FORM 10-K

READING INTERNATIONAL INC - RDI

Filed: April 14, 2000 (period: December 31, 1999)

Annual report with a comprehensive overview of the company

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]
For the fiscal year ended December 31, 1999
OR
[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]
For the transition period from _____ to _____

Commission File No. 1-8625

CITADEL HOLDING CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	95-3885184
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
550 South Hope Street, Suite 1825 Los Angeles, CA	90071
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including Area Code: (213) 239-0540

Securities Registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.01 par value	American Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrants knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K of any amendments to this Form 10-K. [___]

The aggregate market value of voting stock held by non-affiliates of the Registrant was $11,063,000 as of March 10, 2000.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of March 10, 2000, there were 5,335,939 shares of Class A Nonvoting Common Stock, par value $.01 per share and 1,333,985 shares of Class B Voting Common Stock, par value $.01 per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE
None.

CITADEL HOLDING CORPORATION

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PART I.

PART I

ITEM 1: BUSINESS

General

Citadel Holding Corporation, a Nevada corporation ("CHC" and collectively with its consolidated subsidiaries and corporate predecessors, "Citadel" or the "Company"), was formed in 1999 and on January 4, 2000 merged with Citadel Holding Corporation, a Delaware corporation ("CHC Delaware"), in a transaction which resulted in a reincorporation of the Company under the laws of Nevada and a reclassification of the common stock of the Company into 5,335,939 shares of Class A Non-Voting Common Stock, par value $.01 per share, and 1,333,985 shares of Class B Voting Common Stock, par value $.01 per share.

The Company has been engaged in recent periods primarily in the business of owning and managing its real estate intensive assets and in the offering of various real estate consulting services to its affiliates. The Company currently owns (i) an office building located in Glendale, California, (ii) a 40% partnership interest in each of three general partnerships (the "Agricultural Partnerships") which collectively own approximately 1,600 acres of agricultural real estate located in the Central Valley of California and commonly known as the Big 4 Ranch (the "Big 4 Properties"), and (iii) an 80% equity interest in Big 4 Farming, LLC (a farm operating company created to provide farming services to the Agricultural Partnerships with respect to the Big 4 Properties and referred to herein as "Farming"). The Company also has minority interest in certain other publicly traded companies including (i) 70,000 shares of the Series A Voting Cumulative Convertible Preferred Stock (the "Series A Preferred Stock") of Reading Entertainment, Inc. ("REI" and collectively with its consolidated subsidiaries and corporate predecessors, "Reading"), a company primarily engaged in real estate based segment of the entertainment industry, specifically the ownership of cinemas and cinema based entertainment centers., (ii) 542,500 shares, representing approximately 15.62% of the outstanding common stock, of Gish Biomedical, Inc., a company engaged primarily in the business of developing, manufacturing and distributing cardio-vascular devices, and (iii) 342,500 shares, representing approximately 1.25% of the outstanding common stock of National Auto Credit, Inc., a company consisting primarily of cash, and real estate, located in Cleveland, Ohio. Until April 1994, Citadel was engaged principally in the business of serving as the holding company for Fidelity Federal Bank, FSB ("Fidelity").

Citadel currently intends, at least for the near term, to continue to manage and augment its commercial real estate and agricultural properties, to provide real estate consulting services to its affiliates, and to explore opportunities in the real estate-based segment of the entertainment industry. The Company is currently in negotiations with Reading and Messrs. James J. Cotter and Michael Forman to acquire the rights held by Reading under its Agreement in Principal with Messrs. Cotter and Forman a) to lease with option to acquire four cinemas, consisting of 16 screens located in Manhattan, b) to manage four additional cinemas, consisting of twelve screens, also located in Manhattan, c) to acquire the 1/6th interest in the Angelika Film Center cinema located in Manhattan not owned by Reading, and d) to merge with Off Broadway Investors, Inc., a company whose assets consist of three live theatres also located in Manhattan. The assests described in items a), b) and c) are referred to herein as the "City Cinema Assets," and the transferor of the City Cinema Assets is referred to herein as "Old City Cinemas." The assets described in item d) are referred to herein as the "OBI Assets" and the owner of those assets is referred to herein as "OBI." Included within the City Cinema Assets are options to acquire the fee interests underlying the Murray Hill and Sutton Cinemas. Included within the OBI Assets are the fee estates

underlying the Minetta Lane and Orpheum Theatres, and a right of first refusal to acquire the fee interest in the Union Square Theatre. The owner of the Union Square Theater is currently soliciting offers for that property.

The Board of Directors of the Company has delegated authorities to the Conflicts Committee, comprised of Directors William Soady and Alfred Villasenor, to consider the transaction, to negotiate with Reading and with Messrs Cotter and Forman, and to ultimately approve or reject the proposed transactions. The Conflicts Committee has retained independent counsel and advisors to assist it in this process.

The Company has advised Reading and Old City Cinemas that it would be interested in acquiring the Old City Cinema Assets and the OBI Assets, provided that the Company have no obligation to advance any funds to Old City Cinemas for a period of seven years following the closing of the transactions, other than the payment of approximately $5 million at the closing and, thereafter, the payment of rent on the leasehold interests and the payment of interest on the promissory note issued in consideration of the sale of the Angelika interest. Under the Agreement in Principal between Reading and Old City Cinemas, Reading is obligated to fund certain credit facilities (amounting to approximately $32.5 million) to Old City Cinemas commencing 18 months after the closing. Old City Cinemas have advised the Company that it is willing in principal to accept these modifications to the transaction. As a consequence of these amendments, and assuming that the parties reach ultimate agreement as to definitive documentation, at the closing Citadel would pay approximately $5 million in cash, $10 million in Citadel Common Stock (comprised 80 % of Class A Nonvoting Common Stock and 20% Class B Voting Stock) and $4.5 million in an 8% ten-year interest-only promissory note for the City Cinema Assets and the OBI Assets. Thereafter, for a period of seven years, Citadel will have no further commitments with respect to Old City Cinemas or the former stockholders of OBI, other than to pay rent on the leasehold interests and interest on the promissory note issued with respect to the Angelika interest. On a pro-forma basis, the City Cinema Assets and the OBI Assets produced net cash flow of approximately $23 million for 1999. The City Cinemas Assets and the OBI Assets are heavily real estate oriented, as they include two fee properties, options to acquire two additional fee properties, a right of first refusal over the sale of an

additional fee property and two long term leasehold estates, again all located in Manhattan. These assets are particularly attractive to the Company due to this real estate component.

The negotiations between the Company and Reading with respect to the City Cinemas Assets are subject to the prior rights of National Auto Credit, Inc. ("NAC"), under an option granted by Reading to NAC permitting NAC to elect to acquire all of Reading's U.S. cinema assets. That option continues through and including June 5, 2000, and may be extended by NAC for up to two 30-day extension period. If NAC exercises this option, it is obligated under its agreement with Reading to give the Company at least a thirty day period in which to elect whether or not to participate on a 50/50 joint venture basis with NAC in such transaction. In the event that NAC does not exercise its option, and in the event that the Company does not reach agreement with Reading as to the acquisition of the City Cinema Assets, Reading has advised the Company that it would grant to the Company a right of first negotiation to acquire the remainder of Reading's U.S. Cinema assets.

The Gish transaction was a departure from the traditional business activities of the Company. Since the initial purchase, the Company has increased its ownership in Gish to 548,800 shares, representing 15.72% of the outstanding common stock of that company as of March 2, 2000. The Company acquired its initial interest in Gish in November 1998, when it acquired 398,850 shares representing approximately 11.6% of the outstanding common stock of that company. The determination to purchase the Gish interest was based upon a variety of factors including the belief by management of the Company that the stock was undervalued, the fact that the transaction provided the Company with the opportunity to acquire a meaningful stake in Gish in essentially a single transaction, and the fact that a third party, Value Asset Fund Limited Partnership ("VAF"), was at the same time acquiring a similarly sized interest in Gish. Collectively, VAF and the Company currently own 1,097,700 shares or

approximately 31.32% of the outstanding shares of Gish. The management of VAF is well known to and respected by the Chairman of the Board of the Company, and presented the Gish Transaction to the Company. The Company has a cost basis of approximately $2.55 per share in its Gish shares. On March 2, 2000, Gish shares closed at $4.19 per share.

During the second half of 1999, the Company considered a potential joint venture with NAKD to acquire the City Cinema Assets in a 50/50 joint venture with NAKD. That transaction has not yet materialized. However, in becoming familiar with NAKD, the Company came to the view that the common stock of that company was materially undervalued. The Company has elected to invest a portion of its liquidity in NAKD common stock. At December 31, 1999, the Company held 342,500 shares representing approximately 1.25% of the stock of that company and at an investment of approximately $235,000 of the Company's funds. As of March 31, 2000, this holding has been increased to 925,100 shares representing approximately 3.25% of the stock of that company.

Commercial Real Property Ownership and Management Activities

Since April 1994, the Company has been principally involved in the ownership and management of its real estate interests, and in providing real estate consulting services to Reading. The Company has, over the past five years, disposed of three multi-family residential properties, two office buildings, and certain open land. In 1999, the Company sold its office building located in Phoenix, Arizona, for approximately $20 million. Due in large part to the competition presented by substantially larger and tax benefited real estate investment trusts ("REITs"), the Company believes it doubtful that it will be able to effectively compete in the market for direct ownership of conventional commercial properties. Nor does the Company believe it likely that it would be able to effectively compete in the market to provide property management services with respect to properties owned by others, given the significant and well-established competition in this area. Accordingly, the Company has been open to other opportunities to invest in real estate intensive businesses that may offer the Company greater returns than competing with REITs for commercial properties or competing with well-established management companies for property management business. In the view of the company, the investments in the Reading Series A Preferred Stocks and the Agricultural Partnerships, discussed in greater detail below, constituted two such opportunities. The opportunity to become directly involved in the real estate intensive areas of the entertainment industry -- the ownership of cinemas and theaters -- is also an attractive way, in the view of the Company, to pursue hard asset real estate opportunities.

Since 1995, a substantial portion of the executive time of the Company has been spent providing real estate consulting services to Reading in connection with the development by Reading of multiplex cinemas in Australia, New Zealand, the United States, and Puerto Rico and the development of entertainment centers in Australia and New Zealand. Real estate consulting services are currently provided by the Company to Reading under an arrangement, pursuant to which Reading reimburses Citadel for its costs in providing such services. During

Fiscal 1999, 1998 and 1997, Reading paid to Citadel $215,000, $398,000, and $240,000, respectively, with respect to such consulting services.

Agricultural Activities

The Company currently has a 40% general partnership interest in three agricultural partnerships ("Agricultural Partnerships"), and an 80% membership interest in the farming company, Big 4 Farming, LLC ("Farming") manages and farms the properties owned by the Agricultural Partnerships. The

Agricultural Partnerships currently own approximately 1,600 acres of property in Kern County, California, of which approximately 980 acres is improved with mature citrus trees. In 1998, the Agricultural Partnerships planted 60 acres of new citrus, and plans to plant an additional 300 acres in 2000.

In December 1998, the Kern County area suffered a devastating freeze. Substantially all of the Agricultural Partnerships' crop was destroyed. As the crop was not insured against freeze damage, the Agricultural Partnerships booked a loss of $2,651,000 for 1998 (inclusive of $1,577,000 related to the crop loss resulting from the freeze). The Company's share of this loss was $1,061,000. As a result of the destruction of its 1998-1999 crop, the Agricultural Partnerships received only limited revenues in 1999, and reported an additional loss of $1,073,000 for 1999. The Company's share of this loss amounted to $429,000. It is unlikely that the Agricultural Partnerships will receive any crop revenues until the second quarter of 2000. As Farming's profit is tied to the agricultural results of the Agricultural Partnerships, Farming did not report any material income for 1999.

Citadel and Visalia LLC (which owns a 20% interest in Farming and in each of the Agricultural Partnerships) are the principal sources of funding for the operations of the Agricultural Partnerships. The costs of the destroyed crop were funded through a line of credit from Citadel to the Agricultural Partnerships. Funding for its 2000 crop and for capital improvement since January 1, 1999 to the open land held by the Agricultural Partnerships has been provided 80% by Citadel and 20% by Visalia. At March 10, 2000, $2,382,079 had been drawn down under the current $3,250,000 Citadel line of credit.

The Agricultural Partnerships currently do not have any source of funds with which to repay that line of credit when it comes due in August 2000, or any funds with which to cover its cultural, administrative and interest costs and capital improvement budget for fiscal 2000 currently projected at $3,501,000, other than proceeds from the sale of its 1999-2000 crop, an anticipated grant from the Unites States Department of Agriculture in the amount of approximately $192,000 and continued loans by Citadel and Visalia. The Company is currently reviewing the situation, but will likely continue providing the financing required to produce the 2000 crop and to complete the plantings planned for 2000 so long as Visalia continues to fund its 20% share of such amounts.

Background of Acquisition

During 1997, the Company formed three subsidiaries, Citadel Agricultural, Inc., a wholly owned subsidiary, "CAI"), Farming, (80% owned by the Company and 20% by Visalia, a limited liability company controlled by Mr. James J. Cotter, the Chairman of the Board of the Company, and owned by Mr. Cotter and certain members of his family) and Big 4 Ranch, Inc. ("BRI"). Such subsidiaries were formed in anticipation of affecting a purchase of the Big 4 Properties and in order to address certain restrictions on access to federal water. The Company capitalized BRI with a cash contribution of $1,200,000 which was used primarily to acquire a 40% interest in each of the Agricultural Partnerships. The remaining interests in the Agricultural Partnerships are held 40% by CAI and 20% by Visalia. On December 29, 1997, the Company distributed 100% of the shares of BRI to the shareholders of record of the Company's common stock as of the close of business on December 23, 1997, as a spin-off dividend (the "Spin-off").

On December 31, 1997, the Agricultural Partnerships acquired the Big 4 Properties consisting of approximately 1,600 acres of agricultural land and related improvements. The assets acquired included (i) approximately 560 acres of Navel oranges, 205 acres of Valencia oranges, 145 acres of lemons, 32 acres of Minneola and 600 acres of open land currently leased on a short term basis to a third party for the cultivation of annual crops (the "Open Land"), (ii) irrigation systems, (iii) water rights, (iv) frost

prevention systems, and (v) the fruit crop on the trees which was slated for harvest in 1998. The Big 4 Properties were acquired by the Partnerships (the "Ranch Acquisition") from Prudential Insurance Company of America ("Prudential") on an arms length basis for a purchase price of $6,750,000, plus reimbursement of certain cultural costs approximating $831,000.

Prior to the Spin-off, Farming entered into a farming services agreement (the "Farming Contract") with each of the Agricultural Partnerships, pursuant to which Farming is obligated to provide all of the day-to-day farming services necessary to cultivate the citrus orchards located on the Big 4 Properties and, over time, to develop the empty land as may be determined by the Agricultural Partnerships. Under the Farming Contract, Farming is reimbursed for its out-of-pocket costs and is paid a management fee equal to 5% of gross receipts, such gross receipts to be calculated net of picking, packing, and hauling costs. In turn, Farming has entered into a management services contract agreement (the "Cecelia Contract") with Cecelia Packing Corporation ("Cecelia" a company owned by James Cotter) pursuant to which Cecelia has agreed to provide management consulting, purchasing, and bookkeeping services to Farming for an initial term of two years at a monthly fee of $6,000, along with reimbursement of certain out-of-pocket expenses, the cost and benefit of which will be passed through to the Agricultural Partnerships. Cecelia also packs a portion of the fruit produced by the Agricultural Partnerships. While the Company had no prior experience in citrus farming, Cecelia has been engaged in farm management, citrus packing, and marketing for more than 20 years.

BRI was initially owned by the shareholders of record of Citadel on December 23, 1997, including Craig and Reading. During 1998, Craig and Reading purchased additional shares of BRI which increased their collective ownership in BRI to approximately 49%. In addition, Cecelia and a trust for Mr. Tompkins' daughter purchased 210,700 shares or approximately 3.2% of BRI's outstanding securities during 1998.

Concurrent with the Spin-off, Citadel provided BRI with a working capital line of credit in the amount of $200,000. Pursuant to the Line of Credit Agreement dated December 29, 1997, entered into between the Company and BRI, the Company had agreed to lend up to $200,000 to BRI over a three-year period. Any drawdowns under the line would accrue interest at prime plus 200 basis points, payable quarterly. All principal amounts borrowed are due and payable on December 29, 2002. As of March 10, 2000, no borrowings have occurred. The future of BRI and the collectibility of any Citadel loans due from BRI will be dependent on the future operations of the Agricultural Partnerships.

The Ranch Acquisition was financed by pro-rata capital contributions of the partners (Citadel's 40% portion amounting to approximately $1,080,000), by a $4,050,000 purchase money loan from Prudential, and by a crop finance loan by Citadel to the Agricultural Partnerships of approximately $831,000. The loan by Citadel was advanced pursuant to a $1,200,000 Line of Credit Agreement (the "Crop Financing") extended by the Company to the Agricultural Partnerships. Drawdowns under the Crop Financing will accrue interest at prime plus 100 basis points, payable quarterly. The line of credit which was increased to $1,850,000 in 1998 was thereafter increased to $3,250,000 in light of the need to fund cash shortfalls resulting from the 1998 freeze. The credit facility currently matures in August 2000. At December 31, 1999, Citadel had advanced or incurred liabilities of approximately $2,669,000 under the Crop Financing Line of Credit.

The Prudential Purchase Money Loan in the amount of $4,050,000 is secured by, among other things, a first priority mortgage lien on the property, has a ten-year maturity and accrues interest, payable quarterly, at a fixed rate of 7.7%. Principal is payable in annual installments of $200,000, beginning January 1, 2002. The Partnerships, however, are obligated to make certain mandatory prepayments unless the Partnerships make capital improvements to the real property totaling $500,000 by December 31, 2000 and

make an additional $200,000 of capital improvements by December 31, 2001. The amount of such prepayments, if any, will be the difference between the capital improvement amount specified and the amount actually spent on such improvements as of the relevant date. The purchase money mortgage also imposes a prepayment penalty equal to the greater of (a) one-half of one percent of each prepayment of principal or (b) a present value calculation of the anticipated loss that the note holder will suffer as a result of such prepayment.

Industry Overview

Citrus is produced in the United States and other countries where night time temperatures typically do not fall below 24 degrees Fahrenheit for more than a few hours at a time. Currently, citrus is produced in 80 countries. The major producing countries, in addition to the United States, are Brazil, Mexico, Argentina and Spain. The majority of international trade is in juice form, less than 15% of world production is shipped fresh to non-domestic markets.

In the United States, citrus is produced in Florida, California, Arizona, and Texas. The Florida industry is oriented to juice production with less than 10% of the orange crop being sold as fresh fruit. In addition to oranges, Florida is the top producer of grapefruit. Of Florida's grapefruit production, approximately 50% is shipped as fresh fruit. Production in Arizona and Texas is limited and as such, these areas are not considered major producing regions.

Production in California is oriented to oranges and lemons for the fresh market. Approximately 85% of all orange production is sold as fresh fruit. Lemon production is concentrated in California, where approximately 75% of the U.S. crop is produced.

California citrus is sold year round. Major markets are the United States, Canada, Japan and Hong Kong. As with most commodities, citrus pricing is sensitive to supply and demand changes. Production is dependent on the number of acres planted to citrus, the environmental conditions, and cultural inputs. An environmental condition is the single largest contributor to supply changes within a season. Acres in production change in response to growers' income and the historical cycle time from expansion to contraction has historically been in the range of 10 to 12 years. Currently, the industry is undergoing contraction and is projected to continue in that direction for the next 3 to 5 years.

Currently, marketing and sales of California citrus is dominated by Sunkist Growers, Inc., a cooperative of growers from California and Arizona. Sunkist market share ranges from 60% for oranges to 75% for lemons. Membership in Sunkist is not restricted and some of the Property's fruit has been historically and will likely be marketed in the future through Sunkist.

Business Strategy and Description of Business

General

The business plan currently being implemented by the Agricultural Partnerships is to focus on the cultivation of citrus crops utilizing the Big 4 Properties' existing orchards and, over time, to improve the open land with additional citrus orchards.

At the present time, approximately 980 acres of the Big 4 Properties is improved with mature orchards, consisting of approximately 585 acres of Navel oranges, 205 acres of Valencia oranges, 155 acres of lemons and 35 acres of Minneola. The Agricultural Partnerships planted approximately 60 acres of additional citrus trees in 1998 and plans to plant another 300 acres in 2000. The remaining acreage is

used for agricultural support facilities or held for development as additional orchards. During the 1997-1998 season, the Big 4 Properties produced approximately 479,232 cartons of Navel oranges, approximately 164,886 cartons of Valencia oranges, approximately 159,084 cartons of lemons and approximately 33,552 cartons of Minneola, for a total of approximately 836,754 cartons of citrus. As a result of a devastating freeze in 1998, the Big 4 Properties produced almost no marketable crops for the 1998-1999 season.

The assets acquired also included wind machines used for frost protection, irrigation systems, and access to a forty acre reservoir owned by the local irrigation district for the short-term storage of water from wells located on the Big 4 Properties as well as from other sources. While the business plan is to make use of federal water rights to provide water to the Big 4 Properties, these wells and access rights provide a safeguard in the event that such federal water should, from time to time, prove prohibitively expensive or insufficient to meet the needs of the Big 4 Properties.

It is anticipated that the preparation and planting of the remaining open land will likely be completed over a period of two to four years. It was originally anticipated that such preparation and planting would be funded, over time, principally out of the cash flow generated from the Big 4 Properties. However, as a result of the 1998 freeze, it will be necessary for the Agricultural Partnerships to seek funding from the Company and Visalia or third parties in order to complete the planting currently planned for 2000. It is currently contemplated that the Company and Visalia will provide such funding on an 80/20 basis. Such improvement will include the installation of additional irrigation systems, the planting of trees and the installation of frost control systems, principally wind machines. The period to maturity varies from variety to variety, but generally speaking it is anticipated that the first commercial crops will be harvested 5 years after the trees are planted.

The business of the Agricultural Partnerships is subject to risks associated with its agricultural operations. Numerous factors can affect the price, yield, and marketability of the crops grown on the Big 4 Properties. Crop prices may vary greatly from year to year as a result of the relationship between production and market demand. For example, the production of a particular crop in excess of demand in any particular year will depress market prices, and inflationary factors and other unforeseeable economic changes may also, at the same time, increase operating costs with respect to such crops. In addition, the agricultural industry in the United States is highly competitive, and domestic growers and produce marketers are facing increased competition from foreign sources. There are also a number of factors outside of the control of the Company and the Agricultural Partnerships that could, alone or in combination, materially adversely affect the agricultural operations of the

Agricultural Partnerships, such as adverse weather conditions, the availability of water, insects, blight or other diseases, labor problems such as boycotts or strikes, and shortages of competent laborers. The business operations of the Agricultural Partnerships may also be adversely affected by changes in governmental policies, and social and economic conditions.

Seasonality

The agricultural operations of the Agricultural Partnerships will be impacted by the general seasonal trends that are characteristic of the citrus industry. The Agricultural Partnerships anticipate receiving a majority of their net income during the second and third calendar quarters following the harvest and sale of their citrus crops. Due to this concentrated activity, the Agricultural Partnerships anticipate that they will typically show losses in the first and fourth calendar quarters.

Competition

The agricultural business is highly competitive. The Agricultural Partnerships' competitors include a large number of both large and small independent growers and grower cooperatives, many of which have considerably greater financial resources and experience than the Company. No single grower has a dominant market share in this industry due to, among other things, the regionalized nature of these businesses and limited access to federal water.

Employees

The Company has a total of seven full-time employees to operate the Big 4 Properties. These employees are provided and supervised by Farming. Certain management consulting, purchasing and bookkeeping is contracted out to Cecelia. Packing and harvesting is also contracted out to independent contractor third parties in accordance with industry practices. Accordingly, it is not anticipated that the Agricultural Partnerships will have any employees, full time or otherwise.

The success of the Agricultural Partnerships is highly dependent upon Mr. James J. Cotter, who has more than 25 years experience in citrus farming, and upon the senior management of Cecelia, which is wholly owned by Mr. Cotter, and which, through its employees, provides senior management, purchasing and bookkeeping services to Farming and through Farming to the Agricultural Partnerships.

Regulation

Certain areas of the operations of the Agricultural Partnerships are subject to varying degrees of federal, state, and local laws and regulations. Such operations are, for example, subject to a broad range of evolving environmental laws and regulations. These laws and regulations include, but are not limited to, the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, the Federal Insecticide, Fungicide and Rodenticide Act, and the Comprehensive Environmental Response Act, and the Compensation and Liability Act. Compliance with these foreign and domestic laws and related regulations is an ongoing process that is not currently expected to have a material effect on the capital expenditures, earnings or competitive position of the Agricultural Partnerships. Environmental concerns are, however, inherent in most major agricultural operations, including those expected to be conducted by the Agricultural Partnerships, and there can be no assurance that the cost of compliance with environmental laws and regulations in the future will not be material. In the normal course of its agricultural operations, Farming, on behalf of the Agricultural Partnerships, will handle, store, transport and cleanup of such hazardous substances or wastes, which may adversely affect the value of the Big 4 Properties. Such matters could, in the future, have a material adverse effect on the Company and the Agricultural Partnerships.

The operations of the Agricultural Partnerships are also subject to regulations enforced by, among others, the U.S. Food and Drug Administration and state, local and foreign equivalents, and to inspection by the U.S. Department of Agriculture and other federal, state, local and foreign environmental and health authorities. Certain areas of the operations of the Agricultural Partnerships are subject to varying degrees of federal, state and local laws and regulations. Farm operations such as those conducted on the Big 4 Properties are subject to federal, state and local laws and regulations controlling, among other things, the discharge of materials into the environment or otherwise relating to the protection of the environment. Environmental regulations may have a materially adverse effect upon operations.

The purpose of the Spin-Off was principally to comply with applicable federal laws and regulations ("Water Laws") as administered by the Bureau of

Reclamation (the "Bureau") in order to have access to and use of federal water (the "Water Rights") for the operation of the Agricultural Partnerships. Under the Water Laws, no entity with more than 25 stockholders can acquire federal water for more than 640 acres of owned land. Although Citadel has received assurances that the partnership structure being used to own and farm the Big 4 Properties will comply with the Water Laws and not infringe on the Agricultural Partnership's access to the federal water, there can be no assurance that the Bureau and the federal government will not at some future date object to this structure or that the Water Laws will not change, either of which event could have material adverse consequence to the value of the Big 4 Properties and viability of the business of the Agricultural Partnerships.

Weather, availability of labor, changes in state or local law or regulation, and similar localized events could also have an adverse impact on the performance or value of the Big 4 Properties.

Investment in Reading Entertainment, Inc. ("Reading")

Reading is a publicly traded company whose shares are quoted on the NASD/NMS and listed for trading on the NASDAQ Philadelphia Stock Exchange. Set forth as Exhibit 10.35 to this report is the Report on Form 10K filed by Reading with respect to the fiscal year ended December 31, 1999. Reading is currently controlled by Craig Corporation ("CC" collectively with its wholly owned subsidiaries and predecessors "Craig".), which owns common and preferred stock in Reading representing approximately 78% of the voting power of that company. Craig directly owns 1,096,106 (16.4%) shares of Citadel common stock, and through its ownership of Reading indirectly owns an additional 2,113,673 (31.7%) shares of Citadel common stock.

The acquisition of the Series A Preferred Stock and the Asset Put Option provided the Company an opportunity to make an initial investment in the movie exhibition industry, and the ability, thereafter, to review the implementation by Reading of its business plan and, if it approved of the progress made by Reading, to make a further investment in this industry through the exercise of its Asset Put Option on or before the end of April 2000. In light of the current market price for Reading's Common stock, the Company has determined not to exercise the Asset Put Option. The Company has the right to require Reading to redeem the securities issued to it in the Reading Investment Transaction after five years, or sooner if Reading fails to pay dividends on such securities for four quarters.

The Asset Put Option gives the Company the right to require Reading to acquire, for shares of Reading Common Stock, substantially all of the Company's assets and assume related liabilities (the "Asset Put"). In exchange for up to $20,000,000 in aggregate appraised value of such assets, Reading is obligated to deliver to the Company the number of shares of Reading Common Stock determined by dividing the value of Citadel's assets by $12.25 per share. The closing price of Reading Common Stock was $3.94 per share at March 10, 2000. If the appraised value of the Company's assets is in excess of $20,000,000, Reading is obligated to pay for the excess by issuing Common Stock at the then fair market value, up to a maximum of $30,000,000 of assets.

Gish Biomedical, Inc.

The Company currently owns 548,800 shares of the common stock of Gish Biomedical, Inc. ("Gish"), representing approximately 15.72% of the outstanding common stock of that company. The transaction was brought to the Company by Value Asset Fund Limited Partnership ("VAF"), which currently owns approximately 548,900 shares representing approximately 15.6% of the outstanding common stock. Currently, the aggregate holdings of the Company and VAF represent approximately 31.32% of the outstanding common stock of Gish. At December 31, 1999, the book value of the

Company's investment in Gish was approximately $1,381,000 or $2.55 per share. At March 2, 2000, the closing price for such shares was $4.19. While no assurances can be given that any transaction will be consummated, the Company is currently in negotiations with a third party to sell its interest in Gish to such third party at a price significantly in excess of the current trading price for such shares.

The Gish Transaction was a departure from the traditional business activities of the Company, and was not intended to constitute a change of direction for the Company. The determination to purchase the Gish interest was based upon a variety of factors, including the belief by management of the Company that the stock was undervalued, the fact that the transaction provided the Company with the opportunity to acquire a meaningful stake in Gish, in essentially a single transaction, and the fact that VAF was, at the same time, acquiring a similarly sized investment in Gish. The chief executive officer of VAF is well known and respected by the Chairman of the Board of the Company as an asset-based investor, and presented the transaction to the Company.

Gish was founded in 1976 to design, produce and market innovative specialty

surgical devices. Gish develops and markets its innovative and unique devices for various applications within the medical community. Gish operates in one industry segment, the manufacture of medical devices, which are marketed primarily through direct sales representatives domestically and through international distributors. All of Gish's products are single use disposable products or have a disposable component. Gish's primary markets include products for use in cardiac surgery, myocardial management, infusion therapy, and postoperative blood salvage.

Possible Investment in Certain Entertainment Properties

The Company is currently in negotiations with Reading and Messrs. James J. Cotter and Michael Forman to acquire from Reading its rights to a) lease with option to purchase four cinemas with 16 screens located in Manhattan, b) to manage an additional three cinemas consisting of twelve screens located in Manhattan, c) to acquire the 1/6th interest in the Angelika Film Center located in Manhattan not currently owned by Reading, and d) to merge with Off Broadway Investors, Inc., which has three live theatres in Manhattan. Set our below are the general terms being discussed by the parties, and which the Company believes would be generally acceptable to Reading and Messrs. Cotter and Forman. However, no assurances can be given that a transaction will ultimately be agreed to between the parties, or if agreed to, that such agreement would be on the terms set forth below, or that the transactions contemplated by such agreements would ultimately be consummated.

It is currently contemplated that the leased assets would be subject to a ten-year operating lease, with an option to purchase, exercisable at the end of ten years, for $48 million. At the closing the Company will pay $4 million for that option, which amount will be applied against the exercise price if the option is ultimately exercised. The management rights with respect to the managed cinemas would be conveyed without separate consideration, as the parties believe that the fees paid under those contracts are commensurate with the services to be provided. The 1/6th interest in the Angelika cinema would be acquired in consideration of the issuance by the Company of a $5 million promissory note, bearing interest at 8%, interest payable quarterly, all due and payable at the end of ten years. The OBI Assets would be acquired through a merger of OBI into a wholly owned subsidiary of the Company. It is anticipated that the stockholders of the Company would be asked at the next annual meeting of stockholders, to determine whether the consideration for the merger will be paid in shares of Citadel Class A Nonvoting Common Stock and Class B Voting Common Stock, or in cash in the amount of $10 million. Based upon discussions with the Company's principal stockholders, the Company believes it likely that these stockholders would prefer to use the Company's equity securities rather than cash. If the stockholders elect to pay the merger consideration in stock, the Citadel Class A Common Stock and Class

B Common Stock would be issued in a ratio of 8 to 2 to Messrs. Cotter and Forman. This would be the same ratio as such securities were issued in the recapitalization transaction consummated in January 2000.

On a pro-forma basis, these assets would have added approximately $1.7 million in net income and $2.6 million in operating cash flow to Citadel's results of operations for 1999, based on the terms currently under discussion between the parties.

Incident to this transaction, the Company would also agree to lend to Old City Cinemas the amount of $32.5 million. Old City Cinemas would be permitted to call upon these credit facilities at any time during a window period following the seventh anniversary of the closing. The Company has the right to fund the loans at an earlier date, and if the loans are funded on or before the second anniversary of the closing, to require Messrs. Cotter and Forman and Old City Cinemas, under certain circumstances, to guarantee a portion of any indebtedness incurred by the Company specifically to fund such loans.

