INTERGROUP CORP
Form 10-K
September 28, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended June 30, 2016

or

.. **TRANSITION REPORT PURSUANT TO 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)	(I.R.S. 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, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock $.01 par value	The NASDAQ Stock Market, LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

¨ Yes x No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.

¨ Yes x No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

x Yes ¨ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive

proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K. x

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 Act):

¨ Yes x No

The aggregate market value of the Common Stock, no par value, held by non-affiliates computed by reference to the closing price on December 31, 2015 (the last business day of registrant's most recently completed second fiscal quarter ended December 31, 2015) was $22,450,000.

The number of shares outstanding of registrant's Common Stock, as of August 23, 2016, was 2,381,726.

DOCUMENTS INCORPORATED BY REFERENCE: None

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains certain "forward-looking statements" within the meaning of the Private Securities Litigation reform Act of 1995. Forward-looking statements give our current expectations or forecasts of future events. You can identify these statements by the fact that they do not relate strictly to historical or current facts. They contain words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe" "may," "could," "might" a words or phrases of similar meaning in connection with any discussion of future operating or financial performance. From time to time we also provide forward-looking statements in our Forms 10-Q and 8-K, Annual Reports to Shareholders, press releases and other materials we may release to the public. Forward looking statements reflect our current views about future events and are subject to risks, uncertainties, assumptions and changes in circumstances that may cause actual results or outcomes to differ materially from those expressed in any forward looking statement. Consequently, no forward looking statement can be guaranteed and our actual future results may differ materially.

Factors that may cause actual results to differ materially from current expectations include, but are not limited to:

- risks associated with the lodging industry, including competition, increases in wages, labor relations, energy and fuel costs, actual and threatened pandemics, actual and threatened terrorist attacks, and downturns in domestic and international economic and market conditions, particularly in the San Francisco Bay area;

- risks associated with the real estate industry, including changes in real estate and zoning laws or regulations, increases in real property taxes, rising insurance premiums, costs of compliance with environmental laws and other governmental regulations;

- the availability and terms of financing and capital and the general volatility of securities markets;

- changes in the competitive environment in the hotel industry;

- risks related to natural disasters;

- litigation; and

- other risk factors discussed below in this Report.

We caution you not to place undue reliance on these forward-looking statements, which speak only as to the date hereof. We undertake no obligation to publicly update any forward looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further disclosures we make on related subjects on our Forms 10-K, 10-Q, and 8-K reports to the Securities and Exchange Commission.

PART I

Item 1. Business.

GENERAL

The InterGroup Corporation (“InterGroup” or the “Company” and may also be referred to as “we” “us” or “our” in this report) a Delaware corporation formed in 1985, as the successor to Mutual Real Estate Investment Trust ("M-REIT"), a New York real estate investment trust created in 1965. The Company has been a publicly-held company since M-REIT's first public offering of shares in 1966.

The Company was organized to buy, develop, operate, rehabilitate and dispose of real property of various types and descriptions, and to engage in such other business and investment activities as would benefit the Company and its shareholders.

As of June 30, 2016, the Company owned approximately 81.7% of the common shares of Santa Fe Financial Corporation (“Santa Fe”), a public company (OTCBB: SFEF). Santa Fe’s revenue is primarily generated through its 68.8% owned subsidiary, Portsmouth Square, Inc. (“Portsmouth”), a public company (OTCBB: PRSI). InterGroup also directly owns approximately 13.3% of Portsmouth. Portsmouth’s primary business is conducted through its general and limited partnership interest in Justice Investors, a California limited partnership (“Justice” or the “Partnership”). Portsmouth has a 93% limited partnership interest in Justice and is the sole general partner. The financial statements of Justice are consolidated with those of the Company. See Note 2 to the consolidated financial statements.

Justice, through its subsidiaries Justice Holdings Company, LLC (“Holdings”), a Delaware Limited Liability Company, Justice Operating Company, LLC (“Operating”) and Justice Mezzanine Company, LLC (“Mezzanine”), owns a 543-room hotel property located at 750 Kearny Street, San Francisco California, known as the Hilton San Francisco Financial District (the “Hotel” or the “Property”) and related facilities including a five level underground parking garage. Holdings and Mezzanine are both wholly-owned subsidiaries of the Partnership; Operating is a wholly-owned subsidiary of Mezzanine. Mezzanine is the borrower under certain mezzanine indebtedness of Justice, and in December 2013, the Partnership conveyed ownership of the Hotel to Operating. The Hotel is operated by the Partnership as a full service Hilton brand hotel pursuant to a Franchise License Agreement with HLT Franchise Holding LLC (Hilton). Justice also has a management agreement with Prism Hospitality L.P. (“Prism”) to perform management functions for the Hotel. The management agreement with Prism commenced on February 2, 2007 and had an original term of ten years, subject to a right to terminate at any time with or without cause by the Partnership. Effective January 2014, the management agreement with Prism was amended by the Partnership to change the nature of the services provided by Prism and the

compensation payable to Prism, among other things. Effective December 1, 2013, GMP Management, Inc. ("GMP"), a company owned by a Justice limited partner and a related party, began to provide management services for the Partnership pursuant to a management services agreement, with a term of three years, subject to the Partnership's right to terminate earlier, for cause. In June 2016, GMP resigned and the Company is currently in discussions with several national third party hotel management companies to replace GMP.

The parking garage that is part of the Hotel property is managed by Ace Parking Management, Inc. pursuant to a contract with the Partnership. The parking agreement with Ace Parking was terminated with an effective termination date of October 4, 2016. Going forward, the Company through its wholly-owned subsidiary, Kearny Street Parking LLC, will manage the parking garage in-house.

In addition to the operations of the Hotel, the Company also generates income from the ownership, management and, when appropriate, sale of real estate. Properties include fifteen apartment complexes, one commercial real estate property and three single-family houses. The properties are located throughout the United States, but are concentrated in Texas and Southern California. The Company also has an investment in unimproved real property. As of June 30, 2016, all of the Company's operating real estate properties are managed in-house. Beginning August 2014, the Company began managing its properties located outside of California in-house, while the properties located in California with exception to the two commercial properties, were being managed by a third party property management company. In August 2015, the Company terminated its third party property management agreement for the management of the Company's properties located in California and began managing the properties in-house going forward. The commercial property is also managed in-house.

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 and its Real Estate Investment Committee. The Company may also look for new real estate investment opportunities in hotels, apartments, office buildings and development properties. The acquisition of any new real estate investments will depend on the Company's ability to find suitable investment opportunities and the availability of sufficient financing to acquire such investments. To help fund any such acquisition, the Company may borrow funds to leverage its investment capital. The amount of any such debt will depend on a number of factors including, but not limited to, the availability of financing and the sufficiency of the acquisition property's projected cash flows to support the operations and debt service.

The Company also derives income from the investment of its cash and investment securities assets. The Company has invested in income-producing instruments, equity and debt securities and will consider other investments if such investments offer growth or profit potential. See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations for a discussion of the Company's marketable securities and other investments.

HILTON HOTELS FRANCHISE LICENSE AGREEMENT

The Partnership entered into a Franchise License Agreement (the "License Agreement") with the HLT Existing Franchise Holding LLC (Hilton) on November 24, 2004. The term of the License Agreement was for an initial period of 15 years commencing on the date the Hotel began operating as a Hilton hotel, with an option to extend the License Agreement for another five years, subject to certain conditions. On June 26, 2015, Operating and Hilton entered into an amended franchise agreement that, among other things, extended the License Agreement through 2030, and also provided the Partnership with certain key money cash incentives to be earned through 2030.

Since the opening of the Hotel in January 2006, the Partnership has paid monthly royalties, program fees and information technology recapture charges equal to a percentage of the Hotel's gross room revenue for the preceding calendar month. Total fees paid to Hilton for such services during fiscal 2016 and 2015 totaled approximately $2.9

million and $3.6 million, respectively.

HOTEL MANAGEMENT COMPANY AGREEMENT

On February 2, 2007, the Partnership entered into a management agreement with Prism to manage and operate the Hotel as its agent. The original management agreement was effective for a term of ten years, but was amended in January 2014 as described below. Under the original management agreement, the Partnership was required to pay Prism base management fees of up to 2.5% of gross operating revenues of the Hotel (i.e., room, food and beverage, and other operating departments) for each fiscal year. Of that amount, 1.75% of the gross operating revenues was paid monthly. The balance or 0.75% was payable only to the extent that the partially adjusted net operating income (net operating income less capital expenditures) for the applicable fiscal year exceeded a specified minimum return for the Hotel for the fiscal year ($7 million in fiscal 2013). The base management fee was limited to 1.75% for the period ended January 31, 2014. Under the new management agreement, effective January 2014, the required base management fees were amended by the Partnership to a fixed rate of $20,000 per month. Under the amended management agreement, Prism can also earn an incentive fee of $11,000 for each month that the revenues per room of the Hotel exceed the average revenues per room of a defined set of competing hotels. Base management fees and incentives paid to Prism during the years ended June 30, 2016 and 2015 were $251,000 and $293,000, respectively.

Effective December 1, 2013, GMP Management, Inc. ("GMP"), a company owned by a Justice limited partner and related party, began to provide management services for the Partnership pursuant to a management services agreement. The management agreement with GMP had a term of three years, subject to the Partnership's right to terminate earlier, for cause. In June 2016, GMP resigned and the Company is currently in discussions with several national third party hotel management companies to replace GMP. Under the agreement, GMP was required to advise the Partnership on the management and operation of the hotel; administer the Partnership's contracts, leases, agreements with hotel managers and franchisors and other contracts and agreements; provide administrative and asset management services, oversee financial reporting, and maintain offices at the Hotel in order to facilitate provision of services. GMP was paid an annual base management fee of $325,000 per year, increasing by 5% per year, payable in monthly installments, and was eligible for reimbursement for reasonable and necessary costs and expenses incurred by GMP in performing its obligations under the agreement.

During the years ended June 30, 2016 and 2015, GMP was paid $1,637,000 and $1,688,000, respectively, for the salaries, benefits, and local payroll taxes for GMP employees and various other reimbursable expenses. Also included in the $1,637,000, is the $200,000 fee paid to GMP for the completion of the reorganization of the Partnership and the related financing transactions. Total GMP base management fees and reimbursed GMP employee costs expensed during the years ended June 30, 2016 and 2015 were $1,219,000 and $1,078,000, respectively, and are included in the consolidated statements of operations.

GARAGE OPERATIONS

On October 31, 2010, the Partnership and Ace Parking entered into an amendment of their original parking agreement to extend the term for a period of sixty two (62) months, commencing on November 1, 2010 and terminating December 31, 2015, subject to either party's right to terminate the agreement without cause on ninety (90) days' written notice. The monthly management fee of $2,000 and the accounting fee of $250 remained the same, but the amendment modified how the "Excess Profit Fee" (as described below) to be paid to Ace Parking would be calculated. Ace Parking is also reimbursed for employee salaries and other reimbursable expenses.

The amendment noted above provided that, if net operating income ("NOI") from the garage operations exceeded $1,800,000 but was less than $2,000,000, then Ace Parking would be entitled to a fee (the "Excess Profit Fee") of one percent (1%) of the total annual NOI. If the annual NOI was $2,000,000 or higher, Ace Parking would be entitled to an Excess Profit Fee equal to two percent (2%) of the total annual NOI. The garage's NOI did not exceed the annual NOI of $2,000,000 for the year ended June 30, 2016. The garage's NOI exceeded the annual NOI of $2,000,000 for the year ended June 30, 2015. Base management and incentive fees to Ace Parking amounted to $24,000 and $44,000 for each of the years ended June 30, 2016 and 2015, respectively. The parking agreement with Ace Parking was terminated with an effective termination date of October 4, 2016. Going forward, the Company will manage the parking garage in-house.

CHINESE CULTURE FOUNDATION LEASE

On March 15, 2005, the Partnership entered into an amended lease with the Chinese Culture Foundation of San Francisco (the “Foundation”) for the third floor space of the Hotel commonly known as the Chinese Culture Center, which the Foundation had right to occupy pursuant to a 50-year nominal rent lease that began in 1967.

The amended lease, among other things, requires the Partnership to pay to the Foundation a monthly event space fee in the amount of $5,000, adjusted annually based on the local Consumer Price Index. The term of the amended lease expires on October 17, 2023, with an automatic extension for another 10 year term if the property continues to be operated as a hotel. Justice agreed further to incorporate the third floor into the renovation of the Hotel resulting in a new ballroom for the joint use of the Hotel and new offices and a gallery for the Chinese Culture Center.

SALES AND REFINANCINGS OF REAL ESTATE PROPERTIES

In July 2015, the Company purchased a residential house in Los Angeles, California as a strategic asset for $1,975,000 in cash. In August 2016, the Company obtained a $1,000,000 mortgage note payable on this property and received net proceeds of $983,000. The interest on note is 4.50% with interest only payments for twenty three months. The loan matures in August of 2018.

In June 2016, the Company refinanced its $1,929,000 mortgage note payable on its 12-unit apartment complex located in Los Angeles, California and obtained a new mortgage in the amount of $2,300,000. The interest rate on the new mortgage is 3.60% and matures in June 2026.

In April 2016, the Company entered into an interest rate agreement on its $923,000 mortgage note payable on its commercial property located in Los Angeles, California in order to settle the variable rate as of March 31, 2016 of 4.22% into a fixed rate of 3.99%, the swap agreement matures in January 2021. A swap is a contractual agreement to exchange interest rate payments.

In March 2015, the Company refinanced the $3,636,000 mortgage note payable on its 157-unit property located in Florence, Kentucky for a new mortgage in the amount of $3,492,000. The Company paid down approximately $210,000 of the old mortgage as part of the refinancing. The new mortgage has a fixed interest rate of 3.87% for ten years and matures in April 2025.

In February 2014, the Company entered into a contract to sell its 249 unit apartment complex located in Austin, Texas and the adjacent unimproved land for $15,800,000. The purchase/sale agreement provides that purchaser could terminate the agreement with or without cause, however, the potential purchaser would forfeit the earnest money ($208,000) and additional consideration ($250,000) totaling $458,000. The purchaser also had the option to extend the agreement. During the quarter ended September 30, 2014, the Company received the $458,000 and recognized it as income as the result of the potential buyer not extending the purchase agreement. In December 2014, the Company entered into a new contract with a different buyer to sell the same property for $16,300,000. In March 2015, the Company sold this property for $16,300,000 and realized a gain on the sale of real estate of $9,358,000. The Company received net proceeds of $7,890,000 after selling costs and the repayment of the mortgage of $6,356,000 and the early prepayment of debt penalty of $1,634,000.

In November 2014, the Company sold its 5,900 square foot commercial property for $3,450,000 and realized a gain on the sale of real estate of $1,742,000. The Company received net proceeds of $2,163,000 after selling costs and the repayment of the related mortgage of $1,100,000. Prior to its sale, this property was being leased by the buyer.

MARKETABLE SECURITIES INVESTMENT POLICIES

In addition to its Hotel and real estate operations, the Company also invests from time to time in income producing instruments, corporate debt and equity securities, publically traded investment funds, mortgage backed securities, securities issued by REIT’s and other companies which invest primarily in real estate.

The Company’s securities investments are made under the supervision of a Securities Investment Committee of the Board of Directors (the “Committee”). The Committee currently has three members and is chaired by the Company’s Chairman of the Board and President, John V. Winfield. The Committee has delegated authority to manage the portfolio to the Company’s Chairman and President together with such assistants and management committees he may

engage. The Committee generally follows certain established investment guidelines for the Company's investments. These guidelines presently include: (i) corporate equity securities should be listed on the New York Stock Exchange (NYSE), NYSE MKT, NYSE Arca or the Nasdaq Stock Market (NASDAQ); (ii) the issuer of the listed securities should be in compliance with the listing standards of the applicable national securities exchange; and (iii) investment in a particular issuer should not exceed 10% of the market value of the total portfolio. The investment guidelines do not require the Company to divest itself of investments, which initially meet these guidelines but subsequently fail to meet one or more of the investment criteria. The Committee has in the past approved non-conforming investments and may in the future approve non-conforming investments. The Committee may modify these guidelines from time to time.

The Company may also invest, with the approval of the Securities Investment Committee, in unlisted securities, such as convertible notes, through private placements including private equity investment funds. Those investments in non-marketable securities are carried at cost on the Company's balance sheet as part of other investments and reviewed for impairment on a periodic basis. As of June 30, 2016, the Company had other investments of $1,029,000.

As part of its investment strategies, the Company may assume short positions in marketable securities. Short sales are used by the Company to potentially offset normal market risks undertaken in the course of its investing activities or to provide additional return opportunities. As of June 30, 2016, the Company had obligations for securities sold (equities short) of $163,000.

In addition, the Company may utilize margin for its marketable securities purchases through the use of standard margin agreements with national brokerage firms. The margin used by the Company may fluctuate depending on market conditions. The use of leverage could be viewed as risky and the market values of the portfolio may be subject to large fluctuations.

As Chairman of the Securities Investment Committee, the Company's President and Chief Executive Officer (CEO), John V. Winfield, directs the investment activity of the Company in public and private markets pursuant to authority granted by the Board of Directors. Mr. Winfield also serves as Chief Executive Officer and Chairman of the Portsmouth and Santa Fe and oversees the investment activity of those companies. Depending on certain market conditions and various risk factors, the Chief Executive Officer, Portsmouth and Santa Fe may, at times, invest in the same companies in which the Company invests. Such investments align the interests of the Company with the interests of related parties because it places the personal resources of the Chief Executive Officer and the resources of the Portsmouth and Santa Fe, at risk in substantially the same manner as the Company in connection with investment decisions made on behalf of the Company.

Further information with respect to investment in marketable securities and other investments of the Company is set forth in Management Discussion and Analysis of Financial Condition and Results of Operations section and Notes 5 and 6 of the Notes to Consolidated Financial Statements.

Seasonality

Hotel's operations historically have been seasonal. Like most hotels in the San Francisco area, the Hotel generally maintains higher occupancy and room rates during the first and second quarters of its fiscal year (July 1 through December 31) than it does in the third and fourth quarters (January 1 through June 30). These seasonal patterns can be expected to cause fluctuations in the quarterly revenues from the Hotel.

