SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No. 1)

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Section 240.14a-12

Citadel Holding Corporation
(Name of Registrant as Specified In Its Charter)

Dillon Investors, L.P.
(Name of Person(s) Filing Proxy Statement)

Payment of Filing Fee (Check the appropriate box):
[ ] $125 per Exchange Act Rules 0-11(c)(1)(ii), 14a-6(i)(1), or 14a-6(j)(2).
[ ] $500 per each party to the controversy pursuant to Exchange Act
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1) Title of each class of securities to which transaction applies:

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2) Aggregate number of securities to which transaction applies:

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3) Per unit price or other underlying value of transaction computed
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DILLON INVESTORS, L.P.

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CONSENT SOLICITATION STATEMENT

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Solicitation of Consents to Remove and Replace Directors,

and Amend By-Laws, of
CITADEL HOLDING CORPORATION

To the Stockholders of Citadel Holding Corporation:

INTRODUCTION

This Consent Solicitation Statement is being furnished to the holders of common stock, par value $.01 per share (the "Shares"), of Citadel Holding Corporation, a Delaware corporation (the "Company"), by Dillon Investors, L.P., a Delaware limited partnership ("Dillon"), in connection with the solicitation by Dillon of written consents (the "Consent Solicitation") to its proposals (the "Dillon Resolutions") to (i) remove all the incumbent directors of the Company, (ii) elect to the Board of Directors of the Company (the "Board") the nominees of Dillon named herein (the "Dillon Nominees") and (iii) amend the Company's By-Laws in the manner provided herein to restrict the indemnification of (or the advancement of expenses to) its officers, directors, employees and agents, all without a stockholders' meeting, as permitted by Delaware law. Such proposed corporate actions may be adopted by the consent of the holders of a majority of the Shares outstanding on the Consent Record Date (which, pursuant to Delaware law, has been established as November 7, 1994 and is hereinafter defined under "CONSENT PROCEDURE").

According to the preliminary copies of the Notice of Annual Meeting of Stockholders and Proxy Statement (the "Company Preliminary Proxy Statement") filed by the Company with the Securities and Exchange Commission (the "Commission") on [^] November 23, 1994, the Company's Annual Meeting of Stockholders (the "Annual Meeting") is scheduled to be held on December 12, 1994 at such time and place as specified in the Company's Notice of Annual Meeting of Stockholders and Proxy Statement. Dillon urges you to ignore the request of the Company's management for your proxy in connection with the Annual Meeting. [^] If proxies and votes present at the Annual Meeting or any adjournment thereof are not sufficient in number to establish a quorum equal to a majority of the outstanding stock entitled to vote at such meeting, no action could be taken by the stockholders present, in person or by proxy, constituting less than a quorum other than to adjourn the Annual Meeting from time to time until a quorum is obtained. Dillon urges you to mark, sign, date and return the enclosed GOLD consent card.

This Consent Solicitation Statement and the enclosed GOLD consent card are first being furnished on or about November __, 1994 to the holders of record of outstanding Shares on the Consent Record Date.

Because a consent to corporate action is effective only if expressed by holders of record of a majority of the total number of Shares outstanding, the failure to execute a GOLD consent card has the same effect as withholding consent for the Dillon Resolutions discussed herein and may result in the continuation of the existing Board and the operation of the Company in a way which, Dillon believes, is contrary to maximizing stockholder value.

Roderick H. Dillon, Jr. [^], together with Dillon, Roderick H. Dillon, Jr. - IRA and Roderick H. Dillon, Jr. Foundation (collectively, the "Dillon Entities"), have already consented to adoption of the Dillon Resolutions with respect to all 659,000 Shares which they beneficially own. [^] Based on [^] 6,669,924 Shares reported as outstanding as of November [^] 7, 1994 in the certified stockholder list dated November 7, 1994 delivered to Dillon's representative by the Company pursuant to Roderick H. Dillon, Jr.'s demand under Delaware law, the Dillon Entities held approximately 9.88% of the outstanding Shares as of the Consent Record Date. On November 10, 1994, the Company issued to its controlling stockholder, Craig Corporation ("Craig"), 1,329,114 shares of its 3% Cumulative Voting Convertible Preferred Stock (the "New Preferred Stock"). Dillon is contesting such issuance as improper (see "BACKGROUND OF THE CONSENT SOLICITATION"). The New Preferred Stock, which is convertible into Shares at any time, votes jointly with the Shares on most matters, including the election of

directors, on a share-for-share basis. Since the New Preferred Stock was issued subsequent to the November 7, 1994 Consent Record Date, it is not eligible to consent in the Consent Solicitation and is not considered outstanding for the purpose of determining the number of consents required to adopt the Dillon Resolutions.

THE ABILITY OF DILLON TO OBTAIN CONSENTS FOR THE REMOVAL OF THE CURRENT BOARD OF DIRECTORS AND THE ELECTION OF THE DILLON NOMINEES IS DEPENDENT UPON THE RECEIPT OF ADVICE FROM THE OFFICE OF THRIFT SUPERVISION (THE "OTS") WITH RESPECT TO THE APPLICABILITY OF THE OTS CONTROL REGULATIONS TO THE SOLICITATION OF CONSENTS FOR THE REMOVAL AND ELECTION OF DIRECTORS. SEE "REGULATORY APPROVALS."

DILLON URGES YOU TO MARK, SIGN, DATE AND RETURN TO DILLON, CARE OF GARLAND ASSOCIATES, INC., THE ENCLOSED GOLD CONSENT CARD TO "CONSENT" TO THE REMOVAL OF THE ENTIRE BOARD OF THE COMPANY, THE ELECTION OF THE DILLON NOMINEES TO THE BOARD OF THE COMPANY AND THE AMENDMENT OF THE COMPANY'S BY-LAWS.

BACKGROUND OF THE CONSENT SOLICITATION

The Dillon Entities purchased their 659,000 Shares from March 17, 1993 through March 16, 1994 at prices ranging from $20.22 per Share to $4.54 per Share. On September 7, 1994, the [^] reported [^] low for the Shares on the American Stock Exchange ("AMEX") was $3.50, the lowest price at which the Shares [^] had traded in the past ten years. (On November 23, 1994, the Shares sunk to a new low on the AMEX of $2.63). As a result of the weakness in the market price of the Shares, and the results of the recapitalization and restructuring involving the Company and its formerly wholly owned subsidiary, Fidelity Federal Bank, a Federal Savings Bank ("Fidelity"), which were materially less favorable to the Company than had been anticipated (see "REASONS TO REPLACE THE PRESENT BOARD WITH DILLON'S NOMINEES"), the Dillon Entities began to consider seeking a greater voice in the Company's affairs.

By letter dated October 13, 1994, Dillon asked the Board to promptly call a 1994 annual meeting of stockholders (which, pursuant to the Company's By-Laws, should have been held in May 1994) and to respond publicly to inquiries concerning the current business strategy of the Company and the best course of action to maximize stockholder value. Other than scheduling the Annual Meeting for December 12, 1994, with a record date of November 4, 1994, the Board did not respond to Dillon's letter. In that letter, Dillon stated its opinion that a dissolution and liquidation of the Company's assets would seem to be the best strategy to maximize the value of the Shares to stockholders. Dillon does not believe that such value is maximized through the current operation of the Company as a real estate company, as evidenced by the recent market prices for the Shares.

On October 21, 1994, the Company sold 74,300 Shares to Craig [^], which resulted in Craig's owning more than 10% of the outstanding Shares. Craig's Chairman, James Cotter, and President, S. Craig Tompkins, serve as the Company's Chairman and Vice Chairman, respectively. The agreed upon purchase price was the lesser of the average trading price for the Shares on (a) the three trading days preceding October 21, 1994 or (b) the five trading days following October 21, 1994. The actual price paid by Craig for such additional Shares was $3.85 per Share.(Footnote 1)

(Footnote 1) Craig had previously received approval from the OTS to purchase more than 10% but less than 25% of the outstanding Shares. However, such approval would have expired on October 23, 1994 if Craig's ownership of Shares did not exceed 10% on such date. The issuance of the 74,300 Shares to Craig on October 21, 1994 enabled Craig to buy additional Shares without any further regulatory delay, so long as its holdings did not exceed 25% of the outstanding Shares. Craig had stated in Amendment No. 13 to its Schedule 13D filed with the Commission on October 26, 1994 that it

would have been unwilling to file an agreement with the OTS to avoid the regulatory delay because such an agreement "would have substantially limited Craig's ability to exercise an influence over the business and affairs of" the Company.

On November 4, 1994, Dillon filed an amendment to its Schedule 13D stating its intention to solicit proxies to elect a slate of nominees to the Board. Also on November 4, the Company announced that the record date for the stockholders entitled to vote at the Annual Meeting had been changed from November 4, 1994 to November 11, 1994.

On November 7, 1994, Dillon commenced litigation (the "Delaware Litigation") in the Court of Chancery of the State of Delaware in and for New Castle County against the Company, its present directors James J. Cotter, Steve Wesson, Peter W. Geiger, S. Craig Tompkins and Alfred Villasenor, Jr. (the "Individual Defendants") and Craig alleging that the attempt by the Company's Board to change the record date for the Annual Meeting was not for a proper corporate or business purpose of the Company but to enable the Individual Defendants to perpetuate themselves in office by improperly manipulating the corporate machinery of the Company so as to permit them to issue additional Shares to Craig or other "friendly hands" prior to the new record date and, in addition, alleging that the Company's issuance in October of the 74,300 Shares to Craig was done for inadequate consideration and not for a proper business purpose of the Company but rather to enable the Individual Defendants to maintain themselves in office and to affect adversely and to impede the voting rights of Dillon and the other stockholders of the Company at the Annual Meeting. The complaint sought an order declaring that such 74,300 Shares were improperly issued and enjoining Craig from voting such Shares at the Annual Meeting, determining that any Shares issued by the Company after November 4, 1994 shall not be voted or counted towards a quorum at the Annual Meeting, and preliminarily and permanently enjoining the Individual Defendants and the Company from issuing any Shares prior to the Annual Meeting. Also on November 7, Roderick H. Dillon, Jr. delivered a consent to the Company, together with a letter announcing Dillon's intention to engage in the Consent Solicitation.

