

SCHEDULE 14A
(RULE 14A-101)
INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14 (a)
of the Securities Exchange Act of 1934

(Amendment No. 5)

Filed by the registrant [X]
Filed by a party other than the registrant []

Check the appropriate box:

- [X] Preliminary proxy statement
- [] Definitive proxy statement
- [] Definitive additional materials
- [] Soliciting material pursuant to Rule 14a-11(c) or Rule 14a-12

CITADEL HOLDING CORPORATION

(NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

CITADEL HOLDING CORPORATION

(NAME OF PERSON(S) FILING PROXY STATEMENT)

Payment of Filing Fee (Check the appropriate box):

- [] \$125 per Exchange Act Rule 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 Rule 14-6(i) (3).

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(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11:

(4) Proposed maximum aggregate value of transaction:

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(1) Amount previously paid:

(2) Form, schedule or registration statement no.:

(3) Filing party:

(4) Date filed:

LOGO

December , 1994

Dear Shareholder:

You are cordially invited to attend the 1994 Annual Meeting of Shareholders to be held on December , 1994 at 10:00 a.m. at the Four Seasons Hotel, 300 South Doheny Drive, Beverly Hills, California. At that time, you will be asked to re-elect your current Board of Directors to serve until the 1995 annual meeting, to act upon a proposal to amend your Company's Certificate of Incorporation to increase the number of authorized shares of Common Stock (the "Charter Amendment"), and to transact such other business as may properly come before the meeting.

Your Board of Directors has approved the Charter Amendment as being in the best interests of your Company and recommends that you vote FOR the Charter Amendment and FOR the re-election of your current Board of Directors for an additional one year term.

As you know, your Company has recently completed a difficult period in its history. Faced with many problems, including a weak Southern California economy and the results of a devastating earthquake, your Board of Directors was nevertheless able to recapitalize your Company's former thrift subsidiary-- Fidelity Federal Bank--and to preserve a number of substantial assets for the benefit of you and your Company. Your Board is currently engaged in an evaluation of the best way in which to exploit these assets and its remaining interest in Fidelity for the benefit of all shareholders. Currently, we are actively investigating strategies for the disposition of your Company's interest in Fidelity. We are also pursuing plans to exercise options received by your Company in the restructuring to acquire additional buildings from Fidelity at what we believe are below market prices. Because of the term of these options, we believe it important that these options be exercised and that the properties be acquired before the end of January.

Recently, you received a letter from me alerting you to the fact that a dissident shareholder--Roderick Dillon--together with certain of his affiliates, was attempting to assert an agenda that, while possibly beneficial to himself and his affiliates, would be detrimental to your Company and to most Citadel shareholders. Specifically, Dillon sought to replace your Directors with a slate of his own choosing; a slate which he presumably believed would be receptive to his desire to distribute your Company's remaining Fidelity shares, sell its other assets and liquidate. He also opposed the Charter Amendment.

We believe that Dillon's liquidation plan is poorly researched and ill-timed. We believe that the individuals selected by Dillon for his slate are young (average age 36 years) and inexperienced in the operation and management of a publicly traded company such as Citadel. And, we believe that the Charter Amendment is necessary to increase your Company's ability to raise capital and acquire additional assets. Furthermore, we would urge you to read the enclosed 3rd quarter Form 10-Q and proxy statement that detail the progress your Board has made to date and the steps we are taking to maximize shareholder value.

Initially, Dillon proposed to solicit proxies to elect his slate at the Annual Meeting. However, on December 1, 1994, he announced that due to his failure to date to obtain certain assurances from the Office of Thrift Supervision (the Federal agency that regulates Fidelity and Citadel), he has determined to postpone his efforts to replace your Board with individuals more to his liking. He asserts, nevertheless, that he may attempt next year to undo the results of your upcoming meeting by launching a consent solicitation to replace your directors with his nominees. We deplore this waste of shareholder time and Company resources, and hope that Mr. Dillon will in the weeks ahead reconsider his announced course of conduct.

In the meantime, we intend to proceed with the Annual Meeting and, with your support, to complete the job we started last year. We regard your vote and your support as very important, regardless of the number of shares you own. Whether or not you plan to attend the Annual Meeting, we urge you to mark, sign, date and return the enclosed proxy card promptly in the accompanying postage prepaid envelope. You may, of course, attend the Annual Meeting and vote in person even if you have previously returned your proxy card.

Sincerely,

Steve Wesson

President

IMPORTANT

Your vote is important and time is short. Please take a moment to mark, sign, date and promptly mail your proxy in the postage paid envelope provided.

If your shares are registered in the name of a broker, only your broker can execute a proxy and vote your shares and only after receiving your specific instructions. Please contact the person responsible for your account and direct him or her to execute a proxy on your behalf today. If you need a copy of the Citadel proxy materials, have any questions or need further assistance in voting, please call:

D. F. KING & CO., INC.

77 Water Street New York, NY 10005 (212) 269-5550 (Collect) or CALL TOLL-FREE --
1-800-829-6554

CITADEL HOLDING CORPORATION LOGO
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON DECEMBER , 1994

To the Stockholders:

The 1994 Annual Meeting of Stockholders (the "Annual Meeting") of Citadel Holding Corporation, a Delaware corporation ("Citadel"), will be held at the [Four Seasons Hotel, 300 South Doheny Drive, Beverly Hills], California on December , 1994, at 10:00 a.m. local time, subject to adjournment or postponement by the Board of Directors, for the following purposes:

1. To elect five directors to the Board of Directors of Citadel (the "Board of Directors") to serve until the 1995 annual meeting of stockholders;
2. To act upon a proposal to amend Citadel's Certificate of Incorporation (the "Certificate of Incorporation") to increase the number of authorized shares of Common Stock from 10,000,000 to 20,000,000 shares; and
3. To transact such other business as may properly come before the Annual Meeting.

Only holders of record of the voting stock of Citadel on November 14, 1994 will be entitled to notice of, and to vote at, the Annual Meeting and any adjournment or postponement thereof. Prior to the voting thereof, a proxy may be revoked by the person executing such proxy by (i) filing with the Corporate Secretary of Citadel, prior to the commencement of the Annual Meeting, either a written notice of revocation or a duly executed proxy bearing a later date or (ii) by voting in person at the Annual Meeting. Citadel shall make available for examination at its principal executive offices located at 700 North Central Boulevard, Glendale, California 91203, at least ten days prior to the date of the Annual Meeting, a list of the stockholders entitled to vote at the Annual Meeting.

By order of the Board of Directors,

/s/ S. CRAIG TOMPKINS

S. CRAIG TOMPKINS
Corporate Secretary

Glendale, California

December , 1994

YOUR VOTE IS IMPORTANT.

TO VOTE YOUR SHARES, PLEASE MARK, SIGN AND DATE THE ENCLOSED PROXY CARD AND MAIL IT PROMPTLY IN THE ENCLOSED RETURN ENVELOPE.

CITADEL HOLDING CORPORATION

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS

DECEMBER , 1994

GENERAL INFORMATION

This proxy statement (the "Proxy Statement") is furnished in connection with the solicitation by the Board of Directors (the "Board" or the "Board of Directors") of Citadel Holding Corporation, a Delaware corporation ("Citadel" and, collectively with its subsidiaries, the "Company"), of proxies for use at the 1994 Annual Meeting of Stockholders of Citadel (the "Annual Meeting") scheduled to be held at the time and place for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders. Shares represented by properly executed proxies received by Citadel will be voted at the Annual Meeting in the manner specified therein or, if no instructions are marked on the enclosed proxy card, FOR each of the nominees for director as identified on such card and FOR each of the other proposals on such card. Although management does not know of any other matter to be acted upon at the Annual Meeting, shares represented by valid proxies will be voted by the persons named on the accompanying proxy card in accordance with their respective best judgments with respect to any other matters that may properly come before the Annual Meeting.

Execution of a proxy will not in any way affect a stockholder's right to attend the Annual Meeting and vote in person, and any person giving a proxy has the right to revoke it at any time before it is exercised by (i) filing with the Corporate Secretary of Citadel, prior to the commencement of the Annual Meeting, a duly executed instrument dated subsequent to such proxy revoking the same or a duly executed proxy bearing a later date or (ii) attending the Annual Meeting and voting in person.

The mailing address of the principal executive offices of Citadel is 700 North Central Boulevard, Glendale, California 91203, and its telephone number is (818) 551-7450. The approximate date on which this Proxy Statement and the enclosed proxy card are first being sent to stockholders is December , 1994.