Competition – Hotel

The hotel industry is highly competitive. Competition is based on a number of factors, most notably convenience of location, brand affiliation, price, range of services and guest amenities or accommodations offered and quality of customer service. Competition is often specific to the individual market in which properties are located. The San Francisco market is a very competitive market with a high supply of guest rooms and meeting space in the area. In the earlier part of fiscal 2015, the Hotel expanded its meeting space to approximately 22,000 square feet by converting the spa on the lobby level to three additional meeting rooms. This has given the Hotel additional flexibility to host bigger groups with break out needs. The renovation and increase in meeting space has elevated the perception of clients in

the market even though total space available is less than the total space of many other hotels in the area. In fiscal 2016, the Hotel replaced the carpet flooring in the lobby and the fourth floor with oak wood, creating an open and welcoming environment. The Hotel also modernized the furniture in the lobby, the porte cochere, and the second floor, and replaced the third floor carpets and doors. The Wellness Center on the fifth floor features a new spa with two treatment rooms and a room for manicures and pedicures. The fitness center has been expanded with state of the art equipment.

The Hotel's highest priority is guest satisfaction. Enhancing the guest experience differentiates the Hotel from its competition and is critical to the Hotel's objective of building sustainable guest loyalty. In addition to the recent completion of "The Cloud" (a technology lounge), three new premium executive meeting rooms and the Karaoke lounge, the Hotel has enhanced the arrival experience of the guests by renovating and upgrading the entrance and the lobby.

In order to further enhance the client experience, beginning in fiscal 2016, the Hotel began a limited remodeling of guest rooms. The project included installing new modern showers, granite countertops and other amenities. The Hotel is also committed to promoting innovative business ideas and good corporate citizenship.

With the high demand in guest rooms and the ADR (average daily rate) increasing, the Hotel is less dependent upon group clients and the Hotel can focus more attention on length and patterns of stay that benefit the Hotel. The Hotel is also focusing on high end clients with more banquets and meeting room requirements. Moving forward, the Hotel will continue to focus on cultivating international business, especially from China, and capturing a greater percentage of the higher rated business, leisure and group travel. The Hotel will also continue in our efforts to upgrade guest rooms and facilities and explore new and innovative ways to differentiate the Hotel from its competition, as well as focusing on returning food and beverage operations to profitability. During the last twelve months, the Hotel has seen steady improvement in business and leisure travel. If that trend in the San Francisco market and the hotel industry continues, it should translate into an increase in room revenues and profitability. However, like all hotels, the Hotel will remain subject to the uncertain domestic and global economic environment and other risk factors beyond our control, such as the effect of natural disasters and economic uncertainties.

The Hotel is also subject to certain operating risks common to all of the hotel industry, which could adversely impact performance. These risks include:

- Competition for guests and meetings from other hotels including competition and pricing pressure from internet wholesalers and distributors;
- increases in operating costs, including wages, benefits, insurance, property taxes and energy, due to inflation and other factors, which may not be offset in the future by increased room rates;
- labor strikes, disruptions or lock outs;
- dependence on demand from business and leisure travelers, which may fluctuate and is seasonal;
- increases in energy costs, cost of fuel, airline fares and other expenses related to travel, which may negatively affect traveling;
- terrorism, terrorism alerts and warnings, wars and other military actions, pandemics or other medical events or warnings which may result in decreases in business and leisure travel;
- natural disasters; and
- adverse effects of downturns and recessionary conditions in international, national and/or local economies and market conditions.

Competition – Rental Properties

The ownership, operation and leasing of multifamily rental properties are highly competitive. The Company competes with domestic and foreign financial institutions, other REITs, life insurance companies, pension trusts, trust funds, partnerships and individual investors. In addition, The Company competes for tenants in markets primarily on the basis of property location, rent charged, services provided and the design and condition of improvements. The Company also competes with other quality apartment owned by public and private companies. The number of competitive multifamily properties in a particular market could adversely affect the Company's ability to lease its multifamily properties, as well as the rents it is able to charge. In addition, other forms of residential properties, including single family housing and town homes, provide housing alternatives to potential residents of quality apartment communities or potential purchasers of for-sale condominium units. The Company competes for residents in its apartment communities based on resident service and amenity offerings and the desirability of the Company's locations. Resident leases at the Company's apartment communities are priced competitively based on market conditions, supply and demand characteristics, and the quality and resident service offerings of its communities.

Environmental Matters

In connection with the ownership of the Hotel, the Company is subject to various federal, state and local laws, ordinances and regulations relating to environmental protection. Under these laws, a current or previous owner or operator of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances on, under or in such property. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of hazardous or toxic substances.

Environmental consultants retained by the Partnership or its lenders conducted updated Phase I environmental site assessments in fiscal year ended June 30, 2014 on the Hotel property. These Phase I assessments relied, in part, on Phase I environmental assessments prepared in connection with the Partnership's first mortgage loan obtained in December 2013. Phase I assessments are designed to evaluate the potential for environmental contamination on properties based generally upon site inspections, facility personnel interviews, historical information and certain publicly-available databases; however, Phase I assessments will not necessarily reveal the existence or extent of all environmental conditions, liabilities or compliance concerns at the properties.

Although the Phase I assessments and other environmental reports we have reviewed disclose certain conditions on our properties and the use of hazardous substances in operation and maintenance activities that could pose a risk of environmental contamination or liability, we are not aware of any environmental liability that we believe would have a material adverse effect on our business, financial position, results of operations or cash flows.

The Company believes that the Hotel is in compliance, in all material respects, with all federal, state and local environmental ordinances and regulations regarding hazardous or toxic substances and other environmental matters, the violation of which could have a material adverse effect on the Company. The Company has not received written notice from any governmental authority of any material noncompliance, liability or claim relating to hazardous or toxic substances or other environmental matters in connection with any of its present properties.

EMPLOYEES

As of June 30, 2016, the Company had a total of 9 full-time employees in its corporate office. Effective August 2014, the Company entered into a client service agreement with ADP, a professional employer organization serving as an off-site, full service human resource department for its corporate office. ADP personnel management services are delivered by entering into a co-employment relationship with the Company's employees. The employees and the Company are not party to any collective bargaining agreement, and the Company believes that its employee relations are satisfactory.

Employees of Justice and management of the Hotel are not unionized and the Company believes that their relationships with the Hotel are satisfactory and consistent with the market in San Francisco.

As of June 30, 2016, the Partnership, through Operating, had approximately 276 employees. Approximately 78% of those employees were represented by one of three labor unions, and their terms of employment were determined under a collective bargaining agreement ("CBA") to which the Partnership was a party. During the year ended June 30, 2014, the Partnership renewed the CBAs for the Local 2 (Hotel and Restaurant Employees), Local 856 (International Brotherhood of Teamsters), and Local 39 (stationary engineers). The present CBAs expire in July 2018.

Negotiation of collective bargaining agreements, which includes not just terms and conditions of employment, but scope and coverage of employees, is a regular and expected course of business operations for the Partnership. The Partnership expects and anticipates that the terms of conditions of CBAs will have an impact on wage and benefit costs, operating expenses, and certain hotel operations during the life of the each CBA, and incorporates these principles into its operating and budgetary practices.

ADDITIONAL INFORMATION

The Company files annual and quarterly reports on Forms 10-K and 10-Q, current reports on Form 8-K and other information with the Securities and Exchange Commission ("SEC" or the "Commission"). The public may read and copy any materials that we file with the Commission at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549, on official business days during the hours of 10:00 a.m. to 3:00 p.m. You may obtain information on the operation of the Public Reference Room by calling the Commission at 1-800-SEC-0330. The Commission also maintains an Internet site at http://www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the Commission.

Other information about the Company can be found on its website www.intgla.com. Reference in this document to that website address does not constitute incorporation by reference of the information contained on the website.

Item 1A. Risk Factors.

Adverse changes in the U.S. and global economies could negatively impact our financial performance.

Due to a number of factors affecting consumers, entertainment industries remain uncertain. These factors have resulted at times in the past and could continue to result in the future in fewer customers visiting, or customers spending less, in San Francisco, as compared to prior periods. Leisure traveling and other leisure activities represent discretionary expenditures and participation in such activities tends to decline during economic downturns, during which consumers generally have less disposable income. As a result, in those times customer demand for the luxury amenities and leisure activities that we offer may decline. Furthermore, during periods of economic contraction, revenues may decrease while some of our costs remain fixed or even increase, resulting in decreased earnings.

We operate a single property located in San Francisco and rely on the San Francisco market. Changes adversely impacting this market could have a material effect on our business, financial condition and results of operations.

Our business has a limited base of operations and substantially all of our revenues are currently generated by the Hotel. Accordingly, we are subject to greater risks than a more diversified hotel or resort operator and the profitability of our operations is linked to local economic conditions in San Francisco. The combination of a decline in the local economy of San Francisco, reliance on a single location and the significant investment associated with it may cause our operating results to fluctuate significantly and may adversely affect us and materially affect our total profitability.

We face intense local and increasingly national competition which could impact our operations and adversely affect our business and results of operations.

We operate in the highly-competitive San Francisco hotel industry. The Hotel competes with other high-quality Northern California hotels and resorts. Many of these competitors seek to attract customers to their properties by providing, food and beverage outlets, retail stores and other related amenities, in addition to hotel accommodations. To the extent that we seek to enhance our revenue base by offering our own various amenities, we compete with the service offerings provided by these competitors.

Many of the competing properties have themes and attractions which draw a significant number of visitors and directly compete with our operations. Some of these properties are operated by subsidiaries or divisions of large public companies that may have greater name recognition and financial and marketing resources than we do and market to the same target demographic group as we do. Various competitors are expanding and renovating their existing facilities. We believe that competition in the San Francisco hotel and resort industry is based on certain property-specific factors, including overall atmosphere, range of amenities, price, location, entertainment attractions, theme and size. Any market perception that we do not excel with respect to such property-specific factors could adversely affect our ability to compete effectively. If we are unable to compete effectively, we could lose market share, which could adversely affect our business and results of operations.

The San Francisco hotel and resort industry is capital intensive; financing our renovations and future capital improvements could reduce our cash flow and adversely affect our financial performance.

The Hotel has an ongoing need for renovations and other capital improvements to remain competitive, including replacement, from time to time, of furniture, fixtures and equipment. We will also need to make capital expenditures to comply with applicable laws and regulations.

Renovations and other capital improvements of hotels require significant capital expenditures. In addition, renovations and capital improvements of hotels usually generate little or no cash flow until the project's completion. We may not be able to fund such projects solely from cash provided from our operating activities. Consequently, we will rely upon the availability of debt or equity capital and reserve funds to fund renovations and capital improvements and our ability to carry them out will be limited if we cannot obtain satisfactory debt or equity financing, which will depend on, among other things, market conditions. No assurances can be made that we will be able to obtain additional equity or debt financing or that we will be able to obtain such financing on favorable terms.

Renovations and other capital improvements may give rise to the following additional risks, among others: construction cost overruns and delays; temporary closures of all or a portion of the Hotel to customers; disruption in service and room availability causing reduced demand, occupancy and rates; and possible environmental issues.

As a result, renovations and any other future capital improvement projects may increase our expenses and reduce our cash flows and our revenues. If capital expenditures exceed our expectations, this excess would have an adverse effect on our available cash.

We have substantial debt, and we may incur additional indebtedness, which may negatively affect our business and financial results.

We have substantial debt service obligations. Our substantial debt may negatively affect our business and operations in several ways, including: requiring us to use a substantial portion of our funds from operations to make required payments on principal and interest, which will reduce funds available for operations and capital expenditures, future business opportunities and other purposes; making us more vulnerable to economic and industry downturns and reducing our flexibility in responding to changing business and economic conditions; limiting our flexibility in planning for, or reacting to, changes in the business and the industry in which we operate; placing us at a competitive disadvantage compared to our competitors that have less debt; limiting our ability to borrow more money for operations, capital or to finance acquisitions in the future; and requiring us to dispose of assets, if needed, in order to make required payments of interest and principal.

Our business model involves high fixed costs, including property taxes and insurance costs, which we may be unable to adjust in a timely manner in response to a reduction in our revenues.

The costs associated with owning and operating the Hotel are significant. Some of these costs (such as property taxes and insurance costs) are fixed, meaning that such costs may not be altered in a timely manner in response to changes in demand for services. Failure to adjust our expenses may adversely affect our business and results of operations. Our

real property taxes may increase as property tax rates change and as the values of properties are assessed and reassessed by tax authorities. Our real estate taxes do not depend on our revenues, and generally we could not reduce them other than by disposing of our real estate assets.

Insurance premiums have increased significantly in recent years, and continued escalation may result in our inability to obtain adequate insurance at acceptable premium rates. A continuation of this trend would appreciably increase the operating expenses of the Hotel. If we do not obtain adequate insurance, to the extent that any of the events not covered by an insurance policy materialize, our financial condition may be materially adversely affected.

In the future, our property may be subject to increases in real estate and other tax rates, utility costs, operating expenses, insurance costs, repairs and maintenance and administrative expenses, which could reduce our cash flow and adversely affect our financial performance. If our revenues decline and we are unable to reduce our expenses in a timely manner, our business and results of operations could be adversely affected.

Litigation and legal proceedings could expose us to significant liabilities and thus negatively affect our financial results.

We are a party, from time to time, to various litigation claims and legal proceedings, government and regulatory inquiries and/or proceedings, including, but not limited to, intellectual property, premises liability and breach of contract claims. Material legal proceedings are described more fully in Note 18, Commitments and Contingencies, to our consolidated financial statements, included in Item 8 of this Annual Report on Form 10-K.

Litigation is inherently unpredictable, and defending these proceedings can result in significant ongoing expenditures and the diversion of our management's time and attention from the operation of our business, which could have a negative effect on our business operations. Our failure to successfully defend or settle any litigation or legal proceedings could result in liabilities that, to the extent not covered by our insurance, could have a material adverse effect on our financial condition, revenue and profitability.

The threat of terrorism could adversely affect the number of customer visits to the Hotel.

The threat of terrorism has caused, and may in the future cause, a significant decrease in customer visits to San Francisco due to disruptions in commercial and leisure travel patterns and concerns about travel safety. We cannot predict the extent to which disruptions in air or other forms of travel as a result of any further terrorist act, outbreak of hostilities or escalation of war would adversely affect our financial condition, results of operations or cash flows. The possibility of future attacks may hamper business and leisure travel patterns and, accordingly, the performance of our business and our operations.

We depend on third party management companies for the future success of our business and the loss of one or more of their key personnel could have an adverse effect on our ability to manage our business and operate successfully and competitively, or could be negatively perceived in the capital markets.

The Company is managed by GMP and Prism. Their ability to manage the Company's business and operate successfully and competitively is dependent, in part, upon the efforts and continued service of their managers. The departure of key personnel of current or future management companies could have an adverse effect on our business and our ability to operate successfully and competitively, and it could be difficult to find replacements for these key personnel, as competition for such personnel is intense. . In June 2016, GMP resigned and the Company is currently in discussions with several national third party hotel management companies to replace GMP.

Seasonality and other related factors such as weather can be expected to cause quarterly fluctuations in revenue at the Hotel.

The hotel and resort industry is seasonal in nature. This seasonality can tend to cause quarterly fluctuations in revenues at the Hotel. Our quarterly earnings may also be adversely affected by other related factors outside our control, including weather conditions and poor economic conditions. As a result, we may have to enter into short-term borrowings in certain quarters in order to offset these quarterly fluctuations in our revenues.

The hotel industry is heavily regulated and failure to comply with extensive regulatory requirements may result in an adverse effect on our business.

The hotel industry is subject to extensive regulation and the Hotel must maintain its licenses and pay taxes and fees to continue operations. Our property is subject to numerous laws, including those relating to the preparation and sale of food and beverages, including alcohol. We are also subject to laws governing our relationship with our employees in such areas as minimum wage and maximum working hours, overtime, working conditions, hiring and firing employees and work permits. Also, our ability to remodel, refurbish or add to our property may be dependent upon our obtaining necessary building permits from local authorities. The failure to obtain any of these permits could adversely affect our ability to increase revenues and net income through capital improvements of our property. In addition, we are subject to the numerous rules and regulations relating to state and federal taxation. Compliance with these rules and regulations requires significant management attention. Furthermore, compliance costs associated with such laws, regulations and licenses are significant. Any change in the laws, regulations or licenses applicable to our business or a violation of any current or future laws or regulations applicable to our business or gaming license could require us to make substantial expenditures or could otherwise negatively affect our gaming operations. Any failure to comply with all such rules and regulations could subject us to fines or audits by the applicable taxation authority.

Violations of laws could result in, among other things, disciplinary action. If we fail to comply with regulatory requirements, this may result in an adverse effect on our business.

Uninsured and underinsured losses could adversely affect our financial condition and results of operations.

There are certain types of losses, generally of a catastrophic nature, such as earthquakes and floods or terrorist acts, which may be uninsurable or not economically insurable, or may be subject to insurance coverage limitations, such as large deductibles or co-payments. We will use our discretion in determining amounts, coverage limits, deductibility provisions of insurance and the appropriateness of self-insuring, with a view to maintaining appropriate insurance coverage on our investments at a reasonable cost and on suitable terms. Uninsured and underinsured losses could harm our financial condition and results of operations. We could incur liabilities resulting from loss or injury to the Hotel or to persons at the Hotel. Claims, whether or not they have merit, could harm the reputation of the Hotel or cause us to incur expenses to the extent of insurance deductibles or losses in excess of policy limitations, which could harm our results of operations.

In the event of a catastrophic loss, our insurance coverage may not be sufficient to cover the full current market value or replacement cost of our lost investment. Should an uninsured loss or a loss in excess of insured limits occur, we could lose all or a portion of the capital we have invested in the Hotel, as well as the anticipated future revenue from the property. In that event, we might nevertheless remain obligated for any mortgage debt or other financial obligations related to the Hotel. In the event of a significant loss, our deductible may be high and we may be required to pay for all such repairs and, as a consequence, it could materially adversely affect our financial condition. Inflation, changes in building codes and ordinances, environmental considerations and other factors might also keep us from using insurance proceeds to replace or renovate the Hotel after it has been damaged or destroyed. Under those circumstances, the insurance proceeds we receive might be inadequate to restore our economic position on the damaged or destroyed property.