On November 8, 1994, the Company announced that the record date for purposes of the Annual Meeting was November 14, 1994, and that the prior announcement "erroneously reported the record date of the meeting." On November 11, 1994, the Company issued a press release indicating that it had sold to Craig 1,329,114 shares of [^] New Preferred Stock [^] on November 10, 1994 at a price of $3.95 per share by exchanging such shares for $5.2 million of debt owed by the Company to Craig. The New Preferred Stock votes jointly with the Shares on most matters, including the election of directors, on a share-for-share basis and is convertible into Shares at any time, at the option of the holder, at a conversion ratio based upon the market price of the Shares (up to a maximum price of $5.00). The New Preferred Stock is redeemable at a premium at the option of the Company after November 10, 1997. Holders of the New Preferred Stock have the right to require the Company to purchase their shares at a premium under certain circumstances, including a change of control (which would include failure of the existing directors or any persons elected or nominated by the existing directors to constitute a majority of the Board).

On November 14, 1994, Dillon amended its complaint filed in the Delaware Litigation to seek rescission of the sale of the New Preferred Stock and to preliminarily and permanently enjoin the voting of such stock at the Annual Meeting or otherwise. Such amended complaint alleges that such issuance of New Preferred Stock was in violation of the Board's fiduciary duties, as such stock was issued for inadequate consideration and not for a proper business or corporate purpose of the Company. The shares of New Preferred Stock were issued at a share price below the closing sales price for the Shares on the AMEX on such date, notwithstanding the fact that such New Preferred Stock has superior liquidation, dividend and redemption rights to the Shares, voting rights equal to the Shares and is convertible into Shares. Dillon believes that the New Preferred Stock was issued to Craig solely for the purposes of improperly increasing Craig's voting power, diluting the voting

power of the Company's existing stockholders other than Craig and entrenching the Company's management. On November 9, 1994, prior to the Company's issuance of the New Preferred Stock to Craig, the Court scheduled a trial beginning January 4, 1995, after determining that a prompt trial after the Annual Meeting, together with a status quo order preserving the parties in the position they were from the time of the Annual Meeting through conclusion of the trial, would afford sufficient relief. The Court did, however, indicate that it would entertain a new request for injunctive relief should significant events occur. Dillon has not definitively determined whether to request relief from the Court prior to the Annual Meeting, although Dillon will continue to monitor the situation. If the Dillon Nominees are elected by vote at the Annual Meeting or pursuant to written consent, it is Dillon's intention to continue to prosecute the Delaware Litigation to invalidate the issuance of the New Preferred Stock. If elected, the Dillon Nominees will consider having the Company seek to invalidate the issuance of the New Preferred Stock pursuant to active participation in the Delaware Litigation or otherwise.

On November 16, 1994, the Company commenced litigation in California seeking to forbid Dillon, among others, from soliciting proxies or voting its own Shares at the Annual Meeting.(Footnote 2) Also on November 16, the Company filed an answer and counterclaim in the Delaware Litigation seeking an order declaring invalid any removal of the Board either prior to or after the Annual Meeting, declaring that the consent procedure cannot be used to amend the Company's By-Laws in the manner proposed by Dillon in the Consent Solicitation and declaring that any such amendment is void even if approved by the Company's stockholders. The California Litigation Defendants intend to vigorously defend against the claims in the California Litigation, and Dillon intends to vigorously defend against the counterclaim in the Delaware Litigation.

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(Footnote 2) The action, commenced in the United States District Court for the Central District of California (the "California Litigation"), against the Dillon Entities and the Dillon Nominees (collectively, the "California Litigation Defendants") alleges that the California Litigation Defendants have violated Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder by failing to disclose certain information in their Schedule 13D and the amendments thereto. The Company's complaint seeks an order forbidding the California Litigation Defendants from, among other things, soliciting any proxies or consents related to the Shares until the California Litigation Defendants have disclosed the material information allegedly omitted from, and corrected the information allegedly misstated in, their Schedule 13D and the amendments thereto, voting any Shares pursuant to any proxy or consent which may be granted pursuant to the Proxy Solicitation or acquiring or attempting to acquire any further Shares, in either case prior to the date ten days following public dissemination of the corrective disclosures.

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Dillon believes that you, the true owners of the Company, should have the right to decide for yourselves how the Company should be operated. As a result, Dillon believes the Consent Solicitation is necessary in order to permit the stockholders of the Company prior to such improper issuance of New Preferred Stock to Craig to exercise their franchise without the dilution in their voting power caused by such issuance. In the Consent Solicitation, Dillon is seeking your consent to (i) remove all the incumbent directors of the Company, (ii) elect to the Board the Dillon Nominees (described below) and (iii) amend the Company's By-Laws in the manner provided herein to restrict the indemnification of (or the advancement of expenses to) its officers, directors, employees and agents. See "THE DILLON RESOLUTIONS."

The Distribution, the Real Estate Sales and the Dissolution

If elected, the Dillon Nominees intend to propose, subject to their fiduciary duties, that the Company (i) effect a pro rata distribution of the shares of Fidelity currently held by the

Company to the stockholders of the Company (the "Distribution") as soon as practicable after March 31, 1995, (ii) effect an orderly sale of the Company's real estate assets at the best available price (the "Real Estate Sales") and (iii) thereafter promptly dissolve and liquidate the Company (the "Dissolution"). None of the Dillon Entities or their affiliates would participate in any transaction with the Company regarding a sale or liquidation of any of the Company's assets, other than pursuant to their pro rata interest as stockholders.

Proxy Solicitation and Consent Solicitation

As a means to facilitate the consummation of the Distribution, the Real Estate Sales and the Dissolution, Dillon is soliciting proxies from stockholders of the Company (the "Proxy Solicitation") to elect the Dillon Nominees to the Board at the Annual Meeting scheduled to be held December 12, 1994. On November __, 1994, Dillon previously furnished holders of record on November 14, 1994 with a proxy statement relating to such Proxy Solicitation which, in addition to soliciting votes for election of the Dillon Nominees, solicits votes against adoption of an amendment to the Company's Restated Certificate of Incorporation which would double the number of authorized Shares from 10,000,000 to 20,000,000. Dillon's proxy statement with respect to the Proxy Solicitation also indicates that proxies given to Dillon will not be voted for the election of directors unless and until Dillon has received advice from the OTS confirming that the OTS Control Regulations will not preclude Dillon from holding proxies to vote for directors or Dillon is otherwise able to hold such proxies without violating such Regulations. See "REGULATORY APPROVALS." Such proxies also confer discretionary authority to Dillon, permitting it to vote such proxies to adjourn the Annual Meeting from time to time or to withhold such proxies to defeat a quorum. If necessary, it is Dillon's intention to use such authority to adjourn or otherwise delay the Annual Meeting or any adjournment thereof until it is permitted by the OTS Control Regulations to vote such proxies for more than one-third of the Company's Board of Directors. Dillon's choice of alternative will depend upon which alternative Dillon believes most likely to achieve its objective of delaying a vote on the election of directors until it is permitted to vote its proxies in such election, and will take into account the known facts and circumstances at such time, including the number of valid, unrevoked proxies it then believes it holds and its view of management's holdings. In the event Dillon were to abandon its attempts to elect the Dillon Nominees, either because Dillon determined it could not ultimately satisfy the OTS Control Regulations or otherwise, it would be Dillon's intention to cease any further attempt to adjourn or otherwise delay the Annual Meeting and, at such Annual Meeting, would be unable to vote any proxies for the election of directors and would vote any proxies it held against the proposal to increase the Company's authorized number of Shares, unless the stockholder otherwise directs.

Dillon believes that the Consent Solicitation is also necessary to facilitate the consummation of the Distribution, the Real Estate Sales and the Dissolution, [^] because the [^] record [^] date for [^] the Consent Solicitation [^] is before the issuance of the New Preferred Stock to Craig and before the reset record date for the Annual Meeting. The earlier record date for the Consent Solicitation of November 7, 1994, rather than the Company's proposed November 14, 1994 record date for the Proxy Solicitation, allows only the record holders of Shares (as the only voting securities[^] prior to the issuance of the New Preferred Stock), to vote their Shares with respect to how the Company should be operated.

Assuming Dillon is successful in the Proxy Solicitation and the Consent Solicitation is still pending, it is Dillon's current intention not to pursue the completion of the Consent Solicitation or the amendment of the Company's By-Laws in the manner provided herein.

DILLON URGES YOU TO MARK, SIGN, DATE AND RETURN TO DILLON, CARE OF GARLAND ASSOCIATES, INC., THE ENCLOSED GOLD CONSENT CARD TO "CONSENT" TO THE REMOVAL OF THE ENTIRE BOARD OF THE COMPANY, THE ELECTION OF THE DILLON NOMINEES TO THE BOARD OF THE COMPANY AND THE AMENDMENT OF THE COMPANY'S BY-LAWS.

REASONS TO REPLACE THE PRESENT BOARD WITH DILLON'S NOMINEES

Poor Operating Performance

The Company has incurred significant operating losses during recent years, primarily as a result of the poor performance of Fidelity. The Company reported a net loss of $92.0 million ($13.95 per Share) for the second quarter of 1994, and a loss of $106.8 million ($16.19 per Share) for the six months ended June 30, 1994, as reported in the Company's Quarterly Report on Form 10-Q for the period ended June 30, 1994 (the "Form 10-Q"). As a result of such losses, the Company commenced a series of steps to internally reorganize in order to, among other things, strengthen Fidelity's operations. The Company ultimately entered into a restructuring and recapitalization transaction (the "Restructuring and Recapitalization"), major aspects of which were consummated on August 4, 1994.

Pursuant to the Restructuring and Recapitalization, Fidelity transferred certain of its real estate assets to a newly-formed subsidiary of the Company, and made a public offering which resulted in the reduction of the Company's equity interest in Fidelity from 100% to approximately 16.18%. The Board announced that, following the Restructuring and Recapitalization, the Company would become a real estate company and focus on the servicing and enhancement of its real estate portfolio.

Unfortunately, as noted by the Company in the Form 10-Q, the results of the Restructuring and Recapitalization were materially less favorable to the Company than had previously been anticipated. In light of such results, by letter dated October 13, 1994, Dillon asked the Board to respond publicly to inquiries concerning the current business strategy of the Company, the action required to effect a pro rata distribution to the stockholders of the Company of the shares of Fidelity currently held by the Company, whether a dissolution of the Company and liquidation of its assets would be the best strategy to maximize stockholder value, and why, in light of the consummation of the Restructuring and Recapitalization, the Company is still registered with the OTS as a savings and loan holding company.

