SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): July 18, 2001

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

Nevada	1-8625	95-3885184
(State or other jurisdiction of incorporation)	(Commission Identification No.)	(I.R.S. Employer Identification No.)

550 South Hope Street, Suite 1825, Los Angeles, California 90071
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (213) 239-0555

N/A

(Former name or former address, if changed since last report)

ITEM 5 OTHER EVENTS.

On July 18, 2001, Citadel Holding Corporation, Craig Corporation and Reading Entertainment, Inc. entered into an Agreement in Principle to consolidate Craig and Reading with Citadel. A copy of the signed Agreement in Principle and of the joint press release announcing the proposed consolidation are included as exhibits to this Report and incorporated herein by reference.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(c) The following exhibits are included with this Report:

10. Agreement in Principle, dated July 18, 2001, among Citadel Holding Corporation, Craig Corporation and Reading Entertainment, Inc.

99. Joint Press Release issued July 19, 2001 by Citadel Holding Corporation, Craig Corporation and Reading Entertainment, Inc.

SIGNATURES

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

CRAIG CORPORATION

Date: July 19, 2001 By: /s/ Andrzej J. Matyczynski

Andrzej J. Matyczynski
Chief Financial Officer

EXHIBIT 10

AGREEMENT IN PRINCIPLE

This Agreement in Principle ("Agreement") is entered into as of this 18th day of July, 2001, by and among Craig Corporation, a Nevada corporation ("Craig"), Citadel Holding Corporation, a Nevada corporation ("Citadel") and Reading Entertainment, Inc., a Nevada corporation ("Reading"), with reference to the following facts:

WHEREAS, Craig, Citadel and Reading currently operate as an interrelated family of companies, with substantially overlapping management and ownership;

WHEREAS, the respective Boards of Directors of the three companies have determined that it would be in the best interests of their respective companies and their respective stockholders if the three companies were to be consolidated into a single publicly traded entity; and

WHEREAS the three companies wish to set forth the general terms under which they would be willing, subject to the approval of their respective stockholders, and certain other conditions to consummate such a consolidation;

THE PARTIES HERETO, based upon the above stated premises, hereby enter into the following agreement in principle:

1. Good Faith Best Efforts: Subject to the conditions set forth in this Agreement, each of the three companies agrees to exercise its good faith best efforts to do all things reasonably necessary to bring about the consummation of the consolidation of Craig, Citadel and Reading, as contemplated by this Agreement.

2. Merger: The consolidation transaction will be structured as a merger of Craig (the "Craig Merger") with a newly formed first tier subsidiary of Citadel (referred to herein as "NewCraigCo") followed immediately by a merger of Reading (the "Reading Merger") with another newly formed first tier subsidiary of Citadel (referred to herein as "NewReadingCo").

3. Merger Consideration: Upon the effective date of the Craig Merger, every share of the Common Stock, par value $0.25, of Craig and every share of the Class A Common Preference Stock, par value $0.01, of Craig will be automatically converted into 1.17 shares of Citadel Class A Nonvoting Common Stock, par value $0.01 (the "Citadel Class A Stock"). Upon the effective date of the Reading Merger, every share of the Common Stock, par value $0.001, of Reading will be automatically converted into 1.25 shares of Citadel Class A Stock. All holders of options to acquire equity securities of Craig or Reading will have the option to receive, upon the effective date of the merger, replacement options to acquire either Citadel Class A Common Stock or Citadel Class B Voting Common Stock, as the holders of such options may elect. The number of shares subject to such options will be adjusted to reflect the exchange ratio applicable to the securities subject to such

options as set forth above, and the per share exercise price will be adjusted by dividing the total exercise price of such the options to acquire Craig or Reading securities, as the case may be, by the number of shares subject to such options as so adjusted.

4. Fractional Shares: Fractional shares otherwise issuable in the Craig Merger or the reading Merger instead will be converted into cash, based upon the average closing price of the Citadel Class A Common Stock over the five trading days immediately preceding the effective date of the consolidation.

5. Listing: The Citadel Class A Stock will, as a condition to closing, be listed for trading, effective upon issuance, on the American Stock Exchange.

6. Certain Conditions; It is acknowledged and agreed that, except for the obligations set forth in this paragraph 6, the duties and obligations of the three companies to consummate the Craig Merger and the Reading Merger are subject to the following conditions:

6.1. Definitive Triparty Agreement: The negotiation, execution and delivery of a definitive triparty merger agreement, on terms consistent with this Agreement and containing usual and customary representations, warranties, covenants and conditions to closing;

6.2. Stockholder Approval: The approval of the stockholders of Craig of the Craig Merger, of the stockholders of Reading of the Reading Merger, and of the stockholders of Citadel of the issuance of the Citadel Class A Stock in respect of the Craig Merger and the Reading Merger (the "Citadel Share Issuance"). It is the intent of the parties that the consummation of the Craig Merger and the Reading Merger be interrelated, and, accordingly, this condition to the Consolidation will only be satisfied if Craig, Reading and Citadel each obtains the stockholder applicable approval described immediately above;

6.3. Receipt of any Regulatory Approvals: The receipt of any and all regulatory or other approvals as may be legally required to consummate the consolidation transaction, if any;

6.4. No Material Adverse Change: The absence of any material adverse change in the business, assets or prospects of Craig, Reading and Citadel, in each case considered as a whole with its wholly owned subsidiaries;

6.4. Fairness Opinion: Marshall & Stevens having issued its oral fairness opinion to the effect that Consolidation is fair, from a financial point of view, to the respective stockholders of Craig, Reading and Citadel, the issuance of a final written opinion confirming that oral opinion, and the non-withdrawal or material adverse modification of that fairness opinion prior to the closing.