On August 4, 1994, Citadel completed a restructuring and recapitalization transaction (the "Restructuring and Recapitalization Transaction"), as a result of which its interest in Fidelity Federal Bank, FSB ("Fidelity") was reduced from 100% to approximately 16.2% and Fidelity was recapitalized with approximately \$109 million in new capital. Incident to the Restructuring and Recapitalization Transaction, Citadel's Board of Directors was reduced from eight to five directors. Citadel is a registered Savings and Loan Holding Company. Solicitation of proxies may, under certain circumstances, be subject to compliance with the change of control laws and regulations promulgated by the Office of Thrift Supervision.

RECORD DATE AND VOTING

Only stockholders of record on November 14, 1994 (the "Record Date"), will be entitled to notice of and to vote at the Annual Meeting. There were outstanding on the Record Date 6,669,924 shares of Citadel common stock, par value \$.01 per share ("Common Stock") and 1,329,114 shares of Citadel 3% Cumulative Voting Convertible Preferred Stock, par value \$.01 per share (the "Preferred Stock," and together with the Common Stock, the "Voting Stock"). Each share of Voting Stock is entitled to one vote on each matter to be voted on at the Annual Meeting.

The holders of the majority of the outstanding shares of Citadel Voting Stock, whether present in person or represented by proxy, shall constitute a quorum for the transaction of business at the Annual Meeting.

Abstentions and broker non-votes (shares held by a broker or nominee which are represented at the Annual Meeting, but which have not been voted for a specific proposal) are counted for purposes of determining the presence or absence of a quorum for the transaction of business. Directors will be elected by a plurality of the votes of the shares of Citadel Voting Stock present in person or represented by proxy at the Annual Meeting. As to Proposal 2 (as defined below, the Charter Amendment), adoption requires the affirmative vote of a majority of the outstanding shares of Common Stock and the affirmative vote of a majority of the outstanding shares of Citadel Voting Stock.

With regard to Proposal 1 (election of directors), votes may either be cast in favor of the nominees named herein or be withheld. Votes withheld will not be counted towards a nominee's achievement of a plurality. With regard to Proposal 2, abstentions and broker non-votes will have the effect of votes against the proposal because it requires the affirmative vote of a majority of all outstanding shares of Common Stock and Citadel Voting Stock.

DILLON PROXY AND CONSENT SOLICITATIONS

In early November, 1994, Dillon Investors, L.P. ("Dillon") and certain related persons and entities (the "Dillon Group"), announced their intention to solicit proxies (the "Dillon Proxy Solicitation") from the stockholders of Citadel for election at the Annual Meeting of a slate of directors (the "Dillon Nominees") in opposition to the slate nominated by the Board of Directors of Citadel and to that end filed preliminary proxy materials with the Securities and Exchange Commission (the "SEC"). Shortly thereafter, Mr. Dillon delivered to Citadel a Stockholder Consent in Lieu of Meeting (the "Dillon Consent Solicitation") executed on behalf of Dillon in which Mr. Dillon consented to (i) the removal of the current directors of Citadel and their replacement by the Dillon Nominees and (ii) the amendment of Citadel's By-Laws to change the procedures relating to indemnification of Citadel's officers and directors. On November 15, 1994, the Dillon Group filed preliminary solicitation materials with the SEC to solicit consents (the "Dillon Consent Solicitation," and together with the Dillon Proxy Solicitation, the "Solicitations") from Citadel stockholders. Generally speaking, through the Dillon Solicitations, the Dillon Group sought to replace your Board with a slate of individuals selected by Dillon and apparently believed by Dillon to support a plan advocated by Dillon to distribute Citadel's remaining Fidelity shares, sell its real estate and liquidate.

On December 1, 1994, the Dillon Group publicly stated that it determined not to proceed with the proxy solicitation due to its failure to receive satisfactory responses from the Office of Thrift Supervision with respect to their proxy solicitation.

The Board of Directors continues to be strongly opposed to the actions advocated by the Dillon Group. Management is currently evaluating the assets, liabilities and opportunities available to Citadel in order to maximize value for all stockholders. The Board of Directors currently believes that maximization of stockholder values involves disposing of Citadel's Fidelity shares at the appropriate time so as to achieve the best available price, the disposition of those properties which do not offer meaningful prospects for increased value and the stabilization and development of the value of those properties which do offer meaningful prospects for increased value. The Board of Directors believes that for a variety of reasons Dillon's proposals are not in the best interests of the stockholders of Citadel at this time.

Among other things, under Dillon's proposal stockholders would receive illiquid stock in Fidelity. There is currently only a very limited market for the Fidelity shares and until the filing by Fidelity of its Form 10-K for the fiscal year ending December 31, 1994, which is not expected to occur until late March 1995, the shares of Class A Common Stock may be transferred only in blocks of 100,000 or more. In addition, there is no commitment or obligation on the part of Fidelity to list its securities on any exchange or otherwise promote a public market for its stock. Citadel believes that a current distribution of the Fidelity shares would benefit only a large stockholder, who may be able to sell its Fidelity shares in the absence of a public market. No assurance can be given the typical Citadel stockholders that they will be able to have the liquidity to avoid the material discounts and sales commissions that are often incurred in trying to dispose of illiquid securities.

Citadel believes the Fidelity shares may be more valuable if transferred in blocks. Distribution would result in a loss of any potential premium that is often associated with a large block of shares.

Furthermore, Citadel does not believe it is an opportune time to dispose of certain of its real estate assets. Citadel believes that, through intensive property management, it will be able to improve the operating results of certain of its properties, which should allow a better price to be achieved if it later determines to sell such properties. A liquidation would require Citadel to sell its real estate assets at what the Board believes may be the bottom of the Southern California real estate market and before values have stabilized. As the Restructuring and Recapitalization Transaction was completed only a little more than three months ago, management of Citadel has only been provided with a limited period of time to date in which to address these assets.

In connection with the Dillon Solicitations and other matters, Dillon commenced an action in the Court of Chancery of the State of Delaware against Citadel, its directors and Craig Corporation ("Craig"), which, among other things, seeks a declaration that 74,300 shares of Citadel Common Stock and 1,329,114 shares of preferred stock (the "Preferred Stock") issued to Craig may not be voted at the Annual Meeting and seeks a rescission of the sale of the Preferred Stock. Citadel and its directors believe this case is without merit and intend to vigorously defend themselves and Citadel has filed a counterclaim. The Board of Directors believes that the issuances of shares to Craig were in the best interests of Citadel and its stockholders.

On November 16, 1994 Citadel filed a lawsuit in the United States District Court for the Central District of California against the Dillon Group and the Dillon Nominees alleging that the defendants failed to disclose and have misrepresented various material facts required to be disclosed in certain filings with the SEC.

For a further description of the foregoing litigation and the stock issuances, see "Litigation."

PROPOSAL 1: ELECTION OF DIRECTORS

At the Annual Meeting, stockholders of Citadel will be asked to vote on the election of five directors. The five nominees receiving the highest number of votes at the Annual Meeting will be elected directors of Citadel. To fill these five board positions, the enclosed proxy, unless indicated to the contrary, will be voted FOR the nominees listed below (the "Board Nominees") and on the enclosed proxy card. All directors elected at the Annual Meeting will be elected to one-year terms and will serve until the 1995 annual meeting of stockholders and until their successors have been duly elected and qualified.

Set forth below are the names of the persons nominated by the Board of Directors for election as directors at the Annual Meeting. Your proxy, unless otherwise indicated, will be voted FOR Messrs. Cotter, Wesson, Geiger, Tompkins and Villasenor. For a description of each nominee's principal occupation and business experience during the last 5 years and present directorships, please see "Directors," below.

NAME ----	AGE ---	CURRENT OCCUPATION -----	FIRST BECAME DIRECTOR -----
James J. Cotter	55	Chairman of the Board of Citadel, Chairman of the Board of Craig Corporation, and Chairman of the Board of Reading Company	1986
Steve Wesson	37	President and Chief Executive Officer of Citadel	1994
S. Craig Tompkins	43	Secretary/Treasurer and Principal Accounting Officer of Citadel, Vice Chairman of the Board of Citadel, President and Director of Craig Corporation, President and Director of Reading Company, and Director of G&L Realty Corp.	1993
Peter W. Geiger	68	Financial and marketing consultant, and retired Vice President and Senior Account Officer of Bank of America	1990
Alfred Villasenor, Jr.	63	President of Unisure Insurance Services, Inc., and Director of Gateway Investment, Inc., a wholly owned subsidiary of Fidelity	1987

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

Mr. Cotter was first elected to the Board in 1986, and resigned in 1988. He was re-elected to the Board in June 1991, named Acting Chairman of the Board of Directors of Citadel and Fidelity in October 1991, and named Chairman of the Board of Citadel on June 5, 1992. Mr. Cotter has been Chairman of the Board of Craig Corporation ("Craig") (retail grocery and real estate management) since 1988 and a director of that company since 1985. He is also the Executive Vice President and a director of The Decurion Corporation (motion picture exhibition). Mr. Cotter began his association with The Decurion Corporation in 1969. Mr. Cotter has been the Chief Executive Officer and a director of Townhouse Cinemas Corporation since 1987. Mr. Cotter is the General Partner of James J. Cotter, Ltd., a limited partner in Hecco Ventures I, a California Limited Partnership and a general partner in Hecco Ventures II, a California General Partnership (Hecco I and Hecco II are involved in investment activities), and has been a director of Stater Bros., Inc. (retail grocery) since 1987. Mr. Cotter has served as a director of Reading Company (entertainment and real estate) since 1990 and as the Chairman of the Board of that company since 1991. Craig owns approximately 47% of Reading Company and 50% of Stater Bros., Inc. Mr. Cotter is also the owner and until October 1992 was the President and a director of Cecelia Packing (citrus grower and packer).