It has generally become more difficult and expensive to obtain property and casualty insurance, including coverage for terrorism. When our current insurance policies expire, we may encounter difficulty in obtaining or renewing property or casualty insurance on our property at the same levels of coverage and under similar terms. Such insurance may be more limited and for some catastrophic risks (for example, earthquake, flood and terrorism) may not be generally available at current levels. Even if we are able to renew our policies or to obtain new policies at levels and with limitations consistent with our current policies, we cannot be sure that we will be able to obtain such insurance at premium rates that are commercially reasonable. If we were unable to obtain adequate insurance on the Hotel for certain risks, it could cause us to be in default under specific covenants on certain of our indebtedness or other contractual commitments that require us to maintain adequate insurance on the Hotel to protect against the risk of loss. If this were to occur, or if we were unable to obtain adequate insurance and the Hotel experienced damage which would otherwise have been covered by insurance, it could materially adversely affect our financial condition and the operations of the Hotel.

In addition, insurance coverage for the Hotel and for casualty losses does not customarily cover damages that are characterized as punitive or similar damages. As a result, any claims or legal proceedings, or settlement of any such claims or legal proceedings that result in damages that are characterized as punitive or similar damages may not be

covered by our insurance. If these types of damages are substantial, our financial resources may be adversely affected.

You may lose all or part of your investment.

There is no assurance that the Company's initiatives to improve its profitability or liquidity and financial position will be successful. Accordingly, there is substantial risk that an investment in the Company will decline in value.

The price of the Company's common stock may fluctuate significantly, which could negatively affect the Company and holders of its common stock.

The market price of the Company's common stock may fluctuate significantly from time to time as a result of many factors, including: investors' perceptions of the Company and its prospects; investors' perceptions of the Company's and/or the industry's risk and return characteristics relative to other investment alternatives; difficulties between actual financial and operating results and those expected by investors and analysts; changes in our capital structure; trading volume fluctuations; actual or anticipated fluctuations in quarterly financial and operational results; volatility in the equity securities market; and sales, or anticipated sales, of large blocks of the Company's common stock.

The concentrated beneficial ownership of our common stock and the ability it affords to control our business may limit or eliminate other shareholders' ability to influence corporate affairs.

Santa Fe and InterGroup collectively own more than 80% of the Company's outstanding common stock. Because of this concentrated stock ownership, the Company's largest shareholders will be in a position to significantly influence the election of our board of directors and all other decisions on all matters requiring shareholder approval. As a result, the ability of other shareholders to determine the management and policies of the Company is significantly limited. The interests of these shareholders may differ from the interests of other shareholders with respect to the issuance of shares, business transactions with or sales to other companies, selection of officers and directors and other business decisions. This level of control may also have an adverse impact on the market value of our shares because our largest shareholders may institute or undertake transactions, policies or programs that may result in losses, may not take any steps to increase our visibility in the financial community and/or may sell sufficient numbers of shares to significantly decrease our price per share.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

SAN FRANCISCO HOTEL PROPERTY

The Hotel is owned indirectly by the Partnership through its indirect wholly-owned subsidiary, Operating. The Hotel is centrally located near the Financial District in San Francisco, one block from the Transamerica Pyramid. The Embarcadero Center is within walking distance and North Beach is two blocks away. Chinatown is directly across the bridge that runs from the Hotel to Portsmouth Square Park. The Hotel is a 31-story (including parking garage), steel and concrete, A-frame building, built in 1970. The Hotel has 543 well-appointed guest rooms and luxury suites situated on 22 floors. The third floor houses the Chinese Culture Center and grand ballroom. The Hotel has approximately 22,000 square feet of meeting room space, including the grand ballroom. Other features of the Hotel include a 5-level underground parking garage and pedestrian bridge across Kearny Street connecting the Hotel and the Chinese Culture Center with Portsmouth Square Park in Chinatown. The bridge, built and owned by the Partnership, is included in the lease to the Chinese Culture Center.

The Hotel is currently undergoing major guestroom renovations that will span over the next three years. The Partnership expects to expend at least 4% of gross annual Hotel revenues each year for capital improvements and requirements. In the opinion of management, the Hotel is adequately covered by insurance.

HOTEL FINANCINGS

On December 18, 2013: (i) Justice Operating Company, LLC, a Delaware limited liability company ("Operating"), entered into a loan agreement ("Mortgage Loan Agreement") with Bank of America ("Mortgage Lender"); and (ii) Justice Mezzanine Company, a Delaware limited liability company ("Mezzanine"), entered into a mezzanine loan agreement ("Mezzanine Loan Agreement" and, together with the Mortgage Loan Agreement, the "Loan Agreements") with ISBI San Francisco Mezz Lender LLC ("Mezzanine Lender" and, together with Mortgage Lender, the "Lenders"). The Partnership is the sole member of Mezzanine, and Mezzanine is the sole member of Operating.

The Loan Agreements provide for a $97,000,000 Mortgage Loan and a $20,000,000 Mezzanine Loan. The proceeds of the Loan Agreements were used to fund the redemption of limited partnership interests and the pay-off of the prior mortgage.

The Mortgage Loan is secured by the Partnership's principal asset, the Hotel. The Mortgage Loan bears an interest rate of 5.275% per annum and matures in January 2024. The term of the loan is 10 years with interest only due in the first three years and principal and interest payments to be made during the remaining seven years of the loan based on a thirty year amortization schedule. The Mortgage Loan also requires payments for impounds related to property tax, insurance and capital improvement reserves. As additional security for the Mortgage Loan, there is a limited guaranty ("Mortgage Guaranty") executed by the Company in favor of Mortgage Lender.

The Mezzanine Loan is a secured by the Operating membership interest held by Mezzanine and is subordinated to the Mortgage Loan. The Mezzanine Loan bears interest at 9.75% per annum and matures on January 1, 2024. Interest only payments are due monthly. As additional security for the Mezzanine Loan, there is a limited guaranty executed by the Company in favor of Mezzanine Lender (the "Mezzanine Guaranty" and, together with the Mortgage Guaranty, the "Guaranties").

The Guaranties are limited to what are commonly referred to as "bad boy" acts, including: (i) fraud or intentional misrepresentations; (ii) gross negligence or willful misconduct; (iii) misapplication or misappropriation of rents, security deposits, insurance or condemnation proceeds; and (iv) failure to pay taxes or insurance. The Guaranties are full recourse guaranties under identified circumstances, including failure to maintain "single purpose" status which is a factor in a consolidation of Operating or Mezzanine in a bankruptcy of another person, transfer or encumbrance of the Property in violation of the applicable loan documents, Operating or Mezzanine incurring debts that are not permitted, and the Property becoming subject to a bankruptcy proceeding. Pursuant to the Guaranties, the Partnership is required to maintain a certain minimum net worth and liquidity. As of June 30, 2016 and 2015, the Partnership is in compliance with both requirements.

Each of the Loan Agreements contains customary representations and warranties, events of default, reporting requirements, affirmative covenants and negative covenants, which impose restrictions on, among other things, organizational changes of the respective borrower, operations of the Property, agreements with affiliates and third parties. Each of the Loan Agreements also provides for mandatory prepayments under certain circumstances (including casualty or condemnation events) and voluntary prepayments, subject to satisfaction of prescribed conditions set forth in the Loan Agreements.

On July 2, 2014, the Partnership obtained from the Intergroup Corporation (a related party) an unsecured loan in the principal amount of $4,250,000 at 12% per year fixed interest, with a term of 2 years, payable interest only each month. Intergroup received a 3% loan fee. The loan may be prepaid at any time without penalty. The proceeds of the loan were applied to the July 2014 payments to Holdings described in Note 2. The loan was extended to September 30, 2016. InterGroup is currently working on amending the loan agreement to extend the loan for a longer period. The loan is eliminated in consolidation.

RENTAL PROPERTIES

As June 30, 2016, the Company's investment in real estate consisted of twenty properties located throughout the United States, with a concentration in Texas and Southern California. These properties include fifteen apartment complexes, three single-family houses as strategic investments and one commercial real estate property. All properties are operating properties. In addition to the properties, the Company owns approximately 2 acres of unimproved land in Maui, Hawaii.

MANAGEMENT OF RENTAL PROPERTIES

As of June 30, 2016, all of the Company’s operating real estate properties are managed in-house. Beginning August 2014, the Company began managing its properties located outside of California in-house, while the properties located in California with exception to the two commercial properties, were being managed by a third party property management company. In August 2015, the Company terminated its third party property management agreement for the management of the Company’s properties located in California and began managing the properties in-house going forward. The commercial property is also managed in-house.

The Company may engage third party management companies as agents to manage certain of Company’s residential rental properties.

Description of Properties

Las Colinas, Texas. The Las Colinas property is a water front apartment community along Beaver Creek that was developed in 1993 with 358 units on approximately 15.6 acres of land. The Company acquired the complex on April 30, 2004 for approximately $27,145,000. Depreciation is recorded on the straight-line method, based upon an estimated useful life of 27.5 years. Real estate property taxes for the year ended June 30, 2016 were approximately $712,000. The outstanding mortgage balance was approximately $18,218,000 at June 30, 2016 and the maturity date of the mortgage is December 1, 2022.

Morris County, New Jersey. The Morris County property is a two-story garden apartment complex that was completed in June 1964 with 151 units on approximately 8 acres of land. The Company acquired the complex on September 15, 1967 at an initial cost of approximately $1,600,000. Real estate property taxes for the year ended June 30, 2016 were approximately $224,000. Depreciation is recorded on the straight-line method, based upon an estimated useful life of 40 years. The outstanding mortgage balance was approximately $9,696,000 at June 30, 2016 and the maturity date of the mortgage is July 31, 2022. In June 2014, the Company obtained a second mortgage on this property in the amount of $2,701,000. The term of the loan is approximately 8 years with the interest rate fixed at 4.51%. The outstanding mortgage balance was approximately $2,658,000 at June 30, 2016. The loan matures in August 2022.

St. Louis, Missouri. The St. Louis property is a two-story project with 264 units on approximately 17.5 acres. The Company acquired the complex on November 1, 1968 at an initial cost of $2,328,000. For the year ended June 30, 2016, real estate property taxes were approximately $161,000. Depreciation is recorded on the straight-line method, based upon an estimated useful life of 40 years. The outstanding mortgage balance was approximately $5,727,000 at June 30, 2016 and the maturity date of the mortgage is May 31, 2023.

Florence, Kentucky. The Florence property is a three-story apartment complex with 157 units on approximately 6.0 acres. The Company acquired the property on December 20, 1972 at an initial cost of approximately $1,995,000. For the year ended June 30, 2016, real estate property taxes were approximately $47,000. Depreciation is recorded on the straight-line method, based upon an estimated useful life of 40 years. In March 2015, the Company refinanced the $3,636,000 mortgage note payable for a new mortgage in the amount of $3,492,000. The Company paid down approximately $210,000 of the old mortgage as part of the refinancing. The new mortgage has a fixed interest rate of 3.87% for ten years and matures in April 2025. The outstanding mortgage balance was approximately $3,422,000 at June 30, 2016.

Los Angeles, California. The Company owns one commercial property, twelve apartment complexes, and three single-family houses in the general area of West Los Angeles.

The first Los Angeles commercial property is a 5,500 square foot, two story building that served as the Company's corporate offices until it was leased out, effective October 1, 2009 and the Company leased a new space for its corporate office. The Company acquired the building on March 4, 1999 for $1,876,000. The property taxes for the year ended June 30, 2016 were approximately $30,000. Depreciation is recorded on the straight-line method, based upon an estimated useful life of 40 years. In April 2016, the Company refinanced the $1,007,000 mortgage note payable for a new mortgage in the amount of $921,000. The new mortgage has a fixed interest rate swap with the floating rate loan. By combing both rates rate through maturity of the credit facility (1.49% swap + 2.50% credit spread), the all-in fixed rate is 3.99%. The outstanding mortgage balance was approximately $915,000 at June 30, 2016 and the note matures in January 2021.

The first Los Angeles apartment complex is a 10,600 square foot two-story apartment with 12 units. The Company acquired the property on July 30, 1999 at an initial cost of approximately $1,305,000. For the year ended June 30, 2016, real estate property taxes were approximately $21,000. Depreciation is recorded on the straight-line method, based upon an estimated useful life of 40 years. In June 2016, the Company refinanced the $2,095,000 mortgage note payable for a new mortgage in the amount of $2,300,000. The interest fixed interest rate is 3.59%. The outstanding mortgage balance was approximately $2,300,000 at June 30, 2016 and the maturity date of the mortgage is January 1, 2022.

The second Los Angeles apartment complex is a 29,000 square foot three-story apartment with 27 units. This complex is held by Intergroup Woodland Village, Inc. ("Woodland Village"), which is 55.4% and 44.6% owned by Santa Fe and the Company, respectively. The property was acquired on September 29, 1999 at an initial cost of approximately $4,075,000. For the year ended June 30, 2016, real estate property taxes were approximately $63,000. Depreciation is recorded on the straight-line method, based upon an estimated useful life of 40 years. The outstanding mortgage balance was approximately $2,971,000 at June 30, 2016 and the maturity date of the mortgage is December 1, 2020.

The third Los Angeles apartment complex is a 12,700 square foot apartment with 14 units. The Company acquired the property on October 20, 1999 at an initial cost of approximately $2,150,000. For the year ended June 30, 2016, real estate property taxes were approximately $35,000. Depreciation is recorded on the straight-line method, based upon an estimated useful life of 40 years. The outstanding mortgage balance was approximately $1,727,000 at June 30, 2016 and the maturity date of the mortgage is March 1, 2021.

The fourth Los Angeles apartment complex is a 10,500 square foot apartment with 9 units. The Company acquired the property on November 10, 1999 at an initial cost of approximately $1,675,000. For the year ended June 30, 2016, real estate property taxes were approximately $27,000. Depreciation is recorded on the straight-line method, based upon an estimated useful life of 40 years. The outstanding mortgage balance was approximately $1,177,000 at June 30, 2016 and the maturity date of the mortgage is March 1, 2021.

The fifth Los Angeles apartment complex is a 26,100 square foot two-story apartment with 31 units. The Company acquired the property on May 26, 2000 at an initial cost of approximately $7,500,000. For the year ended June 30, 2016, real estate property taxes were approximately $110,000. Depreciation is recorded on the straight-line method, based upon an estimated useful life of 40 years. The outstanding mortgage balance was approximately $5,273,000 at June 30, 2016 and the maturity date of the mortgage is December 1, 2020.

The sixth Los Angeles apartment complex is a 27,600 square foot two-story apartment with 30 units. The Company acquired the property on July 7, 2000 at an initial cost of approximately $4,411,000. For the year ended June 30, 2016, real estate property taxes were approximately $70,000. Depreciation is recorded on the straight-line method, based upon an estimated useful life of 40 years. The outstanding mortgage balance was approximately $6,168,000 at June 30, 2016 and the maturity date of the mortgage is September 1, 2022.

The seventh Los Angeles apartment complex is a 3,000 square foot apartment with 4 units. The Company acquired the property on July 19, 2000 at an initial cost of approximately $1,070,000. For the year ended June 30, 2016, real estate property taxes were approximately $17,000. Depreciation is recorded on the straight-line method, based upon an estimated useful life of 40 years. The outstanding mortgage balance was approximately $369,000 at June 30, 2016 and the maturity date of the mortgage is September 1, 2042.

The eighth Los Angeles apartment complex is a 4,500 square foot two-story apartment with 4 units. The Company acquired the property on July 28, 2000 at an initial cost of approximately $1,005,000. For the year ended June 30, 2016, real estate property taxes were approximately $16,000. Depreciation is recorded on the straight-line method, based upon an estimated useful life of 40 years. The outstanding mortgage balance was approximately $623,000 at June 30, 2016 and the maturity date of the mortgage is September 1, 2042.

The ninth Los Angeles apartment complex is a 7,500 square foot apartment with 7 units. The Company acquired the property on August 9, 2000 at an initial cost of approximately $1,308,000. For the year ended June 30, 2016, real estate property taxes were approximately $21,000. Depreciation is recorded on the straight-line method, based upon an estimated useful life of 40 years. The outstanding mortgage balance was approximately $911,000 at June 30, 2016 and the maturity date of the mortgage is September 1, 2042.

The tenth Los Angeles apartment complex is a 13,000 square foot two-story apartment with 8 units. The Company acquired the property on May 1, 2001 at an initial cost of approximately $1,206,000. For the year ended June 30, 2016, real estate property taxes were approximately $19,000. Depreciation is recorded on the straight-line method, based upon an estimated useful life of 40 years. In July 2013, the Company refinanced its $466,000 adjustable rate mortgage note payable on this property for a new 30-year mortgage in the amount of $500,000. The interest rate on the new loan is fixed at 3.75% per annum for the first five years and variable for the remaining of the term. The note matures in July 2043. The outstanding mortgage balance was approximately $472,000 at June 30, 2016.

The eleventh Los Angeles apartment complex, which is owned 100% by the Company's subsidiary Santa Fe, is a 4,200 square foot two-story apartment with 2 units. Santa Fe acquired the property on February 1, 2002 at an initial cost of approximately $785,000. For the year ended June 30, 2016, real estate property taxes were approximately $12,000. Depreciation is recorded on the straight-line method based upon an estimated useful Life of 40 years. The outstanding mortgage balance was approximately $374,000 at June 30, 2016 and the maturity date of the mortgage is September 1, 2042.

The twelfth apartment which is located in Marina del Rey, California, is a 6,316 square foot two-story apartment with 9 units. The Company acquired the property on April 29, 2011 at an initial cost of approximately $4,000,000. For the year ended June 30, 2016, real estate property taxes were approximately $52,000. Depreciation is recorded on the straight-line method, based upon an estimated useful life of 27.5 years. The outstanding mortgage balance was approximately $1,382,000 at June 30, 2016 and the maturity date of the mortgage is May 1, 2021.

The first Los Angeles single-family house is a 2,771 square foot home. The Company acquired the property on November 9, 2000 at an initial cost of approximately $660,000. For the year ended June 30, 2016, real estate property taxes were approximately $11,000. Depreciation is recorded on the straight-line method, based upon an estimated useful life of 40 years. The outstanding mortgage balance was approximately $402,000 at June 30, 2016 and the maturity date of the mortgage is September 1, 2042.

The second Los Angeles single-family house is a 2,201 square foot home. The Company acquired the property on August 22, 2003 at an initial cost of approximately $700,000. For the year ended June 30, 2016, real estate property taxes were approximately $12,000. Depreciation is recorded on the straight-line method, based upon an estimated useful life of 40 years. The outstanding mortgage balance was approximately $430,000 at June 30, 2016 and the maturity date of the mortgage is September 1, 2042.

