

CITIZENS & NORTHERN CORP
Form PRE 14A
February 26, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
SCHEDULE 14A INFORMATION

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

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 (AS PERMITTED BY RULE 14A-6(E) (2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-12

CITIZENS & NORTHERN CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No. :

(3) Filing Party:

(4) Date Filed:

90-92 Main Street
Wellsboro, Pennsylvania 16901

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD TUESDAY, APRIL 20, 2010

TO OUR STOCKHOLDERS:

Notice is hereby given that the Annual Meeting of the stockholders of Citizens & Northern Corporation (the "Corporation") will be held at Citizens & Northern Bank, located at 90 Main Street, Wellsboro, Pennsylvania, on Tuesday, April 20, 2010, at 2:00 P.M., local time, for the following purposes:

1. To elect five Class II directors to serve for a term of 3 years;

2. To consider and approve the following advisory (non-binding) resolution:

"Resolved, that the shareholders approve the compensation paid to executives of the Corporation pursuant to the policies and procedures employed by the Corporation, as described in the Compensation Discussion and Analysis and tabular disclosure regarding named executive officer compensation (together with the accompanying narrative disclosure) in this Proxy Statement."

3. To ratify the action of the Board of Directors in the appointment of the firm of ParenteBeard, LLC as independent auditors of the Corporation for the fiscal year ending December 31, 2010;

4. To consider one shareholder proposal described in the accompany proxy statement, if properly presented at the Annual Meeting of stockholders; and

5. To transact such other business as may properly be brought before the meeting or any adjournment or adjournments thereof.

Only stockholders of record at the close of business on February 23, 2010 are entitled to notice of, and to vote at, the meeting. Such stockholders may vote in person or by proxy.

By Order of the Board of Directors,

Jessica R. Brown
Corporate Secretary

March 10, 2010

CITIZENS & NORTHERN CORPORATION
90-92 Main Street
Wellsboro, Pennsylvania 16901

PROXY STATEMENT
Annual Meeting of Stockholders -- April 20, 2010

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors of Citizens & Northern Corporation to be used at the Annual Meeting of Stockholders of the Corporation to be held on Tuesday, April 20, 2010, at 2:00 P.M. at Citizens & Northern Bank ("C&N Bank"), located at 90 Main Street, Wellsboro, Pennsylvania, and at any adjournment thereof.

We have decided to use the Notice and Access rule adopted by the Securities and Exchange Commission to provide access to our proxy materials over the internet instead of mailing a printed copy of the proxy materials to each stockholder. As a result, on or about March 10, 2010, we mailed to most stockholders only a Notice of Internet Availability of Proxy Materials that tells them how to access and review the information contained in the proxy materials and how to vote their proxies over the internet. If you received only this Notice by mail, you will not receive a printed copy of the proxy materials in the mail unless you request the materials by following the instructions included in the Notice.

Shares represented by properly completed proxies will be voted in accordance with the instructions indicated thereon unless such proxies have previously been revoked. If no direction is indicated, such shares will be voted in favor of the election as directors of the nominees named below, in favor of approving in an advisory vote, the Corporation's executive compensation, in favor of ratifying the selection of ParenteBeard, LLC as our independent auditors, against the shareholder proposal described in this proxy statement if it is properly presented at the meeting, and in the discretion of the proxy holder as to any other matters that may properly come before the Annual Meeting or any adjournment thereof. A proxy may be revoked at any time before it is voted by written notice to the Secretary of the Corporation or by attending the Annual Meeting and voting in person.

The Corporation will bear the entire cost of soliciting proxies for the Annual Meeting. In addition to the use of the mails, proxies may be solicited by personal interview, telephone, telegram, e-mail or other electronic means by the Corporation's directors, officers and employees. American Stock Transfer & Trust Company, the transfer agent and registrar for the Corporation, will assist in the distribution of proxy materials and the solicitation and tabulation of votes. Arrangements also may be made with custodians, nominees and fiduciaries for forwarding proxy materials to beneficial owners of stock held of record by such persons, and the Corporation may reimburse such custodians, nominees and fiduciaries for reasonable out-of-pocket expenses incurred by them in connection therewith.