The City Cinema Assets and the OBI Assets have a substantial real estate component. Included within these assets are two fee interests, two options to acquire fee interests, one right of first refusal to acquire a fee interest, and two long term leases, all located in Manhattan. These real estate assets are particularly attractive to the Company, given its real estate focus in recent years. However, the Company is also interested in acquiring additional cinema and live theatre assets, to the extent that they can be obtained on attractive terms.

National Auto Credit, Inc.

In the second half of 1999, the Company considered a possible 50/50 joint venture with National Auto Credit, Inc. ("NAKD") with respect to the acquisition of the City Cinema Assets. That transaction has not yet materialized. However, in becoming familiar with NAKD, the Company came to the view that the NAKD Common Stock was materially undervalued and determined to utilize a portion of the liquidity resulting from the refinancing of the Brand Office Building to acquire such NAKD securities. At December 31, 1999, the Company held 342,500

shares of NAKD common stock, representing an aggregate investment of $235,000 or $0.69 per share. As of March 31, 2000, the Company had increased its holdings to 925,100 shares, representing an aggregate investment of $834,000 or 3.25% of the outstanding shares. At the close of business on that same date, the bid/ask for NAKD Common Stock was $1.01 and $1.03, respectively.

Historic Thrift Activities

Prior to August 4, 1994, Citadel was engaged primarily in providing holding company services for its wholly owned thrift subsidiary, Fidelity. On August 4, 1994, Citadel and Fidelity completed a recapitalization and restructuring transaction (the "Restructuring"), which resulted in, among other things, the reduction of Citadel's interest in Fidelity from 100% to approximately 16%, the acquisition of certain real estate assets from Fidelity, and the receipt of options from Fidelity, by the way of dividends, to acquire certain other real estate assets at book value. During Fiscal 1995, substantially all of the Company's remaining interest in Fidelity was sold.

Management

James J. Cotter is the Chairman of the Board and Chief Executive Officer of the Company. Mr. Cotter has more than 25 years experience in the real estate, cinema and citrus businesses. He is also a director and the Chairman of the Company's principal shareholders, REI and Craig Corporation.

S. Craig Tompkins is the Vice Chairman of the Board and Secretary of the Company. Mr. Tompkins is also President and director of CAI; a member of the management committee of Farming and of each of the Agricultural Partnerships; the President and a director of Craig; the Vice Chairman and a director of Reading and serves, as an administrative convenience, as an assistant secretary to BRI and Visalia. Prior to joining Craig and Reading in March 1993, Mr. Tompkins was a partner in the law firm of Gibson, Dunn & Crutcher.

Andrzej Matyczynski is the Chief Financial Officer of the Company. Mr. Matyczynski is also the Chief Financial Officer of CC and the Chief Administrative Officer of REI. Prior to joining the Company in November 1999, Mr. Matyczynski held various positions with Beckman Coulter, Inc., a multi-national biomedical company.

Brett Marsh is the Vice President of Real Estate of the Company and is responsible for the real estate activities of the Company. Prior to joining the Company, Mr. Marsh was the Senior Vice President of Burton Property Trust, Inc., the U.S. real estate subsidiary of the Burton Group PLC. In this position, Mr. Marsh was responsible for the U. S. real estate portfolio of that company.

The Company has one additional corporate employee, shares space, and has contracted for certain administrative and accounting services with Craig. In addition, the Company has seven employees including a farm manager, at Big 4 Farming LLC.

Historically, the Company's executives have provided certain real estate consulting services to Reading. Also, the Company and Craig have shared offices and support facilities in Los Angeles, and Reading is currently in the process of consolidating its domestic general and administrative functions in Los Angeles in offices located adjacent to those occupied by the Company and Craig. It is anticipated that certain economies of scale can be achieved if the general and administrative functions of these three companies are consolidated. Accordingly, on a going forward basis, the domestic general and administrative functions of the Company, Craig and Reading will be performed principally by employees of Craig. The cost of such functions will be shared on an appropriate basis between the Company, Craig and Reading. As the relative demands of the Company, Criag and Reading will likely vary from year to year, it is curretnly expected that this allocation will be reviewed by the participants on a periodic bases, as appropriate from time to time.

ITEM 2: PROPERTIES

Real Estate Interests

The table below provides an overview of the real estate assets owned by the Company at December 31, 1999.

Address	Type	Square Feet	% Leased At 12/31/99	Major Tenants *	Remaining Lease Terms
Glendale Building	Office	89,000	100	Fidelity (13%)	May 2005

600 No. Brand Blvd. Glendale, CA		Disney (87%)	February 2007

*% of rentable space leased

Arboleda, Phoenix

This property, acquired by the Company for $6,400,000 in August 1994, was sold for approximately $20,000,000 in second quarter of 1999.

Brand, Glendale

This property, acquired by the Company for $7,120,000 in May 1995, is leased 87% to Disney Enterprises, Inc. ("Disney") and 13% to Fidelity, with Fidelity occupying the ground floor.

The base rental rate for the first five years of the Fidelity lease term is $26,000 per month, including parking. With the lease providing for annual rental increases at a rate equal to the lower of the increase in the Consumer Price Index or 3%, the rental rate of the Fidelity lease at December 31, 1999 is $28,506 per month. After the first five years of the lease term, the rental rate will be adjusted to the higher of the then current market rate or $1.50 per square foot increased by the annual rental rate increase applied during the first five years of the lease as described in the preceding sentence. Fidelity has the option to extend the lease of the ground floor for two consecutive five-year terms at a market rental rate.

On October 1, 1996, the Company entered into a ten-year full service lease for all of the floors, excluding the ground floor, of approximately 80,000 square feet, with Disney. The rental rate for the first five years of the lease term beginning February 1, 1997 is approximately $148,000 per month and approximately $164,000, excluding parking, for the remaining five-year term. Disney has the option to renew the lease for two consecutive five-year terms. As of December 31, 1999, while fulfilling their lease obligations to the Company, Disney has not occupied the leased space. Accordingly, tenant improvements required by the lease approximating $1,985,000 had not yet been incurred. Subsequent to yearend, however, Disney has notified the Company of their intent to move into the building in fiscal 2000. As a result, the Company expects to incur tenant improvement expenses amounting to approximately $1,501,000, or $24.50 per square foot in fiscal 2000.

Financing of Real Estate Interests

The Company's 1994 acquisition of the Arboleda property was 100% leveraged. Financing was obtained through the combination of a conventional mortgage loan from Fidelity on the Arboleda property with the balance of the Arboleda property purchase price financed through drawdowns on an $8,200,000 line of credit from

Craig, which has been paid in full. Concurrently with the sale of the Arboleda property in 1999, the outstanding mortgage loan balance was paid in full.

With regard to the purchase of the Glendale Building, Fidelity extended a five year loan, amortizing over twenty years, at an adjustable rate of interest tied to the 30-day LIBOR rate plus 4.5% per annum, adjustable monthly. In 1999, the loan was paid off with a portion of the proceeds of the Arboleda sale. In December 1999, the property was refinanced in the amount of $11,000,000 pursuant to a ten-year fixed rate mortgage loan, with an 8.17% interest rate.

Executive Offices

The Company currently shares executive office space with Craig, under an arrangement whereby the Company and Craig allocate the costs of such office space and certain support facilities. During Fiscal 1999, 1998 and 1997, the Company's share of such office space and support facilities approximated $24,000 per year. The Company believes that this arrangement is beneficial to the Company in that it permits the Company to maintain quality executive office facilities at a lesser cost than if the Company were to maintain comparable facilities separate and apart from Craig.

ITEM 3: LEGAL PROCEEDINGS

None.

ITEM 4: SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At the Company's 1999 Annual Meeting of Shareholders held on December 17,

1999, shareholders elected four directors. The results of the votes were as follows:

Election of Directors	For	Withheld
James J. Cotter	5,712,569	789,826
S. Craig Tompkins	5,711,549	790,843
William C. Soady	5,712,609	789,783
Alfred Villasenor, Jr.	5,712,426	789,966

Proposed Merger	For	Against	Abstain/No-Vote
Common Stock	3,980,010	837,894	1,684,988

PART II

ITEM 5: MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

The Company's common stock is listed and quoted on the American Stock Exchange ("AMEX"). The following table sets forth the high and low closing bid prices of the common stock of the Company as reported by AMEX for each of the following quarters:

	High	Low
	(In Dollars)	
1999:		
Fourth Quarter	4 1/16	2 11/16
Third Quarter	5	3 13/16
Second Quarter	5 7/16	3 3/8
First Quarter	3 5/8	3 1/4
1998:		
Fourth Quarter	3 15/16	3 1/8
Third Quarter	4 15/16	3 7/8
Second Quarter	5 1/8	4 7/16
First Quarter	4 13/16	3 5/8

Holders of Record

The number of holders of record of the Company's Class A and Class B common stock at March 10, 2000 was approximately 192. On March 10, 2000, the high, low and closing price per share of the Company's Class A Nonvoting Common Stock was $3.000, $2.875, and $3.000, respectively, and $3.250, $3.250, and $3.250, respectively, for the Class B Voting Common Stock.

Dividends on Common Stock

While the Company has never declared a cash dividend on its common stock and has no current plan to declare a dividend, it is Citadel's policy to review this matter on an ongoing basis.

ITEM 6. SELECTED FINANCIAL DATA

The table below sets forth certain historical financial data regarding the Company. This information is derived in part from, and should be read in conjunction with, the Consolidated Financial Statements of the Company included elsewhere herein, and the related notes thereto.

	At or for the Year Ended December 31,				
	1999	1998	1997	1996	1995

	(In thousands, except per share data)				
Revenues	$ 3,952	$ 5,985	$ 5,350	$ 5,101	$ 5,402
Net earnings (1) (3)	$ 9,487	$ 5,687	$ 1,530	$ 6,426	$ 1,398
Net earnings available to common stockholders	$ 9,487	$ 5,687	$ 1,530	$ 6,268	$ 1,240
Basic earnings per share	$ 1.42	$ 0.85	$ 0.24	$ 1.04	$ 0.20
Diluted earnings per share (2)	$ 1.42	$ 0.85	$ 0.24	$ 0.80	$ 0.16
Balance Sheet Data:					
Total assets	$47,206	$35,045	$28,860	$30,292	$39,815
Borrowings	$11,000	$ 9,224	$ 9,395	$10,303	$16,186
Stockholders' equity	$33,483	$23,741	$18,054	$17,724	$17,720
Cash dividends declared on Preferred Stock	--	--	--	$ 232	$ 101
Stock Dividend	--	--	$ 1,200	--	--

(1) The 1998 net earnings included a deferred income tax benefit amounting to approximately $4,828,000 resulting principally from the reversal of federal and state income tax valuation allowances.

(2) The 1996 and 1995 data includes the effect of shares assumed to be issued on the conversion of the then outstanding 3% Cumulative Voting Convertible Preferred Stock amounting to 2,046,784 and 2,430,323 common shares, respectively.

(3) The 1996 net earnings included approximately $4,000,000 as a result of a non-recurring recognition of previously deferred proceeds from the bulk sale of loans and properties by the Company's previously owned subsidiary, Fidelity.

ITEM 7. MANAGEMENT'S DISCUSSIONS AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Citadel Holding Corporation, a Delaware corporation ("CHC" and collectively with its wholly- owned subsidiaries and corporate predecessors "Citadel" or the "Company") has been engaged in recent periods in the ownership and management of its real estate interests and in the offering of various real estate consulting services to its affiliates. At December 31, 1999, Reading Entertainment, Inc. ("REI" and collectively with its consolidated subsidiaries and corporate predecessors, "Reading"), holds 2,113,673 shares or approximately 31.7% of the Company's common stock. Craig Corporation "CC" and collectively with its wholly owned subsidiaries and corporate predecessors holds directly 3,209,779 shares or approximately 48.0% of the Company's common stock and on a consolidated basis with Reading and Puerto Rico.

As a consequence of the real estate advisory and consulting services provided on a fee basis to Reading, the Company has gained familiarity with the cinema exhibition industry, its operations, and prospects of Reading, and invested $7,000,000 to acquire 70,000 shares of REI Series A Preferred Stock and the Asset Put Option in October 1996. Reading is a publicly traded company whose shares are listed on the NASDAQ. Through its majority owned subsidiaries, REI is in the business of developing and operating multi-plex cinemas in Australia, New Zealand, Puerto Rico and the United States, and is currently developing entertainment centers in Australia and New Zealand. Craig and the Company hold in the aggregate approximately 83% of the voting power of Reading, with Craig's holdings representing approximately 78% of the voting power of Reading and the Company's holdings representing approximately 5% of such voting power.

In December 1997, the Company acquired a 40% interest in the Agricultural Partnerships, and an 80% interest in a limited liability company formed to manage and farm the property owned by the Agricultural Partnerships. The Agricultural Partnerships currently own approximately 980 acres of mature citrus orchards, and approximately 600 acres of open land, which includes approximately 60 acres of newly planted citrus, all located in Kern County, California. In December 1998, this area suffered a devastating freeze and the entire Agricultural Partnership's 1998-99 crop was lost.

During 1998 and 1999, the Company acquired a 15.62% interest in Gish Biomedical, Inc. ("Gish") at a purchase price of approximately $1,381,000. Gish is primarily engaged in the business of developing, manufacturing and distributing cardio-vascular devices. During this same time period, another investor, Value Asset Fund Limited Partnership ("VAF"), acquired a similarly sized interest in Gish. Accordingly, the Company and VAF currently own 1,097,700 shares aggregating to approximately a 31.32% interest in outstanding common stock of Gish at December 31, 1999.

Results of Operations

Due to the nature of the Company's business activities, the Company's historical revenues and future revenues will vary significantly, reflecting the results of real estate sales, the acquisition of the REI Preferred Stock and the acquisition of the interest in the Agricultural Partnerships and Big 4 Farming, LLC. In addition, rental income and earnings may vary significantly depending upon the properties owned by the Company during the periods being reported. Accordingly, year-to-year comparisons of operating results will not be indicative of future financial results.

Year Ended December 31, 1999 ("Fiscal 1999") and 1998 ("Fiscal 1998") versus Year Ended December 31, 1997 ("Fiscal 1997")

The Company's net earnings amounted to approximately $9,487,000, $5,687,000 and $1,530,000 for Fiscal 1999, 1998, and 1997, respectively. The increase in net earnings for Fiscal 1999 as compared to Fiscal 1998 is principally attributable to the sale of a rental property located in Phoenix, Arizona ("Arboleda"), in June 1999. The Arboleda property was sold for $20,000,000, which resulted in a gain of approximately $13,337,000 being included in the Consolidated Statement of Operations for 1999. The increase in current year's net earnings also reflects the $678,000 decrease in the Company's portion of the net operating loss of the Agricultural Partnerships from prior year. Included in net earnings for Fiscal 1998 was an income tax benefit amounting to approximately $4,828,000 resulting principally from a reversal of previously reserved deferred tax assets and approximately $1,022,000 of income from shareholder affiliates (including the receipt of interest and dividend income and consulting fees), which were partially offset by a $990,000 loss with respect to the Company's interest in the Agricultural Partnerships. The increase in revenue between Fiscal 1998 and 1997 is generally attributable to the two-year lease renewal of approximately 56% of the Arboleda property at higher rates.

Rental income amounted to approximately $3,706,000 in Fiscal 1999, $5,478,000 in Fiscal 1998 and $5,110,000 in Fiscal 1997. The fluctuations between the years are principally due to the reduction in the number of rental properties owned by the Company partially offset by increased revenues from changes in the tenant leases of the rental properties. As discussed above, the Company disposed of the Arboleda property in Fiscal 1999 and sold a multi-family residential property in Fiscal 1997. At December 31, 1999, the office building located in Glendale, California (purchased in May 1995) remains as the Company's sole commercial rental property. In 1999, that property was refinanced with a loan of $11 million, bearing interest at 8.17%.

The Company has a ten-year lease with Disney for five of the six floors of the Glendale Building. The ground floor is leased to Fidelity. The rental rate for the first five years of the Disney lease term beginning February 1, 1997 is approximately $148,000 per month and approximately $164,000 per month for the remaining five-year term, excluding parking in each case. Disney has the option to renew the lease for two consecutive five-year periods. The lease provides that the Company will contribute towards tenant improvements and common area upgrades. To date, while fulfilling their lease obligations to the Company, Disney has not moved into the building and as a result, the tenant improvements required by the lease of approximately $1,985,000 have not yet been incurred. Subsequent to yearend, however, Disney has notified the Company of their intent to move into the building in fiscal 2000. As a result, the Company expects to incur tenant improvement expenses amounting to approximately $1,501,000 or $24.50 per square foot in fiscal 2000.

Real estate operating costs decreased to $1,242,000 in Fiscal 1999 as compared to $2,279,000 in Fiscal 1998 and $2,090,000 in Fiscal 1997. The decrease in Fiscal 1999 as compared to Fiscal 1998 is due to the sale of the Arboleda property in June 1999. The increase in Fiscal 1998 as compared to Fiscal 1997 is primarily attributable to increased maintenance costs incurred at the Arboleda building.

On December 31, 1997, the Company acquired, through its interest in the Agricultural Partnerships, a 40% interest in approximately 1,600 acres of agricultural land and related improvements, located in Kern County, California, commonly known as the Big 4 Ranch (the "Property"). The other two partners in the Partnerships are Visalia LLC (a limited liability company controlled by Mr. James J. Cotter, the Chairman of the Board of the Company, and owned by Mr. Cotter and certain members of his family) which has a 20% interest and Big 4 Ranch, Inc., a publicly held corporation, which has the remaining 40% interest. Prior to the acquisition, Big 4 Ranch, Inc., was a wholly owned subsidiary of the Company. Immediately prior to the

acquisition, the Company capitalized Big Ranch, Inc., with a cash capital contribution of $1,200,000 and then distributed 100% of the share of Big 4

Ranch, Inc., to the shareholders of record of the Company's common stock as of the close of business on December 23, 1997 as a spin-off dividend. The Company accounts for its 40% investment in the Agricultural Partnerships utilizing the equity method of accounting.

The Ranch Acquisition was financed by pro-rata capital contributions of the partners (Citadel's 40% portion amounting to approximately $1,080,000), a $4,050,000 purchase money loan from Prudential, and by an initial crop finance loan by Citadel to the Agricultural Partnerships. Drawdowns under the line of credit accrue interest at prime plus 100 basis points, payable quarterly. The maximum allowable borrowing on the line of credit has been increased to $3,250,000. The renewed line of credit matures on August 2, 2000. The increase in the line of credit was to principally fund operating expenses and certain capital expenditures including the planting of additional citrus. The Agricultural Partnerships have invested approximately $624,000 in capital improvements to the Big 4 properties during fiscal 1999. At December 31, 1999 and 1998, Citadel and its subsidiaries had advanced approximately $2,669,000 and $1,502,000, respectively, under that line of credit.

In December 1998, the Agricultural Partnerships suffered a devastating freeze which resulted in a loss of substantially all of its 1998-1999 crop. As a consequence of the freeze, the Agricultural Partnerships had no funds with which to repay the drawdowns on the line of credit. Furthermore, the Agricultural Partnerships generally have had no source of funding, other than the Company and Visalia, for the cultural expenses needed for production of the 1999-2000 crop, or for the planned crop-planting program on the undeveloped acreage. During 1999, the Company and Visalia funded the cash needs of the Agricultural Partnerships on an 80/20 basis, providing $1,227,000 and $334,000, respectively. At December 31, 1999, Citadel had advanced a total of $2,730,000 to the Agricultural Partnerships. It is estimated that the Agricultural Partnerships will need additional cash in the amount of $3,501,000 in order to cover cultural, administrative expenses, interest and planting costs through fiscal 2000. Subsequent to yearend, the Company and Visalia have continued to fund the Agricultural Partnerships operating, agricultural and capital costs. No material revenue is expected to be realized by the Agricultural Partnerships until the 1999 - 2000 crop is harvested and sold late this year. The gross revenues of the Agricultural Partnerships will depend upon the market prices for their fruits, which prices may fluctuate significantly

Included in the Statement of Operations as "Loss from investment in and advances to Agriculture Partnerships" is a loss of $201,000 and $990,000 representing the Company's 40% equity share of the Agriculture Partnerships operating results for the year ended December 31, 1999 and 1998, respectively, net of $73,000 and $71,000 of interest income received pursuant to loans made to the Agriculture Partnerships.

Interest income amounted to $536,000 in Fiscal 1999, $222,000 in Fiscal 1998 and $326,000 in Fiscal 1997. The increase in Fiscal 1999 interest income revenue as compared to Fiscal 1998 was attributable to the increase in the cash and cash equivalents balance subsequent to June 1999, following the sale of the Arboleda property. Conversely, the decrease in interest income for Fiscal 1998 as compared to Fiscal 1997 was due to the gradual decrease in invested fund balances during most of 1998.

Dividends from the Company's investment in Reading in Fiscal 1999, 1998, and 1997 amounted to $455,000 per year, pursuant to the terms of the REI Preferred Stock. The REI Preferred Stock was issued in October 1996 and bears a cumulative dividend of 6.5%, payable quarterly. The REI Preferred Stock is convertible any time after April 15, 1998 into common shares of REI at a conversion price of $11.50 per share. The closing price of REI common stock at December 31, 1999 was $5.75 per share. REI reported a net loss applicable to common shareholders of approximately $45,517,000 for the 1999 Fiscal year as

compared to net loss applicable to common shareholders of approximately $6,728,000 in the Fiscal 1998 and $1,354,000 in Fiscal 1997. The REI Preferred Stock may be put back to REI by the Company at par.

On April 11, 1997, Craig exercised its warrant to purchase 666,000 shares of the Company's common stock at an exercise price of $3.00 per share or $1,998,000. Such exercise was consummated pursuant to Craig's delivery of a secured promissory note (the "Craig Secured Note") in the amount of $1,998,000, secured by 500,000 shares of REI common stock owned by Craig. The Craig Secured Note, in the amount of $1,998,000, is included in the Consolidated Balance Sheet as a contra equity account under the caption "Note receivable from shareholder". Interest is payable quarterly in arrears at the prime rate (amounting to 8.50% at December 31, 1999) computed on a 360-day year. Principal and accrued but unpaid interest is due upon the earlier of April 11, 2002 or 120 days following the Company's written demand for payment. The Craig Secured Note may be prepaid, in whole or in part, at any time by Craig without penalty or premium. Included in the Consolidated Statement of Operations for the year ended December 31, 1999 and 1998 as "Interest income from Shareholder" was approximately $162,000 and $169,000, respectively, earned pursuant to the Craig secured note.

Interest expense amounted to $587,000 in Fiscal 1999, $977,000 in Fiscal 1998 and $1,009,000 in Fiscal 1997. The decrease in Fiscal 1999 interest expense as compared to Fiscal 1998 reflects the payoff of the mortgage loans amounting to approximately $9,138,000 upon sale of the Arboleda property in June 1999. The $11,000,000 loan secured by the Glendale building was not entered into until December 1999 and as such, had virtually no impact on fiscal 1999 interest expense. The $32,000 decrease in Fiscal 1998 as compared to Fiscal 1997 was principally a result of the decrease in interest rates between 1999 and 1998. As of December 31, 1999 and 1998, there was $11,000,000 and $9,224,000 of loans outstanding, respectively. Interest rate on the outstanding mortgage loans approximated 8.18% and 9.738% at December 31, 1999 and 1998, respectively.

General and administrative expenses amounted to $1,269,000 in Fiscal 1999, $1,297,000 in Fiscal 1998 and $1,175,000 in Fiscal 1997. The general and administrative expenses remained at comparable levels during Fiscal 1999 and Fiscal 1998. The increase in Fiscal 1998 as compared to Fiscal 1997 is primarily a result of second quarter bonuses paid to the Chairman amounting to $250,000 and an increase in overhead costs associated with providing farm management services to the Agricultural Partnerships, partially offset by a reduction in legal and professional costs.

In the fourth quarter of 1998, the Company recorded an income tax benefit of $4,828,000 as a result of (i) recognition of an IRS receivable of $440,000 and (ii) reversal of a deferred tax asset valuation allowance amounting to $4,398,000. Generally, two factors contributed to the reversal in the valuation allowance. First, as described above, the Company had executed a settlement agreement with the IRS with respect to tax years through December 31, 1994. Such settlement provided the Company with a more likely than not expectation of the realization of the tax basis of certain real property transferred to the Company at the time of the Fidelity recapitalization in August 1994, as well as quantification of net operating loss carryforwards. Second, the Company believed that the sale of the Arboleda property located in Phoenix, Arizona, would generate sufficient 1999 taxable income to utilize the federal capital loss carryforward and a portion of the federal net operating loss carryforward. The sale of the Arboleda property was closed in June 1999 at a gain of approximately $13,337,000 and enabled the Company to utilize $4,100,000 of the deferred tax asset recognized in the prior year.

Business Plan, Capital Resources and Liquidity of the Company
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Fiscal 1999

Cash and cash equivalents totaled approximately $24,732,000 at December 31, 1999 as compared to $4,367,000 at December 31, 1998. Net cash provided by investing activities amounted to $19,003,000 which was primarily due to the sale of the Arboleda property in June 1999. Net cash provided by financing activities amounted to $195,000, primarily as a result of the $9,224,000 mortgage loan payments, $1,167,000 additional funds loaned to the Agricultural Partnerships, offset by an $11,000,000 cash inflow from the refinancing agreement that the Company entered into in December 1999. The Company obtained the $11,000,000 loan from Nationwide Insurance Company by securing it with the deed to the Glendale building. The Company expects to use the loan proceeds for investing and potential acquisition purposes.

The Company expects that its sources of funds in the near term will include (i) cash on hand and related interest income, (ii) cash flow from the operations of its remaining real estate properties, (iii) consulting fee income from REI, and (iv) a preferred stock dividend, payable quarterly, from REI amounting to approximately $455,000 per year. The short term uses of funds are expected to include (i) funding of the Agricultural Partnerships, (ii) funding of the Glendale office building leasehold and tenant improvements of approximately $1,501,000, and (iii) operating expenses. Also, the Company is currently considering the acquisition of certain cinema, theater and commercial real estate assets.

Management believes that the Company's source of funds will be sufficient to meet its operational cash flow requirements for the foreseeable future.

Fiscal 1998

Cash and cash equivalents balance of $4,367,000 at December 31, 1998 was comparable to the cash and cash equivalents balance of $4,364,000 at December 31, 1997. Net cash provided by operating activities amounted to $3,097,000, which was reduced by $2,258,000 and $836,000 of net cash used in investing and financing activities, respectively. The rental income from its real estate holdings was the primary source of funds in Fiscal 1998. The principal uses of funds included (i) leasehold improvements made to rental properties amounting to $588,000, (ii) the purchase of farm equipment of $201,000 by Big 4 Farming, LLC, and (iii) a $1,002,000 purchase of Gish securities.

Fiscal 1997

Fiscal 1997 cash and cash equivalents balance decreased by approximately $1,992,000 to $4,364,000 at December 31, 1997 from $6,356,000 at December 31, 1996. Net cash provided by operating activities amounted to $1,688,000, net cash used in investing activities amount to $741,000 and net cash used in financing activities amounted to $2,939,000. The principal uses of funds included (i) the Company's 40% equity investment in the Big 4 Agricultural Properties (ii) the Company loan of $831,000 to the Agricultural Partnerships (iii) the $1,200,000 capitalization of Big 4 Ranch, Inc., prior to the Company's dividend of Big 4 Ranch, Inc. to its common shareholders, (iv) leasehold improvements amounting to $708,000 and (v) repayments of mortgage loans amounting to $908,000. Principal sources of funds included approximately $1,128,000 received upon the sale of a rental property.

Forward-Looking Statements

From time to time, the Company or its representatives have made or may make forward-looking statements, orally or in writing, including those contained herein. Such forward-looking statements may be included in, without limitation, reports to stockholders, press releases, oral statements made with the approval of an authorized executive officer of the Company and filings with the Securities and Exchange Commission. The words or phrases "anticipates," "expects," "will continue," "estimates," "projects," or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995.

The results contemplated by the Company's forward-looking statements are subject to certain risks, trends, and uncertainties that could cause actual results to vary materially from anticipated results, including without limitation, delays in obtaining leases and permits for new multiplex locations, construction risks and delays, the lack of strong film product, the impact of competition, market and other risks associated with the Company's investment activities and other factors described herein.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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INDEPENDENT AUDITORS REPORT

The Board of Directors
Citadel Holding Corporation

We have audited the accompanying consolidated balance sheets of Citadel Holding Corporation and subsidiaries (the "Corporation") as of December 31, 1999 and 1998 and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1999. Our audits also included the financial statement schedule listed in the Index at Item 8. These financial statements and the financial statement

schedule are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements and the financial statement schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of Citadel Holding Corporation and subsidiaries as of December 31, 1999 and 1998, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

DELOITTE & TOUCHE LLP

Los Angeles, California
March 27, 2000

CITADEL HOLDING CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	December 31, 1999	1998
ASSETS		
Cash and cash equivalents	$ 24,732	$ 4,367
Investment in Gish Biomedical, Inc.	1,831	1,002
Investment in National Auto Credit, Inc.	214	--
Other receivables	95	577
Deferred tax asset, net	1,125	4,398
Total current assets	27,997	10,344
Property held for sale	--	5,908
Rental properties, less accumulated depreciation	7,731	7,969
Investment in shareholder affiliate	7,000	7,000
Equity investment in and advances to Agriculture Partnerships	2,669	1,561
Capitalized leasing costs	944	1,592
Other assets	865	671
Total assets	$ 47,206	$ 35,045
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Security deposits payable	$ 28	$ 98
Accounts payable and accrued liabilities	2,254	1,362
Current portion of mortgage note payable	128	216
Total current liabilities	2,410	1,676
Minority interest in consolidated affiliate	50	44
Lease contract payable	196	--
Deferred rental revenue	195	576
Long-term portion of mortgage note payable	10,872	9,008
Total liabilities	13,723	11,304
Commitments and Contingencies		
Stockholders' Equity		
Serial preferred stock, par value $.01, 5,000,000 shares		

authorized, 3% Cumulative Voting Convertible, none outstanding	--	--
Common stock, par value $.01, 20,000,000 shares authorized, 6,669,924 shares issued and outstanding	67	67
Additional paid-in capital	59,603	59,603
Accumulated deficit	(24,444)	(33,931)
Accumulated other comprehensive income	255	--
Note receivable from shareholder	(1,998)	(1,998)
Total stockholders' equity	33,483	23,741
Total liabilities and stockholders' equity	$ 47,206	$ 35,045

See accompanying notes to the consolidated financial statements.

CITADEL HOLDING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	Year Ended December 31,		
	1999	1998	1997
Revenues:			
Rental income	$ 3,706	$ 5,478	$ 5,110
Farming management fee	31	109	--
Consulting fees from shareholder	215	398	240
	3,952	5,985	5,350
Operating expenses:			
Real estate	1,242	2,279	2,090
General and administrative	1,269	1,297	1,175
Depreciation and amortization	340	414	391
	2,851	3,990	3,656
Operating income	1,101	1,995	1,694
Non-operating income (expense):			
Interest income	536	222	326
Interest expense	(587)	(977)	(1,009)
Dividends from investment in Reading	455	455	455
Loss from investment in and advances to Agricultural Partnerships	(201)	(990)	--
Interest income from shareholder	162	169	125
Gain (loss) on sale of properties	13,337	--	(16)
Earnings before minority interest and income taxes	14,803	874	1,575
Minority interest	(7)	(15)	--
Earnings before taxes	14,796	859	1,575
Income tax (expense) benefit	(5,309)	4,828	(45)
Net earnings	$ 9,487	$5,687	$ 1,530
Basic earnings per share	$ 1.42	$ 0.85	$ 0.24
Diluted earnings per share	$ 1.42	$ 0.85	$ 0.24

See accompanying notes to the consolidated financial statements.

CITADEL HOLDING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
THREE YEARS ENDED DECEMBER 31, 1999
(In thousands of dollars, except share data)

	Preferred Stock		Common Stock		Additional Paid-In
	Shares	Par Value	Shares	Par Value	Capital
Balance at January 1, 1997	--	--	6,670	$ 67	$ 59,020
Net earnings					
Dividend of Big 4 Ranch, Inc.					
Issuance of treasury stock for note					583
Balance at December 31, 1997	--	--	6,670	67	59,603
Net earnings					
Balance at December 31, 1998	--	--	6,670	67	59,603
Net earnings					
Balance at December 31, 1999	--	--	6,670	$ 67	$ 59,603

	Accumulated Deficit	Accumulated Other Comprehensive Income	Note Receivable from Stockholder	Treasury Stock, at Cost	Total Stock-holders' Equity
Balance at January 1, 1997	$(39,948)	$ --	$ --	$ (1,415)	$ 17,724
Net earnings	1,530				1,530
Dividend of Big 4 Ranch, Inc.	(1,200)				(1,200)
Issuance of treasury stock for note			(1,998)	1,415	--
Balance at December 31, 1997	(39,618)	--	(1,998)	--	18,054
Net earnings	5,687				5,687
Balance at December 31, 1998	(33,931)	--	(1,998)	--	23,741
Net earnings	9,487	255			9,742
Balance at December 31, 1999	$(24,444)	$ 255	$ (1,998)	$ --	$ 33,483

See accompanying notes to the consolidated financial statements.

