

SECURITIES AND EXCHANGE COMMISSION  
 WASHINGTON, D.C. 20549

-----  
 FORM S-8  
 REGISTRATION STATEMENT  
 Under  
 THE SECURITIES ACT OF 1933  
 -----

CITADEL HOLDING CORPORATION  
 (Exact Name of Registrant as Specified in its Charter)

DELAWARE  
 (State or Other Jurisdiction of  
 Incorporation or Organization)

95-3885184  
 (I.R.S. Employer  
 Identification No.)

-----  
 550 South Hope Street, Suite 1825  
 Los Angeles, California 90071  
 (213) 239-0540  
 (Address, Including Zip Code, of Registrant's Principal Executive Offices)

-----  
 1996 Nonemployee Director Stock Option Plan  
 (Full Title of the Plan)

-----  
 S. CRAIG TOMPKINS  
 Secretary  
 CITADEL HOLDING CORPORATION  
 550 South Hope Street, Suite 1825  
 Los Angeles, California 90071  
 (213) 239-0540

(Name, Address, and Telephone Number, Including Area Code, of Agent for Service)

-----  
 With a copy to:  
 DHIYA EL-SADEN, ESQ.  
 Gibson, Dunn & Crutcher LLP  
 333 South Grand Avenue  
 Los Angeles, California 90071  
 (213) 229-7000  
 -----

=====

CALCULATION OF REGISTRATION FEE

=====

Title of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price per Share	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock	300,000 shares(1)	\$(2)	\$1,110,000.00 (2)	\$338.00 (2)

=====

- (1) Pursuant to Rule 416, also being registered are additional shares of common stock as may become available under the 1996 Nonemployee Director Stock Option Plan through the operation of anti-dilution provisions.
- (2) Price per share and aggregate offering price are estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(h) and Rule 457(c) of the Securities Act of 1933, as amended, as follows: \$19.00 with respect to 20,000 shares of Common Stock that are currently under option, based on the price of \$3.00 at which the options may be exercised; and \$319.00 with respect to 280,000 shares of Common Stock, based on a price of \$3.75 per share, the average of the high and low prices of the Common Stock of Citadel Holding Corporation (the "Company"), as reported on the American Stock Exchange on September 17, 1997.

#### EXPLANATORY NOTE

This Registration Statement is being filed by Citadel Holding Corporation ("Citadel" or the "Company") in order to register 300,000 shares of Common Stock (the "Common Stock" or the "Securities") which have been reserved for issuance under the Citadel Holding Corporation 1996 Nonemployee Director Stock Option Plan (the "Plan"). The additional shares of Common Stock that may become available for purchase in accordance with the provisions of the Plan in the event of certain changes in the outstanding shares of the Company's Common Stock, including, among other things, stock dividends, stock splits, reverse stock splits, reorganizations and recapitalizations, are also being registered.

The material which immediately follows constitutes a reoffer prospectus, prepared on Form S-3, in accordance with General Instruction C to Form S-8, to be used in connection with resales of Securities acquired under the Plan by persons who may be considered affiliates of Citadel, as defined in Rule 405 under the Securities Act of 1933, as amended.

CITADEL HOLDING CORPORATION  
COMMON STOCK  
(\$ .01 PAR VALUE)  
300,000 SHARES

This Prospectus relates to 300,000 shares of Common Stock, par value \$.01 per share ("Common Stock" or the "Securities"), of Citadel Holding Corporation, a Delaware corporation ("Citadel" or the "Company"), which have previously been issued or may in the future be issued pursuant to awards granted under the 1996 Nonemployee Director Stock Option Plan, as amended (the "Plan"), and which may be offered for resale from time to time by, certain Nonemployee Directors of the Company named in "Selling Stockholders" and Annex 1 hereto (the "Selling Stockholders").

The Company will not receive any of the proceeds from the sale of the Common Stock offered hereby. The Company will pay all of the expenses associated with this Prospectus. The Selling Stockholders will pay all selling and other expenses, if any, associated with any sale of the Securities.

SEE "RISK FACTORS" ON PAGE 2 FOR CERTAIN CONSIDERATIONS RELEVANT TO AN INVESTMENT IN THE SECURITIES.

The Common Stock is listed on the American Stock Exchange (Symbol: CDL).