The Board of Directors has fixed the close of business on February 23, 2010 as the record date for the determination of stockholders entitled to notice of and to vote at the Annual Meeting and at any adjournment thereof. On the record date, there were outstanding and entitled to vote 12,120,024 shares of common stock. Common stockholders will be entitled to one vote per share on all matters to be submitted at the meeting. The presence, in person or by proxy, of stockholders entitled to cast at least 50% of the votes that all stockholders are entitled to cast shall constitute a quorum at the Annual Meeting. An abstention will be considered present at the meeting for purposes of determining a quorum, but will not be counted as voting for or against the issue to which it relates. Neither abstentions nor broker non-votes will be counted as votes cast and neither will have any effect on the result of the vote, although both will count toward the determination of the presence of a quorum. The Articles of Incorporation of the Corporation do not permit cumulative voting.

Important Notice About the Availability of Proxy Materials for the Annual Meeting of Shareholders to be Held on April 20, 2010: This proxy statement, proxy card and the Corporation's annual report to shareholders are available at: www.amstock.com/proxyservices/viewmaterials.asp

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PRINCIPAL STOCKHOLDERS

Set forth below is certain information on those persons known to us to beneficially own more than five percent of the Common Stock of the Corporation.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

Title of Class	Name & Address of Beneficial Owner	Amount & Nature of Beneficial Ownership (1)	Percent of Class
Common Stock	Wellington Management Company, LLP ("Wellington Management") 75 State Street Boston, MA 02109	1,161,864	9.59%
Common Stock	Sandler O'Neill Asset Management, LLC 780 Third Avenue, 5th Floor New York, NY 10017	956,800	7.89%

(1) All shares beneficially owned as of February 23, 2010.

PROPOSAL 1 -- ELECTION OF DIRECTORS

The Articles of Incorporation of the Corporation provide that the Board of Directors shall consist of not less than five nor more than twenty-five directors and that within these limits the numbers of directors shall be as established by the Board of Directors. The Board of Directors has set the number of directors at twelve. The Articles further provide that the Board shall be classified into three classes, as nearly equal in number as possible. Typically, one class of directors is elected annually, and the term for each Class is typically three years. Five directors in Class II are to be elected at the Annual Meeting to serve for a three-year term. It is the intention of the persons named as proxyholders on the enclosed form of proxy, unless other directions are given, to vote all shares which they represent for the election of management's nominees named in the tabulation below. Directors are elected by a plurality of the votes cast. "Plurality" means that the nominees receiving the highest number of votes cast are elected as directors up to the maximum number of directors who are nominated to be elected at the meeting. Any stockholder who wishes to withhold authority from the proxyholders to vote for the election of directors, or to withhold authority to vote for any individual nominee, may do so by marking the proxy to that effect. Each director elected will continue in office until a successor has been elected. The Board of Directors recommends a vote "FOR" the election of the nominees listed below, each of whom has consented to be named as a nominee and to serve if elected. If for any reason any nominee named is not a candidate (which is not expected) when the election occurs, proxies will be voted for a substitute nominee determined by the Board of Directors.

All Directors and Nominees are independent, except for Charles H. Updegraff, Jr., according to the definition of "independent director" under NASDAQ rules, which the Corporation uses to determine independence. The Board of Directors of the Corporation has adopted a written policy for Director Independence, which is available on our website at www.cnbankpa.com by clicking on "Shareholder News", then "Corporate Governance Policies", then "Independence Standards".

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The following table sets forth certain information about the director nominees and about the other directors whose terms of office will continue after the Annual Meeting.

Name, Age and Certain Biographical Information	Period of Service as a Director
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CLASS II – MANAGEMENT’S NOMINEES FOR A 3 YEAR TERM ENDING 2013:

R. Bruce Haner, 62	Director since 1998
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Mr. Haner owned and operated an auto dealership for over 30 years. He currently is an auto buyer for new car dealers. Mr. Haner has attended various Pennsylvania Bankers Association, American Bankers Association, and Federal Reserve seminars and workshops.

Susan E. Hartley, 52	Director since 1998
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Ms. Hartley has been an Attorney at Law since 1984. She received her Bachelor\ of Arts from Elmira College, Master of Arts from State University of New York at Buffalo, and Doctorate of Jurisprudence from State University of New York at Buffalo School of Law.

Leo F. Lambert, 56	Director since 2001
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Mr. Lambert has been the President and General Manager of Fitzpatrick & Lambert, Inc. since 1978. Mr. Lambert received his Bachelor of Science from St. Francis College Loretto. Mr. Lambert has served and continues to serve on many boards within his community.

Edward L. Learn, 62	Director since 1989
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Mr. Learn has over 45 years of Management experiences, including 17 years as a Manager for Ralston Purina, Co. Inc. and 25 years as the owner of Learn Hardware & Building Supply.