CITADEL HOLDING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of dollars)

	Year Ended December 31,		
OPERATING ACTIVITIES	1999	1998	1997
Net earnings	$ 9,487	$ 5,687	$ 1,530
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation	289	363	345
(Gain) loss on sale of rental property	(13,337)	--	16
Amortization of lease costs	186	259	224
Amortization of capitalized deferred loan costs	61	34	46
Equity in loss from Agricultural Partnerships	383	1,061	--
Minority interest	7	15	--
Decrease (increase) in other receivables	482	(483)	217
Decrease (increase) in other assets	71	(66)	164
Decrease (increase) in deferred tax asset	3,273	(4,398)	--
(Decrease) increase in security deposits payable	(70)	8	14
(Decrease) increase in deferred rent	(381)	264	148

Increase (decrease) in payables and accrued liabilities	717	353	(1,016)
Net cash provided by operating activities	1,168	3,097	1,688
INVESTING ACTIVITIES			
Purchase of Gish Biomedical securities	(379)	(1,002)	--
Purchase of National Auto Credit securities	(235)	--	--
Purchase of Big 4 Partnerships	--	--	(1,129)
Proceeds from sale of properties	19,684	--	1,128
Payment of capitalized leasing costs	--	(467)	(32)
Purchase of farming equipment	(39)	(201)	--
Purchase of and additions to real estate	(29)	(588)	(708)
Net cash provided by (used in) investing activities	19,002	(2,258)	(741)
FINANCING ACTIVITIES			
Repayments of mortgage notes payable	(9,224)	(171)	(908)
Proceeds from lease contract	196	--	--
Borrowing of Citadel Corporation	11,000	--	--
Borrowing of Agricultural Partnerships	(1,524)	(1,277)	(831)
Repayments of Agricultural Partnership borrowings	34	615	--
Dividend of Big 4 Ranch, Inc.	--	--	(1,200)
Contribution from minority interest	--	29	--
Capitalized financing costs	(287)	(32)	--
Net cash provided by (used in) financing activities	195	(836)	(2,939)
Net increase (decrease) in cash and cash equivalents	20,365	3	(1,992)
Cash and cash equivalents at beginning of year	4,367	4,364	6,356
Cash and cash equivalents at end of year	$ 24,732	$4,367	$ 4,364
SUPPLEMENTAL DISCLOSURES:			
Cash paid during the period for:			
Interest on mortgages and line of credit	$ 603	$ 947	$ 957
Income taxes	$ 235	$ 125	$ 45
Noncash transactions:			
Common stock issued for secured note payable	$ --	$ --	$ 1,998

See accompanying notes to the consolidated financial statements.

CITADEL HOLDING CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Basis of Presentation and Principles of Consolidation

The consolidated financial statements include the accounts of Citadel Holding Corporation ("Citadel") and its consolidated subsidiaries (collectively the "Company"). All significant intercompany balances and transactions have been eliminated in consolidation.

The Company owns, through its interest in three general partnerships ("Agricultural Partnerships"), a 40% interest in approximately 1,600 acres of agricultural land and related improvements, located in Kern County, California, commonly known as the Big 4 Ranch ("Property"). The other two partners in the Partnerships are Visalia LLC (a limited liability company controlled by Mr. James J. Cotter, the Chairman of the Board of the Company, and owned by Mr. Cotter and certain members of his family) which has a 20% interest and Big 4 Ranch, Inc., a publicly held corporation, which has the remaining 40% interest. The Company accounts for its 40% investment in the Partnerships utilizing the equity method of accounting.

In 1996, the Company consummated an exchange transaction with its shareholder affiliates, Craig Corporation ("Craig") and Reading Entertainment, Inc. ("REI" and collectively with its consolidated subsidiaries "Reading"). Pursuant to the terms of the exchange, the Company contributed cash in the amount of $7,000,000 to Reading in exchange for 70,000 shares of Reading Series A Voting Cumulative Convertible Preferred Stock ("Series A Preferred Stock") and an option to transfer all or substantially all of its assets to Reading for Reading Common Stock ("Asset Put Option"), subject to certain limitations. The Company accounts for its investment in Reading at cost.

Note 2 - Summary of Significant Accounting Policies

Cash and cash equivalents

The Company considers all highly liquid investments with original maturity of three months or less to be cash equivalents. Included in cash and cash equivalents at December 31, 1999 and 1998 is approximately $23,300,000 and $3,700,000, respectively, of funds being held in institutional money market mutual funds.

Available-for-Sale securities

In accordance with Statement of Financial Accounting Standards No. 115 "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS 115"), the Company's equity securities in Gish Biomedical, Inc. ("Gish") and National Auto Credit, Inc. ("NAKD") are recorded at fair value as available-for-sale

securities. The unrealized gains/losses, net of tax, are reported as a separate component of shareholders' equity.

At December 31, 1999, the Company owned 542,500 shares representing approximately 15.6% of the outstanding common stock of Gish at an aggregate cost basis of approximately $1,381,000. The closing price of Gish common stock at December 31, 1999, was $3.38 per share, resulting in an unrealized gain of approximately $450,000 at December 31, 1999. As of March 2, 2000, the Company had increased its investment in Gish to 548,800 shares or 15.72%. The Gish common stock closed at $4.19 per share on March 2, 2000. Additionally, the Company purchased 342,500 shares representing approximately 1.25% of the outstanding common stock of NAKD at a cost of approximately $235,000 in 1999. As of March 31, 2000,

the Company had increased its ownership in NAKD to 3.25% of the total shares outstanding through additional purchase of 582,600 shares. The bid/asking prices of NAKD at March 31, 2000 was $1.01 and $1.03 per share, respectively.

Depreciation and Amortization

Depreciation and amortization is generally provided using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are generally as follows:

Building and building improvements	39 years
Farming equipment	3 - 10 years
Furniture and fixtures	5 years

Leasehold improvements made at the rental properties are amortized over the shorter of the lives of respective leases or the useful lives of the improvements.

Deferred Financing Costs

Costs incurred in connection with obtaining financing are amortized over the terms of the respective loans on a straight-line basis. Accumulated amortization of deferred financing costs amounted to $800 and $132,000 at December 31, 1999 and 1998, respectively.

Capitalized Leasing Costs

Commissions and other costs incurred in connection with obtaining leases are amortized over the terms of the respective leases on a straight-line basis.

Stock-Based Compensation

The Company has adopted Statement of Financial Accounting Standards No. 123 "Accounting for Stock-Based Compensation" ("SFAS 123"). As permitted under SFAS 123, the Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") in accounting for its stock options. Under APB 25, compensation cost is recognized over the vesting period based on the difference, if any, between the fair value of the Company's stock and the exercise price on the date of the grant. Pro forma disclosure regarding net income and earnings per share, as calculated under the provisions of SFAS 123, are presented in Note 11.

Earnings Per Share

Basic earnings per share is based on 6,669,924 weighted average number of shares outstanding during the years ended December 31, 1999 and 1998. Basic earnings per share for the year ended December 31, 1997 was based on 6,487,458 weighted average number of shares outstanding. Diluted earnings per share is based on 6,672,702, 6,687,754, and 6,496,142 weighted average number of shares of common stock and potential common shares outstanding during the years ended December 31, 1999, 1998, and 1997, respectively. Stock options to purchase 115,000 and 53,000 shares of common stock were outstanding during 1999 and 1998 at a weighted average exercise price of $3.43 and $2.81 per share, respectively. The 1999 and 1998 diluted weighted average number of shares outstanding includes the effect of such stock options amounting to 2,778 and 17,830 shares, respectively.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Accounting for the Impairment of Long Lived Assets

The Company accounts for its long lived assets consistent with Statement of Accounting Standard No. 121 "Accounting for the Impairment of Long Lived Assets and for Long Lived Assets to be Disposed Of" ("SFAS 121") which requires the evaluation of the impairment of long lived assets, certain intangible assets and costs in excess of such long lived assets. As of December 31, 1999, no losses have been recorded with respect to the Company's long-lived assets.

Reclassifications

Certain amounts in previously issued financial statements have been reclassified to conform to the 1999 financial statement presentation.

Note 3 - Rental Properties and Property Held for Sale

The Company's rental properties and property held for sale at December 31, 1999 and 1998 consisted of the following (in thousands):

	December 31, 1999	1998
Rental Properties:		
Land	$2,951	$2,951
Building and improvements	5,532	5,564
Total	8,483	8,515
Less accumulated depreciation	(752)	(546)
Rental properties, net	$7,731	$7,969
Property held for sale:		
Commercial building	$ --	$6,608
Accumulated depreciation	--	(700)
Net	$ --	$5,908

In June 1999, the Company sold the office building located in Phoenix, Arizona (the "Arboleda") which was classified as "Property held for sale" at December 31, 1998. The sale was made for $20,000,000 which resulted in a book gain of approximately $13,337,000, net of disposal costs of approximately $316,000. The related capitalized lease costs of approximately $462,000 were written off against the gain on the sale. The proceeds from the sale were used, in part, to pay-off the outstanding mortgage loans totaling $9,138,000 (Note 7). As a result of the sale, the office building located in Glendale, California (the "Brand ") remains as the Company's sole rental property at December 31, 1999.

With the exception of the ground floor space, the Brand building is entirely leased to Disney Enterprises, Inc. ("Disney"). The rental rate for the first five years of the Disney's lease term which began on February 1, 1997 is approximately $148,000 per month and increases to approximately $164,000 per month for the remaining five-year term, excluding parking in each case. In addition, Disney has the option to renew the lease for two consecutive five-year periods.

The lease with Disney provided that the Company contributes towards tenant improvements and common area upgrades. To date, while fulfilling their lease obligations to the Company, Disney has not moved into the building. Accordingly, tenant improvements required by the lease approximating $1,985,000 have not yet been incurred. Subsequent to yearend, however, Disney has notified the Company of its intent to move into the building in fiscal 2000. As a result, the Company expects to incur tenant improvement expenses amounting to approximately $1,501,000 or $24.50 per square foot in fiscal 2000. Costs to obtain the lease, inclusive of commissions, legal and other fees, amount to approximately $944,000, net of accumulated amortization of $389,000, are included in the Consolidated Balance Sheet as "Capitalized leasing costs" at December 31, 1999.

Note 4 - Investment in Shareholder Affiliate

Reading is a publicly traded company whose shares are listed on the NASDAQ. Through its majority owned subsidiaries, REI is in the business of developing and operating multi-plex cinemas in Australia, New Zealand, Puerto Rico and the United States and is currently developing entertainment centers in Australia and New Zealand for future operations. Reading operates its cinemas through various subsidiaries under the Angelika Film Centers and Reading Cinemas names in the mainland United States; through Reading Cinemas of Puerto Rico, Inc., a wholly owned subsidiary, under the CineVista name in Puerto Rico; and through Reading Entertainment Australia Pty, Limited. At December 31, 1999 and 1998, the Company owned 70,000 shares of Reading Series A Preferred Stock and the Asset Put Option discussed in greater detail below, representing approximately 5% of the voting power of Reading. In aggregate, the Company and Craig Corporation together hold approximately 83% of the voting power of Reading. Conversely, Reading and Craig Corporation hold 2,113,673 shares (32%) and 1,096,106 shares (16%), respectively, of the Company's common stock at December 31, 1999.

The 70,000 shares of Series A Preferred Stock acquired by the Company has (i) a liquidation preference of $100 per share or $7,000,000 (the "Stated Value"), (ii) bears a cumulative dividend of 6.5%, payable quarterly and (iii) is convertible into shares of Reading common stock at a conversion price of $11.50 per share. The closing price of REI common stock at December 31, 1999 was $5.75 per share. Reading may, at its option, redeem the Series A Preferred Stock at any time after October 15, 2001, in whole or in part, at redemption price equal to a percentage of the Stated Value (initially 108% and decreasing 2% per annum until the percentage equals 100%).

The Company has the right to require Reading to repurchase the shares of the Series A Preferred Stock at their aggregate Stated Value plus accumulated dividends for a 90-day period beginning October 15, 2001, or in the event of a change of control of Reading. The Company also has the option to require Reading to repurchase the shares of Series A Preferred Stock at their liquidation value plus accumulated dividends, if Reading fails to pay dividends for four quarters. Included in the Consolidated Statements of Operations for each of the years ended December 31, 1999, 1998, and 1997 as "Dividends from Investment in Reading" is approximately $455,000 of dividend income earned with respect to the Company's ownership of the Reading Series A Preferred Stock.

The Asset Put Option is exercisable any time prior to thirty days after Reading's Form 10-K is filed with respect to its year ended December 31, 1999, and gives the Company the right to exchange all or substantially all of its assets, as defined, together with any debt encumbering such assets, for shares of Reading common stock (the "Asset Put"). In exchange for up to $20,000,000 in aggregate appraised value of the Company's assets on the exercise of the Asset Put Option, Reading is obligated to deliver to the Company a number of shares of Reading common stock determined by dividing the value of the Company's assets by $12.25 per share. If the appraised value of the Company's assets is in excess of $20,000,000, Reading is obligated to pay for the excess by issuing common stock at the then fair market value up to a maximum of $30,000,000 of assets. If the average trading price of Reading common stock exceeds 130% of the then applicable exchange price for more than 60 days, then the exchange price will thereafter be the fair market value of the Reading common stock from time to time, unless the Company exercises the Asset Put within 120 days of receipt of

notice from Reading of the occurrence of such average trading price over such 60 day period. The Company has determined not to exercise the Asset Put Option.

Summarized financial information of Reading as of December 31, 1999 and 1998 and the results of operations for each of the years ended December 31, 1999, 1998, and 1997 are as follows (in thousands):

Condensed Balance Sheet:

	December 31, 1999	1998
Cash and cash equivalents	$ 13,277	$ 58,593
Other current assets	3,604	2,247
Investment in affiliates	13,098	8,158
Property held for sale	5,740	--
Property held for development	31,624	32,949
Property and equipment, net	60,013	32,534
Other assets	3,324	14,398
Intangible assets	9,975	23,408
Total Assets	$140,655	$172,287
Current liabilities	$ 19,796	$ 15,462
Other liabilities	6,953	5,526
Minority interests	2,064	1,927
Preferred Stock held by Citadel	7,000	7,000
Shareholders' equity	104,842	142,372
Total Liabilities and Equity	$140,655	$172,287

Condensed Statements of Operations:

	For the Years Ended December 31, 1999	1998	1997
Theater revenue	$ 37,811	$ 33,556	$ 26,984
Real estate revenue	677	373	180
Total revenue	38,488	33,929	27,164
Theater costs	(31,574)	(26,023)	(21,377)
Depreciation and amortization	(3,923)	(3,673)	(2,785)
General and administrative	(12,448)	(10,257)	(9,737)
Loss from operations	(9,457)	(6,024)	(6,735)

Equity in earnings of Citadel/Big 4	2,539	1,070	298
Interest and dividend income, net	1,831	4,519	7,737
Other income (expense), net	341	(642)	2,918
Loss before income taxes and extraordinary items	(4,746)	(1,077)	4,218
Asset impairment and restructuring charges	(33,023)	--	--
Minority interest	(322)	(343)	(196)
Income tax expense	(932)	(986)	(1,067)
Net (loss) income	(39,023)	(2,406)	2,955
Less preferred stock dividends	(4,335)	(4,322)	(4,309)
Net (loss) applicable to common Stock shareholders	$(43,358)	$(6,728)	$ (1,354)
Basic earnings (loss) per share	$ (5.827)	$(0.90)	$ (0.18)
Fully diluted earnings (loss) per share	$ (5.827)	$(0.90)	$ (0.18)

	=========	========	========

Included in preferred stock dividends is approximately $455,000 per annum paid to the Company for each of the years ended December 31, 1999, 1998, and 1997. Net income for the year ended December 31, 1997 includes a non-recurring gain from the Stater stock redemption and dividend income received prior to such redemption of approximately $6,500,000.

Note 5 - Equity investment and Advances to Agricultural Partnerships

As described in Note 1, the Company owns a 40% equity interest in the Agricultural Partnerships. On December 31, 1997, the Agricultural Partnerships acquired the Big 4 Properties which consisted of approximately 1,600 acres of agricultural land and related improvements, located in Kern County, California. The assets acquired included (i) approximately 560 acres of Navel oranges, 205 acres of Valencia oranges, 145 acres of lemons, 32 acres of Minneola and 600 acres of open land currently leased on a short term basis to a third party for the cultivation of annual crops (the "Open Land"), (ii) irrigation systems, (iii) water rights, (iv) frost prevention systems and (v) the fruit on the trees slated for harvest in 1998. The Big 4 Properties were acquired by the Agricultural Partnerships (the "Ranch Acquisition") from Prudential Insurance Company of America ("Prudential") on an arms length basis for a purchase price of $6,750,000, plus reimbursement of certain cultural costs approximating $831,000.

At December 31, 1999 and 1998, "Investments in and advances to Agricultural Partnerships" consist of the following (in thousands):

	December 31, 1999	1998
Equity investment in Agricultural Partnerships	$ --	$ 59
Note receivable and advances to Agricultural Partnerships	2,669	1,502
	$2,669	$1,561

The Ranch Acquisition was financed by prorata capital contributions of the partners (Citadel's 40% portion amounting to approximately $1,080,000), by a $4,050,000 purchase money loan from Prudential, and by a crop finance loan by Citadel to the Agricultural Partnerships of approximately $831,000. The loan by Citadel was advanced pursuant to a $1,200,000 line of credit agreement (the "Crop Financing

Line") extended by the Company to the Agricultural Partnerships. Drawdowns under the Crop Financing Line accrued interest at prime plus 100 basis points, payable quarterly. The line of credit was successively increased at each renewal and is currently subject to a maximum draw down of $3,250,000 under the same terms and conditions. The line of credit matures on August 1, 2000.

In December 1998, the Agricultural Partnerships suffered a devastating freeze that resulted in a loss of substantially all of its 1998-1999 crop. As a consequence of the freeze, the Agricultural Partnerships had neither the funds with which to repay the drawdowns on the Line of Credit nor the funds necessary to cover expenses needed for production of the 1999-2000 crop. Big 4 Ranch, Inc., a 40% owner spun off by the Company in 1997 to its stockholders, likewise has no funds with which to make further capital contributions. Accordingly, the Agricultural Partnerships generally have no source of funding, other than the Company and Visalia, for the cultural expenses needed for production of the 1999-2000 crop or to fund the crop-planting program for the undeveloped acreage amounting to approximately $3,501,000. The Company and Visalia have continued to fund the Agricultural Partnerships operating and agricultural costs on an 80/20 basis. At December 31, 1999, total loans incurred on behalf of the Agricultural Partnerships totaled $2,669,000. No revenue is expected to be realized by the Agricultural Partnerships until the 1999-2000 crop is harvested and sold.

In December 1997, Big 4 Farming LLC ("Farming", owned 80% by the Company and 20% by Visalia) entered into a farming services agreement (the "Farming Contract") with each of the Agricultural Partnerships, pursuant to which it provides farm operation services for an initial term of two years and providing for automatic

extensions of one year unless terminated. The farm operations services provided by Farming include contracting for the picking, packing, and hauling of the crops. The Visalia minority interest ownership of Farming is included in the Consolidated Balance Sheet at December 31, 1999 and 1998 as "Minority interest" in the amount of $50,000 and $44,000, respectively. Visalia's portion of Farming's net earnings for the year ended December 31, 1999 and 1998 amounting to $6,500 and $15,000, respectively, is included in the Consolidated Statement of Operations as "Minority interest".

In consideration of the services provided under the Farming Contract, Farming is paid an amount equal to 100% of its costs plus a profit factor equal to 5% of the gross agricultural receipts from the Big 4 Properties, calculated after the costs of picking, packing and hauling. In addition, Farming entered into a contract with Cecelia Packing Corporation ("Cecelia" owned by James J. Cotter) for certain management consulting, purchasing and bookkeeping services for an initial term of two years at a fee of $6,000 per month plus reimbursement of certain out-of-pocket expenses. Cecelia also packs a portion of the fruit produced by the Agricultural Partnerships. During 1999 and 1998, Cecilia received a fee of $72,000 per year and provided packinghouse services for the Agricultural Partnerships for approximately $195,200 and $1,193,000 of the crop revenue reported by the Agricultural Partnerships. The $263,000 and $297,000 reflected as 'Due to Big 4 Farming LLC" at December 31, 1999 and 1998 represents expenses paid by Farming on behalf of the Agricultural Partnerships not yet drawn down on the line of credit.

Summarized financial information of the Agricultural Partnerships as of December 31, 1999 and 1998 and the results of operations for the years then ended follows (in thousands):

Condensed Balance Sheet:

	December 31, 1999	1998
Inventory (cultural costs)	$1,188	$ --
Property and equipment, net	5,716	5,645
Deferred loan costs	68	84
Total assets	$6,972	$5,729
Accounts payable	$ --	$ 25
Due to Big 4 Farming LLC	263	297
Line of credit with Citadel	2,730	1,206
Loans payable to Visalia LLC	339	5
Loans payable to Suburban	63	--
Mortgage note payable	4,050	4,050
Partners' (deficit) capital	(473)	146
Total liabilities and equity	$6,972	$5,729

The Prudential Purchase Money Loan in the amount of $4,050,000 is secured by, among other things, a first priority mortgage lien on the property. The loan has a ten-year maturity and accrues interest, payable quarterly, at a fixed rate of 7.7%. In order to defer principal payments until January 1, 2002, the Agricultural Partnerships must make capital improvements to the real property totaling $500,000 by December 31, 2000 and an additional $200,000 by December 31, 2001. If the required capital expenditures are not made, then the Agricultural Partnerships will be required to make a mandatory prepayment of principal on January 31, 2001 equal to difference between $500,000 and the amount of capital improvements made through December 31, 2000. As of December 31, 1999, the Agricultural Partnerships had made the required capital expenditures of approximately $500,000 consisting primarily of new tree plantings and improvements to irrigation systems. The purchase money mortgage also imposes a prepayment penalty equal to the greater of (a) one-half of one percent of each prepayment of principal or (b) a present value calculation of the anticipated loss that the note holder will suffer as a result of such prepayment.

Statement of Operations:

	For the Year Ended December 31,

	1999	1998
Sales of crops	$ 784	$ 5,251
USDA grant revenue	204	--
Insurance proceeds	389	--
Costs of sales	(731)	(5,047)
Inventory loss from freeze	--	(1,577)
Gross margin (loss)	646	(1,373)
General and administrative expense	(320)	(414)
Depreciation	(509)	(481)
Interest expense	(501)	(383)
Net loss	$(684)	(2,651)
Equity loss - 40% Citadel	(274)	(1,061)
Interest income from partnership loan	73	71
Net loss from investment in and advances to Agriculture Partnerships	(201)	(990)
Farm management fee, net of costs and minority interest	26	62
Net loss to Citadel	$ (175)	$ (928)

General and administrative expense includes reimbursement of Agricultural Partnership fees and expenses amounting to $275,000 and $108,000 to Big 4 Farming LLC, an 80% owned subsidiary of the Company, for the years ended December 31, 1999 and 1998, respectively.

Interest expense of $501,000 for the year ending December 31, 1999 includes $183,000 owed to Citadel and $6,500 owed to Visalia LLC. Interest expense for the year ending December 31, 1998 includes $71,000 owed to Citadel. Until such time the Agricultural Partnerships have capital and/or become profitable, the Company is not recording interest income that has accrued on the loan principle for financial statement purposes.

Note 6 - Other Assets

Other assets are summarized as follows:

	December 31, 1999	1998
Deferred financing costs, net	$ 286	$ 91
Impounds	--	107
Prepaid expenses	94	111
Unbilled rent receivable	280	184
Other	46	4
Farm equipment	225	201
Accumulated depreciation	(66)	(27)
	$ 865	$ 671

Note 7 - Mortgage Notes Payable

Concurrently with the sale of the Arboleda property, the Company paid off the remaining mortgage note in the amount of $4,199,000. The Company also repaid the mortgage note encumbering the Brand property totaling $4,939,000. The prepayment penalty paid of $126,000 and write-off of deferred loan costs of $44,000 were recorded as interest expense.

On December 14, 1999, the Company entered into an $11,000,000 ten-year loan agreement with Nationwide Life Insurance Company. The loan is secured with the deed of trust to the Brand property and accrues interest at 8.18% per annum. Under the terms of the loan agreement, the Company will make monthly payments of approximately $86,200 per month starting February 2000 and any unpaid principal

and accrued interest will become due in January 2010. The loan agreement contains various non-financial covenants regarding the use and maintenance of the property. Aggregate future principal payments are as follows:

Year Ending December 31,	(in thousands)
2000	$ 128
2001	151
2002	164
2003	178
2004	193
Thereafter	10,186
	$11,000

CITADEL HOLDING CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 8 - Future Minimum Rent

Rental income amounted to $3,706,000, $5,478,000 and $5,110,000 for the years ended December 31, 1999, 1998 and 1997, respectively. Rental income for the years ended December 31, 1999 and 1998 was derived from leases on two commercial properties held by the Company. Rental income earned with respect to the Arboleda property that was classified as "Property held for Sale" at December 31, 1998 and subsequently sold in June 1999, amounted to $1,483,000, $3,272,000 and $2,967,000 for the years ended December 31, 1999, 1998 and 1997, respectively. Rental income from the Brand property is derived from two lessors, Disney Enterprises, Inc. and Fidelity Federal Bank.

The Company has operating leases with tenants at its commercial properties that expire at various dates through 2005 and are subject to scheduled fixed increases or adjustments based on the consumer price index. Generally accepted accounting principles requires that rents due under operating leases with fixed increases be averaged over the life of the lease. This practice, known as "straight-line rents" creates an unbilled rent receivable in any period during which the amount of straight-line rent exceeds the actual rent billed (this occurs primarily at the inception of the lease period). Included in the balance sheet as "Other Assets" (Note 6) is approximately $280,000 of unbilled rent receivables which have been recognized under the straight-line method pursuant to the terms of the Disney lease.

Future minimum rents under operating leases are summarized as follows:

Year Ending December 31,	(in thousands)
2000	$ 2,118
2001	2,118
2002	2,294
2003	2,310
2004	2,310
Thereafter	4,225
	$ 15,375

Commencing in August 1995, the Company began renting corporate office space from its affiliate, Craig, on a month-to-month basis. In addition, the Company engaged Craig to provide certain administrative services. Included in general and administrative expenses in each of the years ended December 31, 1999, 1998, and 1997 is $96,000 per year paid to Craig for such rent and services. In addition, the Company provided real estate consulting services to Reading during the years ended December 31, 1999, 1998 and 1997 for which the Company was paid approximately $215,000, $398,000 and $240,000, respectively. Such amounts are included in the Consolidated Statement of Operations as "Consulting fees from shareholder".

Note 9 - Commitments and Contingencies

Several legal actions and claims against the Company in the prior year were adjudicated in favor of the Company with no liability to the Company.

Note 10- Common Stock

On April 11, 1997, Craig exercised its warrant to purchase 666,000 shares of the Company's common stock at an exercise price of $3.00 per share or $1,998,000. Such exercise was consummated pursuant to delivery by Craig of its secured promissory note ("Craig Secured Note") in the amount of $1,998,000, secured by 500,000 shares of REI Common Stock owned by Craig. The Craig Secured Note, in the amount of $1,998,000, is included in the Consolidated Balance Sheet as a contra equity account under the caption "Note receivable from shareholder". Interest is payable quarterly in arrears at the prime rate (amounting to 8.5% at December 31, 1999) computed on a 360-day year. Principal and accrued but unpaid interest is due upon the earlier of April 11, 2002 or 120 days following the Company's written demand for payment. The Craig Secured Note may be prepaid, in whole or in part, at any time by Craig without penalty or premium. Included in the Consolidated Statement of Operations for the years ended December 31, 1999, 1998, and 1997 as "Interest income from shareholder" is approximately $162,000, $169,000, and $125,000, respectively, earned pursuant to the Craig secured note.

On January 4, 2000, the Company reorganized under a new Nevada holding company. In that transaction, the outstanding shares of the Company's Common Stock were reclassified into 5,335,939 shares of Class A Voting Common Stock and 1,333,984 shares of Class B Voting Common Stock.

Note 11-Employee Stock Option Plans

The 1999 Stock Option Plan of Citadel Holding Corporation (the "1999 Stock Option Plan) provides for the granting of options to certain employees and directors of the Company or any affiliate at exercise prices not less than the market price at the date of grant. Options granted under this plan expire after five years unless extended and are exercisable in installments, generally beginning one year after the date of grant. There were 85,000 stock option shares granted and outstanding under the 1999 Stock Option Plan as of December 31, 1999. These shares generally vest in increments of 25% over a period of four years and as of December 31, 1999, there were 26,000 vested shares.

The Citadel 1996 Nonemployee Director Stock Option Plan ("1996 Stock Option Plan") provides that each director who is not an employee or officer of the Company will automatically be granted immediately vested options to purchase 10,000 shares of common stock at an exercise price that is greater or less than the fair market value, as defined, per share of common stock on the date of grant by an amount equal to the amount by which $3.00 per share is greater or less than the fair market value per share of common stock on the effective date of the 1996 Stock Option Plan. There were 10,000 shares granted during 1999 for a total of 30,000 vested option shares outstanding under this plan at December 31, 1999. At December 31, 1998 and 1997, there were 20,000 vested option shares outstanding.

In August 1995, the Company granted stock options to the Company's president to purchase 33,000 shares of common stock at a price of $2.69 per share (the "1995 Stock Option Plan"). Following the resignation of the Company's President in August 1999, the 33,000 stock option shares granted in 1995 were cancelled for a cash payment of $66,000.

Common Stock Options	Weighted Average Price	Number of Exercisable Options

Outstanding at December 31, 1997	53,000	$2.81	53,000
Granted	--	--	--
Expired	--	--	--
Outstanding at December 31, 1998	53,000	2.81	53,000
Granted	95,000	3.52	36,000
Expired	--	--	--
Cancelled	(33,000)	--	(33,000)
Outstanding at December 31, 1999	115,000	$3.43	56,000

The weighted average remaining contractual life of all options outstanding at December 31, 1999 was approximately 3.5 years.

Pro forma net earnings and earnings per share information reflecting the fair value approach to valuing stock options and the corresponding increase in compensation expense is required by SFAS 123 in each of the years that a company grants stock options. The Company granted 95,000 options in 1999 and no options were granted during 1998 or 1997. The fair value of the 1999 options granted was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions: stock option exercise price of $3.38 and $4.78 for the options granted under the 1999 Stock Option Plan and the 1996 Stock Option Plan, respectively, risk-free interest rate of 5.875% (continuously compounded rate of 6.062%), expected dividend yield at 0%, expected option life of five years and expected volatility of 41.4%. The weighted average fair value of 85,000 options granted under the 1999 Stock Option Plan was $1.57 per share and the weighted average fair value of the 10,000 options granted under the 1996 Stock Option Plan was $1.82 per share. The pro forma effect of the issuance of these options would have been to decrease the "Net income applicable to common shareholders" for the year ended December 31, 1999 by $59,000.

The pro forma adjustments may not be representative of future disclosures because the estimated fair value of stock options is amortized to expense over the vesting period, and additional options may be granted in future years.

Note 12 - Income Taxes

As of December 31, 1999, the Company had, for income tax purposes, net operating loss carryforwards and capital loss carryforwards of approximately $2,186,000 and $7,450,000, respectively. The capital loss carryforward will expire in the year 2001 and the net operating loss carryforwards will expire in the years 2009 through 2014 and are subject to certain annual limitations. The Company expects to utilize its net operating loss and capital loss carryforward upon the filing of its 1999 federal and state tax returns.

At the time of the Restructuring, Citadel and Fidelity, previously a wholly owned subsidiary of the Company, entered into a tax disaffiliation agreement (the "Tax Disaffiliation Agreement"). In December 1998, the Company and Fidelity executed a settlement agreement with the Internal Revenue Service with respect to the tax returns filed for open years through December 31, 1994. During fiscal 1999, the settlement agreement was finalized whereupon Citadel received approximately $571,000 in income tax benefit pursuant to the agreement.