The Board did not respond to Dillon's inquiries and appears unwilling to consider proposals to operate the Company in any manner other than as a real estate company. The Board's only action to date has been to reset the record date for the Annual Meeting and, prior to such new date, issue securities having over 1.3 million votes to Craig for what Dillon believes was inadequate consideration, so that Craig would be able to vote such securities at the Annual Meeting for the existing directors, including Craig's own Chairman, who also serves as the Company's Chairman, and Craig's President.

Dillon is concerned that the Board may dispose of the shares of Fidelity held by the Company and may use the proceeds of such disposition in furtherance of its stated plans to develop the Company as a real estate company. Likewise, Dillon is concerned that the Board, which is seeking stockholder approval at the Annual Meeting to double the number of authorized Shares, will issue additional Shares and use the proceeds of such issuances in furtherance of such plans. Such issuances could also be utilized to further increase the stock ownership of management and persons friendly to management in order to provide them an even greater voice in pursuing such plans.

Interested-Party Transactions

Dillon is also concerned that the current Board will continue a pattern of interested-party transactions with its controlling stockholder, Craig, and Craig's officers who also serve on the Company's Board.

In August 1994, the Company entered into an $8.2 million line of credit agreement with Craig (the "Craig Line of Credit") which has a one year maturity (subject to an option to extend for a

period of six months). The Craig Line of Credit, among other things, paid Craig a $205,000 up front "commitment fee," up to $100,000 for "expenses" and interest at three percentage points over the prime rate for a fully secured loan. $5.2 million of the $6.2 million outstanding loan under the Craig Line of Credit was then replaced only three months later by the issuance to Craig of the New Preferred Stock, and Craig's commitment to extend any further loans under the Craig Line of Credit was terminated. The exchange of debt for New Preferred Stock took place at a price below the current market price for the Shares, notwithstanding the fact that the New Preferred Stock votes jointly with the Shares on most matters, is convertible into Shares and has superior liquidation, dividend and redemption rights to the Shares. In the event of a change of control (including failure of the existing directors or their nominees to constitute a majority of the Board), such New Preferred Stock also gives Craig the right to cause the Company to repurchase the New Preferred Stock for a price equal to its $5.2 million issuance cost plus accrued dividends of 3% per annum plus a premium equal to approximately $39,000 per month from the date of issuance to the date of repurchase. Depending upon whether the issuance of the New Preferred Stock is invalidated pursuant to the Delaware Litigation or otherwise (see "BACKGROUND OF THE CONSENT SOLICITATION"), election of the Dillon Nominees would either permit Craig to accelerate its original $6.2 million loan to the Company or accelerate the remaining $950,000 loan and require the Company to repurchase the New Preferred Stock. Although Dillon has not approached any financing sources with respect to the Company's obtaining funds to enable it to meet such obligations, Dillon believes that refinancing secured by such assets would be available (see "DILLON'S STRATEGY FOR THE COMPANY - Potential Adverse Consequences"). There can be no assurance on this point, however.

In addition, Dillon notes that the Company Preliminary Proxy Statement indicates that the annual fees paid to the Company's Chairman, James Cotter, who is also the Chairman of Craig, were more than doubled to $100,000 in December 1993, retroactive to October 1991. Following such retroactive increase and payment, in August 1994 the Board reduced future payments to Mr. Cotter to $45,000 per year. The Company's Vice Chairman, S. Craig Tompkins, who is the President of Craig, receives a fee of at least $35,000 per year from the Company.

Dillon's investment of over $3.8 million in the Company was intended to be an investment in a savings and loan with real estate assets, not [^] in a real estate company. Dillon further believes that most other stockholders did not intend to invest in a real estate company. Dillon now seeks your [^] votes in support of an alternative slate of nominees. Dillon believes that you, the true owners of the Company, should have the right to decide for yourselves how the Company should be operated. Our nominees are committed to maximizing [^] value for ALL stockholders by establishing the stockholders' direct investment in Fidelity, selling the real estate assets of the Company and dissolving the Company and liquidating any remaining assets, as described below. None of the Dillon Entities or their affiliates would participate in any transaction with the Company regarding a sale or liquidation of any of the Company's assets, other than pursuant to their pro rata interest as stockholders.

YOU CAN TAKE SOME IMMEDIATE STEPS TO HELP OBTAIN THE MAXIMUM VALUE FOR YOUR SHARES BY MARKING, SIGNING, DATING AND RETURNING YOUR GOLD CONSENT CARD FOR THE REMOVAL OF THE INCUMBENT DIRECTORS OF THE COMPANY, THE ELECTION OF THE DILLON NOMINEES TO THE BOARD AND THE AMENDMENT OF THE COMPANY'S BY-LAWS.

DILLON'S STRATEGY FOR THE COMPANY

The Distribution

In connection with the Restructuring and Recapitalization, the Company's equity interest in Fidelity was reclassified into 4,202,243 shares of Fidelity's non-voting Class B Common Stock (the "Fidelity Class B Stock"), representing approximately 16.18% of the outstanding shares of Fidelity.

Dillon believes that, to maximize [^] value for all

stockholders and establish the stockholders' direct investment in Fidelity, the Board should effect a pro rata distribution of the shares of Fidelity currently held by the Company to the stockholders of the Company (the "Distribution") as soon as practicable after March 31, 1995. Dillon believes that the value of such shares of Fidelity are being discounted by the market due to the operation of the Company as a real estate company, wherein such shares are mixed with the Company's real estate assets. While there is not an active market for Fidelity shares, which are currently unregistered, Dillon has been informed by J.P. Morgan Securities Inc., the principal market maker for the Fidelity voting Class A Common Stock (the "Fidelity Class A Stock") (into which the Fidelity Class B Stock is automatically convertible upon transfer by the Company to an unaffiliated party) that since the offering of Fidelity common stock at $5.25 per share pursuant to the Restructuring and Recapitalization, the Fidelity Class A Stock has traded between $4.88 and $5.75 per share. These prices would be equal to approximately $3.07 to $3.62 per Share (on a primary basis, not including as outstanding Shares issuable upon conversion of the New Preferred Stock issued to Craig). Dillon therefore believes that the shares of Fidelity would be more valuable to the stockholders of the Company if held by them directly, as opposed to being held by the Company.

If elected, the Dillon Nominees intend to fix a record date for the Distribution as soon as practicable after March 31, 1995 and distribute to each holder of Shares on such record date, on a pro rata basis, shares of Fidelity. As a result of the Distribution, stockholders of the Company would hold shares in both the Company and Fidelity.

All stockholders of the Company would likely receive shares of Fidelity Class A Stock as a result of the Distribution. Currently, the Company holds shares of Fidelity Class B Stock. However, the terms of the Fidelity Class B Stock provide that such shares will automatically be converted into shares of Fidelity Class A Stock when they are received by any person who is not [^] a holder of at least 5% or more of Fidelity's outstanding common stock or a member of a "group" under Section 13(d) of the Exchange Act which holds at least 5% or more of Fidelity's outstanding common stock (collectively, a "Fidelity 5% Holder"). In addition, the terms of the Fidelity Class B Stock provide that all shares of Fidelity Class B Stock will automatically be converted into shares of Fidelity Class A Stock at such time as all shares of Fidelity Class B Stock represent less than 10% of the outstanding common stock of Fidelity on a fully diluted basis. Since the Fidelity Class B Stock currently represents approximately 16.18% of the outstanding fully diluted common stock of Fidelity and since, according to the Company Preliminary Proxy Statement and Fidelity's offering materials in the Restructuring and Recapitalization, less than 25% of the Company's stockholders [^] could be considered Fidelity 5% Holders, the Distribution would likely cause all stockholders of the Company[^] to receive Fidelity Class A Stock. The preferences and privileges of the Fidelity Class A Stock and the Fidelity Class B Stock are the same except with respect to voting rights and conversion rights.

The exact timing and details of the Distribution will depend on a variety of factors and legal requirements, including determination by the Dillon Nominees that the Fidelity shares received in the Distribution by the Company's stockholders (other than affiliates, if any, of Fidelity) will be freely transferable. This may require registration of the Fidelity shares pursuant to existing registration rights for such shares, which rights are not exercisable by the Company until March 31, 1995[^] (the date on which Fidelity's Report on Form 10-K for the fiscal year ended December 31, 1994 is due). If for any reason Fidelity were not to honor such registration rights in accordance with their terms, the Distribution could be delayed until such registration is effected. In addition, the Company has indicated that Fidelity shares currently are required to trade in minimum blocks of 100,000 shares. Such restriction will expire upon the filing of Fidelity's Annual Report on Form 10-K for the year ended December 31, 1994, which is due no later than March 31, 1995.

Notwithstanding their present belief that the Distribution would maximize stockholder value, in the event that the Dillon Nominees, following their election and after careful review of then available information, were to determine, pursuant to the exercise of their fiduciary duties, that stockholder values would be maximized by other alternatives, such as a block or other sale of

the Fidelity shares and distribution of the net proceeds to the Company's stockholders, the Dillon Nominees would pursue such alternatives.

Real Estate Sales

As set forth above, Dillon's investment of over $3.8 million in the Company was not made for the purpose of investing in a real estate company. Dillon also believes that most of the Company's other stockholders did not intend to invest in a real estate company. Based upon statements made by the Company in the Form 10-Q, Dillon believes that the Company's real estate assets (including assets on which the Company holds purchase options) have a market value in excess of their purchase price or option exercise price.(Footnote 3) Therefore, Dillon believes that, to maximize stockholder value, the Board should effect an orderly sale of the real estate assets of the Company at the best available price (the "Real Estate Sales"). The timing of the Real Estate Sales will be determined after consideration of all relevant factors, including detailed information then available regarding the status of the properties and the condition of the relevant property markets at that time, in order to maximize proceeds to the Company and its stockholders. See "THE DILLON RESOLUTIONS - Proposal 2: Election of The Dillon Nominees - The Dillon Nominees," for information with respect to the extensive real estate experience of the Dillon Nominees.

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(Footnote 3) The Form 10-Q states that with "active management and certain capital expenditures, the Company's owned properties "if sold on an individual basis, could be worth more than [the Company] purchased them for in [connection with the Restructuring and Recapitalization], but there can be no assurance on this point." In addition, the Form 10-Q states that the value of the options could be "up to $3 million above the exercise price of [the options], before costs the Company would incur in connection with the exercise, which may be significant." The terms of the options indicate that they are transferable prior to exercise.