Leonard Simpson, 61	Director since 1989
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Mr. Simpson has been an Attorney at Law since 1975 and Sullivan County District Attorney from 1977 – 1993 and from 2008 until present. He received his Bachelor of Science from Gettysburg College and his Doctorate of Jurisprudence from Cumberland School of Law, Sanford University. Mr. Simpson has served and continues to serve on various boards within his local community.

Class III – Continuing Directors with Terms Expiring in 2011:

Dennis F. Beardslee, 59	Director since 1999
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Mr. Beardslee has owned and operated Terrace Lanes Bowling Center since 1984. He received his Bachelor of Arts from Mansfield University. He serves on several boards within his local community.

Jan E. Fisher, 55	Director since 2002
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Ms. Fisher is the Executive Vice President & COO of Laurel Health System and President & CEO of Soldiers & Sailors Memorial Hospital, Wellsboro, PA. She has over 20 years of Management experience. She received her Bachelor of Science and Masters in Business Administration. Ms. Fisher has served and continues to serve on many

boards within her local community and industry.

Ann M. Tyler, 65

Director since 2002

Ms. Tyler has been a Certified Public Accountant in her firm of Ann M. Tyler CPA, PC for over 15 years. Prior to starting her own firm, Ms. Tyler was a Certified Public Accountant with Brodart Company and Parente Randolph for over 9 years. She received her Bachelor of Arts from Lycoming College. Ms. Tyler has served and continues to serve on various boards within her community.

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Class I – Continuing Directors with Terms Expiring in 2012:

Raymond R. Mattie, 46

Director since 2007

Mr. Mattie has been the President of M & S Conversion Co. Inc. since 1992. Prior to 1992, Mr. Mattie held various positions within M&S Conversion Co. Inc. since 1979. Mr. Mattie received his Associates Degree from Williamsport Area Community College. He serves on various boards within his community.

Edward H. Owlett, III, 55

Director since 1994

Mr. Owlett has been the President & CEO of Putnam Company since 1995. Mr. Owlett was an Attorney at Law at Owlett & Lewis, PC from 1981 to 2001. He received his Bachelor of Science from Wharton School of Business and his Doctorate of Jurisprudence from University of Pittsburgh. He serves on various organizations within his local community.

James E. Towner, 63

Director since 2000

Mr. Towner has over 30 years of experience with Times Shamrock Communications, including 20 years as publisher and his current experience as the General Manager of The Scranton Times. He has served on several boards within his local community. He received his Bachelor of Science from Elmira College.

Charles H. Updegraff, Jr., 57

Director since 2007

Mr. Updegraff has been the President and Chief Executive Officer of Citizens & Northern Corporation and Citizens & Northern Bank since January 2010; President and Chief Executive Officer of Canisteo Valley Corporation and First State Bank since May 2008; formerly Executive Vice President and Chief Operating Officer of C&N Bank from May 2007 to January 2010; formerly President & Chief Executive Officer of Citizens Bancorp, Inc. and Citizens Trust Company from 1980 to May 2007. He received his Bachelor of Science from Bloomsburg University. He has attended numerous banking schools. He has served and continues to serve on various boards in his local community.

CORPORATION'S AND C&N BANK'S EXECUTIVE OFFICERS

The following table sets forth certain information with respect to the current executive officers of the Corporation and C&N Bank.

Name and Position for Last Five Years	Age
Charles H. Updegraff, Jr. President and Chief Executive Officer of the Corporation and C&N Bank since January 2010 and President and Chief Executive Officer of Canisteo Valley Corporation and First State Bank since May 2008; formerly Executive Vice President and Chief Operating Officer of C&N Bank from May 2007 to January 2010; formerly President & Chief Executive Officer of Citizens Bancorp, Inc. and Citizens Trust Company	57
Dawn A. Besse Executive Vice President and Chief Credit Officer of C&N Bank since August 2008; formerly Executive Vice President and Director of Sales, Service and Employee Development of C&N Bank since August 2000	58
Harold F. Hoose, III Executive Vice President and Director of Lending of C&N Bank since March 2005; formerly Vice President of C&N Bank since September 2001	42
Mark A. Hughes Treasurer of the Corporation since November 2000; Executive Vice President and Chief Financial Officer of C&N Bank since August 2000	48
George M. Raup Executive Vice President and Chief Information Officer of C&N Bank since April 2008; formerly Vice President of Citizens Trust Company	56
Thomas L. Rudy, Jr. Executive Vice President and Director of Branch Delivery of C&N Bank since February 2004; President of C&N Financial Services Corporation since January 2000	45
Deborah E. Scott Executive Vice President and Director of Trust Department of C&N Bank since September 1999	50

SECURITY OWNERSHIP OF MANAGEMENT

The following table shows beneficial ownership of the Corporation's common stock as of February 23, 2010 by (i) each director of the Corporation, (ii) each executive officer named in the Summary Compensation Table on page 19 and (iii) all directors and executive officers as a group.