Deferred income taxes reflect the net tax effect of "temporary differences" between the financial statement carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The components of the deferred tax liabilities and assets are as follows (in thousands):

	December 31, 1999	1998
Federal:		
Deferred assets:		
Acquired and option properties	$ 940	$ 1,979
Capital losses from sale of Fidelity	-	2,533

Net operating loss carryforward	--	700
Unrealized gain on marketable securities	(146)	(76)
Other	36	--
Gross deferred tax assets	830	5,136
Valuation allowance	--	(1,036)
Net deferred federal tax asset	$ 830	$ 4,100
State:		
Deferred tax assets:		
Acquired and option properties	244	510
Capital losses from sale of Fidelity	--	658
Net operating loss carryforward	80	--
Unrealized gain on marketable securities	(29)	--
Gross deferred federal tax assets	295	1,168
Valuation reserve	--	(870)
Net deferred tax asset	$ 295	$ 298
Total deferred tax assets	$1,125	$ 4,398

In the fourth quarter of 1998, the Company reduced its valuation allowance resulting in a net deferred tax asset of approximately $4,398,000 at December 31, 1998. Generally, two factors contributed to the reduction in the valuation allowance. First, as described above, the Company executed a settlement agreement with the IRS with respect to tax years through December 31, 1994. Such settlement provided the Company with a more likely than not expectation of the realization of the tax basis of certain real property transferred to the Company at the time of the Fidelity recapitalization in August 1994, as well as quantification of net operating loss carryforwards. Second, the Company entered into a Purchase and Sales agreement to sell the Phoenix, Arizona property which resulted in a taxable gain that should provide the Company the ability to utilize previously reserved net capital loss and net operating loss carryforwards.

In the fourth quarter of 1999, after the sale of the Arboleda property and the corresponding utilization of the net operating loss and capital loss forwards, the Company further reduced its valuation allowance, resulting in a net deferred tax asset of $1,250,000 at December 31, 1999. The Company believes there is a more likely than not expectation that the tax basis of Citadel properties held as of December 31, 1999 may be realized. The provision for income taxes is different from amounts computed by applying the U.S. statutory rate to earnings (losses) before taxes. The reason for these differences follows (in thousands):

	Year Ended December 31,		
	1999	1998	1997
Expected tax provision	$5,178	$ 278	$ 536
(Increase) reduction in taxes resulting from:			
Decrease in Federal valuation allowance	(791)	(4,109)	--
Realization of deferred tax asset from book and tax basis of acquired properties sold		--	--
Dividend exclusion of preferred stock investment	(109)	(109)	(109)
Utilization of net operating losses	(245)	(430)	(430)
Prior year tax adjustment	(131)	(440)	--
State taxes	731	(198)	--
Other	676	180	48
Actual tax provision (benefit)	$5,309	$(4,828)	$ 45

Note 13- Business Segments

The following sets forth certain information concerning the Company's rental real estate operations, agricultural operations and corporate activities in 1999 and 1998. Prior to 1998, the Company's operating results were principally derived from its investment in real estate properties. Effective December 31, 1997, the Company acquired a 40% interest in certain agricultural properties and

an 80% interest in a farming company, and accordingly, has separately reported this investment as a segment beginning in 1998.

	Rental Real Estate	Agricultural Operations	Corporate	Consolidated
1999				
Revenues	$ 3,706	$ 31	$ 215	$ 3,952
Earnings (losses) before taxes	15,304	(241)	(267)	14,796
Identifiable assets	34,825	442	11,939	47,206
Capital expenditures	--	--	--	--
1998				
Revenues	$ 5,478	$ 108	$ 399	$ 5,985
Earnings (losses) before taxes	1,953	(1,000)	(94)	859
Identifiable assets	18,779	1,735	14,531	35,045
Capital expenditures	588	201	--	789

Corporate results shown above includes consulting fee income from Reading and interest and dividend income earned with respect to the Company's cash balances and investment in Reading Preferred Stock.

CITADEL HOLDING CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 14 - Quarterly Financial Information (Unaudited - in thousands, except share amounts)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1999				
Revenue	$1,494	$1,272	$ 600	$ 586
Net earnings available to common stockholders	$ 470	$8,004	$ 755	$ 258
Basic earnings per share	$ 0.07	$ 1.20	$ 0.11	$ 0.04
Diluted earnings per share	$ 0.07	$ 1.20	$ 0.11	$ 0.04
1998				
Revenue	$1,470	$1,545	$1,473	$1,497
Net earnings available to common shareholders	$ 371	$ 192	$ 245	$4,879
Basic net earnings per share	$ 0.06	$ 0.03	$ 0.04	$ 0.73
Diluted earnings per share	$ 0.06	$ 0.03	$ 0.04	$ 0.73

The above unaudited quarterly financial information reflects all adjustments that are, in the opinion of management, necessary for a fair presentation of the results of the quarterly periods presented.

The increase in net earnings available to common stockholders for the second quarter of 1999 is attributable to the sale of the Arboleda property in June 1999, which resulted in a gain of approximately $13,337,000. The sale of this property resulted in a decrease to the 1999 third and fourth quarter rental income, real estate operating expenses, and depreciation in the 1999 periods as compared to the 1998 periods.

The 1998 fourth quarter net earnings available to common stockholders includes an income tax benefit amounting to approximately $4,829,000 relating principally to the decrease in a deferral tax asset valuation (Note 12). In addition, the fourth quarter net earnings available to common stockholders includes a loss of approximately $719,000 with respect to equity losses recorded from the Company's 40% equity interest in the Agricultural Partnerships (Note 5).

Note 15 - Comprehensive Income

The Company adopted Statement of Financial Accounting Standards No. 130 "Reporting Comprehensive Income" ("SFAS 130"). SFAS 130 establishes rules for the reporting and presentation of comprehensive income and its components. SFAS 130 requires the Company to classify unrealized gains and/or losses on available-for-sale securities as comrehensive income. The following sets forth the Company's comprehensive income for the three years ended:

Years Ended December 31,

	1999	1998	1997
Net earnings	$9,487	$5,687	$1,530
Other comprehensive income, net of tax	255	-	-
Comprehensive income	$9,742	$5,687	$1,530

CITADEL HOLDING CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Financial Statement Schedule III
Real Estate and Accumulated Depreciation
December 31, 1999
(In Thousands)

		Initial Cost		Costs Capitalized Subsequent to Acquisition
	Encumbrances	Land	Building and Improvements	
Commercial Office Building	$ 11,000,000	$ 2,951	$ 4,180	$ 1,352

	December 31, 1999					Life on Which Depreciation is Computed
	Land	Building	Total	Accumulated Depreciation	Date Acquired	
Commercial	$2,951	$5,532	$8,483	$ (752)	5/8/95	40

(1) The properties listed above were acquired pursuant to agreements entered into between the Company and Fidelity at the time of the Restructuring. The aggregate gross cost of property held at December 31, 1999 for federal income tax purposes approximated $8,267,000.

(2) The following reconciliation reflects the aggregate rollforward activity of property held and accumulated depreciation for the three years ended December 31, 1999.

	Gross Amount	Accumulated Depreciation
Balance at January 1, 1997	$15,057	$ (624)
Depreciation expense	--	(345)
Acquisitions	708	--
Cost of real estate sold	(1,230)	86
Balance at December 31, 1997	14,535	(883)
Depreciation expense	--	(363)
Improvements	588	--
Balance at December 31, 1998	$15,123	$(1,246)
Depreciation expense	--	(206)
Cost of real estate sold	(6,608)	700
Other	(32)	--
Balance at December 31, 1999	$ 8,483	$ (752)

ITEM 9. CHANGE IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Directors & Executive Officers

Name	Age	Current Occupation	First Became Director
James J. Cotter (1)(3)	62	Chairman of the Board and Chief Executive Officer of Citadel, Chairman of the Board of Craig Corporation ("Craig"), and Chairman of the Board of Reading Entertainment, Inc. ('REI")	1986
William C. Soady (2) (4)	56	President of Distribution, Polygram Films	1999
S. Craig Tompkins(3)	49	Vice Chairman of the Board and Secretary/Treasurer of Citadel, President and Director of Craig, Vice Chairman of the Board of REI, and Director of G&L Realty Corp.	1993
Alfred Villasenor, Jr. (1)(2)(4)	69	President of Unisure Insurance Services, Incorporated	1987

(1) Member of the Compensation Committee.
(2) Member of the Audit Committee.
(3) Member of the Executive Committee.
(4) Member of the Conflicts Committee.

Set forth below is certain information concerning the principal occupation and business experience of each of the individuals named above during the past five years.

Mr. Cotter was first elected to the Board in 1986, resigned in 1988, and was re-elected to the Board in June 1991. He was elected Chairman of the Board of Citadel in 1992, and Chief Executive Officer effective August 1, 1999. Mr. Cotter is the Chairman and a director of Citadel Agricultural Inc., a wholly owned subsidiary of Citadel ("CAI"); the Chairman and a member of the Management Committee of each of the agricultural partnerships which constitute the principal assets of CAI (the "Agricultural Partnerships"); and the Chairman and a member of the Management Committee of Big 4 Farming, LLC, an 80%-owned subsidiary of Citadel. From 1988 through January 1993, Mr. Cotter also served as the President and a director of Cecelia Packing Corporation (a citrus grower and packer), a company wholly owned by Mr. Cotter, and is the Managing Director of Visalia, LLC, which holds a 20% interest in each of the Agricultural Partnerships and in Big 4 Farming, LLC. Mr. Cotter has been Chairman of the Board of Craig Corporation ("CC" and collectively with its corporate predecessors and wholly owned subsidiaries), and its predecessors, since 1988 and a director of that company since 1985. Mr. Cotter has served as a director of Reading Entertainment, Inc. ("REI" and collectively with its corporate predecessors consolidated subsidiaries, "Reading") (motion picture exhibition and real estate), and its predecessor since 1990, and as the Chairman of the Board of REI and its predecessor since 1991. Craig owns approximately 78% of the voting power of the outstanding securities of REI and the Company owns approximately 5% of the voting power of REI. Mr. Cotter is also the Executive Vice President and a director of The Decurion Corporation (motion picture exhibition and real estate). Mr. Cotter began his association with The Decurion Corporation in 1969. Mr. Cotter has been the Chief Executive Officer and a director of Townhouse Cinemas Corporation (motion picture exhibition) since 1987. Mr. Cotter is the General Partner of James J. Cotter, Ltd., a limited partnership is, in turn, a general partner in Hecco Ventures, a California General Partnership

("Hecco") involved in investment activities and a stockholder in Craig. Mr. Cotter was also a director of Stater Bros., Inc. (retail grocery) between 1987 and September 1997.

Mr. Soady was elected to the Board of Directors of the Company on August 24,

1999. Mr. Soady has been President of Distribution, PolyGram Films since 1997. Mr. Soady has also served as Director of Showscan Entertainment, Inc. from 1994 to present, the Foundation of Motion Picture Pioneers, Inc. from 1981 to present, the Will Rogers Memorial Fund from 1981 to present and has been a member of the Motion Picture Academy of Arts & Sciences since 1982.

Mr. Tompkins has been a director of the Company since 1993, was elected Vice Chairman of the Board in July of 1994, and has served as the Secretary of the Company since August 1994. From August 1994 until November 18, 1999, Mr. Tompkins also served as the Principal Accounting Officer of the Company. Mr. Tompkins was a partner of Gibson Dunn & Crutcher until March 1993, when he resigned to become President of each of Craig and REI's predecessor, the Reading Company. Mr. Tompkins has served as a director of each of Craig and of REI, and its predecessors since February 1993. In January 1997, Mr. Tompkins resigned as President of REI and was made Vice Chairman of REI and its predecessors. Mr. Tompkins was elected to the Board of Directors of G&L Realty Corp., a New York Stock Exchange listed real estate investment trust, in December of 1993, and currently serves as the Chairman of the Audit and the Strategic Planning Committees of that REIT. Mr. Tompkins is also President and a director of CAI, a member of the Management Committee of each of the Agricultural Partnerships and of Big 4 Farming, LLC, and serves for administrative convenience as an Assistant Secretary of Visalia, LLC, and Big 4 Ranch, Inc. (a partner with CAI and Visalia, LLC in each of the Agricultural Partnerships).

Mr. Villasenor is the President and the owner of Unisure Insurance Services, Incorporated, a corporation which has specialized in life, business life and group health insurance for over 35 years. He is also a general partner in Playa del Villa, a California real estate commercial center. Mr. Villasenor is a director of the John Gogian Family Foundation and a director of Richstone Centers, a non-profit organization. In 1987, Mr. Villasenor was elected to the Board of Directors of Citadel and Fidelity and served on the Board of Fidelity until 1994. Mr. Villasenor also served as a director of Gateway Investments, Inc. (a wholly owned subsidiary of Fidelity) from June 22, 1993 until February 24, 1995.

Mr. Loeffler has been a director of the Company since March 27, 2000. Mr. Loeffler is also a director of REI and its predecessors since July 1999 and is Chairman of the Audit Committee. Mr. Loeffler has been a director of Paine Webber Group, Inc. since 1978. Mr. Loeffler is a retired attorney and was Of Counsel to the California law firm of Wyman Bautzer Kuchel & Silbert from 1987 to March 1991. He was Chairman of the Board, President and Chief Executive Officer of Northview Corporation from January to December 1987 and a partner in the law firm of Jones, Day, Reavis & Pogue until December 1986. Mr. Loeffler is also a director of Advanced Machine Vision Corp.

All officers are elected annually by the Board of Directors.

ITEM 11. EXECUTIVE COMPENSATION

Summary Compensation Table

The names of the executive officers of Citadel are as listed below in the summary compensation table that sets forth the compensation earned for the years ended December 31, 1999, 1998, and 1997 by each of the most highly compensated executive officers of the company.

		Annual Compensation			Long Term Compensation	
Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation(1)	Securities Underlying Stock Options Granted	All Other Compensation
James J. Cotter	1999	--	--	$45,000	--	--
President and	1998	--	--	$45,000	--	--
Chief Executive Officer	1997	--	--	$45,000	--	--
Steve Wesson	1999	$190,700	$29,200	(1)	(3)	--
President and	1998	$200,000	$50,000	(1)	--	--
Chief Executive Officer	1997	$185,000	$80,000	(1)	(2)	--
S. Craig Tompkins	1999	--	--	(1)	--	--

Secretary/Treasurer and Vice Chairman of the Board	1998	--	--	(1)	--	--
	1997	--	--	(1)	--	--
Andrzej Matyczynski (4) Chief Financial Officer	1999	--	--	(1)	--	--
Brett Marsh	1999	$162,500	--	(1)	--	--
Director of Real Estate	1998	$152,500	--	(1)	--	--
	1997	$150,000	$30,000	(1)	(2)	--

(1) Excludes perquisites if the aggregate amount thereof is less than $50,000, or 10% of salary plus bonus, whichever is less.

(2) During 1997, Mr. Wesson and Mr. Marsh, who provide services to REI pursuant to a consulting agreement between Citadel and REI, were named officers of a wholly owned subsidiary of REI. Mr. Wesson and Mr. Marsh received an option to acquire 20,000 and 10,000 shares, respectively, of REI Common Stock at an exercise price of $12.875 per share. The REI options held by Mr. Wesson expired in August 1999. On December 31, 1999, such shares closed at $5.75 per share.

(3) Mr. Wesson resigned as President and Chief Executive Officer effective August 1, 1999 and currently serves as a consultant to the Company. In September 1999, the Company purchased Mr. Wesson's Citadel options for a cash payment of approximately $66,000.

(4) Mr. Matyczynski was named the Chief Financial Officer of Citadel effectively November 15, 1999. Mr. Matyczynski's compensation for the year ending December 31, 1999 did not exceed $100,000 in aggregate.

Option/SAR Grants In Last Fiscal Year

Mr. Matyczynski was granted 30,000 shares, Mr. Tompkins was granted 40,000 shares, and Mr. Marsh was granted 15,000 shares of Citadel common stock in November 1999. Mr. Soady was granted 10,000 shares of Citadel common stock in August 1999.

Aggregated Option/SAR In Last Fiscal Year and Fiscal Year-End Option/SAR Values

Name	Shares Acquired on Exercise (#)	Value Realized ($)	Number of Securities Underlying Unexercised Options/SARs at FY-End (#) Exercisable/Unexercisable	Value of Unexercised in-the-Money Option/SARs at 12/31/99 Exercisable/Unexercisable (1)
Alfred Villasenor	N/A	N/A	10,000/0	$ 4,375/$0
Ronald I. Simon	N/A	N/A	10,000/0	$ 4,375/$0
William C. Soady	N/A	N/A	10,000/0	$ 0/$47,800
Andrzej Matyczynski	N/A	N/A	15,000/15,000	$ 938/$50,625
S. Craig Tompkins	N/A	N/A	8,000/32,000	$500/$108,000
Brett Marsh	N/A	N/A	3,000/12,000	$ 188/$40,500

(1) Based on closing price of $3.4375 at December 31, 1999.

Employment Contracts and Change in Control Agreements

Citadel and Steve Wesson entered into an Executive Employment Agreement, effective as of August 4, 1994 (the "Employment Agreement". That agreement has been terminated.

On June 27, 1990 the Board authorized Citadel to enter into indemnity agreements with its then current as well as future directors and officers. Since that time, Citadel's officers and directors have entered such agreements. Under these agreements, Citadel agrees to indemnify its officers and directors against all expenses, liabilities and losses incurred in connection with any threatened, pending or completed action, suit or proceeding, whether civil or criminal, administrative or investigative, to which any such officer or director is a party or is threatened to be made a party, in any manner, based upon, arising from, relating to or by reason of the fact that he is, was, shall be or shall have been an officer or director, employee, agent or fiduciary of Citadel. Each of the current Citadel directors has entered into indemnity agreements with Citadel. Similar agreements also exist between Citadel's subsidiaries and the officers and directors of such subsidiaries.

Compensation of Directors

Other than the Chairman of the Board, directors who are not officers or employees of the Company receive, for their services as a director, an annual retainer of $15,000 plus $1,500, if serving as Committee Chairman and $800 for each meeting attended in person (or $300 in the case of a telephonic meeting). The Chairman of the Board receives $45,000 annually. Prior to 1999, Mr. Tompkins received no compensation for his services as an executive officer. With respect to 1999, Mr. Tompkins received no compensation from the Company for his service except for director's fees in the amount of $40,000. Effective August 1, 1999, Mr. Cotter was elected to serve as the Company's Chief Executive Officer. Mr. Cotter receives no compensation in addition to his directors fees for his services as Chief Executive Officer.

Additionally, pursuant to the Citadel Holding Corporation 1996 Nonemployee Director Stock Option Plan effective October 1996 (the "1996 Stock Option Plan"), each director of the Company who is not an employee or officer (for purposes of the 1996 Stock Option Plan, the Chairman of the Board and the Principal Accounting Officer of Citadel are deemed officers of the Company) of the Company shall, upon becoming a member of the Board of Directors, automatically be granted immediately vested option to purchase 10,000 shares of Common Stock at an exercise price that is greater or less than the fair market value, as defined in the 1996 Stock Option Plan, per share of Common Stock on the date of grant by an amount equal to the amount by which $3.00 per share is greater or less than the fair market value per share of Common Stock on the effective date of the 1996 Stock Option Plan (the "Plan Effective Date").

The non-officer directors who were incumbent on the Plan Effective Date (Messrs. Simon and Villasenor) received immediately vested options to purchase 10,000 shares of Common Stock at an exercise price of $3.00 per share. Mr. Soady received immediately vested options to purchase 10,000 shares of common stock at an exercise price of $4.78 per share, upon effective date of his election to the Board of Directors.

Compensation Committee Interlocks and Insider Participation

Mr. Tompkins is President of Craig and a Director of Craig and REI. Mr. Cotter is the Chairman of the Board of Craig and REI. Mr. Cotter is a member of the executive committees of REI, which, among other things, is responsible for the compensation of the executive officers of such companies. The Compensation Committee of the Board of Directors of CHC currently consist of Messrs. Cotter and Villasenor.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company's officers, directors and persons who own more than 10% of the Company's Common Stock to file reports to ownership and changes in ownership with the SEC. The SEC rules also require such reporting persons to furnish the Company with a copy of all Section 16(a) forms they file.

Based solely on a review of the copies of the forms which the Company received and written representations from certain reporting persons, the Company believes that, during the fiscal year ended December 31, 1999, all filing requirements applicable to its reporting persons were complied with.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the shares of Common Stock, beneficially owned as of March 10, 2000 by (i) each director and nominee, (ii) all directors and executive officers as a group, and (iii) each person known to Citadel to be the beneficial owner of more than 5% of the Common Stock. Except as noted, the indicated beneficial owner of the shares has sole voting power and sole investment power.

	Amount and Nature of Beneficial Ownership			
Name and Address of Beneficial Owner	Class A Nonvoting Common		Class B Voting Common	
	Numbers of Shares	Percentage of Stock	Number of Shares	Percentage of Stock
James J. Cotter(1)(3)	2,567,823	48.12%	641,956	48.12%
S. Craig Tompkins (3)	6,400	*	1,600	*
Ronald I. Simon (2)(3)	8,000	*	2,000	*
William C. Soady (2)(3)	8,000	*	2,000	*
Alfred Villasenor, Jr. (2)(3)	8,000	*	2,000	*
Brett Marsh (3)	2,400	*	600	*
Andrzej Matyczynski (3)	12,000	*	3,000	*
Craig Corporation(1)(3)	2,567,823	48.12%	653,256	48.97%

Reading Holdings, Inc., an indirect wholly owned subsidiary of REI (1) 30 South Fifteenth Street, Suite 1300 Philadelphia, PA 19102-4813	1,690,938	31.69%	422,735	31.69%
Private Management Group(4) 20 Corporate Park, Suite 400 Irvine, CA 92606	675,320	12.66%	168,830	12.66%
All directors and executive Officers as a Group (7 persons)(1)	2,612,623	48.96%	653,156	48.96%

(1) Mr. Cotter is the Chairman of Craig and REI, and a principal stockholder of Craig. Craig currently owns approximately 78% of the voting power of the outstanding capital stock of REI. Craig owned 1,096,106 shares of Citadel Common Stock and Reading owned directly 2,113,673 shares of Citadel Common Stock as December 31, 1999. These shares held by Craig and Reading were converted into 2,657,823 shares of Class A Nonvoting Common Stock and 641,956 shares of Class B Voting Common Stock shares as of January 4, 2000. These securities have been listed as beneficially owned by Mr. Cotter and Craig due to the relationships between Mr. Cotter, Craig and REI. Mr. Cotter disclaims beneficial ownership of all Citadel securities owned by Craig and/or Reading.

(2) Includes 10,000 shares of Common Stock which may be acquired through the exercise of stock options granted pursuant to the 1996 Stock Option Plan.

(3) 550 South Hope Street, Suite 1825, Los Angeles, California 90071.

(4) Based upon Schedule 13-G filed February 2, 2000.

* Represents less than one percent of the outstanding shares of Citadel Class A Nonvoting and Class B Voting Common Stock, respectively.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Certain Transactions

Reading Investment Transaction

In October 1996, Citadel and its wholly owned subsidiary, Citadel Acquisition Corp., Inc. ("CAC"), closed a transaction with Craig, REI and Reading Company and certain affiliates thereof. Pursuant to the terms of an Exchange Agreement, CAC contributed cash in the amount of $7,000,000 to REI in exchange for (i) 70,000 shares of Series A Preferred Stock of REI, (ii) the granting to Citadel of an option, exercisable at any time until 30 days after REI files its Annual Report on Form 10-K for the year ended December 31, 1999, to exchange all or substantially all of its assets for shares of REI Common Stock, subject to certain contractual limitations and (iii) the granting of certain demand and piggy-back registration rights with respect to REI Common Stock received on the conversion of the Series A Preferred Stock or on such asset exchange. During 1999, 1998 and 1997, Citadel received dividend income of $455,000 per annum from REI with respect to REI Series A Preferred Stock.

Transactions with Craig Corporation and Reading Entertainment, Inc.

Commencing August 1995, Citadel began renting corporate office space from Craig on a month-to-month basis and engaged Craig to provide Citadel with certain administrative services. During fiscal 1999 and 1998, $96,000 per annum was paid to Craig for such rent and services. In additional, Citadel provided real estate consulting services to Reading Company during fiscal 1999, 1998 and 1997, for which Citadel was paid $215,000, $398,000, and $240,000, respectively.

Issuance of Common Stock to Craig Corporation for a Note Receivable

On April 11, 1997, Craig exercised its warrant to purchase 666,000 shares of the Company's common stock at an exercised price of $3.00 per share or $1,998,000. Such exercise was consummated pursuant to delivery by Craig of its secured promissory note (the "Craig Secured Note") in the amount of $1,998,000, secured by 500,000 shares of REI Common Stock owned by Craig. Interest is payable quarterly in arrears at the prime rate (amounting to 8.5% at December 31, 1999) computed on a 360 day-year. Principal and accrued but unpaid interest is due upon the earlier of April 11, 2002 or 120 days following the Company's written demand for payment. The Craig Secured Note may be prepaid, in whole or in part, at any time by Craig without penalty or premium. During 1999 and 1998, Craig paid interest to Citadel of approximately$183,000 and $165,000, respectively, pursuant to the terms of the Craig Secured Note.

Agricultural Activities

In 1997, the Company entered into a series of transactions which resulted in the acquisition by the Company of 1) a 40% equity interest in each of three general partnerships (the "Agricultural Partnerships") formed to acquire from the Prudential Insurance Company of America ("Prudential") approximately 1,600 acres of agricultural land located in the Central Valley of California (the "Big 4 Properties"), and 2) an 80% equity interest in a newly formed farm operating company, Big 4 Farming, LLC ("Farming"), created to farm the Big 4 Properties for the Agricultural Partnerships. The Big 4 Properties were acquired for a total purchase price of $6,750,000 plus reimbursement of certain cultural costs through the closing (which cultural costs amounted to approximately $831,000). The acquisition was financed by a ten-year purchase money mortgage loan from Prudential in the amount of $4,050,000 ("Prudential Loan") and by drawdowns in the amount of $831,000 under a $1,200,000 crop finance line of credit from the Company to the partnerships (the "Crop Financing"). The Prudential Loan bears

interest at 7.70%, provides for quarterly payment of interest, and provided certain levels of capital investment are achieved, calls for principal amortization payments of $200,000 per year commencing January 2002. The Crop Financing accrues interest, payable quarterly, at the rate of prime plus 100 basis points, and was due and payable in August 1998. Upon expiration, Citadel increased the line of credit to $1,850,000 in 1998 and then to $3,250,000 in 1999, in light of the need to fund cash shortfalls resulting from the 1998 freeze discussed below. The credit facility currently matures in August 2000.

In December 1998, the Agricultural Partnerships suffered a devastating freeze which resulted in a loss of substantially all of its 1998-1999 crop. As a consequence of the freeze, the Agricultural Partnerships have no funds with which to repay the drawdowns on the Line of Credit. Big 4 Ranch, Inc. likewise has no funds with which to make further capital contributions. Furthermore, the Agricultural Partnerships generally have no source of funding, other than the Company, for the cultural expenses needed for production of the 1999-2000 crop, as well as, funding of a crop-planting program on the undeveloped acreage. In addition to the $1,850,000 line of credit, it is estimated that the Agricultural Partnerships will need additional cash in the amount of $3,501,000 in order to cover cultural costs and planting costs for its 1999-2000 crop year. During 1999, the Company agreed to guarantee the obligations of the Agricultural Partnerships under certain equipment leases, up to $220,000. Big 4 Ranch, Inc., which was spun off to the Company's stockholders in December 1997, has no funds with which to make contributions to the Agricultural Partnerships. Subsequent to December 1998, the Company and Visalia have continued to fund, on an 80/20 basis, (i) the Agricultural Partnerships' operating and crop costs, and (ii) the cost of the new trees to be used in the planting program. No revenue is expected to be realized by the Agricultural Partnerships until the 1999-2000 crop is harvested and sold, beginning in the second quarter of 2000.

Each of the Agricultural Partnerships has three partners: Citadel Agriculture, Inc., a wholly-owned subsidiary of Citadel ("CAI"), which has a 40% interest in each of the partnerships; Big 4 Ranch, Inc. ("BRI"), which although formed as a wholly-owned subsidiary of Citadel, was spun-off to the shareholders of Citadel following the formation of the partnerships and prior to the acquisition of the Big 4 Properties; and Visalia LLC ("Visalia"), a limited liability company controlled by and owned by Mr. James J. Cotter and certain members of his family. Farming is owned 80% by the Company and 20% by Visalia. BRI was initially capitalized with $1,200,000 from Citadel and, in addition, has a three-year $200,000 line of credit from Citadel, providing for interest at prime plus 200 basis points. No drawdowns have been made to date under this line of credit as of December 31, 1999.

Craig and Reading, as shareholders of Citadel, received BRI shares in the spin-off in proportion to their interests in Citadel. During 1998, Craig and Reading purchased additional shares in BRI, increasing their ownership to approximately 49%. In addition, during 1998, Cecelia Packing, owned by Mr. Cotter and a trust for the benefit of one of Mr. Tompkins' children, each acquired from a single seller shares representing an additional 1.6% of the outstanding shares of BRI, or 3.2% in the aggregate of such shares. Certain officers and directors of Craig and Reading are officers, directors or management committee members of CAI, BRI, Farming and/or the Agricultural Partnerships. Mr. James J. Cotter is the Chairman and a Director of each of Citadel, CAI, Craig and REI, and is also Chairman of the management committees of Farming and of each of the Agricultural Partnerships. Mr. S. Craig Tompkins is the Vice Chairman and a Director of each of Citadel and REI, the President and a Director of Craig, the Principal Accounting Officer of Citadel, the President of CAI and a member of the management committees of Farming and of each of the Agricultural Partnerships. Mr. Edward Kane, a director of REI, served as Chairman and President of BRI and a member of the Management Committee of each of the Agricultural Partnerships until October 1998, at which time he was succeeded by Mr. Gerard Laheney, a Director of Craig, who served until February 14, 2000. Mr. William Gould, a Director of Craig, is also a Director of BRI. Ms. Margaret Cotter, a Director of Craig and the daughter of James J. Cotter, is also the Secretary, Treasurer and Principal Accounting

Officer and a Director of BRI, a limited partner in James J. Colter, Ltd., a member of Visalia

the Vice President of Cecelia and the Vice President of Union Square Management, (a theater management company which provided services to Reading in 1999). During 1999, Mr. Gould, Ms. Cotter and Mr. Kane received no compensation for such services to BRI. As an administrative convenience, Mr. Tompkins also serves as an assistant secretary of BRI and Visalia, for which he receives no compensation. Ms. Ellen Cotter is the daughter of James J. Cotter, the Vice President - Business Affairs of REI and the acting president of Readings Australia, a limited partner in James J. Cotter Ltd, and member of Visalia.

Citadel owns stock representing a 15.62% interest in Gish Biomedial, Inc., a publicly traded company whose securities are quoted on the NASDAQ National Market ("Gish"). The stock was acquired principally between March and July, 1999. On September 15, 1999, James J. Cotter Jr., the son of James J. Cotter, was elected to the Board of Directors of Gish. The Directors of Gish currently serve without compensation.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a)(1) Financial Statements

All schedules other than those listed above are omitted because they are not applicable, not required, or the information required to be set forth therin is included in the financial statements or the notes thereto.

(a)(2) Financial Statement Schedule

(b) Reports on Form 8-K
None

(c) Exhibits (Items denoted by * represent management or compensatory contract)

Exhibit No.	Description
3.1	Certificate of Amendment of Restatement Articles of Incorporation of Citadel Holding Corporation (filed herein).
3.2	Restated By-laws of Citadel Holding Corporation, a Nevada corporation (filed herein).
10.1	Tax Disaffiliation Agreement, dated as of August 4, 1994, by and between Citadel Holding Corporation and Fidelity Federal Bank (filed as Exhibit 10.27 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1994, and incorporated herein by reference)
10.2	Standard Office lease, dated as of July 15, 1994, by and between Citadel

Realty, Inc. and Fidelity Federal Bank (filed as Exhibit 10.42 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1995, and incorporated herein by reference)

10.3 First Amendment to Standard Office Lease, dated May 15, 1995, by and between Citadel Realty, Inc. and Fidelity Federal Bank (filed as Exhibit 10.43 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1995, and incorporated herein by reference)

10.4 Guaranty of Payment dated May 15, 1995 by Citadel Holding Corporation in favor of Fidelity Federal Bank (filed as Exhibit 10.47 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1995, and incorporated herein by reference)

10.5 Exchange Agreement dated September 4, 1996 among Citadel Holding Corporation, Citadel Acquisition Corp., Inc. Craig Corporation, Craig Management, Inc., Reading Entertainment, Inc., Reading Company (filed as Exhibit 10.51 to the Company's Annual Report on Form 10-K for the year ended December 31, 1996 and incorporated herein by reference)

10.6 Asset Put and Registration Rights Agreement dated October 15, 1996 among Citadel Holding Corporation, Citadel Acquisition Corp., Inc., Reading Entertainment, Inc., and Craig Corporation (filed as Exhibit 10.52 to the Company's Annual Report on Form 10-K for the year ended December 31, 1996 and incorporated herein by reference)

10.7 Articles of Incorporation of Reading Entertainment, Inc., A Nevada Corporation (filed herein).

10.7a Certificate of Designation of the Series A Voting Cumulative Convertible preferred stock of Reading Entertainment, Inc. (filed herein).

