

CITIZENS FINANCIAL CORP /KY/
Form DEF 14A
April 27, 2007

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant [X]
Filed by a Party other than the Registrant []

Check the appropriate box:

- [] Preliminary Proxy Statement
 [] **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
 [X] Definitive Proxy Statement
 [] Definitive Additional Materials
 [] Soliciting Material Pursuant to §240.14a-12

Citizens Financial Corporation
(Name of Registrant as Specified In Its Charter)

Not Applicable
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- [X] No fee required.
 [] Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- (1) Title of each class of securities to which transaction applies:
(2) Aggregate number of securities to which transaction applies:
(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11:
(4) Proposed maximum aggregate value of transaction:
(5) Total fee paid:

- [] Fee paid previously with preliminary materials.
 [] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount Previously Paid:
 - (2) Form, Schedule or Registration Statement No.:
 - (3) Filing Party:
 - (4) Date Filed:
-

CITIZENS FINANCIAL CORPORATION
The Marketplace, Suite 300
12910 Shelbyville Road
Louisville, Kentucky 40243

**NOTICE OF 2007 ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON JUNE 14, 2007**

Dear Shareholder:

You are cordially invited to attend this year's Annual Meeting of Shareholders of Citizens Financial Corporation.

Date: Thursday, June 14, 2007

Time: 4:00 p.m. EDT (Louisville time)

Place: The Marketplace, Suite 300
12910 Shelbyville Road
Louisville, Kentucky 40243

Agenda: The agenda for the meeting includes:

The election of five (5) directors for a term of one year; and

The transaction of such other business as may properly come before the meeting.

Record Date: The record date for determining shareholders entitled to vote at the meeting is the close of business on April 16, 2007.

Even if you plan to attend the meeting, please complete, sign, date, and return the enclosed proxy. You may attend even though you have returned the proxy. If you decide to revoke your proxy for any reason, you may do so at any time before the voting, as described in the accompanying Proxy Statement.

By Order of the Board of Directors,

Darrell R. Wells

President and Chief Executive Officer

Louisville, Kentucky
May 14, 2007

Please Vote Promptly

CITIZENS FINANCIAL CORPORATION
THE MARKETPLACE, SUITE 300
12910 SHELBYVILLE ROAD
LOUISVILLE, KENTUCKY 40243

PROXY STATEMENT

Annual Meeting of Shareholders To Be Held on June 14, 2007

This statement is furnished in connection with a solicitation of proxies by the Board of Directors of Citizens Financial Corporation. The proxies we receive will be voted at the Annual Meeting of Shareholders of Citizens Financial on Thursday, June 14, 2007, beginning at 4:00 p.m. EDT, and at any adjournments thereof. The Annual Meeting will be held at our offices in The Marketplace, Suite 300, 12910 Shelbyville Road, Louisville, Kentucky 40243.

Your vote is important. Please complete, date, and sign the enclosed proxy and return it in the enclosed postage-paid return envelope so your shares are represented at the Annual Meeting.

This proxy statement provides information about Citizens Financial, the proposals on the agenda for the Annual Meeting and this proxy solicitation. The terms “we,” “us,” “our,” “Citizens Financial,” and the “Company” used in this statement refer to Citizens Financial Corporation. This statement and the enclosed proxy are first being sent to shareholders on or about May 14, 2007.

VOTING

Voting rights. You are entitled to notice of the Annual Meeting and to vote your Class A Stock if our records show that you owned shares as of the close of business on April 16, 2007. At that time, there were 1,588,011 shares of Class A Stock outstanding and entitled to vote. You have one vote for each share of Class A Stock you owned on the record date on all proposals.

Using a proxy to vote. If you hold your shares in your own name, you may indicate on the enclosed proxy how you want your shares voted and sign, date, and mail the proxy in the enclosed postage-paid envelope. The persons named on the proxy will vote your shares in accordance with those instructions. If you give us a proxy without giving specific voting instructions, your shares will be voted for the director nominees named in this statement. We are not aware of any other matters to be presented at the meeting except for those described in this statement. If any other matters not described in this statement are properly presented at the meeting, the persons named on the proxy will have the authority to vote your shares in their discretion and will vote them in accordance with any recommendations of the Board of Directors or otherwise in their discretion. If the meeting is adjourned to a later time, they may vote your shares at the new time as well, unless you revoke your proxy.

If your Class A Stock is held in “street name,” the broker, bank, or other nominee holding your shares will send you directions you must follow in order to give instructions on how to vote your shares.

