

CITIZENS FINANCIAL CORP /KY/  
Form DEF 14A  
April 27, 2006

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement  
 Confidential, for Use of the Commission Only  
 Definitive Proxy Statement  
 Definitive Additional Materials  
 Soliciting Material Pursuant to Section 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):

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 2006 ANNUAL MEETING OF SHAREHOLDERS**

Dear Shareholder:

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

**Date:** Thursday, June 15, 2006

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

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

**Agenda:** 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 27, 2006.

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 11, 2006

**Please Vote Promptly**

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

## PROXY STATEMENT

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 15, 2006, beginning at 4:00 p.m., EDT. 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 11, 2006.

## 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 27, 2006. At that time, there were 1,664,471 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.

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**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.**

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**You may help us save the expense of a second mailing by promptly returning the enclosed proxy. Please complete, date, sign 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.**

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## CORPORATE GOVERNANCE

### Board of Directors

Our Board of Directors currently has six (6) members, who are John H. Harralson, Jr., Frank T. Kiley, George A. Turk, Thomas G. Ward, Darrell R. Wells and Margaret A. Wells. The Board held five (5) meetings during 2005. 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 Annual Meeting attendance by members of the Board, each director of the Company is expected to be present at the Annual Meeting, absent urgent circumstances. All of the Company's directors attended the 2005 Annual Meeting.

The Board is not currently comprised of a majority of "independent directors," as such term is defined in NASD Rule 4200(a)(15). The Board has determined that the Company is exempt from the requirement set forth in NASD Rule 4350(c)(1) that a majority of the Company's directors be independent due to the Company's status as a "controlled company," as such term is defined in NASD Rule 4350(c)(5). The Company is a controlled company because more than 50% of the voting power of the Company is controlled by an individual, Mr. Wells.

During 2005, the Board had two standing committees: the Executive Committee and the Audit Committee. The members of the Executive Committee are Mrs. Wells and Messrs. Wells and Kiley. 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 held one meeting in 2005.

### 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 seven (7) meetings in 2005.

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](http://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 Messrs. Harralson, Turk and Ward are "independent," as such term is defined in Rule 10A-3(b)(1) under the Securities Exchange Act and NASD Rule 4200(a)(15). The Board of Directors has also determined that Mr. Turk is an "audit committee financial expert," as such term is defined in Item 401(h) of SEC Regulation S-K.

## **Director Nominations**

We have not established a standing nominating committee or committee performing similar functions. Because the Company is a “controlled company,” as such term is defined in NASD Rule 4350(c)(5), the Board of Directors has deemed it appropriate for the Company to not 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 to not 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. This Code may be found on our corporate website at [www.citizensfinancialcorp.com](http://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. There have been none to date.

## **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, 2005.

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

The following table reflects the beneficial ownership of our Class A Stock as of April 27, 2006 [i] by 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] by each of our other directors individually, [iii] by three (3) other executive officers named in the “Summary Compensation Table” below individually, and [iv] by all of our directors and executive officers as a group. 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 exception noted.

Shareholder	Principal Relationship	<u>Ownership of Class A Stock</u>	
		Shares	Percent of Class <sup>(1)</sup>
Darrell R. Wells <sup>(2)</sup> 4350 Brownsboro Road, Suites 310 Louisville, Kentucky 40207	Director, officer and 5% shareholder	956,694 <sup>(3)</sup>	57.5%
Margaret A. Wells <sup>(2)</sup> 4350 Brownsboro Road, Suites 310 Louisville, Kentucky 40207	Director and 5% shareholder	956,694	57.5%
John H. Harralson, Jr.	Director	12,468	*
Frank T. Kiley	Director	24,303	1.5%
George A. Turk	Director	0	-
Thomas G. Ward	Director	24,169	1.5%
Joseph M. Bost	Named executive officer	0	-
Len E. Schweitzer	Named executive officer	0	-
Paul M. Marquess	Named executive officer	50	*
Directors and Executive Officers as a Group		1,017,684	61.1%

\* Less than 1%.

(1) Based upon 1,664,471 shares of Class A Stock outstanding as of April 27, 2006.



(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.

### Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth information as of December 31, 2005, concerning the Citizens Financial Corporation 1999 Stock Option Plan, which was approved by shareholders in 1999. No options have been issued under the Plan. The Company does not have any other equity compensation plans.

#### Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	0	n/a	110,000
Equity compensation plans not approved by security holders	n/a	n/a	n/a
Total	0	n/a	110,000

### 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 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:

<b>Name</b>	<b>Age</b>	<b>Present Positions with the Company and the Insurance Subsidiaries<sup>(1)</sup></b>
John H. Harralson, Jr.	78	Director of the Company and of each of the Insurance Subsidiaries
George A. Turk	57	Director of the Company and of each of the Insurance Subsidiaries
Thomas G. Ward	68	Director of the Company and of each of the Insurance Subsidiaries
Darrell R. Wells	63	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	59	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 was formerly the editor and publisher of *The Voice Tribune*, a suburban weekly newspaper in Louisville, Kentucky.

*George A. Turk* 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 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 and Jundt Growth Fund. 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.

### **EXECUTIVE OFFICERS**

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

<b>Name</b>	<b>Age</b>	<b>Present Positions with the Company and the Insurance Subsidiaries</b>
Darrell R. Wells	63	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
Joseph M. Bost	52	Executive Vice President and Chief Operating Officer of the Company; President and Chief Operating Officer of each of the Insurance Subsidiaries
Len E. Schweitzer	59	Vice President, Accounting, Chief Financial Officer, Treasurer and Secretary of the Company; Senior Vice President, Accounting, Chief Financial Officer, Treasurer and Secretary of each of the Insurance Subsidiaries
Paul M. Marquess	68	Vice President, Agency, of the Company; Senior Vice President, Agency, of Citizens Security and United Liberty
Michael S. Williams	57	Vice President of Marketing for Life and Health Products of the Company; Senior Vice President of Marketing for Life and Health Products of Citizens Security and United Liberty
James H. Knox	50	Vice President of Marketing for Group Dental Products for the Company; Senior Vice President of

Marketing for Group Dental Products for Citizens  
Security Life Insurance Company

*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