10.8 Lease between Citadel Realty, Inc., Lessor and Disney Enterprises, Inc., Lessee dated October 1, 1996 (filed as Exhibit 10.54 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996, and incorporated herein by reference)

10.9 Second Amendment to Standard Office Lease between Citadel Realty, Inc. and Fidelity Federal Bank dated October 1, 1996 (filed as Exhibit 10.55 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996, and incorporated herein by reference)

Exhibit No.	Description

10.10 Citadel 1996 Nonemployee Director Stock Option Plan (filed as Exhibit 10.57 to the Company's Annual Report on Form 10-K for the year ended December 31, 1996, and incorporated herein by reference)

10.11 Reading Entertainment, Inc., Annual Report on Form 10-K for the year ended December 31, 1997 (filed as Exhibit 10.58 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 and incorporated herein by reference)

10.12 Stock Purchase Agreement dated as of April 11, 1997 by and between Citadel Holding Corporation and Craig Corporation (filed as Exhibit 10.56 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997)

10.13 Secured Promissory Note dated as of April 11, 1997 issued by Craig Corporation to Citadel Holding Corporation in the principal amount of $1,998,000 (filed as Exhibit 10.60 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997)

10.14 Agreement for Purchase and Sale of Real Property between Prudential Insurance Company of America and Big 4 Farming LLC dated August 29, 1997 (filed as Exhibit 10.61 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997)

10.15 Second Amendment to Agreement of Purchase and Sale between Prudential Insurance Company of America and Big 4 Farming LLC dated November 5, 1997 (filed as Exhibit 10.62 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997)

10.16 Partnership Agreement of Citadel Agricultural Partners No. 1 dated December 19, 1997 (filed as Exhibit 10.63 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 and incorporated herein by reference)

10.17 Partnership Agreement of Citadel Agricultural Partners No. 2 dated December 19, 1997 (filed as Exhibit 10.64 to the Company's Annual Report

on Form 10-K for the year ended December 31, 1997 and incorporated herein by reference)

10.18 Partnership Agreement of Citadel Agricultural Partners No. 3 dated December 19, 1997 (filed as Exhibit 10.65 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 and incorporated herein by reference)

10.19 Farm Management Agreement dated December 26, 1997 between Citadel Agricultural Partner No. 1 and Big 4 Farming LLC (filed as Exhibit 10.67 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 and incorporated herein by reference)

10.20 Farm Management Agreement dated December 26, 1997 between Citadel Agricultural Partner No. 2 and Big 4 Farming LLC (filed as Exhibit 10.68 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 and incorporated herein by reference)

10.21 Farm Management Agreement dated December 26, 1997 between Citadel Agricultural Partner No. 3 and Big 4 Farming LLC (filed as Exhibit 10.69 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 and incorporated herein by reference)

10.22 Line of Credit Agreement dated December 29, 1997 between Citadel Holding Corporation and Big 4 Ranch, Inc. (filed as Exhibit 10.70 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 and incorporated herein by reference)

Exhibit No.	Description

10.23 Management Services Agreement dated December 26, 1997 between Big 4 Farming LLC and Cecelia Packing (filed as Exhibit 10.71 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 and incorporated herein by reference)

10.24 Agricultural Loan Agreement dated December 29, 1997 between Citadel Holding Corporation and Citadel Agriculture Partner No. 1 (filed as Exhibit 10.72 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 and incorporated herein by reference)

10.25 Agricultural Loan Agreement dated December 29, 1997 between Citadel Holding Corporation and Citadel Agriculture Partner No. 2 (filed as Exhibit 10.73 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 and incorporated herein by reference)

10.26 Agricultural Loan Agreement dated December 29, 1997 between Citadel Holding Corporation and Citadel Agriculture Partner No. 3 (filed as Exhibit 10.74 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 and incorporated herein by reference)

10.27 Promissory Note dated December 29, 1997 between Citadel Holding Corporation and Citadel Agricultural Partners No. 1 (filed as Exhibit 10.75 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 and incorporated herein by reference)

10.28 Promissory Note dated December 29, 1997 between Citadel Holding Corporation and Citadel Agricultural Partners No. 2 (filed as Exhibit 10.76 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 and incorporated herein by reference)

10.29 Promissory Note dated December 29, 1997 between Citadel Holding Corporation and Citadel Agricultural Partners No. 3 (filed as Exhibit 10.77 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 and incorporated herein by reference)

10.30 Security Agreement dated December 29, 1997 between Citadel Holding Corporation and Citadel Agricultural Partnership No. 1 (filed as Exhibit 10.78 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 and incorporated herein by reference)

10.31 Security Agreement dated December 29, 1997 between Citadel Holding Corporation and Citadel Agricultural Partnership No. 2 (filed as Exhibit 10.79 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 and incorporated herein by reference)

10.32 Security Agreement dated December 29, 1997 between Citadel Holding Corporation and Citadel Agricultural Partnership No. 3 (filed as Exhibit 10.80 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 and incorporated herein by reference herewith)

10.33 Administrative Services Agreement between Citadel Holding Corporation and Big 4 Ranch, Inc. dated December 29, 1997 (filed as Exhibit 10.81 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 and incorporated herein by reference)

10.34 Reading Entertainment, Inc. Annual Report on Form 10-K for the year ended December 31, 1998 (filed as Exhibit as 10.41 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998 and incorporated herein by reference).

10.35 Reading Entertainment, Inc. Annual Report on Form 10-K for the year ended December 31, 1999 (filed by Reading Entertainment Inc. as Form 10-K for the year ended December 31, 1999 on April 14, 2000 and incorporated herein by reference).

10.36 Promissory note dated December 20, 1999 between Citadel Holding Corporation and Nationwide Life Insurance (filed herein).

10.37* Employment Agreement between Citadel Holding Corporation and Andrzej Matyczynski (filed herein).

10.38 Citadel 1999 Employee Stock Option Plan (filed herein).

Exhibit No.	Description
21	Subsidiaries of the Company (filed herewith)
23	Consent of Independent Auditors (filed herewith)
27	Financial Data Schedule (filed herewith)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CITADEL HOLDING CORPORATION
(Registrant)

Date: March 27, 2000

/s/ Andrzej Matyczynski
Andrzej Matyczynski
Chief Financial Officer

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of Registrant and in the capacities and on the dates indicated.

Signature	Titles(s)	Date
/s/ James J. Cotter James J. Cotter	Chairman of the Board and Director	March 27, 2000
/s/ S. Craig Tompkins S. Craig Tompkins	Director, Secretary	March 27, 2000
/s/ William C. Soady William C. Soady	Director	March 27, 2000
/s/ Alfred Villasenor Jr. Alfred Villasenor, Jr.	Director	March 27, 2000

Exhibit 3.1

CERTIFICATE OF AMENDMENT AND RESTATEMENT
OF
ARTICLES OF INCORPORATION
OF
CITADEL HOLDING CORPORATION

A Nevada Corporation

This Certificate of Amendment and Restatement (this "Certificate") is filed on behalf of Citadel Holding Corporation, a corporation organized under the laws of the State of Nevada (the "Corporation"), pursuant to Sections 78.380 and 78.403 of the Nevada Revised Statutes ("NRS"), and its incorporator does hereby certify:

1. That the signor of this Certificate is the original sole incorporator of the Corporation.

2. That the original Articles of Incorporation of the Corporation were filed in the Office of the Nevada Secretary of State on October 28, 1999.

3. That as of the date of this Certificate, no stock of the Corporation has been issued.

4. That the Articles of Incorporation of the Corporation are hereby amended as follows:

4.1 Number of Authorized Shares; Par Value. The aggregate number of shares which the Corporation shall have authority to issue is one hundred forty million (140,000,000) shares to be designated respectively as "Class A Non-Voting Common Stock," "Class B Voting Common Stock" and "Preferred Stock" divided as follows:

(a) Class A Non-Voting Common Stock. The total number of authorized shares of Class A Non-Voting Common Stock shall be one hundred million (100,000,000) shares with the par value of $.01 per share.

(b) Class B Voting Common Stock. The total number of authorized shares of Class B Voting Common Stock shall be twenty million (20,000,000) shares with the par value of $.01 per share.

(c) Preferred Stock. The total number of authorized shares of Preferred Stock shall be twenty million (20,000,000) shares with the par value of $.01 per share.

(d) Increase or Decrease in Authorized Shares. The total number of authorized shares of Class A Non-Voting Common Stock, Class B Voting Common Stock or Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the stock of the Corporation entitled to vote.

4.2 Class A Non-Voting Common Stock Voting Rights. Class A Non-Voting Common Stock shall have no voting rights; provided, however, that the holders of the Class A Non-Voting Common Stock will be entitled to vote as a separate class on any amendments to the Articles of Incorporation or any merger which would adversely affect their rights, privileges or preferences, or any liquidation or dissolution in which such holders would receive securities with rights, privileges and preferences less beneficial than those held by them as holders of Class A Non-Voting Common Stock.

4.3 Class B Voting Common Stock Voting Rights. The holders of the Class B Voting Common Stock shall be entitled to one vote per one share of Class B Voting Common Stock on all matters submitted to the stockholders of the Corporation for a vote.

4.4 Other Rights, Preferences and Privileges of Class A Non-Voting Common Stock and Class B Voting Common Stock. Except as otherwise specifically set forth herein with respect to voting, all shares of Class A Non-Voting Common Stock and Class B Voting Common Stock shall have the same rights, preferences and privileges with respect to dividends, distributions, or any liquidation or dissolution of the Corporation.

4.5 Preferred Stock. The Preferred Stock may be issued at any time or from time to time, in any one or more series, and any such series shall be comprised of such number of shares and may have such voting powers, whole or limited, or no voting powers, and such designations, preferences and relative, participating, optional or other special rights and qualifications, limitations or restrictions thereof, including liquidation preferences, as shall be stated and expressed in the resolution or resolutions of the board of directors of the Corporation, the board of directors being hereby expressly vested with such power and authority to the full extent now or hereafter permitted by law.

5. That the text of the Amended and Restated Articles of Incorporation of the Corporation is hereby amended and restated by this Certificate to read in full as follows:

AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
CITADEL HOLDING CORPORATION

A NEVADA CORPORATION

I, the Undersigned, being the original incorporator herein named, for the purpose of forming a corporation under Chapter 78 of the Nevada Revised Statutes (the "NRS"), to do business both within and without the State of Nevada, do make and file these Articles of Incorporation hereby declaring and certifying that the facts herein stated are true:

ARTICLE I
NAME

The name of the corporation is Citadel Holding Corporation (the "Corporation").

ARTICLE II
RESIDENT AGENT AND REGISTERED OFFICE

The name and address of the Corporation's resident agent for service of process is Kummer Kaempfer Bonner & Renshaw, 3800 Howard Hughes Parkway, Seventh Floor, Las Vegas, Nevada 89109.

ARTICLE III
PURPOSE

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the NRS.

ARTICLE IV
CAPITAL STOCK

4.1 Number of Authorized Shares; Par Value. The aggregate number of shares which the Corporation shall have authority to issue is one hundred forty million (140,000,000) shares to be designated respectively as "Class A Non-Voting Common Stock," "Class B Voting Common Stock" and "Preferred Stock" divided as follows:

(e) Class A Non-Voting Common Stock. The total number of authorized shares of Class A Non-Voting Common Stock shall be one hundred million (100,000,000) shares with the par value of $.01 per share.

(f) Class B Voting Common Stock. The total number of authorized shares of Class B Voting Common Stock shall be twenty million (20,000,000) shares with the par value of $.01 per share.

(g) Preferred Stock. The total number of authorized shares of Preferred Stock shall be twenty million (20,000,000) shares with the par value of $.01 per share.

(h) Increase or Decrease in Authorized Shares. The total number of authorized shares of Class A Non-Voting Common Stock, Class B Voting Common Stock or Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the stock of the Corporation entitled to vote.

4.2 Class A Non-Voting Common Stock Voting Rights. Class A Non-Voting Common Stock shall have no voting rights; provided, however, that the holders of the Class A Non-Voting Common Stock will be entitled to vote as a separate class on any amendments to the Articles of Incorporation or any merger which would adversely affect their rights, privileges or preferences, or any liquidation or dissolution in which such holders would receive securities with rights, privileges and preferences less beneficial than those held by them as holders of Class A Non-Voting Common Stock.

4.3 Class B Voting Common Stock Voting Rights. The holders of the Class B Voting Common Stock shall be entitled to one vote per one share of Class B Voting Common Stock on all matters submitted to the stockholders of the Corporation for a vote.

4.4 Other Rights, Preferences and Privileges of Class A Non-Voting Common Stock and Class B Voting Common Stock. Except as otherwise specifically set forth herein with respect to voting, all shares of Class A Non-Voting Common Stock and Class B Voting Common Stock shall have the same rights, preferences and privileges with respect to dividends, distributions, a liquidation of the Corporation or otherwise.

4.5 Preferred Stock. The Preferred Stock may be issued at any time or from time to time, in any one or more series, and any such series shall be comprised of such number of shares and may have such voting powers, whole or limited, or no voting powers, and such designations, preferences and relative, participating, optional or other special rights and qualifications, limitations or restrictions thereof, including liquidation preferences, as shall be stated and expressed in the resolution or resolutions of the board of directors of the Corporation, the board of directors being hereby expressly vested with such power and authority to the full extent now or hereafter permitted by law.

ARTICLE V
DIRECTORS

The business and affairs of the Corporation shall be managed by or under the direction of the board of directors, which initially shall consist of one director. Provided that the Corporation has at least one director, the number of directors may at any time or times be increased or decreased as provided in the bylaws; provided, however that the number of directors shall not exceed ten. The name and address of the initial member of the board of directors is as follows:

Name	Address
S. Craig Tompkins.....	c/o Craig Corporation 550 South Hope Street, Suite 1825 Los Angeles, California 90071

ARTICLE VI
BYLAWS

In furtherance and not in limitation of the powers conferred upon the board of directors of the Corporation by the NRS, the board of directors shall have the power to alter, amend, change, add to and repeal, from time to time, the bylaws of the Corporation, subject to the rights of the stockholders entitled to vote with respect thereto to alter, amend, change, add to and repeal the bylaws adopted by the directors of the Corporation.

ARTICLE VII
ELECTION OF DIRECTORS

Unless the bylaws of the Corporation provide for the division of the directors into classes and except as may otherwise be provided in the bylaws of the Corporation, all directors shall be elected to hold office until their respective successors are elected and qualified, or until their earlier resignation or removal, at the annual meeting of the stockholders, whether telephonic or not, within or without the State of Nevada or by written consent and such election need not be by written ballot.

ARTICLE VIII
SALE OF ASSETS

In furtherance of the powers conferred on the stockholders of the Corporation by the NRS, the stockholders of the Corporation shall have the power to vote on any proposed sale of substantially all of the Corporation's assets.

ARTICLE IX
AMENDMENT OF ARTICLES OF INCORPORATION

In the event the board of directors of the Corporation determines that it is in the Corporation's best interest to amend these Articles of Incorporation, the board of directors shall adopt a resolution setting forth the proposed amendment and declaring its advisability and submit the matter to the stockholders entitled to vote thereon for the consideration thereof in accordance with the provisions of the NRS and these Articles of Incorporation. In the resolution setting forth the proposed amendment, the board of directors may insert a provision allowing the board of directors to later abandon the amendment, without concurrence by the stockholders, after the amendment has received stockholder approval but before the amendment is filed with the Nevada Secretary of State.

ARTICLE X
INCORPORATOR

The name and address of the incorporator of the Corporation is Elizabeth A. Savage, Kummer Kaempfer Bonner & Renshaw, 3800 Howard Hughes Parkway, Seventh Floor, Las Vegas, Nevada 89109.

ARTICLE XI
ACQUISITIONS OF CONTROLLING INTEREST

The Corporation elects not to be governed by the provisions of Chapters 78.378 to 78.3793, inclusive, of the NRS pertaining to acquisitions of controlling interest.

ARTICLE XII
COMBINATIONS WITH INTERESTED STOCKHOLDERS

The Corporation elects not to be governed by the provisions of Chapters 78.411 to 78.444, inclusive, of the NRS pertaining to combinations with interested stockholders.

ARTICLE XIII
DIRECTORS' AND OFFICERS' LIABILITY

A director or officer of the Corporation shall not be personally liable to this Corporation or its stockholders for damages for breach of fiduciary duty as a director or officer, but this Article shall not eliminate or limit the liability of a director or officer for (i) acts or omissions which involve intentional misconduct, fraud or a knowing violation of law or (ii) the unlawful payment of distributions. Any repeal or modification of this Article by the stockholders of the Corporation shall be prospective only, and shall not adversely affect any limitation on the personal liability of a director or officer of the Corporation for acts or omissions prior to such repeal or modification.

In Witness Whereof, the undersigned has executed this Certificate of Amendment and Restatement as of the day of ,

1999.

_____
Elizabeth A. Savage, Incorporator

EXHIBIT 3.2

AMENDED AND RESTATED

BYLAWS

OF

CITADEL HOLDING CORPORATION

A Nevada Corporation

AMENDED AND RESTATED

BYLAWS

OF

CITADEL HOLDING CORPORATION

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CITADEL HOLDING CORPORATION

A Nevada Corporation

ARTICLE I
STOCKHOLDERS

Section 1 Annual Meeting

Annual meetings of the stockholders, commencing with the year 2000, shall be held each year within 150 days of the end of the fiscal year on the third Thursday in May if not a legal holiday, and if a legal holiday, then on the next secular day following at ten o'clock a.m., or such other date and time as may be set by the Board of Directors/2/ from time to time and stated in the notice of the meeting, at which the stockholders shall elect by a plurality vote a Board of Directors and transact such other business as may properly be brought before the meeting.

Section 2 Special Meetings

Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the Articles of Incorporation, may be called by the Chairman or Vice Chairman of the Board or the President, and shall be called by the Chairman, Vice Chairman or President at the written request of a majority of the Board of Directors or at the written request of stockholders owning outstanding shares representing a majority of the voting power of the Corporation. Such request shall state the purpose or purposes of such meeting.

Section 3 Notice of Meetings

Written notice of stockholders meetings, stating the place, date and hour

thereof, and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be given to each stockholder entitled to vote thereat at least ten days but not more than sixty days before the date of the meeting, unless a different period is prescribed by statute. Business transacted any special meeting of the stockholders shall be limited to the purpose or purposes stated in the notice.

/1/ These Amended and Restated Bylaws are hereinafter referred to as the Bylaws.

/2/ The "Board" and "Board of Directors" are hereinafter used in reference to the Board of Directors of Citadel Holding Corporation.

Section 4 Place of Meetings

All annual meetings of the stockholders shall be held in the County of Los Angeles, State of California, at such place as may be fixed from time to time by the Board of Directors, or at such other place within or without the State of Nevada as the directors shall determine. Special meetings of the stockholders may be held at such time and place within or without the State of Nevada as shall be stated in the notice of the meeting, or in a duly executed waiver of notice thereof. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

Section 5 Stockholder Lists

The officer who has charge of the stock ledger of the Corporation shall prepare and make, not less than ten nor more than sixty days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any proper purpose germane to the meeting, during ordinary business hours for a period not less than ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section 6 Quorum; Adjourned Meetings

The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the Articles of Incorporation. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 7 Voting

Except as otherwise provided by statute or the Articles of Incorporation or these Bylaws, and except for the election of directors, at any meeting duly called and held at which a quorum is present, a majority of the votes cast at such meeting upon a given matter by the holders of outstanding shares of stock of all classes of stock of the Corporation entitled to vote thereon who are present in person or by proxy shall decide such matter. At any meeting duly called and held for the election of directors at which a quorum is present, directors shall be elected by a plurality

of the votes cast by the holders (acting as such) of shares of stock of the Corporation entitled to elect such directors.

Section 8 Proxies

At any meeting of the stockholders any stockholder may be represented and vote by a proxy or proxies appointed by an instrument in writing. In the event that any such instrument in writing shall designate two or more persons to act as proxies, a majority of such persons present at the meeting, or, if only one shall be present, then that one shall have and may exercise all of the powers conferred by such written instrument upon all of the persons so designated unless the instrument shall otherwise provide. No proxy, proxy revocation or power of attorney to vote shall be used at a meeting of the stockholders unless it shall have been filed with the secretary of the meeting; provided, however, nothing contained herein shall prevent any stockholder from attending any meeting and voting in person. All questions regarding the qualification of voters, the validity of proxies and the acceptance or rejection of votes shall be decided by the inspectors of election who shall be appointed by the Board of Directors, or if not so appointed, then by the presiding officer of the meeting.

Section 9 Action Without Meeting

Any action which may be taken by the vote of the stockholders at a meeting may be taken without a meeting if authorized by the written consent of stockholders holding at least a majority of the voting power, unless the provisions of the statutes governing the Corporation or of the Articles of Incorporation require a different proportion of voting power to authorize such action in which case such proportion of written consents shall be required. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

Section 10 Certain Limitations

The Board of Directors shall not, without the prior approval of the stockholders, adopt any procedures, rules or requirements which restrict a stockholders right to (i) vote, whether in person, by proxy or by written consent; (ii) elect, nominate or remove directors; (iii) call a special meeting; or (iv) to bring new business before the stockholders, except as may be required by applicable law.

ARTICLE II
DIRECTORS

Section 1 Management of Corporation

The business of the Corporation shall be managed by its Board of Directors, which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Articles of Incorporation or by these Bylaws directed or required to be exercised or done by the stockholders.

Section 2 Number, Tenure, and Qualifications

The number of directors, which shall constitute the whole board, shall be five. The number of directors may from time to time be increased or decreased to not less than one nor more than ten by action of the Board of Directors. The directors shall be elected by the holders of shares entitled to vote thereon at the annual meeting of the stockholders and, except as provided in Section 4 of this Article, each director elected shall hold office until his successor is elected and qualified. Directors need not be stockholders.

Section 3 Chairman and Vice Chairman of the Board

The directors may elect one of their members to be Chairman of the Board of Directors and one of their members to be Vice Chairman of the Board of Directors. The Chairman and Vice Chairman shall be subject to the control of and may be removed by the Board of Directors. The Chairman and Vice Chairman shall perform such duties as may from time to time be assigned to them by the Board of Directors.

Section 4 Vacancies; Removal

Vacancies in the Board of Directors, including those caused by an increase in the number of directors, may be filled by a majority of the remaining

directors, though less than a quorum, or by a sole remaining director, and each director so elected shall hold office until his successor is elected at an annual or a special meeting of the stockholders. The holders of no less than two-thirds of the outstanding shares of stock entitled to vote may at any time peremptorily terminate the term of office of all or any of the directors by vote at a meeting called for such purpose or by written consent filed with the Secretary or, in his absence, with any other officer. Such removal shall be effective immediately, even if successors are not elected simultaneously.

A vacancy or vacancies in the Board of Directors shall be deemed to exist in case of the death, resignation or removal of any directors, or if the authorized number of directors be increased, or if the stockholders fail at any annual or special meeting of stockholders at which any director or directors are elected to elect the full authorized number of directors to be voted for at that meeting.

If the Board of Directors accepts the resignation of a director tendered to take effect at a future time, the Board or the stockholders shall have power to elect a successor to take office when the resignation is to become effective.

No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of his term of office.

Section 5 Annual and Regular Meetings

Annual and regular meetings of the Board of Directors shall be held at any place within or without the State of Nevada that has been designated from time to time by resolution of the Board of Directors or by written consent of all members of the Board of Directors. In the absence of such designation, annual and regular meetings shall be held at the registered office of the Corporation. Regular meetings of the Board of Directors may be held without call or notice

at such time and at such place as shall from time to time be fixed and determined by the Board of Directors.

Section 6 First Meeting

The first meeting of each newly elected Board of Directors shall be held at such time and place as shall be fixed by the vote of the stockholders at the annual meeting and no notice of such meeting shall be necessary to the directors in order legally to constitute the meeting, provided a quorum is present. In the event of the failure of the stockholders to fix the time and place of such first meeting, or in the event such meeting is not so held, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the Board of Directors, or as shall be specified in a written waiver signed by all of the directors.

Section 7 Special Meetings

Special meetings of the Board of Directors may be called by the Chairman or Vice Chairman of the Board or the President upon notice to each director, either personally or by mail or by telegram. Upon the written request of a majority of the directors, the Chairman or Vice Chairman of the Board or the President shall call a special meeting of the Board to be held within two days of the receipt of such request and shall provide notice thereof to each director, either personally or by mail or by telegram.

Section 8 Business of Meetings

The transactions of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present, and if, either before or after the meeting, each of the directors not present signs a written waiver of notice, or a consent to holding such meeting, or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 9 Quorum; Adjourned Meetings

A majority of the authorized number of directors shall constitute a quorum for the transaction of business, except to adjourn as hereinafter provided. Every act or decision done or made by a majority of the directors present at a

meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors, unless a greater number is required by law or by the Articles of Incorporation. Any action of a majority, although not at a regularly called meeting, and the record thereof, if assented to in writing by all of the other members of the Board shall be as valid and effective in all respects as if passed by the Board of Directors in a regular meeting.

A quorum of the directors may adjourn any directors meeting to meet again at a stated day and hour; provided, however, that in the absence of a quorum, a majority of the directors present at any directors' meeting, either regular or special, may adjourn from time to time, without notice other than announcement at the meeting, until a quorum is present.

Notice of the time and place of holding an adjourned meeting need not be given to the absent directors if the time and place are fixed at the meeting adjourned.

Section 10 Committees

The Board of Directors may, by resolution adopted by a majority of the whole Board, designate one or more committees of the Board of Directors, each committee to consist of at least one or more directors of the Corporation which, to the extent provided in the resolution, shall have and may exercise the power of the Board of Directors in the management of the business and affairs of the Corporation and may have power to authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have the power to amend the Articles of Incorporation, to adopt an agreement or plan of merger or consolidation, to recommend to the stockholders a sale, lease or exchange of all or substantially all of the Corporation's assets, to recommend to the stockholders dissolution or revocation of dissolution, or to amend these Bylaws, and, unless the resolution or the Articles of Incorporation expressly so provide, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock. Such committee or committees shall have such name or names as may be determined from time to time by the Board of Directors. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. The members of any such committee present at any meeting and not disqualified from voting may, whether or not they constitute a quorum, unanimously appoint another member of the Board of Directors to act at the meeting in the place of any absent or disqualified member. At meetings of such committees, a majority of the members or alternate members shall constitute a quorum for the transaction of business, and the act of a majority of the members or alternate members at any meeting at which there is a quorum shall be the act of the committee.

The committees, if required by the Board, shall keep regular minutes of their proceedings and report the same to the Board of Directors.

Section 11 Action Without Meeting; Telephone Meetings

Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if a written consent thereto is signed by all members of the Board of Directors or of such committee, as the case may be, and such written consent is filed with the minutes of proceedings of the Board or committee.

Nothing contained in these Bylaws shall be deemed to restrict the powers of members of the Board of Directors, or any committee thereof, to participate in a meeting of the Board or committee by means of telephone conference or similar communications equipment whereby all persons participating in the meeting can hear each other.

Section 12 Special Compensation

The directors may be paid their expenses of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as director as fixed by the Board of Directors. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation

therefor. Members of committees may be allowed like reimbursement and compensation for attending committee meetings.

ARTICLE III
NOTICES

Section 1 Notice of Meetings

Whenever, under the provisions of the Articles of Incorporation or applicable law or these Bylaws, notice is required to be given to any director or stockholder, it shall not be construed to mean personal notice, but such notice may be given in writing, by mail, addressed to such director or stockholders, at his address as it appears on the records of the Corporation, postage prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Notice to directors may also be given by telegram.

Notices of meetings of stockholders shall be in writing and signed by the President or a Vice-President or the Secretary or an Assistant Secretary or by such other person or persons as the directors shall designate. Such notice shall state the purpose or purposes for which the meeting is called and the time and the place, which may be within or without this State, where it is to be held. Personal delivery of any notice to any officer of a corporation or association, or to any member of a partnership, shall constitute delivery of such notice to such corporation, association or partnership. In the event of the transfer of stock after delivery of such notice of and prior to the holding of the meeting it shall not be necessary to deliver or mail notice of the meeting to the transferee.

Section 2 Effect of Irregularly Called Meetings

Whenever all parties entitled to vote at any meeting, whether of directors or stockholders, consent, either by a writing on the records of the meeting or filed with the secretary, or by presence at such meeting and oral consent entered on the minutes, or by taking part in the deliberations at such meeting without objection, the doings of such meeting shall be as valid as if had at a meeting regularly called and noticed, and at such meeting any business may be transacted which is not excepted from the written consent or to the consideration of which no objection for want of notice is made at the time, and if any meeting be irregular for want of notice or of such consent, provided a quorum was present at such meeting, the proceedings of said meeting may be ratified and approved and rendered likewise valid and the irregularity or defect therein waived by a writing signed by all parties having the right to vote at such meeting; and such consent or approval of stockholders may be by proxy or attorney, but all such proxies and powers of attorney must be in writing.

Section 3 Waiver of Notice

Whenever any notice whatever is required to be given under the provisions of the statutes, the Articles of Incorporation or these Bylaws, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

ARTICLE IV
OFFICERS

Section 1 Election

The officers of the Corporation shall be elected annually at the first meeting by the Board of Directors held after each annual meeting of the stockholders and shall be a President, one or more Vice Presidents, a Treasurer and a Secretary, and such other officers with such titles and duties as the Board of Directors may determine, none of whom need be directors. The President shall be the Chief Executive Officer, unless the Board designates the Chairman of the Board as Chief Executive Officer. Any person may hold one or more offices and each officer shall hold office until his successor shall have been duly elected and qualified or until his death or until he shall resign or is removed in the manner as hereinafter provided for such term as may be prescribed by the Board of Directors from time to time.

Section 2 Chairman and Vice Chairman of the Board

The Board of Directors at its first annual meeting after each annual meeting of the stockholders may choose a Chairman and Vice Chairman of the Board from among the directors of the Corporation. The Chairman of the Board, and in his absence the Vice Chairman, shall preside at meetings of the stockholders and the Board of Directors and shall see that all orders and resolutions of the Board of Directors are carried into effect.

Section 3 President

The President shall be the chief operating officer of the Corporation, shall also be a director and shall have active management of the business of the Corporation. The President shall execute on behalf of the Corporation all instruments requiring such execution except to the extent the signing and execution thereof shall be expressly designated by the Board of Directors to some other officer or agent of the Corporation.

Section 4 Vice-President

The Vice-President shall act under the direction of the President and in the absence or disability of the President shall perform the duties and exercise the powers of the President. The Vice-President shall perform such other duties and have such other powers as the President or the Board of Directors may from time to time prescribe. The Board of Directors may designate one or more Executive Vice-Presidents or may otherwise specify the order of seniority of the Vice-Presidents. The duties and powers of the President shall descend to the Vice-Presidents in such specified order of seniority.

Section 5 Secretary

The Secretary shall act under the direction of the President. Subject to the direction of the President, the Secretary shall attend all meetings of the Board of Directors and all meetings of the stockholders and record the proceedings. The Secretary shall perform like duties for the standing committees when required. The Secretary shall give, or cause to be given, notice of all meetings

of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the President or the Board of Directors.

Section 6 Assistant Secretaries

The Assistant Secretaries shall act under the direction of the President. In order of their seniority, unless otherwise determined by the President or the Board of Directors, they shall, in the absence or disability of the Secretary, perform the duties and exercise the powers of the Secretary. They shall perform such other duties and have such other powers as the President or the Board of Directors may from time to time prescribe.

Section 7 Treasurer

The Treasurer shall act under the direction of the President. Subject to the direction of the President, the Treasurer shall have custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all monies and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the Corporation as may be ordered by the President or the Board of Directors, taking proper vouchers for such disbursements, and shall render to the President and the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all transactions as Treasurer and of the financial condition of the Corporation.

If required by the Board of Directors, the Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of such person's office and for the restoration to the Corporation, in case of such person's death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in such person's possession or under such person's control belonging to the Corporation.

Section 8 Assistant Treasurers

The Assistant Treasurers in the order of their seniority, unless otherwise determined by the President or the Board of Directors, shall, in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer. They shall perform such other duties and have such other powers as the President or the Board of Directors may from time to time prescribe.

Section 9 Compensation

The Board of Directors shall fix the salaries and compensation of all officers of the Corporation.

Section 10 Removal; Resignation

The officers of the Corporation shall hold office at the pleasure of the Board of Directors. Any officer elected or appointed by the Board of Directors, or any member of a committee, may

be removed at any time, with or without cause, by the Board of Directors by a vote of not less than a majority of the entire Board at any meeting thereof or by written consent. Any vacancy occurring in any office of the Corporation by death, resignation, removal or otherwise shall be filled by the Board of Directors for the unexpired portion of the term.