Mr. Wesson was appointed as President and Chief Executive Officer of the Company on August 5, 1994. Mr. Wesson was initially retained to develop a plan for the disposition by Fidelity and the retention by Citadel of the approximately \$500 million in gross book value of the assets ultimately sold to third parties in the Restructuring and Recapitalization Transaction. From 1989 until he joined the Company in 1993, Mr. Wesson served as CEO of Burton Property Trust Inc., the U.S. real estate subsidiary of The Burton Group PLC. In this position he was responsible for the restructuring and eventual disposal

of the company's assets in the U.S. Mr. Wesson succeeds Richard M. Greenwood, who resigned from his positions with Citadel and continues as the President and Chief Executive Officer of Fidelity.

Mr. Geiger is presently a financial and marketing consultant. He retired as Vice President and Senior Account Officer of Bank of America where he served from 1959 to 1990. His responsibilities at Bank of America included the development, structuring, analysis and negotiation of large corporate financings for major media and entertainment companies.

Mr. Tompkins was a partner of Gibson Dunn & Crutcher until March 1993 when he resigned to become President of each of Craig and Reading Company. Mr. Tompkins has served as a Director of each of Craig and Reading Company since February 1993. Mr. Tompkins was elected to the Board of Directors of G&L Realty Corp., a New York Stock Exchange listed Real Estate Investment Trust, in December of 1993, and was elected Vice Chairman of the Board of Citadel in July of 1994.

Mr. Villasenor is the President and the owner of Unisure Insurance Services, Incorporated, a corporation which has specialized in life, business life and group health insurance for over 30 years. Mr. Villasenor served on the Board of Directors of ELAR, a reinsurance company from 1990 to 1991. Mr. Villasenor has served as a director of Gateway Investments, Inc., since June 22, 1993.

Citadel has been advised by each nominee named in this Proxy Statement that he is willing to be named as such herein and is willing to serve as a director if elected. However, if any of the nominees should be unable to serve as a director, the enclosed proxy will be voted in favor of the remainder of those nominees not opposed by the stockholder on such proxy and may be voted for a substitute nominee selected by the Board of Directors.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE NOMINEES LISTED ABOVE.

PROPOSAL 2: AUTHORIZATION OF ADDITIONAL SHARES OF COMMON STOCK

The Certificate of Incorporation currently authorizes 10,000,000 shares of Common Stock, of which 6,669,924 were outstanding as of the date hereof. In addition, based on the price of the shares of Citadel Common Stock as of November 10, 1994, the Preferred Shares are convertible into an additional 1,279,552 shares of Common Stock. In order to have the flexibility to raise equity capital in the future, the Board of Directors believes it is appropriate to amend (the "Charter Amendment") the Certificate of Incorporation to increase the number of authorized common shares. While Citadel does not have specific plans to issue additional shares of Common Stock at the present time, it has given consideration to a number of ways to raise capital in the future. The proposed amendment will increase Citadel's ability to raise such additional capital and/or to use its common shares to acquire additional assets. Also, it will facilitate the ability of your Board to undertake a rights offering transaction designed (a) to force conversion of the Preferred Stock currently held by Craig into Common Stock and (b) to permit stockholders to purchase additional Common Stock at the same price as such Preferred Stock is converted into Common Stock. The Preferred Stock issued to Craig automatically converts into Common Stock at the price at which shares are issued in a rights offering meeting certain criteria. This provision provides an opportunity to other stockholders to provide additional common equity capital to Citadel on the same terms as it is provided by Craig. The Charter Amendment will require the affirmative vote of the majority of the outstanding shares of Common Stock and a majority of the outstanding shares of Voting Stock. If the enclosed proxy card is signed and returned and no direction is given, it will be voted for Proposal 2. No further action by Citadel's stockholders is required for issuance of the additional shares of Common Stock except to the extent required by AMEX rules.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE PROPOSED AMENDMENT TO THE CERTIFICATE OF INCORPORATION TO INCREASE THE AUTHORIZED NUMBER OF SHARES OF COMMON STOCK.

CERTAIN INFORMATION REGARDING THE DILLON SOLICITATIONS

PROXY CONTEST

On November 4, 1994, the Dillon Group announced that they would solicit proxies from the stockholders of Citadel for election at the Annual Meeting of a slate of directors in opposition to the slate nominated by the Board of Directors. The Dillon slate consists of Roderick H. Dillon, Jr., Bradley C. Shoup, Timothy K. Kelley, Ralph V. Whitworth and Jordan M. Spiegel (collectively, the "Dillon Nominees"). On November 8, 1994, Dillon filed preliminary proxy materials with the Securities and Exchange Commission (the "SEC") to solicit proxies for the election of the Dillon Nominees and to oppose the proposed amendment to Citadel's Certificate of Incorporation to increase the number of authorized shares of Common Stock. Dillon's preliminary proxy materials advocate a plan that Citadel (i) effect a pro rata distribution (the "Dillon Distribution") to Citadel's stockholders of the Class B shares of Fidelity held by Citadel and (ii) thereafter promptly dissolve and liquidate the remaining assets of Citadel (the "Dillon Liquidation").

Your Board of Directors strongly opposes this effort of the Dillon Group.

The liquidation proposed by the Dillon Group would be particularly detrimental to stockholders who are not big money players like the Dillon Group. A distribution to stockholders by Citadel of its Fidelity shares would not be in the best interests of the typical Citadel stockholder at this time because:

* In a liquidation, it is unlikely that stockholders would receive more than 2/3 of a share of Fidelity stock for each share of Citadel stock owned. Transfers of Fidelity shares in blocks of less than 100,000 shares are prohibited by Fidelity's Charter until the filing by Fidelity of its annual report on Form 10-K for the fiscal year ending December 31, 1994. The average stockholder would receive less than 100,000 Fidelity shares in liquidation. If the distribution were to occur prior to the Fidelity 10-K filing, the average stockholder would be prohibited from selling those shares for a period of time. The Dillon Group would receive over 100,000 Fidelity shares. While the Dillon Group has indicated an intention to delay a distribution of Fidelity shares until after Fidelity's 10-K filing, the interim 100,000 share minimum trade restriction will inhibit any development of a liquid trading market for Fidelity shares.

* Today, Fidelity stock is unlisted and held exclusively by large investors. Even after the minimum 100,000 share transfer requirement for Fidelity share transfers terminates upon the filing by Fidelity of its annual report on Form 10-K for the fiscal year ending December 31, 1994, no assurance can be given that Fidelity shares will be listed or that any efficient market will develop. Accordingly, small Fidelity share holdings may sell at material discounts to their true values. The Fidelity stock kept in a larger block in Citadel's hands would retain the potential to attract a better price from another large investor who might seek a significant stake in Fidelity. Liquidation would destroy any value that the Company's Fidelity holdings would have as a major block of Fidelity common stock.

* Liquidation would require the Company to sell its real estate assets at what may be the bottom of the Southern California real estate market and before values have stabilized. Management believes that premature liquidation of all real estate assets in a forced sale could cost the Company several million dollars.

* Dillon's nominees, while purportedly committed to a liquidation of Citadel, are uninformed. While Dillon's nominees may already be committed to a course of action that implements the will of their promoter, Roderick Dillon, several of them have admitted that they have not conducted an independent review of Citadel; that they have no plan for obtaining the financing necessary to timely exercise the valuable option received by Citadel in the Restructuring; that they have no plan for dealing with Citadel's debts and contingent liabilities and that they have not considered the impact of Dillon's plan on stockholders other than Dillon. Dillon's nominees are young and inexperienced. They have an average age of 36 and have little prior experience as officers or directors of public companies. Most of these individuals have reported no experience in managing or selling real estate or in the operation of a financial institution such as Fidelity.