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The Dissolution

Following the consummation of the Distribution and the Real Estate Sales, the Dillon Nominees intend to dissolve and liquidate the Company as promptly as practicable (the "Dissolution"). Dillon's recommendation to effect the Dissolution is based on its determination that no reasonable business alternatives will exist for the Company following the Distribution and the Real Estate Sales. Therefore, Dillon believes that, at such time, the Dissolution is the most appropriate course of action.

In the Dissolution, the Company will take all necessary steps to dissolve pursuant to the provisions of the DGCL, including the filing of a Certificate of Dissolution with the Delaware Secretary of State. Upon such a filing, the Company will cease business operations. The Company's corporate existence will continue thereafter, but solely for the purpose of liquidating any remaining assets, winding up its business affairs, paying its liabilities and distributing any cash remaining to stockholders.

The exact timing and details of the Distribution, the Real Estate Sales and the Dissolution will depend on a variety of factors and legal requirements. Dillon and the Dillon Nominees can give no assurance that the Distribution, the Real Estate Sales and the Dissolution will each be consummated or as to the timing of such events if they are consummated. Although the Dillon Nominees currently intend to propose the Distribution, the Real Estate Sales and the Dissolution generally on the terms described above, it is possible that, as a result of substantial delays in the ability of the Dillon Nominees to effect such transactions, information hereafter obtained by the Dillon Nominees, changes in general economic or market conditions or in the business of the Company or other presently unforeseen factors, the Distribution, the Real Estate Sales and the Dissolution may not be so proposed, or may be delayed or abandoned (whether before or after stockholder

authorization or consent). Although it has no current intention to do so, the Dillon Nominees expressly reserve the right to propose the Distribution, the Real Estate Sales and the Dissolution on terms other than described above, if they, in the exercise of their fiduciary duties, believe such action to be appropriate.

Valuation

While Mr. Dillon has from time to time publicly expressed his views as to potential ranges of values for the Shares, neither Dillon nor any of the Dillon Entities has conducted any formal valuation or liquidation analyses with respect to the Company or its properties, and neither Dillon nor any of the Dillon Entities is able to accurately determine or predict the value of the amounts which would be received by the Company's stockholders pursuant to the Distribution, the Real Estate Sales and the Dissolution.

Potential Adverse Consequences

Dillon is not aware of any adverse consequences to the Company with respect to its proposed strategy other than with respect to triggering change of control provisions installed by Craig in the Craig Line of Credit and the New Preferred Stock.(Footnote 4) Dillon does not believe the other adverse consequences discussed in the Company Preliminary Proxy Statement are applicable or would foreclose such strategy. Specifically, Dillon has stated that any distribution of Fidelity shares to stockholders would only be of freely transferable shares and would occur after March 1995 when registration rights would be available and the current restriction on market trading in 100,000 share blocks would have terminated. Dillon also has indicated that the Dillon Nominees intend to exercise their fiduciary duties in maximizing stockholder values and would consider alternatives to the Distribution such as a block sale of the Fidelity shares and a distribution of the proceeds if this were to be in the best interest of all stockholders. The Dillon Nominees further intend to conduct an orderly sale of the Company's real estate properties in order to maximize the sales proceeds to the Company. Dillon believes the Company can realize the value of the real estate options held by the Company through the sale of such options, which are all transferable prior to exercise. Finally, in formulating its proposed strategy, Dillon considered the Company's disclosed liabilities, including its liability of up to $3.9 million to Fidelity, and any plan of dissolution recommended by the Dillon Nominees would, as required by Delaware law, take into account all liabilities of the Company.

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(Footnote 4) The election of the Dillon Nominees would, depending upon whether the issuance of the New Preferred Stock is invalidated, pursuant to the Delaware Litigation or otherwise (see "BACKGROUND OF THE CONSENT SOLICITATION"), either permit Craig to accelerate its original $6.2 million loan to the Company or to accelerate the remaining $950,000 loan and require the Company to repurchase the New Preferred Stock at a premium, for a total cost to the Company of $6.2 million plus accrued dividends of 3% per annum plus a premium of approximately $39,000 per month, pro rated, from the date of issuance to the date of redemption of the New Preferred Stock. Although Dillon has not approached any financing sources with respect to the Company's obtaining funds to enable it to meet such obligations, Dillon believes that financing, secured by such assets, would be available, based upon the fact that Craig was willing to supply the Craig Line of Credit and the Company's statements with respect to its real estate assets in the Form 10-Q (see "DILLON'S STRATEGY FOR THE COMPANY - Real Estate Sales"), although there can be no assurance on this point. To Dillon's knowledge, the Company has only one employment agreement outstanding, a two-year contract with its President, Steve Wesson, for $225,000 per year expiring in August 1996, and such contract does not terminate upon a change of control of the Company. Dillon is not aware of any other costs which would be occasioned by a change of control of the Company.

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Stockholder Vote

Pursuant to Section 271 and Section 275 of the Delaware General Corporation Law (the "DGCL"), respectively, the approval of stockholders owning a majority of the outstanding stock of the corporation entitled to vote thereon is required to effect a sale of substantially all of the assets, or a dissolution, of such corporation. [^] The Dissolution will require a vote pursuant to Section 275 of the DGCL. Whether the Distribution and/or the Real Estate Sales will require stockholder approval may depend upon the order and timing of such transactions which, as stated above, will be determined by the Dillon Nominees, if elected, consistent with their fiduciary duties. The Dillon Nominees intend to seek any such approvals necessary in order to carry out [^] such transactions, but will not submit any such transactions to a stockholder vote unless then required under Delaware law. If any vote is taken, Dillon and its affiliates intend to vote any Shares owned by them in favor of such actions.

Federal Income Tax Consequences

Dillon does not have sufficient financial information to determine the exact federal income tax consequences of its planned strategy upon the Company and its stockholders. In general, Dillon believes that the Distribution and the Real Estate Sales will be taxable events to the Company causing the Company to recognize gains or losses on its holdings of Fidelity shares and real estate assets upon their distribution or sale, respectively. Dillon believes that the Company has net operating losses available which may be carried forward to offset gains in this respect. In addition, Dillon believes that the distribution to a stockholder of Fidelity shares at any time and the distribution to a stockholder of cash upon complete liquidation of the Company will each be treated as a return of such stockholder's basis in the Shares to the extent of such stockholder's basis, and a capital gain to the extent that such distribution exceeds the stockholder's basis, in the Shares.

THE FOREGOING DISCUSSION OF CERTAIN FEDERAL INCOME TAX CONSEQUENCES IS FOR GENERAL INFORMATION ONLY AND IS NOT TAX ADVICE. ACCORDINGLY, EACH STOCKHOLDER SHOULD CONSULT HIS OR HER OWN TAX ADVISOR WITH RESPECT TO TAX CONSEQUENCES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS.

REGULATORY APPROVALS

Because the Company is registered with the OTS as a savings and loan holding company [^], questions exist as to the applicability to the Proxy Solicitation and the Consent Solicitation, insofar as they relate to the election of more than one-third of the Board, of the OTS regulations set forth in Part 574 of Title 12 of the Code of Federal Regulations governing acquisitions of control of savings associations and savings and loan holding companies (the "OTS Control Regulations"). [^] By letter dated November 3, 1994 (the "OTS Letter"), Dillon has sought interpretive advice from the OTS regarding the applicability of the OTS Control Regulations to the Proxy Solicitation and the Consent Solicitation. The OTS Letter also requests a determination from the OTS that, if the OTS concludes that the OTS Control Regulations apply to the Company by virtue of its holding company registration status and without regard to whether or not the Company has control of a savings association, the OTS will refrain from initiating or recommending enforcement action against the Dillon Entities if [^] Dillon [^] acquires and exercises proxies or [^] obtains a written consent of stockholders [^] enabling [^] Dillon [^] to elect [^] more than one-third of the Board without first filing a change of control notice or rebuttal of control submission pursuant to the OTS Control Regulations.

[^] Although the OTS has indicated that it will respond promptly to Dillon's November 3, 1994 letter, there can be no assurance whether a favorable response will be received prior to the Annual Meeting or prior to the expiration of the Consent Solicitation [^] period on January 6, 1995. If the OTS advises

Dillon that the Proxy Solicitation [^] and the Consent Solicitation are governed by the OTS Control Regulations, or if Dillon determines that it would otherwise be more expeditious than waiting for a response to its November 3 letter, it is Dillon's present intention then to file with the OTS a [^] rebuttal of control submission or a change of control notice.

A rebuttal of control submission [^] by Dillon would set forth the facts and circumstances which support Dillon's contention that no actual control relationship would exist, within the meaning of the OTS Control Regulations and applicable federal law, if Dillon acquired proxies or consents enabling it to elect the Dillon Nominees. Within 20 days of its receipt of a rebuttal submission, the OTS may accept or reject the submission or request additional information. If additional information is requested, the OTS must notify Dillon within 15 days of its receipt of such additional information whether the rebuttal submission is deemed to be sufficient. Once the submission is deemed sufficient, the Consent Solicitation could begin.

In lieu of a rebuttal submission or in the event that a rebuttal submission is not deemed sufficient by the OTS, Dillon may file a change of control notice [^] with the OTS. The period for determining the completeness of a change of control filing is 30 days. During such 30 day period, the OTS may request additional information. If additional information is provided, the OTS must notify Dillon within 15 days of the receipt of such additional information as to the sufficiency of the notice. Once the notice is deemed sufficient, the OTS must accept or reject the notice within 60 days, subject to extension for up to 30 days and further extension for two additional periods of 45 days each.

Actions Prior to OTS Clearance

Dillon's GOLD consent card by its terms is not effective with respect to the removal of the current Board of Directors or the election of directors unless and until Dillon has received advice from the OTS confirming that the OTS Control Regulations will not preclude Dillon from obtaining consents to remove the current Board of Directors and to elect new directors, or Dillon is otherwise able to obtain such consents without violating such Regulations. The GOLD consent card by its terms is effective with respect to Proposal 3 (amending the Company's By-Laws) unless the stockholder otherwise directs. In the event Dillon were to abandon its attempts to remove the current Board of Directors and elect the Dillon Nominees, either because Dillon determined it could not ultimately satisfy the OTS Control Regulations or otherwise, it would be Dillon's intention to cease any further attempt to take such actions and would deliver to the Company any consents it held in favor of Proposal 3. Until Dillon were to deliver to the Company a sufficient number of consents to remove the current Board of Directors and to elect the Dillon Nominees, the Company's current Board of Directors will continue to serve. While Dillon cannot predict the length of the potential delay, if required, caused by Dillon's actions to comply with the OTS Control Regulations, Dillon expects that any such delay would be approximately 90 days. Dillon has been advised by the OTS and Delaware counsel that the above-described course of action is permissible pursuant to the OTS Control Regulations and under Delaware law, respectively.