Any director or officer of the Corporation, or any member of any committee, may resign at any time by giving written notice to the Board of Directors, the Chairman of the Board, the President, or the Secretary of the Corporation. Any such resignation shall take effect at the time specified therein or, if the time is not specified, then upon receipt thereof. The acceptance of such resignation shall not be necessary to make it effective.

ARTICLE V
CAPITAL STOCK

Section 1 Certificates

Every stockholder shall be entitled to have a certificate signed by the Chairman or Vice Chairman of the Board of Directors, the President or a Vice-President and the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation, certifying the number of shares owned by such person in the Corporation. If the Corporation shall be authorized to issue more than one class of stock or more than one series of any class, the designations, preferences and relative, participating, optional or other special rights of the various classes of stock or series thereof and the qualifications, limitations or restrictions of such rights, shall be set forth in full or summarized on the face or back of the certificate which the Corporation shall issue to represent such stock; provided, however, that except as otherwise provided in NRS 78.242, in lieu of the forgoing requirements, there may be set forth on the face or back of the certificate which the Corporation shall issue to represent such class or series of stock, a statement that the Corporation will furnish without charge to each stockholder who so requests, the designations, preferences and relative, participating, optional or other special rights of the various classes or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

If a certificate is signed (1) by a transfer agent other than the Corporation or its employees or (2) by a registrar other than the Corporation or its employees, the signatures of the officers of the Corporation may be facsimiles. In case any officer who has signed or whose facsimile signature has been placed upon a certificate shall cease to be such officer before such certificate is issued, such certificate may be issued with the same effect as though the person had not ceased to be such officer. The seal of the Corporation, or a facsimile thereof, may, but need not be, affixed to certificates of stock.

Section 2 Surrendered; Lost or Destroyed Certificates

The Board of Directors or any transfer agent of the Corporation may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost or

destroyed upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors (or any transfer agent of the

Corporation authorized to do so by a resolution of the Board of Directors) may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost or destroyed certificate or certificates, or the owner's legal representative, to advertise the same in such manner as it shall require and/or give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost or destroyed.

Section 3 Regulations

The Board of Directors shall have the power and authority to make all such rules and regulations and procedures as it may deem expedient concerning the issue, transfer, registration, cancellation and replacement of certificates representing stock of the Corporation.

Section 4 Record Date

The Board of Directors may fix in advance a date not exceeding sixty days nor less than ten days preceding the date of any meeting of stockholders, or the date for the payment of any distribution, or the date for the allotment of rights, or the date when any change or conversion or exchange of capital stock shall go into effect, or a date in connection with obtaining the consent of stockholders for any purpose, as a record date for the determination of the stockholders entitled to notice of and to vote at any such meeting, and any adjournment thereof, or entitled to receive payment of any such distribution, or to give such consent, and in such case, such stockholders, and only such stockholders as shall be stockholders of record on the date so fixed, shall be entitled to notice of and to vote at such meeting, or any adjournment thereof, or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights, or to give such consent, as the case may be, notwithstanding any transfer of any stock on the books of the Corporation after any such record date fixed as aforesaid.

Section 5 Registered Owner

The Corporation shall be entitled to recognize the person registered on its books as the owner of shares to be the exclusive owner for all purposes including voting and distribution, and the Corporation shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Nevada.

ARTICLE VI
GENERAL PROVISIONS

Section 1 Registered Office

The registered office of the Corporation shall be in the County of Clark, State of Nevada. The principal office of the Corporation shall be located in the County of Los Angeles, State of California.

The Corporation may also have offices at such other places both within and without the State of Nevada as the Board of Directors may from time to time determine or the business of the Corporation may require.

Section 2 Checks; Notes

All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

Section 3 Fiscal Year

The fiscal year of the Corporation shall be fixed by resolution of the

Board of Directors.

Section 4 Stock of Other Corporations or Other Interests

Unless otherwise ordered by the Board of Directors, the President, the Secretary, and such other attorneys or agents of the Corporation as may be from time to time authorized by the Board of Directors or the President, shall have full power and authority on behalf of the Corporation to attend and to act an vote in person or by proxy at any meeting of the holders of securities of any corporation or other entity in which the Corporation may own or hold shares or other securities, and at such meetings shall possess and may exercise all the rights and powers incident to the ownership of such shares or other securities which the Corporation, as the owner or holder thereof, might have possessed and exercised if present. The President, the Secretary or other such attorneys or agents may also execute and deliver on behalf of the Corporation, powers of attorney, proxies, consents, waivers and other instruments relating to the shares or securities owned or held by the Corporation.

Section 5 Corporate Seal

The corporation will have a corporate seal, as may from time to time be determined by resolution of the Board of Directors. If a corporate seal is adopted, it shall have inscribed thereon the name of the corporation and the words "Corporate Seal" and "Nevada." The seal may be used by causing it or a facsimile thereof to be impressed or affixed or in any manner reproduced.

Section 6 Annual Statement

The Board of Directors shall present at each annual meeting, and at any special meeting of the stockholders when called for by a vote of the stockholders, a full and clear statement of the business and condition of the Corporation.

Section 7 Dividends

Dividends upon the capital stock of the Corporation, subject to the provision of the Articles of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock of the Corporation, subject to the provisions of the Articles of Incorporation.

Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the directors from time to time, in their absolute and sole discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property or the Corporation, or for such

other purpose or purposes as the directors believe to be in the interest of the Corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

Section 8 Conflicts of Interest

In the event of any proposed transaction which would result in the merger of the Corporation with or into any other company or entity, or the sale, dividend, spin-off or transfer of all or substantially all of the assets of the Corporation, whether in one or more related transactions (a "Covered Transaction"), such Covered Transaction shall require the approval of a two-thirds majority of the Board of Directors after a review and written report of the terms and fairness of such transaction have been conducted and prepared by a special committee of the Board appointed to conduct such review. Such special committee shall consist of not less than two directors and shall be composed entirely of directors who are neither employees, directors, officers, agents or appointees or representatives of any company or entity affiliated with any party to the Covered Transaction, other than the Corporation. Such special committee is authorized to retain such professional advisors, including investment bankers, attorneys, and accountants as it may determine, in its sole discretion, to be appropriate under the circumstances.

ARTICLE VII
INDEMNIFICATION

Section 1 Indemnification of Officers and Directors, Employees and Agents

Every person who was or is a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person or a person of whom that person is the legal representative is or was a director, officer, employee or agent of the Corporation or is or was serving at the request of the Corporation or for its benefit as a director, officer, employee or agent of another corporation, or as its representative in a partnership, joint venture, trust or other enterprise, shall be indemnified and held harmless to the fullest extent legally permissible under the NRS from time to time against all expenses, liability and loss (including attorneys' fees, judgments, fines and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith. The expenses of officers, directors, employee or agents incurred in defending a civil or criminal action, suit or proceeding must be paid by the Corporation as they are incurred and in advance of the final disposition of the action, suit or proceeding upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay the amount if it is ultimately determined by a court of competent jurisdiction that such person is not entitled to be indemnified by the Corporation. Such right of indemnification shall be a contract right, which may be enforced in any manner desired by such person. Such right of indemnification shall not be exclusive of any other right which such directors, officers, employees or agents may have or hereafter acquire and, without limiting the generality of such statement, they shall be entitled to their respective rights of indemnification under any bylaw, agreement, vote of stockholders, provision of law or otherwise, as well as their rights under this Article VII.

Section 2 Insurance

The Board of Directors may cause the Corporation to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, or as its representative in a partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred in any such capacity or arising out of such status, whether or not the Corporation would have the power to indemnify such person.

Section 3 Further Bylaws

The Board of Directors may from time to time adopt further Bylaws with respect to indemnification and may amend these and such Bylaws to provide at all times the fullest indemnification permitted by the laws of the State of Nevada.

ARTICLE VIII
AMENDMENTS

Section 1 Amendments by Stockholders

The Bylaws may be amended by the stockholders at any annual or special meeting of the stockholders by a majority vote, provided notice of intention to amend or repeal shall have been contained in the notice of such meeting.

Section 2 Amendments by Board of Directors

The Board of Directors at any regular or special meeting by a majority vote may amend these Bylaws, including Bylaws adopted by the stockholders, but the stockholders may from time to time specify particular provisions of the Bylaws, which shall not be amended by the Board of Directors.

CERTIFICATE OF SECRETARY

I, the Undersigned, hereby certify that I am the duly elected and qualified Secretary of Citadel Holding Corporation, a Nevada corporation (the "Company"), and that the foregoing Bylaws, consisting of 17 pages (including cover page and table of contents), constitute the code of Amended and Restated Bylaws of the Company as duly adopted by the unanimous written consent of the Board of Directors as of November 19, 1999.

In Witness Whereof, I have hereunto subscribed my name this day of 1999.

_____
, Secretary

EXHIBIT 10.7

ARTICLES OF INCORPORATION

OF

READING ENTERTAINMENT, INC.

A NEVADA CORPORATION

I, the Undersigned, being the original incorporator herein named, for the purpose of forming a corporation under Chapter 78 of the Nevada Revised Statutes (the "NRS"), to do business both within and without the State of Nevada, do make and file these Articles of Incorporation hereby declaring and certifying that the facts herein stated are true:

ARTICLE I
NAME

The name of the corporation is Reading Entertainment, Inc. (the "Corporation").

ARTICLE II
RESIDENT AGENT AND REGISTERED OFFICE

The name and address of the Corporation's resident agent for service of process is Kummer Kaempfer Bonner & Renshaw, 3800 Howard Hughes Parkway, Seventh Floor, Las Vegas, Nevada 89109.

ARTICLE III
PURPOSE

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the NRS.

ARTICLE IV
CAPITAL STOCK

4.1. Number of Shares Authorized; Par Value. The aggregate number of shares which the Corporation shall have authority to issued is thirty-five million (35,000,000) shares of which ten million (10,000,000) shares with the par value $.001 per share shall be designated "Preferred Stock" and twenty-five million (25,000,000) shares with the par value $.001 per share shall be designated "Common Stock."

4.2. Preferred Stock. The Preferred Stock may be issued at any time from time to time, in any one or more series, and any such series shall be comprised of such number of shares and may have such voting powers, whole or limited, or no voting powers, and such designations, preferences and relative, participating, optional or other special rights and qualifications, limitations and restrictions thereof, including liquidation preferences, as shall be

stated and expressed in the resolution or resolutions of the board of directors of the Corporation, the board of directors being hereby expressly vested with such power and authority to the full extent now or hereafter permitted by law.

4.3. Restrictions on Common Stock. No share of Common Stock, or of any other security of the Corporation which is treated as stock for purposes of Section 382 of the Internal Revenue Code of 1986, as amended (the "Code") (the Common Stock and any such other securities being hereinafter referred to as "New Stock"), shall be transferable or assignable in any respect, either of record or beneficially, unless such transfer or assignment is permitted under the following provisions:

(a) Until the earliest of January 1, 2003, such date as the Corporation shall no longer have any unutilized federal income tax net operating loss carry forwards (the "Carryforwards") or such date after

which Section 382 of the Code is repealed or so substantially modified that in the opinion of counsel to the Corporation the restrictions on transfer described herein are no longer necessary to accomplish their intended purpose: (i) any attempted sale, transfer, assignment or other disposition (including the granting of any option or entering into any agreement for the sale transfer assignment or other disposition), whether voluntary or involuntary, whether of record or beneficially and whether by operation of law or otherwise (a "Transfer"), of any share or shares of the New Stock of the Corporation or of any option, convertible security or other right to purchase or acquire such stock (collectively, "Rights") to any person or entity or group or persons or entities acting in concert (a "Transferee") who or which, directly or indirectly or by application of the constructive ownership rules set forth in Section 382(1)(3) of the Code and the Income Tax Regulations as now in effect or hereinafter promulgated pursuant thereto (the "Regulations"), owns, prior to the Transfer, an aggregate number of shares of the Corporation's outstanding New Stock having a fair market value equal to or greater than four point seven five percent (4.75%) of the fair market value of the total number of shares of the Corporation's outstanding New Stock shall be void ab initio insofar as it purports to transfer ownership to such Transferee, and (ii) any attempted Transfer of any share or shares of the New Stock of the Corporation or of any Rights to any Transferee not described in clause (i) hereof who or which directly, indirectly or by application of the constructive ownership rules in Section 382(1)(3) of the Code and Regulations, would own as a result of the Transfer, or as a result of a subsequent Transfer of any share or shares of the New Stock or Rights, an aggregate number of shares of the Corporation's outstanding New Stock having a fair market value equal to or greater than four point seven five percent (4.75%) of the fair market value or total number of shares of the Corporation's outstanding New Stock shall, as to the number of shares or Rights representing such excess over four point seven five percent (4.75%), be void ab initio insofar as it purports to transfer ownership to such Transferee of any shares of New Stock or Rights.

(b) The restrictions contained in paragraph (a) of this Section 4.3 of this Article Fourth have been included herein for the purpose of reducing the risk of occurrence of an "ownership change" as that term is defined in Section 382(g) of the Code and the Regulations that would result in the limitation or elimination of the Corporation's utilization of the Carryforwards.

(c) Neither clause (i) or (ii) of paragraph (a) of this Section 4.3 of this Article Fourth shall restrict any Transfer of New Stock of the Corporation or Rights if (i) the prior written approval of the board of directors of the Corporation shall have been obtained with respect to such Transfer and (ii) if so requested by the board of directors of the Corporation, counsel to the Corporation shall have delivered its opinion that such Transfer would not result in an "ownership change" within the meaning of Section 382(g) of the Code and the Regulations that would result in the limitation or elimination or the Corporation's utilization of the Carryforwards. The board of directors shall have the authority, in its sole discretion, to adopt procedures for the orderly and effective administration and implementation of this Section 4.3, and, in deciding whether to approve any proposed Transfer of New Stock or Rights, the Corporation acting through any officer may request all relevant information, as well as an opinion of counsel, in form and substance reasonably satisfactory to the board of directors. No employee or agent of the Corporation shall be permitted to record any attempted or purported Transfer of the New Stock or Rights made in violation of this Article Fourth and no Transferee of the New Stock or Rights effected in violation of this Article Fourth shall be deemed to have acquired ownership of New Stock or Rights for any purpose. Such intended Transferee shall not be entitled to any rights as a stockholder of the Corporation with respect to such New Stock, including, without limitation, the right to vote such New Stock or to receive any distributions in respect thereof, whether as dividends or in liquidation.

(d) If the procedures adopted by the board of directors of the Corporation so require, the Corporation's transfer agent for any of the Corporation's securities (the "Transfer Agent") shall not issue any certificates transferring, assigning or disposing of or purporting to transfer assign or otherwise dispose of legal ownership of any shares of New Stock or Rights unless the Transfer Agent receives from the proposed

Transferee, in addition to any other information requested by it, a certificate signed under penalty of perjury attesting to the fact that the Transferee is not and will not become as a result of the proposed Transfer, an owner of an aggregate number of shares of the Corporation's outstanding New Stock or Rights having a fair market value equal to or greater than four point seven five percent (4.75%) of the fair value of the total number of shares of the Corporation's outstanding New Stock. If at any time the Transfer Agent receives a request to make a change in record ownership of shares of New Stock or Rights which, if effective, would appear to the Transfer Agent on the basis of information in its possession to constitute a violation of this Article Fourth, then, prior to registering such change in ownership on the books of the Corporation, the Transfer Agent shall notify the Corporation. If the board of directors or an officer designated by the board of directors determines that the proposed change in ownership would violate this Article Fourth, then the Corporation shall so advise the Transfer Agent and the Transfer Agent shall not make such change in ownership on the books of the Corporation and shall return the certificates representing such shares of New Stock or Rights to the holder of record thereof.

(e) If, notwithstanding the foregoing prohibition, a Transferee shall, voluntarily or involuntarily, purportedly become or attempt to become the purported owner (the "Purported Owner") of shares of New Stock or Rights, or both, in excess of the limitations set forth above (the shares and Rights, including shares of New Stock

issued in respect of Rights, so exceeding such limitations set forth herein shall be referred to herein as the "Excess Shares"), then:

(i) The Purported Owner shall not obtain any rights in and to the Excess Shares, and the purported Transfer of the Excess Shares to the Purported Owner shall not be recognized by the Corporation or its Transfer Agent. Until the Excess Shares are transferred to a person whose acquisition thereof will not violate the foregoing limitations (a "Permitted Transferee"), (A) the Excess Shares shall be voted by such person as shall be appointed by the board of directors of the Corporation, which person shall be deemed to have been granted a proxy to vote the Excess Shares, (B) the transferor of the Excess Shares to the Purported Owner (the "Purported Owner's Transferor") shall be deemed to have retained the Excess Shares and shall hold and be entitled to exercise all other rights incident to ownership of such Excess Shares, and (C) if the Excess Shares are Rights, they may not be exercised, converted or exchanged until transferred to, and exercised, converted or exchanged in accordance with their terms by, a Permitted Transferee; provided, however, that notwithstanding the foregoing, in the event shares of New Stock are issued in respect of Rights which are Excess Shares prior to notice to the Corporation or its Transfer Agent that such Rights are Excess Shares, the shares of New Stock so issued shall be deemed to be issued and outstanding shares of New Stock of the Corporation and shall be Excess Shares deemed retained by the Purported Owner's Transferor. Rights issued by the Corporation shall reflect the provisions of the foregoing sentence. All Excess Shares will continue to be issued and outstanding.

(ii) If the Transfer Agent obtains possession of a certificate or certificates representing the Excess Shares, the Transfer Agent shall deliver such certificate or certificates to a trustee appointed by the Corporation's board of directors (the "Share Trustee") who shall proceed forthwith to sell or cause the sale of the Excess Shares to a Permitted Transferee. If the Transfer Agent does not have possession of such certificate, upon notice from the Corporation of the existence of Excess Shares and the identity of the Purported Owner, the Share Trustee shall take all lawful action to cause the Purported Owner to deliver or cause delivery of the Excess Shares and any indicia of ownership thereof to the Share Trustee and, upon obtaining possession thereof, the Share Trustee shall proceed forthwith to sell or cause the sale of the Excess Shares to a Permitted Transferee. The Share Trustee shall sell or cause the sale of the Excess Shares in the then existing public market or in such other commercially reasonable fashion as the Corporation shall direct. In performing the duties herein imposed upon it, the Share Trustee

shall act at all times as the agent for the Purported Owner's Transferor.

(iii) Once the Excess Shares are acquired by a Permitted Transferee, the Permitted Transferee shall have and shall be entitled to exercise all rights incident to the ownership of such Excess Shares.

(iv) The proceeds from the sale of the Excess Shares (the "Proceeds") shall be distributed as follows: (A) first, to the Share Trustee to cover its costs and expenses; (B) second, to the Purported Owner, if known, in an amount up to the amount paid by the Purported Owner, if determinable, for the Excess Shares; and (C) third and finally, the remaining Proceeds, if any, shall be distributed to the Purported Owner's Transferor, if known, and if not known, such remaining Proceeds shall be held by the Corporation for the benefit of the Purported Owner's Transferor or such other person as their interests may appear. Notwithstanding anything contained in this Article Fourth to the contrary, the Corporation shall at all times be entitled to make application to any court of equitable jurisdiction within the State of Nevada for an adjudication of the respective rights and interests of any person in and to the Proceeds pursuant to this Article Fourth and applicable law and for leave to pay the Proceeds into such court.

(f) Immediately upon the purported acquisition of any Excess Shares, the Purported Owner thereof shall give, or cause to be given, written notice thereof to the Corporation. Each owner of shares of New Stock and Rights shall furnish to the Corporation all information reasonably requested with respect to all shares of New Stock and Rights directly and indirectly owned by such person.

(g) Upon a determination by the board of directors of the Corporation that a person has attempted or may attempt to transfer or to acquire Excess Shares, the board of directors may take such action as it deems advisable to refuse to give effect to such Transfer or acquisition on the books and records of the Corporation, including, without limitation, to cause the Transfer Agent to record the Purported Owner's Transferor as the record owner of the Excess Shares, to refuse to issue shares of New Stock upon the purported exercise of Rights which are Excess Shares and to institute proceedings to enjoin or rescind any such Transfer or acquisition.

(h) To the extent permitted by the Regulations promulgated under Section 382 of the Code, in determining whether any person has become a Purported Owner of Excess Shares, the Corporation may rely on filings on Schedules 13D and 13G as required by Rule 13d-1 of the Securities Exchange Act of 1934, as amended.

(i) If any provision of this Article Fourth or any application of any such provision is determined to be invalid by any federal or state court having jurisdiction over the issues, the validity of the remaining provisions shall not be affected and other applications of such provision shall be affected only to the extent necessary to comply with the determination of such court.

(j) All certificates representing shares of New Stock shall conspicuously bear the following legend:

The shares represented by this certificate are subject to certain restrictions on transfer set forth in Article Fourth of the Corporation's Articles of Incorporation, the full text of which is

available at the offices of the Corporation or on request to the Corporation. ANY ATTEMPT TO ACQUIRE STOCK OF THE CORPORATION IN VIOLATION OF SUCH RESTRICTIONS SHALL BE NULL AND VOID AND MAY RESULT IN FINANCIAL LOSS TO THE PERSON OR ENTITY ATTEMPTING SUCH ACQUISITION.

ARTICLE V

DIRECTORS

The business and affairs of the Corporation shall be managed by or under the direction of the board of directors, which initially shall consist of one director. Provided that the Corporation has at least one director, the number of directors may at any time or times be increased or decreased as provided in the bylaws; provided, however that the number of directors shall not exceed ten. The name and address of the initial member of the board of directors is as follows:

NAME	ADDRESS
S. Craig Tompkins	c/o Craig Corporation 550 South Hope Street, Suite 1825 Los Angeles, California 90071

ARTICLE VI
BYLAWS

In furtherance and not in limitation of the powers conferred upon the board of directors of the Corporation by the NRS, the board of directors shall have the power to alter, amend, change, add to and repeal, from time to time, the bylaws of the Corporation, subject to the rights of the stockholders entitled to vote with respect thereto to alter, amend, change, add to and repeal the bylaws adopted by the directors of the Corporation.

ARTICLE VII
ELECTION OF DIRECTORS

Except as may otherwise be provided in the bylaws of the Corporation, the election of directors may be conducted at a meeting of the stockholders, whether telephonic or not, within or without the State of Nevada or by written consent and such election need not be by written ballot.

ARTICLE VIII
SALE OF ASSETS

In furtherance of the powers conferred on the stockholders of the Corporation by the NRS, the stockholders of the Corporation shall have the power to vote on any proposed sale of substantially all of the Corporation's assets.

ARTICLE IX
AMENDMENT OF ARTICLES OF INCORPORATION

In the event the board of directors of the Corporation determines that it is in the Corporation's best interest to amend these Articles of Incorporation, the board of directors shall adopt a resolution setting forth the proposed amendment and declaring its advisability and submit the matter to the stockholders entitled to vote thereon for the consideration thereof in accordance with the provisions of the NRS and these Articles of Incorporation. In the resolution setting forth the proposed amendment, the board of directors may insert a provision allowing the board of directors to later abandon the amendment, without concurrence by the stockholders, after the amendment has received stockholder approval but before the amendment is filed with the Nevada Secretary of State.

ARTICLE X
INCORPORATOR

The name and address of the incorporator of the Corporation is Elizabeth A. Savage, Kummer Kaempfer Bonner & Renshaw, 3800 Howard Hughes Parkway, Seventh Floor, Las Vegas, Nevada 89109.

ARTICLE XI
ACQUISITIONS OF CONTROLLING INTEREST

The Corporation elects not to be governed by the provisions of Chapters 78.378 to 78.3793, inclusive, of the NRS pertaining to acquisitions of controlling interest.

ARTICLE XII

COMBINATIONS WITH INTERESTED STOCKHOLDERS

The Corporation elects not to be governed by the provisions of Chapters 78.411 to 78.444, inclusive, of the NRS pertaining to combinations with interested stockholders.

ARTICLE XIII
DIRECTORS' AND OFFICERS' LIABILITY

A director or officer of the Corporation shall not be personally liable to this Corporation or its stockholders for damages for breach of fiduciary duty as a director or officer, but this Article shall not eliminate or limit the liability of a director or officer for (i) acts or omissions

which involve intentional misconduct, fraud or a knowing violation of law or (ii) the unlawful payment of distributions. Any repeal or modification of this Article by the stockholders of the Corporation shall be prospective only, and shall not adversely affect any limitation on the personal liability of a director or officer of the Corporation for acts or omissions prior to such repeal or modification.

ARTICLE XIV
INDEMNITY

Every person who was or is a party to, or is threatened to be made a party to, or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he, or a person of whom he is the legal representative, is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, or as its representative in a partnership, joint venture trust or other enterprise, shall be indemnified and held harmless to the fullest extent legally permissible under the laws of the State of Nevada from time to time against all expenses, liability and loss (including attorneys' fees, judgments, fines and amounts paid or to be paid in settlement) reasonably incurred or suffered by him in connection therewith. Such right of indemnification shall be a contract right which may be enforced in any manner desired by such person. The expenses of directors, officers, employees and agent incurred in defending a civil or criminal action, suit or proceeding must be paid by the Corporation as they are incurred and in advance of the final disposition of the action suit or proceeding, upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay the amount if it is ultimately determined by a court of competent jurisdiction that he is not entitled to be indemnified by the Corporation. Such right of indemnification shall not be exclusive of any other right which such directors, officers, employees or agents may have or hereafter acquire, and, without limiting the generality of such statement, they shall be entitled to their respective rights of indemnification under any bylaw, agreement, vote of stockholders, provision of law, or otherwise, as well as their rights under this Article.

Without limiting the application of the foregoing, the board of directors may adopt bylaws from time to time with respect to indemnification, to provide at all times the fullest indemnification permitted under the laws of the State of Nevada, and may cause the Corporation to purchase and maintain insurance on behalf of any person who is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director or officer of another corporation, or as its representative in a partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred in any such capacity or arising out of such status, whether or not the Corporation would have the power to indemnify such person. The indemnification provided in this Article shall continue as to a person who has ceased to be a director, officer, employee, agent, and shall inure to the benefit of the heirs, executors and administrators of such person.

In witness whereof, I have hereunto set my hand this 25th day of October, 1999, declaring and certifying that the facts stated hereinabove are true.

_____
Elizabeth A. Savage, Incorporator

CERTIFICATE OF ACCEPTANCE
OF APPOINTMENT BY RESIDENT AGENT

In the Matter of Reading Entertainment, Inc.:

We, Kummer Kaempfer Bonner & Renshaw, do, hereby certify that on the 25th day of October, 1999, we accepted the appointment as Resident Agent of the above-entitled corporation in accordance with Section 78.090 of the Nevada Revised Statutes.

Furthermore, that the registered office in this State is located at 3800 Howard Hughes Parkway, Seventh Floor, Las Vegas, Nevada 89109.

In witness whereof, I have hereunto set my hand this 25th day of October, 1999.

Kummer Kaempfer Bonner & Renshaw

By: _____
Elizabeth A. Savage

Exhibit 10.7A

CERTIFICATE OF DESIGNATION

of

READING ENTERTAINMENT, INC.

Setting Forth The

VOTING POWERS, DESIGNATIONS, PREFERENCES,

LIMITATIONS, RESTRICTIONS AND RELATIVE RIGHTS

of

SERIES A VOTING CUMULATIVE CONVERTIBLE PREFERRED STOCK

and

SERIES B VOTING CUMULATIVE CONVERTIBLE PREFERRED STOCK

(Pursuant to Section 78.1955 of the Nevada Revised Statutes)

Pursuant to Section 78.1955 of the Nevada Revised Statutes ("NRS"), the undersigned, being the President and Secretary, respectively, of Reading Entertainment, Inc., a Nevada corporation (the "Corporation"), hereby certify that (a) the following resolution was duly adopted on November 19, 1999, by the Board of Directors (the "Board"), for the purposes of establishing two separate series of the Corporation's authorized preferred stock, $.001 par value ("Preferred Stock"), designated as Series A Voting Cumulative Convertible Preferred Stock and Series B Voting Cumulative Convertible Preferred Stock and fixing the relative rights and preferences of such series of such Preferred Stock, and (b) such resolution has not been subsequently modified or rescinded:

RESOLVED, that in accordance with the provisions of Article Fourth of the Articles of Incorporation of the Corporation, two series of Preferred Stock be, and hereby are, created, and the voting powers, designations, preferences, limitations, restrictions and relative, participating, optional or other special rights of the shares of each such series, and the qualifications, limitations or restrictions thereof, be, and hereby are, as follows:

1. DESIGNATIONS AND NUMBERS OF SHARES

Seventy thousand (70,000) shares of the Preferred Stock of the Corporation are hereby constituted as a series of Preferred Stock, $.001 par value per share, and designated as "Series A Voting Cumulative Convertible Preferred Stock" (hereinafter called the "Series A Stock") and five hundred fifty thousand (550,000) shares of the Preferred Stock of the Corporation are hereby constituted as a series of Preferred Stock, $.001 par value per share, and designated as "Series B Voting Cumulative Convertible Preferred Stock" (hereinafter called the "Series B Stock;" the

Series A Stock and the Series B Stock are hereinafter collectively called the "Convertible Preferred Stock").

2. LIQUIDATION

Upon any voluntary or involuntary dissolution, liquidation or winding up of the Corporation (a "Liquidation"), the holder of each share of each series of Convertible Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders, before any distribution of assets shall be made to the holders of common stock of the Corporation ("Common Stock") or to the holders of other stock of the Corporation that ranks junior to such series of Convertible Preferred Stock in respect to distributions upon a Liquidation of the Corporation ("Junior Stock"), an amount equal to $100 per share (the "Stated Value"), plus an amount equal to all dividends (whether or not declared or due) accrued and unpaid on such share on the date fixed for distribution of assets of the Corporation to the holders

of the Convertible Preferred Stock. The Series B Stock shall rank junior to the Series A Stock in right to distributions on a Liquidation and shall be "Junior Stock" with respect to the Series A Stock. Neither a consolidation or merger of the Corporation with or into any other entity, nor a merger of any other entity with or into the Corporation, nor a sale or transfer of all or any part of the Corporation's assets for cash or securities or any other property, shall be considered a Liquidation. Written notice of any Liquidation shall be given to the holders of the Convertible Preferred Stock not less than thirty days prior to any payment date stated therein.

3. DIVIDENDS

3.1. The holders of Convertible Preferred Stock shall be entitled to receive, when and as declared by the Board of Directors and to the extent permitted in the NRS, but only out of funds legally available for the payment of dividends, cumulative dividends at the annual rate of $6.50 per each share of Series A Stock, and at the annual rate of $6.50 per each share of Series B Stock (plus the amounts specified in Section 3.3 hereof) ("Regular Dividends"), in each case before any dividends or other distributions (other than dividends in Common Stock or any other stock which ranks junior in respect to such series of the Convertible Preferred Stock in respect to dividends) are paid to the holders of the Common Stock or any other stock which is Junior Stock with respect to such series. The Series B Stock shall rank junior to the Series A Stock in right to dividends and shall be "Junior Stock" with respect to the Series A Stock. Such dividends shall accumulate on each share from the date of its original issuance and from day to day and shall be payable (subject to declaration by the Board of Directors and to the extent permitted by the NRS and the existence of funds legally available for the payment of such dividends) in equal quarterly installments on the last day of March, June, September and December of each year (except that, if such date is not a business day, the dividend shall be payable on the first immediately succeeding business day); provided, however, that the initial quarterly dividend payment payable on any share of Convertible Preferred Stock shall be the amount specified in Section 3.3 hereof plus an amount equal to the product determined by multiplying the Regular Dividend for a quarter by a fraction, the numerator of which is the number of days from (but not including) the date of issuance of such share to the end of the dividend quarter during which such share of

Convertible Preferred Stock is issued and the denominator of which is the total number of days in such dividend quarter.

3.2. Dividends at the rate specified in Section 3.1 hereof shall accumulate whether or not they have been declared and whether or not the funds are legally available for the payment of dividends.

3.3. Regular Dividends for the initial quarter on any share of Convertible Preferred Stock shall include any dividends which, as of the Effective Date (as that term is defined in that certain Agreement and Plan of Merger dated November 19, 1999, by and between the Corporation and Reading Entertainment, Inc., a Delaware corporation ("REI-Delaware"), whereby the parties agreed to merge REI-Delaware with and into the Corporation) were accrued and unpaid on the share of preferred stock of REI-Delaware which was converted into such share of Convertible Preferred Stock in such merger.

3.4. To the extent any dividends on the Convertible Preferred Stock accumulate and are in arrears, such dividend shall not bear interest.

