INTERGROUP CORP
Form 10-Q
February 12, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-Q

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2009

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______ to _____

Commission File Number: 1-10324

THE INTERGROUP CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	13-3293645
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

10940 Wilshire Blvd., Suite 2150, Los Angeles, California	90024
(Address of principal executive offices)	(Zip Code)

(310) 889-2500
(Registrant's telephone number)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer [ ]   Accelerated filer [ ]

Non-accelerated filer [ ]   Smaller reporting company [x]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.) [ ] Yes [x] No

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PART I
FINANCIAL INFORMATION

Item 1 - Condensed Consolidated Financial Statements

THE INTERGROUP CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 2009	June 30, 200
ASSETS		
Investment in hotel, net	$ 44,011,000	$ 44,791,00
Investment in real estate, net	60,081,000	61,002,00
Properties held for sale	9,811,000	9,679,00
Investment in marketable securities	7,675,000	13,920,00
Other investments, net	6,651,000	6,567,00
Cash and cash equivalents	1,920,000	1,024,00
Restricted cash	1,769,000	1,598,00
Other assets, net	4,414,000	3,761,00

Total assets	$136,332,000	$142,342,00
LIABILITIES AND SHAREHOLDERS' EQUITY(DEFICIT)		
Liabilities		
Accounts payable and other liabilities	$ 12,288,000	$ 11,219,00
Due to securities broker	1,487,000	4,840,00
Obligations for securities sold	1,700,000	2,105,00
Line of credit	2,500,000	1,811,00
Mortgage notes payable - hotel	46,379,000	46,757,00
Mortgage notes payable - real estate	58,895,000	59,451,00
Mortgage notes payable - property held for sale	12,156,000	12,280,00
Deferred income taxes	1,863,000	2,839,00
Total liabilities	137,268,000	141,302,00
Commitments and contingencies		
Shareholders' equity(deficit):		
Preferred stock, $.01 par value, 100,000 shares authorized; none issued	-	
Common stock, $.01 par value, 4,000,000 shares authorized; 3,283,097 and 3,216,653 issued; 2,394,109 and 2,327,665 Outstanding, respectively	33,000	32,00
Additional paid-in capital	9,030,000	8,959,00
Retained earnings	5,329,000	6,739,00
Treasury stock, at cost, 888,988 shares	(9,564,000)	(9,564,00
Total Intergroup shareholders' equity	4,828,000	6,166,00
Noncontrolling interest	(5,764,000)	(5,126,00
Total shareholders' equity(deficit)	(936,000)	1,040,00
Total liabilities and shareholders' equity(deficit)	$136,332,000	$142,342,00

The accompanying notes are an integral part of these condensed consolidated financial statements.

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THE INTERGROUP CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

For the three months ended December 31,	2009	2008
Revenues		
Hotel	$ 8,368,000	$ 8,644,000
Real estate	2,982,000	3,080,000
Total revenues	11,350,000	11,724,000
Costs and operating expenses		
Hotel operating expenses	(6,543,000)	(7,277,000)

Real estate operating expenses	(1,458,000)	(1,650,000)
Depreciation and amortization expense	(1,727,000)	(1,687,000)
Loss on termination of garage lease	-	(684,000)
General and administrative expense	(451,000)	(423,000)
Total costs and operating expenses	(10,179,000)	(11,721,000)
Income from operations	1,171,000	3,000
Other income(expense)		
Interest expense	(1,504,000)	(1,551,000)
Net gain on marketable securities	182,000	445,000
Net unrealized gain on other investments	226,000	-
Impairment loss on other investments	(917,000)	-
Dividend and interest income	55,000	47,000
Trading and margin interest expense	(352,000)	(301,000)
Net other expense	(2,310,000)	(1,360,000)
Loss before income taxes	(1,139,000)	(1,357,000)
Income tax benefit	347,000	284,000
Net loss from continuing operations	(792,000)	(1,073,000)
Discontinued operations		
Income from discontinued operations	119,000	70,000
Provision for income tax expense	(48,000)	(26,000)
Income from discontinued operations	71,000	44,000
Net loss	(721,000)	(1,029,000)
Less: Net loss attributable to the noncontrolling interest	242,000	315,000
Net loss attributable to Intergroup	$ (479,000)	$ (714,000)
Net loss per share from continuing operations		
Basic	$ (0.33)	$ (0.46)
Diluted	$ (0.33)	$ (0.46)
Net income per share from discontinued operations		
Basic	$ 0.03	$ 0.02
Diluted	$ 0.03	$ 0.02
Net loss per share attributable to InterGroup		
Basic	$ (0.20)	$ (0.30)
Diluted	$ (0.20)	$ (0.30)
Weighted average shares outstanding	2,394,109	2,354,403
Diluted weighted average number of shares outstanding	2,443,884	2,429,403

The accompanying notes are an integral part of these condensed consolidated financial statements.

THE INTERGROUP CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

For the six months ended December 31,	2009	2008
Revenues		
Hotel	$ 16,898,000	$ 17,943,000
Real estate	5,936,000	6,210,000
Total revenues	22,834,000	24,153,000
Costs and operating expenses		
Hotel operating expenses	(13,419,000)	(14,519,000)
Real estate operating expenses	(3,074,000)	(3,252,000)
Depreciation and amortization expense	(3,396,000)	(3,369,000)
Loss on termination of garage lease	-	(684,000)
General and administrative expense	(716,000)	(804,000)
Total costs and operating expenses	(20,605,000)	(22,628,000)
Income from operations	2,229,000	1,525,000
Other income(expense)		
Interest expense	(3,017,000)	(3,100,000)
Net (loss)gain on marketable securities	(1,140,000)	2,088,000
Net unrealized gain on other investments	226,000	-
Impairment loss on other investments	(917,000)	(595,000)
Dividend and interest income	132,000	107,000
Trading and margin interest expense	(728,000)	(639,000)
Net other expense	(5,444,000)	(2,139,000)
Loss before income taxes	(3,215,000)	(614,000)
Income tax benefit	1,054,000	15,000
Net loss from continuing operations	(2,161,000)	(599,000)
Discontinued operations:		
Income from discontinued operations	190,000	170,000
Provision for income tax expense	(77,000)	(67,000)
Income from discontinued operations	113,000	103,000
Net loss	(2,048,000)	(496,000)
Less: Net loss attributable to the noncontrolling interest	638,000	453,000
Net income(loss) attributable to Intergroup	$(1,410,000)	$ (43,000)
Net loss per share from continuing operations		
Basic	$ (0.91)	$ (0.26)

Diluted	$ (0.91)	$ (0.26)
Net income per share from discontinued operations		
Basic	$ 0.05	$ 0.05
Diluted	$ 0.05	$ 0.05
Net income(loss) per share attributable to InterGroup		
Basic	$ (0.60)	$ (0.02)
Diluted	$ (0.60)	$ (0.02)
Weighted average shares outstanding	2,368,528	2,352,788
Diluted weighted average number of shares outstanding	2,443,884	2,427,788

The accompanying notes are an integral part of these condensed consolidated financial statements.

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THE INTERGROUP CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

For the six months ended December 31,	2009	2008
Cash flows from operating activities:		
Net loss	$(2,048,000)	$ (496,000)
Adjustments to reconcile net loss to cash provided by operating activities:		
Depreciation and amortization	3,396,000	3,369,000
Loss on termination of garage lease	-	684,000
Impairment loss on other investments	917,000	595,000
Net unrealized loss(gain) on marketable securities	5,288,000	(951,000)
Net unrealized gain on other investments	(226,000)	-
Stock compensation expense	72,000	72,000
Changes in assets and liabilities:		
Investment in marketable securities	957,000	916,000
Other asset	(676,000)	(418,000)
Accounts payable and other liabilities	570,000	250,000
Due to securities broker	(3,353,000)	162,000
Obligation for securities sold	(405,000)	-
Deferred tax liability	(976,000)	52,000
Net cash provided by operating activities	3,516,000	3,382,000
Cash flows from investing activities:		
Investment in hotel	(926,000)	(801,000)
Investment in real estate	(178,000)	(301,000)
Other investments	(775,000)	(863,000)
Restricted cash	(171,000)	(161,000)
Net cash used in investing activities	(2,050,000)	(1,283,000)
Cash flows from financing activities:		
Draw on (Paydown of) line of credit	689,000	(3,219,000)

Principal payments on mortgage notes payable	(1,058,000)	(888,000)
Payment on other notes payable	(201,000)	-
Borrowings from mortgage notes payable	-	1,004,000
Distributions to noncontrolling interest	-	(425,000)
Exercise of stock options	-	96,000
Net cash used in financing activities	(570,000)	(3,432,000)
Net increase(decrease) in cash and cash equivalents	896,000	(1,323,000)
Cash and cash equivalents at beginning of period	1,024,000	1,906,000
Cash and cash equivalents at end of period	$ 1,920,000	$ 583,000
Supplemental information:		
Interest paid	$ 3,374,000	$ 3,575,000
Non cash investing activities and financing activities:		
Note payable on termination of garage lease	$ -	$ (727,000)
Fixed assets acquired, net of liabilities, upon termination of garage lease	$ -	$ 43,000
Assets acquired through capital lease	$ 700,000	$ -

The accompanying notes are an integral part of these condensed consolidated financial statements.

