

Report of Organizational Actions Affecting Basis of Securities

OMB No. 1545-2224

► See separate instructions.

Part I Reporting Issuer

1 Issuer's name Norwood Financial Corp		2 Issuer's employer identification number (EIN) 23-2828306	
3 Name of contact for additional information William S. Lance	4 Telephone No. of contact 570-253-8505	5 Email address of contact william.lance@waynebank.com	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact 717 Main Street		7 City, town, or post office, state, and Zip code of contact Honesdale, PA 18431	
8 Date of action 9/15/17		9 Classification and description Common Stock 50% Stock Dividend	
10 CUSIP number 669549107	11 Serial number(s)	12 Ticker symbol NWFL	13 Account number(s)

Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ► **On September 15, 2017, stockholders of record on August 22, 2017 were paid a 50% stock dividend. The stock distribution is not subject to United States federal income tax and therefore affects the tax basis of the shares owned on which it was distributed.**

Some stockholders will receive cash in lieu of fractional shares. The cash portion is treated as a redemption for United States federal income tax purposes. Stockholders should consult their tax advisor with any questions regarding the tax implications of cash paid for fractional shares.

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ► **A stockholder's basis in one (1) share of Norwood common stock after the distribution will be 66.6667% of the basis the shareholder had in one (1) share of Norwood common stock prior to the distribution.**

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ► **A stockholder's basis in one (1) share of Norwood common stock after the stock dividend can be calculated by dividing the basis of one (1) share of common stock prior to the distribution by three, and then multiplying that result by two.**

Example: Prior to the distribution, a stockholder owns 100 shares of Norwood common stock with a basis of \$30.00 per share, or \$3,000.00 in total. After the distribution, the stockholder would own 150 shares of Norwood common stock with a basis of \$20.00 per share, or \$3,000.00 in total.

PLEASE NOTE: This is not tax advice and is being provided only for reference. Stockholders should consult with their tax advisor.

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ The distribution of stock is not taxable under IRC Section 305(a). The basis in the shares with respect to which the distribution was made is allocated between the old and new shares in proportion to the fair market value of each on the date of the distribution under IRC Section 307(a).

18 Can any resulting loss be recognized? ▶ No

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ The reportable tax year is the calendar year ending December 31, 2017.

Sign Here Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Signature ▶ [Signature]

Date ▶ 9/22/17

Print your name ▶ William S. Lance

Title ▶ EVP, CFO and Secretary

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> If self-employed	PTIN
	<u>Charles E. Marston CPA</u>	<u>[Signature]</u> CPA	<u>9/22/17</u>		<u>P00535523</u>
	Firm's name ▶ <u>S.R. Snodgrass PC</u>	Firm's EIN ▶ <u>25-1616361</u>			
	Firm's address ▶ <u>2009 Mackenzie Way, Ste 240, Cranbury Twp, PA 16066</u>	Phone no. <u>724-934-0344</u>			

Send Form 9937 (including accompanying statements) to: Department of the Treasury, Internal Revenue Service, Ogden, UT 84201-0054