In July 2015, the Company purchased a residential house in Los Angeles, California as a strategic asset for $1,975,000 in cash. In August 2016, the Company obtained a $1,000,000 mortgage note payable and received net proceeds of $983,000. The interest on note is 4.50% with interest only payments for twenty three months. The loan matures in August of 2018. For the year ended June 30, 2016, real estate property taxes were approximately $24,000. Depreciation is recorded on the straight-line method, based upon an estimated useful life of 40 years.

In August 2004, the Company purchased an approximately two acre parcel of unimproved land in Kihei, Maui, Hawaii for $1,467,000. The Company intends to obtain the entitlements and permits necessary for the joint development of the parcel with an adjoining landowner into residential units. After the completion of this predevelopment phase, the Company will determine whether it more advantageous to sell the entitled property or to commence with construction. Due to current economic conditions, the project is on hold.

MORTGAGES

Further information with respect to mortgage notes payable of the Company is set forth in Note 10 of the Notes to Consolidated Financial Statements.

ECONOMIC AND PHYSICAL OCCUPANCY RATES

The Company leases units in its residential rental properties on a short-term basis, with no lease extending beyond one year. The economic occupancy (gross potential less rent below market, vacancy loss, bad debt, discounts and concessions divided by gross potential rent) and the physical occupancy (gross potential rent less vacancy loss divided by gross potential rent) for each of the Company's operating properties for fiscal year ended June 30, 2016 are provided below.

Property	Economic Occupancy	Physical Occupancy
1. Las Colinas,TX	93 %	97 %
2. Morris County, NJ	96 %	99 %
3. St. Louis, MO	100 %	92 %
4. Florence, KY	99 %	87 %
5. Los Angeles, CA (1)	88 %	98 %
6. Los Angeles, CA (2)	80 %	68 %
7. Los Angeles, CA (3)	99 %	95 %
8. Los Angeles, CA (4)	96 %	96 %
9. Los Angeles, CA (5)	81 %	95 %
10. Los Angeles, CA (6)	99 %	94 %
11. Los Angeles, CA (7)	92 %	89 %
12. Los Angeles, CA (8)	100 %	100 %
13. Los Angeles, CA (9)	94 %	100 %
14. Los Angeles, CA (10)	100 %	98 %
15. Los Angeles, CA (11)	92 %	100 %
16. Los Angeles, CA (12)	91 %	98 %
17. Los Angeles, CA (13)	*	*

*Property is currently listed for rent and was vacant during fiscal 2016.

The Company’s Los Angeles, California properties are subject to various rent control laws, ordinances and regulations which impact the Company’s ability to adjust and achieve higher rental rates.

Item 3. Legal Proceedings.

In 2013, the City of San Francisco’s Tax Collector’s office claimed that Justice owed the City of San Francisco $2.1 million based on the Tax Collector’s interpretation of the San Francisco Business and Tax Regulations Code relating to Transient Occupancy Tax and Tourist Improvement District Assessment. This amount exceeds Justice’s estimate of the taxes owed, and Justice has disputed the claim and is seeking to discharge all penalties and interest charges imposed by the Tax Collector attributed to its over payment. The Company paid the full amount in March 2014 as part of the appeals process and reflected the amount on the consolidated balance sheet in “Other assets, net” as it was under protest as of June 30, 2015.

On December 18, 2013, a Real Property Transfer Tax of approximately $4.7 million was paid to the City and County of San Francisco (“CCSF”). CCSF required payment of the Transfer Tax as a condition to record the transfer of the Hotel land parcel from Investors to Operating, which was necessary to effect the Loan Agreements. While the

Partnership contends the Transfer Tax that was assessed by CCSF was illegal and erroneous, the tax was paid, under protest, to facilitate the consummation of the redemption transaction, the Loan Agreements and the recording of related documents. The Partnership has challenged CCSF's imposition of the tax and filed a refund lawsuit against CCSF in San Francisco County Superior Court.

The Partnership settled the two aforementioned legal matters with CCSF refunding $1.45 million apportioned half and half to each matter, resulting in approximately $340,000 in excess of net assets recorded. This amount was recorded as a reduction of Hotel legal settlement costs.

On February 13, 2014, Evon filed a complaint in San Francisco Superior Court against the Partnership, Portsmouth, and a limited partner and related party asserting contract and tort claims based on Justice's withholding of $4.7 million from a payment due to Holdings to pay the transfer tax described in Note 1. On April 1, 2014, Defendants removed the action to the United States District Court for the Northern District of California. Evon dismissed its complaint on April 8, 2014 and, that same day, filed a second complaint in San Francisco Superior Court substantially similar to the dismissed complaint, except for the omission of a federal cause of action. Evon's current complaint in the action asserts causes of action for breach of contract and breach of the implied covenant of good faith and fair dealing against Justice only; breach of fiduciary duty against Portsmouth only; conversion against Justice and Portsmouth; and fraud/concealment against Justice, Portsmouth and a Justice limited partner and related party. In July 2014, Justice paid to Holdings a total of $4.7 million, the amount Evon claims was incorrectly withheld from Holdings to pay the transfer tax. Defendants moved to compel arbitration on August 5, 2014, and the Superior Court denied that motion on September 23, 2014.

On June 27, 2014, the Partnership commenced an action in San Francisco Superior Court against Evon, Justice Holdings Company, LLC, a subsidiary of the Partnership ("Holdings"), and certain partners of the Partnership who elected an alternative redemption structure in the Partnership. The action seeks a declaration of the correct interpretation of (i) the special allocations sections of the Amended and Restated Agreement of Limited Partnership of Justice, with an effective date of January 1, 2013; and (ii) whether certain partners who elected the alternative redemption structure breached the governing Limited Partnership Interest Redemption Option Agreement. The complaint states that these declarations are relevant to preparation of the Partnership's 2013 and 2014 state and federal tax returns and the associated Forms K-1 to be issued to affected current and former partners. The Partnership filed a First Amended Complaint on October 31, 2014. Evon filed a cross-complaint on December 9, 2014, alleging fraudulent concealment and promissory fraud against the Partnership in connection with the redemption transaction.

On May 5, 2016, Justice Investors and Portsmouth (parent Company) entered into a settlement agreement relating to the above-described litigation with Evon and Holdings. Under the settlement agreement, the Partnership will pay Evon Corporation $5,575,000 no later than January 10, 2017. This amount was recorded as legal settlement costs during the year ended June 30, 2016. As of June 30, 2016, payments totaling approximately $2,750,000 were made related to this settlement. The amount due to Evon Corporation is presented under related party and other notes payable on the consolidated balance sheet. In connection with the settlement, a $50,000 payment was made to one limited partner for his interest in the Partnership.

On April 21, 2014, the Partnership commenced an arbitration action against Glaser Weil Fink Howard Avchen & Shapiro, LLP (formerly known as Glaser Weil Fink Jacobs Howard Avchen & Shapiro, LLP), Brett J. Cohen, Gary N. Jacobs, Janet S. McCloud, Paul B. Salvaty, and Joseph K. Fletcher III (collectively, the "Respondents") in connection with the redemption transaction. The arbitration alleges legal malpractice against the Respondents and also seeks declaratory relief regarding provisions of the option agreement in the redemption transaction and regarding the engagement letter with Respondents. The arbitration is pending before JAMS in Los Angeles, but has been stayed pending conclusion of the action filed by Evon Corporation described above. No prediction can be given as to the outcome of this matter.

On April 15, 2016, the Partnership and Portsmouth filed a complaint in Los Angeles Superior Court against RSUI Indemnity Company ("RSUI"). The complaint alleges that RSUI breached an insurance contract by refusing to pay the defense and settlement costs incurred in connection with the above-described complaints and cross-complaint Evon filed against the Partnership and Portsmouth in 2014 in San Francisco Superior Court. On May 24, 2016, RSUI removed the action to the United States District Court for the Central District of California. No prediction can be given as to the outcome of this matter.

The Company is subject to legal proceedings, claims, and litigation arising in the ordinary course of business. The Company defends itself vigorously against any such claims. Management does not believe that the impact of such matters will have a material effect on the financial conditions or result of operations when resolved.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Common Equity and Related Stockholder Matters.

MARKET INFORMATION

The Company's Common Stock is listed and trades on the NASDAQ Capital Market tier of the NASDAQ Stock Market, LLC under the symbol: “INTG”. The following table sets forth the high and low sales prices for the Company’s common stock for each quarter of the last two fiscal years ended June 30, 2016 and 2015 as reported by NASDAQ.

Fiscal 2016	High	Low
First Quarter (7/ 1 to 9/30)	$36.79	$20.20
Second Quarter (10/1 to 12/31)	$29.37	$24.46
Third Quarter (1/1 to 3/31)	$27.25	$24.82
Fourth Quarter (4/1 to 6/30)	$30.22	$25.00

Fiscal 2015	High	Low
First Quarter (7/ 1 to 9/30)	$20.50	$19.01
Second Quarter (10/1 to 12/31)	$19.41	$17.45
Third Quarter (1/1 to 3/31)	$21.25	$17.50
Fourth Quarter (4/1 to 6/30)	$21.86	$18.68

As of August 23, 2016, the approximate number of holders of record of the Company’s Common Stock was 266. Such number of owners was determined from the Company’s shareholders records and does not include beneficial owners of the Company’s Common Stock whose shares are held in names of various brokers, clearing agencies or other nominees.

DIVIDENDS

The Company has not declared any cash dividends on its common stock and does not foresee issuing cash dividends in the near future.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS.

This information appears in Part III, Item 12 of this report.

ISSUER PURCHASES OF EQUITY SECURITIES

The Company did not have any purchases of its common stock for its own account, during the fourth quarter of its fiscal year ending June 30, 2016:

The Company has only one stock repurchase program. The program was initially announced on January 13, 1998 and was amended on February 10, 2003 and October 12, 2004. The total number of shares authorized to be repurchased pursuant to those prior authorizations was 870,000, adjusted for stock splits. On June 3, 2009, the Board of Directors authorized the Company to purchase up to an additional 125,000 shares of Company's common stock. On November 15, 2012, the Board of Directors authorized the Company to purchase up to an additional 100,000 shares of Company's common stock. The purchases will be made, in the discretion of management, from time to time, in the open market or through privately negotiated third party transactions depending on market conditions and other factors. The Company's repurchase program has no expiration date and can be amended and increased, from time to time, in the discretion of the Board of Directors. No plan or program expired during the period covered by the table.

Item 6. Selected Financial Data.

Not required for smaller reporting companies.

Item 7. Management Discussion and Analysis of Financial Condition and Results of Operations.

RESULTS OF OPERATIONS

As of June 30, 2016, the Company owned approximately 81.7% of the common shares of its subsidiary, Santa Fe and Santa Fe owned approximately 68.8% of the common shares of Portsmouth Square, Inc. InterGroup also directly owns approximately 13.3% of the common shares of Portsmouth. The Company's principal sources of revenue continue to be derived from the general and limited partnership interests of its subsidiary, Portsmouth, in the Justice Investors limited partnership (“Justice” or the “Partnership”), rental income from its investments in multi-family real estate properties and income received from investment of its cash and securities assets. Justice owns a 543 room hotel property located at 750 Kearny Street, San Francisco, California 94108, known as the “Hilton San Francisco Financial District” (the “Hotel” or the “Property”) and related facilities, including a five-level underground parking garage. 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 (the “License Agreement”) with HLT Franchise Holding LLC (Hilton). The Partnership entered into the License Agreement on December 10, 2004. The term of the License Agreement was for an initial period of 15 years commencing on the opening date, with an option to extend the License Agreement for another five years, subject to certain conditions. On June 26, 2015, the Partnership and Hilton entered into an amended franchise agreement which extended the License Agreement through 2030, modified the monthly royalty rate, extended geographic protection to the Partnership and also provided the Partnership certain key money cash incentives to be earned through 2030. The key money cash incentives were received on July 1, 2015.

Justice also has a management agreement with Prism Hospitality L.P. (“Prism”) to perform management functions for the Hotel. The management agreement with Prism had an original term of ten years and can be terminated at any time with or without cause by the Partnership. Effective January 2014, the management agreement with Prism was amended by the Partnership to change the nature of the services provided by Prism and the compensation payable to Prism, among other things. Effective December 1, 2013, GMP Management, Inc. (“GMP”), a company owned by a Justice limited partner and a related party, began to provide management services for the Partnership pursuant to a management services agreement with a term of three years, subject to the Partnership’s right to terminate earlier, for cause. In June 2016, GMP resigned and the Company is currently in discussions with several national third party

hotel management companies to replace GMP.

The parking garage that is part of the Hotel property is managed by Ace Parking pursuant to a contract with the Partnership. The parking agreement with Ace Parking was terminated with an effective termination date of October 4, 2016. Going forward, the Company will manage the parking garage in-house.

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.

On May 5, 2016, Justice Investors and Portsmouth (parent Company) entered into a settlement agreement relating to the above-described litigation with Evon and Holdings. Under the settlement agreement, the Partnership will pay Evon Corporation $5,575,000 no later than January 10, 2017. This amount was recorded as legal settlement costs during the year ended June 30, 2016. As of June 30, 2016, payments totaling approximately $2,750,000 were made related to this settlement. The amount due to Evon Corporation is presented under related party and other notes payable on the consolidated balance sheet. In connection with the settlement, a $50,000 payment was made to one limited partner for his interest in the Partnership.

The Partnership settled the two legal matters with CCSF refunding $1.45 million apportioned half and half to each matter, resulting in approximately $340,000 in excess of net assets recorded. This amount was recorded as a reduction of Hotel legal settlement costs.

In addition to the operations of the Hotel, the Company also generates income from the ownership and management of real estate. Properties include fifteen apartment complexes, one commercial real estate property, and three 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 an investment in unimproved real property.

All of the Company's operating real estate properties are managed in-house.

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.

Fiscal Year Ended June 30, 2016 Compared to Fiscal Year Ended June 30, 2015

The Company had a net loss of $9,267,000 for the year ended June 30, 2016 compared to net income of $2,057,000 for the year ended June 30, 2015. The change is primarily the result of legal settlement costs, the higher loss on marketable securities, partially offset by the higher hotel revenues. Additionally, the Company had a significant gain on the sale of real estate during the prior comparable fiscal year.

The Company had net loss from Hotel operations of $4,430,000 for the year ended June 30, 2016 compared to net loss of $388,000 for the year ended June 30, 2015. The increase in the net loss as noted above was primarily attributable to legal settlement costs of $5,396,000 partially offset by the increase in room revenue of $1,857,000.

The following table sets forth a more detailed presentation of Hotel operations for the years ended June 30, 2016 and 2015.

For the year ended June 30,	2016	2015
Hotel revenues:		
Hotel rooms	$47,208,000	$45,351,000
Food and beverage	7,533,000	7,577,000
Garage	2,706,000	2,802,000
Other operating departments	1,119,000	1,081,000
Total hotel revenues	58,566,000	56,811,000
Operating expenses, excluding non-recurring charges, depreciation and amortization	(47,246,000)	(47,016,000)

Operating income before non-recurring charges, interest and depreciation and amortization	11,320,000	9,795,000
Legal settlement costs	(5,396,000)	-
Income before loss on disposal of assets , interest and depreciation and amortization	5,924,000	9,795,000
Loss on disposal of assets	(30,000)	(47,000)
Interest expense - mortgage	(7,271,000)	(7,234,000)
Depreciation and amortization expense	(3,053,000)	(2,902,000)
Net loss from Hotel operations	$(4,430,000)	$(388,000)

For the year ended June 30, 2016, the Hotel generated operating income of $11,320,000 before non-recurring charges and interest and depreciation and amortization on total operating revenues of $58,566,000 compared to operating income of $9,795,000 before non-recurring charges and interest and depreciation and amortization on total operating revenues of $56,811,000 for the year ended June 30, 2015. Room revenues increased by $1,857,000 for the year ended June 30, 2016 compared to the year ended June 30, 2015 primarily as the result of higher room rate. Food and beverage revenue remained relatively consistent with the prior year while garage revenue decreased by $96,000.

Operating expenses of $47,246,000 and $47,016,000 for the years ended June 30, 2016 and 2015 remained relatively consistent year over year.

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 year ended June 30, 2016 and 2015.

For the Year Ended June 30,	Average Daily Rate	Average Occupancy %	RevPAR
2016	$ 257	92 %	$ 237
2015	$ 246	93 %	$ 229

Room revenues remained strong as the San Francisco market continued to have good demand for higher rated business. The Hotel's average daily rate increased by $11 for the year ended June 30, 2016 compared to the year ended June 30, 2015, while occupancy rates remained relatively the same. As a result, the Hotel was able to achieve a RevPAR number that was $8 higher than the prior year.

Our highest priority is guest satisfaction. We believe that enhancing the guest experience differentiates the Hotel from our competition and is critical to the Hotel's objective of building sustainable guest loyalty. In order to make a large impact on guest experience, the Hotel will continue training team members on Hilton brand standards and guest satisfaction, hiring and retaining talents in key operations, and enhancing the arrival experience. In addition, the Hotel replaced the carpet flooring in the lobby and the fourth floor with oak wood, creating an open and welcoming environment; modernized the furniture in the lobby, the porte cochere, and the second floor; and replaced the third floor carpets and doors. The Wellness Center on the fifth floor features a new spa with two treatment rooms and a room for manicures and pedicures, which has been doing well. The fitness center has been expanded with state of the art equipment.

In order to further enhance the guest experience, the Hotel plans to renovate the fourth floor meeting rooms to make a state of the art meeting space and, concurrently, to renovate the fourth floor bathrooms. The Hotel will remodel guest room bathrooms with modern shower amenities and update desk tables and the night stands with granite tops for a sleek and modern look. The Hotel is also looking into converting the carpet in the rooms to hardwood floors. Finally, the Hotel, in conjunction with the Chinese Culture Center, is developing a landscape area on the Pedestrian Bridge that connects the Hotel to Portsmouth Square. As the Hotel continues to further develop its ties with the local Chinese community and the City of San Francisco, the Hotel is also committed to promoting innovative business ideas and good corporate citizenship.

With the high demand in guest rooms and the ADR (average daily rate) increasing, the Hotel is less dependent upon group clients and the Hotel can focus more attention on length and patterns of stay that benefit the Hotel. The Hotel is also focusing on high end clients with more banquet and meeting room requirements. Moving forward, the Hotel will continue to focus on cultivating international business, especially from China, and capturing a greater percentage of the higher rated business, leisure and group travel. The Hotel will also continue to upgrade guest rooms and facilities and explore new and innovative ways to differentiate the Hotel from its competition, as well as focusing on returning our food and beverage operations to profitability. During the last twelve months, we have seen steady improvement in business and leisure travel. If that trend in the San Francisco market and the hotel industry continues, it should translate into an increase in room revenues and profitability. However, like all hotels, it will remain subject to the uncertain domestic and global economic environment and other risk factors beyond our control, such as the effect of natural disasters and adverse business conditions.