THE INTERGROUP CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements included herein have been prepared by The InterGroup Corporation ("InterGroup" or the "Company"), without audit, according to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in the consolidated financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes the disclosures that are made are adequate to make the information presented not misleading. Further, the consolidated financial statements reflect, in the opinion of management, all adjustments (which included only normal recurring adjustments) necessary for a fair statement of the financial position, cash flows and results of operations as of and for the periods indicated.

As of December 31, 2009, the Company had the power to vote 80% of the voting shares of Santa Fe Financial Corporation ("Santa Fe"), a public company (OTCBB: SFEF). This percentage includes the power to vote an approximately 4% interest in the common stock in Santa Fe owned by the Company's Chairman and President pursuant to a voting trust agreement entered into on June 30, 1998.

Santa Fe's revenue is primarily generated through the management of its 68.8% owned subsidiary, Portsmouth Square, Inc. ("Portsmouth"), a public company (OTCBB: PRSI). InterGroup also directly owns approximately 11.7% of the common stock of Portsmouth. Portsmouth has a 50.0% limited partnership interest in Justice Investors, a California limited partnership ("Justice" or the "Partnership") and serves as one of the two general partners. The other general partner, Evon Corporation ("Evon") served as the managing general partner until December 1, 2008. The Limited Partnership Agreement was amended, effective December 1, 2008, to provide for a change in the respective roles of the general partners. Pursuant to that amendment, Portsmouth became the Managing General Partner of Justice while Evon assumed the role of Co-General Partner of Justice. The financial statements of Justice are consolidated with those of the Company.

Justice owns a 544-room hotel property located at 750 Kearny Street, San Francisco California, now known as the Hilton San Francisco Financial District (the "Hotel") and related facilities including a five level underground parking garage. The Hotel is operated by the partnership as a full service Hilton brand hotel pursuant to a Franchise License Agreement with Hilton Hotels Corporation. Justice also has a Management Agreement with Prism Hospitality L.P. ("Prism") to perform the day-to-day management functions of the Hotel.

Justice leased the parking garage to Evon through September 30, 2008. Effective October 1, 2008, Justice and Evon entered into an Installment Sale Agreement whereby Justice purchased all of Evon's right, title, and interest in the remaining term of its lease of the parking garage, which was to expire on November 30, 2010, and other related assets. Justice also agreed to assume Evon's contract with Ace Parking Management, Inc. ("Ace Parking") for the management of the garage and any other liabilities related to the operation of the garage commencing October 1, 2008. The Partnership also leases a day spa on the lobby level to Tru Spa. Portsmouth also receives management fees as a general partner of Justice for its services in overseeing and managing the Partnership's assets. Those fees are eliminated in consolidation.

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In addition to the operations of the Hotel, the Company also generates income from the ownership of real estate. Properties include apartment complexes, commercial real estate, and two single-family houses as strategic investments. The properties are located throughout the United States, but are concentrated in Texas and Southern California. The Company also has investments in unimproved real property. All of the Company's residential rental properties in California are managed by professional third party property management companies and the rental properties outside of California are managed by the Company. The commercial properties in California are also managed by the Company.

Certain prior period balances have been reclassified to conform with the current period presentation.

It is suggested that these financial statements be read in conjunction with the audited financial statements and the notes therein included in the Company's Form 10-K for the year ended June 30, 2009.

The results of operations for the three and six months ended December 31, 2009, are not necessarily indicative of results to be expected for the full fiscal year ending June 30, 2010.

In June 2009, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 168, The FASB Accounting Standards

Codification and the Hierarchy of Generally Accepted Accounting Principles, which was primarily codified into Accounting Standards Codification (ASC) Topic 105. This standard will become the single source of authoritative nongovernmental U.S. generally accepted accounting principles (GAAP). The Codification was effective for interim or annual financial periods ended after September 15, 2009. The Company adopted ASC 105 beginning the quarter ended September 30, 2009. The adoption of ASC 105 did not have a material impact on our consolidated financial position, results of operations and cash flows. Additionally, the FASB now uses Accounting Standards Updates (ASU) to amend ASC.

In June 2009, the FASB issued SFAS No. 167, Amendments to FASB Interpretation No. 46(R) (SFAS 167), which has not yet been codified in the ASC. This guidance is a revision to pre-existing guidance pertaining to the consolidation and disclosures of variable interest entities. Specifically, it changes how a reporting entity determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether a reporting entity is required to consolidate another entity is based on, among other things, the other entity's purpose and design and the reporting entity's ability to direct the activities of the other entity that most significantly impact the other entity's economic performance. This guidance will require a reporting entity to provide additional disclosures about its involvement with variable interest entities and any significant changes in risk exposure due to that involvement. A reporting entity will be required to disclose how its involvement with a variable interest entity affects the reporting entity's financial statements. This guidance will be effective at the start of a reporting entity's first fiscal year beginning after November 15, 2009. Early application is not permitted. The Company is currently evaluating the impact on our financial statements, if any, upon adoption.

In May 2009, the FASB issued SFAS No. 165, Subsequent Events, which was primarily codified into ASC Topic 855. The Company adopted ASC Topic 855 which requires an entity to recognize in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet. For non-recognized subsequent events that must be disclosed to keep the financial statements from being misleading, an entity will be required to disclose the nature of the event as well as an

estimate of its financial effect, or a statement that such an estimate cannot be made. In addition, ASC Topic 855 requires an entity to disclose the date through which subsequent events have been evaluated. ASC Topic 855 is consistent with current practice and did not have any impact on the Company's consolidated financial statements. Subsequent events were evaluated through the date the condensed and consolidated financial statements were issued, which was February 12, 2010.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interest in Consolidated Financial Statements-an amendment of ARB No. 51" which was primarily codified into ASC Topic 810, "Consolidation." ASC Topic 810 states that accounting and reporting for minority interests will be recharacterized as noncontrolling interests and classified as a component of equity. This standard also establishes reporting requirements that provide disclosures that identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. ASC Topic 810 required retrospective adoption of the presentation and disclosure requirements for previously existing minority interests. All other requirements are to be applied prospectively. This standard is effective for fiscal years beginning after December 15, 2008. The Company adopted the provisions beginning July 1, 2009. Prior to adopting this

standard, the Company absorbed 100% of the net loss and accumulated deficit of Justice Investors as of June 30, 2009. Effective July 1, 2009 under ASC Topic 810, losses attributable to the parent and the noncontrolling interest in a subsidiary shall be attributed to those respective interests. That is, the noncontrolling interest shall continue to be attributed its share of losses even if that attribution results in a deficit noncontrolling interest balance. As a result, upon adoption, the Company recalculated the accumulated deficit pertaining to noncontrolling interest totaling $8,596,000 as of June 30, 2009 and reclassified such amount as a separate component of the shareholders' equity (deficit). However, the losses attributed to the noncontrolling interest were not adjusted in the consolidated statement of operations the three and six months ended December 31, 2008. See Note 13.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" which was primarily codified into ASC Topic 825, "Financial Instruments." ASC Topic 825 provides entities with an irrevocable option to report selected financial assets and financial liabilities at fair value. It also establishes presentation and disclosure requirements that are designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. The Company adopted ASC Topic 825 on July 1, 2008 and chose not to elect the fair value option for its financial assets and liabilities that had not been previously carried at fair value. Therefore, material financial assets and liabilities not carried at fair value, such as other assets, accounts payable, line of credit, and mortgage payables are reported at their carrying values.

In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations", which was primarily codified into ASC Topic 805, "Business Combinations". It establishes principles and requirements for how an acquirer in a business combination recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any controlling interest; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. This standard is to be applied prospectively to business combinations for which the acquisition date is on or after an entity's fiscal year that begins after December 15, 2008. The Company adopted this standard beginning July 1, 2009 and adoption of this standard had no material impact on the Company's consolidated financial statements.

Properties held for sale - Discontinued Operations

Properties are classified as held for sale when management commits to a plan to sell the asset, the asset is available for immediate sale, an active program to locate a buyer has been initiated, the sale of the asset is probable, the sale of the asset is actively marketed and it is unlikely that significant changes to the sale plan will be made or withdrawn. As of December 31, 2009, the Company had three properties classified as held for sale in accordance with SFAS No. 144, which requires that depreciation on these properties be stopped.

Under the provisions of the SFAS No.144, Accounting for Impairment or Disposal of Long-Lived Assets, which was primarily codified into ASC Topic 205-20 "Presentation of Financial Statements - Discontinued Operations, for properties disposed of during the year or for properties for which the Company actively markets for sale at a price that is reasonable in relation to its market value, the properties are required to be classified as held for sale on the balance sheet and accounted for under discontinued operations in the statement of

operations. The revenues and expenses from the operation of these properties have been reclassified from continuing operations for the three months ended December 31, 2009 and 2008 and reported as income from discontinued operations in the consolidated statements of operations.

Earnings Per Share

Basic income(loss) per share is computed by dividing net income(loss) available to common stockholders by the weighted average number of common shares outstanding. The computation of diluted income(loss) per share is similar to the computation of basic earnings per share except that the weighted-average number of common shares is increased to include the number of additional common shares that would have been outstanding if potential dilutive common shares had been issued. The Company's only potentially dilutive common shares are stock options and restricted stock units. As of December 31, 2009, the Company had 15,000 stock options that were considered potentially dilutive common shares and 87,000 stock options that were considered anti-dilutive. As of December 31, 2008, the Company had 75,000 stock options that were considered potentially dilutive common shares and 42,000 stock options that were considered anti-dilutive.

