several issues remained to be resolved including, but not limited to, the indemnification period for director liability, the procedure for appointing two of Wilber's Directors to the Community Bank System Board of Directors, termination fees and expenses, the treatment of severed employees not covered by employment agreements, limits on expenditures pending the closing of the transaction, and disclosure of the formal agreement with the OCC. Mr. Weber outlined the next steps in the business combination process and advised the Directors to carefully consider Wilber's representations and warranties in the definitive agreement.

On October 19, 2010, Wilber filed a Form 8-K with the SEC announcing that it had entered into a formal agreement with the OCC.

On October 20, 2010, at its regular Board meeting, Community Bank System's management reviewed with the Board the proposed terms of the definitive Merger Agreement and other ancillary agreements as negotiated to that point, and reviewed open items being discussed with Wilber and its counsel. George J. Getman, Community Bank System's Executive Vice President and General Counsel, reviewed the terms of the proposed Merger Agreement in detail with the Board and discussion ensued on the terms and conditions of the proposed agreements. Community Bank System's management and representatives from Janney also presented an update of its analysis as previously presented to the Board, which the Board discussed at length, after which the Board authorized management to continue to negotiate the definitive Merger Agreement with changes acceptable to Mr. Tryniski within the parameters presented to the Board. The parties, through their legal counsel, continued to negotiate the final details of the Merger Agreement and ancillary agreements over the next two days.

At Wilber's Board of Directors meeting on October 21, 2010, a representative of Austin Associates presented its analysis of the proposed transaction and described its conclusion (and the reasons therefore) that the transaction was fair to the company's shareholders from a financial point of view. See "Opinion of Austin Associates" beginning on page [\_\_\_].

On October 22, 2010, the Board of Directors of Wilber and the Board of Directors of Community Bank System each met to review and approve the final Merger Agreement and ancillary agreements. Each Board unanimously approved the Merger Agreement and ancillary agreements and authorized management to execute the Merger Agreement and other related transaction documents. Later that day, Mr. Tryniski and Mr. Whittet executed and delivered the Merger Agreement on behalf of their respective companies. Prior to the opening of the markets on the next business day, October 25, 2010, the parties issued a joint press release to announce the execution of the Merger Agreement and each filed a Form 8-K with a copy of the executed Merger Agreement and the press release.

#### Community Bank System's Reasons for the Merger

In reaching its determination to approve and adopt the Merger Agreement, the Board of Directors of Community Bank System considered a number of factors, including:

the complementary geographical locations of Wilber's branch network, which will augment Community Bank System's operations in the market areas in Upstate New York where Community Bank System already has a significant presence;

the opportunity to further diversify Community Bank System's geographical markets and customer base as a whole, by increasing the size of its New York operations through the Merger, and to do so in smaller markets similar to those in which it currently operates;

Community Bank System's past experience and success in the acquisition and integration of a bank holding company with operations in Upstate New York;

the fact that the Merger is expected to be accretive to operating earnings per share of Community Bank System in 2011, exclusive of one-time acquisition related charges;

the potential for the combined company to enhance non-interest income growth by providing enhanced and additional financial products and services to the customers of Wilber in the areas of benefit plan administration, investment management, comprehensive cash management, brokerage services and insurance;

the business, operations, technology, asset quality, competitive position, stock price performance, financial condition and results of operations of Wilber on an historical and a prospective basis;

the anticipated operating efficiencies, cost savings and opportunities for revenue enhancements of the combined company following the completion of the Merger, and the likelihood that they would be achieved after the Merger;

the possible range of the exchange ratios for the Merger and the resulting relative interests of Community Bank System shareholders in the common stock of the combined company, and the amount of total cash consideration to be paid in the Merger;

the fact that the mixture of merger consideration includes a combination of cash and stock in which shareholders would have an election right, but no more than 20% of Wilber common stock would be exchanged for cash;

the collar range on the exchange ratio in the Merger Agreement, which would limit the possible dilution experienced by Community Bank System shareholders as a result of fluctuations in the market price of Community Bank System while the Merger is pending;

the deal protection provided by the termination fee of \$4,000,000, plus the reimbursement of out-of-pocket transaction expenses of up to \$500,000, payable under certain circumstances in the event of the termination of the Merger Agreement due to a competing offer or certain other reasons;

the intended tax treatment of the Merger as a tax-free reorganization; and

the likelihood of receiving all of the regulatory approvals required for the Merger.

Based on these reasons, Community Bank System's Board of Directors unanimously approved the Merger Agreement and the Merger. This discussion of the factors considered by Community Bank System's Board of Directors does not list every factor considered by the Board but includes all material factors considered by the Board. In reaching its determination to approve and adopt the Merger Agreement, the Board did not give relative or specific importance to each of the factors listed above, and individual Directors may have given differing importance to different factors. Please note that this explanation of the Board's reasoning and all other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed under the heading "Forward-Looking Statements" beginning on page [ ].

#### Wilber's Reasons for the Merger; Recommendation of Wilber's Board of Directors

Wilber's Board of Directors reviewed and discussed the Merger with the company's management and its financial and legal advisors in unanimously determining that the Merger was advisable and is fair to, and in the best interests of, Wilber and its shareholders. In reaching its determination, Wilber's Board of Directors considered a number of factors, including, among others, the following:



the Board's understanding of the presentations of Wilber's management and financial advisor regarding Community Bank System's business, operations, management, financial condition, asset quality, earnings and growth prospects; the results of management's due diligence investigation of Community Bank System and the reputation, business practices and experience of Community Bank System and its management, including their belief that Community Bank System is a financially healthy, well run bank holding company that is deeply committed to its customers, employees, and the communities that it serves;

the Board's view that the size of the institution and related economies of scale, as well as diversification of product offerings, beyond the level it believed to be reasonably achievable on an independent basis, was becoming increasingly important to continued success in the current financial services environment;

the Board's view of potential synergies resulting from a combination of Wilber and Community Bank System;

the liquidity of Community Bank System's common stock;

Community Bank System's steady dividend payment history;

the fact that Community Bank System did not need to obtain approval from its shareholders, unlike Bidder A which did need to obtain shareholder approval, thereby eliminating a potential requirement which could contribute to uncertainty about the transaction;

the fact that Wilber shareholders will receive predominantly shares of Community Bank System common stock in the Merger, which would allow Wilber shareholders to participate in a significant portion of the future performance of the combined Wilber and Community Bank System businesses, and the value to Wilber shareholders represented by that consideration;

Community Bank System's agreement to appoint two Wilber Directors to the Boards of Directors of Community Bank System and Community Bank and to establish an advisory board comprised of the remaining Wilber and Wilber Bank Directors in order to provide continuity and leadership growth, development, productivity, profitability and strategic options;

the Board's preference for a transaction with a fixed price, subject to adjustment, as opposed to a fixed exchange ratio;

that Community Bank System's offer represented a 55.48% premium over the market price of the Wilber's common stock on October 21, 2010, the last day prior to the announcement of the Merger on which the Wilber stock was traded;

Community Bank System's commitment to continue a significant presence in Wilber's Central New York markets and the growth potential of the combined institution including the potential opportunities relating to the Marcellus Shale gas deposits;

the Board's judgment that both institutions' regulation and supervision by the OCC would facilitate the Merger;

Wilber's right to terminate the Merger Agreement if its Board of Directors, in the exercise of its fiduciary duty, determined that the company should enter into a competing acquisition proposal;

the review by Wilber's Board of Directors with its legal and financial advisors of the structure of the Merger and the financial and other terms of the Merger Agreement, including the adequacy of the merger consideration, not only in relation to the current market price of Wilber common stock, but also in relation to the historical, present and anticipated future operating results and financial position of Wilber; and

the financial information and analyses presented by Austin Associates in its opinion that was delivered to the Wilber Board, which is included as Appendix B to this proxy statement/prospectus and described under "Opinion of Austin Associates" beginning on page [ ]. **SHAREHOLDERS ARE URGED TO READ THE OPINION IN ITS ENTIRETY.**

Wilber's Board of Directors also considered potential risks relating to the Merger, including the following:

- the risks described in the section entitled "Risk Factors" beginning on page [     ];
- the challenges associated with seeking the regulatory approvals required to complete the Merger in a timely manner;
- the potential for diversion of management and employee attention, and for employee attrition, during the period prior to the completion of the Merger and the potential effect on Wilber's business and relations with customers, service providers and other stakeholders, whether or not the Merger is completed;
- the requirement that Wilber conduct its business in the ordinary course and the other restrictions on the conduct of Wilber's business prior to completion of the Merger, which may delay or prevent Wilber from undertaking business opportunities that may arise pending completion of the Merger;
- the risk that potential benefits and synergies sought in the Merger may not be realized or may not be realized within the expected time period, and the risks associated with the integration of Wilber and Community Bank System;
- the fact that the merger consideration could be reduced if the asset quality of Wilber's loans deteriorates prior to the closing of the Merger;
- the fact that certain provisions of the Merger Agreement prohibit Wilber from soliciting, and limit its ability to respond to, proposals for alternative transactions;
- the requirement that Wilber submit the Merger Agreement to its shareholders even if its Board of Directors withdraws its recommendation; and
- the fact that if Wilber or Community Bank System terminates the Merger Agreement because Wilber accepts an alternative acquisition proposal, Wilber is obligated to pay to Community Bank System a termination fee in the amount of \$4,000,000, which may deter others from proposing an alternative transaction that may be more advantageous to Wilber shareholders.

The Wilber Board of Directors evaluated the factors described above, and this evaluation included asking questions of Wilber's management and its legal and financial advisors. The foregoing discussion of the information and factors considered by the Wilber Board of Directors is not exhaustive, but includes all material factors considered by the Wilber Board. In view of the wide variety of factors considered by the Wilber Board of Directors in connection with its evaluation of the Merger and the complexity of these matters, the Wilber Board of Directors did not consider it practical to, nor did it attempt to, quantify, rank or otherwise assign relative weights to the specific factors that it considered in reaching its decision. In considering the factors described above, individual members of the Wilber Board of Directors may have given different weights to different factors. Wilber's Board of Directors realized there can be no assurance about future results, including results expected or considered in the factors listed above. However, the Board of Directors concluded the potential positive factors outweighed the potential risks of completing the Merger. The Wilber Board believes that the Merger is fair to, and in the best interests of, Wilber and Wilber shareholders. Accordingly, the Wilber Board has unanimously approved the Merger Agreement and unanimously recommends that Wilber shareholders vote "FOR" approval of the Merger Agreement and the proposal to adjourn or postpone the special meeting.

Please note that this explanation of the Wilber Board's reasoning and all other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed under the heading "Forward-Looking Statements" beginning on page [ ].

#### Opinion of Austin Associates

Wilber retained Austin Associates on October 1, 2010 to issue a fairness opinion in connection with the terms of the Merger Agreement. Wilber retained a primary financial advisor, legal counsel and a tax expert with respect to the Merger and has separately requested Austin Associates to evaluate the overall fairness of the terms of the transaction from a financial point of view. Wilber selected Austin Associates to issue the fairness opinion on the basis of Austin Associates' knowledge of Wilber and Austin Associates' experience and expertise in representing community banks in similar transactions. In the ordinary course of its investment banking business, Austin Associates is regularly engaged in the valuation of financial institutions and their securities in connection with mergers and acquisitions and other corporate transactions.

Austin Associates did not participate in the negotiation of the Merger Agreement. At the October 22, 2010 meeting at which the Wilber Board considered and approved the Merger Agreement, Austin Associates delivered to the Board its opinion that, as of such date, the terms of the Merger Agreement were fair, from a financial point of view, to Wilber and its shareholders. The full text of Austin Associates' opinion is attached as Annex B to this proxy statement/prospectus. Pursuant to the terms of the Merger Agreement, Austin Associates has updated their opinion to the date of this proxy statement/prospectus and it is included in Annex B. The description of the opinion set forth below is qualified in its entirety by reference to the opinion.

You should consider the following when reading the discussion of Austin Associates' opinion in this document:

- You should read the opinion in its entirety for a full discussion of the procedures followed, assumptions made, matters considered, and qualifications and limitations of the review undertaken by Austin Associates in connection with its opinion.
  - Austin Associates expressed no opinion as to the price at which Community Bank System's or Wilber's common stock would actually be trading at any time.
- Austin Associates' opinion does not address the relative merits of the Merger and the other business strategies considered by Wilber's Board, nor does it address the Wilber Board's decision to proceed with the Merger.
- Austin Associates' opinion to Wilber's Board rendered in connection with the Merger does not constitute a recommendation to any Wilber shareholder as to how he or she should vote at the special meeting.

The preparation of a financial fairness opinion involves various determinations as to the most appropriate methods of financial analysis and the application of those methods to the particular circumstances. It is, therefore, not readily susceptible to partial analysis or summary description. In connection with rendering its opinion, Austin Associates performed a variety of financial analyses. Austin Associates believes that its analyses and the factors considered in its analyses, without considering all other factors and analyses could create an incomplete or inaccurate view of the analyses and the process underlying the rendering of Austin Associates' opinion. No limitations were imposed by Wilber's Board or its management upon Austin Associates with respect to the investigations made or the procedures followed by Austin Associates in rendering its opinion.

In performing its analyses, Austin Associates made numerous assumptions with respect to industry performance, business and economic conditions, and other matters, many of which are beyond the control of Community Bank System and Wilber and may not be realized. Any estimates contained in Austin Associates' analyses are not necessarily predictive of future results or values, and may be significantly more or less favorable than the estimates. Estimates of values of companies do not purport to be appraisals or necessarily reflect the prices at which the companies or their securities may actually be sold. Unless specifically noted, none of the analyses performed by Austin Associates was assigned a greater significance by Austin Associates than any other. The relative importance or weight given to these analyses is not affected by the order of the analyses or the corresponding results. The summaries of financial analyses include information presented in tabular format. The tables should be read together with the text of those summaries.

With respect to the internal projections and estimates for Wilber, the publicly available earnings estimates used for Community Bank System, and the projections of transaction costs, purchase accounting adjustments and expected cost savings prepared by and/or reviewed with the managements of Community Bank System and Wilber, Community Bank System's and Wilber's management confirmed that they reflected the best currently available estimates and judgments of management of the future financial performance of Wilber and Community Bank System, respectively, and Austin Associates assumed that such performance would be achieved. Austin Associates expressed no opinion as to such financial projections and estimates or the assumptions on which they are based. Austin Associates also assumed that there has been no material change in Wilber or Community Bank System assets, financial condition, results of operations, business or prospects since the date of the most recent financial statements made available to it. Austin Associates assumed in all respects material to its analysis that Wilber and Community Bank System will remain as going concerns for all periods relevant to its analyses, that all of the representations and warranties contained in the Agreement are true and correct, that each party to the Merger Agreement will perform all of the covenants required to be performed by such party under the Merger Agreement, and that the conditions precedent in the Merger Agreement are not waived. Finally, Austin Associates relied upon the advice Wilber has received from its legal, accounting and tax advisors as to all legal, accounting and tax matters relating to the Merger and the other transactions contemplated by the Merger Agreement.

Austin Associates relied, without independent verification, upon the accuracy and completeness of the information it reviewed for the purpose of rendering its opinion. Austin Associates did not undertake any independent evaluation or appraisal of the assets and liabilities of Community Bank System or Wilber, nor was it furnished with any appraisals. Austin Associates did not review any individual credit files of Community Bank System or Wilber, and assumed that Community Bank System's and Wilber's allowances are, in the aggregate, adequate to cover inherent credit losses. Austin Associates' opinion is based on economic, market and other conditions existing on the date of its opinion.

In rendering its opinion, Austin Associates made the following assumptions:

- that all material governmental, regulatory and other consents and approvals necessary for the consummation of the Merger would be obtained without any adverse effect on Wilber, Community Bank System or on the anticipated benefits of the Merger;
- that Wilber and Community Bank System have provided all of the information that might be material to Austin Associates in its review; and,
- that the financial projections it reviewed were reasonably prepared on a basis reflecting the best currently available estimates and judgment of the management of Wilber and Community Bank System as to the future operating and financial performance of Wilber and Community Bank System, respectively.





In connection with its opinion, Austin Associates reviewed:

- the Merger Agreement;
- the process used to identify prospective buyer-candidates and solicit indications of interest that resulted in multiple transaction proposals, from which Community Bank System was selected by the Board of Wilber to negotiate the Merger Agreement;
- certain publicly available financial statements and other historical financial information of Wilber that Austin Associates deemed relevant;
- certain publicly available financial statements and other historical financial information of Community Bank System that Austin Associates deemed relevant;
- financial projections for Wilber for the years ending December 31, 2010 through 2012 as prepared by and reviewed with management of Wilber;
- publicly available median earnings estimates for Community Bank System for the years ending December 31, 2010, December 31, 2011 and December 31, 2012 and, in each case, as reviewed with Community Bank System's senior management;
- the pro forma financial impact of the Merger on Community Bank System, based on assumptions relating to transaction expenses, purchase accounting adjustments, cost savings and revenue enhancements determined by and discussed with senior management of Community Bank System;
- publicly reported historical price and trading activity for Wilber and Community Bank System common stock, including a comparison of certain financial and stock market information for Wilber and Community Bank System with similar publicly available information for certain other companies the securities of which are publicly traded;
- the financial terms of certain recent business combinations in the commercial banking industry, to the extent publicly available;
- the terms of the formal written agreement entered into between Wilber and the OCC dated as of October 13, 2010;
  - the current market environment generally and the banking environment in particular; and
- such other information, financial studies, analyses and investigations as Austin Associates considered relevant.