Revenue from real estate operations decreased to $14,332,000 for the year ended June 30, 2016 from $15,926,000 for the year ended June 30, 2015 primarily as the result of the sale of the 249 unit apartment located in Austin, Texas in March 2015. Real estate operating expenses also decreased to $6,790,000 from $8,237,000 primarily as the result of the sale of the property. In August 2015, the Company terminated its third party property management agreement for the management of the Company’s properties located in California and began to manage the properties in-house. In July 2014, the Company also terminated its third party property management for the management of the Company’s properties located outside of California and began to manage them in-house. As of June 30, 2016, all of the Company’s properties are being managed in-house. Managing the properties in-house has resulted in a decrease operating expenses and greater operating efficiencies. 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.

In July 2015, the Company purchased a single family house located in Los Angeles, California for $1,975,000 as a strategic investment.

In February 2014, the Company entered into a contract to sell its 249 unit apartment complex located in Austin, Texas and the adjacent unimproved land for $15,800,000. The purchase/sale agreement provides that purchaser can terminate the agreement with or without cause, however, the potential purchaser would forfeit the earnest money ($208,000) and additional consideration ($250,000) totaling $458,000. The purchaser also had the option to extend the agreement. During the quarter ended September 30, 2014, the Company received the $458,000 and recognized it as income as the result of the potential buyer not extending the purchase agreement. In December 2014, the Company entered into a new contract with a different buyer to sell the same property for $16,300,000. In March 2015, the Company sold this property for $16,300,000 and realized a gain on the sale of real estate of $9,358,000. The Company received net proceeds of $7,890,000 after selling costs and the repayment of the mortgage of $6,356,000 and the early prepayment of debt penalty of $1,634,000.

In November 2014, the Company sold its 5,900 square foot commercial property for $3,450,000 and realized a gain on the sale of real estate of $1,742,000. The Company received net proceeds of $2,163,000 after selling costs and the repayment of the related mortgage of $1,100,000. Prior to its sale, this property was being leased by the buyer.

The Company had a net loss on marketable securities of $7,189,000 for the year ended June 30, 2016 compared to a net loss on marketable securities of $4,652,000 for the year ended June 30, 2015. For the year ended June 30, 2016, approximately $5,716,000 of the $7,189,000 net loss is related to the Company’s investment in the common stock of Comstock Mining Inc. (“Comstock” - NYSE MKT: LODE). For the year ended June 30, 2015, approximately $2,242,000 of the $4,652,000 net loss is related to the Company’s investment in the common stock of Comstock. As of June 30, 2016 and 2015, investments in Comstock represent approximately 65% and 47%, respectively, of the Company’s investment portfolio. For the year ended June 30, 2016, the Company had a net realized loss of $990,000 and a net unrealized loss of $6,199,000. For the year ended June 30, 2015, the Company had a net realized loss of $1,590,000 and a net unrealized loss of $3,062,000. 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 see the Marketable Securities section below.

During the years ended June 30, 2016 and 2015, the Company performed an impairment analysis of its other investments and determined that its investments had an other than temporary impairment and recorded impairment losses of $673,000 and $701,000, respectively

The Company and its subsidiaries, Portsmouth and Santa Fe, compute and file income tax returns and prepare discrete income tax provisions for financial reporting. The income tax benefit (expense) during the year ended June 30, 2016 and 2015 represents primarily the combined income tax effect of Portsmouth's pretax (loss) income which includes its share in net (loss) income from the Hotel and the pre-tax (loss) income from Intergroup (standalone).

MARKETABLE SECURITIES AND OTHER INVESTMENTS

As of June 30, 2016 and 2015, the Company had investments in marketable equity securities of $14,282,000 and $5,827,000, respectively. The following table shows the composition of the Company's marketable securities portfolio by selected industry groups as:

As of June 30, 2016		% of Total Investment	
Industry Group	Fair Value	Securities	
Basic materials	$9,273,000	64.9	%
Energy	1,907,000	13.4	%
Financial services	1,021,000	7.1	%
Other	2,081,000	14.6	%
	$14,282,000	100.0	%

As of June 30, 2015		% of Total Investment	
Industry Group	Fair Value	Securities	
Basic materials	$2,761,000	47.4	%
Technology	1,115,000	19.1	%
Industrial goods	612,000	10.5	%
REITs and real estate companies	517,000	8.9	%
Financial services	325,000	5.6	%
Other	497,000	8.5	%
	$5,827,000	100.0	%

The Company's investment portfolio is diversified with 31 different equity positions. The Company holds one equity security that comprised of more than 10% of the equity value of the portfolio. This security represents 64.9% of the portfolio and consists of the common stock of Comstock which is included in the basic materials industry group. The significant increase in the Company's investment in Comstock was due to the conversion of the $13,231,000 (13,231 preferred shares) held in Comstock Mining, Inc. ("Comstock" – OTCBB: LODE) 7 1/2% Series A-1 Convertible Preferred Stock (the "A-1 Preferred") to common stock on August 27, 2015. The A-1 Preferred was previously included in other investments prior to its conversion.

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 respective years.

For the years ended June 30,	2016	2015
Net loss on marketable securities	$(7,189,000)	$(4,652,000)
Net unrealized loss on other investments	(127,000)	(204,000)
Impairment loss on other investments	(673,000)	(701,000)
Dividend and interest income	56,000	1,062,000
Margin interest expense	(426,000)	(600,000)
Trading expenses	(518,000)	(1,141,000)
	$(8,877,000)	$(6,236,000)

FINANCIAL CONDITION AND LIQUIDITY

The Company’s cash flows are primarily generated from its Hotel operations, and general partner management fees and limited partnership distributions from Justice Investors, its real estate operations and from the investment of its cash in marketable securities and other investments.

On December 18, 2013, the Partnership completed an Offer to Redeem any and all limited partnership interests not held by Portsmouth. As a result, Portsmouth, which prior to the Offer to Redeem owned 50% of the then outstanding limited partnership interests now controls approximately 93% of the voting interest in Justice and is now its sole General Partner.

To fund redemption of limited partnership interests and to repay the prior mortgage, Justice obtained a $97,000,000 mortgage loan and a $20,000,000 mezzanine loan. The mortgage loan is secured by the Partnership's principal asset, the Hotel. The mortgage loan initially bears an interest rate of 5.275% per annum and matures in January 2024. As additional security for the mortgage loan, there is a limited guaranty executed by the Company in favor of mortgage lender. The mezzanine loan is a secured by the Operating membership interest held by Mezzanine and is subordinated to the Mortgage Loan. The mezzanine loan initially bears interest at 9.75% per annum and matures in January 2024. As additional security for the mezzanine loan, there is a limited guaranty executed by the Company in favor of mezzanine lender.

On May 5, 2016, Justice Investors and Portsmouth (parent Company) entered into a settlement agreement relating to the above-described litigation with Evon and Holdings. Under the settlement agreement, the Partnership will pay Evon Corporation $5,575,000 no later than January 10, 2017. This amount was recorded as legal settlement costs during the year ended June 30, 2016. As of June 30, 2016, payments totaling approximately $2,750,000 were made related to this settlement. The amount due to Evon Corporation is presented under related party and other notes payable on the consolidated balance sheet. In connection with the settlement, a $50,000 payment was made to one limited partner for his interest in the Partnership.

The Partnership settled the two legal matters with CCSF refunding $1.45 million apportioned half and half to each matter, resulting in approximately $340,000 in excess of net assets recorded. This amount was recorded as a reduction of Hotel legal settlement costs.

Please see NOTE 18 of the consolidated financial statements for further details on the two legal settlements.

On July 2, 2014, the Partnership obtained from the Intergroup Corporation (a related party) an unsecured loan in the principal amount of $4,250,000 at 12% per year fixed interest, with a term of 2 years, payable interest only each month. Intergroup received a 3% loan fee. The loan may be prepaid at any time without penalty. The proceeds of the loan were applied to the July 2014 payments to Holdings described in Note 2. The loan was extended to September 30, 2016. InterGroup is currently working on amending the loan agreement to extend the loan for a longer period.

Despite an uncertain economy, the Hotel has continued to generate strong revenue growth. While the debt service requirements related the new loans and the legal settlement may create some additional risk for the Company and its ability to generate cash flows in the future, 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.

In August 2016, the Company obtained a $1,000,000 mortgage note payable on its single family house purchased in July 2015. The Company received net proceeds of $983,000. The interest on note is 4.50% with interest only payments for twenty three months. The loan matures in August of 2018.

In June 2016, The Company refinanced its $1,929,000 mortgage note payable on its 12-unit apartment complex located in Los Angeles, California and obtained a new mortgage in the amount of $2,300,000. The interest rate on the new mortgage is 3.60% and matures in June 2026.

In April 2016, the Company entered into an interest rate agreement on its $923,000 mortgage note payable on its commercial property located in Los Angeles, California in order to settle the variable rate as of March 31, 2016 of 4.22% into a fixed rate of 3.99%, the swap agreement matures in January 2021. A swap is a contractual agreement to exchange interest rate payments.

In March 2015, the Company refinanced the $3,636,000 mortgage note payable on its 157-unit property located in Florence, Kentucky for a new mortgage in the amount of $3,492,000. The Company paid down approximately $210,000 of the old mortgage as part of the refinancing. The new mortgage has a fixed interest rate of 3.87% for ten years and matures in April 2025.

Management believes that its cash, securities assets, real estate and the cash flows generated from those assets and from partnership distributions and management fees, will be adequate to meet the Company’s current and future obligations. Additionally, management believes there is significant appreciated value in the Hotel and other real estate properties to support additional borrowings if necessary.

MATERIAL CONTRACTUAL OBLIGATIONS

The following table provides a summary of the Company’s material financial obligations which also includes interest.

	Total	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
Mortgage notes payable	$182,205,000	$2,172,000	$2,960,000	$3,101,000	$3,249,000	$3,261,000	$167,462,000
Other notes payable	6,996,000	3,355,000	317,000	317,000	317,000	317,000	2,373,000
Interest	61,214,000	9,943,000	9,670,000	9,531,000	9,383,000	8,993,000	13,694,000
Total	$250,415,000	$15,470,000	$12,947,000	$12,949,000	$12,949,000	$12,571,000	$183,529,000

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no material off balance sheet arrangements.

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 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 7A. Quantitative and Qualitative Disclosures about Market Risk.

Not required for smaller reporting companies.

Item 8. Financial Statements and Supplementary Data.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of

The Intergroup Corporation:

We have audited the accompanying consolidated balance sheets of The InterGroup Corporation and its subsidiaries (the Company) as of June 30, 2016 and 2015, and the related consolidated statements of operations, shareholders' deficit and cash flows for each of the years in the two-year period ended June 30, 2016. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The InterGroup Corporation and its subsidiaries as of June 30, 2016 and 2015, and the consolidated results of their operations and their cash flows for each of the years in the two-year period ended June 30, 2016 in conformity with accounting principles generally accepted in the United States of America.

/s/ Burr Pilger Mayer, Inc.

San Francisco, California

September 28, 2016

THE INTERGROUP CORPORATION

CONSOLIDATED BALANCE SHEETS

As of June 30,	2016	2015
ASSETS		
Investment in Hotel, net	$44,821,000	$43,840,000
Investment in real estate, net	56,356,000	55,768,000
Investment in marketable securities	14,282,000	5,827,000
Other investments, net	1,029,000	15,082,000
Cash and cash equivalents	5,404,000	8,529,000
Restricted cash	3,221,000	2,868,000
Other assets, net	7,012,000	11,505,000
Deferred tax asset	3,985,000	-
Total assets	$136,110,000	$143,419,000
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Liabilities:		
Accounts payable and other liabilities	$3,717,000	$5,268,000
Accounts payable and other liabilities - Hotel	14,783,000	13,615,000
Due to securities broker	1,493,000	345,000
Obligations for securities sold	163,000	22,000
Related party and other notes payable	6,996,000	4,905,000
Mortgage notes payable - Hotel	117,000,000	117,000,000
Mortgage notes payable - real estate	65,205,000	66,233,000
Deferred tax liability	-	3,000
Total liabilities	209,357,000	207,391,000
Commitments and contingencies		
Shareholders' deficit:		
Preferred stock, $.01 par value, 100,000 shares authorized; none issued	-	-
Common stock, $.01 par value, 4,000,000 shares authorized; 3,395,616 and 3,391,096 issued; 2,381,726 and 2,386,029 outstanding, respectively	33,000	33,000
Additional paid-in capital	10,363,000	10,494,000
Accumulated deficit	(43,645,000)	(36,459,000)
Treasury stock, at cost, 1,013,890 and 1,005,067 shares	(12,082,000)	(11,878,000)
Total InterGroup shareholders' deficit	(45,331,000)	(37,810,000)
Noncontrolling interest	(27,916,000)	(26,162,000)
Total shareholders' deficit	(73,247,000)	(63,972,000)
Total liabilities and shareholders' deficit	$136,110,000	$143,419,000

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

THE INTERGROUP CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

For the years ended June 30,	2016	2015
Revenues:		
Hotel	$58,566,000	$56,811,000
Real estate	14,332,000	15,926,000
Total revenues	72,898,000	72,737,000
Costs and operating expenses:		
Hotel operating expenses	(47,246,000)	(47,016,000)
Legal settlement costs	(5,396,000)	-
Real estate operating expenses	(6,790,000)	(8,237,000)
Depreciation and amortization expense	(5,146,000)	(4,943,000)
General and administrative expense	(2,722,000)	(2,859,000)
Total costs and operating expenses	(67,300,000)	(63,055,000)
Income from operations	5,598,000	9,682,000
Other income (expense):		
Interest expense - mortgage	(9,898,000)	(10,153,000)
Loss on disposal of assets	(30,000)	(47,000)
Gain on sale of real estate	-	11,100,000
Other real estate income	-	458,000
Net loss on marketable securities	(7,189,000)	(4,652,000)
Net unrealized loss gain on other investments and derivatives	(127,000)	(204,000)
Impairment loss on other investments	(673,000)	(701,000)
Dividend and interest income	56,000	1,062,000
Trading and margin interest expense	(944,000)	(1,741,000)
Net other expense	(18,805,000)	(4,878,000)
Income (loss) before income taxes	(13,207,000)	4,804,000
Income tax benefit (expense)	3,940,000	(2,747,000)
Net (loss) income	(9,267,000)	2,057,000
Less: Net loss attributable to the noncontrolling interest	2,131,000	885,000
Net (loss) income attributable to InterGroup	$(7,136,000)	$2,942,000
Net (loss) income per share		
Basic	$(3.89)	$0.86
Diluted	$(3.89)	$0.85
Net (loss) income per share attributable to InterGroup		
Basic	$(2.99)	$1.23
Diluted	$(2.99)	$1.21
Weighted average number of common shares outstanding	2,384,098	2,384,521

Weighted average number of diluted common shares outstanding	2,384,098	2,432,741

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

THE INTERGROUP CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' DEFICIT

	Common Stock		Additional Paid-in		Treasury	InterGroup Shareholders'	Noncontrolling	Total Shareholde
	Shares	Amount	Capital	Accumulated Deficit	Stock	Deficit	Interest	Deficit
Balance at July 1, 2014	3,383,364	$33,000	$10,092,000	$(39,401,000)	$(11,818,000)	$(41,094,000)	$(25,538,000)	$(66,632,0
Net income	-	-	-	2,942,000	-	2,942,000	(885,000)	2,057,000
Stock options expense	-	-	664,000	-	-	664,000	-	664,000
Issuance of stock for compensation	4,608	-	88,000	-	-	88,000	-	88,000
Issuance of stock related to stock options exercised	3,124	-	44,000	-	-	44,000	-	44,000
Investment in Santa Fe	-	-	(275,000)	-	-	(275,000)	174,000	(101,000
Investment in Portsmouth	-	-	(119,000)	-	-	(119,000)	87,000	(32,000
Purchase of treasury stock	-	-	-	-	(60,000)	(60,000)	-	(60,000
Balance at June 30, 2015	3,391,096	33,000	10,494,000	(36,459,000)	(11,878,000)	(37,810,000)	(26,162,000)	(63,972,0
Net loss	-	-	-	(7,136,000)	-	(7,136,000)	(2,131,000)	(9,267,00
Stock options expense	-	-	391,000	-	-	391,000	-	391,000
	4,520	-	88,000	-	-	88,000	-	88,000

Issuance of stock for compensation								
Redemption of limited partnership interests	-	-	-	(50,000)	-	(50,000)	-	(50,000
Investment in Santa Fe	-	-	(292,000)	-	-	(292,000)	172,000	(120,000
Investment in Portsmouth	-	-	(318,000)	-	-	(318,000)	205,000	(113,000
Purchase of treasury stock	-	-	-	-	(204,000)	(204,000)	-	(204,000
Balance at June 30, 2016	3,395,616	$33,000	$10,363,000	$(43,645,000)	$(12,082,000)	$(45,331,000)	$(27,916,000)	$(73,247,0

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

THE INTERGROUP CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended June 30,	2016	2015
Cash flows from operating activities:		
Net (loss) income	$(9,267,000)	$2,057,000
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Net unrealized loss on marketable securities	6,199,000	3,062,000
Legal settlement costs	5,575,000	-
Unrealized loss on other investments	127,000	204,000
Impairment loss on other investments	673,000	701,000
Gain on sale of real estate	-	(11,100,000)
Loss on disposal of assets	30,000	47,000
Depreciation and amortization	5,146,000	4,943,000
Stock compensation expense	479,000	752,000
Changes in assets and liabilities:		
Investment in marketable securities	(1,401,000)	2,531,000
Other assets, net	4,493,000	675,000
Accounts payable and other liabilities	(383,000)	(361,000)
Due to securities broker	1,148,000	(2,580,000)
Obligations for securities sold	141,000	(153,000)
Deferred taxes	(3,988,000)	(940,000)
Net cash provided by (used in) operating activities	8,972,000	(162,000)
Cash flows from investing activities:		
Net proceeds from the sale of real estate	-	17,592,000
Investment in hotel, net	(4,064,000)	(5,083,000)
Investment in real estate, net	(2,681,000)	(604,000)
Payments for other investments	-	(150,000)
Investment in Santa Fe	(120,000)	(101,000)
Investment in Portsmouth	(113,000)	(32,000)
Net cash (used in) provided by investing activities	(6,978,000)	11,622,000
Cash flows from financing activities:		
Net payments of mortgage and other notes payable	(4,512,000)	(8,734,000)
Restricted cash for redemption and mortgage impounds	(353,000)	17,277,000
Distributions and redemption to noncontrolling interest	(50,000)	(16,163,000)
Purchase of treasury stock	(204,000)	(60,000)
Proceeds from exercise of options	-	44,000
Net cash used in financing activities	(5,119,000)	(7,636,000)
Net (decrease) increase in cash and cash equivalents	(3,125,000)	3,824,000
Cash and cash equivalents at the beginning of the year	8,529,000	4,705,000
Cash and cash equivalents at the end of the year	$5,404,000	$8,529,000

Supplemental information:		
Income tax paid	$2,078,000	$1,190,000
Interest paid	$10,324,000	$10,753,000
Non-cash transactions:		
Conversion of other investments to marketable securities	$13,231,000	$-

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

THE INTERGROUP CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES:

Description of the Business

The InterGroup Corporation, a Delaware corporation, ("InterGroup" or the "Company") was formed to buy, develop, operate and dispose of real property and to engage in various investment activities to benefit the Company and its shareholders.