4. CONVERSION RIGHTS

4.1. (a) Shares of Series A Stock may be converted, at the option of the holder thereof, in whole or in part, upon delivery of a certificate representing such shares to the Corporation, together with a notice specifying the number of shares to be converted (the date of such delivery, or of delivery of shares of Series B Stock on conversion thereof as hereinafter provided, is hereinafter referred to as the "Conversion Date" (i) at any time after the date which is 18 months after October 15, 1996 (the date of the original issuance of shares of Series A Voting Cumulative Convertible Preferred Stock and Series B Voting Cumulative Convertible Preferred Stock (the "REI-Delaware Preferred Stock") of REI-Delaware) (the "Original Issue Date"), or (ii) at any time prior to the later of (A) the 90th day after the earliest event constituting a Change in Control (as hereinafter defined) or (B) the 30th day after the consummation of the transaction the announcement of which constituted such Change in Control

(the period from the date of such Change in Control to the later of such 90th or 30th day being the "Change in Control Period"). A "Change in Control" shall mean the occurrence of either of the following events: (x) any person, entity or "group" (as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended, and the rules thereunder) other than Craig Corporation, a Delaware corporation, and its successors and affiliates (collectively, "Craig"), shall publicly announce or disclose having entered into a transaction as a result of which such person, entity or group would acquire beneficial ownership of 50% or more of the outstanding Common Stock or securities entitling such person, entity or group to cast 50% or more of the votes entitled to be cast at any regular election of directors of the Corporation (where "affiliate" of a person means a person directly or indirectly controlling, controlled by or under common control with such person and "control" means the power to direct the affairs of such person by reason of ownership of voting securities, contract or otherwise) or (y) the directors of the Corporation as of the Original Issue Date (the "Current Directors") and any future directors (the "Continuing Directors") elected or nominated by a majority of the Current Directors or Continuing Directors cease to constitute a majority of the Board of Directors.

(b) Shares of Series B Stock may be converted, at the option of the holder thereof, in whole or in part, upon delivery of a certificate representing such shares to the Corporation, together with a notice specifying the number of shares to be converted, at any time after the date which is 18 months after the Original Issue Date.

(c) Notwithstanding the foregoing, a holder of shares of Convertible Preferred Stock may not convert any shares of Convertible Preferred Stock that have been called for redemption after 5:00 p.m. Los Angeles, California, time, on the date for such redemption.

4.2. Each share of Series A Stock shall be convertible into shares of the Corporation's Common Stock at a conversion price of $11.50 per share (as adjusted, the "Series A Conversion Price"), subject to certain adjustments as described below; and each share of Series B Stock shall be convertible into shares of the Corporation's Common Stock at a conversion price of $12.25 per share (as adjusted, the "Series B Conversion Price;" the Series A Conversion Price and the Series B Conversion Price are each hereinafter referred to as a "Conversion Price"), subject to certain adjustments as described below. The number of shares of Common Stock to be delivered on conversion of any shares of Convertible Preferred Stock shall equal the aggregate Stated Value thereof divided by the applicable Conversion Price then in effect, calculated to the nearest 1/100th of a share, subject to Section 4.5. Except as provided in Section 4.7, the Corporation shall make no payment or adjustment on the account of any unpaid cumulative dividends on the shares of Convertible Preferred Stock surrendered for conversion or on account of any dividends on the Common Stock.

4.3. If the Corporation shall (a) pay a dividend or make a distribution on its outstanding shares of Common Stock in shares of its Common Stock, (b) subdivide its outstanding shares of Common Stock, or (c) combine its outstanding shares of Common Stock into a smaller number of shares, then each Conversion Price in effect immediately prior to such action shall be adjusted so that the holder of any shares of Convertible Preferred Stock thereafter surrendered for conversion shall be entitled to receive the number of shares of capital stock of the Corporation which he would have owned immediately following such action had such shares of Convertible Preferred Stock been converted immediately prior thereto. An adjustment made pursuant to this Section 4.3 shall become effective immediately after the record date in the case of a dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or reclassification. The Corporation shall give notice to the holders of the Convertible Preferred Stock of any adjustment pursuant to this Section 4.3 (stating the adjusted Conversion Prices and the reasons therefor) not less than ten days prior to the record date for such dividend, distribution, subdivision, combination or reclassification.

4.4. If the Corporation shall consolidate or merge into or with another corporation, or if the Corporation shall sell or convey to any other person or persons all or substantially all of the assets of the Corporation, or shall issue by reclassification of its shares of Common Stock any shares of capital stock of the Corporation, each holder of Convertible Preferred Stock then outstanding shall have the right thereafter to convert each share of Convertible Preferred Stock held by him into the kind and amount of shares of stock, other securities, cash and property receivable upon such consolidation, merger, sale

or conveyance by a holder of the number of shares of Common Stock into which such share might have been converted immediately prior to such consolidation, merger, sale or conveyance, and shall have no other conversion rights. In

any such event, effective provision shall be made, in the articles of incorporation of the resulting or surviving corporation or otherwise or in any contracts of sale and conveyance so that, so far as appropriate and as nearly as reasonably may be, the provisions set forth herein for the protection of the conversion rights of the shares of the Convertible Preferred Stock shall thereafter be made applicable.

4.5. In connection with the conversion of any shares of the Convertible Preferred Stock hereunder, no fractions of shares of Common Stock shall be issued, but the Corporation shall pay a cash adjustment in respect of such fractional interest in an amount equal to a like fraction of an amount equal to the closing sales price (the "Closing Price") of a share of the Corporation's Common Stock on the Nasdaq National Market System (or, if that shall not be the principal market on which the Common Stock shall be trading or quoted, then on such principal market) on the business day next preceding the Conversion Date.

4.6. The Corporation shall at all times reserve and keep available out of its authorized Common Stock the full number of shares of Common Stock of the Corporation issuable upon the conversion of that number of shares of the Convertible Preferred Stock permitted to be converted into Common Stock hereunder.

4.7. (a) In the event that the average of the Closing Prices of the Common Stock, over any 180 consecutive trading day period ending within 15 days of the date of the notice provided for in Section 4.7(b) (each such Closing Price having been adjusted in proportion to any adjustment in the Conversion Prices made after the date of such Closing Price), exceeds 135% of the Series A Conversion Price then in effect, the Corporation may, at its option, require the holders of all, but not less than all, of the issued and outstanding shares of Series A Stock to convert such shares into Common Stock of the Corporation at the Series A Conversion Price.

(b) Not less than ten nor more than sixty days prior to the date fixed for mandatory conversion of the Series A Stock pursuant to Section 4.7(a) ("Mandatory Conversion"), notice by mail, postage prepaid, shall be given to each holder of shares of Convertible Preferred Stock required to be converted. On or after the date fixed for Mandatory Conversion, as stated in such notice, each holder of the shares required to be converted shall surrender his certificate(s) evidencing such shares to the Corporation at the place designated in such notice and shall thereupon be entitled to receive the shares of Common Stock deliverable upon conversion plus any accrued and any unpaid dividends on such shares of Convertible Preferred Stock. If such notice of Mandatory Conversion shall have been duly given, and if, on the date fixed for Mandatory Conversion, funds necessary for the payment of dividends, if any, shall be available therefor, then, notwithstanding that the certificates evidencing any shares required to be converted shall not have been surrendered, from and after the date fixed for Mandatory Conversion, dividends with respect to the shares so converted shall cease to accrue, the shares shall no longer be deemed outstanding, the holders thereof shall cease to be holders of the shares of Convertible Preferred Stock, all rights whatsoever with respect to the shares so converted shall forthwith terminate except only the right of the holders to receive the previously accrued dividends without interest thereon and the shares of Common Stock deliverable on conversion, and such holders shall for all purposes be deemed holders of such shares of Common Stock.

4.8. The issuance of certificates for shares of Common Stock upon the conversion of shares of Convertible Preferred Stock shall be made without charge to the holders of shares of Convertible Preferred Stock for any issue or stamp tax in respect of the issuance of such certificates, and such certificates shall be issued in the respective names of, or in such names as may be directed by, the holders of shares of Convertible Preferred Stock converted; provided, however, that the Corporation shall not be required to pay any tax which may be payable in respect of transfer involved in the issuance and delivery of any such certificate in a name other than that of the holder of shares of Convertible Preferred Stock converted, and the Corporation shall not be required to issue or

deliver such certificates unless or until the person or persons requesting the issuance thereof shall have paid to the Corporation the amount of such tax or shall have established to the satisfaction of the Corporation that such tax has been paid. If less than all of the shares of Convertible Preferred Stock represented by a certificate surrendered for conversion are converted, the Corporation shall deliver to the holder of such shares a new certificate for the shares not so converted.

4.9. The Corporation from time to time may reduce either Conversion Price by any amount for any period of time in the discretion of the Board of Directors.

4.10. No adjustment in either Conversion Price shall be required unless such adjustment would result in an increase or decrease of at least one percent in such Conversion Price as then in effect; provided, however, that any adjustments that by reason of this Section 4.10 are not required to be made shall be carried forward and taken into account in any subsequent adjustment.

5. REDEMPTION

5.1. (a) The shares of Series A Stock may be redeemed at the option of the Corporation, in whole or in part, upon prior written notice of such redemption given by the Corporation in accordance with Section 5.2 hereof at any time prior to the later of (i) the 120th day after the earliest event constituting a Change in Control and (ii) the 60th day after the consummation of the transaction the announcement of which constituted such Change in Control, at the Change in Control Redemption Price (as hereinafter defined); provided, however, that the Corporation may not, pursuant to this sentence, redeem shares of Series A Stock held by Citadel Holding Corporation, a Delaware corporation ("Citadel"), or any of its affiliates unless, prior to or simultaneously with such redemption, Craig assumes certain obligations of the Corporation as provided in Section 4.1 of the Asset Put and Registration Rights Agreement, dated the Original Issue Date, among the Corporation, Craig, Citadel, and Citadel Acquisition Corp., Inc. (the "Put Agreement"), and provided further that the Corporation may not redeem any shares of Series A Stock pursuant to this sentence after the fifth anniversary of the Original Issue Date. In addition, any or all of the shares of Series A Stock may be redeemed at the option of the Corporation, upon prior written notice of such redemption given by the Corporation in accordance with Section 5.2 hereof, at any time after the fifth anniversary of the Original Issue Date, at the Standard Redemption Price (as hereinafter defined). The "Change in Control Redemption Price" of each share of Series A Stock at any date shall mean an amount equal to the sum of (x) the Stated Value thereof, (y) an accrual on the Stated Value, from the Original Issue Date to the date of redemption, at a percentage per annum (not compounded) equal to eight percent if such redemption is on or before the fourth anniversary of the Original Issue Date or

seven percent if thereafter, and (z) all accrued and unpaid dividends thereon to the date fixed for redemption; and the "Standard Redemption Price" of each share of Convertible Preferred Stock at any date shall mean an amount equal to the percentage for such date, as set forth below, of the Stated Value thereof, plus an amount equal to all accrued and unpaid dividends thereon to the date fixed for redemption:

Anniversary of Original Issue Date	Percentage
On or after the fifth anniversary and until the sixth anniversary	108%
On or after the sixth anniversary and until the seventh anniversary	106%
On or after the seventh anniversary and until the eighth anniversary	104%
On or after the eighth anniversary and until the ninth anniversary	102%
On or after the ninth anniversary	100%

(b) (i) Subject to the provisions hereof, the holders of a majority of the outstanding shares of Series A Stock (the "Requesting Holders") may require that the Corporation purchase all, but (except as otherwise provided in this Section 5.1(b) not less than all, of the outstanding shares of Series A Stock held by the Requesting Holders and those other holders (the "Nonrequesting Holders") who so request as provided below, by notice (the "Holders' Notice")

given by the Requesting Holders to the Corporation at any time (A) after 18 months after the Original Issue Date, if at the time of giving such notice the quarterly dividends payable on the Series A Stock as provided in Section 3 hereof are in arrears in an aggregate amount equal to at least four full quarterly dividends (which need not be consecutive, and which may include any quarterly dividend periods on which dividends on the REI-Delaware Preferred Stock were in arrears if not subsequently paid), or (B) within the 90-day period beginning on the fifth anniversary of the Original Issue Date (but not, in the case of this clause (B), after the exercise by Citadel of the Asset Put (as defined in the Put Agreement)), in either case at a redemption price equal to the Stated Value thereof plus all accrued and unpaid dividends thereon to the date fixed for redemption. As promptly as practicable, and in any case within ten days, after receipt of a Holders' Notice, the Corporation shall give a notice to each Nonrequesting Holder, offering to redeem the shares of Series A Stock held by such Nonrequesting Holder on the same terms, and subject to the same limitations, as the shares held by the Requesting Holders, provided such Nonrequesting Holder, within ten days of the Corporation's notice (the "Response Period"), gives notice to the Corporation stating that such Nonrequesting Holder desires to have his shares redeemed. The Nonrequesting Holders who do not elect to have their shares redeemed shall have no subsequent right to require redemption pursuant to this Section 5.1(b)(i).

(ii) Citadel may require that the Corporation purchase all, but (except as otherwise provided in this Section 5.1(b)) not less than all, of the outstanding shares of Series A Stock owned by it and its affiliates, by notice given by it to the Corporation at any time during the Change in Control Period (but not after the fifth anniversary of the Original Issue Date) at the Change in Control Redemption Price.

(iii) As promptly as practicable, and in any case within ten days, after the expiration of the Response Period, in the case of a redemption pursuant to Section 5.1(b)(i), or the notice given by Citadel in the case of a redemption pursuant to Section 5.1(b)(ii), the Corporation shall give a notice of redemption pursuant to Section 5.2 and thereafter proceed to effectuate such redemption as promptly as practicable.

(iv) Notwithstanding the foregoing, if, at the time the Corporation is required to redeem shares of the Series A Stock, the funds of the Corporation legally available for such redemption are insufficient to redeem in full the shares of the Series A Stock required to be redeemed, (A) the Corporation shall utilize the funds legally available to redeem the maximum number of such shares which can be legally redeemed and (B) the remaining such shares shall remain outstanding and not be redeemed.

(c) The shares of Series B Stock may be redeemed at the option of the Corporation, in whole or in part, at any time after the fifth anniversary of the Original Issue Date, upon prior written notice of such redemption by the Corporation in accordance with Section 5.2, at a per share redemption price equal to the Standard Redemption Price thereof.

(d) Notwithstanding the foregoing, the Corporation may not, pursuant to Section 5.1(a) or 5.1(c), redeem less than all of the outstanding shares of a series of Convertible Preferred Stock while any additional dividends are accumulated and unpaid on such series pursuant to Section 3 hereof without first declaring and paying all such additional dividends on such series.

(e) If fewer than all of the outstanding shares of a series of Convertible Preferred Stock are to be redeemed pursuant to this Section 5.1 (other than pursuant to Section 5.1(b)(ii)), such shares shall be redeemed pro rata from each holder of such series of Convertible Preferred Stock (with adjustments to avoid redemptions of fractional shares).

5.2. (a) Not less than thirty nor more than sixty days prior to the date fixed for redemption, notice by mail, postage prepaid, shall be given to each holder of shares of the Convertible Preferred Stock to be redeemed. The redemption notice shall specify the date of redemption, the certificates to be redeemed, and the applicable redemption price (the "Redemption Price"); but failure to mail such notice or any defect therein or in the mailing thereof shall not affect the validity of the proceeding for the redemption of any shares so to be redeemed. On or after the date fixed for redemption, as stated in the notice, each holder of the shares called for redemption shall surrender his certificate(s) evidencing such shares to the Corporation at the place designated

in such notice and shall thereupon be entitled to receive payment of the Redemption Price thereof. In case less than all of the shares of Convertible Preferred Stock represented by any such surrendered certificate are redeemed, a new certificate shall be issued representing the unredeemed shares.

(b) Anything herein to the contrary notwithstanding, if notice of redemption shall be given as provided in Section 5.2(a) above and if, on or at any time prior to the date fixed for redemption therein, an amount equal to the Redemption Price times the number of shares of Convertible Preferred Stock called for redemption shall be deposited in trust for the benefit of the holders of the shares of Convertible Preferred Stock called for redemption with a bank or

trust company having a combined capital and surplus of at least $50 million according to its last published statement of condition, then, notwithstanding that any certificates for shares of Convertible Preferred Stock so called for redemption shall not have been surrendered for redemption, such shares shall be deemed to be redeemed upon the date fixed for redemption and shall cease to be outstanding for any purpose, the right to receive dividends thereon shall cease to accrue from and after the date fixed for redemption and all rights of the holders of the shares of Convertible Preferred Stock called for redemption shall forthwith on the date fixed for redemption cease and terminate except for the right of the holders thereof, upon presentation and surrender of their respective certificates representing such shares, to receive from such bank or trust company on or after the date fixed for redemption the amount payable upon the redemption thereof, but without interest. The Corporation shall be entitled to any interest payable on the funds so deposited. Any funds so deposited and otherwise unclaimed at the end of three years shall be repaid to the Corporation, after which holders of the redeemed stock shall look only to the Corporation for payment of the amount payable upon redemption thereof, but without interest thereon.

6. REACQUIRED SHARES

Any shares of Convertible Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever or surrendered for conversion hereunder shall no longer be deemed to be outstanding and all rights with respect to such shares of stock, including the right, if any, to receive notices, shall forthwith cease except, in the case of stock surrendered for conversion hereunder, rights of the holders thereof to receive Common Stock in exchange therefor. All shares of Convertible Preferred Stock obtained by the Corporation shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth herein, in the Corporation's Articles of Incorporation, or in any other certificates of designations creating a series of Preferred Stock or any similar stock or as otherwise required by law.

7. VOTING RIGHTS

7.1. The holders of the shares of Convertible Preferred Stock shall initially be entitled to cast 9.64 votes per share held on all matters submitted to a vote of the Corporation's stockholders. The number of votes entitled to be cast per share of Convertible Preferred Stock shall be adjusted in inverse proportion to any adjustment in the Conversion Prices.

7.2. Except as otherwise provided herein or by the NRS, the holders of Convertible Preferred Stock and the holders of Common Stock shall vote together as one class on all matters submitted to a vote of the Corporation's stockholders.

7.3. (a) In the event that the quarterly dividends payable on a series of the Convertible Preferred Stock as provided in Section 3 hereof are in arrears in an aggregate amount equal to at least six full quarterly dividends (which need not be consecutive and which may include any quarterly dividend periods on which dividends on the REI-Delaware Preferred Stock were in arrears if not subsequently paid), the number of directors constituting the Board of

Directors shall be increased by one for each such series so in default and the holders of each series of the Convertible Preferred Stock as to which dividends are so in default shall have, in addition to the rights set forth in Sections 7.1, 7.2 and 7.4 hereof, the special right, voting separately as a single class, to elect one director of the Corporation to fill such newly created directorship at the next succeeding annual meeting of stockholders thereafter or at a special meeting of the holders of such series of the Convertible Preferred Stock called as hereinafter provided, until such right shall terminate as hereinafter provided.

(b) At any time when the special voting rights provided in this Section 7.3 shall have so vested in the holders of a series of the Convertible Preferred Stock, the Secretary of the Corporation may, and upon the written request of the holders of 25% or more of the number of shares of such series of Convertible Preferred Stock then outstanding shall, call a special meeting of the holders of such series of the Convertible Preferred Stock for the election of the directors, to be held at the place and upon the notice provided by law and in the Corporation's Bylaws for the holding of meetings of stockholders; except that the Secretary shall not be required to call such a special meeting in the case of any such request received less than 90 days before the date fixed for the next annual or other special meeting of stockholders. No such special meeting and no adjournment thereof shall be held on a date less than thirty days before the annual meeting of the stockholders (or a special meeting held in place thereof) next succeeding the time when the holders of such series of the Convertible Preferred Stock become entitled to elect directors as provided in this Section 7.3. The Corporation shall include, in any notice of such meeting, any nominee for director who has been proposed by the holders of 25% or more of the shares of such series of Convertible Preferred Stock then outstanding. The directors so elected shall serve until the next annual meeting or until their respective successors shall be elected and qualified.

(c) At each meeting of stockholders at which the holders of a series of the Convertible Preferred Stock shall have the right to vote as a class, as provided in this Section 7.3, the presence in person or by proxy of the holders of a majority of the total number of shares of such series of the Convertible Preferred Stock then outstanding shall be necessary and sufficient to constitute a quorum of such class for such election by such stockholders as a class. At any such meeting or adjournment thereof:

(i) the absence of a quorum of the holders of a series of the Convertible Stock shall not prevent the election of directors other than those to be elected by the holders of such series of the Convertible Preferred Stock and the absence of a quorum of the holders of any other class of stock for the election of such other directors shall not prevent the election of the directors to be elected by the holders of a series of the Convertible Preferred Stock; and

(ii) in the absence of either or both such quorums, the holders of a majority of the shares present in person or by proxy of the respective class or classes which lack a quorum shall have the power to adjourn the meeting for the election of directors which they are entitled to elect from time to time for a period of up to thirty days without notice, other than announcement at the meeting, until a quorum shall be present.

(d) Each director elected by the holders of a series of the Convertible Preferred Stock as provided in this Section 7.3 shall hold office until the annual meeting of stockholders next succeeding his election or until his successor, if any, is elected by such holders and qualified.

(e) If any vacancy shall occur among the directors elected by the holders of a series of the Convertible Preferred Stock as provided in this Section 7.3, such vacancy shall be filled for the unexpired portion of the term by the vote of the stockholders of such series given at a special meeting of such stockholders called for that purpose.

(f) Whenever all dividends accrued and unpaid on a series of the Convertible Preferred Stock shall have been paid, the special right of the holders of such series of the Convertible Preferred Stock to elect directors as provided in this Section 7.3 shall terminate, but subject always to the same provisions for the vesting of such special right of the holders of such series of Convertible Preferred Stock to elect directors in the case of future unpaid dividends as hereinabove provided.

(g) Any director elected by the holders of a series of Convertible Preferred Stock may be removed by, and shall not be removed otherwise than by, the vote of the holders of a majority of the outstanding shares of such series.

(h) Upon any termination of the right of the holders of a series of the Convertible Preferred Stock to vote for directors as herein provided, the term of office of all directors then in office elected by holders of such series shall terminate immediately.

7.4. The consent of the holders of at least a majority of the outstanding shares of a series of Convertible Preferred Stock, voting separately as a single class, in person or by proxy, either in writing without a meeting or at a special or annual meeting of stockholders called for the purpose, shall be necessary to (i) create or issue any shares of a class of capital stock ranking, either as to payment of dividends or distribution of assets, on parity with or senior to such series of Convertible Preferred Stock, (ii) alter or change the preferences, rights, designations or powers of the shares of such series of Convertible Preferred Stock as a class, or the provisions of Article Fourth of the Corporation's Articles of Incorporation, in either case so as to affect such holders adversely, or (iii) increase the total number of authorized shares of Convertible Preferred Stock.

8. SINKING FUND

The Corporation shall not be required to maintain any "sinking fund" for the retirement on any basis of the Convertible Preferred Stock.

9. HOLDERS; NOTICES

The terms "holder" or "holders" wherever used herein with respect to a holder or holders of shares of Convertible Preferred Stock shall mean the holder or holders of record of such shares as set forth on the stock transfer records of the Corporation. Whenever any notice is required to be given under this Certificate of Designation, such notice may be given personally

or by mail. Any notice given to a holder of any share of Convertible Preferred Stock shall be sufficient if given to the holder of record of such share at the last address set forth for such holder on the stock transfer records of the Corporation. Any notice given by mail shall be deemed to have been given when deposited in the United States mail with postage thereon prepaid.

IN WITNESS WHEREOF, this Certificate of Designation is executed on behalf of the Corporation as of the 19th day of November, 1999.

S. Craig Tompkins, President

S. Craig Tompkins, Secretary

STATE OF CALIFORNIA
}ss
COUNTY OF LOS ANGELES

This instrument was acknowledged before me on November 19, 1999 S. Craig Tompkins as President of Reading Entertainment, Inc.

Notary Public

Exhibit 10.36

PROMISSORY NOTE

$11,000,000.00

December 20, 1999
Glendale, California

FOR VALUE RECEIVED, CITADEL REALTY, INC., a Delaware corporation (the "Borrower"), promises to pay to the order of NATIONWIDE LIFE INSURANCE COMPANY, an Ohio corporation, its successors and assigns (the "Lender"), the principal sum of Eleven Million and 00/100 Dollars ($11,000,000.00), together with interest on the principal balance of this Promissory Note (the "Note"), from time to time remaining unpaid, from the date of disbursement by Lender hereof at the applicable interest rate hereinafter set forth, together with all other sums due hereunder or under the terms of the Deed of Trust (as hereinafter defined) in lawful money of the United States of America which shall be legal tender in payment of all debts at the time of such payment. Both principal and interest and all other sums due hereunder shall be payable at the office of Lender at One Nationwide Plaza, Columbus, Ohio 432 15-2220, Attention: Real Estate Investments Department, or at such other place either within or without the State of Ohio as Lender hereof may from time to time designate. Said principal and interest shall be paid over a term, at the times, and in the manner set forth below, to wit:

PAYMENT PROVISION:

A. Interest accrued on the unpaid principal balance of this Note, from and including the date of disbursement hereof, to but not including January 1, 2000 at the rate of eight and eighteen hundredths percent (8.18%) per annum, shall be due and payable on the date hereof.

B. Thereafter, monthly installments of principal and interest on the unpaid principal balance of this Note at the rate of eight and eighteen hundredths percent (8.18%) per annum, shall be due and payable in one hundred nineteen (119) consecutive monthly installments commencing on February 1, 2000 and continuing on the first day of each calendar month thereafter, with each such installment to be in the sum of Eighty-Six Thousand Two Hundred Fifteen and 59/100 Dollars ($86,215.59).

MATURITY:

The unpaid principal balance of this Note and all accrued unpaid interest thereon, if not sooner paid, shall be due and payable in full on January 1, 2010 (the "Maturity Date").

APPLICATION OF PAYMENTS:

All payments shall be applied first to the payment of accrued unpaid interest on this Note and the balance, if any, shall be applied to the reduction of the outstanding principal balance of this Note. Interest due hereunder shall be calculated on the basis of a 360-day year composed of twelve 30-day months; provided however in no event shall such calculation cause the interest payable under the terms of this Note to exceed the maximum rate of interest permitted under applicable law.

LATE PAYMENT CHARGE:

The Lender of this Note may collect a late payment charge, prior to the acceleration of this Note, in an amount equal to five percent (5%) of the aggregate monthly installment which is not paid on the due date, for the purpose of covering the extra expenses involved in handling delinquent installments and such late charge shall accrue each month the payment is delinquent. Any payment which is postmarked by the United States Postal Service or reputable national overnight courier on or before the due date, is correctly addressed and bears adequate first-class postage shall not be considered delinquent and a late payment charge shall not be assessed. Borrower acknowledges that the late

payment charge is a fair and reasonable estimate, considering all of the circumstances existing on the date of execution of this Note, of the cost the Lender will incur by reason of such late payment.

PREPAYMENT:

A. Except as hereinafter provided, Borrower shall not have the right to prepay all or any part of the obligation evidenced by this Note at any time. Borrower shall have the right to prepay, in full but not in part, the obligation evidenced by this Note upon giving (i) not less than thirty (30) days' prior written notice to Lender of Borrower's intention to so prepay this Note, and (ii) payment to Lender of the Prepayment Premium (as hereinafter defined), if any, then due to Lender as hereinafter provided. As used herein, the term "Prepayment Premium" shall mean a sum equal to the greater of (i) one percent (1%) of the outstanding principal balance of this Note at the time of prepayment or (ii) an amount equal to the sum of (a) the present value of the scheduled monthly payments due under this Note from the date of prepayment to the Maturity Date and (b) the present value of the amount of principal and interest of this Note due on the Maturity Date (assuming all scheduled monthly payments due prior to the Maturity Date were made when due), minus (c) the outstanding principal balance of this Note as of the date of prepayment. The present values described in (a) and (b) shall be computed on a monthly basis as of the date of prepayment discounted at the yield-to-maturity rate of the U.S. Treasury Note or Bond closest in maturity to the Maturity Date of this Note as reported in the Wall Street Journal (or, if the Wall Street Journal is no longer published, as reported in such other daily financial publication of national circulation which shall be designated by Lender) on the fifth (5th) business day preceding the date of prepayment, expressed as a decimal equivalent. Borrower shall be obligated to prepay this Note on the date set forth in the notice to Lender required hereinabove, after such notice has been delivered to Lender. Notwithstanding the foregoing or any other provision herein to the contrary, if Lender elects to apply insurance proceeds, condemnation awards, or any escrowed amounts, if applicable, to the reduction of the principal balance of this Note in the manner provided in the Deed of Trust (as hereinafter defined), no Prepayment Premium shall be due or payable as a result of such application and the monthly installments due and payable hereunder shall be reduced accordingly.

B. In the event the Maturity Date of the indebtedness evidenced by this Note is accelerated by Lender hereof at any time due to a default by Borrower in the terms, covenants or

conditions contained in this Note, the Deed of Trust or any of the other Loan Documents (as hereinafter defined), then a tender of payment in an amount necessary to satisfy the entire outstanding principal balance and all accrued unpaid interest on this Note made by Borrower, or by anyone on behalf of Borrower, at any time prior to, at, or as a result of, a foreclosure sale or sale pursuant to power of sale, shall constitute a voluntary prepayment hereunder prior to the contracted Maturity Date of this Note thus requiring the payment to Lender of a Prepayment Premium equal to the applicable Prepayment Premium as set forth in paragraph (A) above; provided, however, that in the event such Prepayment Premium is construed to be interest under the laws of the State of California in any circumstance, such payment shall not be required to the extent that the amount thereof, together with other interest payable hereunder, exceeds the maximum rate of interest that may be lawfully charged under applicable law.

C. Notwithstanding anything contained herein to the contrary, during the one hundred twenty (120) day period immediately preceding the Maturity Date, the outstanding principal balance and all accrued unpaid interest on this Note may be prepaid in whole, but not in part, without incurring a Prepayment Premium.

D. Borrower hereby expressly (1) waives any right it may have under California Civil Code (S) 2954.10 to prepay this Note in whole or in part, without penalty, upon acceleration of the Maturity Date of this Note; and (2) agrees that if a prepayment of any or all of this Note is made, following any acceleration of the Maturity Date of this Note by Lender on account of any transfer or disposition prohibited or restricted herein or by the Deed of Trust, Borrower shall be obligated to pay, concurrently therewith, the applicable Prepayment Premium as set forth in Paragraph (A) above. By initialing this

provision in the space provided below, Borrower hereby declares that Lender's agreement to make the subject loan at the interest rate and for the term set forth herein constitutes adequate consideration, given individual weight by the undersigned, for this waiver and agreement.

INITIALS:_____

ADDITIONAL CONDITIONS:

This Note is secured by a Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (hereinafter referred to as the "Deed of Trust") and by an Assignment of Leases, Rents and Profits (hereinafter referred to as the "Assignment") of even date herewith encumbering certain real property located in the City of Glendale, County of Los Angeles, State of California, and other property as more particularly described in the Deed of Trust (hereinafter collectively referred to as the "Property"). The Deed of Trust and the Assignment contain terms and provisions which provide grounds for acceleration of the indebtedness evidenced by this Note together with additional remedies in the event of default hereunder or thereunder. Failure on the part of Lender hereof to exercise any right granted herein or in the Deed of Trust or the Assignment shall not constitute a waiver of such right or preclude the subsequent exercise and enforcement thereof if and to the extent such default has not been previously cured. This Note,

the Deed of Trust, the Assignment and all other documents and instruments executed as further evidence of, as additional security for, or executed in connection with the indebtedness evidenced by this Note are hereinafter collectively referred to as the "Loan Documents".

Except as herein otherwise provided, all parties to this Note, including endorsers, sureties and guarantors, hereby jointly and severally waive presentment for payment, demand, protest, notice of protest, notice of demand and of nonpayment or dishonor and of protest, notice of intent to accelerate the maturity of this Note, notice of acceleration of maturity of this Note, and any and all other notices and demands whatsoever, and agree to remain bound hereby until the principal and interest of this Note are paid in full or Borrower's obligations under the Note are otherwise satisfied, notwithstanding any extensions of time for payment which may be granted by Lender, even though the period of extension be indefinite, and notwithstanding any inaction by, or failure to assert any legal rights available to Lender of this Note.

If the obligations evidenced by this Note, or any part thereof, are placed in the hands of an attorney for collection, whether by suit or otherwise, at any time, or from time to time, Borrower shall be liable to Lender, in each instance, for all costs and expenses incurred in connection therewith, including, without limitation, Reasonable Attorneys' Fees (as hereinafter defined).

DEFAULT:

If default shall be made in the payment of principal and/or interest as stipulated above or in the payment of any other sums due hereunder or under any of the other Loan Documents, or should any default be made in the performance of any of the terms, covenants and conditions contained herein or in any of the other Loan Documents, then in any or all of such events, at the option of Lender, the entire unpaid principal balance of this Note, together with all accrued and unpaid interest thereon and all other sums advanced by Lender on behalf of Borrower shall become and be immediately due and payable then or thereafter as Lender may elect, regardless of the Maturity Date hereof. All such amounts shall bear interest after acceleration at the lesser of either (i) the highest rate of interest then allowed by the laws of the State of California or, if controlling, the laws of the United States applicable to Lender or this Note, or (ii) the then applicable interest rate of this Note plus five hundred (500) basis points.