---

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY  
THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE  
SECURITIES COMMISSION NOR HAS THE SECURITIES AND  
EXCHANGE COMMISSION OR ANY STATE SECURITIES  
COMMISSION PASSED UPON THE ACCURACY  
OR ADEQUACY OF THIS PROSPECTUS. ANY  
REPRESENTATION TO THE CONTRARY IS  
A CRIMINAL OFFENSE.

---

THE DATE OF THIS PROSPECTUS IS SEPTEMBER 24, 1997.

#### AVAILABLE INFORMATION

The Company has filed a Registration Statement on Form S-8 relating to the Plan (the "Registration Statement") with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Securities Act"), with respect to the Securities covered by this Prospectus. This Prospectus omits certain information and exhibits included in the Registration Statement, a copy of which may be obtained upon payment of a fee prescribed by the Commission or may be examined free of charge at the principal office of the Commission in Washington, D.C.

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Commission. Such reports, proxy statements and other information filed with the Commission by the Company can be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, and at the regional offices of the Commission located at 500 West Madison Street, Suite 1400, Chicago, Illinois 60606-2511 and at 7 World Trade Center, Suite 1300, New York, New York 10048. Copies of such material can be obtained from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. The Commission also maintains a Web site that contains reports, proxy and information statements and other information regarding registrants that file electronically at <http://www.sec.gov>.

The Company's Common Stock is listed on the American Stock Exchange (Symbol: CDL), and reports and information concerning the Company can be inspected at such exchange located at 86 Trinity Place, New York, New York 10006.

#### INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents heretofore filed by the Company with the Commission are by this reference incorporated in and made a part of this Prospectus:

(1) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, including the Financial Statements and the Financial Statement Schedule and the Report of Deloitte & Touche LLP, Independent Auditors;

(2) The Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 1997 and June 30, 1997;

(3) The description of the Company's Common Stock contained in the Company's Registration Statement on Form 8-A; and

(4) All reports and other documents subsequently filed by the Company pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") after the date of this Prospectus and prior to the filing of a post-effective amendment which indicates that all securities offered hereby have been sold or which deregisters all securities then remaining unsold.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

Copies of all documents which are incorporated herein by reference (not including the exhibits to such documents, unless such exhibits are specifically incorporated by reference into such documents or into this Prospectus) will be provided without charge to each person, including any beneficial owner, to whom this Prospectus is delivered, upon a written or oral request to Citadel Holding Corporation, Attention: Secretary, 550 South Hope Street, Suite 1825, Los Angeles, California 90071, telephone number (213) 239-0540.

## RISK FACTORS

Prospective investors should consider carefully the information incorporated by reference into this Prospectus before purchasing the Securities offered hereby.

## THE COMPANY

The Company's principal executive offices are located at 550 South Hope Street, Suite 1825, Los Angeles, California 90071, and its telephone number is (213) 239-0540. Additional information regarding the Company is set forth in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996 (which is incorporated herein by reference).

## USE OF PROCEEDS

The Company will not receive any of the proceeds from the sale of the Securities offered hereby.

## SELLING STOCKHOLDERS

The table attached as Annex I hereto sets forth, as of September 23, 1997 or a subsequent date if amended or supplemented: (a) the name of each Selling Stockholder and his or her relationship to the Company during the last three years; (b) the number of shares of Common Stock each Selling Stockholder beneficially owned prior to this offering; (c) the number of Securities offered pursuant to this Prospectus by each Selling Stockholder; and (d) the amount and the percentage of the Company's Common Stock that would be owned by each Selling Stockholder after completion of this offering. The information contained in Annex I may be amended or supplemented from time to time.

## PLAN OF DISTRIBUTION

Sales of the Securities offered hereby may be made on the American Stock Exchange, the over-the-counter market or otherwise at prices and on terms then prevailing or at prices related to the then current market price, or in negotiated transactions. In addition, any Securities covered by this Prospectus which qualify for sale pursuant to Rule 144 may be sold under Rule 144 rather than pursuant to this Prospectus. The Company will not receive any part of the proceeds of the sales made hereunder. All expenses associated with this Prospectus are being borne by the Company, but all selling and other expenses incurred by a Selling Stockholder will be borne by such Stockholder.

There is no assurance that any of the Selling Stockholders will offer for sale or sell any or all of the Securities covered by this Reoffer Prospectus.

## INTEREST OF NAMED EXPERTS AND COUNSEL

The validity of the shares of Common Stock covered by the Registration Statement has been passed upon for the Company by Gibson, Dunn & Crutcher LLP.