Austin Associates also discussed with certain members of senior management of Wilber the business, financial condition, results of operations and prospects of Wilber, and held similar discussions with certain members of senior management of Community Bank System regarding the business, financial condition, results of operations and prospects of Community Bank System.

The following is a summary of the material factors considered and analyses performed by Austin Associates in connection with its opinion provided to the Wilber Board of Directors on October 22, 2010. The summary does not purport to be a complete description of the analyses performed by Austin Associates. Capitalized terms used herein without definition shall have the meanings given to such terms in the Merger Agreement.

**The Process for Soliciting Indications of Interest.** Sandler O'Neill, Wilber's primary financial advisor, screened potential buyer candidates based on asset size, market capitalization, geographic market, financial capacity, perceived regulatory status, and Sandler O'Neill's market knowledge. Sandler O'Neill reviewed such information with the Board of Wilber, and was instructed to contact nine organizations. Six of nine organizations executed confidentiality agreements and received a confidential information memorandum that provided detailed information regarding the business and operations of Wilber. Each organization was asked to submit a specific written indication of interest to acquire Wilber. Three written proposals were received, and two parties were invited for due diligence. Following due diligence, two final bids were received; and the Board selected Community Bank System to negotiate the Merger Agreement.



Formal Agreement between Wilber and Office of the Comptroller of the Currency. Wilber entered into a formal regulatory enforcement action with the OCC effective October 13, 2010. The terms of the formal agreement are more fully described under the heading “Formal Agreement with Office of the Comptroller of the Currency” of this proxy statement/prospectus.

Summary of Financial Terms of Agreement. Austin Associates reviewed the financial terms of the Merger Agreement, including the form of consideration, the exchange ratio for the stock portion of the purchase price, and the resulting value per share to be received by Wilber common shareholders pursuant to the proposed Merger.

The financial terms of the Merger Agreement provide that each share of Wilber common stock issued and outstanding shall be converted at the election of the shareholder into either (i) shares of Community Bank System common stock based upon the Exchange Ratio; (ii) cash, at the rate of \$9.50 for each share of Wilber Common Stock; or (iii) a combination of shares of Community Bank System common stock and cash such that eighty (80%) percent of such shareholder’s aggregate Wilber stock shall be converted into Community Bank System stock based upon the Exchange Ratio and twenty (20%) of such shareholder’s aggregate Wilber stock shall be converted into the right to receive cash, at the rate of \$9.50 for each Wilber share. The shareholder election is subject to allocation procedures to ensure that eighty percent (80%) of Wilber common stock in the aggregate shall be converted into and become shares of Community Bank System common stock and twenty (20%) of Wilber common stock shall be converted into the right to receive cash. Fractional shares will not be issued and cash will be paid in lieu thereof as provided in the Merger Agreement.

The Exchange Ratio shall be calculated as follows: (a) if the Community Bank System Market Price is equal to or greater than \$19.71, or equal to or less than \$25.35, then a quotient (rounded to the nearest one-thousandth) obtained by dividing \$9.50 by the Community Bank System Market Price; (b) if the Community Bank System Market Price is greater than \$25.35, then the Exchange Ratio shall be fixed at 0.3748; and (c) if the Community Bank System Market Price is less than \$19.71, then the Exchange Ratio shall be fixed at 0.4820. The Community Bank System Market Price shall equal the average closing sale price of a share of Community Bank System common stock over the ten (10) consecutive trading days immediately prior to the Closing Date on the NYSE, as reported in The Wall Street Journal.

Based on 10,719,382 common shares of Wilber outstanding and a Community Bank System Market Price between \$19.71 and \$25.35, the value of the transaction is approximately \$101.8 million. Austin Associates calculated that the value of \$101.8 million represented:

- 132 percent of book value at June 30, 2010;
- 141 percent of tangible book value at June 30, 2010;
- 19.2 times core net income for the 12 months ended June 30, 2010; and
- 4.6 percent premium over tangible book value as a percent of core deposits as of June 30, 2010.

Wilber Financial Performance and Market Trading Data versus Peers. Austin Associates compared selected results of Wilber’s operating performance to those of 17 publicly traded banks in the Mid-Atlantic Region having total assets between \$800 million and \$1.25 billion. Austin Associates considered this group of financial institutions comparable to Wilber on the basis of asset size and geographic location.

This peer group consisted of the following companies:

Company Name	Symbol	Company Name	Symbol
1. Center Bancorp, Inc.	CNBC	10. Codorus Valley Bancorp	CVLY
2. Royal Bancshares of Pennsylvania	RBPA	11. Penseco Financial Services	PFNS
3. Shore Bancshares, Inc.	SHBI	12. Unity Bancorp Inc.	UNTY
4. Chemung Financial Corporation	CHMG	13. Berkshire Bancorp Inc.	BERK
5. Franklin Financial Services	FRAF	14. Tri-County Financial Corp.	TCFC
6. ACNB Corporation	ACNB	15. Bank of Utica	BKUT
7. Bridge Bancorp Inc.	BDGE	16. Adirondack Trust Co.	ADKT
8. AmeriServe Financial, Inc.	ASRV	17. First Keystone Corporation	FKYS
9. Republic First Bancorp	FRBK		

Austin Associates noted the following selected financial measures for the peer group as compared to Wilber:

	Peer Financial Performance			Wilber
	25th Pct	Median	75th Pct	
Total Assets (\$Mils)	\$856.7	\$934.3	\$986.6	\$929.3
Tier 1 Leverage Ratio	8.36%	9.40%	10.59%	7.85%
Total Risk Based Capital Ratio	13.18%	13.91%	15.90%	13.91%
LTM PTPP / Average Assets	1.09%	1.48%	1.76%	1.15%
LTM Core Return on Average Assets	0.21%	0.78%	1.11%	0.57%
LTM Core Return on Average Equity	1.87%	9.43%	10.49%	7.29%
LTM Efficiency Ratio	70.8%	63.3%	62.0%	71.9%
NPAs / Total Assets	2.72%	2.06%	0.79%	2.64%
NPAs / (Tangible Equity + ALLL)	29.7%	17.1%	9.5%	29.7%

PTPP = Pre-Tax Pre-Provision income

Core = Net income excluding extraordinary items and securities gains/(losses)

NPAs = Nonperforming Assets

ALLL = Allowance for Loan and Lease Losses

LTM = last 12 months

This comparison indicated that Wilber performed between the 25th percentile and the median of the peer group in overall profitability. Wilber's Tier 1 Leverage ratio was below the 25th percentile of the peer group, while the Total Risk Based Capital Ratio equaled the peer median. In terms of asset quality, Wilber's level of NPAs approximate the 25th percentile of the peer group when measured both as a percentage of total assets and as a percentage of tangible equity plus ALLL. The following presents a summary of the market trading data of Wilber compared to this same peer group:

As of 10/13/2010	Peer Market Trading Data			Wilber
	25th Pct	Median	75th Pct	
Market Capitalization (\$Mils)	\$42.7	\$66.0	\$88.9	\$64.3
Price / Tangible Book Value Per Share	62%	94%	137%	89%
Price / LTM Core EPS	8.6	10.3	14.0	12.1
Current Dividend Yield	0.00%	2.44%	4.73%	4.00%
MRQ Dividend Payout Ratio	0.0%	23.1%	53.5%	60.0%
LTM Average Daily Volume	1,054	2,919	10,615	9,282

EPS = Earnings Per Share

MRQ = Most Recent Quarter

As of October 13, 2010, Wilber common stock traded below the peer median price to tangible book multiple, but above the peer median price to LTM Core EPS. Wilber's dividend yield was above the median of the guideline group and Wilber's dividend payout exceeded the 75th percentile of the peer group. Average daily stock trading volume of Wilber was slightly below that of the 75th percentile of the peer group.

Comparable Transaction Analysis. Austin Associates compared the financial performance of certain selling institutions and the prices paid in selected transactions to Wilber's financial performance and the transaction multiples being paid by Community Bank System for Wilber. Austin Associates first reviewed certain information relating to Mid-Atlantic bank and thrift sale transactions from January 1 to October 13, 2010 involving sellers with total assets between \$300 million and \$2.5 billion. The following table highlights the results of this guideline transaction comparison:

	Median	
	Mid-Atlantic	Wilber (1)
S e l l e r ' s		
F i n a n c i a l		
P e r f o r m a n c e		
Total Assets	\$536.6	\$929.3
T a n g i b l e	7.20%	7.84%
E q u i t y / A s s e t s		
R e t u r n o n	-1.25%	0.57%
A v e r a g e		
A s s e t s		
R e t u r n o n	-14.82%	7.29%
A v e r a g e		
E q u i t y		
E f f i c i e n c y	82.7%	71.9%
R a t i o		
Nonperforming	4.24%	2.64%
A s s e t s / A s s e t s		
D e a l		
T r a n s a c t i o n		
M u l t i p l e s		
P r i c e / T a n g i b l e	102%	141%
B o o k V a l u e		
R a t i o		
P r i c e / L T M	NM	19.2
E a r n i n g s		
P r e m i u m / C o r e	3.0%	4.6%
D e p o s i t s		

(1) Wilber's financial performance and deal transaction multiples based on LTM core net income ending June 30, 2010.

Eight transactions met the first transaction criterion. Seven of the eight selling banks in this group reported a net loss in the most recent twelve months prior to deal announcement. Further, the median NPA to assets ratio measured 4.24 percent. In contrast, Wilber reported a profit during the year prior to deal announcement, and a lower NPA to assets ratio of 2.64 percent. The indicated price to tangible book ratio being paid by Community Bank System for Wilber of 141 percent is significantly higher than the median price to tangible book ratio of 102 percent for this transaction group.

Austin Associates also reviewed bank and thrift sale transactions nationally since January 1, 2009 involving sellers under a formal regulatory enforcement action. Of these fifteen transactions, only nine had pricing information. The largest seller in this transaction group had \$258 million in total assets. All nine sellers reported a LTM net loss and eight of the nine sellers reported a LTM efficiency ratio greater than 100 percent. The level of NPAs for these sellers was also significantly higher than for Wilber, with the median NPAs/Total Assets ratio equaling 6.45 percent, compared 2.64 percent for Wilber. The reported price to tangible book value ratios for these deals ranged between 52 percent and 100 percent, significantly lower than the 141 percent ratio being paid by Community Bank System for Wilber.



A third group of comparable transactions was reviewed consisting of all deals nationally announced between January 1 and October 13, 2010, involving a selling bank that was profitable over the LTM period prior to deal announcement, and with assets between \$500 million and \$2.0 billion. Only three transactions met this criterion.

	Deals with Profitable Sellers			
	Deal #1	Deal #2	Deal #3	Wilber (1)
Seller's Financial Performance				
Total Assets	\$1,047.6	\$612.7	\$840.1	\$929.3
Tangible Equity / Assets	7.04%	6.19%	8.48%	7.84%
Return on Average Assets	0.67%	0.40%	0.14%	0.57%
Return on Average Equity	8.09%	5.07%	1.68%	7.29%
Efficiency Ratio	73.0%	80.3%	67.8%	71.9%
Nonperforming Assets/Assets	0.90%	2.07%	2.03%	2.64%
Deal Transaction Multiples				
Price/Tangible Book Value Ratio	200%	91%	109%	141%
Price / L T M Earnings	26.8	7.4	66.6	19.2
Premium/Core Deposits	13.4%	NA	1.3%	4.6%

(1) Wilber's financial performance and deal transaction multiples based on LTM core net income ending June 30, 2010.

The price to tangible book multiple that Community Bank System is paying for Wilber of 141 percent is above two of the three subject transactions. The highest price to tangible book value ratio of 200 percent involved a selling bank with a NPA to assets ratio of 0.90 percent, significantly lower than Wilber's NPA ratio of 2.64 percent.

Discounted Cash Flow Value Matrix for Wilber. Austin Associates performed a discounted cash flow ("DCF") analysis that estimated the present value per share of Wilber's common stock. The DCF analysis was based on financial projections prepared by and reviewed with Wilber management. The analysis assumed no dividends would be paid through 2012 and earnings per share were projected at \$0.68 for 2012. The zero dividend assumption was based on the recent initiation of the Bank's regulatory enforcement action. For this analysis, a 13% discount rate was used. Utilizing a terminal value price-to-earnings multiple range of 11.0 to 13.0 times, along with varying levels of 2012 net income, resulted in the following per share indications of value:

Change to 2012Y Net Income	Terminal Value P/E Multiple		
	11.0	12.0	13.0
-20%	\$4.55	\$4.96	\$5.38
0%	\$5.69	\$6.20	\$6.72
+20%	\$6.82	\$7.44	\$8.06

Community Bank System Financial Performance and Market Trading Data versus Peers. Austin Associates compared selected results of Community Bank System's operating performance to those of 19 publicly traded banks in the Mid-Atlantic region having total assets between \$2.0 billion and \$12.0 billion. Austin Associates considered this group of financial institutions comparable to Community Bank System on the basis of asset size and geographic location.

This peer group consisted of the following companies:

Company Name	Symbol	Company Name	Symbol
1. Capital Source Inc.	CSE	11. Tompkins Financial Corporation	TMP
2. Wilmington Trust Corporation	WL	12. Hudson Valley Holding Corp.	HUVL
3. Signature Bank	SBNY	13. Lakeland Bancorp	LBAI
4. National Penn Bancshares	NPBC	14. Sterling Bancorp	STL
5. F.N.B. Corporation	FNB	15. Metro Bancorp Inc.	METR
6. First Commonwealth Financial	FCF	16. Financial Institutions Inc.	FISI
7. NBT Bancorp Inc.	NBTB	17. Bancorp Inc.	TBBK
8. S&T Bancorp Inc.	STBA	18. Intervest Bancshares Corp.	IBCA
9. Sandy Spring Bancorp Inc.	SASR	19. Univest Corp of Pennsylvania	UVSP
10. Sun Bancorp Inc.	SNBC		

Austin Associates noted the following selected financial measures for the peer group as compared to Community Bank System:

	Peer Financial Performance			Community Bank System
	25th Pct	Median	75th Pct	
Total Assets (\$Bils)	\$2.2	\$3.5	\$7.4	\$5.4
Tangible Common Equity / Assets	6.86%	7.33%	8.89%	5.57%
Tier 1 Leverage Ratio	8.78%	9.41%	10.88%	7.75%
Total Risk Based Capital Ratio	13.12%	14.54%	15.57%	13.87%
LTM PTPP / Average Assets	1.03%	1.68%	1.88%	1.75%
	-0.57%	0.34%	0.74%	1.11%

LTM Core Return on Average Assets				
LTM Core Return on Average Equity	-4.94%	3.52%	6.53%	10.50%
LTM Efficiency Ratio	68.1%	61.0%	58.3%	61.6%
NPAs / Total Assets	3.18%	1.90%	1.13%	0.41%
NPAs / (Tangible Equity + ALLL)	30.9%	19.7%	12.1%	6.8%

This comparison indicated that Community Bank System exceeded the 75th percentile of the peer group in overall profitability and asset quality, while Community Bank System ranked below the 25th percentile in tangible common equity to assets and Tier 1 leverage. The following presents a summary of the market trading data of Community Bank System compared to this same peer group:

As of 10/13/2010	Peer Market Trading Data			Community Bank System
	25th Pct	Median	75th Pct	
Market Capitalization (\$Mils)	\$211.4	\$411.6	\$771.2	\$803.8
Price / Tangible Book Value per Share	104%	133%	174%	281%
Price / LTM Core EPS	13.9	21.6	26.3	13.5
Price / 2011 EPS Estimate	12.1	13.8	15.6	12.8
Price / 2012 EPS Estimate	9.4	10.4	12.1	11.7
Dividend Yield	0.12%	0.70%	3.44%	3.96%
MRQ Dividend Payout Ratio	0.0%	21.2%	49.1%	50.0%
LTM Average Daily Volume	48,081	83,805	426,098	185,987

Community Bank System traded above the 75th percentile of the peer group as measured by price to tangible book, but slightly below the peer 25th percentile in price to LTM Core EPS. Community Bank System exceeded the 75th percentile of the guideline group in both dividend yield and MRQ dividend payout.

Of the 19 banks included in the peer group, only three reported a LTM Core ROAE greater than 10 percent. These three banks reported a price to tangible book value ratio of between 165 percent and 199 percent compared to 281 percent for Community Bank System. The price to LTM core EPS multiples for the three banks was between 12.0 and 13.4, as compared to 13.5 for Community Bank System (based on Community Bank System market price of \$24.24 as of October 13, 2010). Community Bank System's dividend yield of 3.96 percent was higher than that of the three banks with Core ROAE of more than 10 percent.