LITIGATION

On November 7, 1994, Dillon commenced an action in the Court of Chancery of the State of Delaware against Citadel, its directors and Craig Corporation ("Craig") alleging that (i) the 74,300 shares of Citadel common stock issued to Craig on October 21, 1994 were invalidly issued; (ii) the directors improperly changed the record date for the Annual Meeting to permit them to issue additional shares to Craig or others prior to the new record date; and (iii) Citadel intended to issue additional shares to Craig or others for the same purposes described above. The relief sought by Dillon is a declaration that neither the shares of Common Stock issued on October 21, 1994 nor any other shares issued after November 4, 1994 may be voted at the Annual Meeting, and an injunction against issuance of further shares.

On November 9, 1994, Dillon applied to the Court of Chancery for a temporary restraining order seeking to enjoin Citadel from issuing additional shares pending further proceedings. After a hearing, the Court denied the application on the ground that Dillon had failed to make an adequate record justifying the relief sought without prejudice to renewal of an application for preliminary relief if additional shares of Citadel are issued. The Court has set January 4, 1995 as the trial date for this action. On November 14, 1994, Dillon amended its complaint to seek rescission of the sale of the Preferred Shares and to enjoin the voting of such shares at the Annual Meeting. The amended complaint alleges, among other things that the issuance of the Preferred Shares was in violation of the Board's fiduciary duty as such stock was issued for inadequate consideration and not for a proper purpose. In its SEC filings, Dillon has indicated that it intends to continue to litigate this matter.

On November 16, 1994, Citadel answered the amended complaint, denying all allegations of wrongdoing alleged by Dillon. Citadel and its directors believe this case is without merit and intend to vigorously defend themselves. As discussed below, the Board of Directors believe that the issuances of shares to Craig are in the best interests of Citadel and its stockholders. Notwithstanding assertions made by the Dillon Group in their lawsuit that the Board of Directors is motivated by self interest and a desire to entrench themselves, several months ago your Board on its own motion reduced director compensation by more than 50%, and, in accordance with its efforts to reduce corporate overhead, determined not to renew their own directors and officers liability insurance. On November 16, 1994, Citadel filed a counterclaim based upon the following events. On November 7, 1994, which was after the directors had fixed November 14, 1994 as the record date for determining the stockholders entitled to vote at the Annual Meeting, Dillon delivered to Citadel a stockholder consent in an effort to fix an earlier date, November 7, 1994, as the record date for determining the stockholders to participate in a consent solicitation by Dillon to take the following action without a stockholder meeting: (i) remove the directors of Citadel, (ii) install Dillon's slate of directors, and (iii) retroactively, as of November 4, 1994, eliminate indemnification by Citadel of its officers, directors and employees except where such indemnification has been given prior approval by a majority of Citadel stockholders. Citadel's counterclaim asks the Delaware Court of Chancery, now that November 14, 1994 record date for the Annual Meeting has passed, to declare that Delaware law would not permit the removal of Citadel's directors through Dillon's consent procedure prior to the Annual Meeting unless the votes of those entitled to vote at the Annual Meeting are considered. Citadel also asks the Court to declare that under Delaware law stockholders of record as of November 7, 1994 may not after the Annual Meeting remove directors that are elected at the Annual Meeting by stockholders of a later record date. The counterclaim also asks the Court to declare that Dillon's proposed amendment purporting to eliminate retroactively the rights of Citadel's officers, directors and employees to indemnification is not valid under Delaware law.

On November 16, 1994, Citadel filed a lawsuit in the United States District Court for the Central District of California, against the Dillon Group and the Dillon Nominees seeking injunctive relief against each defendant pursuant to Section 13(d) of the Securities Exchange Act of 1934 on the ground defendants have failed to disclose and have misrepresented various material facts required to be disclosed in filing with the SEC under Section 13(d). Among other things, the complaint alleges that the Dillon Group and the Dillon

Nominees have violated federal law by failing to disclose contracts, arrangements and understandings among them and with others with respect to Citadel stock and failing to disclose the adverse consequences to Citadel and its stockholders resulting from the defendants obtaining control of Citadel and liquidating its assets and the adverse consequences to Citadel and its stockholders of the defendants failing to obtain the approval of the Office of Thrift Supervision ("OTS") for their actions. Citadel intends to continue to litigate this matter.

ISSUANCE OF COMMON STOCK

On October 21, 1994, Citadel, after approval by a special committee of independent directors, issued 74,300 shares of its Common Stock to Craig at a purchase price of \$3.85 per share. The transaction provided capital to Citadel and increased Craig's equity stake in Citadel to just above 10%. Because Citadel has remained a registered thrift holding company following the restructuring and recapitalization of Fidelity, acquisition of more than 10% of Citadel's equity can require the approval of the OTS. Craig advised Citadel that it previously received such OTS approval, and that such approval would expire on October 23, 1994 unless Craig's equity interest increased above 10% prior to its expiration. This transaction preserved Craig as a potential source of future equity financing without new OTS approval. S. Craig Tompkins is the President and a director of Craig and James J. Cotter is the Chairman of the Board and a principal stockholder of Craig.

ISSUANCE OF PREFERRED STOCK

Commencing shortly after the Restructuring and Recapitalization Transaction, Citadel began to explore with Craig the possibility of Craig making an additional equity infusion in Citadel for working capital purposes. Citadel formed a special committee (the "Special Committee") of the independent directors of the Board (which included all of the directors other than Messrs. Cotter and Tompkins) to negotiate the terms of such an equity infusion. On November 10, 1994, Citadel issued 1,329,114 shares (the "Preferred Shares") of 3% Cumulative Voting Convertible Preferred Stock to Craig at a price of \$3.95 per share. Payment was made in the form of cancellation of \$5,250,000 of indebtedness to Craig under a short-term line of credit (the "Craig Facility") that was provided by Craig to Citadel Realty, Inc. ("CRI"), a wholly-owned subsidiary of Citadel, to help finance the acquisition by CRI of Citadel's current real estate holdings from Fidelity at the time of the Restructuring and Recapitalization Transaction. Citadel believes that at such time no other sources of funds to acquire these properties were available on reasonable terms and that if Craig had not provided such financing, the potential value of these properties would have been lost to Citadel and its stockholders. The Craig Facility is guaranteed by Citadel, which guarantee is secured by a pledge of all of the stock of CRI. The Craig Facility is due and payable in full on August 5, 1995, subject to CRI's right, if it satisfies certain conditions and pays an extension fee, to extend the line for an additional six months to February 5, 1996. Approximately \$1,000,000 remains outstanding under the Craig Facility.

The members of the Special Committee determined that, without the issuance of the Preferred Shares, Citadel would likely be forced to liquidate its assets, including its shares of Fidelity, under a "distress sale" circumstance to pay the indebtedness under the Craig Facility, thereby reducing prospects for maximizing the value of Citadel's assets. The Special Committee was especially concerned that the lack of a liquid market for Fidelity stock might impede Citadel's ability to maximize its value in a forced disposition to meet Citadel's obligations under the Craig Facility. The Special Committee was also concerned that it might be unable to identify any alternative sources of equity or receive sufficient proceeds from a sale of the Fidelity shares to pay the Craig Facility as the maturity date drew nearer, particularly if there was a further deterioration in Fidelity's financial condition. The conversion of the debt to equity has improved Citadel's cash flow by converting floating rate debt bearing an interest rate of prime plus 3% into a fixed cumulative dividend of 3% (which is not a liability on Citadel's balance sheet), and has expanded Citadel's equity base while reducing Citadel's leverage.

The Special Committee received the written opinion of Wedbush Morgan Securities ("Wedbush"), dated November 10, 1994, that, based upon and subject to the matters set forth therein, the consideration received by Citadel for the issuance of the Preferred Shares is fair, from a financial point of view, to the public stockholders of Citadel. In rendering its opinion Wedbush, among other things, compared the financial and

stock market information for Citadel with similar information for certain other companies whose securities are publicly traded and considered the likelihood that Citadel could sell the Preferred Shares or a similar security to another purchaser on better terms. Wedbush is an investment banking firm and a member of the New York Stock Exchange and other principal stock exchanges in the United States, and is regularly engaged as part of its business in the valuation of businesses and securities for corporate, estate tax and other purposes in connection with mergers and acquisitions, private placements and negotiated underwritings. A copy of the Wedbush opinion has been filed as an exhibit to Citadel's Current Report on Form 8-K (the "Preferred Stock 8-K") filed with the SEC on November 14, 1994. In retaining Wedbush, the Special Committee noted, among other things, the absence of any prior representation by Wedbush of Craig.