How to revoke your proxy. If you return the proxy before the Annual Meeting, you may revoke it at any time before it is voted. You may revoke the proxy by (1) delivering written notice of revocation to the Secretary of Citizens Financial or (2) delivering a later-dated proxy or (3) voting in person at the meeting.

If your Class A Stock is held in “street name,” the broker, bank, or other nominee holding your shares will send you directions you must follow in order to revoke or change your prior instructions on how to vote your shares.

Votes required. To transact business at the Annual Meeting, a majority of the outstanding Class A Stock entitled to vote must be represented at the meeting in person or by proxy. If you have returned a properly executed proxy or attend the meeting in person, your Class A Stock will be counted for the purpose of determining whether a majority is represented, even if you wish to abstain from voting on some or all matters introduced at the meeting. A “broker non-vote” can occur if shares are held by a broker, bank, or other nominee who does not have authority to vote on a particular matter. Like abstentions, broker non-votes will be counted for determining whether a majority is represented at the meeting. We do not count abstentions or broker non-votes as votes for or against a proposal. As a result, they will not affect the outcome of the vote in the election of directors.

YOUR VOTE IS IMPORTANT.

You may help us save the expense of a second mailing by promptly returning the enclosed proxy. Please complete, sign, date, and return the enclosed proxy in order that the required number of shares may be represented at the meeting. The enclosed envelope requires no postage if it is mailed within the United States.

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS
AND MANAGEMENT**

The following table reflects the beneficial ownership of our Class A Stock as of April 27, 2007 by [i] Darrell R. Wells, a director and executive officer who is the only person we know to own beneficially more than five percent (5%) of our Class A Stock, and his wife Margaret A. Wells, who is also a director, [ii] each of our other directors individually, [iii] three (3) other executive officers named in the “Summary Compensation Table” below individually, and [iv] all of our directors and executive officers as a group (which for purposes of this table includes John D. Cornett, the current Executive Vice President and Chief Operating Officer of the Company, whose employment began on January 1, 2007). We believe that each person named or included below has the sole voting and investment power with respect to the amount of Class A Stock listed, with the exceptions noted.

Shareholder	Principal Relationship	Ownership of Class A Stock	
		Shares	Percent of Class ⁽¹⁾
Darrell R. Wells ⁽²⁾ 4350 Brownsboro Road, Suite 310 Louisville, Kentucky 40207	Director, named executive officer, and 5% shareholder	980,997 ⁽³⁾	61.8%
Margaret A. Wells ⁽²⁾ 4350 Brownsboro Road, Suite 310 Louisville, Kentucky 40207	Director and 5% shareholder	980,997 ⁽³⁾	61.8%
John H. Harralson, Jr.	Director	12,468	*
George A. Turk	Director	0	-
Thomas G. Ward	Director	24,169	1.5%
Len E. Schweitzer	Named executive officer	1,000	*
James T. Helton, III	Named executive officer	0	-
Michael S. Williams	Named executive officer	0	-
John D. Cornett ⁽⁴⁾ 9 Directors and Executive Officers as a Group	Executive officer	400	*
		1,019,034	64.2%

* Less than 1%.

(1) Based upon 1,588,011 shares of Class A Stock outstanding as of April 27, 2007.

(2) Margaret A. Wells, a director, is the wife of Darrell R. Wells. Under the federal securities laws, a person is presumed to be the beneficial owner of securities held by members of the person's immediate family sharing the same household. Accordingly, the shares reported as beneficially owned by Mr. Wells and Mrs. Wells are the same shares.

(3) Mr. Wells shares voting and investment power with respect to 67,315 shares of the Class A Stock.

(4) John D. Cornett, the current Executive Vice President and Chief Operating Officer of the Company, entered into an employment agreement with the Company in November 2006 with a term commencing January 1, 2007. Because his employment did not begin until January 1, 2007, Mr. Cornett is not included among the named executive officers.

PROPOSAL 1**ELECTION OF DIRECTORS**

The terms of all present directors will expire at the conclusion of the election of directors at the Annual Meeting. At the Annual Meeting, the Board of Directors will propose that the Board will consist of five (5) persons and will nominate the five (5) current directors for re-election, to serve until the next annual meeting of shareholders and until their respective successors are elected and qualified. These nominees are:

Name and Age	Director Since	Present Positions with the Company and the Insurance Subsidiaries ⁽¹⁾
John H. Harralson, Jr. (79)	1990	Director of the Company and of each of the Insurance Subsidiaries
George A. Turk (58)	2004	Director of the Company and of each of the Insurance Subsidiaries
Thomas G. Ward (69)	1990	Director of the Company and of each of the Insurance Subsidiaries
Darrell R. Wells (64)	1990	President and Chief Executive Officer, Director, and Chairman of the Board of the Company; Director, Chairman of the Board, and Chief Executive Officer of each of the Insurance Subsidiaries
Margaret A. Wells (60)	1993	Director of the Company and of each of the Insurance Subsidiaries

(1) The Company's "Insurance Subsidiaries" are Citizens Security Life Insurance Company ("Citizens Security"); United Liberty Life Insurance Company ("United Liberty"); and Citizens Insurance Company ("Citizens Insurance"), which is presently inactive. The Company's other two subsidiaries are not currently significant to its overall business.

John H. Harralson, Jr. has served as a Director of the Company since 1990 and of each of the Insurance Subsidiaries since their acquisition by the Company and, in the case of Citizens Security, many years before. He is the editor and former publisher of *The Voice Tribune*, a suburban weekly newspaper in Louisville, Kentucky.

George A. Turk has served as a Director of the Company and of each of the Insurance Subsidiaries since June 2004. He has served as a Financial Analyst and Special Projects Manager for the National Underground Railroad Freedom Center, a non-profit corporation located in Cincinnati, Ohio, since 2002. Prior to his service for the Freedom Center, he worked for thirty years at Arthur Andersen LLP. During his tenure with Arthur Andersen, he served as Partner in Charge of Financial Services Practice for Kentucky and Ohio. He retired from Arthur Andersen in 2001.

Thomas G. Ward has served as a Director of the Company since 1990 and of each of the Insurance Subsidiaries since their acquisition by the Company and, in the case of Citizens Security, many years before. He is President of Third Kentucky Cellular Corp. in Lexington, Kentucky.

Darrell R. Wells has served as President and Chief Executive Officer of the Company since 1995. He has served as a Director and as Chairman of the Board of the Company since 1990 and as a Director, Chairman of the Board, and Chief Executive Officer of the Insurance Subsidiaries since February 2004. His principal occupation is as the General Partner of Security Management Company, a financial management company in Louisville, Kentucky. He serves on the Board of Directors of Churchill Downs Incorporated. He is married to Margaret A. Wells.

Margaret A. Wells has served as a Director of the Company since 1993 and of each of the Insurance Subsidiaries since February 2004. She serves as a civic volunteer in Louisville, Kentucky. She is married to Darrell R. Wells.

The persons named on the enclosed proxy intend to vote for the five (5) nominees, unless you indicate on the proxy that your votes should be withheld from any or all such nominees, subject to the matters described in “Discretionary Authority in Election of Directors” below.

Discretionary Authority in Election of Directors

All of the nominees have agreed to serve if elected. If, however, any nominee is unable to serve, the persons named on the proxy, or their substitutes, reserve the right to vote for a substitute nominee selected by the Board of Directors. Proxies may not be voted for a greater number of persons than the number of nominees named. If for any reason less than five (5) persons are to be elected directors, the persons named on the proxy reserve the right to vote such shares for a reduced number of nominees from among those named above, or any substitute nominees.

DIRECTOR COMPENSATION TABLE

In 2006, we provided the following annual compensation to the Company's directors:

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	All Other Compensation (\$)	Total (\$)
John H. Harralson, Jr.	\$13,150	--	--	\$13,150
George A. Turk	\$27,500	--	--	\$27,500
Thomas G. Ward	\$13,900	--	--	\$13,900
Darrell R. Wells	\$10,900			\$10,900
Margaret A. Wells	\$10,900	--	--	\$10,900

Since July 1, 2005, each member of the Board of Directors is entitled to receive an annual retainer at the rate of \$6,400 and a meeting fee of \$750 for each meeting of the Board of Directors (expected to be approximately five (5) per year) and each meeting of the Audit Committee (also expected to be five (5) per year) he or she attends. George A. Turk is entitled to receive an additional retainer at the rate of \$13,600 per year for his service as chair of the Audit Committee and audit committee financial expert. Mr. Turk is also entitled to reimbursement of up to \$4,000 per year for education expenses associated with his duties to the Company. The members of the Compensation Committee do not currently receive any additional retainer or fees for attending meetings of the Compensation Committee.

CORPORATE GOVERNANCE**Board of Directors**

Our Board of Directors currently has five (5) members, who are John H. Harralson, Jr., George A. Turk, Thomas G. Ward, Darrell R. Wells, and Margaret A. Wells. The Board held six (6) meetings during 2006. Each of the directors attended at least 75% of the total number of meetings of the Board and the committees on which she or he served.