Discounted Cash Flow Value Matrix for Community Bank System. Austin Associates performed a DCF analysis that estimated the present value per share of Community Bank System's common stock. The DCF analysis was based on Community Bank System's projected earnings as derived from median analyst estimates for the remainder of 2010 through 2012, and modified slightly based on discussions with Community Bank System management. EPS estimates of \$1.87 for 2010, \$1.95 for 2011, and \$2.07 for 2012 were assumed for this analysis. The 2012 EPS estimate matches the consensus analyst estimate. The DCF analysis assumed dividends per share of \$0.94 for 2010, \$0.96 for 2011, and \$1.04 for 2012. The resulting DCF value matrix is based on a 12% discount rate. Utilizing a terminal value price-to-earnings multiple range of 12.0 to 14.0 times, along with varying levels of 2012 net income, resulted in the following per share indications of value:

Change to 2012Y Net Income	Terminal Value P/E Multiple		
	12.0	13.0	14.0

-10%	\$19.17	\$20.61	\$22.05
0%	\$21.09	\$22.69	\$24.29
+10%	\$23.01	\$24.78	\$26.54

Pro Forma Merger Analysis and Per Share Results. Austin Associates analyzed the potential pro forma effect of the Merger assuming the following: (1) the Merger is completed at the end of the fourth quarter of 2010 at an Exchange Ratio of 0.392 (assumes Community Bank System Market Price of \$24.24), (2) cost savings equal to 20% of Wilber's stand-alone projected overhead, with 80% of the savings realized in 2011 and 100% realized in 2012, (3) zero revenue enhancements; (4) transaction costs of \$1.0 million for Community Bank System and \$7.0 million for Wilber, (5) purchase accounting adjustments, including a \$12.5 million discount against Wilber's loan portfolio; and, (6) a core deposit premium of \$9.3 million, amortized straight-line over 7 years. Management of Community Bank System confirmed the reasonableness of the cost savings, revenue enhancement and transaction cost assumptions for Wilber; Austin Associates selected the remaining assumptions based on its experience, together with targeted preliminary pro forma capital ratio levels as stated by Community Bank System management. Based on the above assumptions, the pro forma estimated closing tangible equity to assets ratio would equal 5.84 percent and the Tier 1 Leverage ratio would equal 7.37 percent; both of these measures were in the ranges indicated by Community Bank System management.

Austin Associates calculated the effect of the proposed transaction to Wilber's pro forma equivalent book value per share, tangible book value per share, earnings per share, and dividends per share. All pro forma per share amounts have been adjusted for the Exchange Ratio. Presented below are summary results from this analysis:

	Projected	
Earnings Per Share	2011	2012
Pro-Forma Equivalent	\$0.77	\$0.84
Stand-Alone	\$0.56	\$0.68
% Change	38.2%	22.8%
\$ Change	\$0.21	\$0.15

	Projected	
Book Value Per Share	2011	2012
Pro-Forma Equivalent	\$7.86	\$8.29
Stand-Alone	\$7.97	\$8.65
% Change	-1.4%	-4.2%
\$ Change	(\$0.11)	(\$0.36)

	Projected	
Tangible Book Value Per Share	2011	2012
Pro-Forma Equivalent	\$4.25	\$4.69
Stand-Alone	\$7.54	\$8.22
% Change	-43.6%	-42.9%
\$ Change	(\$3.29)	(\$3.53)

	Projected	
Dividends Per Share	2011	2012
Pro-Forma Equivalent	\$0.38	\$0.41
Stand-Alone	\$0.00	\$0.00
% Change	NA	NA
\$ Change	\$0.38	\$0.41
Actual Stand-Alone DPS (1)	\$0.24	\$0.24
% Change	58.3%	70.8%
\$ Change	\$0.14	\$0.17

(1) Based on Wilber's dividend rate of \$0.06 per quarter (\$0.24 per year) as of September 30, 2010.

Austin Associates' Compensation and Other Relationships with Wilber and Community Bank System. Austin Associates rendered its fairness opinion to the Board of Directors of Wilber in connection with the Merger and has received a fee of \$125,000 for its services in connection with the opinion issued as of October 22, 2010 and an additional \$25,000 to update it as of the date of this Proxy Statement/Prospectus. Community Bank System has not engaged Austin Associates to provide any services in the last three years. Except for some limited services in the third quarter of 2009 regarding a potential acquisition transaction that did not materialize, Wilber has not engaged Austin Associates in the last three years. In connection with the limited services provided in 2009, Wilber paid Austin Associates a fee of \$5,000. Austin Associates' fee in connection with issuing the opinion was not, in any way, contingent on completion of the Merger or on the issuance of a favorable opinion. Wilber has agreed to indemnify Austin Associates against certain liabilities arising out of its engagement. Austin Associates does not have any other existing or pending engagements with either Wilber or Community Bank System.



Summary. Based on the preceding summary discussion and analysis, and subject to the qualifications described herein, Austin Associates determined the terms of the Merger Agreement to be fair, from a financial point of view, to Wilber and its shareholders.

The opinion expressed by Austin Associates was based on market, economic and other relevant considerations as they existed and could be evaluated as of the date of the opinion. Events occurring after the date of issuance of the opinion, including, but not limited to, changes affecting the securities markets, the results of operations or material changes in the financial condition of either Community Bank System or Wilber could materially affect the assumptions used in preparing this opinion.

#### Voting and Affiliate Agreements with Directors and Executive Officers of Wilber

Community Bank System has entered into a voting agreement with each Director and executive officer of Wilber. Pursuant to the agreement, each Director and executive officer of Wilber has agreed to vote in favor of the Merger Agreement all of his or her shares of Wilber common stock that he or she is entitled to vote. The Merger Agreement also requires Wilber to use its best efforts to cause each of its "affiliates" (as defined in the Securities Act) to enter into an affiliate agreement designed to ensure compliance with Rule 145 under the Securities Act which provides a safe harbor for resales of securities by insiders. All of the Directors and executive officers have executed the affiliates agreement. Mr. Wright also agreed that in addition to complying with Rules 144 and 145 under the Securities Act, he will not sell more than 150,000 shares in any calendar month without the consent of Community Bank System.

#### Financial Interests of Certain Wilber Directors and Executive Officers in the Merger

Certain members of management and Directors of Wilber have financial interests in the Merger that are different from, and may conflict with, interests of other Wilber shareholders. The Wilber Board of Directors was aware of these interests and considered them in approving the Merger Agreement. These interests are as follows:

#### Indemnification; Directors' and Officers' Insurance

Community Bank System has agreed to indemnify all Directors, officers, and employees of Wilber for a period of six years to the fullest extent permitted by law against:

- all liabilities and expenses relating to claims, proceedings, or investigations resulting from the person's status as a Director, officer, or employee of Wilber or any Wilber subsidiary, whether pertaining to matters existing prior to the Merger and whether asserted prior to or after the Merger; and
- all liabilities and expenses relating to claims, proceedings or investigations arising out of the Merger Agreement or the Merger.

Community Bank System has also agreed that all rights to indemnification and all limitations on liability existing in favor of Wilber's Directors, officers and employees provided in Wilber's certificate of incorporation, bylaws or similar governing documents with respect to matters occurring prior to the Merger will continue in full force and effect for a period of six years after the Merger. Community Bank System has agreed to honor those commitments as though it were the indemnifying party.



Community Bank System will maintain Wilber's existing directors' and officers' liability insurance policy, or a policy providing comparable coverage amounts on terms no less favorable, covering those persons for a period of six years from the date of the Merger, subject to certain maximum cost limits.

#### Advisory Board

Following the Merger, Community Bank System will invite the former members of Wilber's Board of Directors, other than Brian R. Wright and Alfred S. Whittet who will be appointed to the Board of Directors of Community Bank System, to serve on an advisory board. The President and Chief Executive Officer of Community Bank System will also serve on the advisory board. The advisory board will advise Community Bank on the deposit, lending and financial services activities in Wilber's former market area and generally work to ensure a smooth transition of business relationships and the continued development of business relationships throughout Wilber's former market area. The Merger Agreement provides that the advisory board will be maintained for two years after the Merger, and each member of the advisory board will be paid for each meeting of the advisory board he or she attends at a rate equal to \$5,000 per quarter divided by the number of meetings held in any given quarter. The Merger Agreement provides for the continuation of the advisory board for at least two years following the effective time of the Merger.

#### Continued Director Fees

Two current Directors of Wilber, Brian R. Wright and Alfred S. Whittet, will become Directors of Community Bank System and Community Bank. As such, they will receive Directors' fees and benefits in accordance with Community Bank System's policies on compensation of non-employee Directors from time to time. See "Directors" on page [ ] for more information.

#### Retention Payments

Certain retention payments will be paid to Joseph Sutaris, Executive Vice President and Chief Financial Officer, Jeffrey Lord, Regional President of the Southern Tier and Hudson Valley, and Robert Hayes, Regional President of the Capital District. These officers previously executed Retention Bonus Agreements with Wilber and such payments may be subject to approval by Wilber Bank's regulators. See the section entitled "The Merger — Regulatory Approvals and Notices for the Merger" beginning on page [ ] for further details about the payments.

#### Material Federal Income Tax Consequences

Generally. The following discussion addresses the material Federal income tax considerations of the Merger that are generally applicable to Wilber shareholders. The following discussion does not deal with all Federal income tax considerations that may be relevant to certain Wilber shareholders in light of their particular circumstances, such as shareholders who:

- are dealers in securities;
- are insurance companies or tax-exempt organizations;
- are subject to alternative minimum tax;
- hold their shares as part of a hedge, straddle or other risk reduction transaction;
- are foreign persons; or
- acquired their Wilber common stock through stock options or otherwise as compensation.



In addition, it does not address the tax consequences of the Merger under foreign, state, or local tax laws or the tax consequences of transactions completed before or after the Merger, such as the exercise of options or rights to purchase Wilber common stock in anticipation of the Merger.

The following discussion is based on the Internal Revenue Code, applicable Treasury Regulations, judicial decisions, and administrative rulings and practice, all as of the date of this document, all of which are subject to change. Any change could be applied to transactions that were completed before the change, and could affect the accuracy of the statements and conclusions in this discussion and the tax consequences of the Merger to Community Bank System, Wilber and Wilber shareholders.

Neither Wilber nor Community Bank System has requested or will request a ruling from the Internal Revenue Service with regard to any of the tax consequences of the Merger. Hinman, Howard Kattell, LLP, Wilber's attorneys, has rendered an opinion as of [ ], 2011 and, as a condition to the completion of the Merger, will again render an updated opinion at the closing of the Merger, to Wilber to the effect that:

the Merger constitutes a tax-free "reorganization" within the meaning of Section 368(a);  
the Merger will not result in the recognition of gain or loss for federal income tax purposes to Wilber or Community Bank System;  
Wilber shareholders will not recognize gain or loss if they receive only shares of Community Bank System common stock in the Merger, but gain or loss will be recognized by Wilber shareholders with respect to cash received in lieu of fractional shares;  
each Wilber shareholder will recognize gain, but not loss, on the exchange in the Merger of Wilber common stock for Community Bank System common stock and cash, in an amount equal to the lesser of the amount of gain realized by the Wilber shareholder with respect to the exchange or the amount of cash received;  
each Wilber shareholder's total tax basis in the Community Bank System common stock received in the Merger will be the same as the total tax basis of the shares of Wilber common stock exchanged in the Merger, decreased by the amount of any cash received in the Merger and any tax basis allocable to fractional shares, if any, of Community Bank System common stock for which cash is received, and increased by the amount of gain recognized by Wilber shareholder with respect to cash received; and  
each Wilber shareholder's holding period in the Community Bank System common stock issued in the Merger will include the period during which the Wilber shareholder held the Wilber common stock exchanged in the Merger, provided that he or she held the Wilber common stock as capital assets at the effectiveness of the Merger.

The opinion assumes that the Merger will take place in the manner described in the Merger Agreement. The tax opinion also assumes the truth and accuracy of certain factual representations that have been made by Wilber which are customarily given in transactions of this kind.

Caveat. Wilber shareholders should recognize that the opinion of Hinman, Howard and Kattell, LLP is not binding on the Internal Revenue Service or the courts. If the Internal Revenue Service were to assert successfully that the Merger is not a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, then each shareholder of Wilber would be required to recognize gain or loss equal to the difference between (1) the fair market value of all Community Bank System common stock, and the amount of cash, received in the Merger and (2) the tax basis in the Wilber common stock surrendered in the Merger. If this were to occur, each Wilber shareholder's total initial tax basis in the Community Bank System common stock received would be equal to its fair market value, and the holding period for the Community Bank System common stock would begin the day after the Merger. Assuming that any cash received would not be treated as dividend as described above, the gain or loss would be a long-term capital gain or loss if the holding period for the Wilber common stock was more than one year and the Wilber common stock was a capital asset in the hands of a Wilber shareholder.



The preceding discussion does not purport to be a complete analysis of all potential tax consequences of the Merger that may be relevant to a particular Wilber shareholder. You are urged to consult with your own tax advisors regarding the specific tax consequences of the Merger to you, including the applicability and effect of foreign, state, local, and other tax laws.

#### Accounting Treatment of the Merger

The Merger will be accounted for as a “business combination,” as that term is used under generally accepted accounting principles, for accounting and financial reporting purposes, with Community Bank System treated as the acquirer. Under the acquisition method of accounting, the assets (including identifiable intangible assets) and liabilities (including executory contracts and other commitments) of Wilber as of the effective time of the Merger will be recorded at their respective fair values and added to those of Community Bank System. Any excess of purchase price over the fair values is recorded as goodwill. Consolidated financial statements of Community Bank System issued after the Merger would reflect these fair values and would not be restated retroactively to reflect the historical financial position or results of operations of Wilber.

#### Resales of Community Bank System Common Stock

The shares of Community Bank System common stock to be issued to Wilber shareholders in the Merger will be registered under the Securities Act. These shares may be traded freely and without restrictions by a Wilber shareholder if he or she is not an “affiliate” of Wilber at the time of the special meeting. As defined by the Securities Act, an affiliate of Wilber is any person or entity that directly or indirectly controls, is controlled by or is under common control with Wilber. Affiliates generally include Directors, executive officers and 10% or greater shareholders of Wilber. Under most circumstances, affiliates must comply with Rule 145 under the Securities Act before selling any Community Bank System common stock they receive in the Merger.

Under Rule 145, during the one-year period after the completion of the Merger, affiliates of Wilber may resell shares of Community Bank System common stock received by them in the Merger only through unsolicited “brokers transactions” or in transactions directly with a “market maker,” as those terms are defined in Rule 144 under the Securities Act. In addition, during this one-year period after the Merger, the number of shares to be sold by an affiliate (together with certain related persons) may not exceed the greater of:

1% of the total number of the outstanding shares of Community Bank System common stock; or  
the average weekly trading volume of Community Bank System common stock during the four calendar weeks preceding the proposed sale.

After the end of one year from the Merger, an affiliate would be able to sell Community Bank System common stock received in the Merger without the requirements or limitations described above, provided that Community Bank System was current with its periodic filings with the SEC. Two years after the Merger, an affiliate would be able to sell the shares of Community Bank System common stock received in the Merger without any restrictions.

In addition, persons who become affiliates of Community Bank System after the Merger may resell shares of Community Bank System common stock issued in the Merger, subject to similar limitations and certain filing obligations specified in Rule 144.

The Merger Agreement requires Wilber to use its reasonable best efforts to cause any person who is identified by us as an affiliate of Wilber for purposes of Rule 145 to deliver to Community Bank System, within 30 days of the date of the Merger Agreement, an agreement which contains provisions intended to ensure compliance with the Securities Act and Rule 145.

#### New York Stock Exchange Listing

Community Bank System has agreed to make an application to list the shares of its common stock to be issued in the Merger on the NYSE. The stock must be authorized for listing on the NYSE, subject to official notice of issuance, for the Merger to be completed.

#### Regulatory Approvals and Notices for the Merger

Under the Merger Agreement, Wilber and Community Bank System have agreed to submit applications for all necessary regulatory approvals and to give all requisite notices to governmental agencies regarding both the Merger and the merger of Wilber Bank and Community Bank. These include approvals of and notices to the OCC and the Federal Reserve Board.

The closing of the Merger is conditioned upon the receipt of all approvals of regulatory authorities required for both mergers, the expiration of all notice periods and waiting periods after the grant of regulatory approvals, and the satisfaction of all conditions contained in any regulatory approvals.

The Comptroller of the Currency. The Merger is subject to approval by the OCC. Community Bank filed an application on January 21, 2011 and expects the processing of the application to be completed by [ ], 2011.

The Merger may not be completed until the 15th day following the date of the approval by the OCC. During this 15-day period, the United States Department of Justice may comment adversely on the Merger or challenge the Merger on antitrust grounds. The commencement of an antitrust action would stay the effectiveness of the OCC approval unless a court specifically orders otherwise.

You should be aware that the approval by the OCC:

reflects only its views that the Merger does not contravene applicable competitive standards imposed by law and is consistent with regulatory policies relating to safety and soundness;  
is not an opinion of the OCC that the Merger is financially favorable to the shareholders of Wilber or that the OCC has considered the adequacy of the terms of the Merger; and  
is not an endorsement of or recommendation for the Merger.

Federal Reserve Board. Under federal regulations, the Merger is eligible for an expedited review process which requires Community Bank System to file certain information with the Federal Reserve Board in connection with the Merger and the Federal Reserve Board determines if a full application is required. Community Bank System made the filing with the Federal Reserve Board on January [ ], 2011.





Federal Deposit Insurance Corporation. Between 1999 and September 2010, Wilber entered into Retention Bonus Agreements with a select group of key employees, including 16 currently employees, who were considered to be critical to the integration of continued banking operations in a business combination, such as the Merger. In order to encourage such individuals to remain employees through the completion of any such business combination, each key employee, based upon his or her contributions to Wilber, was offered a retention payment ranging from 33% of his or her salary to 150% of his or her salary. These payments will only be made upon the satisfaction of all of the conditions set forth in the respective Retention Bonus Agreement and may be subject to approval by the FDIC and the OCC. The payment amounts, if any, may be limited by the regulators.