NOTE 2 - INVESTMENT IN HOTEL, NET

Hotel property and equipment consisted of the following:

As of December 31, 2009	Cost	Accumulated Depreciation	Net Book Value
Land	$ 2,738,000	$ -	$ 2,738,000
Furniture and equipment	18,071,000	(12,915,000)	5,156,000
Building and improvements	54,684,000	(18,567,000)	36,117,000
	$ 75,493,000	$(31,482,000)	$ 44,011,000

As of June 30, 2009	Cost	Accumulated Depreciation	Net Book Value
Land	$ 2,738,000	$ -	$ 2,738,000
Furniture and equipment	15,964,000	(11,262,000)	4,702,000
Building and improvements	55,241,000	(17,890,000)	37,351,000
	$ 73,943,000	$(29,152,000)	$ 44,791,000

NOTE 3 - INVESTMENT IN REAL ESTATE, NET

Investment in real estate included the following:

	December 31, 2009	June 30, 2009
Land	$ 23,595,000	$ 23,595,000
Buildings, improvements and equipment	59,378,000	59,330,000
Accumulated depreciation	(22,892,000)	(21,923,000)
	$ 60,081,000	$ 61,002,000

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NOTE 4 - PROPERTY HELD FOR SALE AND DISCONTINUED OPERATIONS

As of December 31, 2009, the Company had listed for sale its 249-unit apartment building located in Austin, Texas, its 132-unit apartment located in San Antonio, Texas and its 24-unit apartment located in Los Angeles, California (all three were classified as Held for Sale on the balance sheet). Under the provisions of the SFAS No. 144, Accounting for Impairment or Disposal of Long-Lived Assets, for properties disposed of or listed for sale during the year, the revenues and expenses are accounted for under discontinued operations in the statement of operations. The revenues and expenses from the operation of these three properties have been reclassified from continuing operations for the three and six months ended December 31, 2009 and 2008 and are reported as income from discontinued operations in the consolidated statements of operations.

The revenues and expenses from the operation of these three properties during the three and six months ended December 31, 2009 and 2008, are summarized as follows:

For the three months ended December 31,	2009	2008
Revenues	$ 701,000	$ 761,000
Expenses	(582,000)	(691,000)
Income	$ 119,000	$ 70,000

For the six months ended December 31,	2009	2008
Revenues	$1,395,000	$ 1,514,000
Expenses	(1,205,000)	(1,344,000)
Income	$ 190,000	$ 170,000

NOTE 5 - INVESTMENT IN MARKETABLE SECURITIES

The Company's investment in marketable securities consists primarily of corporate equities. The Company has also invested in corporate bonds and income producing securities, which may include interests in real estate based companies and REITs, where financial benefit could inure to its shareholders through income and/or capital gain.

At December 31, 2009, all of the Company's marketable securities are classified as trading securities. The change in the unrealized gains and losses on these investments are included in earnings. Trading securities are summarized as follows:

Investment	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Net Unrealized Gain	Fair Value
As of December 31, 2009					
Corporate Equities	$ 6,621,000	$2,010,000	($956,000)	$1,054,000	$7,675,000

As of June 30, 2009

Corporate Equities	$ 8,170,000	$7,075,000	($1,325,000)	$5,750,000	$13,920,000

As of December 31, 2009 and June 30, 2009, the Company had unrealized losses of $938,000 and $968,000, respectively, related to securities held for over one year.

Net gain(loss) on marketable securities on the statement of operations is comprised of realized and unrealized gains(losses). Below is the composition of the net gain(loss) for the three and six months ended December 31, 2009 and 2008, respectively.

For the three months ended December 31,	2009	2008
Realized gain on marketable securities	$ 4,000,000	$ 55,000
Unrealized (loss)gain on marketable securities	(3,818,000)	390,000
Net gain on marketable securities	$ 182,000	$ 445,000

For the six months ended December 31,	2009	2008
Realized gain on marketable securities	$ 4,148,000	$ 1,137,000
Unrealized (loss)gain on marketable securities	(5,288,000)	951,000
Net (loss)gain on marketable securities	$(1,140,000)	$ 2,088,000

NOTE 6 - OTHER INVESTMENTS, NET

The Company may also invest, with the approval of the Securities Investment Committee, in private investment equity funds and other unlisted securities, such as convertible notes through private placements. Those investments in non-marketable securities are carried at cost on the Company's balance sheet as part of other investments net of other than temporary impairment losses.

As of December 31, 2009 and June 30, 2009, the Company had net other investments of $6,651,000 and $6,567,000, respectively, which consist of the following:

Type	December 31, 2009	June 30, 2009
Private equity hedge fund	$ 4,701,000	$ 5,517,000
Corporate debt instruments	1,550,000	1,050,000
Warrants	400,000	-
	$ 6,651,000	$ 6,567,000

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During the three months ended December 31, 2009 and 2008, the Company recorded impairment losses on other investments of $917,000 and $0, respectively. During the six months ended December 31, 2009 and 2008, the Company recorded impairment losses on other investments of $917,000 and $595,000, respectively.

As of December 31, 2009, the Company had investments in corporate debt and equity instruments which had attached warrants that were considered derivative instruments. These warrants have an allocated cost basis of $174,000 and a fair market value of $400,000. The unrealized gain of $226,000 related to these warrants were included in the Company's consolidated statement of operations.

Derivative financial instruments, as defined in ASC 815-10-15-83 Derivatives and Hedging (pre-Codification FAS No. 133 Accounting for Derivative Financial Instruments and Hedging Activities), consist of financial instruments or other contracts that contain a notional amount and one or more underlying (e.g. interest rate, security price or other variable), require no initial net investment and permit net settlement. Derivative financial instruments may be free-standing or embedded in other financial instruments. Further, derivative financial instruments are initially, and subsequently, measured at fair value on the Company's consolidated balance sheet with the related unrealized gain or loss recorded in the Company's consolidated statement of operations. The Company used the Black-Scholes option valuation model to estimate the fair value these instruments which requires management to make significant assumptions including trading volatility, estimated terms, and risk free rates. Estimating fair values of derivative financial instruments requires the development of significant and subjective estimates that may, and are likely to, change over the duration of the instrument with related changes in internal and external market factors. In addition, option-based models are highly volatile and sensitive to changes in the trading market price of the underlying common stock, which has a high-historical volatility. Since derivative financial instruments are initially and subsequently carried at fair values, the Company's consolidated statement of operations will reflect the volatility in these estimate and assumption changes.

NOTE 7 - FAIR VALUE MEASUREMENTS

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS No. 157"), which was primarily codified into ASC Topic 820, which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC Topic 820 is effective as of the beginning of the Company's 2009 fiscal year. In February 2008, the FASB deferred the effective date of ASC Topic 820 for non-financial assets and liabilities that are recognized or disclosed at fair value on a nonrecurring basis until the beginning of fiscal year 2010. The Company adopted ASC Topic 820 with respect to financial assets and liabilities on July 1, 2008. There was no material effect on the financial statements upon adoption of this new accounting pronouncement.

ASC Topic 820 discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow), and the cost approach (cost to replace the service capacity of an asset or replacement cost). The statement utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2: Inputs, other than quoted prices, that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3: Unobservable inputs that reflect the reporting entity's own assumptions

The assets measured at fair value on a recurring basis as of December 31, 2009 are as follows:

Assets:	Level 1	Level 2	Level 3	December 31, 2009
Cash	$ 1,920,000	$ -	$ -	$ 1,920,000
Restricted cash	1,769,000	-	-	1,769,000
Investment in marketable securities	7,675,000	-	-	7,675,000
Other investments - warrants	-	400,000	-	400,000
	$11,364,000	$400,000	$ -	$ 11,764,000

The fair values of investments in marketable securities are determined by the most recently traded price of each security at the balance sheet date. The fair value of the warrants was determined based upon a Black-Scholes option valuation model.

Financial assets that are measured at fair value on a non-recurring basis and are not included in the tables above include "Other investments in non-marketable securities," that were initially measured at cost and have been written down to fair value as a result of impairment. The following table shows the fair value hierarchy for these assets measured at fair value on a non-recurring basis as of December 31, 2009:

Assets:	Level 1	Level 2	Level 3	December 31, 2009	Gai Six m Decemb
Other non-marketable investments	$ -	$ -	$6,251,000	$6,251,000	

Other investments in non-marketable securities are carried at cost net of any impairment loss. The Company has no significant influence or control over the entities that issue these investments. These investments are reviewed on a periodic basis for other-than-temporary impairment. The Company reviews several factors to determine whether a loss is other-than-temporary. These factors include but are not limited to: (i) the length of time an investment is in an

unrealized loss position, (ii) the extent to which fair value is less than cost, (iii) the financial condition and near term prospects of the issuer and

(iv) our ability to hold the investment for a period of time sufficient to allow for any anticipated recovery in fair value.