Name	Amount and Nature of Beneficial Ownership			Percent of Class (if 1% or Greater)
	(1)	(2)	(3)	
Dennis F. Beardslee	13,502			--
Jan E. Fisher	11,879			--
R. Bruce Haner	20,415	(4)		--
Susan E. Hartley	8,755			--
Leo F. Lambert	12,831	(5)		--
Edward L. Learn	10,311			--
Craig G. Litchfield	97,774			--
Raymond R. Mattie	10,207			--
Edward H. Owlett, III	10,966			--
Leonard Simpson	35,441	(6)	(7)	--
James E. Towner	14,480			--
Ann M. Tyler	11,296			--
Charles H. Updegraff, Jr.	69,172			--
Harold F. Hoose, III	14,274			--
Mark A. Hughes	32,483			--
Deborah E. Scott	24,063			--
Directors and Executive Officers as a Group (19 Persons)	442,789			3.65%

(1) Pursuant to the regulations of the Securities and Exchange Commission, an individual is considered to "beneficially own" shares of common stock if he or she directly or indirectly has or shares (a) the power to vote or direct the voting of the shares; or (b) investment power with respect to the shares, which includes the power to dispose of or direct the disposition of the shares. Unless otherwise indicated in a footnote below, each individual holds sole voting and investment authority with respect to the shares listed.

(2) An individual is deemed to be the beneficial owner if he or she has the right to acquire shares within 60 days through the exercise of any option. Therefore, the following stock options that are exercisable within 60 days after February 23, 2010 are included in the shares above: Mr. Beardslee, 4,306 shares; Mrs. Fisher, 3,769 shares; Mr. Haner, 3,358 shares; Ms. Hartley, 3,769 shares; Mr. Lambert, 3,769 shares; Mr. Learn, 3,769 shares; Mr. Litchfield, 49,324 shares; Mr. Mattie, 1,341 shares; Mr. Owlett, 4,834 shares; Mr. Simpson, 3,886 shares; Mr. Towner, 3,484 shares; Ms. Tyler, 3,769 shares; Mr. Updegraff, 7,483 shares; Mr. Hoose 9,834 shares; Mr. Hughes, 19,918 shares; and Mrs. Scott, 18,053 shares.

(3) Includes the following restricted stock awards granted under the Corporation's Stock Incentive Plan and Independent Director Stock Incentive Plan: Mr. Beardslee, 82 shares; Mrs. Fisher, 82 shares; Mr. Haner, 82 shares; Ms. Hartley, 82 shares; Mr. Lambert, 82 shares; Mr. Learn, 82 shares; Mr. Mattie, 82 shares; Mr. Owlett, 82 shares; Mr. Simpson, 82 shares; Mr. Towner, 82 shares; Ms. Tyler, 82 shares; Mr. Updegraff, 315 shares; Mr. Hoose 230 shares; Mr. Hughes, 321 shares; and Mrs. Scott, 238 shares. All of the restricted awards to the directors, with the exception of Mr. Updegraff, vest ratably over a three-year period. Restricted awards to the executive officers, including Mr. Updegraff, include 2009 and 2008 awards that have a performance condition in

addition to a requirement for continued employment. One-third of the total shares are distributed on the anniversary date of the award based on the Corporation's attainment of a Performance Target of 100% or more of the Peer Group's average return on equity (as defined by the Compensation Committee of the Board of Directors) for the four quarters ending the third quarter of each calendar year following the award date. The Performance Target requirement continues until all Restricted Shares awarded are distributed, expired or forfeited. If all Restricted Shares awarded are not distributed within the ten (10) year period following the date of the award, they shall expire and revert back to the Corporation. Recipients have the right to vote all restricted shares.

- (4) Includes 2,756 shares being pledged as security on borrowing facilities with C&N Bank.
- (5) Includes 176 shares held in a SEP-IRA Plan for the benefit of Mr. Lambert's retirement plan.
- (6) Includes 4,596 shares held in a SEP-IRA Plan for the benefit of Mr. Simpson's retirement plan.
- (7) Includes 25,997 shares being pledged as security on borrowing facilities with C&N Bank.

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BOARD OF DIRECTORS COMMITTEES, LEADERSHIP