#### Litigation Relating to the Merger

On November 3, 2010, a shareholder of Wilber filed a lawsuit in the New York Supreme Court captioned Robert E. Becker v. The Wilber Corporation, et al., Index No. 20101266 (Otsego County). On November 17, 2010, another shareholder filed a lawsuit in the New York Supreme Court captioned Richard N. Soules v. The Wilber Corporation, et al., Index No. 20101317 (Otsego County). Both lawsuits are brought on behalf of a putative class of Wilber's common shareholders and seek an order that they are properly maintainable as class actions.

Both complaints name Wilber, Wilber's Directors, and Community Bank System as defendants and allege that the Director Defendants breached their fiduciary duties by failing to maximize shareholder value in connection with the Merger and allege that Community Bank System aided and abetted those alleged breaches of fiduciary duty. The complaints allege that the Director Defendants improperly favored Community Bank System and discouraged alternative bids by agreeing to the Merger Agreement's non-solicitation provision and termination fee provision. Plaintiffs cite that pursuant to the Merger Agreement, Community Bank agreed to appoint two of Wilber's Directors to the Boards of Community Bank System and Community Bank, effective upon the closing of the Merger. Plaintiffs further cite that Community Bank System agreed to establish an advisory board of Community Bank, made up of the current directors of Wilber. The complaints also cite that the Directors and officers of Wilber entered into voting agreements to vote their shares of Wilber common stock in favor of the Merger Agreement. In addition, the complaints allege that the consideration to be received by Wilber's common shareholders is inadequate and unfair. The complaints seek declaratory and injunctive relief to prevent the consummation of the Merger, a constructive trust over any benefits improperly received by defendants, and costs including plaintiffs' attorneys' and experts' fees.

Community Bank System and Wilber have answered the complaints and moved for summary judgment dismissing the cases. Plaintiff in the Becker action has served discovery demands requesting the production of documents by Defendants.

Plaintiffs have moved to consolidate the Becker and Soules lawsuits into one action. They also seek the appointment of Robert Becker and Richard Soules as Co-Lead Plaintiffs and their respective attorneys as Co-Lead Counsel.

Plaintiffs have moved for leave to amend their complaints, to file one consolidated amended complaint. Plaintiffs also seek permission to file an amended pleading once the Form S-4 Registration Statement is filed. The court heard argument on the motions on January 14, 2011 and reserved decision.

Each of Community Bank System and Wilber believes the claims asserted are without merit and intends to vigorously defend against these lawsuits.

#### Formal Agreement with the Office of the Comptroller of the Currency

On October 13, 2010, Wilber Bank entered into a formal written agreement (the "Formal Agreement") with the OCC, Wilber Bank's primary regulator. The Formal Written Agreement became effective on October 13, 2010 and will remain in effect and enforceable until it is modified, waived or terminated in writing by the OCC. A copy of the Formal Written Agreement was filed as Exhibit 10.1 to the Current Report on Form 8-K filed by Wilber on October 19, 2010.

Entry into the Formal Agreement is based on the findings of the OCC during their on-site examination of Wilber Bank as of March 22, 2010. Since the completion of the examination (the "OCC Exam"), the Board of Directors of Wilber Bank and its management have aggressively worked to address the findings of the OCC Exam, and have already successfully implemented initiatives and strategies to address and resolve a number of the issues noted in the Formal Agreement. Wilber Bank continues to work in cooperation with its regulators to bring its policies and procedures into conformity with directives.

Under the terms of the Formal Agreement, Wilber Bank is required to take the following actions: (i) adopt and implement a written action plan detailing the Board's assessment of actions required to correct Wilber Bank's deficiencies noted in certain OCC exams, along with a timeline for the implementation of such a plan; (ii) ensure continuation of a competent full-time President to carry out the Board's policies and adequately manage the day-to-day operations of Wilber Bank; (iii) develop, implement and adhere to a written program to improve Wilber Bank's loan portfolio management and correct each deficiency cited in certain OCC exams; (iv) develop, implement and adhere to a written program to reduce the high level of credit risk; (v) make a diligent effort to obtain credit information on all loans lacking such information and ensure that proper collateral documentation is in place; (vi) protect Wilber Bank's interest in assets criticized by the OCC; (vii) review and revise its written loan policy; (viii) reverse or charge off all interest that has accrued and is contrary to regulatory call report requirements; (ix) adopt, implement and adhere to a policy to ensure proper management of other real estate owned; (x) continue to review the adequacy of Wilber Bank's allowance for loan losses and maintain a program to ensure an adequate allowance; (xi) develop, implement and adhere to a three year capital program to include, without limitation, specific plans for maintaining adequate capital, remain "well capitalized", and a dividend policy that permits declaration of dividends only when in compliance with the capital program and when certain other conditions are met; (xii) adopt, implement and adhere to a written strategic plan establishing, among other things, objectives for Wilber Bank's overall risk profile, earnings performance and growth and (xiii) correct each violation of law, rule or regulation cited in the two most recent regulatory examination reports and implement procedures to avoid future violations.

Additionally, Wilber Bank is required to submit periodic progress reports to the OCC regarding various aspects of the foregoing actions. Wilber Bank's Board shall appoint a compliance committee to monitor and coordinate the Bank's performance under the Formal Agreement. As of the date of this document, Wilber has developed and submitted a detailed action plan to address the Formal Agreement. The action plan included activities to cure the deficiencies delineated within the Formal Agreement. The Board of Directors and management believes that it has made significant progress with respect to the Formal Agreement and is now in substantial compliance with a majority of the requirements contained within the Formal Agreement.



In particular,

- (i) Wilber's Board of Directors and management adopted and implemented a written action plan and timeline to correct Wilber Bank's deficiencies noted in certain OCC exams. The plan was initially completed and submitted on October 30, 2010 and addressed each Article of the Formal Agreement including the expected date that Wilber Bank would be in compliance with the Article. A subsequent update to the written action plan was submitted on January 28, 2011 detailing all actions taken by Wilber Bank through December 31, 2010.
- (ii) On November 22, 2010 Wilber Bank appointed James M. Mack to succeed Alfred S. Whittet as the full-time President of Wilber Bank to carry out the Board's policies and adequately manage the day-to-day operation of Wilber Bank. Mr. Mack has extensive experience in managing troubled institutions, including extensive loan and credit experience, as well as experience in integrating banking company mergers. Wilber Bank's management believes it is in full compliance with this provision of the Formal Agreement.
- (iii) The Board of Directors approved and management implemented a written program to improve Wilber Bank's loan portfolio management and correct deficiencies prior to the issuance of the Formal Agreement. The written program included improving Wilber Bank's management information systems to more closely monitor problem credits, provide regular written updates and formal reviews of criticized assets and hiring loan "work out" specialists to concentrate on problem credit loss mitigation. These efforts have been effective in reducing the level of Wilber Bank's nonperforming loans and potential problem loans through December 31, 2010. At December 31, 2010, Wilber's nonperforming assets totaled \$21.872 million. This compares to \$25.442 million at September 30, 2010, a \$3.570 million decrease between the periods. In addition, loans 30-89 days delinquent (in performing status) at December 31, 2010 totaled \$2.442 million or 0.47% of total loans outstanding. This compares to \$8.469 million or 1.44% of total loans outstanding at December 31, 2009. Wilber Bank's management believes it is in full compliance with this provision of the Formal Agreement.
- (iv) A written program to reduce the level of credit risk was developed by management and approved by the Board of Directors prior to the issuance of the Formal Agreement. In addition to regularly reviewing all credits, management has been actively implementing risk mitigation strategies on each of the problem credits, including, but not limited to foreclosure, obtaining additional collateral from borrowers and pursuing the sale of borrowers' notes. At December 31, 2010, Wilber Bank's potential problem loan pool decreased to \$8.597 million or 1.7% of total loans outstanding. By comparison the potential problem loan pool totaled \$24.866 million or 4.2% of total loans outstanding at December 31, 2009. Wilber Bank's management believes it is in full compliance with this provision of the Formal Agreement.
- (v) In connection with its written program to improve Wilber Bank's loan portfolio management, management has been actively tracking and pursuing the acquisition of improved credit and collateral documentation. This included an improvement to Wilber Bank's management information systems to assure more timely credit and collateral documentation is on file. Management believes it is actively complying with this provision of the Formal Agreement.

(vi) As part of written program to reduce the level of credit risk, Wilber Bank's management team has actively implemented and managed action plans with each of the assets criticized by the OCC. This includes more frequent contact with each of the criticized borrowers, monthly written updates by Wilber Bank's loan officers to each borrower's criticized asset report log and definitive action plans to mitigate the Bank's potential loss in each of the criticized credits. Management believes it is in full compliance with this provision of the Formal Agreement.

(vii) Wilber Bank's Board of Directors reviewed and approved revised general and commercial loan policies before and after issuance of the Formal Agreement to assure compliance with all regulatory standards. The revised policies were written and implemented to improve the control systems for reviewing, underwriting, renewing, approving and closing loans. The Board of Directors through its compliance and loan and investment committees have worked closely with management to assure that these policies are effectively administered and implemented through the reduction of policy exceptions and credit mitigation tactics, including close monitoring and stricter enforcement of borrower's loan covenants. Management believes it is in full compliance with this provision of the Formal Agreement.

(viii) Prior to the issuance of the Formal Agreement management evaluated and enhanced its nonaccrual loan policy in conjunction with the OCC's requirements. In implementing the improved policy and related procedures management now meets monthly to review all of Wilber Bank's criticized assets to determine their nonaccrual status. In addition, in compliance with the Formal Agreement, during the third and fourth quarters of 2010 management engaged a third party accounting firm to conduct an internal audit review of Wilber Bank's nonaccrual classifications and the related reversal of interest, if any. The interest that was accrued contrary to the instructions of the call report for 2009 and 2010, totaled \$53 thousand and \$78 thousand, respectively. These amounts were determined not to be material, and as such, adjustments to previously filed call report income statement schedules were not required. Management believes it is in full compliance with this provision of the Formal Agreement.

(ix) During the third quarter of 2010, Wilber Bank's Board of Directors adopted a new policy for other real estate owned. The new policy and related procedures were immediately implemented, and included enhancements to assure proper and timely insurance protection was established for each property, property tax bills and payments were administered timely and effectively, property rent rolls were obtained, tenants were properly notified of their rights, property marketing and listing plans were developed, other real estate owned related accounting was recorded appropriately, updated appraisals were obtained on a timely basis and authority for determining property disposal values was properly granted. Management believes it is in full compliance with this provision of the Formal Agreement.

(x) Prior to the issuance of the Formal Agreement, Wilber Bank's Board of Directors and management evaluated enhancements to its allowance for loan loss methodology as recommended by the OCC. The OCC did not deem the allowance for loan losses to be inadequate, but recommended that a more robust historical loss migration methodology be included in future allowance for loan loss calculations. Management's evaluation included the incorporation of historical loss data stratified by loan type and applied or "migrated" back to the prior year end loan risk rating. Prior to implementation of the enhanced methodology, for internal analytical purposes, it was applied to the December 31, 2009 period. Under the new methodology it was determined that the December 31, 2009 allowance for loan losses of \$8.622 million remained adequate, with only insignificant changes to the unallocated component, which decreased from 3.9% of the total allowance for loan losses to 1.3% of the total allowance for loan losses. Management began utilizing the revised methodology in 2010. Wilber Bank's management is in full compliance with this provision of the Formal Agreement.



(xi) Prior to issuance of the Formal Agreement, the Board of Directors adopted an amended Capital Management Plan. The Capital Management Plan, as amended, included specific plans and actions for maintaining adequate capital over a three-year period, maintaining “well capitalized” status and complying with Wilber Bank’s dividend policy. After issuance of the Formal Agreement, management further enhanced its Capital Management Plan to more clearly delineate administrative responsibilities and specifically address actions the Board of Directors and management would take upon triggering certain contingent events. At December 31, 2010, Wilber Bank’s tier 1 leverage ratio, tier 1 risk-based capital ratio and total risk based capital ratios were 8.45%, 13.22% and 14.48%, respectively. This compares to 7.72%, 11.34% and 12.59% at December 31, 2009. Wilber Bank’s management believes it is in full compliance with this provision of the Formal Agreement.

(xii) The Formal Agreement with the OCC requires Wilber Bank to adopt, amend and adhere to a three year strategic plan. In connection with this article of the Formal Agreement, Wilber Bank’s Board of Directors elected to pursue merging the Company, in lieu of maintaining an independent company. In light of this strategic decision, management with subsequent concurrence from the OCC has deferred development of a three year strategic plan pending the outcome of the merger with CBSI. Management anticipates that it will comply fully with this provision of the Formal Agreement in the event the merger with CBSI is not consummated.

(xiii) Wilber Bank’s management has taken all necessary corrective action to correct each violation of law, rule or regulation cited in its two most recent regulatory examination reports and has implemented procedures to avoid future violations. This included adoption of an enhanced appraisal policy, nonaccrual loan policy, other real estate owned policy and several procedures to assure adherence to these policies.

The actions taken by Wilber Bank’s management and Board of Directors with respect to the Formal Agreement may impact several aspects of the Bank’s future financial results. We expect that the active management of the criticized assets will, over time, lower the Bank’s overall credit risk profile. At December 31, 2010, the Bank’s level of loans 30 to 89 days delinquent in performing status was less than 1% of total loans outstanding. In addition, nonperforming loans and potential problem loans decreased as compared to period ended September 30, 2010. Although there exists a fair amount of uncertainty regarding the future trend for these credit quality measures, management anticipates improvements to continue, particularly if the commercial real estate markets stabilize. The stricter credit monitoring practices, underwriting standards and loan closing controls developed and implemented by Wilber Bank during 2009 and 2010, however, may continue to curb new loan generation and, in turn, net interest margin as customers seek out more flexible borrowing arrangements. If Wilber Bank is successful, in reducing its problem loan levels, however, the requirements to fund the allowance for loan losses may be reduced in future periods. In addition, the legal expenses associated with pursuing remedies with our borrowers may decrease.



During 2011, however, the active management of problem loans is expected to increase the amount of other real estate owned due to an increase in foreclosure actions pursued by the Bank. In addition, the costs associated with maintaining these other real estate assets may increase. Similarly, the level of charge-offs may remain elevated during 2011 as we migrate some of our problem credits through the foreclosure process.

As a result of the Formal Agreement, Wilber Bank has significantly increased its regulatory capital ratios. The increased capital levels, although necessary to mitigate a higher risk profile, could negatively impact the Company's return on equity in future periods.

#### No Appraisal or Dissenters' Rights

Under Section 910 of the New York Business Corporation Law, shareholders may, under certain circumstances, exercise a right of dissent from certain limited corporate actions and obtain payment for the fair value of their shares. However, this right of dissent and appraisal under Section 910 of the New York Business Corporation Law is not available to holders of Wilber's common stock in connection with the Merger. Section 910 of the New York Business Corporation Law provides that shareholders do not have dissenters' rights with respect to a merger if, on the record date, the stock held by such shareholders is listed on a national securities exchange or designated as a national market system security on an interdealer quotation system by the Financial Industry Regulatory Authority, formerly known as the National Association of Securities Dealers, Inc. Because Wilber's common stock is listed on the NYSE Amex, Wilber shareholders will not have any appraisal or dissenters' rights with respect to the Merger.

### THE MERGER AGREEMENT

#### Conversion of Wilber Common Stock

At the effective time of the Merger, each outstanding share of Wilber common stock will be converted into, at the election of each Wilber shareholder, either:

- a number of shares of Community Bank System common stock equal to the applicable exchange ratio for each share of Wilber common stock owned. The exchange ratio will be:
- if the market price (as determined below) of Community Bank System common stock is greater than \$25.35, in which case the exchange ratio will be equal to 0.3748; or
- if the market price of Community Bank System common stock is less than \$19.71, in which case the exchange ratio will be equal to 0.4820; or
- if the market price of Community Bank System common stock is equal to or greater than \$19.71, or equal to or less than \$25.35, the quotient (rounded to the nearest one-thousandths of a share) obtained by dividing \$9.50 by the market price of Community Bank System common stock; or
- cash at the rate of \$9.50 for each share of Wilber common stock owned; or
- a combination of shares of Community Bank System common stock for 80% of the aggregate number of shares of Wilber common stock owned and cash for 20% of the aggregate number of shares of Wilber common stock owned, using the same exchange rates for stock and cash described above.



As used above, the “market price” of Community Bank System common stock is equal to the average closing sale price of Community Bank System common stock over the 10 trading day period immediately prior to the closing date of the Merger

You may obtain current market quotation for the Community Bank System common stock from a number of sources. The market price of the Community Bank System common stock will fluctuate between the date of this document and the date of the Merger and after the Merger. Therefore, the value of the shares of Community Bank System common stock that Wilber shareholders may receive in the Merger may increase or decrease prior to and after the Merger, and may be more or less than the amount of cash consideration being offered in the Merger.

The applicable exchange ratio for the Merger may be adjusted appropriately if Community Bank System changes the number of outstanding shares of its common stock before the Merger through any stock split, recapitalization, reclassification or other similar change, or sets a record date for any of the foregoing events prior to the completion of the Merger.