7. Voting Agreements: Subject only to the negotiation, execution and delivery of a definitive triparty merger agreement by and among, and subject to the conditions to closing therein set forth (such as, by way of example, the conditions that there have been no material adverse change or no withdrawal or material adverse modification to the Marshall & Stevens opinion as to fairness, Craig, Citadel and Reading:

7.1. Voting by Craig: Craig agrees to vote its Citadel Class B Voting Common Stock (the "Citadel Class B Common Stock") in favor of the Citadel Share Issuance and to vote its Reading Common Stock and its Reading Series B Preferred Stock in favor of the Reading Merger.

7.2. Voting by Reading: Reading agrees to vote its Citadel Class B Voting Common Stock in favor of the Citadel Share Issuance.

7.3. Voting by Citadel: Citadel agrees to vote its Reading Series A Preferred Stock in favor of the Reading Merger.

7.4. Voting by Cotter: As a matter of separate agreement, Mr. James J. Cotter agrees to vote all shares of Craig Common Stock and Craig Common Preference Stock, which he owns or over which he has voting power, in favor of the Craig Merger, and to vote all shares of Citadel Class B Common Stock which he owns or over which he has voting power, in favor of the Citadel Share Issuance.

8. Costs and Expenses: Each of the three companies will be responsible for their own costs and expenses; provided, however, the preparation of the definitive triparty merger agreement and the combination proxy/registration statement will be borne jointly by the three companies in a fair and equitable manner, to be set forth in the definitive triparty merger agreement. In the event that the three companies fail to enter into a definitive triparty merger agreement, the costs of the drafting of the definitive merger agreement and the proxy/registration statement by the law firms assigned primary responsibility for such task will be allocated 50% to the party being represented by such firm and 25% each to the other two parties to this Agreement.

9. Termination: This Agreement shall continue in effect until the earliest of (a) the date on which all parties hereto agree to a termination of this Agreement, (b) the execution and delivery by all parties of the definitive triparty merger agreement, and (c) January 30, 2002.

10. Enforceability: The parties agree that their obligations under this Agreement are subject to the negotiation, execution and delivery of definitive documentation; provided however, that

this Section 10 and Sections 1, 6, 7, 8, 9 and 11 shall be immediately binding upon the parties.

11. <u>General Provisions:</u>

11.1. <u>Choice of Law</u>: This Agreement will be interpreted in accordance with the laws of the State of Nevada, as such laws are applicable to contracts entered into and to be performed entirely within the State of Nevada.

11.2. <u>Attorney's Fees</u>: In the event of any dispute or action to enforce any rights or obligations under this Agreement, the prevailing party shall be entitled to its reasonable attorney's fees and disbursements.

11.3. <u>Third Party Beneficiaries</u>. There are no third party beneficiaries to this Agreement.

11.4. <u>Publicity</u>. Concurrently with the execution and delivery of this Agreement, the three companies shall issue a joint press release, in form and content satisfactory to each of the companies, announcing this Agreement. Except as provided in this Section 11.4, or as required by law, none of the companies shall make or publish any public announcement regarding this Agreement or the transactions contemplated hereby.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered as of the date first set forth above.

Craig Corporation, a Nevada corporation

By /s/ S. Craig Tompkins

Its Vice Chairman

Citadel Holding Corporation, a Nevada corporation

By /s/ S. Craig Tompkins

Its Vice Chairman

Reading Entertainment, Inc., a Nevada corporation

By /s/ S. Craig Tompkins

Its Vice Chairman

With respect to Section 7.4, only,

/s/ James J. Cotter

James J. Cotter

EXHIBIT 99

READING ENTERTAINMENT   CITADEL HOLDING CORPORATION   CRAIG CORPORATION

CRAIG, READING AND CITADEL ENTER INTO CONSOLIDATION AGREEMENT IN PRINCIPLE

For Information Contact:

Andrzej Matyczynski
Chief Financial Officer
(213) 239-0555

Los Angeles, California: July 19, 2001. Craig Corporation ("Craig") (NYSE: "CRG/CRGPR"), Reading Entertainment, Inc. ("Reading") (NASDAQ: "RDGE") and Citadel Holding Corporation ("Citadel") (AMEX: "CDL.A", "CDL.B") announced today that an Agreement in Principle has been entered into among the three companies providing for the consolidation of the three companies under Citadel, in a merger of equals transaction (the "Consolidation").