Holders of the Preferred Shares have the right to convert such shares into Common Stock at any time, subject to certain redemption provisions, at a conversion ratio of one Preferred Share for a fraction of a share of Common Stock, the numerator of which is the sum of the purchase price paid per Preferred Share (the "Stated Value") plus any accrued but unpaid per share dividends, and the denominator of which is the average of the closing prices per share of the Common Stock for each of the 60 business days immediately preceding the date of conversion (subject to a maximum denominator of \$5). In addition, if Citadel completes a rights offering of Common Stock to its stockholders prior to October 31, 1995, and if the gross proceeds thereof (other than from Craig and its affiliates) equal or exceed \$2.5 million, then any remaining Preferred Shares having an aggregate Stated Value plus accrued dividends equal to such gross proceeds shall automatically convert into Common Stock at the rights offering price.

Citadel has the option to redeem Preferred Shares at any time after November 10, 1997 at a per share price equal to the sum of the Stated Value plus accrued but unpaid dividends per share plus a premium calculated as simple interest on the Stated Value from the date of issuance of the Preferred Shares at a decreasing rate that begins at 9% if the redemption occurs prior to the fourth anniversary of the date of issuance of the Preferred Shares and decreases by one percent for each succeeding year (the "Redemption Price"). Holders of Preferred Shares have the right to require Citadel to purchase their shares at the Redemption Price under certain circumstances, including a "Change in Control." A Change in Control is defined as the occurrence of either of the following events: (i) any person, entity or "group" (as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the rules thereunder) other than Craig, and its successors and affiliates, acquires beneficial ownership of over 35% of the outstanding voting securities of the Company; or (ii) the directors of the Company as of October 10, 1994 (the "Current Directors"), and any future directors ("Continuing Directors") of the Company who have been elected or nominated by a majority of the Current Directors or the Continuing Directors, cease to constitute a majority of the Board of Directors. (The terms of the Craig Facility also provide Craig with the right to accelerate the indebtedness due thereunder upon the occurrence described under clause (ii) of the Change in Control definition.) The Preferred Shares are transferable subject to compliance with applicable federal and state securities laws.

The Preferred Shares vote jointly (not as a separate class) with the Common Stock on most matters, including the election of directors, with each Preferred Share entitled to one vote. Holders of the Preferred Shares will have the opportunity to purchase part of any new issuance of voting securities of Citadel to preserve their respective percentage voting interests. If a court of competent jurisdiction issues any ruling, judgment, injunction, decree or order that prohibits Craig from voting the Preferred Shares at any meeting of Citadel stockholders or pursuant to any written consent of Citadel stockholders, in which vote or consent the Preferred Shares would otherwise be entitled to participate, or invalidates any such vote or consent of such Preferred Shares, then Craig will have the right to rescind its purchase of the Preferred Shares. Upon such rescission, (i) the Preferred Shares will be canceled and (ii) the \$5,250,000 of indebtedness under the Craig Facility which had been canceled, plus any interest thereon, will be reinstated. The Certificate of Designations for the Preferred Shares, establishing the voting powers, preferences and relative rights of the Preferred Shares, and the definitive Preferred Stock Purchase Agreement between Citadel and Craig have been included as exhibits to the Preferred Stock 8-K.

SOLICITATION OF PROXIES

The cost of preparing, assembling and mailing the Notice of Annual Meeting of Stockholders, this Proxy Statement and the enclosed proxy card will be paid by Citadel. Following the mailing of this Proxy Statement, directors, officers and regular employees of Citadel may solicit proxies by mail, telephone, telegraph or personal interview. Such persons will receive no additional compensation for such services. Brokerage houses and other nominees, fiduciaries and custodians nominally holding shares of Common Stock of record will be requested to forward proxy soliciting material to the beneficial owners of such shares, and will be reimbursed by Citadel for their reasonable charges and expenses in connection therewith.

In addition, Citadel has retained D.F. King & Co., Inc. ("D.F. King") to assist in the solicitation of proxies. D.F. King may solicit proxies by mail, telephone, telegraph and personal solicitation, and will request brokerage houses and other nominees, fiduciaries and custodians nominally holding shares of Voting Stock of record to forward proxy soliciting material to the beneficial owners of such shares. Citadel has agreed to pay D.F. King \$.

RESTRUCTURING AND RECAPITALIZATION TRANSACTION

As part of the Restructuring and Recapitalization Transaction, Citadel's board of directors was reduced from eight to five directors, with Messrs. Richard M. Greenwood, Donald R. Boulanger, Mel Goldsmith and Zelbie Trogden resigning. Mr. Wesson, the new President and Chief Executive Officer of Citadel, was elected to the Board to fill one vacancy, and Mr. S. Craig Tompkins was elected Vice Chairman. Messrs. Greenwood and Goldsmith continue to serve as directors of Fidelity.

Also incident to the Restructuring and Recapitalization Transaction, all officers of Citadel other than Ms. Heidi Wulfe (Senior Vice President, Controller and Chief Accounting Officer) resigned and were replaced by Mr. Wesson. Ms. Wulfe continued to serve as an officer of Citadel only through the completion of the Company's report on form 10Q for the quarter ended June 30, 1994 (the "June 10Q"), and upon the filing of the June 10Q, Ms. Wulfe resigned and continues to serve in her position as the Senior Vice President, Controller and Chief Accounting Officer of Fidelity. To the extent that contracts existed between these individuals and Citadel, such contracts were terminated as of the effectiveness of the Restructuring and Recapitalization Transaction, and Citadel has no further obligations thereunder.

Since all of the Company's health, medical, bonus and retirement plans were maintained by Fidelity and not by Citadel, the obligations of Citadel under such plans also terminated effective as of the effectiveness of the Restructuring and Recapitalization Transaction. Accordingly, as of the date of this Proxy Statement, Citadel has no health, medical, bonus or retirement plans. (It is anticipated, however, that Citadel will provide health and medical insurance benefits to its employees, and that it will reimburse employees for the cost of their COBRA premiums pending determination of the manner in which to structure such an insurance program for Citadel.)

While this Proxy Statement includes information pertaining to the compensation of executive officers and directors for the year ended December 31, 1993 as required by federal proxy disclosure regulations, this material is of limited materiality, since the executive and board structure of Citadel and the compensation paid to executive officers and directors has been significantly reduced since the Restructuring and Recapitalization Transaction. By way of example, Directors currently receive an annual retainer of \$10,000 with no extra compensation for attendance at monthly board meetings. Prior to the Restructuring and Recapitalization Transaction, directors were paid a base retainer of \$23,000 plus \$1,000 for attendance at board meetings. Also, in order to reduce overhead, the directors have elected to forgo customary directors and officers liability insurance.

The Restructuring and Recapitalization Transaction is described in detail in the June 10Q and a report on Form 8-K filed October 21, 1994 (the "October 8-K"). Reference is made to the June 10Q and the October 8-K for a more detailed description of the Restructuring and Recapitalization Transaction and all descriptions of the Restructuring and Recapitalization Transaction are qualified by reference to such more detailed information.

DIRECTORS AND EXECUTIVE OFFICERS

EXECUTIVE OFFICERS

The officers of Citadel currently include Steve Wesson and S. Craig Tompkins. Following the Restructuring and Recapitalization Transaction, all executive officers of Citadel except Ms. Wulfe resigned. Those officers who were identified as executive officers of Citadel due to their status as executive officers of Fidelity either continued with Fidelity or resigned following the effectiveness of the Restructuring and Recapitalization Transaction. Ms. Wulfe continued to serve as a Senior Vice President and as the Controller and Chief Accounting Officer of Citadel, until her resignation from those positions following the filing of the June 10Q on or about August 22, 1994. Ms. Wulfe, a certified public accountant, joined Fidelity and Citadel in 1989 as Vice President and Controller. In 1991 she was named Senior Vice President of Fidelity and Citadel. From 1987 to 1989, she was Vice-President and Controller at Antelope Valley Saving and Loan Association. From 1977 to 1987, she was employed as an Audit Manager by Grant Thornton, Accountants and Management Consultants.

COMMITTEES OF THE BOARD OF DIRECTORS

Citadel has historically maintained standing Audit, Executive, Nominating and Compensation and Stock Option Committees. Following the Restructuring and Recapitalization Transaction, the Board of Directors determined to reduce its standing committees to an Executive Committee (comprised of Messrs. Cotter (Chairman), Wesson and Tompkins), Audit Committee (comprised of Messrs. Geiger (Chairman) and Villasenor), and a Conflicts Committee (comprised of Messrs. Villasenor (Chairman) and Geiger). The Conflicts Committee will consider and make recommendations with respect to all matters as to which one or more other directors may have conflicts of interest.