Community Bank System will not issue any fractional shares in the Merger. Instead, you will receive cash in an amount equal to the product of (1) the average closing sale price of Community Bank System common stock over the 10 trading days immediately prior to the closing date of the Merger, and (2) the fraction of a share of Community Bank System common stock that you would have otherwise been entitled to receive in the Merger. Community Bank System will pay no interest on any cash in lieu of fractional shares. American Stock Transfer will serve as exchange agent and will be responsible for sending you any cash payment you have a right to receive.

At the effective time of the Merger, you will no longer have any rights as a holder of Wilber common stock, but you will, upon proper surrender of your Wilber common share certificates, have the rights of a holder of Community Bank System common stock. For a comparison of the rights you have as a holder of Wilber common stock to the rights you will have as a holder of Community Bank System common stock, please read “Material Differences in the Rights of Shareholders” beginning on page [ ].

#### Election Procedures

Subject to the allocation procedures described in the next section, you will have the right to elect to receive with respect to your shares of Wilber common stock either: all Community Bank System common stock, all cash, or a mixture of shares of Community Bank System common stock for 80% of the shares of Wilber common stock you own, and cash for 20% of the shares of Wilber common stock you own.

**All Stock Election.** If you make the all stock election, you will receive a number of shares of Community Bank System common stock equal to the applicable exchange ratio determined in accordance with the section captioned “Conversion of Wilber Common Stock” above, for each share of Wilber common stock you own, subject to the allocation procedures described below.

**All Cash Election.** If you make the all cash election, you will receive \$9.50 in cash for each share of Wilber common stock you own, subject to the allocation procedures described below.

**Mixed Election.** If you make the mixed election, you will receive (i) \$9.50 in cash for 20% of the total number of shares of Wilber common stock you own, and (ii) shares of Community Bank System common stock, based upon the applicable exchange ratio, for 80% of the total number of shares of Wilber common stock you own.

**Non-Election Shares.** If you do not make an election as to whether you wish to receive all cash, all Community Bank System common stock, or a mixture of 80% stock and 20% cash, or if you do not make a valid election on a timely basis, you will automatically be deemed to have made the mixed election.

**Representative Shares.** Record holders of shares of Wilber common stock who hold those shares as nominees, trustees or in other representative capacities may submit multiple election forms/letters of transmittal, provided that those record holders certify that each of the election forms/letters of transmittal covers all of the shares of Wilber common stock held for the benefit of a particular beneficial owner.

Under the terms of the Merger Agreement, no more than 20% of the outstanding shares of Wilber common stock will be converted into the right to receive cash, and no more than 80% the outstanding shares of Wilber common stock will be converted into the right to receive Community Bank System common stock. Therefore, if the elections result in an oversubscription of either stock or cash, American Stock Transfer will follow the procedures for allocating Community Bank System common stock and cash described below under "Allocation Mechanism." Accordingly, you may not receive the form of merger consideration that you elect with respect to all of the shares of Wilber common stock you own.

**Election Form/Letter of Transmittal.** You will receive an election form/letter of transmittal and other appropriate and customary transmittal materials in a separate mailing after the closing of the Merger. The election form/letter of transmittal will allow you to make either the all cash election, the all stock election or the mixed election. American Stock Transfer will send each Wilber shareholder who is a holder of record as of the close of business on the closing date the election form/letter of transmittal and make available an election form/letter of transmittal to any person who becomes a holder of Wilber common stock subsequent to the closing date and up and until the close of business on the business day prior to the election deadline. Wilber and Community Bank System currently expect the election deadline to be 5:00 p.m., Eastern time, on May [\_\_\_], 2011, but will notify you if there is a change in the deadline.

If you wish to elect the type of merger consideration you will receive in the Merger, you should carefully review and follow the instructions to the election form/letter of transmittal. If you do not make a valid election prior to the election deadline with respect to any of your shares of Wilber common stock, those shares are deemed to be subject to the mixed election.

To make a valid election, you must submit a properly completed election form/letter of transmittal so that it is actually received by the exchange agent at or prior to the election deadline in accordance with the instructions to the election form/letter of transmittal. An election form/letter of transmittal will be deemed properly completed only if accompanied by stock certificates (or an appropriate guarantee of delivery of stock certificates as set forth in the notice of guaranteed delivery included with the election form/letter of transmittal from a firm that is a member of a registered national securities exchange or a commercial bank or trust company having an office or correspondent in the United States, provided that the stock certificates are in fact delivered to the exchange agent within three business days after the date of execution of the guarantee of delivery) representing all shares of Wilber common stock covered by the election form/letter of transmittal (or appropriate evidence as to the loss, theft or destruction, appropriate evidence as to the ownership of that certificate by the claimant, and appropriate and customary identification).



You may revoke an election at any time prior to the election deadline, and you may either resubmit a new election or simply withdraw the prior election. If you wish to change an election, you may resubmit the election form/letter of transmittal in accordance with the election procedures, so long as the resubmitted election form/letter of transmittal is received by the election deadline. If you wish to withdraw an election, you must provide written notice of withdrawal to the exchange agent by 5:00 p.m. local time, on the day prior to the election deadline. In the event of a withdrawal of an election, the exchange agent will, upon receiving a written request from you, return the certificates of Wilber common stock (or guarantee of delivery, if applicable) submitted by you, and you will be deemed to have made a mixed election unless you resubmit another election form/letter of transmittal in accordance with the election procedures. The exchange agent will have reasonable discretion to determine whether any election, change, or withdrawal request has been properly or timely made and to disregard immaterial defects in any election form/letter of transmittal, and any good faith decisions of the exchange agent and Community Bank System regarding these matters will be binding and conclusive. Neither Community Bank System nor the exchange agent will be under any obligation to notify any person of any defects in an election form/letter of transmittal.

**Deposit of Merger Consideration.** As soon as practicable after the completion of the Merger, Community Bank System will deposit with American Stock Transfer, the transfer agent for its common stock and the exchange agent for the Merger, certificates representing the shares of Community Bank System common stock to be issued in the Merger and cash payable in the Merger, by wire transfer of immediately available funds.

**Dividends; Closing of Transfer Books.** Declaration of dividends by Community Bank System after the Merger will include dividends on all Community Bank System common stock issuable in the Merger. However, no dividend or other distribution payable to the holders of record of Community Bank System common stock at or as of any time after the completion of the Merger will be paid to the former Wilber shareholders until they physically surrender their certificates as described above (or, if applicable, follow procedures for lost, stolen, destroyed or mutilated certificates), and no interest will be paid on any dividend or distribution. After the completion of the Merger, the stock transfer books of Wilber will close and there will be no more transfers on the transfer books of Wilber. If any certificates formerly representing shares of Wilber common stock are presented for transfer after the Merger, those certificates will be cancelled and exchanged for certificates representing Community Bank System common stock and/or checks for cash, as provided in the Merger Agreement, and the shares represented by those certificates will be treated as shares subject to the mixed election if no election form has been presented by the holder by the election deadline.

**Lost, Stolen, Destroyed or Mutilated Certificates.** If any certificate formerly representing Wilber common stock is lost, stolen, destroyed or mutilated, Community Bank System can require its holder to give an affidavit to that effect and to deliver an indemnity agreement and/or post a bond in an amount that Community Bank System may direct as indemnity against any claim that may be made by another party with respect to the certificate. Once these requirements have been satisfied, the exchange agent will issue a certificate representing an appropriate number of shares of Community Bank System common stock.

#### Allocation Mechanism

Pursuant to the terms of the Merger Agreement, no more than 20% of the outstanding Wilber common stock will be converted into the right to receive cash in the Merger, and no more than 80% of the outstanding Wilber common stock will be converted into the right to receive shares of Community Bank System common stock in the Merger. Therefore, depending on the aggregate elections made by the Wilber shareholders for each election category, all-cash and all-stock elections are subject to a pro rata allocation to preserve these limitations on the amount of cash to be paid and the number of shares of Community Bank System common stock to be issued in the Merger. However, the shares of Wilber common stock held by the following type of Wilber shareholders are not subject to this allocation mechanism:



- shareholders owning 100 or fewer shares of Wilber common stock, who elect to receive all cash for their shares, will receive all cash.

As a result, unless this exception applies to you and your shares, you may receive a mix of cash and stock even if you make the all-cash election or the all-stock election.

**Reduction of Shares Entitled to Receive Cash.** If, at the election deadline, the holders of more than 20% of the total number of outstanding shares of Wilber common stock have elected to receive cash pursuant to the all-cash election or the mixed election or have properly exercised their appraisal rights under New York law, then Community Bank System will remove a certain number of shares otherwise subject to the all-cash election and instead treat those shares as being subject to the all-stock election, so that a number of shares equal, as nearly as possible, to 20% of the total number of outstanding shares of Wilber common stock will be exchanged for cash in the Merger or subject to appraisal rights. Community Bank System will determine the number of shares to be allocated on a pro rata basis in relation to the total number of shares subject to the all-cash election (excepting out the number of shares subject to the all-cash election made by shareholders with 100 or fewer shares). Wilber shareholders who have made the mixed election will not be required to have more than 80% of their shares of Wilber common stock converted into shares of Community Bank System in the Merger. Notice of this allocation shall be provided to each Wilber shareholder who had made the all-cash election but will receive stock consideration because of the allocation, after the completion of the Merger.

**Increase of Shares Entitled to Receive Cash.** If, at the election deadline, the holders of less than 20% of the total number of outstanding shares of Wilber common stock have elected to receive cash pursuant to the all-cash election or the mixed election, then Community Bank System will remove a certain number of shares otherwise subject to the all-stock election and instead treat those shares as being subject to the all-cash election, so a number of shares equal, as nearly as possible, to 20% of the total number of outstanding shares of Wilber common stock will be exchanged for cash in the Merger. Community Bank System will determine the number of shares to be allocated on a pro rata basis in relation to the total number of shares subject to the all-cash election. Wilber shareholders who have made the all-stock election or the mixed election will not be required to have more than 20% of their shares of Wilber common stock converted into cash. Notice of this allocation shall be provided promptly to each Wilber shareholder who had made the all-stock election but will receive cash consideration because of the allocation, after the completion of the Merger .

The allocation described above will be computed and completed by Community Bank System as soon as practicable after completion of the Merger.

Because the Federal income tax consequences of receiving cash, Community Bank System common stock, or both cash and Community Bank System common stock will be different, you are strongly urged to read carefully the information set forth under the caption “The Merger — Material Federal Income Tax Consequences” and to consult your own tax advisors for a full understanding of the Merger’s tax consequences to you. In addition, because the value of the Community Bank System common stock will fluctuate, the economic value per share received by Wilber shareholders who receive the stock consideration may, as the date of the effective time of the Merger or as of the date of the receipt of the consideration by them, be more or less than the amount of cash consideration per share received by Wilber shareholders who receive cash consideration.



## Representations and Warranties

In the Merger Agreement, each party makes customary representations and warranties about themselves concerning various business, legal, financial, regulatory and other pertinent matters. These representations and warranties will not survive after the Merger. Under certain circumstances, each of party may decline to complete the Merger if the inaccuracy of the other party's representations and warranties has a material adverse effect on the other party.

## Conditions to the Merger

Mutual Conditions. Before either of us will be obligated to complete the Merger, the following conditions must have been satisfied:

Wilber shareholders approve the Merger Agreement, and all other corporate actions necessary on the part of each party to authorize the Merger are taken;

Wilber and Community Bank System receive all approvals or consents required by law or mutually deemed necessary from any applicable governmental agency, all applicable notice or waiting periods under all laws expire, and all conditions contained in the approvals or consents, if any, are satisfied;

the SEC declares effective the registration statement covering the Community Bank System common stock to be issued in the Merger, and the registration statement is not the subject of any stop order or any actual or threatened proceeding seeking a stop order;

Community Bank System receives all necessary authorizations and permits from state securities agencies or commissions for the issuance of its common stock in the Merger, or confirms that no authorizations or permits are required;

there is no order, decree or injunction in effect which prohibits the completion of the Merger, and there is no actual or threatened governmental action or proceeding that prevents the completion of the Merger;

the NYSE lists the Community Bank System common stock to be issued to the Wilber shareholders in the Merger, subject to official notice of issuance; and

Hinman, Howard & Kattell, LLP, Wilber's attorneys deliver an opinion to Wilber to the effect that the Merger will qualify as a tax-free reorganization under Section 368 of the Internal Revenue Code, and as to certain other related matters.

Conditions to Obligations of Wilber. Before Wilber will be obligated to complete the Merger, the following additional conditions must have been satisfied:

the representations and warranties of Community Bank System contained in the Merger Agreement are true in all material respects on the date of the Merger Agreement and on the closing date. The representations and warranties may contain inaccuracies if, taken together, they would not have a material adverse effect on Community Bank System;

Community Bank System has materially performed its obligations under the Merger Agreement which are intended to be performed before the closing;

Community Bank System has delivered a customary closing certificate as to the above two matters;

Wilber receives a written fairness opinion from Austin Associates, its financial advisors, dated within five days of the mailing of this document; and

the registration statement covering the Community Bank System common stock to be issued in the Merger includes as an exhibit an opinion of Bond, Schoeneck & King, Community Bank System's outside counsel, concerning certain customary matters related to the Community Bank System common stock to be issued in the Merger.



Conditions to Obligations of Community Bank System. Before Community Bank System will be obligated to complete the Merger, the following additional conditions must have been satisfied:

the representations and warranties of Wilber contained in the Merger Agreement are true in all material respects on the date of the Merger Agreement and on the closing date. The representations and warranties may contain inaccuracies if, taken together, they would not have a material adverse effect on Wilber;

under Section 3.7 of the Merger Agreement, if delinquent loans (defined as (i) all loans with principal and/or interest that are 30-89 days past due, (ii) all loans with principal and/or interest that are at least 90 days past due and still accruing, (iii) all loans with principal and/or interest that are nonaccruing, (iv) loans which constitute troubled debt restructurings under Generally Accepted Accounting Principles or applicable law, (v) Other Real Estate Owned and (vi) net charge-offs from August 31, 2010 through the effective time of the Merger) exceed \$32.160 million then Community Bank System can terminate the Merger Agreement. As of November 30, 2010, the amount of delinquent loans totals \$28.530 million;

Wilber has materially performed its obligations under the Merger Agreement which are intended to be performed before the closing;

Wilber has delivered a customary closing certificate as to the above two matters; and

to the extent that any contract or agreement of Wilber requires the consent of or waiver from any other party because of the Merger, Wilber receives the consent or waiver unless the failure to receive the same will not have a material adverse effect on Wilber.

Unless prohibited by law, any of the conditions to the Merger may be waived by the applicable party. As described below, if these conditions are not satisfied or waived, each of us may have a right to terminate the Merger Agreement under certain circumstances.

#### Termination

Either Wilber or Community Bank System may terminate the Merger Agreement at any time before the completion of the Merger if:

both parties consent in writing to the termination pursuant to the authorization of the respective Boards of Directors; the other party materially breaches, and does not cure within 30 days of written notice to the extent curable, any of the representations or warranties or any covenant or agreement it has made under the Merger Agreement and the breach entitles the party seeking to terminate to not complete the Merger;

the parties are not able to obtain required governmental approvals, and all appeals and requests for reconsideration have been exhausted;

any governmental entity issued a final and non-appealable order to prohibit the completion of the Merger;

Wilber shareholders do not approve the Merger Agreement at a special meeting called for that purpose; or the Merger is not completed on or before May 31, 2011, unless the Merger was not completed principally because the party seeking to terminate breached a covenant or obligation of the Merger Agreement.

In addition, Community Bank System may terminate the Merger Agreement at any time before the completion of the Merger if:

Wilber's Board of Directors withdraws, modifies or changes its approval or recommendation of the Merger Agreement or the transactions contemplated by the Merger Agreement in a manner adverse to Community Bank System, or Wilber did not include in this proxy statement/prospectus the recommendation of its Board of Directors in favor of the approval of the Merger Agreement or the transactions contemplated by it, or the Board of Directors of Wilber resolves to take any of the foregoing actions;

following its receipt of a "Takeover Proposal" or the public announcement of a Takeover Proposal, Wilber fails to timely comply with its covenants to call a special shareholders' meeting, recommend the approval of the Merger Agreement, and solicit proxies in favor of the approval of the Merger Agreement (please see "No Solicitation of Takeover Proposals; Superior Proposals" on page [ ] for the definition of a Takeover Proposal);

Wilber's Board of Directors recommends to Wilber shareholders a "Superior Proposal" or Wilber executes a letter of intent, definitive agreement or similar document with respect to a Superior Proposal, or the Board of Directors of Wilber resolves to take any of the foregoing actions (please see "No Solicitation of Takeover Proposals; Superior Proposals" on page [ ] for the definition of a Superior Proposal);

a tender or exchange offer is commenced in respect of Wilber common stock, and Wilber fails to send to its shareholders, within 10 business days of the commencement, a statement that the Board of Directors of Wilber recommends rejection of the tender or exchange offer; or

a Takeover Proposal with respect to Wilber (other than a tender or exchange offer covered by the preceding paragraph) is publicly announced and, upon Community Bank System's request, Wilber fails to issue a press release announcing its Board's opposition to the Takeover Proposal within three business days of the request.

In addition, Wilber may terminate the Merger Agreement at any time before the completion of the Merger if its Board of Directors recommends to the Wilber shareholders a Superior Proposal or if Wilber executes a letter of intent, definitive agreement or similar document with respect to a Superior Proposal, provided that Wilber has complied with the relevant procedures set forth in the Merger Agreement.