During the existence of any default, Lender may apply any sums received, including but not limited to, insurance proceeds or condemnation awards, to any amount then due and owing hereunder or under the terms of any of the other Loan Documents as Lender may determine. Neither the right nor the exercise of the

right herein granted unto Lender to apply such proceeds as aforesaid shall preclude Lender from exercising its option to cause the entire indebtedness evidenced by this Note to become immediately due and payable by reason of Borrower's default under the terms of this Note or any of the other Loan Documents.

Notwithstanding any provisions herein to the contrary, Lender's right, power and privilege to accelerate the maturity of the indebtedness evidenced hereby shall be conditioned

upon, with respect to any Non-Monetary Default (as hereinafter defined), Lender giving Borrower written notice of such Non-Monetary Default and a thirty (30) day period after the date of such notice within which to cure such Non-Monetary Default unless such Non-Monetary Default cannot reasonably be cured within said thirty (30) day period, in which event Borrower shall have a reasonable period of time to complete cure, provided that action to cure such Non-Monetary Default is commenced within said thirty (30) day period and Borrower is, in Lender's sole judgment, not diminishing or impairing the value of the Property, and is diligently pursuing a cure to completion. Any notice required hereunder shall be given as provided in the Deed of Trust. Lender shall have no obligation to give Borrower notice of, or any period to cure any Monetary Default (as hereinafter defined) or any Incurable Default (as hereinafter defined) prior to exercising its right, power and privilege to accelerate the maturity of the indebtedness evidenced hereby and to declare the same to be immediately due and payable and exercise all other rights and remedies herein granted or otherwise available to Lender at law or in equity. As used herein, the term "Monetary Default" shall mean any default which can be cured by the payment of money including, but not limited to, the payment of principal and/or interest due under this Note and the payment of taxes, assessments and insurance premiums when due as provided in the Deed of Trust. As used herein, the term "Non-Monetary Default" shall mean any default which is not a Monetary Default or an Incurable Default. As used herein, the term "Incurable Default" shall mean (i) any voluntary or involuntary sale, assignment, mortgaging or transfer in violation of the covenants of the Deed of Trust; or (ii) if Borrower, or any person or entity comprising Borrower, should make an assignment for the benefit of creditors, become insolvent, or file a petition in bankruptcy (including but not limited to, a petition seeking a rearrangement or reorganization).

Notwithstanding any provision of this Note to the contrary, during any period of default and regardless of any cure period applicable to such default, in each instance under this Note, the Deed of Trust, or any of the other Loan Documents in which either (i) Borrower is permitted to take an action without Lender's prior written consent or (ii) Lender's consent is to be exercised reasonably, Lender's consent shall be required and shall be granted or withheld in Lender's sole and absolute discretion.

Notwithstanding any general provision of this Note or the other Loan Documents to the contrary, whenever, under this Note or the other Loan Documents, Lender is granted the right to take any action, or to refuse to take any action upon the default of the Borrower, or failure of Borrower to perform its obligations under the Loan Documents, then unless expressly provided to the contrary, Lender shall not exercise such right until the expiration of applicable cure periods expressly provided for in the Loan Documents.

SAVINGS CLAUSE: SEVERABILITY:

Notwithstanding any provisions herein or in the Deed of Trust to the contrary, the total liability for payments in the nature of interest, including, but not limited to, Prepayment Premiums, default interest and late fees, shall not exceed the limits imposed by the laws of the

State of California or the United States of America relating to maximum allowable charges of interest applicable to Lender or this Note. Lender shall not be entitled to receive, collect or apply, as interest on the indebtedness evidenced hereby, any amount in excess of the maximum lawful rate of interest permitted to be charged by applicable law or regulations, as amended or enacted from time to time. In the event Lender ever receives, collects or applies, as

interest, any such excess, such amount which would be excessive interest shall be applied to reduce the unpaid principal balance of the indebtedness evidenced by this Note. If the unpaid principal balance of such indebtedness is paid in full, any remaining excess shall be forthwith paid to Borrower. If any clauses or provisions herein contained operate or would prospectively operate to invalidate this Note, then such clauses or provisions only shall be held for naught, as though not herein contained and the remainder of this Note shall remain operative and in full force and effect.

EXCULPATION:

Except as hereinafter provided, the liability of Borrower with respect to the payment of principal and interest hereunder shall be "nonrecourse" and, accordingly, Lender's source of satisfaction of said indebtedness and Borrower's other obligations hereunder and under the other Loan Documents shall be limited to the Property and Lender's receipt of the rents, issues, and profits from the Property and any other security or collateral now or hereafter held by Lender, and Lender shall not seek to procure payment out of any other assets of Borrower, or any person or entity comprising Borrower, or Borrower's employees, principals or officers, nor to seek judgment (except as hereinafter provided) for any sums which are or may be payable under this Note or under any of the other Loan Documents nor any claim or judgment (except as hereafter provided) for any deficiency remaining after foreclosure of the Deed of Trust. Notwithstanding the foregoing, nothing herein contained shall be deemed to be a release or impairment of the indebtedness evidenced by this Note or the security therefor intended by the other Loan Documents or be deemed to preclude Lender from exercising its rights to foreclose the Deed of Trust or to enforce any of its other rights or remedies under the Loan Documents.

Notwithstanding the foregoing, it is expressly understood and agreed that the aforesaid limitation on liability shall in no way affect or apply to Borrower's continued personal liability for all sums due to:

(1) fraud or material misrepresentation made in or in connection with this Note or any of the other Loan Documents;

(2) failure to pay taxes and assessments prior to delinquency, or to pay charges for labor, materials or other charges which may create liens on any portion of the Property;

(3) the misapplication of (i) proceeds of insurance covering any portion of the Property; or (ii) proceeds of the sale or condemnation of any portion of the Property; or (iii) rentals received by or on behalf of Borrower subsequent to the date on which Lender makes written demand therefor pursuant to any of the Loan Documents;

(4) causing or permitting waste to occur in, on, or about the Property, excepting ordinary wear and tear;

(5) the failure to deliver to Lender all unearned advance rentals and security deposits that have been paid by tenants of the Property to the extent that such fees have not been refunded to or forfeited by such tenants;

(6) the failure to deliver to Lender all fees paid to Borrower by any tenant of the Property which fees permit the tenant to terminate its lease;

(7) loss by fire or any other casualty to the extent not compensated by insurance proceeds collected by Lender, as a result of Borrower's failure to comply with the insurance provisions of the Deed of Trust;

(8) the return of, or reimbursement for, all Fixtures and Personal Property (as defined in the Deed of Trust) owned by Borrower, taken from the Property by or on behalf of Borrower, out of the ordinary course of business, and not replaced by items of equal or greater value than the original value of the Fixtures and Personal Property so removed;

(9) all court costs and Reasonable Attorney's Fees (as hereinafter defined) actually incurred which are provided for in this Note or in any of the other Loan Documents;

(10) (i) the removal of any chemical, material or substance in excess of

legal limits, to which exposure is prohibited, limited or regulated by any federal, state, county, regional or local authority which may or could pose a hazard to the health and safety of the occupants of the Property, regardless of the source of origination; (ii) the restoration of the Property to comply with all applicable governmental regulations pertaining to hazardous waste found in, on or under the Property in violation of Hazardous Waste Laws (as defined in the Deed of Trust), regardless of the source of origination; and (iii) any indemnity or other agreement to hold Lender harmless from and against any and all losses, liabilities, damages, injuries, costs and expenses of any and every kind arising as a result of the existence and/or removal of applicable Hazardous Materials (as defined in the Deed of Trust) and from the violation of Hazardous Waste Laws. Borrower shall not be liable hereunder if the Property becomes contaminated subsequent to Lender's acquisition of the Property by foreclosure or acceptance of a deed in lieu thereof or subsequent to any transfer of ownership of the Property which was approved or authorized by Lender pursuant to the Deed of Trust, provided that such transferee assumes in writing all obligations of Borrower under the Loan Documents pertaining to Hazardous Materials. Liability under this subparagraph (10) shall extend beyond repayment of this Note and compliance with the terms of the Deed of Trust unless Borrower at such time provides Lender with an environmental assessment report acceptable to Lender, in its sole discretion, showing the Property to be free of Hazardous Materials in violation of Hazardous Waste Laws. The burden of proof under this subparagraph with regard to establishing the date upon which such Hazardous Materials were placed or appeared in, on or under the Property shall be upon Borrower;

(11) (i) any and all costs incurred in order to cause the Property to comply with the Accessibility Laws (as defined in the Deed of Trust) and (ii) any indenmity or other agreement to hold Lender harmless from and against any and all losses, liabilities, damages, injuries, costs or expenses of any kind arising as a result of non-compliance with any Accessibility Laws. Borrower shall not be liable hereunder for compliance with any Accessibility Laws that first become effective, or for any violation of any Accessibility Laws resulting from alterations or improvements to the Property that are performed subsequent to Lender's acquisition of the Property by foreclosure or acceptance of a deed in lieu thereof or subsequent to any transfer of ownership of the Property which was approved or authorized by Lender pursuant to the Deed of Trust, provided that such transferee assumes in writing all obligations pertaining to Accessibility Laws pursuant to the Loan Documents; and

(12) amounts under any letter of credit and any renewals and/or replacements thereof supplied by Borrower to Lender in connection with this Note or the loan evidenced and secured by the Loan Documents in the event that the bank issuing such letter of credit becomes insolvent, files or has filed against it any bankruptcy or similar proceeding or is closed (either temporarily or permanently), or placed in receivership, conservatorship or liquidation by the Federal Deposit Insurance Corporation, Resolution Trust Corporation or any other local, state or federal government agency or otherwise fails or refuses to honor such letter of credit.

The obligations of Borrower in subparagraphs (1) through (12) above, except as specifically provided in subparagraphs (10) and (11), shall survive the repayment of this Note, and satisfaction of the Deed of Trust.

FULL RECOURSE

Notwithstanding any provisions in this Note to the contrary including, without limitation, the provisions set forth in the section captioned "Exculpation" hereinabove, Borrower shall be liable for the entire indebtedness evidenced by this Note (including all principal, interest and other charges) in the event Borrower (i) violates the covenant governing the placing of subordinate financing on the Property as set forth in Paragraph 31 of the Deed of Trust, or (ii) violates the covenant restricting transfers of interest in the Property or transfers of ownership interests in Borrower as set forth in Paragraph 30 of the Deed of Trust.

As used herein, the phrase "Reasonable Attorneys' Fees" shall mean fees charged by attorneys selected by Lender based upon such attorneys' then prevailing hourly rates consistent with prevailing rates for attorneys with similar skills and experience in the area where the attorney is practicing as opposed to any statutory presumption specified by any statute then in effect in

the State of California.

In the performance of Borrower's obligations under this Note, time is of the essence.

The provisions of this Note shall be governed by the laws of the State of California and the United States and shall be binding upon Borrower, its successors and assigns, and shall inure

to the benefit of Lender, its successors and assigns.

IN WITNESS WHEREOF, Borrower has executed this Note as of the day and year first above written.

CITADEL REALTY, INC.,
a Delaware corporation

By: _____
Name:
Its:

Taxpayer Identification No.: 95-4473880

PERSONAL AND CONFIDENTIAL

EXHIBIT 10.37

October 28, 1999

Mr. James J. Cotter
Chairman & CEO
Craig Corporation

This memo will set out the details of the job offer discussed between us in our meetings of October 21 and October 27, 1999.

Position Description:	CFO Craig Corporation CFO Citadel Holding Corporation CAO Reading Entertainment, Inc.
Reporting To:	James J. Cotter, Chairman & CEO
Main Responsibilities:	All financial and administrative functions for the above mentioned three (3) Companies with reporting lines from all finance/accounting Managers in the various subsidiaries.
Salary:	Base salary $180,000/annum
Bonus:	Unconditional - 12,0000/annum Conditional - 25% of base salary. In the first year, conditional bonus will be conditioned on the successful transfer of the finance group from Philadelphia to California. Signing Bonus - $40,0000 payable on starting date.
Interest Free Loan:	$33,000 payable on starting date. This amount will be repaid on the date of my leaving Craig Corporation employment, at which time a $50,000 leaving bonus will be paid to offset the loan.

Leaving Bonus:	In the event of termination of employment for other than unlawful causes, a 6-month base salary will be paid.
Stock Options:	30,000 stock options from Craig Corporation. 30,000 stock options from Citadel Holding Corporation. The above stock options will be deeded to me on the starting date. These 60,000 stock options will vest in the following manner: - 30,000 shares at the end of 12 months from start of employment. - 10,000 shares at the end of 24 months from start of employment. - 10,000 shares at the end of 36 months from start of employment. - 10,000 shares at the end of 48 months from start of employment.
Company Car:	A company car will be available for this position valued

at $1000/month for the total package.

401K Contribution: The Company will contribute a matching amount of 3% of total pay (salary & unconditional and conditional bonus) into the 401K Plan.

Vacation: Official vacation of 2 weeks/annum.
3 weeks after 5 years, however, flexibility will be available at the discretion of the Chairman/CEO.

Medical: Benefits to be the same as currently being enjoyed under the Beckman Coulter, Inc. Plan for medical, dental and vision and will be reimbursed by the Company.

Incidentals: Parking fees will be paid by the Company.
Cellular phone and internet connection at home will be paid by the Company.
Normal business expenses will be reimbursed.

Starting date: ASAP

Based on the above, if this is acceptable to you, can you please sign and refax back to me at (714) 508-5726.

ACCEPTED: _____
James J. Cotter
Chairman and CEO

Best regards,

Andrzej Matyczynski

Exhibit 10.38

1999 STOCK OPTION PLAN
OF
CITADEL HOLDING CORPORATION

1. PURPOSES OF THE PLAN

The purposes of the 1999 Stock Option Plan ("Plan") of Citadel Holding Corporation, a Delaware corporation (the "Company"), are to:

(a) Encourage selected employees, directors and consultants to improve operations and increase profits of the Company;

(b) Encourage selected employees, directors and consultants to accept or continue employment or association with the Company or its Affiliates; and

(c) Increase the interest of selected employees, directors and consultants in the Company's welfare through participation in the growth in value of the common stock of the Company (the "Common Stock").

Options granted under this Plan ("Options") may be "incentive stock options" ("ISOs") intended to satisfy the requirements of Section 422 of the Internal Revenue Code of 1986, as amended, and the regulations thereunder (the "Code"), or "nonqualified options" ("NQOs").

2. ELIGIBLE PERSONS

Every person who at the date of grant of an Option is an employee of the Company or of any Affiliate (as defined below) of the Company is eligible to receive NQOs or ISOs under this Plan. Every person who at the date of grant is a consultant to, or non-employee director of, the Company or any Affiliate (as defined below) of the Company is eligible to receive NQOs under this Plan. The term "Affiliate" as used in this Plan means a parent or subsidiary corporation as defined in the applicable provisions (currently Sections 424(e) and (f), respectively) of the Code. The term "employee" includes an officer or director who is an employee of the Company. The term "consultant" includes persons employed by, or otherwise affiliated with, a consultant.

3. STOCK SUBJECT TO THIS PLAN; MAXIMUM NUMBER OF GRANTS

Subject to the provisions of Section 6.1.1 of this Plan, the total number of shares of stock which may be issued under Options granted pursuant to this Plan shall not exceed 666,000 shares of Common Stock. The shares covered by the portion of any grant under this Plan which expires, terminates or is cancelled unexercised shall become available again for grants under this Plan. Where the exercise price of an Option is paid by means of the optionee's surrender of previously owned shares of Common Stock or the Company's withholding of shares otherwise issuable upon exercise of the Option as permitted herein, only the net number of shares issued and which remain outstanding in connection with such exercise shall be deemed "issued" and no longer available for issuance under this Plan. No eligible person shall be granted Options during any twelve-month period covering more than 100,000 shares.

4. ADMINISTRATION

(a) This Plan shall be administered by the Board of Directors of the Company (the "Board") or by a committee (the "Committee") to which administration of this Plan, or of part of this Plan, is delegated by the Board (in either case, the "Administrator"). The Board shall appoint and remove members of the Committee in its discretion in accordance with applicable laws. If necessary in order to comply with Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 162(m) of the Code,

the Committee shall, in the Board's discretion, be comprised solely of "non-employee directors" within the meaning of said Rule 16b-3 and "outside directors" within the meaning of Section 162(m) of the Code. The foregoing notwithstanding, the Administrator may delegate nondiscretionary administrative duties to such employees of the Company as it deems proper and the Board, in its absolute discretion, may at any time and from time to time exercise any and all rights and duties of the Administrator under this Plan.

(b) Subject to the other provisions of this Plan, the Administrator shall have the authority, in its discretion: (i) to grant Options; (ii) to determine the fair market value of the Common Stock subject to Options; (iii) to determine the exercise price of Options granted; (iv) to determine the persons to whom, and the time or times at which, Options shall be granted, and the number of shares subject to each Option; (v) to construe and interpret the terms and provisions of this Plan and of any option agreement and all Options granted under this Plan; (vi) to prescribe, amend, and rescind rules and regulations relating to this Plan; (vii) to determine the terms and provisions of each Option granted (which need not be identical), including but not limited to, the time or times at which Options shall be exercisable; (viii) with the consent of the optionee, to modify or amend any Option; (ix) to reduce the exercise price of any Option; (x) to accelerate or defer (with the consent of the optionee) the exercise date of any Option; (xi) to authorize any person to execute on behalf of the Company any instrument evidencing the grant of an Option; and (xii) to

make all other determinations deemed necessary or advisable for the administration of this Plan or any option agreement or Option. The Administrator may delegate nondiscretionary administrative duties to such employees of the Company as it deems proper.

(c) All questions of interpretation, implementation, and application of this Plan or any option agreement or Option shall be determined by the Administrator, which determination shall be final and binding on all persons.

5. GRANTING OF OPTIONS; OPTION AGREEMENT

(a) No Options shall be granted under this Plan after 10 years from the date of adoption of this Plan by the Board.

(b) Each Option shall be evidenced by a written stock option agreement, in form satisfactory to the Administrator, executed by the Company and the person to whom such Option is granted. In the event of a conflict between the terms or conditions of an option agreement and the terms and conditions of this Plan, the terms and conditions of this Plan shall govern.

(c) The stock option agreement shall specify whether each Option it evidences is an NQO or an ISO, provided, however, all Options granted under this Plan to non-employee directors and consultants of the Company are intended to be NQOs.

(d) Subject to Section 6.3.3 with respect to ISOs, the Administrator may approve the grant of Options under this Plan to persons who are expected to become employees, directors or consultants of the Company, but are not employees, directors or consultants at the date of approval, and the date of approval shall be deemed to be the date of grant unless otherwise specified by the Administrator.

6. TERMS AND CONDITIONS OF OPTIONS

Each Option granted under this Plan shall be subject to the terms and conditions set forth in Section 6.1. NQOs shall be also subject to the terms and conditions set forth in Section 6.2, but not those set forth in Section 6.3. ISOs shall also be subject to the terms and conditions set forth in Section 6.3, but not those set forth in Section 6.2.

6.1 Terms and Conditions to Which All Options Are Subject. All Options

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granted under this Plan shall be subject to the following terms and conditions:

6.1.1 Changes in Capital Structure. Subject to Section 6.1.2, if
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the stock of the Company is changed by reason of a stock split, reverse stock split, stock dividend, recapitalization, combination or reclassification, or if the Company effects a spin-off of the Company's subsidiary, appropriate adjustments shall be made by the Board, in its sole discretion, in (a) the number and class of shares of stock subject to this Plan and each Option outstanding under this Plan, and (b) the exercise price of each outstanding Option; provided, however, that the Company shall not be required to issue fractional shares as a result of any such adjustments.

6.1.2 Corporate Transactions. In the event of a Corporate

Transaction (as defined below), the Administrator shall notify each optionee at least 30 days prior thereto or as soon as may be practicable. To the extent not previously exercised, all Options shall terminate immediately prior to the consummation of such Corporate Transaction unless the Administrator determines otherwise in its sole discretion; provided, however, that the Administrator, in its sole discretion, may permit exercise of any Options prior to their termination, even if such Options would not otherwise have been exercisable. The Administrator may, in its sole discretion, provide that all outstanding Options shall be assumed or an equivalent option substituted by an applicable successor corporation or any Affiliate of the successor corporation in the event of a Corporate Transaction. A "Corporate Transaction" means a liquidation or dissolution of the Company, a merger or consolidation of the Company with or into another corporation or entity, a sale of all or substantially all of the assets of the Company, or a purchase of more than 50 percent of the outstanding capital stock of the Company in a single transaction or a series of related transactions by one person or more than one person acting in concert.

6.1.3 Time of Option Exercise. Subject to Section 5 and Section 6.3.4, an
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Option granted under this Plan shall be exercisable (a) immediately as of the effective date of the stock option agreement granting the Option, or (b) in accordance with a schedule or performance criteria as may be set by the Administrator and specified in the written stock option agreement relating to such Option. In any case, no Option shall be exercisable until a written stock option agreement in form satisfactory to the Company is executed by the Company and the optionee.

6.1.4 Option Grant Date. The date of grant of an Option under this
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Plan shall be the effective date of the stock option agreement granting the Option.

6.1.5 Nontransferability of Option Rights. Except with the express
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written approval of the Administrator which approval the Administrator is authorized to give only with respect to NQOs, no Option granted under this Plan shall be assignable or otherwise transferable by the optionee except by will or by the laws of descent and distribution. During the life of the optionee, an Option shall be exercisable only by the optionee.

6.1.6 Payment. Except as provided below, payment in full, in cash,
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shall be made for all stock purchased at the time written notice of exercise of an Option is given to the Company, and proceeds of any payment shall constitute general funds of the Company. The Administrator, in the exercise of its absolute discretion after considering any tax, accounting and financial consequences, may authorize any one or more of the following additional methods of payment:

(a) Acceptance of the optionee's full recourse promissory note for all or part of the Option price, payable on such terms and bearing such interest rate as determined by the Administrator (but in no event less than the minimum interest rate specified under the Code at which no additional interest or original issue discount would be imputed), which promissory note may be either secured or unsecured in such manner as the Administrator shall approve (including, without limitation, by a security interest in the shares of the Company);

(b) Subject to the discretion of the Administrator and the terms of the stock option agreement granting the Option, delivery by the optionee of shares of Common Stock already owned by the optionee for all or part of the Option price, provided the fair market value (determined as set forth in Section 6.1.9) of such shares of Common Stock is equal on the date of exercise to the Option price, or such portion thereof as the optionee is authorized to pay by delivery of such stock;

(c) Subject to the discretion of the Administrator, through the surrender of shares of Common Stock then issuable upon exercise of the Option, provided the fair market value (determined as set forth in Section 6.1.9) of such shares of Common Stock is equal on the date of exercise to the Option price, or such portion thereof as the optionee is authorized to pay by surrender of such stock; and

(d) By means of so-called cashless exercises as permitted under applicable rules and regulations of the Securities and Exchange Commission and the Federal Reserve Board.

6.1.7 Withholding and Employment Taxes. In the case of an employee exercising an NQO, at the time of exercise and as a condition thereto, or at such other time as the amount of such obligation becomes determinable, the optionee

shall remit to the Company in cash all applicable federal and state withholding and employment taxes. Such obligation to remit may be satisfied, if authorized by the Administrator in its sole discretion, after considering any tax, accounting and financial consequences, by the optionee's (i) delivery of a promissory note in the required amount on such terms as the Administrator deems appropriate, (ii) tendering to the Company previously owned shares of Common Stock or other securities of the Company with a fair market value equal to the required amount, or (iii) agreeing to have shares of Common Stock (with a fair market value equal to the required amount) which are acquired upon exercise of the Option withheld by the Company.

6.1.8 Other Provisions. Each Option granted under this Plan may contain such other terms, provisions, and conditions not inconsistent with this Plan as may be determined by the Administrator, and each ISO granted under this Plan shall include such provisions and conditions as are necessary to qualify the Option as an "incentive stock option" within the meaning of Section 422 of the Code.

6.1.9 Determination of Value. For purposes of this Plan, the fair market value of Common Stock or other securities of the Company shall be determined as follows:

(a) If the stock of the Company is listed on a securities exchange or is regularly quoted by a recognized securities dealer, and selling prices are reported, its fair market value shall be either, as determined by the Administrator, (i) the closing price of such stock on the date the value is to be determined, or (ii) the average closing price of such stock over such number of trading days (not to exceed ten (10) trading days) immediately preceding the date the value is to be determined, as determined by the Administrator, but if selling prices are not reported, its fair market value shall be the mean between the high bid and low asked prices for such stock on the date the value is to be determined (or if there are no quoted prices for the date of grant, then for the last preceding business day on which there were quoted prices).

(b) In the absence of an established market for the stock, the fair market value thereof shall be determined in good faith by the Administrator, with reference to the Company's net worth, prospective earning power, dividend-paying capacity, and other relevant factors, including the goodwill of the Company, the economic outlook in the Company's industry, the Company's position in the industry, the Company's management, and the values of stock of other corporations in the same or a similar line of business.

6.1.10 Option Term. Subject to Section 6.3.4, no Option shall be

exercisable more than 10 years after the date of grant, or such lesser period of time as is set forth in the stock option agreement (the end of the maximum exercise period stated in the stock option agreement is referred to in this Plan as the "Expiration Date").

6.2 Terms and Conditions to Which Only NQOs Are Subject. Options granted under this Plan which are designated as NQOs shall be subject to the following terms and conditions:

6.2.1 Exercise Price. (a) The exercise price of an NQO shall be the amount determined by the Administrator as specified in the option agreement.

(a) To the extent required by applicable laws, rules and regulations, the exercise price of an NQO granted to any person who owns, directly or by attribution under the Code (currently Section 424(d)), stock possessing more than ten percent of the total combined voting power of all classes of stock of the Company or of any Affiliate (a "Ten Percent Stockholder") shall in no event be less than 110% of the fair market value (determined in accordance with Section 6.1.9) of the stock covered by the Option at the time the Option is granted.

6.2.2 Termination of Employment. Except as otherwise provided in the stock option agreement, if for any reason an optionee ceases to be employed by the Company or any of its Affiliates, Options that are NQOs held at the date of termination (to the extent then exercisable) may be exercised in whole or in part at any time within 90 days of the date of such termination or such longer period as the Administrator may approve (but in no event after the Expiration Date). For purposes of this Section 6.2.2, "employment" includes service as a director or as a consultant. For purposes of this Section 6.2.2, an optionee's employment shall not be deemed to terminate by reason of sick leave, military leave or other leave of absence approved by the Administrator, if the period of any such leave does not exceed 90 days or, if longer, if the optionee's right to reemployment by the Company or any Affiliate is guaranteed either contractually or by statute.

6.3 Terms and Conditions to Which Only ISOs Are Subject. Options granted under this Plan which are designated as ISOs shall be subject to the following terms and conditions:

6.3.1 Exercise Price. (a) The exercise price of an ISO shall be not less than the fair market value (determined in accordance with Section 6.1.9) of the stock covered by the Option at the time the Option is granted.

(a) The exercise price of an ISO granted to any Ten Percent Stockholder shall in no event be less than 110% of the fair market value (determined in accordance with Section 6.1.9) of the stock covered by the Option at the time the Option is granted.

6.3.2 Disqualifying Dispositions. If stock acquired by exercise of an ISO granted pursuant to this Plan is disposed of in a "disqualifying disposition" within the meaning of Section 422 of the Code (a disposition within two years from the date of grant of the Option or within one year after the transfer of such stock on exercise of the

Option), the holder of the stock immediately before the disposition shall promptly notify the Company in writing of the date and terms of the disposition and shall provide such other information regarding the Option as the Company may reasonably require.

6.3.3 Grant Date. If an ISO is granted in anticipation of employment as provided in Section 5(d), the Option shall be deemed granted, without further approval, on the date the grantee assumes the employment

relationship forming the basis for such grant, and, in addition, satisfies all requirements of this Plan for Options granted on that date.

6.3.4 Term. Notwithstanding Section 6.1.10, no ISO granted to any Ten Percent Stockholder shall be exercisable more than five years after the date of grant.

6.3.5 Termination of Employment. Except as otherwise provided in the stock option agreement, if for any reason an optionee ceases to be employed by the Company or any of its Affiliates, Options that are ISOs held at the date of termination (to the extent then exercisable) may be exercised in whole or in part at any time within 90 days of the date of such termination or such longer period as the Administrator may approve (but in no event after the Expiration Date). For purposes of this Section 6.3.5, an optionee's employment shall not be deemed to terminate by reason of sick leave, military leave or other leave of absence approved by the Administrator, if the period of any such leave does not exceed 90 days or, if longer, if the optionee's right to reemployment by the Company or any Affiliate is guaranteed either contractually or by statute.

7. MANNER OF EXERCISE

(a) An optionee wishing to exercise an Option shall give written notice to the Company at its principal executive office, to the attention of the officer of the Company designated by the Administrator, accompanied by payment of the exercise price and withholding taxes as provided in Sections 6.1.6 and 6.1.7. The date the Company receives written notice of an exercise hereunder accompanied by payment of the exercise price will be considered as the date such Option was exercised.

(b) Promptly after receipt of written notice of exercise of an Option and the payments called for by Section 7(a), the Company shall, without stock issue or transfer taxes to the optionee or other person entitled to exercise the Option, deliver to the optionee or such other person a certificate or certificates for the requisite number of shares of stock. An optionee or permitted transferee of the Option shall not have any privileges as a stockholder with respect to any shares of stock covered by the Option until the date of issuance (as evidenced by the appropriate entry on the books of the Company or a duly authorized transfer agent) of such shares.

8. EMPLOYMENT OR CONSULTING RELATIONSHIP

Nothing in this Plan or any Option granted hereunder shall interfere with or limit in any way the right of the Company or of any of its Affiliates to terminate any optionee's employment or consulting at any time, nor confer upon any optionee any right to continue in the employ of, or consult with, the Company or any of its Affiliates.

9. CONDITIONS UPON ISSUANCE OF SHARES

Shares of Common Stock shall not be issued pursuant to the exercise of an Option unless the exercise of such Option and the issuance and delivery of such shares pursuant thereto shall comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended (the "Securities Act").

10. NONEXCLUSIVITY OF THIS PLAN

The adoption of this Plan shall not be construed as creating any limitations on the power of the Company to adopt such other incentive arrangements as it may deem desirable, including, without limitation, the granting of stock options other than under this Plan.

11. MARKET STANDOFF

Each optionee, if so requested by the Company or any representative of the

underwriters in connection with any registration of the offering of any securities of the Company under the Securities Act, shall not sell or otherwise transfer any shares of Common Stock acquired upon exercise of Options during the 180-day period following the effective date of a registration statement of the Company filed under the Securities Act; provided, however, that such restriction shall apply only to the first registration statement of the Company to become effective under the Securities Act after the date of adoption of this Plan which includes securities to be sold on behalf of the Company to the public in an underwritten public offering under the Securities Act. The Company may impose stop-transfer instructions with respect to securities subject to the foregoing restriction until the end of such 180-day period.

12. AMENDMENTS TO PLAN

The Board may at any time amend, alter, suspend or discontinue this Plan. Without the consent of an optionee, no amendment, alteration, suspension or discontinuance may adversely affect outstanding Options except to conform this Plan and ISOs granted under this Plan to the requirements of federal or other tax laws relating to incentive stock options. No amendment, alteration, suspension or discontinuance shall require stockholder approval unless (a) stockholder approval is required to preserve incentive stock option treatment for federal income tax purposes or (b) the Board otherwise concludes that stockholder approval is advisable.

13. EFFECTIVE DATE OF PLAN; TERMINATION

This Plan shall become effective upon adoption by the Board provided, however, that no Option shall be exercisable unless and until written consent of the stockholders of the Company, or approval of stockholders of the Company voting at a validly called stockholders' meeting, is obtained within twelve months after adoption by the Board. If any Options are so granted and stockholder approval shall not have been obtained within twelve months of the date of adoption of this Plan by the Board, such Options shall terminate retroactively as of the date they were granted. Options may be granted and exercised under this Plan only after there has been compliance with all applicable federal and state securities laws. This Plan (but not Options previously granted under this Plan) shall terminate within ten years from the date of its adoption by the Board.

1999 StockOption Plan12-17-99

EXHIBIT 21

LIST OF SUBSIDIARIES

Citadel Realty Inc.	100% owned
Citadel Distribution, Inc.	100% owned
Citadel Acquisition Corp., Inc.	100% owned
Big 4 Farming LLC	80% owned
Citadel Agriculture, Inc.	100% owned

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement No. 333-36277 of Citadel Holding Corporation on Form S-8 of our report dated March 27, 2000, appearing in this Annual Report on Form 10-K of Cital Holding Corporation for the year ended December 31, 1999.

Deloitte & Touche LLP

Los Angeles, California
March 27, 2000

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