The financial statements of the Company as of December 31, 1996, 1995 and 1994 and for the years ended December 31, 1996, 1995 and 1994, and the financial statement schedule of the Company for the three-year period ended December 31, 1996, have been incorporated by reference herein and in the registration statement in reliance upon the reports of Deloitte & Touche LLP, independent certified public accountants, dated February 18, 1997, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

ANNEX I

Selling Stockholder	Relationship to Company During Last Three Years	Shares of Common Stock Beneficially Owned as of September 23, 1997(1)	Shares Offered Hereby(1)	Shares to be Beneficially Owned upon Completion of Offering(1)(2)	
				Number	Percent
Alfred Villasenor, Jr.	Director	10,000	10,000	0	0%
Ronald I. Simon	Director	10,000	10,000	0	0%

(1) All options to acquire shares are exercisable immediately.

(2) Assumes that all outstanding options under the Plan are exercised and all shares offered hereby are sold, that no additional shares will be acquired and that no shares other than those offered hereby will be sold.

PART II

INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

ITEM 3. INCORPORATION OF DOCUMENTS BY REFERENCE.

The following documents heretofore filed by the Company with the Commission are by this reference incorporated in and made a part of this Registration Statement:

(1) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, including the Financial Statements and the Financial Statement Schedule and the Reports of Deloitte & Touche LLP, Independent Auditors;

(2) The Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 1997 and June 30, 1997;

(3) The description of the Company's Common Stock contained in the Company's Registration Statement on Form 8-A; and

(4) All reports and other documents subsequently filed by the Company pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") after the date of this Prospectus and prior to the filing of a post-effective amendment which indicates that all securities offered hereby have been sold or which deregisters all securities then remaining unsold.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Registration Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Registration Statement.

ITEM 4. DESCRIPTION OF SECURITIES.

Not applicable.

ITEM 5. INTERESTS OF NAMED EXPERTS AND COUNSEL.

Not applicable.

ITEM 6. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 145 of the General Corporation Law of Delaware empowers the Registrant to indemnify, subject to the standards set forth therein, any person in connection with any action, suit or proceeding brought or threatened by reason of the fact that the person is or was a director, officer, employee or agent of the Registrant, or is or was serving as such with respect to another corporation at the request of the Registrant. The General Corporation Law of Delaware also provides that the Registrant may purchase insurance on behalf of any such director, officer, employee or agent. The Registrant's By-laws provide that the Registrant shall, to the fullest extent permitted by applicable law, indemnify its directors and officers with respect to certain threatened, pending or completed actions, suits or proceedings.

The Registrant maintains an insurance policy pursuant to which the directors and officers of the Registrant are insured, within the limits and subject to the limitations of the policy, against certain expenses in connection with the defense of certain claims, actions, suits or proceedings, and certain liabilities which might be imposed as a result of such claims, actions, suits or proceedings, which may be brought against them by reason of their being or having been such directors and officers.

ITEM 7. EXEMPTION FROM REGISTRATION CLAIMED.

Not applicable.

ITEM 8. EXHIBITS.

Exhibit No. -----	Description -----
5.1	Opinion of Gibson, Dunn & Crutcher LLP
23.1	Consent of Deloitte & Touche LLP
23.2	Consent of Gibson, Dunn & Crutcher LLP (included in Exhibit 5.1)
24.1	Power of Attorney (included on Signature Page)
99.1	Citadel Holding Corporation 1996 Nonemployee Director Stock Option Plan
99.2	Form of Citadel Holding Corporation Stock Option Agreement

ITEM 9. UNDERTAKINGS.

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement;

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.



(b) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at the time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City and County of Los Angeles, State of California, on this 24th day of September, 1997.

CITADEL HOLDING CORPORATION

By: /s/ S. Craig Tompkins  
 -----  
 S. Craig Tompkins  
 Corporate Secretary/Treasurer and  
 Principal Accounting Officer

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints S. Craig Tompkins and James J. Cotter his true and lawful attorneys-in-fact and agents, each acting alone, with full powers of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, each acting alone, full powers and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might, or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, each acting alone, or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed below by the following persons in the capacities and on the date indicated.