In the event either party fails to satisfy the closing conditions set forth in the Merger Agreement (and/or such conditions are not waived by the other party), the other party can terminate the Merger Agreement without completing the Merger, even if Wilber shareholders have already voted to approve the Merger Agreement. If the Merger Agreement is terminated pursuant to its terms, the Merger Agreement will become void and have no effect, except with respect to our respective obligations regarding confidential information and termination fee and expenses as set forth in the Merger Agreement. Please see "Termination Fee and Expenses" on page [ ] for further information. A termination of the Merger Agreement will not relieve the breaching party from liability for its uncured, willful breach.

#### Conduct of Business Prior to Completion of the Merger; Covenants

The Merger Agreement provides that, during the period from the date of the Merger Agreement (October 22, 2010) to the completion of the Merger, Wilber and Community Bank System will each use reasonable best efforts to maintain its respective properties, businesses and relationships with customers, employees and others, and will cause our respective subsidiaries to do the same. During the same period, other than as set forth in the Merger Agreement, neither Wilber nor any of its subsidiaries may take any of the following actions, among others, without the prior written consent of Community Bank System (which consent may not be unreasonably withheld):



conduct its business other than in the ordinary course, substantially consistent with past practice, or become responsible for obligations of more than \$50,000 or which require performance over one year or longer (other than loans and investments booked in the ordinary course;

declare, set aside or pay any dividend or make any distribution on any of its stock, other than regular quarterly dividends consistent with past practices;

    issue any of its stock or cause any of its treasury shares to become outstanding;

    issue, authorize or amend any rights to acquire its stock or any rights related to its stock;

    repurchase or reacquire any of its stock or any securities convertible into its stock;

incur additional debt or other obligation for borrowed money, except in the ordinary course of business consistent with past practice;

    effect any recapitalization, reclassification, stock dividend, stock split or similar transaction;

        amend its certificate of incorporation or bylaws;

        create or permit any lien or encumbrance on its stock;

    merge or consolidate with any other entity, or acquire control of any other entity or create a subsidiary;

waive, cancel or compromise any material right, debt or claim other than in the ordinary course of business consistent with past practice and with prior notice to Community Bank System;

sell or dispose of, or acquire, any assets with a value of more than \$50,000, other than in foreclosure or in similar proceedings or transactions in investment portfolio securities in ordinary course of business consistent with past practice;

    make total capital expenditures of more than \$50,000;

open or close branches or facilities, or enter into or modify any leases or contracts relating to its branches or facilities;

increase compensation of, or pay or provide bonus, incentive, severance or other benefits to, its employees or Directors, except in a manner consistent with past practice or as required by law or existing contracts;

adopt, modify or commit itself to any employee benefits plan or any employment agreement, except in the ordinary course of business consistent with past practice or as required by existing plans or contracts;

change its lending, investment, asset/liability management or other material banking policies in a material way, except as required by law;

change its accounting methods or tax reporting methods, unless required by generally accepted accounting principles or by law;

except as may be required by law, take any action that would cause its representations and warranties in the Merger Agreement to become untrue in any material manner, or cause any conditions to the Merger to be unsatisfied; or

take or agree to take any other action which would interfere with or delay the Merger or make the Merger more costly.

Until the Merger is completed, except as set forth in the Merger Agreement or as consented to in writing by Wilber (which consent may not be unreasonably withheld), Community Bank System has agreed to conduct its business in the ordinary course and substantially consistent with past practice. Community Bank System, however, is permitted to acquire or agree to acquire any entity or its assets while the Merger is pending, so long as the acquisition would not materially delay or prevent the completion of the Merger.

In the Merger Agreement, while the Merger is pending, Wilber also agreed to:

call and hold a special meeting of its shareholders to vote on the approval of the Merger Agreement, even if Wilber's Board of Directors withdraws or modifies its recommendation;  
cause its Board of Directors to recommend that Wilber shareholders vote in favor of the Merger Agreement and to solicit proxies in favor of the Merger Agreement (but subject to fiduciary duties of its Board of Directors); and  
cause Wilber National Bank to assist Community Bank in preparing for the integration of Wilber National Bank's business and operations with those of Community Bank after the Merger, to the extent permitted by law, by taking certain enumerated actions. The parties agreed, however, that the confidentiality of customer information will be maintained until the completion of the Merger.

Furthermore, the Merger Agreement also contains certain other agreements relating to our conduct pending the Merger, including among others those requiring Wilber and Community Bank System to:

cooperate with each other to prepare and file with the SEC a registration statement for the Merger;  
cooperate with each other to take all actions required to comply with all legal requirements and any rules of the NYSE to complete the Merger, and to apply for and obtain all regulatory and third party consents and approvals required to complete the Merger;  
consult and agree with each other regarding the content of any press release or other public disclosure relating to the Merger, but the parties may each make any disclosure mandated by law or rules of the NYSE after notifying the other party;  
refrain from taking any action that would adversely affect the qualification of the Merger as a tax-free reorganization within the meaning of Section 368(a) of the Internal Revenue Code;  
keep each other advised of all material developments on our respective businesses, and furnish the other party such financial data and other information concerning the furnishing party as may be reasonably requested from time to time;  
refrain from taking any actions that would cause the Merger to be subject to any "Takeover Laws," and if the Merger is or becomes subject to any Takeover Laws, to take all actions within its control to exempt the Merger from Takeover Law. "Takeover Law" means any legal requirement pertaining to mergers, business combinations, sale of control, affiliate transactions or antitrust laws or regulations; and  
use reasonable best efforts in good faith to take or cause to be taken actions necessary or desirable to complete the Merger on the earliest possible date.

No Solicitation of Takeover Proposals; Superior Proposals

Under the terms of the Merger Agreement, Wilber has agreed not to directly or indirectly solicit, initiate, respond to or encourage any "Takeover Proposal." A "Takeover Proposal" is any proposal or offer to acquire Wilber (through a merger, recapitalization or other business combination) or a material equity interest in Wilber, or a material portion of Wilber's assets. Wilber also agreed to immediately terminate all existing negotiations and discussions concerning a Takeover Proposal, other than with Community Bank System.

In addition, Wilber has agreed not to negotiate, discuss or furnish nonpublic information with or to any third party in connection with a Takeover Proposal or otherwise facilitate the efforts of any third party with respect to a Takeover Proposal, recommend or endorse any Takeover Proposal, or enter into a letter of intent, term sheet or other agreement with a third party providing for a possible Takeover Proposal.

If Wilber becomes aware of or receives a Takeover Proposal, it must immediately notify Community Bank System of that fact and the details of the Takeover Proposal. Wilber must also inform the party making a Takeover Proposal of Wilber's obligations under the Merger Agreement with respect to Takeover Proposals.

Notwithstanding the foregoing, unless the Merger Agreement is terminated in accordance with its terms, Wilber may participate in discussions or negotiations with, and furnish non-public information and afford access to its business and properties, to the party making a Takeover Proposal but only if:

it is a unsolicited, bona fide Takeover Proposal made in writing;

Wilber's Board of Directors determines in good faith, after consultation with outside legal counsel, that the Board's fiduciary duties require it to discuss or negotiate with, and provide non-public information and afford access to, the party making the Takeover Proposal; and

Wilber's Board of Directors determines, in its reasonable and good faith judgment, after reasonable inquiry and consultation with its financial advisor, that the Takeover Proposal would be reasonably likely to result in a transaction more favorable to Wilber shareholders than the Merger with Community Bank System, and that the party making the Takeover Proposal is financially capable of consummating it or is capable of obtaining any requisite financing for the Takeover Proposal.

A Takeover Proposal that meets the above three criteria is referred to in the Merger Agreement as a "Superior Proposal."

If Wilber receives a Superior Proposal, Wilber's Board of Directors may recommend the Superior Proposal to the shareholders of Wilber if the Board determines in good faith, after consultation with outside legal counsel, that the Board is required by its fiduciary duties to do so. In that case, the Wilber Board may withdraw, modify or refrain from making its recommendation of the Merger Agreement to the shareholders of Wilber, provided that:

Wilber provides Community Bank System at least 48 hours' prior notice of any Wilber Board meeting at which the Board is reasonably expected to consider a Superior Proposal;

Wilber's Board does not recommend a Superior Proposal to the Wilber shareholders for a period equal to two full business days or 48 hours, whichever is greater, after Community Bank System's receipt of a copy of the Superior Proposal and the identity of the offering party; and

Wilber does not enter into a definitive agreement relating to a Superior Proposal, unless Community Bank System fails to match the terms of the Superior Proposal within a period equal to two full business days or 48 hours, whichever is greater, after Community Bank System's receipt of a copy of the Superior Proposal and the identity of the offering party.



Even if the Wilber Board withdraws, modifies or refrains from making its recommendation of the Merger Agreement to the shareholders of Wilber as set forth above, unless the Merger Agreement is terminated pursuant to its terms, Wilber must hold and convene a special meeting of its shareholders to vote on the Merger Agreement and must provide to its shareholders material information concerning the special meeting.

Before Wilber provides nonpublic information to a third party as permitted by the Merger Agreement, Wilber must require the third party to deliver a confidentiality agreement that is at least as restrictive as the one executed by Community Bank System, and must furnish the same information to Community Bank System, if not previously disclosed.

#### Termination Fee and Expenses

Generally. Except as provided below, Wilber and Community Bank System will each pay its own expenses in connection with the Merger, except that the parties will share equally all filing fees due the SEC in connection with the Merger and all costs associated with the printing and mailing of this document.

Termination Fee and Expenses. In the event that the Merger Agreement is terminated for certain reasons, Wilber must pay Community Bank System in immediately available funds within three business days of the termination date, a termination fee of \$4,000,000 plus all out-of-pocket expenses incurred by Community Bank System and its subsidiaries in connection with the transactions contemplated by the Merger Agreement, up to a total of \$500,000. The termination fee and expenses will be payable if the Merger Agreement is terminated by Community Bank System or Wilber, as applicable, under any of the following circumstances:

Wilber's Board of Directors withdraws, modifies or changes its approval or recommendation of the Merger Agreement or the transactions contemplated by the Merger Agreement in a manner adverse to Community Bank System, or Wilber did not include in this proxy statement/prospectus the recommendation of its Board of Directors in favor of the approval of the Merger Agreement or the transactions contemplated by it, or the Board of Directors of Wilber resolves to take any of the foregoing actions;

following its receipt of a Takeover Proposal or the public announcement of a Takeover Proposal, Wilber fails to timely comply with its covenants to call a special shareholders' meeting, to recommend the approval of the Merger Agreement, or to solicit proxies in favor of the approval of the Merger Agreement;

Wilber's Board of Directors recommends to Wilber shareholders a Superior Proposal, or Wilber executes a letter of intent, definitive agreement or similar document with respect to a Superior Proposal, or the Board of Directors of Wilber resolves to take any of the foregoing actions;

a tender or exchange offer is commenced in respect of Wilber common stock, and Wilber fails to send to its shareholders, within 10 business days of the commencement, a statement that the Board of Directors of Wilber recommends rejection of the tender or exchange offer;

a Takeover Proposal with respect to Wilber (other than a tender or exchange offer covered by the preceding paragraph) is publicly announced and, upon Community Bank System's request, Wilber fails to issue a press release announcing its Board's opposition to the Takeover Proposal within three business days of the request; or

following its receipt of a Takeover Proposal or the public announcement of a Takeover Proposal, Wilber is in breach of the Merger Agreement such that Community Bank System is not obligated to complete the Merger, or the Wilber shareholders fail to approve the Merger Agreement at a special meeting, or the Merger is not consummated by May 31, 2011 (in each case, unless Community Bank System is then in breach of the Merger Agreement such that Wilber would not be required to complete the Merger, and Wilber had given written notice of that fact to Community Bank System prior to termination).



## Directors, Employees and Employee Benefits

**Directors.** Community Bank System has agreed to appoint two designees of Wilber to serve as members of Community Bank System's Board of Directors, in addition to the 14 current Directors of Community Bank System. The Merger Agreement provides that Wilber's Board of Directors will nominate these two designees, who must be acceptable to Community Bank System and must remain qualified to serve under applicable laws and regulations and the bylaws of Community Bank System.

Pursuant to the Merger Agreement, the Board of Directors of Wilber has designated Brian R. Wright and Alfred S. Whittet, and Community Bank System has accepted those designees. The initial term of Mr. Wright will expire at the 20[ ] annual meeting of Community Bank System shareholders, and the initial term of Mr. Whittet will expire at the 20[ ] annual meeting of Community Bank System shareholders. If either of these Wilber designees resigns or becomes ineligible to serve on the Board of Directors of Community Bank System during the initial term, then a majority of the members of the advisory board, consisting of certain of the current members of the Wilber Board and President and Chief Executive Officer of Community Bank System, will be entitled to nominate for approval by Community Bank System an individual meeting all general qualifications for serving on the Board of Directors of Community Bank System and Community Bank to replace the resigned or ineligible Wilber designee.

Subject to the Community Bank System Board's fiduciary duty, Community Bank System has also agreed to nominate the two designees of Wilber on the Board of Directors of Community Bank System at the 2011 Annual Meeting, and to recommend that Community Bank System shareholders vote in favor of their election, so long as the designees remain qualified to serve under applicable law and regulations and Community Bank System's or Community Bank's bylaws.

These two new Directors of Community Bank System designated by Wilber (or their replacements) will also be appointed to serve on the Board of Directors of Community Bank during the same period they serve as Directors of Community Bank System.

**Employees and Employee Benefits.** For the purposes of the discussion in this section, references to employees of Wilber or Community Bank System include employees of their respective subsidiaries.

Employees of Wilber who continue as employees of Community Bank System after the Merger will be given credit for past service with Wilber for purposes of determining eligibility for and vesting of employee benefits (but not for pension benefit accrual purposes) under all employee benefits plans of Community Bank System in which those employees participate after the Merger. Community Bank System also agreed to provide benefits to each employee of Wilber who is terminated without cause after the Merger. Employees terminated without cause within 12 months after the effective time of the Merger shall receive severance benefits under the terms of Wilber's severance plan and employees terminated without cause later than 12 months after the effective time of the Merger shall receive benefits under Community Bank System's severance plan (without duplication with any severance or separation plan or program maintained by Wilber).

Wilber agreed to cooperate with Community Bank System to coordinate the post-Merger integration or transition of employee benefit plans and programs maintained by Wilber before the Merger, by terminating one or more of those plans or programs, and/or causing benefit accruals and entitlements to cease, upon the effectiveness of the Merger, or by facilitating the merger of the plans and programs into those maintained by Community Bank System. Any Wilber employee benefits plans or programs not terminated or amended, nor merged into those of Community Bank System, will be assumed by Community Bank System to the extent permitted by their terms.

#### Indemnification

Community Bank System agreed to provide, for at least six years following the Merger, indemnification to the current or former Directors, officers and employees of Wilber. Community Bank System also agreed to provide directors' and officers' liability insurance for the Directors and officers of Wilber for at least six years after the completion of the Merger, as long as the premiums for the insurance do not exceed the current premiums expended by Wilber for similar coverage. For a period of six years after the Merger, Community Bank System agreed to honor the indemnification rights currently provided under the applicable charter documents of Wilber and its subsidiaries to their Directors, officers and employees with respect to matters occurring before the completion of the Merger. For more details, please see "Indemnification; Directors' and Officers' Insurance" on page [ ].

#### Amendment and Waiver

Wilber and Community Bank System may agree to amend or supplement the Merger Agreement at any time before completion of the Merger, if approved by our respective Boards of Directors. However, after the approval of the Merger Agreement by Wilber shareholders, no amendment or supplement which by law requires further shareholder approval may be effected without first obtaining the further approval. Before completion of the Merger, except as prohibited by law, any provision of the Merger Agreement may be waived by the party for whose benefit the provision was intended. The Merger Agreement provides that any amendment or supplement must be in writing, and that any waiver must be signed by an executive officer of the party giving the waiver.

#### Alternate Structure

The Merger Agreement provides that at any time before the Merger is completed, upon the mutual written consent of Wilber and Community Bank System, or at the request of a regulatory authority, the parties may modify the structure of the Merger and related transactions, to the extent that such revised structure does not: (i) reduce or change the amount or form of consideration to be received by the Wilber shareholders; (2) adversely affect the tax consequences to the Wilber shareholders; or (3) materially delay or impair consummation of the Merger. The Merger Agreement and any related documents would then be appropriately amended in order to reflect any such revised structure.

## MARKET PRICE AND DIVIDEND INFORMATION

Community Bank System. Community Bank System common stock is listed on the NYSE under the symbol "CBU." The following table contains for each of the indicated calendar quarters the high and low sales prices of Community Bank System common stock as reported on the NYSE, and the dividends declared per share of Community Bank System common stock.

	High	Low	Cash Dividends Declared Per Share
Year Ending December 31, 2011			
Quarter Ending \$[ ]	\$[ ]	\$[ ]	-
March 31, 2011 (through [ ], 2011)			
Year Ended December 31, 2010			
Quarter Ended December 31, 2010	\$28.95	\$22.12	\$0.24
Quarter Ended September 30, 2010	\$25.93	\$21.52	\$0.24
Quarter Ended June 30, 2010	\$26.49	\$21.33	\$0.24
Quarter Ended March 31, 2010	\$24.25	\$17.81	\$0.22
Year Ended December 31, 2009			
Quarter Ended December 31, 2009	\$20.00	\$16.36	\$0.22
Quarter Ended September 30, 2009	\$20.33	\$13.78	\$0.22
Quarter Ended June 30, 2009	\$20.06	\$14.22	\$0.22
Quarter Ended March 31, 2009	\$24.55	\$13.24	\$0.22

On [ ] 2011, the closing price of Community Bank System common stock reported on the NYSE was \$[ ].