NOTE 8 - LINE OF CREDIT

The Partnership has a $2,500,000 unsecured revolving line of credit facility with a bank that was to mature on February 2, 2010. On January 13, 2010, the Partnership received an extension of the maturity date from the bank to April 30, 2010. Borrowings under the line of credit bear interest at Prime plus 3.0% per annum or based on the Wall Street Journal Prime Rate (3.25%) plus 3.0% per annum, floating, (but subject to a minimum floor rate at 5.0% per annum). The interest rate at December 31, 2009 was 6.25%. The outstanding balance on the line of credit was $2,500,000 and $1,811,000 as of December 31, 2009 and June 30, 2009, respectively. Borrowings under the line of credit are subject to certain financial covenants, which are measured annually at June 30th and December 31st based on the credit arrangement. The Partnership was not in compliance with the financial covenants as of December 31, 2009, but is working with the bank on a waiver of such non-compliance as well as a longer term extension.

NOTE 9 - TERMINATION OF GARAGE LEASE

Effective October 1, 2008, Justice and Evon entered into an Installment Sale Agreement whereby Justice purchased all of Evon's right title and interest in the remaining term of its lease of the parking garage, which was to expire on November 30, 2010, and other related assets. Justice also agreed to assume Evon's contract with Ace Parking for the management of the garage and any other liabilities related to the operation of the garage commencing October 1, 2008. The purchase price for the garage lease and related assets was approximately $755,000, payable in one down payment of approximately $28,000 and 26 equal monthly installments of approximately $29,000, which includes interest at the rate of 2.4% per annum. Future installment payments as of December 31, 2009 are as follows:

For the year ending June 30,	
2010	$174,000
2011	144,000
Total	$318,000

As of December 31, 2009, the present value of the liability of $318,000 was included in the accounts payable and other liabilities balance of $12,288,000 on the Company's condensed consolidated balance sheet.

NOTE 10 - STOCK BASED COMPENSATION PLANS

The Company follows the Statement of Financial Accounting Standards 123 (Revised), "Share-Based Payments" ("SFAS No. 123R"), which was primarily codified into ASC Topic 718 "Compensation - Stock Compensation", which addresses accounting for equity-based compensation arrangements, including employee stock options and restricted stock units. Under ASC Topic 718, compensation expense is recognized using the fair-value based method for all new awards granted after July 1, 2006. No stock options were issued by the

Company after July 1, 2006. Additionally, compensation expense for unvested stock options that are outstanding at July 1, 2006 is recognized over the requisite service period based on the fair value of those options as previously calculated at the grant date under the pro-forma disclosures of SFAS 123. The fair value of each grant is estimated using the Black-Scholes option pricing model.

On December 7, 2008, the Company's 1998 Stock Option Plan for Key Officers and Employees expired; however, any outstanding options issued under that plan remain effective in accordance with their terms. Previously, the Company's 1998 Stock Option Plan for Non-Employee Directors was terminated upon shareholder approval, and Board adoption, of the 2007 Stock Compensation Plan for Non-Employee Directors; however, any outstanding options under that plan remained effective in accordance with their terms. Those stock compensation plans are more fully described in Note 17 of the Company's Form 10-K/A for the fiscal year ended June 30, 2009.

On December 3, 2008, the Board of Directors of the Company adopted, subject to shareholder approval, a new equity compensation plan for its officers, directors and key employees entitled, The InterGroup Corporation 2008 Restricted Stock Unit Plan (the "RSU Plan"). The Plan was adopted, in part, to replace the stock option plans that expired on December 7, 2008. The Plan was approved by shareholders at the Company's Annual Meeting of Shareholders on February 18, 2009.

The RSU Plan authorizes the Company to issue restricted stock units ("RSUs") as equity compensation to officers, directors and key employees of the Company on such terms and conditions established by the Compensation Committee of the Company. RSUs are not actual shares of the Company's common stock, but rather promises to deliver common stock in the future, subject to certain vesting requirements and other restrictions as may be determined by the Committee. Holders of RSUs have no voting rights with respect to the underlying shares of common stock and holders are not entitled to receive any dividends until the RSUs vest and the shares are delivered. No awards of RSUs shall vest until at least six months after shareholder approval of the RSU Plan on February 18, 2009. Subject to certain adjustments upon changes in capitalization, a maximum of 200,000 shares of the common stock are available for issuance to participants under the RSU Plan. The RSU Plan will terminate ten (10) years from December 3, 2008, unless terminated sooner by the Board of Directors. After the RSU Plan is terminated, no awards may be granted but awards previously granted shall remain outstanding in accordance with the Plan and their applicable terms and conditions.

Under the RSU Plan, the Compensation Committee also has the power and authority to establish and implement an exchange program that would permit the Company to offer holders of awards issued under prior shareholder approved compensation plans to exchange certain options for new RSUs on terms and conditions to be set by the Committee. The exchange program is designed to increase the retention and motivational value of awards granted under prior plans. In addition, by exchanging options for RSUs, the Company will reduce the number of shares of common stock subject to equity awards, thereby reducing potential dilution to stockholders in the event of significant increases in the value of its common stock.

Pursuant to an exchange offer authorized by the Compensation Committee, a total of 5,812 RSUs were issued to four holders of Non-Employee Director stock options in exchange for a total of 36,000 stock options which were surrendered to the Company on December 7, 2008. The number of RSUs issued was determined by multiplying the number of options that were surrendered by the difference between the exercise price of the options surrendered ($8.00) and the closing price of the Company's common stock on December 5, 2008 of $9.54, with that

product divided by the closing price of the common stock on December 5, 2009. No additional compensation expense was recognized related to the exchange as the fair market value of the options immediately prior to the exchange, approximated the fair value of the RSUs on the day of issuance. In August 2009, the 5,812 RSUs vested and the Company issued common stock.

Pursuant to a further exchange offer authorized by the Compensation Committee, a total of 4,775 RSUs were issued to five holders of Non-Employee Director stock options in exchange for a total of 15,000 stock options which were surrendered to the Company on June 30, 2009. The number of RSUs issued was determined by multiplying the number of options that were surrendered by the difference between the exercise price of the options surrendered ($8.17) and the closing price of the Company's common stock on June 30, 2009 of $11.99, with that product divided by the closing price of the common stock on June 30, 2009. No additional compensation expense was recognized related to the exchange as the fair market value of the options immediately prior to the exchange, approximated the fair value of the RSUs on the day of issuance. The 4,775 RSUs issued pursuant to that exchange offer vested on January 7, 2010.

On December 15, 2008, the Compensation Committee authorized a similar exchange offer to the Company's Chief Executive Officer ("CEO"), respecting 225,000 stock options issued to him under the 1998 Key Officer and Employee Plan that were to expire on December 21, 2008. Pursuant to that exchange offer, the Company's CEO surrendered his 225,000 options to the Company on December 21, 2008 in exchange for 84,628 RSUs. The number of RSUs issued was based on an exercise price of the options surrendered of $7.917 and the closing price of the Company's common stock on December 19, 2008 of $12.69, using the same formula as the exchange offer to the holders of the Non-Employee Director options. No additional compensation expense was recognized related to the exchange as the fair market value of the options immediately prior to the exchange, approximated the fair value of the RSUs on the day of issuance. In September 2009, 54,628 RSUs vested and the Company issued common stock. No stock compensation was recognized as compensation expense for this conversion as they were previously calculated at the grant date under the pro-forma disclosures of SFAS 123.

The table below summarizes the RSUs granted and outstanding.

	Number of RSUs
RSUs outstanding as of June 30, 2009	95,215
Granted	-
Converted to common stock	(60,440)
RSUs outstanding as of December 31, 2009	34,775

The following table summarizes the stock options outstanding as of December 31, 2009:

	Number of Shares	Weighted-average Exercise Price
Outstanding at June 30, 2009	102,000	$12.47
Granted	-	-
Exercised	-	-
Forfeited	-	-
Exchanged	-	-

Outstanding at December 31, 2009	102,000	$12.47
Exercisable at December 31, 2009	99,750	$12.15

The range of exercise prices for the outstanding and exercisable options as of December 31, 2009 are as follows:

	Number of Options	Range of Exercise Price	Weighted Average Exercise Price	Weighted Average Remaining Life
Outstanding options	102,000	$8.17-$18.00	$ 12.47	2.65 years
Exercisable options	99,750	$8.17-$18.00	$ 12.15	2.66 years

NOTE 11 - SEGMENT INFORMATION

The Company operates in three reportable segments, the operation of the hotel ("Hotel Operations"), the operation of its multi-family residential properties ("Real Estate Operations") and the investment of its cash in marketable securities and other investments("Investment Transactions"). These three operating segments, as presented in the financial statements, reflect how management internally reviews each segment's performance. Management also makes operational and strategic decisions based on this information.

Information below represents reported segments for the three and six months ended December 31, 2009 and 2008. Operating income(loss) from hotel operations consist of the operation of the hotel and operation of the garage. Operating income for rental properties consist of rental income. Operating income for investment transactions consist of net investment gain(loss) and dividend and interest income.