In the proposed Consolidation each holder of Reading Common Stock will receive 1.25 shares of Citadel Class A Nonvoting Common Stock for each share of Reading Common Stock. Each holder of Craig Common Stock and each holder of Craig Common Preference Stock will receive 1.17 shares of Citadel Class A Nonvoting Common Stock for each share of Craig Common Stock or Craig Common Preference Stock. Holders of Citadel Class A Nonvoting Common Stock and Citadel Class B Voting Common Stock will hold the same shares immediately after the Consolidation as they did immediately prior to the Consolidation, since Citadel will be the survivor in the transaction. Holders of stock options of Craig and Reading will receive either options to purchase Citadel Class A Nonvoting Common Stock or Citadel Class B Voting Common Stock, at the option holder's election.

Mr. James J. Cotter, the Chairman and Chief Executive Officer of each of Craig, Reading and Citadel, noted that, using the average trading price for Citadel Class A Common Stock over the past six months (approximately $1.92 per share), these exchange ratios translate into $2.25 per share for the Craig Common and Craig Common Preference Stock and $2.40 per share for the Reading Common Stock. The average trading price of these Craig and Reading securities over the same six month period were approximately as follows: Craig Common Stock, $2.28; Craig Common Preference Stock, $1.80; and Reading Common Stock, $2.22.

According to Andrzej Matyczynski, the Chief Financial Officer of each of the three companies, cost savings resulting from the consolidation are expected to approximate $1 million annually. Also, after applying purchase accounting treatment to the transaction, the book value per share of Citadel Common Stock is anticipated to increase on a preliminary basis from approximately $3.87 per share to approximately $4.70 per share.

Consummation of the Consolidation is subject to the satisfaction of certain conditions, including the negotiation and execution of definitive documentation and the receipt of the requisite stockholder approvals. Since Reading will be merging with a wholly owned subsidiary of Citadel, the approval of the holders of a majority of the voting power of Reading will be required to approve the Consolidation. Since Craig will also be merging with a wholly owned subsidiary of Citadel, the approval of the holders of a majority of the voting power of Craig will also be required to approve the Consolidation. Under applicable American Stock Exchange rules, the approval of the holders of a majority of the outstanding Citadel Class B Voting Common Stock present at the meeting of the Citadel stockholders to be called to consider the Consolidation will also be required. It is anticipated that Citadel's Class A Nonvoting and Class B Voting Common Stock will continue to be traded on the American Stock Exchange after the Consolidation. Following the Consolidation, it is anticipated that approximately 20,484,988 shares of Citadel's Class A Non-voting shares will be outstanding and 1,336,330 shares of Citadel's Class B Voting shares will be outstanding.

At the present time, Mr. James J. Cotter votes a majority of the voting power of Craig. Craig, in turn, holds a majority of the voting power of Reading. Reading, Craig and Citadel combined hold approximately 49% of the voting power of Citadel. Mr. James J. Cotter has advised the Boards of Directors of each of the three companies that he supports and intends to vote in favor of the Consolidation. Mr. Cotter, in the Agreement in Principle, has agreed to vote all shares that he owns or controls in Craig, Reading and Citadel in favor of the Consolidation. Accordingly, Management believes that the requisite stockholder approvals will be obtained.

The exchange ratio was reviewed and recommended by the Conflicts Committees of the respective companies, each of which is comprised entirely of independent outside directors. Each Conflicts Committee was represented by separate legal counsel, and relied upon the analysis and recommendation of Marshall & Stevens Incorporated ("Marshall & Stevens") with respect to the relative values of the three companies, the determination of a fair exchange ratio of Citadel Class A Nonvoting Common Stock for shares of Reading Common Stock, Craig Common Stock and Craig Common Preference Stock, and for advice as to the fairness of the Consolidation to the public stockholders of Craig, Reading and Citadel from a financial point of view. Marshall & Stevens has advised each of the Conflicts Committees and each of the Boards of Directors of Craig, Reading and Citadel that, in its opinion, the proposed consolidation transaction is fair to the public stockholders of Craig, Reading and Citadel from a financial point of view.

It is anticipated that the transaction will close in the fourth quarter of the year, assuming that definitive documentation is negotiated and executed by the parties, and that all conditions to closing are satisfied.

Readers are urged to read the combination proxy statement/prospectus to be filed with the Securities and Exchange Commission in connection with the proposed consolidation, which will contain important information regarding the consolidation. Once filed, the combination proxy statement/prospectus may be obtained through the SEC's web site at http://www.sec.gov.

This press release contains forward-looking statements. These statements can be identified by the use of forward-looking terminology such as "anticipate," "expected," "preliminary" and "intend." These statements represent the Company's judgment concerning the future and are subject to risks and uncertainties that could cause the proposed transactions described not to occur in the manner or in the time frame indicated in this press release. Factors influencing the proposed transactions described in this press release, in addition to the conditions referred to above, include, but are not limited to, changes in the general economy, the supply of, and demand for, motion picture exhibition and real estate assets in markets in which the Company has investments, currency fluctuations, the availability of financing and governmental policies and regulations, the negotiation and execution of definitive merger documents, as well as delays in obtaining approvals from stockholders, governmental authorities and other third parties.