The Consent Solicitation period expires on January 6, 1995. At such time, in the event that Dillon has not received advice from the OTS confirming that the OTS Control Regulations will not preclude Dillon from obtaining consents to remove the current Board of Directors and to elect the Dillon Nominees, or Dillon is otherwise able to obtain such consents without violating such Regulations, Dillon will either have to establish a new record date for the Consent Solicitation or abandon the Consent Solicitation. Dillon will make such determination at such time, in its discretion, based on the facts and circumstances then known to Dillon.

Dillon will publicly announce the OTS responses to the OTS Letter as promptly as practicable upon receipt thereof by making a release to the Dow Jones News Service. Stockholders can obtain information as to the current status of OTS clearance by calling the following toll-free number: 1-800-455-6034.

THE DILLON RESOLUTIONS

Proposal 1: Removal of the Incumbent Directors of the Company

In order to facilitate a change in the Company's management at the earliest practicable time, Dillon proposes that the incumbent members of the Board, currently consisting of James J. Cotter, Steve Wesson, Peter W. Geiger, S. Craig Tompkins and Alfred Villasenor, Jr., be removed from office and be replaced by the Dillon Nominees. Accordingly, Dillon recommends that you consent to the removal of all incumbent directors of the Board, including any person elected or appointed to the Board to fill any vacancies created by resignation or incapacity, or newly-created positions on the Board. The resolution proposed by Dillon for adoption by consent of the Company's stockholders with respect to the removal of the incumbent directors of the Company is set forth below ("Resolution Number One") and is referred to in the GOLD consent card which accompanies this Consent Solicitation Statement.

Resolution Number One submitted for stockholder consideration is as follows:

> "RESOLVED, that the entire Board of Directors of Citadel Holding Corporation, consisting of James J. Cotter, Steve Wesson, Peter W. Geiger, S. Craig Tompkins and Alfred Villasenor, Jr. (collectively, the "Directors"), or any person or persons elected or nominated by any or all of the Directors to fill any position on the Board, including any vacancy created by the resignation or incapacity of any of said persons, by any increase in the number of directors, or otherwise, is hereby removed, and the office of each member of the Board of Directors is hereby declared vacant."

DILLON RECOMMENDS THAT YOU "CONSENT" TO THE REMOVAL OF THE ENTIRE BOARD OF DIRECTORS OF THE COMPANY.

Proposal 2: Election of the Dillon Nominees

In addition, Dillon recommends that you consent to the election of Roderick H. Dillon, Jr., Bradley C. Shoup, Ralph V. Whitworth, Jordan M. Spiegel and Timothy M. Kelley (collectively, the "Dillon Nominees"), to fill the vacancies created by the removal of the incumbent directors. The resolution proposed by Dillon for adoption by consent of the Company's stockholders with respect to the election of the Dillon Nominees is set forth below ("Resolution Number Two") and is referred to in the GOLD consent card which accompanies this Consent Solicitation Statement.

Resolution Number Two submitted for stockholder consideration is as follows:

> "RESOLVED, that the following persons are hereby elected as directors of Citadel Holding Corporation to fill the vacancies on the Board of Directors, to serve until their respective successors are duly elected and qualified:
>
> Roderick H. Dillon, Jr., Bradley C. Shoup, Ralph V. Whitworth, Jordan M. Spiegel and Timothy M. Kelley."

The Dillon Nominees

Each of the Dillon Nominees has consented to serve as a director of the Company, if elected through either the Consent Solicitation or the Proxy Solicitation. Of the five Dillon Nominees, one (Mr. Dillon) is employed by or otherwise affiliated with Dillon, and the remaining four are neither employed by nor affiliated with Dillon. None of the Dillon Nominees is affiliated with or has or has had any business relationship with the Company, other than as a stockholder.

The Dillon Nominees are listed below and have furnished to Dillon the following information concerning their principal occupations, business addresses and certain other matters. All Dillon Nominees are citizens of the United States.

Roderick H. Dillon, Jr., 38, has served as Chief Investment Officer of Dillon Capital Management Limited Partnership, an investment advisory and management firm which manages over $50 million in assets, since July 1993. In such capacity, Mr. Dillon actively manages investments in over 50 public companies, including over five companies in the thrift industry. From June 1986 through June 1993, Mr. Dillon was Vice President of Loomis, Sayles & Co., Inc., an investment advisory firm. In such capacity, Mr. Dillon managed approximately $300 million in separate equity portfolios and co-managed the Loomis Sayles Small Cap Fund. Investments managed by Mr. Dillon included those in numerous financial institutions such as Coast Savings, Westcorp and First Republic. Mr. Dillon's business address is Suite 1410, 21 East State Street, Columbus, Ohio 43215-4228.

Bradley C. Shoup, 36, is a [^] Partner in Batchelder & Partners, Inc., a financial advisory firm, and has held such position [^] since 1988. In such capacity, Mr. Shoup has served as a financial advisor to various public companies. From 1987 until 1988, Mr. Shoup was an independent corporate finance consultant engaged in the venture capital and energy industries. Mr. Shoup was a Financial Analyst with Mesa Petroleum Co. from 1984 until 1986, responsible for identifying and evaluating investment opportunities. Mr. Shoup's business address is 4180 La Jolla Village Drive, Suite 560, La Jolla, California 92037.

Timothy M. Kelley, 36, is Secretary, Treasurer and General Counsel of Donald W. Kelley & Associates, Inc., a real estate consulting and development firm, and has held such position [^] since 1984. In such capacity, Mr. Kelley is actively engaged in real estate development, investment, acquisition and financing activities, as the firm and affiliated entities own more than 4,300 apartment units. Mr. Kelley also serves as Vice President, Secretary and a director of an affiliated company, Oakwood Management Company, which manages over 80 apartment projects consisting of more than 8,800 apartment units. Mr. Kelley's business address is 250 E. Broad Street, 11th Floor, Columbus, Ohio 43215.

Ralph V. Whitworth, 39, has served as President of Whitworth & Associates, a corporate consulting firm, since 1988. From 1986 until 1993, Mr. Whitworth was President of United Shareholders Association, a prominent shareholder rights group. In such capacity, Mr. Whitworth served as chief strategist, spokesman and negotiator for, among other things, negotiations which resulted in agreements with 46 public companies to improve corporate governance and shareholder rights. From 1989 until 1992, Mr. Whitworth served as President of Development at United Thermal Corporation which owns the district heating systems for the cities of Baltimore, Philadelphia, Boston and St. Louis. Mr. Whitworth also served on United Thermal's Board of Directors until December 1993 when the company was merged with Trigen Energy Corporation. Mr. Whitworth currently serves on the Boards of Directors of Catalyst Vidalia Corporation, the developer and manager of a 200 megawatt hydroelectric facility on the Mississippi River, and CD Radio, Inc., a satellite radio company. Mr. Whitworth's business address is 801 Pennsylvania Avenue, N.W., Suite 747, Washington, D.C. 20004.

Jordan M. Spiegel, 32, is Executive Vice President of A. B. Laffer, V. A. Canto & Associates, an economic consulting firm, and has held such position [^] since 1987. In such capacity, Mr. Spiegel manages the firm's corporate finance advisory business through its wholly owned subsidiary Laffer Advisors Incorporated, and currently serves as a financial advisor to over 20 different companies. Prior to 1987, Mr. Spiegel was an equity securities analyst with Crowell, Weedon & Co., the largest private regional brokerage house in Southern California, specializing in, among other things, real estate investment trusts. Mr. Spiegel's business address is Regents Square One, 4275 Executive Square, Suite 330, La Jolla, California 92037.

Dillon has agreed to indemnify each of the Dillon Nominees against all liabilities, including liabilities under the federal securities laws, in connection with the Proxy Solicitation, the Consent Solicitation and such person's involvement in the operation of the Company, including the Distribution, the Real Estate Sales and the Dissolution, and to reimburse such Dillon Nominee for his

out-of-pocket expenses.

The ability of Dillon to obtain consents for the removal of the current Board of Directors and the election of the Dillon Nominees is dependent upon the receipt of advice from the OTS with respect to the applicability of the OTS Control Regulations to the solicitation of consents for the removal and election of directors. See "REGULATORY APPROVALS." Therefore, the GOLD consent card provides that it is not effective with respect to the removal of the current Board of Directors or the election of the Dillon Nominees unless and until Dillon has received advice from the OTS confirming that the OTS Control Regulations will not preclude Dillon from obtaining consents to remove the current Board of Directors or to elect directors, or Dillon is otherwise able to hold such consents without violating such Regulations. Unless such condition is met prior to January 6, 1995, the GOLD consent cards will not be effective with respect to the removal or election of directors.

DILLON RECOMMENDS THAT YOU "CONSENT" TO THE ELECTION OF THE DILLON NOMINEES TO THE BOARD OF DIRECTORS OF THE COMPANY.

Proposal 3: Amendment of the Company's By-Laws

In order to ensure that the incumbent directors of the Company are acting to maximize stockholder value in accordance with the wishes of the Company's unaffiliated stockholders and that the Company's resources are not depleted absent stockholder approval, Dillon proposes that the Company's By-Laws be amended to restrict the indemnification of (or the advancement of expenses to) the Company's officers, directors, employees and agents without the prior approval of the holders of a majority of the outstanding Shares. In addition, Dillon proposes that the Company's By-Laws provide that such amendment may not be further amended without the approval of either the holders of a majority of the outstanding Shares or a majority of the Board of Directors of the Company who are not "Continuing Directors." Continuing Directors are defined for purposes of such amendment as (i) each member of the Board on November 4, 1994 and (ii) any member of the Board who was nominated for election or elected to such Board of Directors with the affirmative vote of the majority of the Continuing Directors who were members of such Board at the time of such nomination or election. Such amendment is designed to inhibit the incumbent officers, directors, employees and agents from engaging in defensive strategies which may preclude the Company's stockholders from considering the Dillon Resolutions on their merits or dilute the voting power of such stockholders with respect thereto. Dillon believes that any such improper defensive strategy should be at the cost and peril of the incumbent officers, directors, employees and agents and not of the Company and you, its owners. Accordingly, Dillon recommends that you consent to the amendment of the Company's By-Laws in the manner provided herein. The resolution proposed by Dillon for adoption by consent of the Company's stockholders with respect to the amendment of the Company's By-Laws is set forth below ("Resolution Number Three," and together with Resolution Number One and Resolution Number Two, collectively the "Dillon Resolutions") and is referred to in the GOLD consent card which accompanies this Consent Solicitation Statement. As set forth above, the Company has filed a counterclaim in the Delaware Litigation seeking to invalidate such proposed amendment to the Company's By-Laws and objecting to, among other things, the retroactive application of such an amendment. While Dillon intends to vigorously defend against such counterclaim, there can be no assurance as to the ultimate outcome thereof.