Signature	Title	Date
/s/ Steve Wesson ----- (Steve Wesson)	President and Chief Executive Officer (Principal Executive Officer)	September 24, 1997
/s/ S. Craig Tompkins ----- (S. Craig Tompkins)	Vice Chairman of the Board, Corporate Secretary/Treasurer and Principal Accounting Officer (Principal Accounting and Financial Officer)	September 24, 1997
/s/ James J. Cotter ----- (James J. Cotter)	Director, Chairman of the Board	September 24, 1997
/s/ Alfred Villasenor, Jr. ----- (Alfred Villasenor, Jr.)	Director	September 24, 1997
----- (Ronald I. Simon)	Director	

EXHIBIT 5.1

September 24, 1997

Citadel Holding Corporation  
550 South Hope Street  
Los Angeles, California 90071

Re: Registration Statement on Form S-8  
-----

Ladies and Gentlemen:

We have acted as counsel for Citadel Holding Corporation, a Delaware corporation (the "Company"), in connection with the registration of 300,000 shares of Common Stock (the Common Stock) of the Company issuable under its 1996 Nonemployee Director Stock Option Plan, as amended (the "Plan"). In connection therewith, we have examined, among other things, the Registration Statement on Form S-8 (the "Registration Statement") proposed to be filed by the Company with the Securities and Exchange Commission on or about September 24, 1997. We have also examined the proceedings and other actions taken by the Company in connection with the authorization and reservation of the shares of Common Stock issuable under the Plan and such other matters as we deemed necessary for purposes of rendering this opinion.

Based upon the foregoing, and in reliance thereon, we are of the opinion that the shares of Common Stock issuable under the Plan, when issued, delivered and paid for in accordance with the Plan and the agreements evidencing awards thereunder and in the manner described in the Registration Statement, will be validly issued, fully paid and nonassessable.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement.

Very truly yours,

GIBSON, DUNN & CRUTCHER LLP

DES/HJH

INDEPENDENT AUDITORS' CONSENT AND REPORT ON SCHEDULES

To the Board of Directors of Citadel Holding Corporation:

We consent to the incorporation by reference in this Registration Statement of Citadel Holding Corporation on Form S-8 of our report on the Consolidated Financial Statements of Citadel Holding Corporation dated March 20, 1997, appearing in the Annual Report on Form 10-K of Citadel Holding Corporation.

Our audits of the financial statements referred to in our aforementioned report also included the financial statement schedule of Citadel Holding Corporation listed in Item 14. This financial statement schedule is the responsibility of the management of Citadel Holding Corporation. Our responsibility is to express an opinion based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

Deloitte & Touche LLP

Los Angeles, California  
September 24, 1997

CITADEL HOLDING CORPORATION

1996 NONEMPLOYEE DIRECTOR STOCK OPTION PLAN

Section 1. PURPOSE OF PLAN

The purpose of this 1996 Nonemployee Director Stock Option Plan ("Plan") of Citadel Holding Corporation, a Delaware corporation (the "Company"), is to enable the Company and its subsidiaries to attract, retain and motivate its nonemployee directors and further align their interests with those of the stockholders of the Company by providing for or increasing the proprietary interests of such directors in the Company.

SECTION 2. NONEMPLOYEE DIRECTOR OPTIONS

(a) Subject to terms and provisions hereof, on October 3, 1996 (the "Incumbent Date of Grant") each director of the Company who is not an employee or officer of the Company or any of its affiliates (for this purpose the Chairman of the Board and the Principal Accounting Officer shall be deemed officers of the Company) (a "Nonemployee Director") who is then incumbent at the effective date of the Plan (the "Incumbent Nonemployee Directors"), consisting of Ronald I. Simon and Alfred Villasenor, shall receive immediately vested options (the "Incumbent Nonemployee Director Option") to purchase 10,000 shares of common stock, par value \$.01 per share, of the Company (the "Common Shares") at an exercise price of \$3.00 per share

(b) Subject to the other terms and provisions hereof, upon the date (each, a "New Date of Grant") as of which a Nonemployee Director not currently serving on the Board of Directors (a "New Nonemployee Director") becomes a new member of the Board of Directors, such New Nonemployee Director shall automatically be granted immediately vested options (a "New Nonemployee Director Option") to purchase 10,000 Common Shares at an exercise price that is greater or less than the Fair Market Value per Common Share on the New Date of Grant by an amount equal to the amount by which \$3.00 per share is greater or less than the Fair Market Value per Common Share on the Incumbent Date of Grant.