As of June 30, 2016, the Company had the power to vote 85.6% 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 primary business is conducted through the management of its 68.8% owned subsidiary, Portsmouth Square, Inc. ("Portsmouth"), a public company (OTCBB: PRSI). Portsmouth has a 93% limited partnership interest in Justice and is the sole general partner. InterGroup also directly owns approximately 13.3% of the common stock of Portsmouth.

Justice, through its subsidiaries Justice Holdings Company, LLC ("Holdings"), a Delaware Limited Liability Company, Justice Operating Company, LLC ("Operating") and Justice Mezzanine Company, LLC ("Mezzanine"), owns a 543-room hotel property located at 750 Kearny Street, San Francisco California, known as the Hilton San Francisco Financial District (the "Hotel") and related facilities including a five level underground parking garage. Holdings and Mezzanine are both a wholly-owned subsidiaries of the Partnership; Operating is a wholly-owned subsidiary of Mezzanine. Mezzanine is the borrower under certain mezzanine indebtedness of Justice, and in December 2013, the Partnership conveyed ownership of the Hotel to Operating. The Hotel is operated by the partnership as a full service Hilton brand hotel pursuant to a Franchise License Agreement with HLT Franchise Holding LLC (Hilton). Justice also has a management agreement with Prism Hospitality L.P. ("Prism") to perform management functions for the Hotel. The management agreement with Prism had an original term of ten years, subject to the Partnership's right to terminate at any time with or without cause. Effective January 2014, the management agreement with Prism was amended by the Partnership to change the nature of the services provided by Prism and the compensation payable to Prism, among other things. Effective December 1, 2013, GMP Management, Inc. ("GMP"), a company owned by a Justice limited

partner and a related party, also provided management services for the Partnership pursuant to a management services agreement, with a three year term, subject to the Partnership's right to terminate earlier for cause. In June 2016, GMP resigned and the Company is currently in discussions with several national third party hotel management companies to replace GMP.

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 three 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 are managed in-house.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and Santa Fe. All significant inter-company transactions and balances have been eliminated.

Investment in Hotel, Net

Property and equipment are stated at cost. Building improvements are being depreciated on a straight-line basis over their useful lives ranging from 3 to 39 years. Furniture, fixtures, and equipment are being depreciated on a straight-line basis over their useful lives ranging from 3 to 7 years.

Repairs and maintenance are charged to expense as incurred. Costs of significant renewals and improvements are capitalized and depreciated over the shorter of its remaining estimated useful life or life of the asset. The cost of assets sold or retired and the related accumulated depreciation are removed from the accounts; any resulting gain or loss is included in other income (expenses).

The Company reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with generally accepted accounting principles. If the carrying amount of the asset, including any intangible assets associated with that asset, exceeds its estimated undiscounted net cash flow, before interest, the Partnership will recognize an impairment loss equal to the difference between its carrying amount and its estimated fair value. If impairment is recognized, the reduced carrying amount of the asset will be accounted for as its new cost. For a depreciable asset, the new cost will be depreciated over the asset's remaining useful life. Generally, fair values are estimated using discounted cash flow, replacement cost or market comparison analyses. The process of evaluating for impairment requires estimates as to future events and conditions, which are subject to varying market and economic factors. Therefore, it is reasonably possible that a change in estimate resulting from judgments as to future events could occur which would affect the recorded amounts of the property. No impairment losses were recorded for the years ended June 30, 2016 and 2015.

Investment in Real Estate, Net

Rental properties are stated at cost less accumulated depreciation. Depreciation of rental property is provided on the straight-line method based upon estimated useful lives of 5 to 40 years for buildings and improvements and 5 to 10 years for equipment. Expenditures for repairs and maintenance are charged to expense as incurred and major improvements are capitalized.

The Company also reviews its rental property assets for impairment. No impairment losses on the investment in real estate have been recorded for the years ended June 30, 2016 and 2015.

The fair value of the tangible assets of an acquired property, which includes land, building and improvements, is determined by valuing the property as if they were vacant, and incorporates costs during the lease-up periods considering current market conditions and costs to execute similar leases such lost rental revenue and tenant improvements. The value of tangible assets are depreciated using straight-line method based upon the assets estimated useful lives.

Investment in Marketable Securities

Marketable securities are stated at fair value as determined by the most recently traded price of each security at the balance sheet date. Marketable securities are classified as trading securities with all unrealized gains and losses on the Company's investment portfolio recorded through the consolidated statements of operations.

Other Investments, Net

Other investments include non-marketable securities (carried at cost, net of any impairments loss), non –marketable warrants (carried at fair value) and certain convertible preferred securities, received in exchange for debt instruments, carried at a book basis, initially determined using the estimated fair value on the exchange date. 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. For the years ended June 30, 2016 and 2015, the Company recorded impairment losses related to other investments of $673,000 and $701,000, respectively. As of June 30, 2016 and 2015, the allowance for impairment losses was $6,101,000 and $5,428,000, respectively.

Derivative Financial Instruments

The Company has investments in stock warrants which are considered derivative instruments. As of June 30, 2016 and 2015, the Company has nominal derivative financial instruments.

Derivative financial instruments 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 sheets. As of June 30, 2016 and 2015, the Company has nominal derivative financial instruments.

For the investment in stock warrants, 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.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with an original maturity of three months or less when purchased and are carried at cost, which approximates fair value.

Restricted Cash

Restricted cash is comprised of amounts held by lenders for payment of real estate taxes, insurance, replacement and capital addition reserves for the Hotel.

Other Assets, Net

Other assets include prepaid insurance, loan fees, franchise fees, license fees and other miscellaneous assets. Loan fees are stated at cost and amortized over the term of the loan using the effective interest method. Franchise fees are stated at cost and amortized over the life of the agreement (15 years). License fees are stated at cost and amortized over 10 years.

Accounts receivable from the Hotel and rental property customers are carried at cost less an allowance for doubtful accounts that is based on management’s assessment of the collectability of accounts receivable. The Company extends unsecured credit to its customers but mitigates the associated credit risk by performing ongoing credit evaluations of its customers.

Due to Securities Broker

The Company may utilize margin for its marketable securities purchases through the use of standard margin agreements with national brokerage firms. Various securities brokers have advanced funds to the Company for the purchase of marketable securities under standard margin agreements. These advanced funds are recorded as a liability.

Obligation for Securities Sold

Obligation for securities sold represents the fair market value of shares sold with the promise to deliver that security at some future date and the fair market value of shares underlying the written call options with the obligation to deliver that security when and if the option is exercised. The obligation may be satisfied with current holdings of the same security or by subsequent purchases of that security. Unrealized gains and losses from changes in the obligation are included in the statement of operations.

Accounts Payable and Other Liabilities

Accounts payable and other liabilities include trade payables, customer advance deposits and other liabilities.

Treasury Stock

The Company records the acquisition of treasury stock under the cost method.

Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date. Accounting standards for fair value measurement establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company’s assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the observability of inputs as follows:

Level 1–inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2–inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the financial instruments.

Level 3–inputs to the valuation methodology are unobservable and significant to the fair value.

Revenue Recognition

Room revenue is recognized on the date upon which a guest occupies a room and/or utilizes the Hotel's services. Food and beverage revenues are recognized upon delivery. Garage revenue is recognized when a guest uses the garage space. The Company records a liability for payments collected in advance of revenue recognition. This liability is included in accounts payable and other liabilities.

Revenue recognition from apartment rentals commences when an apartment unit is placed in service and occupied by a rent-paying tenant. Apartment units are leased on a short-term basis, with no lease extending beyond one year.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs were $522,000 and $459,000 for the years ended June 30, 2016 and 2015, respectively.

Income Taxes

Deferred income taxes are calculated under the liability method. Deferred income tax assets and liabilities are based on differences between the financial statement and tax basis of assets and liabilities at the current enacted tax rates. Changes in deferred income tax assets and liabilities are included as a component of income tax expense. Changes in deferred income tax assets and liabilities attributable to changes in enacted tax rates are charged or credited to income tax expense in the period of enactment. Valuation allowances are established for certain deferred tax assets where realization is not likely.

Assets and liabilities are established for uncertain tax positions taken or positions expected to be taken in income tax returns when such positions are judged to not meet the “more-likely-than-not” threshold based on the technical merits of the positions.

Earnings (Loss) 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. As of June 30, 2016 and 2015, the Company had 236,000 and 126,639 stock options, respectively, that were considered potentially dilutive common shares. The basic and diluted earnings per share were the same for the year ended June 30, 2016 because the Company had a net loss.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Reclassifications

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

Recent Accounting Pronouncements

In March 2016, the FASB issued ASU 2016-09, Compensation - Stock Compensation (Topic 718). This update was issued as part of the FASB’s simplification initiative and affects all entities that issue share-based payment awards to their employees. The amendments in this update cover such areas as the recognition of excess tax benefits and

deficiencies, the classification of those excess tax benefits on the statement of cash flows, an accounting policy election for forfeitures, the amount an employer can withhold to cover income taxes and still qualify for equity classification and the classification of those taxes paid on the statement of cash flows. This update is effective for annual and interim periods beginning after December 15, 2016, which will require the Company to adopt these provisions in the first quarter of fiscal 2018. This guidance will be applied either prospectively, retrospectively or using a modified retrospective transition method, depending on the area covered in this update. Early adoption is permitted. The Company has not yet selected a transition date nor have we determined the effect of the standard on our ongoing financial reporting.

In January 2016, the FASB issued an update (ASU No. 2016-01, Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities). The amendments in this update impact public business entities as follows: 1) Require equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. 2) Simplify the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment. When a qualitative assessment indicates that impairment exists, an entity is required to measure the investment at fair value. 3) Eliminate the requirement to disclose the methods and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet. 4) Require entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes. 5) Require an entity to present separately in other comprehensive income the portion of the total change in fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. 6) Require separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements. 7) Clarify that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity’s other deferred tax assets. The amendments in this update become effective for annual periods and interim periods within those annual periods beginning after December 15, 2017. The Company is currently evaluating the impact of adopting the new guidance on the consolidated financial statements, but it is not expected to have a material impact on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. ASU 2015-03 is effective for annual and interim periods within these annual periods beginning after December 15, 2015 and early application is permitted. This standard will not have material impact on the Company's consolidated financial statements.

In February 2015, the FASB issued ASU 2015-02, Consolidation (Topic 810): *Amendments to the Consolidation Analysis,* which changes the consolidation analysis for both the variable interest model and for the voting model for limited partnerships and similar entities. ASU 2015-02 is effective for annual and interim periods beginning after December 15, 2015 and early application is permitted. ASU 2015-02 provides for one of two methods of transition: retrospective application to each prior period presented; or recognition of the cumulative effect of retrospective application of the new standard in the period of initial application. We are in the process of evaluating this guidance and our method of adoption. This is not expected to materially impact the Company's financial statements.

In May 2014, the Financial Accounting Standards Board (the "FASB") issued Accounting Standard Update No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09") amending revenue recognition guidance and requiring more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The guidance is effective for annual and interim reporting periods beginning after December 15, 2017, with early adoption permitted for annual and interim reporting periods with these annual periods beginning after December 15, 2016. The Company does not plan to early adopt. We are currently evaluating the impact ASU 2014-09 will have on the Company's consolidated financial statements.

In August 2014, the FASB issued Accounting Standard Update No. 2014-15, *Presentation of Financial Statements — Going Concern* ("ASU 2014-15"). The new guidance explicitly requires that management assess an entity's ability to continue as a going concern and may require additional detailed disclosures. ASU 2014-15 is effective for annual periods beginning after December 15, 2016 and interim periods within those annual periods. Though permitted, the Company does not plan to early adopt. The Company does not believe that this standard will have a significant impact on its consolidated financial statements.

NOTE 2 - JUSTICE INVESTORS

Justice Investors Limited Partnership, a California limited partnership ("Justice" or the "Partnership"), was formed in 1967 to acquire real property in San Francisco, California, for the development and lease of the Hotel and related facilities. The Partnership has one general partner, Portsmouth Square, Inc., a California corporation ("Portsmouth") and approximately 24 voting limited partners, including Portsmouth.

Effective December 1, 2008, Portsmouth and Evon Corporation, a California corporation ("Evon"), as the two general partners of Justice, entered into a 2008 Amendment to the Limited Partnership Agreement (the "Amendment") that provided for a change in the respective roles of the general partners. Pursuant to the Amendment, Portsmouth assumed the role of managing general partner and Evon continued on as the co-general partner of Justice. The Amendment was ratified by approximately 98% of the limited partnership interests. The Amendment also amended and restated the Limited Partnership Agreement of the Partnership in its entirety to comply with the new provisions of the California Corporations Code known as the "Uniform Limited Partnership Act of 2008." The Amendment did not result in any material modifications of the rights or obligations of the general and limited partners. The Amendment also provided that future amendments to the Limited Partnership Agreement would be made only upon the consent of the general partners and at least seventy five percent (75%) of the interests of the limited partners. Consent of at least 75% of the interests of the limited partners is required to remove a general partner pursuant to the Amendment.

Concurrent with the Amendment, a new General Partner Compensation Agreement (the "Compensation Agreement") was entered into on December 1, 2008, among Justice, Portsmouth and Evon to terminate and supersede all prior compensation agreements for the general partners. Pursuant to the Compensation Agreement, the general partners of Justice were entitled to receive an amount equal to 1.5% of the gross annual revenues of the Partnership (as defined in the Amendment), less $75,000 to be used as a contribution toward the cost of Justice engaging an asset manager. The Compensation Agreement set the minimum annual compensation of the general partners at approximately $285,000, with eighty percent (80%) of that amount being allocated to Portsmouth for its services as managing general partner and twenty percent (20%) allocated to Evon as the co-general partner. Compensation earned by the general partners in each calendar year in excess of the minimum base was be payable in equal fifty percent (50%) shares to Portsmouth and Evon. As described below, the Compensation Agreement was amended upon the completion of the Offer to Redeem on December 18, 2013.

In December 2013, the Partnership determined to restructure its ownership to facilitate a refinancing of the Hotel and redeem the interests of certain Partners, including Evon. In the course of this refinancing, restructuring and redemption, the Partnership created three subsidiaries: Justice Holdings Company, LLC ("Holdings"), a Delaware Limited Liability Company, Justice Operating Company, LLC ("Operating") and Justice Mezzanine Company, LLC ("Mezzanine"). Holdings and Mezzanine are each wholly-owned subsidiaries of the Partnership; Operating is a wholly-owned subsidiary of Mezzanine. Mezzanine is the borrower of certain mezzanine indebtedness and in December 2013, the Partnership conveyed ownership of the Hotel to Operating.

On December 18, 2013, the Partnership completed an Offer to Redeem any and all limited partnership interests not held by Portsmouth. In addition, the Partnership approved amendments to the Amended and Restated Agreement of Limited Partnership, which amendments became effective upon the completion of the Offer to Redeem and the consummation of the Loan Agreements. Such amendments are described below. As a result, Portsmouth, which prior to the Offer to Redeem owned 50% of the then outstanding limited partnership interests, now controls approximately a 93% interest in Justice and is now the Partnership's sole General Partner.

Pursuant to the Offer to Redeem, the Partnership accepted tenders, for cash, from Evon, and seventy-three of the Partnership's limited partners representing approximately 29.173% of partnership interests outstanding prior to the Offer to Redeem for $1,385,000 for each 1% tendered. On December 19, 2013, Justice distributed the amounts due each of these former partners pursuant to the terms of the Offer to Redeem.

In addition, the Partnership accepted the election of holders of approximately 17.146% of the limited partnership interests outstanding prior to the Offer to Redeem to participate in an alternate redemption structure. Under that alternative redemption structure, the Partnership paid to Holdings $1,385,000 for each 1% tendered. Those partners who elected the alternative redemption structure were given an option to designate property for Holdings to purchase within 12 months of December 18, 2013, and then require Holdings to transfer that property to the partner in redemption of that partner's interest in the Partnership. The governing agreement also provided for other possible methods of redeeming the interests of the partners who elected the alternate redemption structure, respectively. During

the years ended June 30, 2015 and 2014, a total of $16,163,000 and $2,928,000 was redeemed under the alternative redemption structure, respectively. As of June 30, 2016, all limited partner interests outstanding under the Offer to Redeem had been redeemed.

As a result of the ownership structure implemented in December 2013, the Partnership is the indirect sole owner of a 543-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 Operating as a full service Hilton brand hotel pursuant to a Franchise License Agreement with HLT Existing Franchise Holding LLC (the “Hilton”). Operating also has a management agreement with Prism Hospitality L.P. (“Prism”) to perform management functions for the Hotel. The management agreement with Prism had an original term of ten years, subject to the Partnership’s right to terminate at any time with or without cause. Effective January 2014, the management agreement with Prism was amended by the Partnership to change the nature of the services provided by Prism and the compensation payable to Prism, among other things. Effective December 1, 2013, GMP Management, Inc. (“GMP”), a company owned by a Justice limited partner and related party, also provided management services for the Partnership pursuant to a management services agreement, with a three year term subject to the Partnership’s right to terminate earlier for cause. In June 2016, GMP resigned and the Company is currently in discussions with several national third party hotel management companies to replace GMP.