As of and for the Three months ended December 31, 2009	Hotel Operations	Real Estate Operations	Investment Transactions	Other	Subtotal
Operating income	$ 8,368,000	$ 2,982,000	$ -	$ -	$ 11,350,000
Operating expenses	(7,791,000)	(1,937,000)	-	(451,000)	(10,179,000)
Income(loss)from operations	577,000	1,045,000	-	(451,000)	1,171,000
Interest expense	(729,000)	(775,000)	-	-	(1,504,000)
Loss from investments	-	-	(806,000)	-	(806,000)
Income tax benefit(expense)	-	-	-	347,000	347,000
Net income(loss)	$ (152,000)	$ 270,000	$ (806,000)	$ (104,000)	$ (792,000)
Total Assets	$44,011,000	$60,081,000	$14,326,000	$ 8,103,000	$126,521,000

As of and for the Three months ended December 31, 2008	Hotel Operations	Real Estate Operations	Investment Transactions	Other	Subtotal
Operating income	$ 8,644,000	$ 3,080,000	-	$ -	$ 11,724,000
Operating expenses	(9,130,000)	(2,168,000)	-	(423,000)	(11,721,000)
Income(loss)from operations	(486,000)	912,000	-	(423,000)	3,000
Interest expense	(724,000)	(827,000)	-	-	(1,551,000)
Income from investments	-	-	191,000	-	191,000
Income tax benefit(expense)	-	-	-	284,000	284,000
Net income(loss)	$(1,210,000)	$ 85,000	$ 191,000	$ (139,000)	$ (1,073,000)
Total Assets	$41,740,000	$64,468,000	$13,797,000	$16,406,000	$136,411,000

As of and for the Six months ended December 31, 2009	Hotel Operations	Real Estate Operations	Investment Transactions	Other	Subtotal
Operating income	$16,898,000	$ 5,936,000	$ -	$ -	$ 22,834,000
Operating expenses	(15,848,000)	(4,041,000)	-	(716,000)	(20,605,000)
Income(loss)from operations	1,050,000	1,895,000	-	(716,000)	2,229,000
Interest expense	(1,442,000)	(1,575,000)	-	-	(3,017,000)
Loss from investments	-	-	(2,427,000)	-	(2,427,000)
Income tax benefit(expense)	-	-	-	1,054,000	1,054,000
Net income(loss)	$ (392,000)	$ 320,000	$(2,427,000)	$ 338,000	$ (2,161,000)
Total Assets	$44,011,000	$60,081,000	$14,326,000	$ 8,103,000	$126,521,000

As of and for the Six months ended December 31, 2008	Hotel Operations	Real Estate Operations	Investment Transactions	Other	Subtotal
Operating income	$17,943,000	$ 6,210,000	-	$ -	$ 24,153,000
Operating expenses	(17,519,000)	(4,305,000)	-	(804,000)	(22,628,000)
Income(loss)from operations	424,000	1,905,000	-	(804,000)	1,525,000
Interest expense	(1,443,000)	(1,657,000)	-	-	(3,100,000)
Income from investments	-	-	961,000	-	961,000
Income tax benefit(expense)	-	-	-	15,000	15,000
Net income(loss)	$(1,019,000)	$ 248,000	$ 961,000	$ (789,000)	$ (599,000)
Total Assets	$41,740,000	$64,468,000	$13,797,000	$16,406,000	$136,411,000

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NOTE 12 - RELATED PARTIES

Four of the Company's Directors serve as directors of InterGroup and three of the Company's Directors serve as directors of Santa Fe.

Evon, a general partner of Justice, was the lessee of the parking garage until September 30, 2008. Under the terms of the lease agreement, Evon paid the Partnership rent of $399,000 for the six months ended December 31, 2008. As discussed in Note 9, Justice and Evon entered into an installment sale agreement whereby Justice purchased the remaining term of the lease agreement and related assets for a total of approximately $755,000.

During the three and six months ended December 31, 2009, the Company received management fees from Justice Investors totaling $72,000 and $151,000, respectively. These amounts were eliminated in consolidation.

John V. Winfield serves as Chief Executive Officer and Chairman of the Company, Portsmouth and Santa Fe. Depending on certain market conditions and various risk factors, the Chief Executive Officer, his family, Portsmouth and Santa Fe may, at times, invest in the same companies in which the Company invests. The Company encourages such investments because it places personal resources of the Chief Executive Officer and his family members, and the resources of Portsmouth and Santa Fe, at risk in connection with investment decisions made on behalf of the Company.

NOTE 13 - PROFORMA DISCLOSURE UPON ADOPTION OF ASC 810-10 ("CONSOLIDATION")

As discussed in Note 1, the Company adopted ASC Topic No. 810-10, "Consolidation," effective July 1, 2009, which requires a retrospective adoption of the presentation and disclosure of previously existing minority interest. Prior to the adoption of ASC Topic No. 810-10, the Company absorbed 100% of the net loss and accumulated deficit of Justice Investors as of June

30, 2009. Hence, the minority interest in Justice as of June 30, 2009 and for each of the three quarters ended June 30, 2009 were $0. For purposes of presentation, the deficit noncontrolling interest was reclassified in the consolidated balance sheet as of June 30, 2009. However, the losses attributed to the noncontrolling interest were not adjusted in the consolidated statement of operations for the three months ended September 30, 2008, and for the three and six months ended December 31, 2008.

Below are the pro-forma consolidated net losses of the Company for the three months ended September 30, 2008, and for the three and six months ended December 31, 2008, assuming ASC Topic 810-10 had been adopted in those periods.

	Proforma Three Months Ended September 30, 2008	Proforma Three Months Ended December 31, 2008	Si Dec
Net income (loss)	$ 533,000	$ (1,029,000)	$
Less: net loss attributable to the			

noncontrolling interest	75,000	836,000	
Net income(loss) attributable to Intergroup	$ 608,000	$ (193,000)	$
Basic and diluted income(loss) per share attributable to Intergroup	$ 0.26	$ (0.09)	$

Below are the consolidated net losses as reported in the consolidated financial statements for the three months ended September 30, 2008, and for the three and six months ended December 31, 2008:

	Three Months Ended September 30, 2008	Three Months Ended December 31, 2008	S D
Net income (loss)	$ 533,000	$ (1,029,000)	$
Less: net loss attributable to the noncontrolling interest	138,000	315,000	
Net income(loss) attributable to Intergroup	$ 671,000	$ (714,000)	$
Basic and diluted income(loss) per share attributable to Intergroup	$ 0.29	$ (0.30)	$

Item 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS AND PROJECTIONS

The Company may from time to time make forward-looking statements and projections concerning future expectations. When used in this discussion, the words "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "may," "could," "might" and similar expressions, are intended to identify forward-looking statements. These statements are subject to certain risks and uncertainties, such as national and worldwide economic conditions, including the impact of recessionary conditions on tourism, travel and the lodging industry, the impact of terrorism and war on the national and international economies, including tourism and securities markets, energy and fuel costs, natural disasters, general economic conditions and competition in the hotel industry in the San Francisco area, seasonality, labor relations and labor disruptions, actual and threatened pandemics such as swine flu, partnership distributions, the ability to obtain financing at favorable interest rates and terms, securities markets, regulatory factors, litigation

and other factors discussed below in this Report and in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2009, that could cause actual results to differ materially from those projected. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as to the date hereof. The Company undertakes no obligation to publicly release the results of any revisions to those forward-looking statements, which may be made to reflect events or circumstances after the date

hereof or to reflect the occurrence of unanticipated events.

RECENT DEVELOPMENTS

Effective October 1, 2009, the Company leased its 5,503 square foot office building located at 820 Moraga Drive, Los Angeles, CA 90049, which served as the its principal executive office. The term of the lease is for five year lease at an initial base monthly base rent of $3.00 per square foot, with a tenant option to extend the term for another five years.

Concurrent with the leasing of its Moraga office building, the Company leased a smaller 2,915 square foot office space located at 10940 Wilshire Blvd., Suite 2150, Los Angeles, CA 20024 to serve as its new principal executive office. The Wilshire office lease is for an initial term of seven years at a monthly base rent of $2.75 per square foot with an option to extend the term for an additional three years. The downsizing of the Company's office space is expected to result in savings of administrative costs.

RESULTS OF OPERATIONS

The Company's principal business is conducted through Portsmouth's general and limited partnership interest in the Justice Investors limited partnership ("Justice" or the "Partnership"). Portsmouth has a 50.0% limited partnership interest in Justice and serves as the managing general partner of Justice. Evon Corporation ("Evon") serves as the other general partner. Justice owns the land, improvements and leaseholds at 750 Kearny Street, San Francisco, California, known as the Hilton San Francisco Financial District (the "Hotel"). The financial statements of Justice have been consolidated with those of the Company.

The Hotel is operated by the Partnership as a full service Hilton brand hotel pursuant to a Franchise License Agreement with Hilton Hotels Corporation. The term of the Agreement is for a period of 15 years commencing on January 12, 2006, with an option to extend the license term for another five years, subject to certain conditions. Justice also has a Management Agreement with Prism Hospitality L.P. ("Prism") to perform the day-to-day management functions of the Hotel.

Until December 31, 2008, the Partnership also derived income from the lease of the parking garage to Evon. Effective October 1, 2008, Justice entered into an installment sale agreement with Evon to purchase the remaining term of the garage lease and related garage assets, and assumed the contract with Ace Parking for the operations of the garage. Justice also leases a portion of the lobby level of the Hotel to a day spa operator. Portsmouth also receives management fees as a general partner of Justice for its services in overseeing and managing the Partnership's assets. Those fees are eliminated in consolidation.

In addition to the operations of the Hotel, the Company also generates income from the ownership of real estate. Properties include apartment complexes, commercial real estate, and two single-family houses as strategic investments.