Resolution Number Three submitted for stockholder consideration is as follows:

> "RESOLVED, that the By-Laws of Citadel Holding Corporation be amended to provide that as of November 4, 1994 the By-Laws shall not permit indemnification of (or allow advancement of expenses to) its officers, directors, employees and agents without the prior

approval of the holders of a majority of the Common Stock outstanding. This amendment to the By-Laws may not be further amended without the approval of either the holders of a majority of the Common Stock outstanding or a majority of the Board of Directors of the Corporation who are not "Continuing Directors." Continuing Directors shall be defined as (i) each member of the Board of Directors of Citadel Holding Corporation on November 4, 1994 and (ii) any member of the Board of Directors of Citadel Holding Corporation who was nominated for election or elected to such Board of Directors with the affirmative vote of the majority of the Continuing Directors who were members of such Board at the time of such nomination or election."

DILLON RECOMMENDS THAT YOU "CONSENT" TO THE AMENDMENT OF THE COMPANY'S BY-LAWS.

CONSENT PROCEDURE

Delaware Law and Corporate Authorization

Section 228 of the DGCL states that, unless otherwise provided in the certificate of incorporation, any action which may be taken at any annual or special meeting of stockholders of a corporation may be taken without a meeting, without prior notice and without a vote, if consents in writing setting forth the action so taken are signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted, and those consents are delivered to such corporation by delivery to its registered agent in Delaware, its principal place of business or an officer or agent of such corporation having custody of the book in which proceedings of meetings of stockholders thereof are recorded. The Restated Certificate of Incorporation of the Company does not limit the applicability of Section 228. Accordingly, pursuant to Section 11 of Article II of the Company's By-Laws, the incumbent directors of the Company may be removed and the Dillon Nominees elected in their stead by the consent in writing to such actions, signed and delivered as set forth in Section 228 of the DGCL, of the holders of a majority of the outstanding Shares as of the Consent Record Date.

Pursuant to the DGCL, consents to corporate action are valid for a maximum of sixty (60) days after the date of the earliest dated consent delivered to the Company in the manner provided in Section 228 of the DGCL. It is, therefore, important that you mark, sign and date the GOLD consent card and return it in the postage-prepaid envelope provided as soon as possible. To be effective, the GOLD consent card must bear the date of signature of the stockholder who signs such GOLD consent card. Under Delaware law, only stockholders of record on the Consent Record Date (as defined below) are eligible to give their consent to the Dillon Resolutions. Persons owning Shares "beneficially" (i.e., deriving the economic benefits of ownership thereto or having the power to vote or dispose of Shares), but not "of record" (i.e., those holders whose names are recorded on the stock transfer records of the Company), such as persons whose ownership of Shares is through a broker, bank or other financial institution, should contact such broker, bank or financial institution and instruct such person or entity to execute the GOLD consent card on their behalf or have such broker, bank or financial institution's nominee (for example, a central security depository) execute and mail such GOLD consent card.

Consent Record Date

To the knowledge of Dillon, the Board has not set a record date for this Consent Solicitation. Pursuant to the DGCL, if a record date related to such a consent solicitation has not been set by the Company, the record date for determining the stockholders entitled to consent to corporate action in writing, without a

meeting, will be the first date on which a signed, written consent setting forth the action taken or proposed to be taken is delivered to a corporation by delivery to its registered office in Delaware, its principal place of business, or an agent or officer of such corporation having custody of the book in which proceedings of meetings of stockholders are recorded. On November 7, 1994, Roderick H. Dillon, Jr. delivered his written consent to the Company, dated such date, consenting to the removal of the current members of the Board, the election of the Dillon Nominees and the amendment of the Company's By-Laws, thus establishing the statutory consent record date (the "Consent Record Date"). Therefore, the enclosed GOLD consent card may be executed only by stockholders of record on November 7, 1994. Each record holder of Shares on the Consent Record Date is entitled to execute a consent representing such Shares. The Company's Restated Certificate of Incorporation does not provide for cumulative voting.

Duration of Consent

Pursuant to Section 228 of the DGCL, the written consent of stockholders will not be effective to remove the incumbent directors, elect the Dillon Nominees and amend the Company's By-Laws unless valid, unrevoked GOLD consent cards executed by the holders of a majority of the outstanding Shares on the Consent Record Date are delivered to the Company on or before January 6, 1995 (sixty (60) days from the date of the earliest dated consent delivered to the Company).

The proposed actions may be taken at any time on or prior to January 6, 1995, upon proper delivery to the Company of unrevoked GOLD consent cards representing a majority of the outstanding Shares on the Consent Record Date. Such delivery may take place at Dillon's election, based upon circumstances then existing, either prior or subsequent to the Annual Meeting. If such delivery occurs prior to the Annual Meeting, the Dillon Nominees will serve until their successors, if any, are elected and qualified at the Annual Meeting which is scheduled to be held on December 12, 1994, provided a quorum can be established. If such delivery occurs subsequent to the Annual Meeting, the Dillon Nominees will serve until their successors, if any, are elected and qualified at the next annual meeting which has not been scheduled but which the Company's By-Laws specify should be held on the third Thursday in May 1995. If the actions consented to become effective, prompt notice of the corporate action taken by written consent will be given, as required under Delaware law, to the stockholders who have not consented.

Consent Required

The unrevoked, signed GOLD consent cards of the record holders, as of the Consent Record Date, of a majority of the outstanding Shares are necessary for the adoption of each of the Dillon Resolutions. Each record holder of Shares on the Consent Record Date is entitled to execute a GOLD consent card representing the Shares held by the record holder on such date.

As disclosed in the Company Preliminary Proxy Statement, as of November 4, 1994, there were 6,669,924 Shares outstanding and eligible to consent. Dillon is not aware of any change in the number of outstanding Shares between such date and the Consent Record Date.

The enclosed GOLD consent card provides a means for a stockholder to consent[^] or withhold consent [^] with respect to each of the Dillon Resolutions, subject to the right of each stockholder to withhold his or her consent to the election of any of the Dillon Nominees or the removal of any of the current directors. A stockholder in favor of the Dillon Resolutions should mark the "FOR" boxes on the enclosed GOLD consent card, date and sign the GOLD consent card and mail it to Dillon's consent solicitation agent (Garland Associates, Inc.) in the enclosed, postage-prepaid envelope. A stockholder consenting to the proposed actions may withhold his or her consent to the election of any particular Dillon Nominee or to the removal of any particular director by writing the name(s) of each [^] such person(s), to the

election or removal of whom the stockholder does not consent, in the applicable "EXCEPTION" space provided on the enclosed GOLD consent card. If a consent card is executed but no indication is made as to what action is to be taken with respect to any Dillon Resolution, it will be deemed to constitute a "CONSENT" to such Dillon Resolution.

NO MATTER HOW MANY SHARES YOU OWN, YOUR CONSENT IS VERY IMPORTANT. PLEASE MARK, SIGN AND DATE THE GOLD CONSENT CARD AND PROMPTLY RETURN IT IN THE ENCLOSED ENVELOPE.

IF THE COMPANY CHOOSES TO OPPOSE DILLON'S CONSENT SOLICITATION AND IF, IN SUCH INSTANCE, YOU SIGN A CONSENT REVOCATION CARD SENT TO YOU BY THE BOARD, YOU MAY OVERRIDE THAT REVOCATION BY MARKING, SIGNING, DATING AND RETURNING A SUBSEQUENTLY DATED AND SIGNED GOLD CONSENT CARD.

EXECUTION OF A GOLD CONSENT CARD WILL NOT CONSTITUTE A VOTE IN FAVOR OF THE DILLON NOMINEES AT THE ANNUAL MEETING. TO VOTE FOR THE ELECTION OF THE DILLON NOMINEES AND AGAINST THE COMPANY'S PROPOSAL TO AUTHORIZE ADDITIONAL SHARES OF COMMON STOCK AT THE ANNUAL MEETING, YOU MUST ALSO EXECUTE A GREEN PROXY CARD IN ACCORDANCE WITH THE DILLON PROXY STATEMENT PREVIOUSLY FURNISHED TO YOU.

Revocation of Consent

Section 228 of the DGCL provides that a consent executed and delivered by a stockholder may subsequently be revoked by written notice of revocation to a corporation or to the stockholder or stockholders soliciting consents (in this case, Dillon) or soliciting revocations in opposition to action by consent, or to the solicitor or other agent soliciting consents (in this case, Garland Associates, Inc.) or soliciting revocations in opposition to action by consent. A revocation may be in any written form validly signed by the record holder as long as it clearly states that such holder's consent previously given is no longer effective. To prevent confusion, the notice of revocation must be dated. To be effective, a stockholder's written notice of revocation of his or her previously executed and delivered consent must be delivered prior to the time that the signed unrevoked GOLD consent cards representing consent to the Dillon Resolutions by the holders of a majority of the outstanding Shares on the Consent Record Date have been delivered to the Company as set forth above. The revocation may be delivered to either Dillon, care of Garland Associates, Inc. at its address set forth on the back cover page of this Consent Solicitation Statement, or any other address provided by the Company, sent care of the Company's Secretary. Dillon requests that, if a revocation is delivered to the Company, a photostatic or other legible copy of the revocation also be delivered to Dillon, care of Garland Associates, Inc. at its address set forth on the back cover page of this Consent Solicitation Statement. In this manner, Dillon will be aware of all revocations and can more accurately determine if and when the Dillon Resolutions described herein have received the required approval.