Community Bank System has historically paid regular quarterly cash dividends on its common stock, and the Board of Directors of Community Bank System presently intends to continue the payment of regular quarterly cash dividends, subject to the need for those funds for other purposes. However, because substantially all of the funds available for the payment of dividends by Community Bank System are derived from Community Bank, future dividends will depend upon the earnings of Community Bank, its financial condition, its need for funds and applicable governmental policies and regulations. In addition, the indentures pertaining to the subordinated junior debentures Community Bank System issued in connection with its trust preferred offerings would generally restrict its ability to pay cash

dividends if Community Bank System defers interest payments on the subordinated junior debentures. For further details, please see “Risk Factors — Community Bank System depends on dividends from its banking subsidiary for cash revenues, but those dividends are subject to restrictions” on page [    ].

Wilber. Wilber common stock is traded on the NYSE Amex under symbol “GIW.” The following table contains for each of the indicated calendar quarters the high and low sales prices of Wilber common stock as reported on the NYSE Amex, and the dividends declared per share of Wilber common stock.

	High	Low	Cash Dividends Declared Per Share
Year Ending			
December 31, 2011			
Quarter Ending \$[ ]	\$[ ]	\$[ ]	-
March 31, 2011			
(through			
[ ],			
2011)			
Year Ended			
December 31, 2010			
Quarter Ended \$11.35	\$5.92		\$0.00
December 31, 2010			
Quarter Ended \$6.40	\$5.56		\$0.060
September 30, 2010			
Quarter Ended June \$7.00	\$5.60		\$0.060
30, 2010			
Quarter Ended \$8.02	\$6.21		\$0.060
March 31, 2010			
Year Ended			
December 31, 2009			
Quarter Ended \$8.65	\$5.52		\$0.060
December 31, 2009			
Quarter Ended \$12.00	\$7.76		\$0.060
September 30, 2009			
Quarter Ended June \$14.15	\$6.78		\$0.060
30, 2009			
Quarter Ended \$8.40	\$6.71		\$0.095
March 31, 2009			

On the record date for the Wilber special meeting, there were issued and outstanding approximately [ ] shares of Wilber common stock, held of record by approximately [ ] holders. On [ ], 2011, the last sale price of Wilber common stock reported on the NYSE Amex was \$[ ].

Wilber has historically paid regular quarterly cash dividends on its common stock, and the Board of Directors of Wilber presently intends to continue the payment of regular quarterly cash dividends, subject to the need to use those funds for other purposes which was the case for the quarter ended December 31, 2010. However, because substantially all of the funds available for the payment of dividends by Wilber are derived from Wilber Bank, future dividends will depend upon the earnings of Wilber Bank, its financial condition, its need for funds and applicable governmental policies and regulations. Under the terms of the Merger Agreement, other than regular quarterly dividends consistent with past practices, Wilber is not permitted to declare, set aside or pay any cash dividends while the Merger is still pending. In addition, the Formal Agreement requires Wilber to obtain the OCC's approval for the declaration of any dividend.

The following table is provided for illustrative purposes only. Based on the dividends declared and paid by Community Bank System and Wilber respectively in the quarter ended September 30, 2010, Wilber shareholders

would receive an increase in their dividends per share between \$0.03 and \$0.056. There are no assurances that Community Bank System will continue its past dividend practices.

Dividend Conversion Table

CBU Conversion Price	Exchange Ratio	CBU Quarterly Dividend Per Share	Equivalent Dividend Per Share for one Share of GIW	GIW Quarterly Dividend Per Share	Implied Increase in Dividend Per Share
\$25.35	.3748	\$0.24	\$0.09	\$0.06	\$0.03
\$22.18	.4284	\$0.24	\$0.103	\$0.06	\$0.043
\$19.71	.4820	\$0.24	\$0.116	\$0.06	\$0.056



## DESCRIPTION OF CAPITAL STOCK OF COMMUNITY BANK SYSTEM

Wilber shareholders who receive shares of Community Bank System common stock in the Merger will become shareholders of Community Bank System. Community Bank System is a Delaware corporation subject to the provisions of Delaware law. Given below is a summary of the material features of the Community Bank System common stock. This summary is not a complete discussion of the charter documents and other instruments of Community Bank System that create the rights of the shareholders. You are urged to read carefully those documents and instruments, which have been incorporated by reference as exhibits to the registration statement of which this document is a part. Please see “Where You Can Find More Information” on page [ ] for information on how to obtain copies of those documents and instruments.

### General

Community Bank System is authorized to issue 50,000,000 shares of common stock, par value \$1.00 per share. As of [ ], 2011, [ ] shares of common stock were issued and outstanding. Community Bank System’s certificate of incorporation also authorizes the Board of Directors, without shareholder approval (subject to the rules of the NYSE, if applicable), to issue up to 500,000 shares of preferred stock, par value \$1.00 per share, and to establish the relative rights, designations, preferences and limitations or restrictions of the preferred stock. As of the date of this document, there were no shares of preferred stock issued and outstanding. As of the date of this document, there were no shares of preferred stock issued or outstanding.

### Common Stock

**Voting Rights.** The holders of common stock are entitled to one vote per share on all matters to be voted on by the shareholders. No shareholders have cumulative voting rights in the election of Directors.

**Dividends.** Community Bank System may pay dividends as declared from time to time by the Board of Directors out of funds legally available for dividends, subject to certain restrictions. The holders of Community Bank System common stock will be entitled to receive any dividends on the common stock in proportion to their holdings.

**Rights in Liquidation.** In the event of a liquidation, dissolution or winding up of Community Bank System, each holder of Community Bank System common stock would be entitled to receive, after payment of all debts and liabilities of Community Bank System and after any required distribution to holders of any issued and outstanding preferred stock, a pro rata portion of all remaining assets of Community Bank System.

**No Preemptive Rights; No Redemption.** Holders of shares of Community Bank System common stock are not entitled to preemptive rights with respect to any shares of any capital stock of Community Bank System that may be issued. Community Bank System common stock is not subject to call or redemption.

### Certain Certificate of Incorporation and Bylaws Provisions

There are provisions in Community Bank System’s certificate of incorporation and bylaws which are intended to discourage non-negotiated takeover attempts. These provisions are intended to avoid costly takeover battles and lessen Community Bank System’s exposure to coercive takeover attempts at an unfair price, and are designed to maximize shareholder value in connection with unsolicited offer takeover attempts. These provisions, however, could reduce the premium that potential acquirors might be willing to pay in an acquisition, which may in turn reduce the market price that investors might be willing to pay in the future for shares of Community Bank System common stock.



Community Bank System's certificate of incorporation authorizes the Board of Directors to issue, without further shareholder approval, up to 500,000 shares of preferred stock with rights senior to those of its common stock, except as may be required with respect to a particular transaction by applicable law or by regulatory agencies having jurisdiction over the Community Bank System. The Board of Directors of Community Bank System is permitted to establish from time to time the relative rights, designations, preferences and limitations or restrictions of the preferred stock. The preferred stock could be used to deter future attempts to gain control of the Community Bank System.

Community Bank System has a classified Board which provides for the Board to be divided into three classes, as nearly equal in number as possible, with approximately one-third of the Directors to be elected annually for three-year terms. A classified Board helps to assure continuity and stability of corporate leadership and policy by extending the time required to elect a majority of the Directors to at least two successive annual meetings. This extension of time may also discourage a tender offer or takeover bid by making it more difficult for a majority of shareholders to change the composition of the Board of Directors.

In addition, Community Bank System's certificate of incorporation contains a provision which requires that certain business combinations be approved by the affirmative vote of either (a) the holders of three-fourths of the outstanding shares of Community Bank System common stock and a majority of the Board of Directors; or (b) the holders of two-thirds of the outstanding shares of Community Bank System common stock and two-thirds of the continuing Directors. These "supermajority" requirements could result in Community Bank System's Board exercising a stronger influence over any proposed takeover (subject to its fiduciary duties) by refusing to approve a proposed business combination and by obtaining sufficient additional votes, including votes obtained through the issuance of additional shares to parties friendly to their interests, to preclude the two-thirds or three-fourths shareholder approval requirement.

Community Bank System's certificate of incorporation also provides that the above described provisions designed to protect Community Bank System from unfriendly takeover attempts can only be amended by the affirmative vote of (a) holders of at least three-fourths of the outstanding shares of Community Bank System common stock and a majority of the Board of Directors, or (b) holders of at least two-thirds of the outstanding shares of Community Bank System common stock and two-thirds of the continuing Directors.

Under the certificate of incorporation of Community Bank System, the shareholders of the company are prohibited from approving corporate actions by a written consent in lieu of a meeting. Instead, any corporate action to be approved by Community Bank System shareholders must be so approved at a shareholders' meeting.

## DESCRIPTION OF CAPITAL STOCK OF WILBER

Given below is a summary of the material features of Wilber's common stock. This summary is not a complete discussion of the certificate of incorporation, as amended, and bylaws of Wilber that create the rights of the shareholders. You are urged to read carefully the certificate and bylaws, which have been filed as exhibits to SEC reports filed by Wilber. Please see "Where You Can Find More Information" on page [ ] for information on how to obtain copies of those reports.

### General

Wilber is authorized to issue 16,000,000 shares of common stock, par value \$0.01 per share. As of [ ], 2011, [ ] shares of common stock were issued and outstanding. Wilber's certificate of incorporation also authorizes the Board of Directors, without shareholder approval (subject to the rules of the NYSE Amex, if applicable), to issue up to 100,000 shares of preferred stock, no par value, and to establish the relative rights, designations, preferences and limitations or restrictions of the preferred stock. As of the date of this document, there were no shares of preferred stock issued or outstanding.

### Common Stock

**Voting Rights.** The holders of common stock are entitled to one vote per share on all matters to be voted on by the shareholders. No shareholders have cumulative voting rights in the election of Directors.

**Dividends.** Wilber may pay dividends as declared from time to time by the Board of Directors out of funds legally available for dividends, subject to certain restrictions. The holders of Wilber common stock will be entitled to receive any dividends on the common stock in proportion to their holdings.

**Rights in Liquidation.** In the event of a liquidation, dissolution or winding up of Wilber, each holder of Wilber common stock would be entitled to receive, after payment of all debts and liabilities of Wilber and after any required distribution to holders of any issued and outstanding preferred stock, a pro rata portion of all remaining assets of Wilber.

**No Preemptive Rights; No Redemption.** Holders of shares of Wilber common stock are not entitled to preemptive rights with respect to any shares of any capital stock of Wilber that may be issued. Wilber common stock is not subject to call or redemption.

## COMPARISON OF RIGHTS OF HOLDERS OF WILBER COMMON STOCK AND COMMUNITY BANK SYSTEM COMMON STOCK

In the Merger, certain shares of Wilber common stock will be converted into Community Bank System common stock and the holders of those Wilber shares will become shareholders of Community Bank System.

Wilber is a New York corporation. The rights of its shareholders as a holder of Wilber common stock derive from Wilber's certificate of incorporation and bylaws and from the New York Business Corporation Law.

Community Bank System is a Delaware corporation and the rights of Community Bank System shareholders derive from the Community Bank System certificate of incorporation and bylaws and from the Delaware General Corporation Law.

Certain differences between the rights as a holder of Wilber common stock and the rights as a Community Bank System shareholder are summarized below. Only the material differences are summarized below and the summary does not purport to be a complete statement of the rights of Wilber shareholders and Community Bank System shareholders. For a more complete understanding of all rights of Wilber shareholders and Community Bank System shareholders, Wilber and Community Bank System recommend that you read the complete text of the governing corporate instruments of both Wilber and Community Bank System, as well as the applicable law.

### Authorized Capital Stock

**Community Bank System.** Under its certificate of incorporation, Community Bank System is authorized to issue 50,000,000 shares of common stock, par value \$1.00 per share, and 500,000 shares of preferred stock, par value \$1.00 per share. Although no shares of preferred stock are currently outstanding, the Board of Directors may, without shareholder approval (subject to the rules of the NYSE, if applicable), issue shares of preferred stock with the relative rights, designations, preferences and limitations or restrictions established by the Board. The ability of Community Bank System to issue shares of preferred stock could have an anti-takeover effect.

**Wilber.** Under its certificate of incorporation, Wilber is authorized to issue 16,000,000 shares of common stock, par value \$0.01 per share, and 100,000 shares of preferred stock, no par value. Although no shares of preferred stock are currently outstanding, the Board of Directors may, without shareholder approval (subject to the rules of the NYSE Amex, if applicable), issue shares of preferred stock with the relative rights, designations, preferences and limitations or restrictions established by the Board. The ability of Wilber to issue shares of preferred stock could have an anti-takeover effect.

### Quorum of Shareholders

**Community Bank System.** In order to have a quorum for the transaction of business at any shareholders' meeting, the holders of at least one-third of the shares entitled to vote at the meeting must be present in person or represented by proxy, unless a greater number is required by the Delaware General Corporation Law.

**Wilber.** In order to have a quorum for the transaction of business at any shareholders' meeting, the holders of at least a majority of the shares entitled to vote at the meeting must be present in person or represented by proxy, unless a greater number is required by the New York Business Corporation Law.



#### Nomination of Directors

Community Bank System. Community Bank System's bylaws provide that nominations of persons for election to the Board of Directors may be made at a meeting of shareholders by or at the direction of the Board of Directors, or by any shareholder entitled to vote at the election who gives advanced written notice to the Secretary not less than 60 days or more than 90 days prior to the meeting (provided that if Community Bank System gives less than 60 days' notice of the meeting date, the nominating shareholder's notice must be given within 10 days following the mailing date of the Community Bank System notice).

Wilber. Wilber's bylaws provide that nominations of persons for election to the Board of Directors may be made by any shareholder entitled to vote at the election who gives advanced written notice to the Secretary not less than 14 days nor more than 50 days prior to the meeting (provided that if Wilber gives less than 21 days' notice of the meeting date, the nominating shareholder's notice must be given no later than the close of business on the seventh day following the mailing date of the Wilber notice).

#### Qualification of Directors

Community Bank System. Delaware law provides that a Director need not be a shareholder. The Community Bank System certificate of incorporation and the Community Bank System bylaws do not contain further qualifications for Directors. Currently, all of the Directors of Community Bank System also serve as a Director of Community Bank, which is a national banking association. The National Bank Act and the related regulations require that a Director of a national banking association must be a citizen of the United States and must own shares of capital stock of the association or its parent company, the aggregate par value, shareholders' equity or fair market value of which shares is not less than \$1,000. Generally, at least a majority of the Directors of a national banking association must have resided in the state in which the association is located, or within 100 miles of the location of the office of the association, for at least one year immediately before the election as a Director and must continue to reside within those areas during the term of office. Community Bank System has a mandatory retirement policy and under its bylaws, Directors must retire at December 31 of the year in which the Director reaches age 70.

Wilber. Wilber's bylaws contain qualifications for nominees, including that each Director must be a natural person over the age of 21 and shall not have attained the age of 70 prior to January 1st of the year of their election/re-election. Further, the Board may declare vacant the office of a Director if the Director is declared of unsound mind by an order of court or convicted of a felony, or for any other proper cause, including but not limited to a material change in the Director's qualifications or affiliations which gave rise to the Director's nomination at time of election. Currently, all of the Directors of Wilber also serve as a Director of Wilber Bank, which is a national banking association. Wilber's bylaws, and the National Bank Act and the related regulations require that a Director of a national banking association must be a citizen of the United States and must own shares of capital stock of the association or its parent company, the aggregate par value, shareholders' equity or fair market value of which shares is not less than \$1,000. Generally, at least a majority of the Directors of a national banking association must have resided in the state in which the association is located, or within 100 miles of the location of the office of the association, for at least one year immediately before the election as a Director and must continue to reside within those areas during the term of office.

#### Number of Directors

Community Bank System. The total number of Directors on the Board of Directors may be changed from time to time by the Board or the shareholders. Neither the certificate of incorporation nor the bylaws impose any limitation on the total number of Directors of Community Bank System.

Wilber. The total number of Directors on the Board of Directors shall not be less than five nor more than 25 and shall be set by the shareholders at each annual meeting.

#### Removal of Directors

Community Bank System. Under Delaware law, Directors of a corporation with a classified Board (like Community Bank System) may be removed by the holders of a majority of shares entitled to vote at the election of Directors, but only for cause, unless the certificate of incorporation of the corporation provides that they can also be removed without cause. The certificate of incorporation of Community Bank System permits the shareholders to remove Directors with or without cause. The Board of Directors is not authorized to remove a Director.

Wilber. Wilber has a classified Board of Directors. New York law states that, subject to certain conditions, any or all of the Directors may be removed for cause by vote of the shareholders, and, if the certificate of incorporation or the specific provisions of a bylaw adopted by the shareholders so provides, Directors may be removed by action of the Board of Directors. Wilber's bylaws provide that the Board may declare the office of a Director vacant if the Director is declared of unsound mind by a court, convicted of a felony, if the Director does not accept his office as a Director within 30 days after his or her election, or for any other proper cause, including but not limited to, material change in the Director's qualifications or affiliations which gave rise to the Director's nomination.