The properties are located throughout the United States, but are concentrated in Texas and Southern California. The Company also has investments in unimproved real property. All of the Company's residential rental properties in California are managed by professional third party property management companies and the rental properties outside of California are managed by the

Company. The commercial real estate in California is also managed by the Company.

The Company acquires its investments in real estate and other investments utilizing cash, securities or debt, subject to approval or guidelines of the Board of Directors. The Company also invests in income-producing instruments, equity and debt securities and will consider other investments if such investments offer growth or profit potential.

Three Months Ended December 31, 2009 Compared to the Three Months Ended December 31, 2008

The Company had a net loss of $721,000 for the three months ended December 31, 2009 compared to net loss of $1,029,000 for the three months ended December 31, 2008. The decrease in the net loss is primarily attributable to the decrease in the net loss from hotel operations and the improvement in real estate operations, partially offset by the loss from investing activities.

During the three months ended December 31, 2009, the Company had a loss on hotel operations of $152,000 compared to a loss of $1,210,000 for the three months ended December 31, 2008. The significant reduction in that loss was primarily attributable to a reduction in hotel operating expenses as a percentage of hotel revenues in the current period and a one-time loss related to the termination of the hotel garage lease in the amount of $684,000 which was incurred in the three months ended December 31, 2008.

The following table sets forth a more detailed presentation of Hotel operations for the three months ended December 31, 2009 and 2008.

For the three months ended December 31,	2009	2008
Hotel revenues:		
Hotel rooms	$ 6,474,000	$ 6,612,000
Food and beverage	1,118,000	1,268,000
Garage	598,000	571,000
Other operating departments	178,000	193,000
Total hotel revenues	8,368,000	8,644,000
Operating expenses, excluding loss on termination of garage lease, interest, depreciation and amortization	(6,543,000)	(7,277,000)
Operating income before loss on termination of garage lease, interest, depreciation and amortization	1,825,000	1,367,000
Loss on termination of garage lease	-	(684,000)
Interest expense	(729,000)	(724,000)
Depreciation and amortization expense	(1,248,000)	(1,169,000)
Income (loss) from hotel operations	$ (152,000)	$(1,210,000)

For the three months ended December 31, 2009, the Hotel generated operating income of approximately $1,825,000, before interest, depreciation and

amortization, on operating revenues of approximately $8,368,000 compared to operating income of approximately $1,367,000 before the loss on termination of garage lease, interest, depreciation and amortization, on operating revenues of approximately $8,644,000 for the three months ended December 31, 2008. The increase in Hotel operating income is primarily attributable to a significant decline in operating expenses and an increase in garage revenues, partially offset by a decrease in room and food and beverage revenues.

Room revenues decreased by approximately $138,000 for the three months ended December 31, 2009 when compared to the three months ended December 31, 2008 and food and beverage revenues decreased by approximately $150,000 for the same period. The decrease in room revenues was primarily attributable to a decline in average daily room rates as hotels in the San Francisco market continue to reduce room rates in an effort to maintain occupancy levels in a very competitive market as economic conditions continue to be very challenging. Many hotels have been forced to adopt this strategy due to a severe reduction in higher rated corporate and group business travel, which has been replaced by discounted business from Internet channels. The decrease in food and beverage revenues is primarily attributable to decline in banquet and catering business as companies continue with cuts in business travel, corporate meetings and events.

The following table sets forth the average daily room rate, average occupancy percentage and room revenue per available room ("RevPar") of the Hotel for the three months ended December 31, 2009 and 2008.

Three Months Ended December 31,	Average Daily Rate	Average Occupancy%	RevPar
2009	$149	87%	$129
2008	$167	79%	$132

The operations of the Hotel continued to be impacted by the significant downturn in the domestic and international economies and markets. The Hotel's average daily room rate was approximately $18 lower for the three months ended December 31, 2009 compared to the three months ended December 31, 2008. However, due to increased sales and marketing efforts in the face of difficult economic conditions and greater competition, the Hotel was able to boost occupancy rates by approximately 10% over the comparable period. As a result, the Hotel was able to achieve a RevPar number that was near the top of its competitive set.

Management has also continued to focus on ways to improve efficiencies and reduce operating costs and other expenses in its efforts to stabilize and maintain operating income of the Hotel. As a result, operating expenses excluding loss on termination of garage lease, interest, depreciation and amortization for the three months ended December 31, 2009 decreased by approximately $734,000 from the three months ended December 31, 2008, despite the Hotel maintaining higher occupancy levels. Management will continue to explore new and innovative ways to improve operations and enhance the guest experience.

While operating in difficult economy, management was able to improve its real estate operations by reducing operating expenses and its interest expense. The Company had real estate revenues of $2,982,000 for the three months ended December 31, 2009 compared with revenues of $3,080,000 for the three months

ended December 31, 2008. While revenues declined by $98,000 as the result of

operating in a tougher economy, management was able to reduce real estate operating expenses by $192,000. Interest expense also decreased to $772,000 from $827,000 as the result reducing interest rates through refinancing certain properties over the past twelve months and also to a lesser extent, interest rates resetting lower on a certain number of our properties located in Los Angeles, California. Management continues to review and analyze the Company's real estate operations to improve occupancy and rental rates and to reduce expenses and improve efficiencies.

As of December 31, 2009, the Company had listed for sale its 249-unit apartment building located in Austin, Texas, its 132-unit apartment located in San Antonio, Texas and its 24-unit apartment located in Los Angeles, California. These properties are classified as held for sale on the Company's condensed consolidated balance sheet with the operations of these properties classified under discontinued operations in the condensed consolidated statements of operations.

The Company had a net gain on marketable securities of $182,000 for the three months ended December 31, 2009 compared to a gain of $445,000 for the three months ended December 31, 2008. For the three months ended December 31, 2009, the Company had a net realized gain of $4,000,000 and a net unrealized loss of $3,818,000. For the three months ended December 31, 2008, the Company had a net realized gain of $55,000 and net unrealized gain of $390,000. Gains and losses on marketable securities may fluctuate significantly from period to period in the future and could have a significant impact on the Company's results of operations. However, the amount of gain or loss on marketable securities for any given period may have no predictive value and variations in amount from period to period may have no analytical value. For a more detailed description of the composition of the Company's marketable securities please see the Marketable Securities section below.

The Company may also invest, with the approval of the Securities Investment Committee, in private investment equity funds and other unlisted securities, such as convertible notes through private placements. Those investments in non-marketable securities are carried at cost on the Company's balance sheet as part of other investments, net of other than temporary impairment losses. As of December 31, 2009, the Company had net other investments of $6,651,000. Included in other investments are investments in corporate debt and equity instruments which had attached warrants that were considered derivative instruments. The Company recorded an unrealized gain of $226,000 related to these warrants during the three months ended December 31, 2009. During the three months ended December 31, 2009 and 2008, the Company performed an impairment analysis of its other investments and determined that its investments had other than temporary impairments and recorded impairment losses of $917,000 and $0, respectively.

Margin interest and trading expenses increased to $352,000 for the three months ended December 31, 2009 from $301,000 for the three months ended December 31, 2008 primarily as the result of the increase in margin interest expense related to the increase in the use of margin.

The provision for income tax benefit as a percentage of the loss before taxes was lower for the three months ended December 31, 2008 as compared to the three months ended December 31, 2009 primarily as the result of the Company having to recognize 100% of the net loss from the hotel operations for financial statement purposes for the three months ended December 31, 2008, however, for tax purposes, the Company is only allowed to record an income tax benefit related to 50%(the Company's ownership percentage) of the net loss from hotel operations.

Six Months Ended December 31, 2009 Compared to the Six Months Ended December 31, 2008

The Company had net loss of $2,048,000 for the six months ended December 31, 2009 compared to net loss of $496,000 for the six months ended December 31, 2008. The increase in the net loss is primarily due to the significant loss from investment activities partially offset by the improvement in the hotel and real estate operations.

During the six months ended December 31, 2009, the Company had a loss on hotel operations of $392,000 compared to a loss of $1,019,000 during the six months ended December 31, 2008. The reduction in that loss was primarily attributable to a one-time loss related to the termination of the hotel garage lease in the amount of $684,000 which was incurred in the three months ended December 31, 2008.

The following table sets forth a more detailed presentation of Hotel operations for the six months ended December 31, 2009 and 2008.

For the six months ended December 31,	2009	2008
Hotel revenues:		
Hotel rooms	$13,206,000	$14,200,000
Food and beverage	2,069,000	2,527,000
Garage	1,266,000	970,000
Other operating departments	357,000	246,000
Total hotel revenues	16,898,000	17,943,000
Operating expenses, excluding loss on termination of garage lease, interest, depreciation and amortization	(13,419,000)	(14,519,000)
Operating income before loss on termination of garage lease, interest, depreciation and amortization	3,479,000	3,424,000
Loss on termination of garage lease	-	(684,000)
Interest expense	(1,442,000)	(1,443,000)
Depreciation and amortization expense	(2,429,000)	(2,316,000)
Loss from hotel operations	$ (392,000)	$(1,019,000)

For the six months ended December 31, 2009, the Hotel generated operating income of approximately $3,479,000 before interest, depreciation and amortization, on operating revenues of approximately $16,898,000 compared to operating income of approximately $3,424,000 before the loss on termination of garage lease, interest, depreciation and amortization, on operating revenues of approximately $17,943,000 for the six months ended December 31, 2008. The increase in Hotel operating income is primarily attributable to a significant decline in operating expenses and an increase in garage revenues resulting from the termination of the garage lease in October 2008 and integration of those operations into those of the Hotel, partially offset by a decrease in room and food and beverage revenues.