(c) If, on any date upon which New Nonemployee Director Options are to be automatically granted pursuant to Section 2(b), the number of Common Shares remaining available for option under this Plan is insufficient for the grant to each New Nonemployee Director of a New Nonemployee Director Option to purchase the entire number of Common Shares specified in this Section 2, then a New Nonemployee Director Option to purchase a proportionate amount of such available number of Common Shares (rounded to the nearest whole share) shall be granted to each New Nonemployee Director on such date.

(d) Each Nonemployee Director Option granted under this Plan shall expire upon the first to occur of the following:

(i) The first anniversary of the date upon which the optionee shall cease to be a Nonemployee Director as a result of death or total disability;

(ii) The 30th day after the date upon which the optionee shall cease to be a Nonemployee Director for any reason other than death or total disability;

(iii) The tenth anniversary of the New Date of Grant, or the Incumbent Date of Grant, as the case may be, of such Nonemployee Director Option.

(e) Payment of the exercise price of any Nonemployee Director Option granted under this Plan shall be made in full in cash concurrently with the exercise of such Nonemployee Director Option; provided, however, that, the payment of such exercise price may instead be made:

(i) in whole or in part, with Common Shares delivered concurrently with such exercise (such shares to be valued on the basis of the Fair Market Value of such shares on the date of such exercise), provided that the Company is not then prohibited from purchasing or acquiring Common Shares; and/or

(ii) in whole or in part, by the delivery, concurrently with such exercise and in accordance with Section 220.3(e)(4) of Regulation T promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), of a properly executed exercise notice for such Nonemployee Director Option and irrevocable instructions to a broker promptly to deliver to the Company a specified dollar amount of the proceeds of a sale of or a loan secured by the Common Shares issuable upon exercise of such Nonemployee Director Option.

(f) For purposes of this Section 2, the "Fair Market Value" of a Common Share or other security on any date (the "Determination Date") shall be equal to the average of the closing prices per Common Share or unit of such other security on the ten trading days immediately preceding the Determination Date on which trades in the Common Shares occurred, as reported in The Wall Street Journal, Western Edition, or, if no closing price was so reported for any of such days, the average of the high bid and low asked prices per Common Share or unit of such other security on the ten trading days immediately preceding the Determination Date in the over-the-counter market, as reported by a national quotation system then in use, or, if the Common Shares or such other security were not quoted by any such organization on such days, the average of the closing bid and asked prices on such days as furnished by a professional market maker making a market in the Common Shares or such other security selected by the Board.

(g) All outstanding Nonemployee Director Options theretofore granted under this Plan shall terminate upon the first to occur of the following:

(i) the dissolution or liquidation of the Company;

(ii) a reorganization, merger or consolidation of the Company as a result of which the outstanding securities of the class then subject to such outstanding Nonemployee Director Options are exchanged for or converted into cash, property and/or securities not issued by the Company, unless the terms of such reorganization, merger or consolidation shall provide otherwise; or

(iii) the sale of substantially all of the property and assets of the Company.

(h) Each Nonemployee Director Option shall be nontransferable by the optionee other than by will or the laws of descent and distribution, and shall be exercisable during the optionee's lifetime only by the optionee or the optionee's guardian or legal representative.

(i) Nonemployee Director Options are not intended to qualify as Incentive Stock Options.

(j) Notwithstanding any other provision of this Plan, no person shall be granted a Nonemployee Director Option and no person shall be entitled to exercise any rights with respect to a Nonemployee Director Option previously granted if such grant or exercise would violate any provision of the certificate of incorporation of the Company, or would violate any additional restriction set forth in the agreement evidencing such Nonemployee Director Option. Any grant or exercise of a Nonemployee Director Option in violation of this paragraph (j) shall be void ab initio and shall not be effective to convey any rights to the

-----  
person purporting to receive such Nonemployee Director Option or exercise such rights. The Company may require recipients of Nonemployee Director Options to make such representations and enter into such covenants as are reasonably deemed necessary in order to ensure that the grant or exercise of rights with respect to Nonemployee Director Options will not result in a violation of this paragraph (j).

### SECTION 3. STOCK SUBJECT TO PLAN

(a) The aggregate number of Common Shares that may be issued pursuant to all Nonemployee Director Options granted under this Plan shall not exceed 300,000, subject to adjustment as provided in Section 6 hereof.