The Audit Committee held eight (8) meetings during 1993. The Audit Committee's responsibilities are generally to assist the Board in fulfilling its legal and fiduciary responsibilities relating to accounting, audit and reporting policies and practices of Citadel, Fidelity and their subsidiaries. The Audit Committee also, among other things, recommends to the Board the engagement of the Company's independent accountants; monitors and reviews the quality and activities of the Company's internal audit function and those of its independent accountants; and, monitors the adequacy of the Company's operating and internal controls as reported by management, the independent accountants and internal auditors.

The Executive Committee held three (3) meetings during 1993, Subject to the authority conferred on Citadel's other committees, the Executive Committee is empowered to exercise all authority in lieu of the Board that may be exercised by a committee of the Board pursuant to Delaware law.

The Nominating Committee held one (1) meeting during 1993.

The Compensation and Stock Option Committee held six (6) meetings during 1993.

MEETINGS OF THE BOARD OF DIRECTORS

During 1993, there were thirteen (13) meetings of the Board of Directors of Citadel. All directors attended at least 75% of the meetings of the Board of Directors, and all members of the committees of the Board attended at least 75% of the meetings of those committees, in each case, after the election of such individual to the Board or to such Committee.

COMPENSATION OF DIRECTORS

For the fiscal year completed December 31, 1993, nonemployee directors were paid fees in the amount of a \$23,000 annual retainer plus \$1,000 for each board meeting and \$850 for each committee meeting attended in person (or \$300 in the case of telephonic meetings). In addition, Mr. Villasenor was paid \$850 quarterly for his attendance at the Fidelity CRA Committee meetings. Committee chairmen who were not Citadel or Fidelity employees received an additional \$2,500 per year. For directors who fail to attend a meeting (unless excused for illness), the attendance fee for the ensuing 12 meetings was reduced by \$100 per meeting. Failure to attend two or more meetings reduced the attendance fee by \$250 per meeting for the ensuing 12 meetings. In December 1993, the Board, based upon the recommendation of the Compensation Committee and in consideration of the extra time and effort required of Mr. Cotter due to his services as chairman, increased Mr. Cotter's annual retainer to \$100,000 retroactive to October 1991 and changed his retainer, effective January 1, 1994, to a \$25,000 quarterly retainer. Mr. Cotter receives no meeting fees in addition to the retainer and all annual retainers and meeting fees paid to Mr. Cotter since October 1991 were netted from payments due retroactively.

EXECUTIVE COMPENSATION

The federal proxy disclosure regulations require Citadel to disclose certain specific information with respect to executive compensation in this Proxy Statement. As discussed above, much of this information is of limited materiality due the changes which have occurred in conjunction with the Restructuring and Recapitalization Transaction.

SUMMARY COMPENSATION TABLE

The following Summary Compensation Table sets forth the compensation earned during the year ended December 31, 1993 by Citadel's Chief Executive Officer and the four other most highly compensated executive officers who were serving as executive officers at December 31, 1993.

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION			LONG TERM COMPENSATION	
		SALARY	BONUS	OTHER ANNUAL COMPENSATION(1)	SECURITIES UNDERLYING STOCK OPTIONS GRANTED	ALL OTHER COMPENSATION(2)
Richard M. Greenwood	1993	\$376,846	\$50,000	\$39,359(3)	20,000	\$ 0
President and Chief Executive Officer	1992	\$209,173	0	25,986(3)	0	0
	1991	N/A	N/A	N/A	N/A	N/A
Walter H. Morris, Jr.(4)	1993	\$178,500	\$ 0	0	0	\$ 0
Executive Vice President and Chief Lending Officer	1992	87,500	15,000	0	0	0
	1991	N/A	N/A	N/A	N/A	N/A
Andre S. W. Shih	1993	\$134,847	\$25,000	0	0	\$ 0
Senior Vice President Treasurer and Acting Chief Financial Officer	1992	125,000	19,500	0	0	0
	1991	55,289	0	0	0	0
Frederick N. Bailard(4)	1993	\$132,692	\$ 0	0	0	\$1,171
Senior Vice President, Real Estate Asset Management	1992	45,673	5,000	0	0	0
	1991	N/A	N/A	N/A	N/A	N/A
Kirk S. Sellman(4)	1993	\$137,308	\$ 0	0	0	\$4,269
Executive Vice President, Retail Banking	1992	125,000	15,000	0	0	3,351
	1991	115,500	5,563(5)	0	0	0

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

(2) Consists of matching contributions under the 401(k) Plan in effect as of December 31, 1993.

- (3) When Mr. Greenwood was hired on June 3, 1992, Citadel and Fidelity agreed to make him an interest free loan of \$240,000 described below. The amount shown includes interest on such loan in 1993 of \$9,984, an automobile allowance of \$20,040, an excess group life insurance policy for which Fidelity paid premium in the amount of \$2,345 and other benefits.
- (4) Mr. Morris resigned March 18, 1994. Mr. Bailard resigned February 2, 1994. Mr. Sellman resigned January 3, 1994.
- (5) Includes amounts earned under the Management Incentive Compensation Plan in effect as of December 31, 1993 with respect to each year in question, even if payment was made in the following year.

STOCK OPTIONS

On March 24, 1993, Citadel and Fidelity granted to Mr. Greenwood a stock option to purchase 20,000 shares of Common Stock at a price of \$21.90 per share. Citadel granted no other stock options and no stock appreciation rights ("SARs") to executives or employees in 1993. The following table sets forth the stock options outstanding held by the named executives as of December 31, 1993. All options are exercisable. No SARs are outstanding.

OPTION/SAR GRANTS IN LAST FISCAL YEAR

NAME	INDIVIDUAL GRANTS				POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM	
	NUMBER OF SECURITIES UNDERLYING OPTIONS/SARS GRANTED	PERCENT OF TOTAL OPTIONS/SARS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE OR EXPIRATION BASE PRICE	EXPIRATION DATE	5%	10%
					\$35.67/SHARE	\$56.80/SHARE
Richard M. Greenwood....	20,000	100%	\$21.90	2003	\$ 713,400	\$ 1,136,000
Walter H. Morris, Jr....	0	0	--	--	--	--
Andre S. W. Shih.....	0	0	--	--	--	--
Frederick N. Bailard....	0	0	--	--	--	--
Kirk S. Sellman.....	0	0	--	--	--	--

AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION/SAR VALUES

NAME	SHARES ACQUIRED ON EXERCISE(#)	VALUE REALIZED(\$)	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS/SARS AT FY-END(#)		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS/SARS AT FY-END(#)	
			EXERCISABLE/UNEXERCISABLE	EXERCISABLE/UNEXERCISABLE	EXERCISABLE/UNEXERCISABLE	EXERCISABLE/UNEXERCISABLE
Richard M. Greenwood....	N/A	N/A	20,000/0		0(1)	
Walter H. Morris, Jr....	--	--	--		--	
Andre S. W. Shih.....	--	--	--		--	
Frederick N. Bailard....	--	--	--		--	
Kirk S. Sellman.....	--	--	--		--	

(1) None of the options held by Mr. Greenwood are in-the-money.

RETIREMENT INCOME (DEFINED BENEFIT) PLAN

Citadel, prior to the Restructuring and Recapitalization Transaction, maintained a Retirement Income Plan which was a qualified, non-contributory defined benefit retirement plan. The Retirement Plan provided for monthly retirement payments or an actuarially equivalent lump sum to or on behalf of each covered employee or beneficiary upon retirement at age 65 or upon early retirement (i.e. the attainment of age 55 and the completion of 10 years of service) and, under certain circumstances, upon disability, death or other termination of employment, based upon the employee's average monthly compensation and the aggregate number of years of service.

The following table illustrates approximate annual benefits payable at normal retirement age for various combinations of service and compensation:

AVERAGE FINAL COMPENSATION	YEARS OF SERVICE				
	15	20	25	30	35
\$50,000.....	11,302	15,069	18,836	22,603	26,370
100,000.....	24,427	32,569	40,711	48,853	56,995
150,000.....	37,552	50,069	62,586	75,103	87,620
200,000.....	37,552	50,069	62,586	75,103	87,620
250,000.....	37,552	50,069	62,586	75,103	87,620
300,000.....	37,552	50,069	62,586	75,103	87,620
350,000.....	37,552	50,069	62,586	75,103	87,620
400,000.....	37,552	50,069	62,586	75,103	87,620

Compensation under the Retirement Income Plan included all regular pay, excluding overtime, commissions and bonuses, limited by IRC 401(a) (17) compensation limit (\$150,000 for 1994). The benefit amounts listed above were computed on a 10-year certain and life basis, which is the normal form under the plan.