Room revenues decreased by approximately $994,000 for the six months ended December 31, 2009 when compared to the six months ended December 31, 2008 and food and beverage revenues decreased by approximately $458,000 for the same period. The decrease in room revenues was primarily attributable to a decline

in average daily room rates as hotels in the San Francisco market continue to reduce room rates in an effort to maintain occupancy levels in a very

competitive market as economic conditions continue to be very challenging. Many hotels have been forced to adopt this strategy due to a severe reduction in higher rated corporate and group business travel, which has been replaced by discounted business from Internet channels. The decrease in food and beverage revenues is primarily attributable to decline in banquet and catering business as companies continue with cuts in business travel, corporate meetings and events.

The following table sets forth the average daily room rate, average occupancy percentage and room revenue per available room ("RevPar") of the Hotel for the six months ended December 31, 2009 and 2008.

Six Months Ended December 31,	Average Daily Rate	Average Occupancy%	RevPar
2009	$148	89%	$132
2008	$177	80%	$142

The operations of the Hotel continued to be impacted by the significant downturn in the domestic and international economies and markets. Room rates continue to be the toughest challenge as the Hotel's average daily room rate was approximately $29 lower for the six months ended December 31, 2009 compared to the six months ended December 31, 2008. However, due to increased sales and marketing efforts in the face of difficult economic conditions and greater competition, the Hotel was able to boost occupancy rates by approximately 10% over the comparable period. As a result, the Hotel was able to achieve a RevPar number that was near the top of its competitive set.

Management has continued to focus on ways to improve efficiencies and reduce operating costs and other expenses in its efforts to stabilize and maintain operating income of the Hotel. As a result, operating expenses excluding loss on termination of garage lease, interest, depreciation and amortization for the six months ended December 31, 2009 decreased by approximately $1,100,000 from the six months ended December 31, 2008, despite the Hotel maintaining higher occupancy levels. Management will continue to explore new and innovative ways to improve operations and enhance the guest experience.

While operating in this difficult economy, management was able to improve its real estate operations by reducing operating expenses and its interest expense. The Company had real estate revenues of $5,936,000 for the six months ended December 31, 2009 compared with revenues of $6,210,000 for the six months ended December 31, 2008. While revenues declined by $274,000 as the result of operating in a tougher economy, management was able to reduce real estate operating expenses and interest expense by $175,000 and $82,000, respectively. Interest expense decreased as the result reducing interest rates through refinancing certain properties over the past twelve months and also to a lesser extent, interest rates resetting lower on a certain number of our properties located in Los Angeles, California. Management continues to review and analyze the Company's real estate operations to improve occupancy and rental rates and to reduce expenses and improve efficiencies.

As of December 31, 2009, the Company had listed for sale its 249-unit apartment complex located in Austin, Texas and its 132-unit apartment complex located in San Antonio, Texas. These properties are classified as held for sale on the Company's condensed consolidated balance sheet with the operations of these

properties classified under discontinued operations in the condensed consolidated statements of operations.

The Company had a net loss on marketable securities of $1,140,000 for the six months ended December 31, 2009 compared to a net gain of $2,088,000 for the six months ended December 31, 2008. For the six months ended December 31, 2009, the Company had a net realized gain of $4,148,000 and a net unrealized loss of $5,288,000. For the six months ended December 31, 2008, the Company had a net realized gain of $1,137,000 and net unrealized gain of $951,000. Gains and losses on marketable securities may fluctuate significantly from period to period in the future and could have a significant impact on the Company's results of operations. However, the amount of gain or loss on marketable securities for any given period may have no predictive value and variations in amount from period to period may have no analytical value. For a more detailed description of the composition of the Company's marketable securities please see the Marketable Securities section below.

The Company may also invest, with the approval of the Securities Investment Committee, in private investment equity funds and other unlisted securities, such as convertible notes through private placements. Those investments in non-marketable securities are carried at cost on the Company's balance sheet as part of other investments, net of other than temporary impairment losses. As of December 31, 2009, the Company had net other investments of $6,651,000. Included in other investments are investments in corporate debt and equity instruments which had attached warrants that were considered derivative instruments. The Company recorded an unrealized gain of $226,000 related to these warrants during the six months ended December 31, 2009. During the six months ended December 31, 2009 and 2008, the Company performed an impairment analysis of its other investments and determined that its investments had other than temporary impairments and recorded impairment losses of $917,000 and $595,000, respectively.

Margin interest and trading expenses increased to $728,000 for the six months ended December 31, 2009 from $639,000 for the six months ended December 31, 2008 primarily as the result of the increase in margin interest expense related to the increase in the use of margin.

The provision for income tax benefit as a percentage of the loss before taxes was lower for the six months ended December 31, 2008 as compared to the six months ended December 31, 2009 primarily as the result of the Company having to recognize 100% of the net loss from the hotel operations for financial statement purposes for the six months ended December 31, 2008, however, for tax purposes, the Company is only allowed to record an income tax benefit related to 50%(the Company's ownership percentage) of the net loss from hotel operations.

MARKETABLE SECURITIES AND OTHER INVESTMENTS

The Company's investment portfolio is diversified with 59 different equity positions. The portfolio contains two individual equity securities that are more than 5% of the equity value of the portfolio with the largest security being 18.2% of the value of the portfolio. The amount of the Company's investment in any particular issuer may increase or decrease, and additions or deletions to its securities portfolio may occur, at any time. While it is the internal policy of the Company to limit its initial investment in any single equity to less than 5% of its total portfolio value, that investment could eventually exceed 5% as a result of equity appreciation or reduction of other positions. Marketable securities are stated at market value as determined by the most recently traded price of each security at the balance sheet date.

As of December 31, 2009 and June 30, 2009, the Company had investments in marketable equity securities of $7,675,000 and $13,920,000, respectively. The following table shows the composition of the Company's marketable securities portfolio by selected industry groups as of December 31, 2009 and June 30, 2009.

As of December 31, 2009

Industry Group	Fair Value	% of Total Investment Securities
REITs	$ 2,969,000	38.7%
Investment funds	1,684,000	21.9%
Financial services	1,181,000	15.4%
Technology	231,000	3.0%
Other	1,610,000	21.0%
	$ 7,675,000	100.0%

As of June 30, 2009

Industry Group	Fair Value	% of Total Investment Securities
Dairy products	$ 5,433,000	39.0%
REITs and financial	3,835,000	27.6%
Basic materials and energy	1,733,000	12.4%
Electronic traded funds(ETFs)	1,328,000	9.5%
Services	376,000	2.7%
Others	1,215,000	8.8%
	$ 13,920,000	100.0%

The Company may also invest, with the approval of the Securities Investment Committee, in private investment equity funds and other unlisted securities, such as convertible notes through private placements. Those investments in non-marketable securities are carried at cost on the Company's balance sheet as part of other investments, net of other than temporary impairment losses.

As of December 31, 2009 and June 30, 2009, the Company had net other investments of $6,651,000 and $6,567,000, respectively. As of December 31, 2009, the Company had a net other investment in a public company in a basic materials sector totaling $1,082,000. As of December 31, 2009, the Company holds notes and convertible notes of this company totaling approximately $11,209,000 which includes $8,097,000 of principal and $3,112,000 of accrued interest and penalties.

The following table shows the net gain or loss on the Company's marketable securities and the associated margin interest and trading expenses for the indicated periods.

For the three months ended December 31,	2009	2008
Net gain on marketable securities	$ 182,000	$ 445,000
Net unrealized gain on other investments	226,000	-

Impairment loss on other investments	(917,000)	-
Dividend & interest income	55,000	47,000
Margin interest expense	(129,000)	(43,000)
Trading and management expenses	(223,000)	(258,000)
	$ (806,000)	$ 191,000

For the six months ended December 31,	2009	2008
Net (loss)gain on marketable securities	$ (1,140,000)	$ 2,088,000
Net unrealized gain on other investments	226,000	-
Impairment loss on other investments	(917,000)	(595,000)
Dividend & interest income	132,000	107,000
Margin interest expense	(265,000)	(102,000)
Trading and management expenses	(463,000)	(537,000)
	$ (2,427,000)	$ 961,000

FINANCIAL CONDITION AND LIQUIDITY

The Company's cash flows are primarily generated from the operations of Justice Investors. The Company also receives revenues generated from its real estate operations and from the investment of its cash and securities assets. Since the operations of the Hotel were temporarily suspended on May 31, 2005, and significant amounts of money were expended to renovate and reposition the Hotel as a Hilton, Justice did not pay any partnership distributions until the end of March 2007. As a result, the Company had to depend more on the revenues generated the Company's real estate operations and from the investment of its cash and marketable securities during that transition period.