(b) For purposes of Section 3(a) hereof, the aggregate number of Common Shares issued and issuable pursuant to all Nonemployee Director Options granted under this Plan shall at any time be deemed to be equal to the sum of the following:

(i) the number of Common Shares which were issued prior to such time pursuant to Nonemployee Director Options granted under this Plan, other than Common Shares which were subsequently reacquired by the Company pursuant to the terms and conditions of such Nonemployee Director Options and with respect to which the holder thereof received no benefits of ownership such as dividends; plus

(ii) the number of Common Shares which were otherwise issuable prior to such time pursuant to Nonemployee Director Options granted under this Plan, but which were withheld by the Company as payment of the purchase price of the Common Shares issued pursuant to such Nonemployee Director Options or as payment of the recipient's tax withholding obligation with respect to such issuance; plus

(iii) the maximum number of Common Shares which are or may be issuable at or after such time pursuant to Nonemployee Director Options granted under this Plan prior to such time.

### SECTION 4. DURATION OF PLAN

No Nonemployee Director Options shall be granted under this Plan after October 3, 2006. Although Common Shares may be issued after October 3, 2006 pursuant to Nonemployee Director Options granted prior to such date, no Common Shares shall be issued under this Plan after October 3, 2016.

### SECTION 5. ADMINISTRATION OF PLAN

(a) This Plan shall be administered by the Board.

(b) Subject to the provisions of this Plan, the Board shall be authorized and empowered to do all things necessary or desirable in connection with the administration of this Plan, including, without limitation, the following:

(i) adopt, amend and rescind rules and regulations relating to this Plan;

(ii) determine which persons are Nonemployee Directors;

(iii) determine the exercise price of Nonemployee Director Options in accordance with the terms of this Plan;

(iv) determine whether, and the extent to which, adjustments are required pursuant to Section 6 hereof; and

(v) interpret and construe this Plan and the terms and conditions of all Nonemployee Director Options granted hereunder.

### SECTION 6. ADJUSTMENTS

If the outstanding securities of the class then subject to this Plan are increased, decreased or exchanged for or converted into cash, property or a different number or kind of securities, or if cash, property or

securities are distributed in respect of such outstanding securities, in either case as a result of a reorganization, merger, consolidation, recapitalization, restructuring, reclassification, partial or complete liquidation, stock split, reverse stock split or the like, or if substantially all of the property and assets of the Company are sold, then, unless the terms of such transaction shall provide otherwise, the Board shall make appropriate and proportionate adjustments in (a) the number and type of shares or other securities or cash or other property that may be acquired pursuant to Nonemployee Director Options theretofore granted under this Plan and (b) the maximum number and type of shares or other securities that may be issued pursuant to Nonemployee Director Options thereafter granted under this Plan.

#### SECTION 7. AMENDMENT AND TERMINATION OF PLAN

The Board may amend or terminate this Plan at any time and in any manner, subject to the following limitations:

(a) no such amendment or termination shall deprive the recipient of any Nonemployee Director Option theretofore granted under this Plan, without the consent of such recipient, of any of his or her rights thereunder or with respect thereto; and

(b) Section 2 hereof shall not be amended more than once every six months, other than to comport with changes in the Internal Revenue Code, the Employee Retirement Income Security Act, or the rules thereunder.

#### SECTION 8. EFFECTIVE DATE OF PLAN

This Plan shall be effective as of October 3, 1996, the date upon which it was approved by the Board.

#### SECTION 9. INTERPRETATION OF PLAN

With respect to persons subject to Section 16 of the Exchange Act, transactions under this Plan are intended to comply with all applicable conditions of Rule 16b-3 or its successors under the Exchange Act. To the extent any provision of the Plan or action by the Plan administrators fails to so comply, it shall be deemed null and void, to the extent permitted by law and deemed advisable by the Plan administrators. It is contemplated that should the Board decide to qualify a specific Nonemployee Director Option as exempt under Rule 16b-3 of the Exchange Act, the Board will approve the terms of such Nonemployee Director Option prior to the grant thereof.



FORM OF CITADEL HOLDING CORPORATION  
STOCK OPTION AGREEMENT

This Non-Qualified Stock Option Agreement ("Agreement") is made and entered into as of the Date of Grant indicated below by and between Citadel Holding Corporation, a Delaware corporation (the "Company"), and the person named below as Optionee.