As of June 30, 2016 and 2015, the Partnership had an accumulated deficit. That accumulated deficit is primarily attributable to the redemption of certain limited partners, effective December 18, 2013. The Partnership utilized the book value method to record the redemption of the limited partners. Under book value (bonus) method the remaining partners continue the existing partnership, recording no changes to the book values of the partnership's assets and liabilities. As a result, any revaluation of the existing partnership's assets or liabilities that might be undertaken is solely to determine the settlement price to the outgoing partner. The partner's withdrawal from the partnership is recorded by adjusting the remaining partners' capital accounts with the amount of the bonus, which is allocated according to their income sharing ratio. The amount of adjustment is equal to the difference between the settlement price paid to the withdrawing partner and the book value of his share of total partnership capital at the time he withdraws. Justice Partner's capital was reduced by approximately $64.1 million for the redemption during the year ended June 30, 2014.

Management believes that the revenues and cash flows expected to be generated from the operations of the Hotel, garage and leases will be sufficient to meet all of the Partnership's current and future obligations and financial requirements. Management also believes that there is significant appreciated value in the Hotel property in excess of the net book value to support additional borrowings, if necessary.

NOTE 3 – INVESTMENT IN HOTEL, NET

Investment in Hotel consisted of the following as of:

June 30, 2016	Cost	Accumulated Depreciation	Net Book Value
Land	$2,738,000	$-	$2,738,000
Furniture and equipment	28,857,000	(23,096,000)	5,761,000
Building and improvements	62,908,000	(26,586,000)	36,322,000
	$94,503,000	$(49,682,000)	$44,821,000

June 30, 2015	Cost	Accumulated Depreciation	Net Book Value
Land	$2,738,000	$-	$2,738,000
Furniture and equipment	25,958,000	(21,603,000)	4,355,000
Building and improvements	62,031,000	(25,284,000)	36,747,000
	$90,727,000	$(46,887,000)	$43,840,000

NOTE 4 - INVESTMENT IN REAL ESTATE, NET

At June 30, 2016, the Company's investment in real estate consisted of twenty one properties located throughout the United States. These properties include sixteen apartment complexes, three single-family houses as strategic investments, and one commercial real estate properties. The Company also owns unimproved land located in Maui, Hawaii.

Investment in real estate included the following:

As of June 30,	2016	2015
Land	$25,033,000	$23,453,000
Buildings, improvements and equipment	65,929,000	64,828,000
Accumulated depreciation	(34,606,000)	(32,513,000)
	$56,356,000	$55,768,000

In July 2015, the Company purchased a residential house in Los Angeles, California as a strategic asset for $1,975,000 in cash.

In February 2014, the Company entered into a contract to sell its 249 unit apartment complex located in Austin, Texas and the adjacent unimproved land for $15,800,000. The purchase/sale agreement provides that purchaser can terminate the agreement with or without cause, however, the potential purchaser would forfeit the earnest money ($208,000) and additional consideration ($250,000) totaling $458,000. The purchaser also had the option to extend the agreement. During the quarter ended September 30, 2014, the Company received the $458,000 and recognized it as income as the result of the potential buyer not extending the purchase agreement. In December 2014, the Company entered into a new contract with a different buyer to sell the same property for $16,300,000. In March 2015, the Company sold this property for $16,300,000 and realized a gain on the sale of real estate of $9,358,000. The Company received net proceeds of $7,890,000 after selling costs and the repayment of the mortgage of $6,356,000 and the early prepayment of debt penalty of $1,634,000.

In November 2014, the Company sold its 5,900 square foot commercial property located in Los Angeles, California for $3,450,000 and realized a gain on the sale of real estate of $1,742,000. The Company received net proceeds of $2,163,000 after selling costs and the repayment of the related mortgage of $1,100,000. Prior to its sale, this property was being leased by the buyer.

NOTE 5 - INVESTMENT IN MARKETABLE SECURITIES

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

At June 30, 2016 and 2015, 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 Loss	Fair Value
As of June 30, 2016					
Corporate Equities	$22,500,000	$ 1,161,000	$ (9,379,000)	$ (8,218,000)	$14,282,000
As of June 30, 2015					
Corporate Equities	$7,845,000	$ 1,136,000	$ (3,154,000)	$ (2,018,000)	$5,827,000

As of June 30, 2016 and 2015, approximately 65% and 47% of the investment marketable securities balance above is comprised of the common stock of Comstock Mining Inc.

As of June 30, 2016 and 2015, the Company had $3,620,000 and $3,062,000, respectively, of unrealized losses related to securities held for over one year.

Net loss on marketable securities on the statement of operations is comprised of realized and unrealized gains (losses). Below is the composition of the two components for the years ended June 30, 2016 and 2015, respectively.

For the year ended June 30,	2016	2015
Realized loss on marketable securities	$(990,000)	$(1,590,000)
Unrealized loss on marketable securities	(6,199,000)	(3,062,000)
Net loss on marketable securities	$(7,189,000)	$(4,652,000)

NOTE 6 – OTHER INVESTMENTS, NET

The Company may also invest, with the approval of the Securities Investment Committee and other Company guidelines, 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.

Other investments, net consist of the following:

Type	June 30, 2016	June 30, 2015
Preferred stock - Comstock, at cost	$ -	$ 13,231,000
Private equity hedge fund, at cost	916,000	1,250,000
Other preferred stock	113,000	497,000
Warrants - at fair value	-	104,000
	$ 1,029,000	$ 15,082,000

As of June 30, 2015, the Company had $13,231,000 (13,231 preferred shares) held in Comstock Mining, Inc. ("Comstock" – OTCBB: LODE) 7 1/2% Series A-1 Convertible Preferred Stock (the "A-1 Preferred") of Comstock.

On August 27, 2015, all of such preferred stock was converted into common stock of Comstock.

As of June 30, 2016 and 2015, 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 $267,000 and $257,000, respectively, as of June 30, 2016 and 2015 and a fair value of $0 and $104,000, respectively,

as of June 30, 2016 and 2015. During the years ended June 30, 2016 and 2015, the Company had an unrealized loss of $104,000 and an unrealized loss of $103,000, respectively, related to these warrants.

NOTE 7 - FAIR VALUE MEASUREMENTS

The carrying values of the Company's financial instruments not required to be carried at fair value on a recurring basis approximate fair value due to their short maturities (i.e., accounts receivable, other assets, accounts payable and other liabilities, due to securities broker and obligations for securities sold) or the nature and terms of the obligation (i.e., other notes payable and mortgage notes payable).

The assets measured at fair value on a recurring basis are as follows:

As of June 30, 2016			
Assets:	Level 1	Level 3	Total
Investment in marketable securities:			
Basic materials	$9,273,000	$ -	$9,273,000
Energy	1,907,000	-	1,907,000
Financial services	1,021,000	-	1,021,000
Other	2,081,000	-	2,081,000
	14,282,000	-	14,282,000
	$14,282,000	$ -	$14,282,000

As of June 30, 2015			
Assets:	Level 1	Level 3	Total
Other investments - warrants	$-	$104,000	$104,000
Investment in marketable securities:			
Basic materials	2,761,000	-	2,761,000
Technology	1,115,000	-	1,115,000
Industrial goods	612,000	-	612,000
REITs and real estate companies	517,000	-	517,000
Financial services	325,000		
Other	497,000	-	497,000
	5,827,000	-	5,502,000
	$5,827,000	$104,000	$5,606,000

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 or adjusted to record the fair value of new instruments received (i.e., preferred shares) in exchange for old instruments (i.e., debt instruments). The following table shows the fair value hierarchy for these assets measured at fair value on a non-recurring basis as follows:

Assets	Level 3	June 30, 2016	Net loss for the year ended June 30, 2016

Other non-marketable investments	$1,029,000	$ 1,029,000	$ (673,000)

Assets	Level 3	June 30, 2015	Net loss for the year ended June 30, 2015
Other non-marketable investments	$14,978,000	$ 14,978,000	$ (701,000)

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. When determining the fair value of these investments on a non-recurring basis, the Company uses valuation techniques such as the market approach and the unobservable inputs include factors such as conversion ratios and the stock price of the underlying convertible instruments. 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 – OTHER ASSETS, NET

Other assets consist of the following as of June 30:

	2016	2015
Accounts receivable, net	$3,250,000	$6,791,000
Inventory - Hotel	248,000	256,000
Prepaid expenses	1,298,000	781,000
Occupancy tax deposit - Hotel	-	1,061,000
Miscellaneous assets, net	2,216,000	2,616,000
Total other assets	$7,012,000	$11,505,000

Amortization expense of loan fees and franchise costs for the years ended June 30, 2016 and 2015 was $159,000 and $131,000, respectively.

NOTE 9 – RELATED PARTY AND OTHER NOTES PAYABLE

On May 5, 2016, Justice and Portsmouth entered into a settlement agreement relating to previously reported litigation with Evon Corporation and certain other parties. Under the settlement agreement, Justice, a subsidiary of Portsmouth, will pay Evon Corporation $5,575,000 no later than January 10, 2017. This amount was recorded as legal settlement costs for the year end June 30, 2016. As of June 30, 2016, the balance of this related party note payable was $2,825,000.

Also included in the balance of the related party note payable at June 30, 2016 is the obligation to Hilton (Franchisor) in the form of a self-exhausting, interest free development incentive note which will be reduced approximately $316,000 annually through 2030 by Hilton if the Partnership is still a Franchisee with Hilton. For the years ended June 30, 2016 and 2015, the note was reduced by approximately $316,000 and $158,000, respectively.

The Company has various notes payable and financing obligations outstanding at June 30, 2016 and 2015 totaling $212,000 and $313,000, respectively. The notes bear interest at market rates and require monthly principal payments through January 2018 when the obligations will be fully repaid.

NOTE 10 - MORTGAGE NOTES PAYABLE

On December 18, 2013: (i) Justice Operating Company, LLC, a Delaware limited liability company (“Operating”), entered into a loan agreement (“Mortgage Loan Agreement”) with Bank of America (“Mortgage Lender”); and (ii) Justice Mezzanine Company, a Delaware limited liability company (“Mezzanine”), entered into a mezzanine loan agreement (“Mezzanine Loan Agreement” and, together with the Mortgage Loan Agreement, the “Loan Agreements”) with ISBI San Francisco Mezz Lender LLC (“Mezzanine Lender” and, together with Mortgage Lender, the “Lenders”). The Partnership is the sole member of Mezzanine, and Mezzanine is the sole member of Operating.

The Loan Agreements provide for a $97,000,000 Mortgage Loan and a $20,000,000 Mezzanine Loan. The proceeds of the Loan Agreements were used to fund the redemption of limited partnership interests and the pay-off of the prior mortgage.

The Mortgage Loan is secured by the Partnership’s principal asset, the Hilton San Francisco-Financial District (the “Property”). The Mortgage Loan bears an interest rate of 5.275% per annum and matures in January 2024. The term of the loan is 10 years with interest only due in the first three years and principle and interest on the remaining seven years of the loan based on a thirty year amortization schedule. The Mortgage Loan also requires payments for impounds related to property tax, insurance and capital improvement reserves. As additional security for the Mortgage Loan, there is a limited guaranty (“Mortgage Guaranty”) executed by the Company in favor of Mortgage Lender.

The Mezzanine Loan is a secured by the Operating membership interest held by Mezzanine and is subordinated to the Mortgage Loan. The Mezzanine Loan bears interest at 9.75% per annum and matures on January 1, 2024. Interest only, payments are due monthly. As additional security for the Mezzanine Loan, there is a limited guaranty executed by the Company in favor of Mezzanine Lender (the "Mezzanine Guaranty" and, together with the Mortgage Guaranty, the "Guaranties").

The Guaranties are limited to what are commonly referred to as "bad boy" acts, including: (i) fraud or intentional misrepresentations; (ii) gross negligence or willful misconduct; (iii) misapplication or misappropriation of rents, security deposits, insurance or condemnation proceeds; and (iv) failure to pay taxes or insurance. The Guaranties are full recourse guaranties under identified circumstances, including failure to maintain "single purpose" status which is a factor in a consolidation of Operating or Mezzanine in a bankruptcy of another person, transfer or encumbrance of the Property in violation of the applicable loan documents, Operating or Mezzanine incurring debts that are not permitted, and the Property becoming subject to a bankruptcy proceeding. Pursuant to the Guaranties, the Partnership is required to maintain a certain minimum net worth and liquidity. As of June 30, 2016 and 2015, the Partnership is in compliance with both requirements.

Each of the Loan Agreements contains customary representations and warranties, events of default, reporting requirements, affirmative covenants and negative covenants, which impose restrictions on, among other things, organizational changes of the respective borrower, operations of the Property, agreements with affiliates and third parties. Each of the Loan Agreements also provides for mandatory prepayments under certain circumstances (including casualty or condemnation events) and voluntary prepayments, subject to satisfaction of prescribed conditions set forth in the Loan Agreements.

In June 2016, The Company refinanced its $1,929,000 mortgage note payable on its 12-unit apartment complex located in Los Angeles, California and obtained a new mortgage in the amount of $2,300,000. The interest rate on the new mortgage is 3.59% and matures in June 2026.

In April 2016, the Company entered into an interest rate agreement on its $923,000 mortgage note payable on its commercial property located in Los Angeles, California in order to settle the variable rate as of March 31, 2016 of 4.22% into a fixed rate of 3.99%, the swap agreement matures in January 2021. A swap is a contractual agreement to exchange interest rate payments. As of June 30, 2016, the fair market value of the swap agreement is immaterial.

In March 2015, the Company refinanced the $3,636,000 mortgage note payable on its 157-unit property located in Florence, Kentucky for a new mortgage in the amount of $3,492,000. The Company paid down approximately $210,000 of the old mortgage as part of the refinancing. The new mortgage has a fixed interest rate of 3.87% for ten years and matures in April 2025.

Each mortgage notes payable is secured by real estate and Hotel. As of June 30, 2016 and 2015, the mortgage notes payable are summarized as follows:

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As of June 30, 2016

Property	Number of Units	Note Origination Date	Note Maturity Date	Mortgage Balance	Interest Rate
SF Hotel	543 rooms	December 2013	January 2024	$ 97,000,000	5.28 %
SF Hotel	543 rooms	December 2013	January 2024	20,000,000	9.75 %
		Mortgage notes payable - Hotel		$ 117,000,000	
Florence	157	March 2015	April 2025	$ 3,421,000	3.87 %
Las Colinas	358	November 2012	December 2022	18,217,000	3.73 %
Morris County	151	July 2012	July 2022	9,696,000	3.51 %
Morris County	151	June 2014	August 2022	2,658,000	4.51 %
St. Louis	264	May 2013	May 2023	5,726,000	4.05 %
Los Angeles	4	September 2012	September 2042	369,000	3.75 %
Los Angeles	2	September 2012	September 2042	372,000	3.75 %
Los Angeles	1	August 2012	September 2042	401,000	3.75 %
Los Angeles	31	January 2010	December 2020	5,274,000	4.85 %
Los Angeles	30	August 2007	September 2022	6,168,000	5.97 %
Los Angeles	27	November 2010	December 2020	2,971,000	4.85 %
Los Angeles	14	April 2011	March 2021	1,726,000	5.89 %
Los Angeles	12	June 2016	June 2026	2,300,000	3.59 %
Los Angeles	9	April 2011	May 2021	1,381,000	5.60 %
Los Angeles	9	April 2011	March 2021	1,176,000	5.89 %
Los Angeles	8	July 2013	July 2043	472,000	3.75 %
Los Angeles	7	August 2012	September 2042	911,000	3.75 %
Los Angeles	4	August 2012	September 2042	624,000	3.75 %
Los Angeles	1	September 2012	September 2042	428,000	3.75 %
Los Angeles	Office	April 2016	January 2021	914,000	3.99 %
		Mortgage notes payable - real estate		$ 65,205,000	

As of June 30, 2015

Property	Number of Units	Note Origination Date	Note Maturity Date	Mortgage Balance	Interest Rate
SF Hotel	543 rooms	December 2013	January 2024	$ 97,000,000	5.28 %
SF Hotel	543 rooms	December 2013	January 2024	20,000,000	9.75 %
		Mortgage notes payable - Hotel		$ 117,000,000	
Florence	157	March 2015	April 2025	$ 3,482,000	3.87 %
Las Colinas	358	November 2012	December 2022	18,600,000	3.73 %
Morris County	151	July 2012	July 2022	9,992,000	3.51 %
Morris County	151	June 2014	August 2022	2,701,000	4.51 %
St. Louis	264	May 2013	May 2023	5,837,000	4.05 %
Los Angeles	4	September 2012	September 2042	377,000	3.75 %
Los Angeles	2	September 2012	September 2042	381,000	3.75 %
Los Angeles	1	August 2012	September 2042	410,000	4.25 %
Los Angeles	31	January 2010	December 2020	5,376,000	4.85 %
Los Angeles	30	August 2007	September 2022	6,287,000	5.97 %
Los Angeles	27	November 2010	December 2020	3,029,000	4.85 %
Los Angeles	14	April 2011	March 2021	1,754,000	5.89 %
Los Angeles	12	December 2011	January 2022	1,969,000	4.25 %
Los Angeles	9	April 2011	May 2021	1,404,000	5.60 %
Los Angeles	9	April 2011	March 2021	1,195,000	5.89 %
Los Angeles	8	July 2013	July 2043	482,000	3.75 %
Los Angeles	7	August 2012	September 2042	931,000	3.75 %
Los Angeles	4	August 2012	September 2042	638,000	3.75 %
Los Angeles	1	September 2012	September 2042	438,000	3.75 %
Los Angeles	Office	January 2015	January 2016	950,000	3.68 %
		Mortgage notes payable - real estate		$ 66,233,000	

Future minimum payments for all mortgage notes payable are as follows:

For the year ending June 30,	
2017	$2,172,000
2018	2,960,000
2019	3,101,000
2020	3,249,000
2021	3,261,000
Thereafter	167,462,000
	$182,205,000

NOTE 11 – GARAGE OPERATIONS

On October 31, 2010, the Partnership and Ace Parking entered into an amendment of the original Parking Agreement to extend the term for a period of sixty two (62) months, commencing on November 1, 2010 and terminating December 31, 2015, subject to either party's right to terminate the agreement without cause on ninety (90) days' written notice. The monthly management fee of $2,000 and the accounting fee of $250 remained the same, but the amendment modified how the Excess Profit Fee (described below) to be paid to Ace Parking would be calculated. The parking agreement with Ace Parking was terminated with an effective termination date of October 4, 2016. Going forward, the Company The parking garage that is part of the Hotel property is managed by Ace Parking Management, Inc. pursuant to a contract with the Partnership. The parking agreement with Ace Parking was terminated with an effective termination date of October 4, 2016. Going forward, the Company through its subsidiary, Kearny Street Parking LLC, will manage the parking garage in-house.