Although the Company does not have a formal policy regarding attendance at annual meetings of shareholders by members of the Board, each director of the Company is expected to be present at the annual meeting, absent urgent circumstances. The Company's 2006 Annual Meeting of Shareholders was attended by all but one of the Company's directors.

The Board of Directors has determined that Messrs. Harralson, Turk, and Ward are each "independent," as such term is defined in Rule 10A-3(b)(1) under the Securities Exchange Act, and are "independent directors," as such term is defined in NASD Rule 4200(a)(15). Accordingly, the Board is currently comprised of a majority of independent directors.

During 2006, the Board had two standing committees: the Executive Committee and the Audit Committee. The members of the Executive Committee are Mrs. Wells and Mr. Wells. The Executive Committee is authorized to perform all of the functions of the Board except as

limited by the Company's Articles of Incorporation and Bylaws and by certain provisions contained in the resolution of the Board that created the Executive Committee. The Executive Committee did not meet in 2006.

Audit Committee

The Company's Board of Directors has a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended. The current members of the Audit Committee are Messrs. Harralson, Turk, and Ward. The primary responsibility of the Audit Committee is to oversee, on behalf of the Board of Directors, the Company's financial reporting process and audits of the Company's financial statements. The Audit Committee held four (4) meetings in 2006.

The Audit Committee operates pursuant to a written charter adopted by the Board of Directors. The Audit Committee Charter may be found on our corporate website at www.citizensfinancialcorp.com. The Audit Committee reviews and reassesses the adequacy of the Audit Committee Charter on an annual basis.

The Board of Directors has determined that Mr. Turk is an "audit committee financial expert," as such term is defined in Item 407(d)(5) of SEC Regulation S-K.

Compensation Committee

The Company's Board of Directors has a separately-designated standing compensation committee, which was formed on April 25, 2007. The current members of the Compensation Committee are Messrs. Harralson, Turk, and Ward. The primary responsibility of the Compensation Committee is to establish the compensation arrangements for the Company's executive officers. The Compensation Committee does not currently operate under a formal charter.

Director Nominations

We have not established a standing nominating committee or committee performing similar functions. The Company is a "controlled company," as such term is defined in NASD Rule 4350(c)(5), because more than 50% of the voting power of the Company is controlled by an individual (Mr. Wells). Because the Company is a controlled company, the Board of Directors has deemed it appropriate for the Company not to have such a committee.

Director nominees are approved by resolution, including the Company's independent directors. In identifying and evaluating nominees for director, the Board examines each candidate's integrity, leadership, and experience in the Company's business area.

The Board of Directors has not adopted a formal policy with regard to the consideration of director candidates recommended by shareholders. Again, because the Company is a "controlled company," the Board has deemed it appropriate for the Company not to have such a formal policy. Currently, the Board does not formally seek or accept director nominees recommended by shareholders other than those who are directors acting in their capacity as directors, but this does not preclude shareholder communications, as discussed generally below,

that may concern potential director candidates. To date, the Company has not paid a fee to any third party for assistance in the identification or evaluation of potential director nominees.

Communications with Shareholders

The Board of Directors welcomes communications from shareholders. Shareholders may send communications to the Board, or to any particular director, c/o Citizens Financial Corporation, The Marketplace, Suite 300, 12910 Shelbyville Road, Louisville, Kentucky 40243. Any correspondence addressed to the Board, or to any particular director, will be forwarded by the Company to the addressee or addressees, without review by management.

Code of Business Ethics and Conduct

The Board of Directors has adopted a Code of Business Ethics and Conduct that applies to our principal executive, financial and accounting officers and persons performing similar functions, as well as all other directors and employees. The Board approved certain amendments to the Code on April 25, 2007. The Code, as amended, may be found on our corporate website at www.citizensfinancialcorp.com. The Company intends to disclose on the website any amendments of the Code or waivers of the Code granted to directors or officers of the Company.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors, executive officers and persons who beneficially own more than 10% of a registered class of our equity securities to file reports of holdings and transactions in our equity securities with the Securities and Exchange Commission. To our knowledge, based solely upon a review of the copies of such reports furnished to us, all Section 16(a) reports were timely filed during the fiscal year ended December 31, 2006.

EXECUTIVE OFFICERS

Our executive officers, as listed below, are subject to re-election annually and serve at the pleasure of the Board of Directors.

Name	Age	Present Positions with the Company and the Insurance Subsidiaries
Darrell R. Wells	64	President and Chief Executive Officer, Director and Chairman of the Board