WHEREAS, Optionee is a nonemployee director ("Nonemployee Director") of the Company; and

WHEREAS, pursuant to the Company's 1996 Nonemployee Director Stock Option Plan (the "1996 Plan"), an option to purchase shares of the Common Stock of the Company (the "Common Shares") has been granted to Optionee, on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing recitals and the covenants set forth herein, the parties hereto hereby agree as follows:

1. GRANT OF OPTION; CERTAIN TERMS AND CONDITIONS. The Company hereby

grants to Optionee, and Optionee hereby accepts, as of the Date of Grant indicated below, an option (the "Option") to purchase the number of Common Shares indicated below (the "Option Shares") at the Exercise Price per share indicated below. The Option shall expire at 5:00 p.m., Los Angeles time, on the Expiration Date indicated below and shall be subject to all of the terms and conditions set forth in the 1996 Plan and this Agreement.

Optionee: \_\_\_\_\_

Date of Grant: \_\_\_\_\_

Number of shares purchasable: \_\_\_\_\_

Exercise Price per share: \_\_\_\_\_

Expiration Date: \_\_\_\_\_

2. NON-QUALIFIED STOCK OPTION. The Option is not intended to qualify

as an incentive stock option under Section 422 of the Internal Revenue Code (the "Code").

3. TERMINATION OF OPTION.

(a) Expiration of Option. The Option shall expire upon the first to occur of the following:

(i) The first anniversary of the date upon which the Optionee shall cease to be a Nonemployee Director as a result of death or total disability;

(ii) The 30th day after the date upon which the Optionee shall cease to be a Nonemployee Director for any reason other than death or total disability; or

(iii) The tenth anniversary of the Date of Grant of the Option.

(b) Termination of Option. The Option shall terminate upon the occurrence of a Termination Event. A Termination Event shall mean either:

(i) the dissolution or liquidation of the Company;

(ii) a reorganization, merger (not including a merger to effectuate a reincorporation of the Company) or consolidation of the Company as a result of which the outstanding securities of the class then subject to this Plan are exchanged for or converted into cash, property and/or securities not issued by the Company, unless the terms of such reorganization, merger or consolidation shall provide otherwise; or

(iii) a sale of all or substantially all of the property and assets of the Company.

4. ADJUSTMENTS. In the event that the Common Shares are increased,

-----  
decreased or exchanged for or converted into cash, property or a different number or kind of securities, or if cash, property or securities are distributed in respect of such outstanding Common Shares, in either case as a result of a reorganization, merger, consolidation, recapitalization, restructuring, reclassification, partial or complete liquidation, stock split, reverse stock split or the like, or if substantially all of the property and assets of the Company are sold, then, unless such event shall cause the Option to terminate pursuant to this Agreement, or the terms of such transaction shall provide otherwise, the Board shall make appropriate and proportionate adjustments in the number and type of shares or other securities or cash or other property that may be acquired upon the exercise in full of the Option.

5. EXERCISE. The Option shall be exercisable during Optionee's

-----  
lifetime only by Optionee or by his or her guardian or legal representative, and after Optionee's death only by the person or entity entitled to do so under Optionee's last will and testament or applicable intestate law. The Option may only be exercised by the delivery to the Company of a written notice of such exercise pursuant to the notice procedures set forth in Section 7 hereof, which notice shall specify the number of Option Shares to be purchased (the "Purchased Shares") and the aggregate Exercise Price for such shares (the "Exercise Price"), together with payment in full of such aggregate Exercise Price in cash.

6. PAYMENT OF WITHHOLDING TAXES. If the Company becomes obligated to

-----  
withhold an amount on account of any federal, state or local income tax imposed as a result of the exercise of an option granted under this Plan (such amount shall be referred to herein as the "Withholding Liability"), the Optionee shall pay the Withholding Liability to the Company in full in cash on the first date upon which the Company becomes obligated to pay such amount withheld to the appropriate taxing authority, and the Company may delay issuing the Common Shares pursuant to such exercise until it receives the Withholding Liability from the Optionee.

7. NOTICES. Any notice given to the Company shall be addressed to

-----  
the Company at 550 South Hope Street, Suite 1825, Los Angeles, California 90071, Attention: Corporate Secretary, or at such other address as the Company may hereinafter designate in writing to Optionee. Any notice given to Optionee shall be sent to the address set forth below Optionee's signature hereto, or at such other address as Optionee may hereafter designate in writing to the Company. Any such notice shall be deemed duly given when sent by prepaid certified or registered mail and deposited in a post office or branch post office regularly maintained by the United States Government.