The approximate years of credited service as of December 31, 1993 for each of the named executive officers are as follows:

NAME	SERVICE
Richard M. Greenwood.....	1 year
Walter H. Morris, Jr.....	1 year
Andre S. W. Shih.....	2 years
Kirk S. Sellman.....	3 years
Frederick N. Bailard.....	1 year

Incidentive to the Restructuring and Recapitalization Transaction, Citadel adopted a revised board fee schedule to provide as follows: Non-employee Directors (which include all directors other than Mr. Wesson) receive an annual retainer of \$10,000. Directors receive no additional compensation for serving as committee chairmen, or for attending regularly scheduled monthly meetings, but receive \$1,000 for attendance at any special board meetings and \$850 for attendance at any committee meetings. Directors receive \$350 for participation in any telephonic Board or committee meetings. The Chairman's retainer has been reduced to \$45,000 and continues to be in lieu of any other retainers or attendance fees. The Secretary/Treasurer and Principal Accounting Officer is paid a total annual retainer as a director of \$35,000 in addition to his attendance fees.

EMPLOYMENT CONTRACTS AND CHANGE IN CONTROL AGREEMENTS

Mr. Greenwood, Citadel and Fidelity entered into a three-year employment agreement as of June 3, 1992, his date of hire. The agreement provided for compensation during the first twelve months at the rate of \$365,000 per year, increasing to \$385,000 for the second twelve months and \$415,000 for the third twelve months. In the event of termination by Citadel and/or Fidelity other than for "cause", or by Mr. Greenwood for "cause", Mr. Greenwood would be entitled to receive, in addition to accrued benefits under any applicable benefits plans, an amount equal to the sum of (i) the balance of the amount which would have been paid to Mr. Greenwood had his employment continued through the remainder of the twelve month period in which such termination occurred and (ii) \$365,000 if such termination occurs during the first twelve months, \$385,000 if such termination occurs during the second twelve months, and \$0 if such termination occurs during the third twelve months of his employment. In the event of an "Acquisition of Control" (as defined in the agreement) of Citadel by any person other than Craig, Reading, Hecco Ventures I, Tucson Electric Power Company or any one or more of their respective affiliates, Mr. Greenwood would be entitled to receive additional severance compensation in the amount of \$500,000 during the first twelve months of his employment, reducing to \$250,000 and \$0 for the second and third twelve months of his employment, respectively. This additional compensation was also payable in the event of termination without "cause" by Mr. Greenwood, or failure of the parties to enter into a new employment contract, following any such "Acquisition of Control." Mr. Greenwood was also entitled to participate in health, pension and bonus programs in effect as of December 31, 1993.

In March 1993, the Board of Directors approved entering into severance agreements with Messrs. Sellman, Bailard and Morris under which Citadel and Fidelity agreed to pay each of them a sum equal to one year's salary if they are discharged or effectively discharged following a "change in control" involving any person other than Craig, Reading, Hecco Ventures I, Tucson Electric Power Company or one or more of their respective affiliates. The Board of Directors approved entering into the same or similar agreements with approximately 16 other Citadel and Fidelity officers.

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

Each of the current Citadel Directors have entered into indemnity agreements with Citadel. In November, 1994, Citadel corrected oversights with respect to the indemnity agreements it had entered into with certain of its directors and officers. First, Citadel and Mr. Wesson executed agreements to cover Mr. Wesson's duties as a director and officer of Citadel and of Citadel Realty, Inc. Mr. Wesson's prior agreement covered only his duties as a director and officer of Doran Street Real Estate Corporation, a wholly-owned subsidiary of Citadel and the predecessor to Citadel Realty, Inc. Second, Citadel and Mr. Tompkins executed new agreements covering Mr. Tompkins' duties as a director and officer of Citadel and of Citadel Realty, Inc. Mr. Tompkins had previously executed an agreement covering his duties as an director and officer of Citadel, but such agreement has not to date been located by either party.

CONSULTING AGREEMENT WITH MR. BRALY

On August 3, 1992, the Board of Directors caused the Company to engage Mr. Braly as a consultant to study asset valuations and the possibilities of disposing of problem assets. Mr. Braly and the Company have entered into a consulting agreement pursuant to which the Company has compensated Mr. Braly at the rate

of \$4,000 per week. The agreement expired on March 31, 1993. The Company paid Mr. Braly \$97,000 for services rendered in 1992. On April 28, 1993, Mr. Braly was elected Executive Vice President of Citadel.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

As of December 31, 1993, Mr. James J. Cotter, Mr. Mel Goldsmith and Mr. Alfred Villasenor, Jr. were members of the Compensation Committees of Citadel. As of December 31, 1993, none of the Compensation Committee members were employees of Citadel. Mr. Greenwood served in an advisory capacity to the Compensation Committees of Citadel.

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

Administration, Philosophy

As of December 31, 1993, the compensation program was administered by the Compensation Committee of the Board of Directors. At such time, the Committee was composed of two non-employee directors. The CEO served as an advisor to the Committee. Following review and approval by the Compensation Committee, all issues pertaining to employment-related contracts were submitted to the full Board of Directors for approval.

As of December 31, 1993, it was the philosophy of the Committee and Citadel to provide Citadel executives with total compensation (cash and non-cash) opportunities competitive with the market to attract and retain the caliber of executive talent capable of creating and leading a successful financial services company. The market used to establish competitive averages was comprised of financial services institutions, including commercial banks, savings banks and mortgage banks as applicable to specific functional areas.

As of December 31, 1993, it was also the philosophy of the Committee and Citadel to limit fixed compensation costs (e.g., base salaries) to competitive averages and leverage, in the form of incentives, "above average" costs specifically to Citadel and/or individual performance. Competitive data was obtained through published survey data and custom surveys conducted by Citadel or a third party. Information regarding this market includes the OTS Peer Group as defined in the Performance Graph provided below.

As of December 31, 1993, executive compensation plans in use included base salary, annual incentive, limited use of stock options, and certain executive benefits and perquisites. Other executive compensation programs used in the past included a Supplemental Executive Retirement Plan ("SERP") and Split Dollar Life Insurance. Of the named executive officers as of December 31, 1993, only Mr. Evans participated in the SERP, which was suspended as of February 28, 1994.

Due to the financial position of Citadel in late 1993, only limited bonuses and pay raises were awarded.

1993 Performance

In 1993, an analysis of the competitive market and Citadel performance was conducted. This analysis showed base salaries of executive officers to be competitive with market averages. The average relationship of officer base salaries to salary range midpoints (i.e., market) was 102% of midpoint as of December 31, 1993.

During 1993, the Committee reviewed proposals from its advisors (the CEO and SVP, Human Resources) for a 1993 Management Incentive Plan. The proposed plan linked an annual incentive with a long-term incentive component. After much discussion, the Committee was unable to agree on the appropriate measures and performance levels and the proposed Plan was not approved.

The Committee did, however, recommend for Board approval discretionary bonuses to certain executives in recognition of outstanding individual performance during 1993. Of the four named executive officers, Mr. Shih received a bonus of \$25,000 for exceptional performance in fulfilling his duties as Treasurer and Acting Chief Financial Officer.

CEO PAY

The salary and other compensation paid to Mr. Greenwood in 1993 was provided for in the employment contract Citadel and Mr. Greenwood entered into upon the commencement of Mr. Greenwood's employment in June 1992. The contract was the result of arms-length negotiations. Pursuant to the agreement, Mr. Greenwood received i) a salary increase of 5.5%, resulting in his 1993 annual salary of \$385,000; ii) a \$50,000 bonus upon completion of one year's service; and iii) a stock option grant of 20,000 shares at a grant price equal to 100% of fair market value.

Committee Members:

James J. Cotter Ralph B. Perry, III
Mel Goldsmith Alfred Villasenor, Jr.

The report of the Compensation Committee shall not be deemed incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933, as amended (the "Securities Act"), or under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), except to the extent that Citadel specifically incorporates this information by reference, and shall not otherwise be deemed filed under such Acts.

The Stock Price Performance Graph below shall not be deemed incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Exchange Act, except to the extent Citadel specifically incorporates this information by reference, and shall not otherwise be deemed filed under such Act.

The graph below comprises cumulative total return of Citadel, The S & P Index and the Adjusted OTS Peer Group A (Bay View Capital, Coast Savings, Downey Savings, First Federal Financial, San Francisco Federal Corporation and Union Federal Financial Corporation). Peer group returns have been weighted by market capitalization of the individual peers.

COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURN
AMONG CITADEL, S&P 500 INDEX AND ADJUSTED OTS PEER GROUP A*

PERFORMANCE GRAPH APPEARS HERE

Measurement Period (Fiscal Year Covered)	CITADEL HOLDING CORPORATION	S&P 500 INDEX	ADJUSTED OTS PEER GROUP A
Measurement Pt- 12/31/1988	\$100	\$100	\$100
FYE 12/31/1989	\$127	\$127	\$125
FYE 12/31/1990	\$ 58	\$119	\$ 73
FYE 12/31/1991	\$ 54	\$150	\$107
FYE 12/31/1992	\$ 58	\$157	\$121
FYE 12/31/1993	\$ 34	\$168	\$145

* Assumes \$100 invested on December 31, 1988 in Citadel Common Stock, S&P 500 Index and the Adjusted OTS Peer Group A.

SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN BENEFICIAL OWNERS

The following table sets forth the shares of Common Stock, Preferred Stock and Voting Stock owned as of November 14, 1994 by (i) each director, (ii) all directors and officer as a group, and (iii) each person known to Citadel to be the beneficial owner of more than 5% of either the Common Stock or the Preferred Stock. Except as noted, the indicated beneficial owner of the shares has sole voting power and sole investment power.

NAME AND ADDRESS OF BENEFICIAL OWNER -----	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP -----	PERCENT OF CLASS -----
James J. Cotter (1) (6)	667,012 shares of Common Stock and 1,329,114 shares of Preferred Stock	10% of Common Stock and 25% of Voting Stock
Steve Wesson (5)	(2)	*
Peter W. Geiger (5)	--	--
Alfred Villasenor, Jr. (5)	900 shares of Common Stock	*
S. Craig Tompkins (6)	--	--
Craig Corporation (6)	667,012 shares of Common Stock and 1,329,114 shares of Preferred Stock	10% of Common Stock and 25% of Voting Stock
Dillon Investors, L.P., Roderick H. Dillon, Jr., Roderick H. Dillon, Jr.-IRA, Roderick H. Dillon, Jr. Foundation and Bradley C. Shoup-IRA 21 East State Street, Suite 1410 Columbus, Ohio 43215 (3)	661,000 shares of Common Stock (3)	9.9% of Common Stock and 8.3% of Voting Stock (3)
Lawndale Capital Management, Inc., Andrew E. Shapiro, Diamond A Partners, L.P., and Diamond A Investors, L.P. One Sansome Street, Suite 3900 San Fransisco, California 94104 (4)	468,200 shares of Common Stock (4)	6.3% of Common Stock and 5.25% of Voting Stock (4)
All directors and executive officers as a Group (5 persons) (1)	667,912 shares of Common Stock and 1,329,114 shares of Preferred Stock	10% of Common Stock and 25% of Voting Stock

(1) Mr. Cotter is the Chairman and a principal stockholder of Craig Corporation. Craig Corporation holds 667,012 shares of Common Stock and 1,329,114 shares of Preferred Stock. Mr. Cotter disclaims beneficial ownership of these shares.

(2) Does not include stock options to purchase 35,000 shares of Common Stock which were granted to Mr. Wesson and which are not exercisable within 60 days.

(3) Based on Amendment No. 4 to Schedule 13D dated November 7, 1994.

(4) Based on Schedule 13D dated October 20, 1994.

(5) 600 North Brand Boulevard, Glendale, California 91203.

(6) 116 North Robertson Boulevard, Los Angeles, California 90048

* Represents less than one percent of the outstanding shares of Citadel Common Stock.

CITADEL'S RELATIONSHIP WITH INDEPENDENT PUBLIC ACCOUNTANTS

Deloitte & Touche have been the independent certified public accountants for Fidelity since 1976 and for Citadel since 1983 and have been selected by Citadel to continue to serve as the accountants for Citadel for 1994. Representatives of Deloitte & Touche will attend the Annual Meeting with an opportunity to make a statement if they desire to do so and will be available to respond to questions.

STOCKHOLDERS' PROPOSALS

Any stockholder of Citadel wishing to submit a proposal for inclusion in the Proxy Statement relating to the Company's 1995 annual meeting of stockholders must deliver such proposal to the Company at its principal office on or before not less than 120 days in advance of the date of this Proxy. The Board of Directors will review any proposals from eligible stockholders which it receives by that date and will determine whether any such proposal will be included in its 1995 proxy solicitation materials. An eligible stockholder is one who is the record or beneficial owner of at least 1% or \$1,000 in market value of securities entitled to be voted at the 1994 annual meeting of stockholders, who has held such securities for at least one year, and who shall continue to own such securities through the date on which the meeting is held.

OTHER MATTERS

At the time of preparation of this Proxy Statement, the Board of Directors of Citadel was not aware of any other matters to be brought before the Annual Meeting. However, if any other matters are properly presented for action, it is the intention of the persons named in the enclosed form of proxy to vote, or refrain from voting, in accordance with their respective best judgment on such matters.

FILING OF ANNUAL STATEMENTS

Pursuant to Section 16(a) of the Securities Exchange Act of 1934 and the rules promulgated thereunder, officer and directors of Citadel and persons who beneficially own more than 10% of a registered class of Citadel's equity securities are required to file with the Securities and Exchange Commission and the American Stock Exchange and furnish to Citadel reports of ownership and changes in ownership of all classes of Citadel's equity securities.

Based solely on its review of the copies of such reports received by it during or with respect to the year ended December 31, 1993, and/or written representations from such reporting persons, the Board of Citadel believes that all reports required to be filed by such reporting persons during or with respect to the year ended December 31, 1993 were timely filed.

By order of the Board of Directors,

/s/ S. CRAIG TOMPKINS

S. Craig Tompkins
Corporate Secretary

Glendale, California

December ,1994

PLEASE MARK, SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD PROMPTLY. NO POSTAGE IS REQUIRED IF MAILED IN THE UNITED STATES.

If your shares are held in the name of a brokerage firm, bank nominee or other institution, only it can vote your shares. Accordingly, please contact the person responsible for your account and give instructions for your shares to be voted .

IF YOU HAVE ANY QUESTIONS, OR HAVE ANY DIFFICULTY VOTING YOUR SHARES, PLEASE CONTACT D.F. KING & CO., INC. BY CALLING 1-800-207-2014.

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF
PROXY
CITADEL HOLDING CORPORATION

FOR ANNUAL MEETING OF STOCKHOLDERS--DECEMBER , 1994

The undersigned stockholder of Citadel Holding Corporation, a Delaware corporation (the "Company"), acknowledges receipt of the Notice of the Annual Meeting of Stockholders of the Company and the accompanying Proxy Statement, each dated December , 1994, and the undersigned hereby revokes all prior proxies and hereby constitutes and appoints James J. Cotter, Steve Wesson and S. Craig Tompkins, and each of them (each with full power of substitution and with full power to act without the others and, if two or more of them act hereunder, by action of a majority of them), the proxies of the undersigned, to represent the undersigned and to vote all the shares of common stock of the Company that the undersigned would be entitled to vote at the Annual Meeting of Stockholders of the Company to be held December , 1994 at 10:00 a.m. (Los Angeles time) at the Four Seasons Hotel, 300 South Doheny Drive, Beverly Hills, California, and at any adjournment or postponement thereof.

THIS PROXY WILL BE VOTED AS DIRECTED BY THE UNDERSIGNED BELOW; WHERE NO CHOICE IS SPECIFIED, IT WILL BE VOTED FOR PROPOSALS 1 AND 2 BELOW AND IN THE DISCRETION OF THE PROXIES IN THE MATTERS DESCRIBED IN PROPOSAL 3.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR PROPOSAL 1:

1.ELECTION OF DIRECTORS.

- FOR all nominees listed below (except as marked to the contrary below)
- WITHHOLD AUTHORITY to vote for all nominees listed below

INSTRUCTIONS: TO WITHHOLD AUTHORITY TO VOTE FOR ANY NOMINEE, STRIKE A LINE THROUGH THE NOMINEE'S NAME IN THE LIST BELOW:

James C. Cotter Steve Wesson S. Craig Tompkins Peter W. Geiger Alfred Villaseñor, Jr.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR PROPOSAL 2:

- 2. To adopt the proposal to amend the Company's Certificate of Incorporation to increase the number of authorized shares of Common Stock from 10,000,000 shares to 20,000,000 shares.

FOR AGAINST ABSTAIN

- 3. IN THE PROXIES' DISCRETION TO VOTE UPON ANY OTHER MATTER AS MAY PROPERLY COME BEFORE THE MEETING OR ANY ADJOURNMENT OR POSTPONEMENT THEREOF. MANAGEMENT IS NOT AWARE OF ANY OTHER MATTER THAT WILL BE PRESENTED FOR ACTION AT THE MEETING.

(PLEASE MARK, SIGN AND DATE THIS PROXY AND RETURN IT IN THE ENCLOSED ENVELOPE.)

Dated: _____, 1994

Signature(s)

Signature(s)

Please sign exactly as name appears hereon. If the stock is registered in the name of two or more persons, each should sign. When signing as an executor, administrator, trustee, guardian, attorney, or corporate officer, please add your full title as such.

COMMENTS: (Change of address)