#### Payment of Dividends

Community Bank System. Delaware law provides that dividends may be paid either out of a corporation's surplus or, in the event that no surplus exists, from its net profits, if any, from either the year the dividends were declared or the prior year. Capital surplus is the excess of the net assets of the corporation over the stated capital of the corporation. There are certain other regulatory and contractual restrictions on Community Bank System's ability to pay cash dividends.

Wilber. New York law provides that a corporation may declare and pay dividends or make other distributions, except when the corporation is currently insolvent or would thereby be made insolvent, or when the declaration, payment or distribution would be contrary to any restrictions contained in the certificate of incorporation. Wilber's certificate of incorporation states that the Board, in its absolute discretion, may declare dividends out of surplus profits and they may also accumulate or invest such profits as they deem advisable. There are certain other regulatory and contractual restrictions on Wilber's ability to pay cash dividends.

#### Special Meeting of Shareholders

Community Bank System. Community Bank System's bylaws provide that a special meeting may be called by the Board, the Chairman of the Board or the executive committee of the Board.

Wilber. Wilber's bylaws provide that a special meeting may be called by the Board, the Chairperson of the Board, Vice Chairperson in the Chairperson's absence, the Chief Executive Officer, President, a majority of the Board, or by shareholders entitled to cast at least one-tenth of the votes which all shareholders are entitled to cast at the particular



meeting.

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## Rights of Shareholders to Dissent

Community Bank System. Under Delaware law, appraisal rights are generally available for the shares of any class or series of stock of a corporation involved in a merger or consolidation. However, no appraisal rights are available for any stock, which on the record date of the shareholder meeting to approve the transaction, is listed on a national securities exchange or the Nasdaq National Market System, or held of record by more than 2,000 shareholders. Also, no appraisal rights are available to shareholders of the surviving corporation in a merger if their approval is not required. Notwithstanding the foregoing, appraisal rights are available for the class or series if the holders thereof receive in the merger or consolidation anything except:

- shares of stock of the corporation surviving or resulting from such merger or consolidation;
- shares of stock of any other corporation that, at the effective date of the merger or consolidation, are either listed on a national securities exchange or the Nasdaq National Market System, or held of record by more than 2,000 shareholders;
- cash in lieu of fractional shares; or
- any combination of the foregoing.

Wilber. Under New York law, shareholders may, under certain circumstances, exercise a right of dissent from certain limited corporate actions and obtain payment for the fair value of their shares. For example, subject to certain exceptions, dissenters' rights are available under New York law to any shareholder of a constituent corporation in the event of a merger if such shareholder is entitled to vote upon the merger or if the corporation is a subsidiary that is merged with its parent. One of the exceptions under New York law to the general rule described in the preceding sentence, that shareholders have dissenters' rights with respect to a merger if such shareholder is entitled to vote upon the merger, is that, under New York law, shareholders do not have dissenters' rights with respect to a merger if, on the record date, the stock held by such shareholders is listed on a national securities exchange or designated as a national market system security on an interdealer quotation system by the Financial Industry Regulatory Authority, formerly known as the National Association of Securities Dealers, Inc. Neither Wilber's certificate of incorporation nor its bylaws grant any dissenters' rights in addition to the statutorily prescribed rights. Shareholders who desire to exercise their dissenters' rights must satisfy all of the conditions and requirements set forth in the New York Business Corporation Law in order to maintain these rights and obtain any payment due in respect of the exercise of these rights.

## Indemnification and Limitation of Liability

Community Bank System. The Community Bank System certificate of incorporation provides that a Director shall not be personally liable to Community Bank System or its shareholders for monetary damages for a breach of fiduciary duty, except for liability:

- for a breach of the duty of loyalty;
- for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- under Section 174 of the Delaware General Corporation Law; or
- for any transaction from which the Director derived an improper personal benefit.

Community Bank System will indemnify to the fullest extent permitted by Delaware law any person against liabilities and expenses incurred by reason of the fact that he or she was acting as a Director or officer of Community Bank System. Community Bank System may also provide indemnification to its employees and agents. However, indemnification is only available if a person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation. To receive indemnification in a criminal proceeding, the person must also have had no reasonable cause to believe his or her conduct was unlawful.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to Directors, officers or persons controlling the registrant pursuant to the foregoing provisions, the registrant has been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Wilber. Under New York law, a corporation may indemnify its Directors and officers made, or threatened to be made, a party to any action or proceeding related to service as a Director or officer, except for shareholder derivative suits, if the Director or officer acted in good faith and for a purpose that he or she reasonably believed to be in, or, in the case of service to another corporation or enterprise, not opposed to, the best interests of the corporation and, in addition in criminal proceedings, had no reasonable cause to believe his or her conduct was unlawful. In the case of shareholder derivative suits, the corporation may indemnify a Director or officer if he or she acted in good faith for a purpose that he or she reasonably believed to be in or, in the case of service to another corporation or enterprise, not opposed to the best interests of the corporation, except that no indemnification may be made in respect of (i) a threatened action, or a pending action that is settled or otherwise disposed of or (ii) any claim, issue or matter as to which such individual has been adjudged to be liable to the corporation, unless, and only to the extent, that the court in which the action was brought or, if no action was brought, any court of competent jurisdiction, determines, upon application, that, in view of all the circumstances of the case, the individual is fairly and reasonably entitled to indemnity for the portion of the settlement amount and expenses as the court deems proper.

Any individual who has been successful on the merits or otherwise in the defense of a civil or criminal action or proceeding will be entitled to indemnification. Except as provided in the preceding sentence, unless ordered by a court pursuant to the New York Business Corporation Law, any indemnification under the statute as described in the immediately preceding paragraph may be made only if, pursuant to Section 723 of the New York Business Corporation Law, indemnification is authorized in the specific case and after a finding that the Director or officer met the requisite standard of conduct by the disinterested Directors if a quorum is available, or, if the quorum so directs or is unavailable, by (i) the board of Directors upon the written opinion of independent legal counsel or (ii) the shareholders. Further, New York law permits a corporation to purchase Directors and officers liability insurance.

Wilber's bylaws provide that any person made or threatened to be made a party to any action or proceeding (civil or criminal), by reason of the fact that he is or was a Director or officer of Wilber shall be indemnified by Wilber against judgments, fines, amounts paid in settlement and reasonable expenses, including attorneys' fees actually and necessarily incurred as a result of such action or proceeding, or any appeal therein, to the fullest extent permitted by New York law.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to Directors, officers or persons controlling the registrant pursuant to the foregoing provisions, the registrant has been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Certain Voting Rights and Restrictions with Respect to Mergers



Community Bank System. Under Delaware law, any merger, consolidation or sale of all or substantially all of the assets of a corporation requires approval by a majority of the outstanding shares, unless the corporation's certificate of incorporation requires a higher percentage. Where approval of shareholders is required by Delaware law, the Community Bank System certificate of incorporation requires a higher percentage with respect to "business combinations" with "interested shareholders" as discussed below.

An interested shareholder is the beneficial owner of common stock representing three percent or more of the votes entitled to be cast, an affiliate or associate of Community Bank System who was an interested shareholder at any time during the preceding two years, or an assignee or successor in interest of shares which were owned at any time during the preceding two years by an interested shareholder.

A business combination between Community Bank System and an interested shareholder requires the approval of a majority of the Board of Directors and at least three-fourths of the votes entitled to be cast, or at least two-thirds of the votes entitled to be cast and two-thirds of the continuing Directors. A "business combination" includes:

- a merger or consolidation with Community Bank System or any of its subsidiaries;
- any sale, lease, exchange, mortgage, pledge, transfer or other disposition involving any assets or securities of Community Bank System or any of its subsidiaries having an aggregate fair market value of \$3,000,000 or more;
- the adoption of any plan or proposal for the liquidation or dissolution of Community Bank System;
- any reclassification of securities, recapitalization, any merger or consolidation of Community Bank System with one of its subsidiaries, or any other transaction which has the effect of increasing the proportion of the outstanding shares of any class of equity or convertible securities which is beneficially owned by an interested shareholder; and
- any agreement, contract, or other arrangement providing for any one or more of the actions specified in the foregoing.

In addition, Section 203 of the Delaware General Corporation Law applies to Delaware corporations with a class of voting stock listed on a national securities exchange, authorized for quotation on the Nasdaq Stock Market, or held of record by 2,000 or more persons, and restricts transactions which may be entered into by a corporation and certain of its shareholders. Community Bank System has not elected to "opt out" of Section 203, as permitted by that section. Section 203 provides, in essence, that an "interested shareholder," defined as a shareholder acquiring more than 15%, but less than 85%, of the outstanding voting stock of a corporation subject to the statute and its affiliates and associates, may not engage in certain "business combinations" with the corporation for a period of three years subsequent to the date on which the shareholder became an interested shareholder unless:

- prior to that date, the corporation's Board of Directors approved either the business combination or the transaction in which the shareholder became an interested person, or
- the business combination is approved by the corporation's Board of Directors and authorized at a shareholders' meeting by a vote of at least two-thirds of the outstanding voting stock of the corporation not owned by the interested person.

Section 203 defines the term "business combination" to include a wide variety of transactions with or caused by an interested person in which the interested person receives or could receive a benefit on other than a pro rata basis with other shareholders, including mergers, certain asset sales, certain issuances of additional shares to the interested person, transactions with the corporation which increase the proportionate interest of the interested person or transactions in which the interested person receives certain other benefits.



Wilber. Under Wilber's certificate of incorporation, no merger, consolidation, nor any action that would result in the sale or other disposition of all or substantially all of the assets shall be valid unless it is approved by sixty-six and two-thirds percent (66 2/3%) of the outstanding shares of the corporation. This provision can only be amended by an affirmative vote of the holders of at least sixty-six and two-thirds percent (66 2/3%) of the outstanding shares of common stock.

The certificate of incorporation also provides that the Board may oppose a tender or other offer for Wilber's securities, whether the offer is in cash or in the securities of a corporation or otherwise. The Board may consider any pertinent issues, including, but not limited to, whether the offer price is acceptable based on the historical and present operating results or financial condition of Wilber, whether a more favorable price could be obtained for its securities in the future, the financial and managerial resources, reputation, business practices and future prospects of the offeror, the possible impact on Wilber's business, subsidiaries, employees, customers, suppliers, and creditors, and the effect on the community in which Wilber operates, the value of the securities which are being offered in exchange for Wilber's stock, and any legal and regulatory issues raised by the offer. If the Board determines that an offer should be rejected, it may take any lawful action to accomplish its purpose, including but not limited to, advising the shareholders not to accept the offer, instituting a law suit against the offeror, filing a regulatory complainant, acquiring Wilber securities, selling or issuing additional securities, acquiring another company to create an antitrust or other regulatory problem for the offeror, adopting a shareholders' rights plan, amending Wilber's certificate of incorporation, or soliciting additional offers.

Section 912 of the New York Business Corporation Law generally provides that a New York corporation may not engage in a business combination with an interested shareholder for a period of five years following the interested shareholder's becoming such. Such a business combination would be permitted where it is approved by the Board of Directors before the interested shareholder's becoming such. Covered business combinations include certain mergers and consolidations, dispositions of assets or stock, plans for liquidation or dissolution, reclassifications of securities, recapitalizations and similar transactions. An interested shareholder is generally a shareholder owning at least 20% of a corporation's outstanding voting stock. In addition, New York corporations may not engage at any time with any interested shareholder in a business combination other than: (i) a business combination approved by the Board of Directors before the interested shareholder acquired a 20% or more interest in the corporation, or where the interested shareholder's acquisition of its 20% interest was approved in advance by the Board of Directors; (ii) a business combination approved by the affirmative vote of the holders of a majority of the outstanding voting stock not beneficially owned by the interested shareholder at a meeting called for that purpose no earlier than five years after the interested shareholder acquired its 20% interest; or (iii) a business combination in which the interested shareholder pays a formula price designed to ensure that all other shareholders receive at least the highest price per share that is paid by the interested shareholder and that meets certain other requirements.

A corporation may opt out of the interested shareholder provisions of Section 912 by expressly electing not to be governed by such provisions in its bylaws, provided, that any such provision must be approved by the affirmative vote of a majority of the outstanding voting stock of such corporation and is subject to further conditions. Wilber's bylaws do not contain any provisions electing not to be governed by Section 912.

Amendment to Certificate of Incorporation

Community Bank System. Under Delaware law, the Community Bank System certificate of incorporation may be amended only if the amendment is first proposed by the Community Bank System Board of Directors and is approved by a majority of outstanding shares entitled to vote thereon. Where the rights of a certain class of shares is affected by the amendment, a majority of that class of shares must also approve the amendment, regardless if such class is otherwise entitled to vote on the amendment. Under Community Bank System's certificate of incorporation, amendments to provisions relating to the election and classification of Directors, the limitation of Director's liability, a business combination with interested shareholder or an amendment to the certificate require the approval of a majority of the Board of Directors and at least three-fourths of the votes entitled to be cast by the holders of Community Bank System common stock, or at least two-thirds of the votes entitled to be cast and two-thirds of the continuing Directors.

Wilber. Under New York law, subject to limited exceptions, amendments to the certificate of incorporation must be approved by a vote of a majority of all outstanding shares entitled to vote on the proposed amendment, except that mergers and consolidations require the affirmative vote of at least 66 2/3% of the outstanding shares entitled to vote. The affirmative vote of at least 75% of the outstanding shares entitled to vote is required to authorize certain business combinations involving a 20% or more shareholder.

#### Amendment to Bylaws

Community Bank System. The Board of Directors of Community Bank System may adopt, amend or repeal Community Bank System's bylaws by a majority vote, provided that the bylaws may also be adopted, amended or repealed by the shareholders of Community Bank System by the affirmative vote of a majority of shares present in person or represented by proxy and entitled to vote on the subject matter.

Wilber. The Board of Directors of Wilber may adopt, amend or repeal Wilber's bylaws by a majority vote, provided that the bylaws may also be adopted, amended or repealed by the shareholders of Wilber by the affirmative vote of a majority of shares present in person or represented by proxy and entitled to vote on the subject matter.



## EXECUTIVE COMPENSATION

The following executive compensation information is provided by Community Bank System and Wilber. Except for the salary information contained in the Summary Compensation Tables, the compensation figures provided in this document are preliminary and may be subject to adjustment upon a full review by each company's respective compensation committees. Adjusted numbers, if any, and a complete analysis of all compensation paid to Community Bank System's and Wilber's named executive officers, will be disclosed in separate Form 8-K filings to be made by each of the companies. The anticipated date for these filings will be on or about March 1, 2011.

## Community Bank System

The following table summarizes the compensation of the named executive officers for the fiscal years end December 31, 2010, 2009 and 2008. The named executives are Community Bank System's Chief Executive Officer, Chief Financial Officer, and the three other most highly compensated executive officers ranked by their total compensation in the table below (reduced, if required, by the amount set forth in the column entitled Change in Pension Value and Nonqualified Deferred Compensation Earnings). The material terms of the employment, consulting and separation agreements with the named executives are set forth under the section entitled "Employment Agreements."

## SUMMARY COMPENSATION TABLE

for  
Fiscal Years End December 31, 2010, 2009 and 2008

Name and Principal Position	Year	Salary (\$)	Stock Awards (\$ (1))	Option Awards (\$ (2))	Non-Equity Incentive Plan Compen-sation (\$ (3))	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$ (4))	All Other Compensa-tion (\$ (5))	Total (\$)
Mark E. Tryniski President, Chief Executive Officer and Director	2010	\$454,230	\$432,008	\$96,562	\$181,133	\$142,562	\$29,620	\$1,336,115
	2009	\$471,700	\$74,399	\$275,501	\$242,551	\$217,307	\$45,679	\$1,327,137
	2008	\$441,002	\$69,339	\$69,335	\$223,600	\$240,355	\$44,494	\$1,088,125
Scott A. Kingsley Executive Vice President and Chief Financial Officer	2010	\$320,003	\$166,009	\$37,106	\$78,683	\$79,383	\$24,557	\$705,741
	2009	\$332,310	\$28,512	\$112,881	\$110,000	\$74,110	\$32,089	\$689,902
	2008	\$309,915	\$29,107	\$29,098	\$94,000	\$45,145	\$29,798	\$537,063
Brian D. Donahue Executive Vice President and Chief	2010	\$263,006	\$136,438	\$30,498	\$64,651	\$137,334	\$19,444	\$651,371
	2009	\$273,122	\$23,468	\$95,227	\$84,158	\$149,611	\$27,096	\$652,682
	2008	\$255,024	\$24,639	\$24,642	\$79,500	\$80,201	\$25,142	\$489,148

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Banking Officer									
George J.	2010	\$315,000	\$163,418	\$36,528	\$77,445	\$93,384	\$14,093	\$699,868	
Getman,	2009	\$327,115	\$41,403	\$102,023	\$99,000	\$48,942	\$19,446	\$637,929	
Executive Vice President and General Counsel (6)	2008	\$294,231	\$99,350	\$0	\$0	\$28,491	\$8,419	\$430,491	
J. David Clark	2010	\$106,099	\$88,342	\$19,746	\$44,193	\$98,096	\$10,834	\$367,310	
Senior Vice President and Chief Credit Officer (7)	2009	\$212,197	\$15,205	\$61,963	\$58,000	\$101,972	\$28,006	\$477,343	
	2008	\$198,387	\$16,046	\$16,049	\$51,765				