8. STOCK EXCHANGE REQUIREMENTS; APPLICABLE LAWS. Notwithstanding

-----  
anything to the contrary in this Agreement, no shares of stock purchased upon exercise of the Option, and no certificate representing all or any part of such shares, shall be issued or delivered if (a) such shares have not been admitted to listing upon official notice of issuance on each stock exchange upon which shares of that class are then listed or (b) in the opinion of counsel to the Company, such issuance or delivery would cause the Company to be in violation of or to incur liability under any federal, state or other securities law, or any requirement of any stock exchange listing agreement to which the Company is a party, or any other requirement of law or of any administrative or regulatory body having jurisdiction over the Company.

9. NONTRANSFERABILITY. Neither the Option nor any interest therein

-----  
may be sold, assigned, conveyed, gifted, pledged, hypothecated or otherwise transferred in any manner other than by will or the laws of descent and distribution.

10. 1996 PLAN. THE OPTION IS GRANTED PURSUANT TO THE 1996 PLAN, AS

-----  
IN EFFECT ON THE DATE OF GRANT, AND IS SUBJECT TO ALL THE TERMS AND CONDITIONS OF THE 1996 PLAN, AS THE SAME MAY BE AMENDED FROM TIME TO TIME; PROVIDED, HOWEVER, THAT NO SUCH AMENDMENT SHALL DEPRIVE OPTIONEE, WITHOUT HIS OR HER CONSENT, OF THE OPTION OR OF ANY OF OPTIONEE'S RIGHTS UNDER THIS AGREEMENT. THE INTERPRETATION AND CONSTRUCTION BY THE BOARD OF THE 1996 PLAN, THIS AGREEMENT, THE OPTION AND SUCH RULES AND REGULATIONS AS MAY BE ADOPTED BY THE BOARD FOR THE PURPOSE OF ADMINISTERING THE 1996 PLAN SHALL BE FINAL AND BINDING UPON OPTIONEE. UNTIL THE OPTION SHALL EXPIRE, TERMINATE OR BE EXERCISED IN FULL, THE COMPANY SHALL, UPON WRITTEN REQUEST THEREFOR, SEND A COPY OF THE 1996 PLAN, IN ITS THEN-CURRENT FORM, TO OPTIONEE OR ANY OTHER PERSON OR ENTITY THEN ENTITLED TO EXERCISE THE OPTION.

11. FRACTIONAL SHARES. The Company shall not be required to issue a

-----  
fraction of a Common Share in connection with the exercise of the Option. In any case where the Optionee would be entitled to receive a fraction of a Common Share upon the exercise of the Option, the Company shall instead, upon the exercise of the Option, issue the largest whole number of Common Shares purchasable upon exercise of the Option, and pay to the Optionee in cash the Fair Market Value (as determined by the Board) of such fraction of a Common Share at the time of exercise of the Option.

12. STOCKHOLDER RIGHTS. No person or entity shall be entitled to

-----  
vote, receive dividends or be deemed for any purpose the holder of any Option Shares until the Option shall have been duly exercised to purchase such Option Shares in accordance with the provisions of this Agreement.

13. GOVERNING LAW. This Agreement and the Option granted hereunder

-----  
shall be governed by and construed and enforced in accordance with the laws of the State of Delaware.

14. ENTIRE AGREEMENT. This Agreement constitutes the entire

-----  
agreement of the parties with respect to the matters covered herein and supersedes all prior written or oral agreements or understandings of the parties with respect to the matters covered herein. Optionee acknowledges that he or she has no right to receive any additional Options unless and until such time, if any, that the Board, in its sole discretion, may approve the grant thereof, and that the Company has not made any representation to the Optionee regarding future or additional Option grants, or any other option related matters. The grant of any options must be in writing.

15. REPRESENTATION OF OPTIONEE. Optionee represents to the Company

-----  
as follows:

(i) The Option will be taken and received for my own account and not with a view to or for sale in connection with any distribution thereof; and

(ii) I have a preexisting personal or business relationship with the Company or its officers, directors or controlling persons, or by reason of my business or financial experience, I can protect my own interests in connection with my receipt and exercise of the Option.

IN WITNESS WHEREOF, the Company and Optionee have duly executed this Agreement as of the Date of Grant.

CITADEL HOLDING CORPORATION

OPTIONEE

By -----

-----

Name:  
Title:

Name

-----  
Street Address

-----  
City, State and Zip Code

-----  
Social Security Number