

## Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

**Part I Reporting Issuer**

1 Issuer's name <b>Citizens Financial Services, Inc.</b>		2 Issuer's employer identification number (EIN) <b>23-2265045</b>	
3 Name of contact for additional information <b>Gina Boor</b>	4 Telephone No. of contact <b>570-662-0444</b>	5 Email address of contact <b>gboor@myfccb.com</b>	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact <b>15 South Main Street</b>		7 City, town, or post office, state, and ZIP code of contact <b>Mansfield, PA 16933</b>	
8 Date of action <b>June 26, 2020</b>		9 Classification and description <b>Common Stock</b>	
10 CUSIP number <b>174615104</b>	11 Serial number(s)	12 Ticker symbol <b>CZFS</b>	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 June 26, 2020, Citizens Financial Services, Inc. paid a 1% stock dividend to shareholders of record as of June 12, 2020 (e.g. for every 100 shares a holder owns, Citizens Financial issued an additional share). Cash-in-lieu of fractional share was issued based on the market price of \$50.00, which was the closing price of our stock on June 2, 2020, the declaration date.**

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 ▶ **For every share of common stock the holder owns, their cost basis would be diluted by 1%.**

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 ▶ **It was a 1% stock dividend that resulted in 38,317.2189 shares being issued, taking the total shares outstanding from 3,887,427 to 3,925,745.**

**Part II Organizational Action** (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ 305(a) and 1016(a)(4)

18 Can any resulting loss be recognized? ▶ Yes, if the amount received per share in lieu of the fractional shares is valued at less than their current stock basis.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ Reportable in 2020.

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.

**Sign Here**

Signature ▶ *Stephen J. Guillaume* Date ▶ 7-8-2020  
Print your name ▶ Stephen J. Guillaume Title ▶ CFO

<b>Paid Preparer Use Only</b>	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶				Firm's EIN ▶
	Firm's address ▶				Phone no.