The Hotel started to generate cash flows from its operations in June 2006. For the six months ended September 30, 2008, Justice paid a total of $850,000 in limited partnership distributions, of which the Company received $425,000. Following the payment of those distributions, the San Francisco hotel market began to feel the full impact of the significant downturn in domestic and international economies that continued throughout fiscal 2009 and into fiscal 2010. As a result, no partnership distributions were paid for the six months ended December 31, 2009. Since no significant improvement in economic conditions is expected in the lodging industry until sometime during the second half of calendar 2010, no limited partnership distributions are anticipated in the foreseeable future. The general partners will continue to monitor and review the operations and financial results of the Hotel and to set the amount of any future distributions that may be appropriate based on operating results, cash flows and other factors, including establishment of reasonable reserves for debt payments and operating contingencies.

The new Justice Compensation Agreement that became effective on December 1, 2008, when Portsmouth assumed the role of managing general partner of Justice, has provided additional cash flows to the Company. Under the new Compensation Agreement, Portsmouth is now entitled to 80% of the minimum base fee to be paid to the general partners of $285,000, while under the prior agreement, Portsmouth was entitled to receive only 20% of the minimum base fee. As a result, total general partner fees paid to Portsmouth for the three months ended December 31, 2009 increased to $151,000, compared to $97,000 for the three months ended December 31, 2008.

To meet its substantial financial commitments for the renovation and transition of the Hotel to a Hilton, Justice had to rely on borrowings to meet its obligations. On July 27, 2005, Justice entered into a first mortgage loan with The Prudential Insurance Company of America in a principal amount of $30,000,000 (the "Prudential Loan"). The term of the Prudential Loan is for 120 months at a fixed interest rate of 5.22% per annum. The Prudential Loan calls for monthly installments of principal and interest in the amount of approximately $165,000, calculated on a 30-year amortization schedule. The Loan

is collateralized by a first deed of trust on the Partnership's Hotel property, including all improvements and personal property thereon and an assignment of all present and future leases and rents. The Prudential Loan is without recourse to the limited and general partners of Justice. The principal balance of the Prudential Loan was $27,986,000 as of December 31, 2009.

On March 27, 2007, Justice entered into a second mortgage loan with Prudential (the "Second Prudential Loan") in a principal amount of $19,000,000. The term of the Second Prudential Loan is for approximately 100 months and matures on August 5, 2015, the same date as the first Prudential Loan. The Second Prudential Loan is at a fixed interest rate of 6.42% per annum and calls for monthly installments of principal and interest in the amount of approximately $119,000, calculated on a 30-year amortization schedule. The Second Prudential Loan is collateralized by a second deed of trust on the Partnership's Hotel property, including all improvements and personal property thereon and an assignment of all present and future leases and rents. The Second Prudential Loan is also without recourse to the limited and general partners of Justice. The principal balance of the Second Prudential Loan was $18,393,000 as of December 31, 2009.

Justice also has a $2,500,000 unsecured revolving line of credit facility from EastWest Bank (formerly United Commercial Bank) that can be used for short term business requirements. The line of credit was to mature on February 2, 2010, but the Partnership received an extension of the maturity date to April 30, 2010. Borrowings bear interest at an annual interest rate based on the Wall Street Journal Prime Rate plus 3%, floating, with an interest rate floor of 5%. As of December 31, 2009, there was a balance of approximately $2,500,000 drawn by Justice under the line of credit facility, with an annual interest rate of 6.25% (Prime at 3.25% as of December 31, 2009, plus 3%). The Partnership was not in compliance with the financial covenants of its line of credit as of December 31, 2009, but is working with the bank on a waiver of such non-compliance as well as a longer term extension.

Despite the downturns in the economy, the Hotel has continued to generate positive cash flows. While the debt service requirements related to the two Prudential loans, as well as the utilization of its line of credit, may create some additional risk for the Company and its ability to generate cash flows in the future since the Partnership's assets had been virtually debt free for an number of years, management believes that cash flows from the operations of the Hotel and the garage will continue to be sufficient to meet all of the Partnership's current and future obligations and financial requirements. Management also believes that there is sufficient equity in the Hotel assets to support future borrowings, if necessary, to fund any new capital improvements and other requirements.

The Company has invested in short-term, income-producing instruments and in equity and debt securities when deemed appropriate. The Company's marketable securities are classified as trading with unrealized gains and losses recorded through the consolidated statements of operations.

Management believes that its cash, marketable securities, and the cash flows generated from those assets and from its real estate operations, partnership distributions and management fees, will be adequate to meet the Company's current and future obligations.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off balance sheet arrangements.

MATERIAL CONTRACTUAL OBLIGATIONS

The following table provides a summary of the Company's material financial obligations as of December 31, 2009.

	Total	Year 1	Year 2	Year 3	Year 4
Mortgage notes payable	$117,430,000	$1,074,000	$2,335,000	$5,561,000	$34,073,000
Line of credit	2,500,000	2,500,000	-	-	-
Other notes payable	383,000	204,000	179,000	-	-
Leases	1,623,000	264,000	526,000	297,000	222,000
Total	$121,936,000	$4,042,000	$3,040,000	$5,858,000	$34,295,000

IMPACT OF INFLATION

Hotel room rates are typically impacted by supply and demand factors, not inflation, since rental of a hotel room is usually for a limited number of nights. Room rates can be, and usually are, adjusted to account for inflationary cost increases. Since Prism has the power and ability under the terms of its management agreement to adjust hotel room rates on an ongoing basis, there should be minimal impact on partnership revenues due to inflation. Partnership revenues are also subject to interest rate risks, which may be influenced by inflation. For the two most recent fiscal years, the impact of inflation on the Company's income is not viewed by management as material.

The Company's residential rental properties provide income from short-term operating leases and no lease extends beyond one year. Rental increases are expected to offset anticipated increased property operating expenses.

CRITICAL ACCOUNTING POLICIES

Critical accounting policies are those that are most significant to the portrayal of our financial position and results of operations and require judgments by management in order to make estimates about the effect of matters that are inherently uncertain. The preparation of these condensed financial statements requires us to make estimates and judgments that affect the reported amounts in our consolidated financial statements. We evaluate our estimates on an on-going basis, including those related to the consolidation of our subsidiaries, to our revenues, allowances for bad debts, accruals, asset impairments, other investments, income taxes and commitments and contingencies. We base our estimates on historical experience and on various other assumptions

that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. The actual results may differ from these estimates or our estimates may be affected by different assumptions or conditions.

Item 4T. Controls and Procedures.

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The Company's management, with the participation of the Company's Chief Executive Officer and Principal Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the quarterly period covered by this Quarterly Report on Form 10-Q. Based upon such evaluation, the Chief Executive Officer and Principal Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective in ensuring that information required to be disclosed in this filing is accumulated and communicated to management and is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in the Company's internal control over financial reporting during the last quarterly period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II
OTHER INFORMATION

Item 5. Other Information

On October 15, 2009, the Company received notice from the Listing Qualifications Staff of the NASDAQ Stock Market LLC (the "Staff") indicating that the Company no longer satisfied the minimum $2.5 million stockholders' equity requirement for continued listing on The NASDAQ Capital Market, as set forth in Listing Rule 5550(b) (the "Rule"). The Company subsequently submitted a plan to evidence compliance with the Rule for the Staff's review. The Staff thereafter granted the Company an extension through January 28, 2010 to effectuate the plan and evidence compliance with the Rule, which extension represented the full extent of the Staff's discretion at that time. However, as a result of changes to NASDAQ's Listing Rules that were recently approved by the SEC, which provide the Staff with the discretion to provide additional time to companies under certain circumstances, the Company received a letter from the Staff on February 5, 2010, requesting an update regarding the Company's plan to regain compliance with the Rule. The Company submitted the requested update on February 12, 2010.

Under current NASDAQ rules, and within the Staff's discretion, the Company could be granted additional time, up to 75 calendar days from January 28, 2010 (or April 13, 2010), to regain compliance with the Rule. If the Staff does not grant the Company additional time, or the Company cannot evidence compliance within the additional period provided by the Staff, the Staff will issue a delist determination letter notifying the Company that its common stock is subject to delisting, unless the Company requests a hearing before a NASDAQ Listings Qualification Panel (the "Panel"). If the Company receives a delisting

notice, the Company intends to timely request a hearing before the Panel and, accordingly, the Company's common stock would remain listed on The NASDAQ Capital Market pending a final determination by the Panel following the hearing. Under NASDAQ's Listing Rules, the Panel may, in its discretion,

determine to continue the Company's listing pursuant to an exception to the Rule for a maximum of 180 calendar days from the date of the Staff's delist determination letter in order to permit the Company adequate time to effectuate its plan and regain compliance with the Rule. There can be no assurance that the Panel would grant the Company additional time or that the Company's efforts to maintain the listing of its common stock on NASDAQ would be successful.

Item 6. Exhibits.

(a) Exhibits

31.1 Certification of Chief Executive Officer of Periodic Report Pursuant to Rule 13a-14(a) and Rule 15d-14(a).

31.2 Certification of Principal Financial Officer of Periodic Report Pursuant to Rule 13a-14(a) and Rule 15d-14(a).

32.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350.

32.2 Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350.

SIGNATURES

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

THE INTERGROUP CORPORATION
(Registrant)

Date: February 12, 2010 by /s/ John V. Winfield

John V. Winfield, President,
Chairman of the Board and
Chief Executive Officer

Date: February 12, 2010 by /s/ David Nguyen

David Nguyen, Treasurer
and Controller
(Principal Financial Officer)