A proxy given to the Company in connection with the Annual Meeting will not revoke a GOLD consent card given to Dillon. However, Dillon asks each stockholder to ignore the proxy solicitations of the Company in connection with the Annual Meeting and furnish to Dillon the enclosed GOLD consent card approving each of the Dillon Resolutions.

If a stockholder signs, dates and delivers a GOLD consent card to Dillon and thereafter, on one or more occasions, signs, dates[^] and delivers a later-dated GOLD consent card, the latest-dated GOLD consent card is controlling as to the instructions indicated therein and supersedes such stockholder's prior consent or consents as embodied in any previously submitted GOLD consent cards; provided, however, that any such later-dated GOLD consent card will be inoperative and of no effect if it is delivered after January 6, 1995 (when the Consent Solicitation period expires) or

such earlier date as GOLD consent cards representing consents to the Dillon Resolutions by the holders of a majority of the outstanding Shares on the Consent Record Date are delivered to the Company. See "Duration of Consent" above.

CONSENT SOLICITATION EXPENSES AND PROCEDURES

The entire expense of preparing, assembling, printing and mailing this Consent Solicitation Statement and the accompanying form of consent, and the cost of soliciting consents, will be borne by Dillon. Dillon intends to seek reimbursement from the Company for these expenses if the Dillon Nominees are elected to the Board, and such reimbursement will not be submitted to a vote of the stockholders of the Company, since Dillon will benefit only to the extent that all stockholders benefit from its efforts .

In addition to the use of the mails, consents may be solicited by the Dillon Nominees and certain employees or affiliates of Dillon by telephone, telegram, personal solicitation, and live or prerecorded audio or video presentations, for which no compensation will be paid to such individuals. Banks, brokerage houses and other custodians, nominees and fiduciaries will be requested to forward the solicitation material to the customers for whom they hold Shares, and Dillon will reimburse them for their reasonable out-of-pocket expenses.

Dillon has retained Garland Associates, Inc. for advisory, information agent and consent solicitation services, for which Garland Associates, Inc. will be paid a fee of $4,000, and will be reimbursed for its expense charges, which are anticipated to be approximately $2,500. Dillon has also agreed to indemnify Garland Associates, Inc. against certain liabilities and expenses in connection with its engagement, including certain liabilities under the federal securities laws. Garland Associates, Inc. will solicit consents from individuals, brokers, bank nominees and other institutional holders. Approximately five persons will be utilized by Garland Associates, Inc. in its solicitation efforts, which may be made by telephone, telegram, facsimile and in person.

Dillon estimates that total expenditures relating to the solicitation will be approximately $_____ (of which $_____ is estimated to be incurred with respect to litigation filed by the Company), including fees payable to Garland Associates, Inc. directly attributable to the Consent Solicitation. To date, Dillon has spent approximately $_____ of such total estimated expenditures.

SCHEDULE I

PARTICIPANTS IN THE CONSENT SOLICITATION

Set forth below is the name, business address and present occupation or employment or business of the "participants" in the Consent Solicitation, other than the Dillon Nominees. None of the participants has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) during the past ten years.

Participant	Business Address	Description of Business or Present Principal Occupation
Dillon Investors, L.P.	Suite 1410 21 East State Street Columbus, OH 43215-4228	A limited partnership, of which Roderick H. Dillon, Jr. is the sole general partner, principally engaged in the purchase and sale of

		securities for its own account.
Roderick H. Dillon, Jr. - IRA	Suite 1410 21 East State Street Columbus, OH 43215-4228	An individual retirement account, of which Roderick H. Dillon, Jr. is the sole beneficiary.
Roderick H. Dillon, Jr. Foundation	Suite 1410 21 East State Street Columbus, OH 43215-4228	A charitable foundation, of which Roderick H. Dillon, Jr. is the sole trustee.
Bradley C. Shoup - IRA	Suite 560 4180 La Jolla Village Drive La Jolla, CA 92037	An individual retirement account, of which Bradley C. Shoup is the sole beneficiary.

SCHEDULE II

BENEFICIAL OWNERSHIP OF
COMPANY SHARES BY PARTICIPANTS IN THE CONSENT SOLICITATION

On the date hereof, Dillon is the record holder of 647,000 Shares, and together with the other Dillon Entities beneficially owns, directly or indirectly, an aggregate of 659,000 Shares, including the Shares held of record by Dillon (representing in the aggregate approximately 9.88% of the 6,669,924 Shares [^] certified by the Company as outstanding on November 7, 1994).(Footnote 1) Mr. Shoup, through an IRA for which he is the sole beneficiary, beneficially owns 2,000 Shares (representing approximately .03% of the outstanding Shares). Messrs. Kelley, Whitworth and Spiegel do not own any Shares. The Shares now owned by each "participant" in the Consent Solicitation were purchased in the transactions described in Schedule IV hereto.

_____

(Footnote 1) The 659,000 Shares include (i) 647,000 Shares held by Dillon, (ii) 5,000 Shares held by Roderick H. Dillon, Jr., (iii) 5,000 Shares held by Roderick H. Dillon Jr. - IRA, and (iv) 2,000 Shares held by Roderick H. Dillon, Jr. Foundation.

_____

Except as otherwise set forth in this Schedule II, none of Dillon, the Dillon Nominees or any associate of any of the foregoing persons or any other person who may be deemed a "participant" in the Consent Solicitation is the beneficial or record owner of any Shares. Except as otherwise set forth in this Schedule II or in Schedule IV, none of Dillon, the Dillon Nominees or any associate of any of the foregoing persons or any other person who may be deemed a "participant" in the Consent Solicitation has purchased or sold any Shares within the past two years, borrowed any funds for the purpose of acquiring or holding any Shares, or is or was within the past year a party to any contract, arrangement or understanding with any person with respect to any Shares. There is not any currently proposed transaction to which the Company or any of its subsidiaries was or is a party, in which any of Dillon, the Dillon Nominees or any associate or immediate family member of any of the foregoing persons or any other person who may be deemed a "participant" in the Consent Solicitation had or will have a direct or indirect material interest. None of Dillon, the Dillon Nominees or any associate of any of the foregoing persons or any other person who may be deemed

a "participant" in the Consent Solicitation has any arrangement or understanding with any person with respect to any future employment by the Company or its affiliates, or with respect to any future transactions to which the Company or its affiliates will or may be a party.

SCHEDULE III

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AS A GROUP

The following table sets forth, based solely on the Company Preliminary Proxy Statement, the security ownership of certain persons, other than the participants in the Consent Solicitation, who have advised the Company that as of November [^] 14, 1994, each "beneficially" owned more than 5% of the outstanding Shares, and the beneficial ownership of Shares by all directors and officers of the Company as a group as of November [^] 14, 1994, which Dillon believes, but cannot confirm, represent the number of Shares held by such persons on the November 7, 1994 Consent Record Date.

Name and Address	Amount and Nature of Beneficial Ownership(fn1)	Percentage [^] of Class
Craig Corporation 116 North Robertson Boulevard Los Angeles, CA 90048	667,012(fn2)	10.0% of Shares
[^] Lawndale Capital Management, Inc., Andrew E. Shapiro, Diamond A Partners, L.P., and Diamond A Investors, L.P. One Sansome Street, Suite 3900 San Francisco, CA 94104	420,100	6.3% of Shares
All directors and executive officers as a group (5 persons) [^]	667,012	10.0% of Shares

Except as otherwise noted, the information concerning the Company contained in this Consent Solicitation Statement has been taken from or is based upon documents and records on file with the Commission and other publicly available information. Although Dillon does not have any knowledge that would indicate that any statements contained herein based upon such documents and records are untrue, Dillon does not take any responsibility for the accuracy or completeness of the information contained in such documents and records, or for any failure by the Company to disclose events that may have occurred and may affect the significance or accuracy of any such information but which are unknown to Dillon.

_____

(Footnote 1 ["fn1"]) Except as otherwise indicated, the persons listed as beneficial owners of the Shares have the sole voting and investment power with respect to such Shares.

(Footnote 2 ["fn2"]) Does not include the 1,329,114 shares of New

Preferred Stock issued by the Company to Craig on November 10, 1994, which shares are immediately convertible into Shares but are not eligible to vote in the Consent Solicitation.

SCHEDULE IV

TRANSACTIONS IN SHARES OF CITADEL HOLDING CORPORATION
BY PARTICIPANTS IN THE SOLICITATION

Purchases since November ___, 1992 were made as shown below. All transactions were effected in open market transactions and, unless otherwise indicated, entered into by Dillon.

Transaction Date	Number of Shares	Per Share Price(Fn1)	Total Price
03/17/93(fn2)	5,000	$20.22	$101,104
03/17/93(fn3)	1,000	20.22	20,224
05/04/93(fn4)	5,000	12.72	63,604
05/04/93(fn5)	1,000	12.72	12,724
01/27/94	27,500	6.27	172,299
01/28/94	75,000	7.05	528,775
02/04/94	10,000	6.43	64,275
02/04/94	75,000	6.55	491,275
02/04/94	8,000	6.55	52,425
02/07/94	7,500	6.31	47,350
02/08/94	7,500	6.19	46,412
02/09/94	10,000	6.30	63,025
02/09/94	200	6.43	1,285
02/15/94	700	6.34	4,435
02/16/94	5,800	6.44	37,348
02/22/94	20,800	6.38	132,789
02/23/94	10,000	6.55	65,525
02/24/94	11,200	6.18	69,185
02/25/94	15,000	6.18	92,650
03/02/94	1,200	5.95	7,135
03/04/94	28,000	6.05	169,425
03/08/94	30,000	5.80	174,025
03/14/94	55,100	5.00	275,729
03/16/94	248,500	4.54	1,128,215
04/22/94(fn6)	2,000	6.07	12,140
TOTALS:	661,000		$3,833,378

(Footnotes)
1) Rounded to the nearest cent.
2) Purchased by Roderick H. Dillon, Jr. - IRA.
3) Purchased by Roderick H. Dillon, Jr. Foundation.
4) Purchased by Roderick H. Dillon, Jr.
5) Purchased by Roderick H. Dillon, Jr. Foundation.
6) Purchased by Bradley C. Shoup - IRA.

If your Shares are held in the name of a brokerage firm, bank or bank nominee, only they can consent with respect to your Shares and only upon your specific instructions. Accordingly, please contact the persons responsible for your account and instruct them to execute the GOLD consent card on your behalf.

WE URGE YOU TO CONSENT TO THE REMOVAL OF THE ENTIRE BOARD, THE ELECTION OF THE DILLON NOMINEES AND THE AMENDMENT OF THE COMPANY'S BY-LAWS BY MARKING, SIGNING, DATING AND MAILING THE ENCLOSED GOLD CONSENT CARD. THE FAILURE TO DO SO MAY BE THE EQUIVALENT OF A VOTE AGAINST MAXIMIZING STOCKHOLDER VALUE.

If you have any questions or require any additional information concerning this Consent Solicitation Statement, please contact:

Garland Associates, Inc.
PROXY SOLICITORS

(212) 866-0095

PRELIMINARY COPY - NOVEMBER [^] 29, 1994

CONSENT IN LIEU OF MEETING
OF THE STOCKHOLDERS OF
CITADEL HOLDING CORPORATION

THIS CONSENT IS SOLICITED BY DILLON INVESTORS, L.P.

The following resolutions are approved and adopted by the stockholders who have signed this Consent, or a counterpart hereof (this Consent and all counterparts being hereby deemed to constitute a single Consent), without a meeting, pursuant to Section 228 of the Delaware General Corporation Law. The resolutions set forth herein shall be effective when unrevoked Consents, or counterparts thereof, have been executed and delivered by or on behalf of the stockholders holding of record on November 7, 1994 a majority of the outstanding shares of Common Stock of Citadel Holding Corporation, provided, however, that this Consent shall not be effective with respect to Resolution Number One (Removal of Citadel Holding Corporation's existing Board of Directors) or Resolution Number Two (Election of a new Board of Directors of Citadel Holding Corporation) unless and until Dillon has received advice from the Office of Thrift Supervision (the "OTS") confirming that the OTS Control Regulations will not preclude Dillon from obtaining Consents to vote for the removal or election of directors, or Dillon is otherwise able to obtain such Consents without violating such Regulations. This Consent is effective only through January 6, 1995.

RESOLUTION NUMBER ONE: Removal of Citadel Holding Corporation's existing Board of Directors.

RESOLVED, that the entire Board of Directors of Citadel Holding Corporation, consisting of James J. Cotter, Steve Wesson, Peter W. Geiger, S. Craig Tompkins and Alfred Villasenor, Jr. (collectively, the "Directors"), or any person or persons elected or nominated by any or all of the Directors to fill any position on the Board, including any vacancy created by the resignation or incapacity of any of said persons, by any increase in the number of directors, or otherwise, is hereby removed, and the office of each member of the Board of Directors is hereby declared vacant.

FOR AGAINST

[^](INSTRUCTIONS: To remove all of the directors listed here, mark the "FOR" box above; to withhold consent as to the removal of all directors listed here, mark the "AGAINST" box above; and to withhold consent as to the removal of any individual director listed here, mark the "FOR" box above and write the director's name in the space below):

RESOLUTION NUMBER TWO: Election of a new Board of Directors of Citadel Holding Corporation.

RESOLVED, that the following persons are hereby elected as directors of Citadel Holding Corporation to fill the vacancies on the Board of Directors, to serve until their respective successors are duly elected and qualified:

Roderick H. Dillon, Jr., Bradley C. Shoup, Ralph V. Whitworth, Jordan M. Spiegel and Timothy M. Kelley.

FOR all nominees listed above (except as marked to the contrary below)

AGAINST all nominees listed above

[^](INSTRUCTIONS: To consent for the election of all nominees listed here, mark the "FOR" box above; to withhold consent as to the election of all nominees listed here, mark the "AGAINST" box above; and to withhold consent as to the election of any individual nominee listed here, mark the "FOR" box above and write the nominee's name in the space below):

RESOLUTION NUMBER THREE: Amendment of By-Laws.

RESOLVED, that the By-Laws of Citadel Holding Corporation be amended to provide that as of November 4, 1994 the By-Laws shall not permit indemnification of (or allow advancement of expenses to) its officers, directors, employees and agents without the prior approval of the holders of a majority of the Common Stock outstanding. This amendment to the By-Laws may not be further amended without the approval of either the holders of a majority of the Common Stock outstanding or a majority of the Board of Directors of the Corporation who are not "Continuing Directors." Continuing Directors shall be defined as (i) each member of the Board of Directors of Citadel Holding Corporation on November 4, 1994 and (ii) any member of the Board of Directors of Citadel Holding Corporation who was nominated for election or elected to such Board of Directors with the affirmative vote of the majority of the Continuing Directors who were members of such Board at the time of such nomination or election.

FOR AGAINST [^]

Unless otherwise indicated, a validly executed and dated consent will be deemed to constitute a "CONSENT" to the Resolutions, namely, the removal of all incumbent directors of Citadel Holding Corporation, the election of all the Dillon nominees and the amendment of the By-Laws of Citadel Holding Corporation as described above.

Dated: , 1994

(Signature)

Signature if jointly held

Title: _____

Please sign exactly as name appears hereon. When Shares are held by joint tenants, both should sign. When signing as an attorney, executor, administrator, trustee or guardian, give full title as such. If a corporation, sign in full corporate name by president or other authorized officer. If a partnership, sign in partnership name by authorized person.

PLEASE MARK, SIGN, DATE AND MAIL PROMPTLY IN THE POSTAGE-PAID ENVELOPE ENCLOSED.

- ---------- COMPARISON OF FOOTNOTES ----------

- -FOOTNOTE 1-

[^] Craig had previously received approval from the OTS to purchase more than 10% but less than 25% of the outstanding Shares [^]. However, such approval would have expired on October 23, 1994 [^] if Craig's ownership of Shares did not exceed 10% on such date. The issuance of the 74,300 Shares to Craig on October 21, 1994 enabled Craig to buy additional Shares [^] without any further regulatory delay, so long as its holdings did not exceed 25% of the outstanding Shares. Craig had stated in Amendment No. 13 to its Schedule 13D filed with the Commission on October 26, 1994 that it would have been unwilling to file an agreement with the OTS to avoid [^] the regulatory delay because such an agreement "would have substantially limited Craig's ability to exercise an influence over the business and affairs of" the Company.

- -FOOTNOTE 2-
The action, commenced in the United States District Court for the Central District of California (the "California Litigation"), against the Dillon Entities and the Dillon Nominees (collectively, the "California Litigation Defendants") alleges that the California Litigation Defendants have violated Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder by failing to disclose certain information in their Schedule 13D and the amendments thereto. The Company's complaint seeks an order forbidding the California Litigation Defendants from, among other things, soliciting any proxies or consents related to the Shares until the California Litigation Defendants have disclosed the material information allegedly omitted from, and corrected the information allegedly misstated in, their Schedule 13D and the amendments thereto, voting any Shares pursuant to any proxy or consent which may be granted pursuant to the Proxy Solicitation or acquiring or attempting to acquire any further Shares, in either case prior to the date ten days following public dissemination of the corrective disclosures.

- -FOOTNOTE [1] 3-

The Form 10-Q states that with "active management and certain capital expenditures, the Company's owned properties "if sold on an individual basis, could be worth more than [the Company] purchased them for in [connection with the Restructuring and Recapitalization], but there can be no assurance on this point." In addition, the Form 10-Q states that the value of the options could be "up to $3 million above the exercise price of [the options], before costs the Company would incur in connection with the exercise, which may be significant." The terms of the options indicate that they are transferable prior to exercise.

- -FOOTNOTE [1] 4-
The election of the Dillon Nominees would, depending upon whether the issuance of the New Preferred Stock is invalidated, pursuant to the Delaware Litigation or otherwise (see "BACKGROUND OF THE CONSENT SOLICITATION"), either permit Craig to accelerate its original $6.2 million loan to the Company or to accelerate the remaining $950,000 loan and require the Company to repurchase the New Preferred Stock at a premium, for a total cost to the Company of $6.2 million plus accrued dividends of 3% per annum plus a premium of approximately $39,000 per month, pro rated, from the date of issuance to the date of redemption of the New Preferred Stock. Although Dillon has not approached any financing sources with respect to the Company's obtaining funds to enable it to meet such obligations, Dillon believes that financing, secured by such assets, would be available, based upon the fact that Craig was willing to supply the Craig Line of Credit and the Company's statements with respect to its real estate assets in the Form 10-Q (see "DILLON'S STRATEGY FOR THE COMPANY -Real Estate Sales"), although there can be no assurance on this point. To Dillon's knowledge, the Company has only one employment agreement outstanding, a two-year contract with its President, Steve Wesson, for $225,000 per year expiring in August 1996, and such contract

does not terminate upon a change of control of the Company. Dillon is not aware of any other costs which would be occasioned by a change of control of the Company.

- -FOOTNOTE [2] 1-

The 659,000 Shares include (i) 647,000 Shares held by Dillon, (ii) 5,000 Shares held by Roderick H. Dillon, Jr., (iii) 5,000 Shares held by Roderick H. Dillon Jr. - IRA, and (iv) 2,000 Shares held by Roderick H. Dillon, Jr. Foundation.

- -FOOTNOTE 1-
Except as otherwise indicated, the persons listed as beneficial owners of the Shares have the sole voting and investment power with respect to such Shares.

- -FOOTNOTE 2-

Does not include the 1,329,114 shares of [^] New Preferred Stock issued by the Company to Craig on November 10, 1994, which shares are immediately convertible into Shares but are not eligible to vote in the Consent Solicitation.

- -FOOTNOTE [3] 1-

Rounded to the nearest cent.

- -FOOTNOTE [4] 2-

Purchased by Roderick H. Dillon, Jr. - IRA.

- -FOOTNOTE [5] 3-

Purchased by Roderick H. Dillon, Jr. Foundation.

- -FOOTNOTE [6] 4-

Purchased by Roderick H. Dillon, Jr.

- -FOOTNOTE [6] 5-

Purchased by Roderick H. Dillon, Jr. Foundation.

- -FOOTNOTE 6-
Purchased by Bradley C. Shoup - IRA.

- ------------------ COMPARISON OF HEADERS ------------------

- -HEADER 1-

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- -HEADER 2-
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- ------------------ COMPARISON OF FOOTERS ------------------

- -FOOTER 1-

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- -FOOTER 2-

T:\CGARNER\DILLON\[^] CONSENT.10b

- -FOOTER 3-
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- -FOOTER 4-
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