The amendment noted above provides that, if net operating income ("NOI") from the garage operations exceeds $1,800,000 but is less than $2,000,000, then Ace Parking will be entitled to a fee (an "Excess Profit Fee") of one percent (1%) of the total annual NOI. If the annual NOI is $2,000,000 or higher, Ace Parking will be entitled to an Excess Profit Fee equal to two percent (2%) of the total annual NOI. The garage's NOI did not exceed the annual NOI of $2,000,000 for the year ended June 30, 2016. The garage's NOI exceeded the annual NOI of $2,000,000 for the year ended June 30, 2015. Base Management and incentive fees to Ace Parking amounted to $24,000 and $44,000 for each of the years ended June 30, 2016 and 2015, respectively.

NOTE 12 – MANAGEMENT AGREEMENTS

On February 2, 2007, the Partnership entered into an agreement with Prism to manage and operate the Hotel as its agent. Under a new management agreement, effective January 2014, the base management fees were amended to a fixed rate of $20,000 per month. Under the amended management agreement, Prism can also earn an incentive fee of $10,500 for each month that the revenues per room of the Hotel exceed the average revenues per room of a defined set of competing hotels. Base management fees and incentives paid to Prism during the years ended June 30, 2016 and 2015 were $251,000 and $293,000, respectively.

Effective December 1, 2013, GMP Management, Inc. ("GMP"), a company owned by a Justice limited partner and related party, also began to provide management services for the Partnership pursuant to a management services agreement. The management agreement with GMP had a three year term, subject to the Partnership's right to terminate earlier for cause. Under the agreement, GMP was required to advise the Partnership on the management and operation of the hotel; administer the Partnership's contracts, leases, agreements with hotel managers and franchisors and other contracts and agreements; provide administrative and asset management services, oversee financial reporting and maintain offices at the Hotel in order to facilitate provision of services. GMP was paid an annual base management fee of $325,000 per year, increasing by 5% per year, payable in monthly installments, and to reimbursement for reasonable and necessary costs and expenses incurred by GMP in performing its obligations under the agreement. In June 2016, GMP resigned and the Company is currently in discussions with several national third party hotel management companies to replace GMP.

During the years ended June 30, 2016 and 2015, GMP was paid $1,637,000 and $1,688,000, respectively, for the salaries, benefits, and local payroll taxes for GMP employees and various other reimbursable expenses. These amounts also include the annual GMP base management fees. The base management fees expensed for GMP during the years ended June 30, 2016 and 2015 were $1,219,000 and $1,078,000, respectively, and are included in the consolidated statements of operations. Also included in fiscal 2016, is the $200,000 fee paid to GMP for the completion of the reorganization of the Partnership and the related financing transactions.

NOTE 13 – CONCENTRATION OF CREDIT RISK

As of June 30, 2016 and 2015, approximately 45% and 70%, respectively, of accounts receivable is related to legal settlement receivables and the amended franchise agreement. The Hotel had four customers that accounted for 26%, or $811,000 of accounts receivable at June 30, 2016. The Hotel had two customers who accounted for 17%, or $1,182,000, of accounts receivable at June 30, 2015.

The Partnership maintains its cash and cash equivalents and restricted cash with various financial institutions that are monitored regularly for credit quality. At times, such cash and cash equivalents holdings may be in excess of the Federal Deposit Insurance Corporation (“FDIC”) or other federally insured limits.

NOTE 14 – INCOME TAXES

The provision for the Company's income tax (expense) benefit is comprised of the following:

For the years ended June 30,	2016	2015
Federal		
Current tax benefit (expense)	$79,000	$(2,842,000)
Deferred tax benefit	3,349,000	496,000
	3,428,000	(2,346,000)
State		
Current tax expense	(128,000)	(844,000)
Deferred tax benefit	640,000	443,000
	512,000	(401,000)
	$3,940,000	$(2,747,000)

The provision for income taxes differs from the amount of income tax computed by applying the federal statutory income tax rate to loss before taxes as a result of the following differences:

For the years ended June 30,	2016	2015
Statutory federal tax rate	$4,471,000	$(1,706,000)
State income taxes, net of federal tax benefit	465,000	(459,000)
Dividend received deduction	13,000	263,000
Noncontrolling interest	(117,000)	(73,000)
Valuation allowance	(489,000)	(488,000)
Other	(403,000)	(284,000)
	$3,940,000	$(2,747,000)

The components of the deferred tax asset and liabilities are as follows:

Deferred tax assets:	June 30, 2016	June 30, 2015
Net operating loss carryforwards	$11,372,000	$12,112,000
Capital loss carryforwards	1,302,000	624,000
Investment impairment reserve	1,898,000	1,747,000

Accruals and reserves	1,096,000	1,005,000
Depreciation and amortization	609,000	650,000
Equity earnings	758,000	-
Valuation allowance	(2,824,000)	(2,335,000)
	14,211,000	13,803,000
Deferred tax assets (liabilities):		
Deferred gains on real estate sale	(8,930,000)	(8,954,000)
Unrealized gains on marketable securities	(335,000)	(2,917,000)
Equity earnings	-	(1,248,000)
State taxes	(961,000)	(687,000)
	(10,226,000)	(13,806,000)
Net deferred tax asset (liability)	$3,985,000	$(3,000)

The deferred tax valuation allowance increased by $489,000 and $488,000, respectively, during the years ended June 30, 2016 and 2015.

As of June 30, 2016, the Company had estimated net operating losses (NOLs) of $27,950,000 and $21,986,000 for federal and state purposes, respectively. Below is the break-down of the NOLs for Intergroup, Santa Fe and Portsmouth. The carryforward expires in varying amounts through the year 2026.

	Federal	State
InterGroup	$-	$2,491,000
Santa Fe	8,385,000	3,453,000
Portsmouth	19,565,000	16,042,000
	$27,950,000	$21,986,000

Utilization of the net operating loss carryover may be subject a substantial annual limitation if it should be determined that there has been a change in the ownership of more than 50 percent of the value of the Company's stock, pursuant to Section 382 of the Internal Revenue Code of 1986 and similar state provisions. The annual limitation may result in the expiration of net operating loss carryovers before utilization.

Assets and liabilities are established for uncertain tax positions taken or positions expected to be taken in income tax returns when such positions are judged to not meet the “more-likely-than-not” threshold based on the technical merits of the positions. As of June 30, 2016, it has been determined there are no uncertain tax positions likely to impact the Company.

The Partnership files tax returns as prescribed by the tax laws of the jurisdictions in which it operates and is subject to examination by federal, state and local jurisdictions, were applicable. As of June 30, 2016, tax years beginning in fiscal 2010 remain open to examination by the major tax jurisdictions, and are subject to the statute of limitations.

NOTE 15 – 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 years ended June 30, 2016 and 2015. Segment income (loss) from Hotel operations consists of the operation of the Hotel and operation of the garage. Segment income from real

estate operations consists of the operation of the rental properties. Loss from investments consists of net investment loss, dividend and interest income and investment related expenses.

As of and for the year ended June 30, 2016	Hotel Operations	Real Estate Operations	Investment Transactions	Other	Total
Revenues	$58,566,000	$14,332,000	$-	$-	$72,898,000
Segment operating expenses	(47,246,000)	(6,790,000)	-	(2,722,000)	(56,758,000)
Segment income (loss) from operations	11,320,000	7,542,000	-	(2,722,000)	16,140,000
Legal settlement costs	(5,396,000)	-	-	-	(5,396,000)
Interest expense - mortgage	(7,271,000)	(2,627,000)	-	-	(9,898,000)
Loss on disposal of assets	(30,000)	-	-	-	(30,000)
Depreciation and amortization expense	(3,053,000)	(2,093,000)	-	-	(5,146,000)
Loss from investments	-	-	(8,877,000)	-	(8,877,000)
Income tax benefit	-	-	-	3,940,000	3,940,000
Net income (loss)	$(4,430,000)	$2,822,000	$(8,877,000)	$1,218,000	$(9,267,000)
Total assets	$50,969,000	$56,356,000	$15,311,000	$13,474,000	$136,110,000

As of and for the year ended June 30, 2015	Hotel Operations	Real Estate Operations	Investment Transactions	Other	Total
Revenues	$56,811,000	$15,926,000	$-	$-	$72,737,000
Segment operating expenses	(47,016,000)	(8,237,000)	-	(2,859,000)	(58,112,000)
Segment income (loss) from operations	9,795,000	7,689,000	-	(2,859,000)	14,625,000
Interest expense - mortgage	(7,234,000)	(2,919,000)	-	-	(10,153,000)
Loss on disposal of assets	(47,000)	-	-	-	(47,000)
Other real estate income	-	458,000	-	-	458,000
Gain on sale of real estate	-	11,100,000	-	-	11,100,000
Depreciation and amortization expense	(2,902,000)	(2,041,000)	-	-	(4,943,000)
Loss from investments	-	-	(6,236,000)	-	(6,236,000)
Income tax expense	-	-	-	(2,747,000)	(2,747,000)
Net income (loss)	$(388,000)	$14,287,000	$(6,236,000)	$(5,606,000)	$2,057,000
Total assets	$54,537,000	$55,768,000	$20,909,000	$12,205,000	$143,419,000

NOTE 16 – 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.

The Company currently has three equity compensation plans, each of which has been approved by the Company’s stockholders. The InterGroup Corporation 2008 Restricted Stock Unit Plan (the “2008 RSU Plan”), the InterGroup Corporation 2007 Stock Compensation Plan for Non-Employee Directors (the “2007 Stock Plan”) and the Intergroup 2010 Omnibus Employee Incentive Plan are described below. Any outstanding options issued under the Key

Employee Plan or the Non-Employee Director Plan remain effective in accordance with their terms.

Intergroup Corporation 2010 Omnibus Employee Incentive Plan

On February 24, 2010, the shareholders of the Company approved The Intergroup Corporation 2010 Omnibus Employee Incentive Plan (the “2010 Incentive Plan”), which was formally adopted by the Board of Directors following the annual meeting of shareholders. The Company believes that such awards better align the interests of its employees with those of its shareholders. Option awards are generally granted with an exercise price equal to the market price of the Company’s stock at the date of grant; those option awards generally vest based on 5 years of continuous service. Certain option and share awards provide for accelerated vesting if there is a change in control, as defined in the 2010 Incentive Plan. The 2010 Incentive plan as modified in December 2013, authorizes a total of up to 400,000 shares of common stock to be issued as equity compensation to officers and employees of the Company in an amount and in a manner to be determined by the Compensation Committee in accordance with the terms of the 2010 Incentive Plan. The 2010 Incentive Plan authorizes the awards of several types of equity compensation including stock options, stock appreciation rights, performance awards and other stock based compensation. The 2010 Incentive Plan will expire on February 23, 2020, if not terminated sooner by the Board of Directors upon recommendation of the Compensation Committee. Any awards issued under the 2010 Incentive Plan will expire under the terms of the grant agreement.

On December 26, 2013, the Compensation Committee authorized, subject to shareholder approval, a grant of non-qualified and incentive stock options for an aggregate of 160,000 shares (the "Option Grant") to the Company's President and Chief Executive Officer, John V. Winfield. The stock option grant was approved by shareholders on February 19, 2014. The grant of stock options was made pursuant to, and consistent with, the 2010 Incentive Plan, as proposed to be amended. The non-qualified stock options are for 133,195 shares and have a term of ten years, expiring on December 26, 2023, with an exercise price of $18.65 per share. The incentive stock options are for 26,805 shares and have a term of five years, expiring on December 26, 2018, with an exercise price of $20.52 per share. In accordance with the terms of the 2010 Incentive Plan, the exercise prices were based on 100% and 110%, respectively, of the fair market value of the Company's common stock as determined by reference to the closing price of the Company's common stock as reported on the NASDAQ Capital Market on the date of grant. The stock options are subject to time vesting requirements, with 20% of the options vesting annually commencing on the first anniversary of the grant date.

In February 2012, the Compensation Committee awarded 90,000 stock options to the Company's Chairman, President and Chief Executive, John V. Winfield to purchase up to 90,000 shares of common stock. The exercise price of the options is $19.77 which is the fair value of the Company's Common Stock as reported on NASDAQ on February 28, 2012. The options expire ten years from the date of grant. The options are subject to both time and market based vesting requirements, each of which must be satisfied before the options are fully vested and eligible to be exercised. Pursuant to the time vesting requirements, the options vest over a period of five years, with 18,000 options vesting upon each one year anniversary of the date of grant. Pursuant to the market vesting requirements, the options vest in increments of 18,000 shares upon each increase of $2.00 or more in the market price of the Company's common stock above the exercise price ($19.77) of the options. To satisfy this requirement, the common stock must trade at that increased level for a period of at least ten trading days during any one quarter. As of June 30, 2016, 72,000 of these options have met the market vesting requirements.

On March 16, 2010, the Compensation Committee authorized the grant of 100,000 stock options to the Company's Chairman, President and Chief Executive, John V. Winfield to purchase up to 100,000 shares of the Company's common stock pursuant to the 2010 Incentive Plan. The exercise price of the options is $10.30, which is 100% of the fair market value of the Company's Common Stock as determined by reference to the closing price of the Company's Common Stock as reported on the NASDAQ Capital Market on March 16, 2010, the date of grant. The options expire ten years from the date of grant, unless earlier terminated in accordance with the terms of the 2010 Incentive Plan. The options shall be subject to both time and market based vesting requirements, each of which must be satisfied before options are fully vested and eligible to be exercised. Pursuant to the time vesting requirements, the options vest over a period of five years, with 20,000 options vesting upon each one year anniversary of the date of grant. Pursuant to the market vesting requirements, the options vest in increments of 20,000 shares upon each increase of $2.00 or more in the market price of the Company's common stock above the exercise price ($10.30) of the options. To satisfy this requirement, the common stock must trade at that increased level for a period of at least ten trading days during any one quarter. As of June 30, 2016, all the market vesting requirements have been met.

In June 2015, a director of the Company exercised 2,400 stock options with an exercise price of $18. The company received cash proceeds of $44,000 related to the stock option exercise. The intrinsic value of the stock options

exercised was $47,000.

During the years ended June 30, 2016 and 2015, the Company recorded stock option compensation expense of $391,000 and $664,000, respectively, related to stock options previously issued. As of June 30, 2016, there was an estimated total of $359,000 of unamortized compensation related to stock options which is expected to be recognized over the weighted-average of 2.5 years.

Option-pricing models require the input of various subjective assumptions, including the option’s expected life, estimated forfeiture rates and the price volatility of the underlying stock. The expected stock price volatility is based on analysis of the Company’s stock price history. The Company has selected to use the simplified method for estimating the expected term. The risk-free interest rate is based on the U.S. Treasury interest rates whose term is consistent with the expected life of the stock options. No dividend yield is included as the Company has not issued any dividends and does not anticipate issuing any dividends in the future.

The following table summarizes the stock options activity from July 1, 2014 through June 30, 2016:

		Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Life	Aggregate Intrinsic Value
Oustanding at	July 1, 2014	367,000	$ 16.85	7.71 years	$ 953,000
Granted		-	-		
Exercised		(2,400)	18.00		
Forfeited		(5,000)	24.92		
Exchanged		(9,600)	18.00		
Oustanding at	June 30, 2015	350,000	$ 16.70	6.95 years	$ 939,000
Exercisable at	June 30, 2015	126,639	$ 12.06	6.46 years	$ 939,000
Vested and Expected to vest at	June 30, 2015	350,000	$ 16.70	6.95 years	$ 939,000
Oustanding at	July 1, 2015	350,000	$ 16.70	6.95 years	$ 939,000
Granted		-	-		
Exercised		-	-		
Forfeited		-	-		
Exchanged		-	-		
Oustanding at	June 30, 2016	350,000	$ 16.70	5.95 years	$ 3,082,000
Exercisable at	June 30, 2016	236,000	$ 15.54	5.33 years	$ 2,351,000
Vested and Expected to vest at	June 30, 2016	350,000	$ 16.70	5.95 years	$ 3,082,000

The InterGroup Corporation 2007 Stock Compensation Plan for Non-Employee Directors

The InterGroup Corporation 2007 Stock Compensation Plan for Non-Employee Directors (the “2007 Stock Plan”) was approved by the shareholders of the Company on February 21, 2007, and was thereafter adopted by the Board of Directors. The 2007 Stock Plan will terminate upon the earlier of the date all shares reserved for issuance have been awarded or February 21, 2017, if not sooner terminated by the Board upon recommendation by the Compensation Committee. The stock available for issuance under the 2007 Stock Plan shall be unrestricted shares of the Company's Common Stock, par value $.01 per share, which may be unissued shares or treasury shares. Subject to certain adjustments upon changes in capitalization, a maximum of 60,000 shares of the Common Stock will be available for issuance to participants under the 2007 Stock Plan.

All non-employee directors are eligible to participate in the 2007 Plan. Each non-employee director as of the adoption date of the 2007 Stock Plan was granted an award of 600 unrestricted shares of the Company’s Common Stock. On each July 1 following the adoption date of the 2007 Stock Plan, each non-employee director shall receive an automatic grant of a number of shares of Company’s Common Stock equal in value to $18,000 based on 100% of the fair market value (as defined) of the Common Stock on the date of grant, provided he or she holds such position on that date and the number of shares of Common Stock available for grant under the 2007 Stock Plan is sufficient to permit such

automatic grant. Any fractional shares resulting from such grant will be rounded up to next highest whole share. All stock awards to non-employee directors will be fully vested on the date of grant. The dollar amount of the annual grant is subject to further adjustment by the Board of Directors upon recommendation by the Compensation Committee.

The stock awards granted under the 2007 Stock Plan are shares of unrestricted Common Stock and are fully vested on the date of grant. The right of the non-employee director to receive his or her annual grant of Common Stock is personal to the director and is not transferable. Once received, shares of Common Stock awarded to the non-employee director are freely transferable subject to any requirements of Section 16(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). On June 28, 2007, Company filed a registration statement on Form S-8 to register the shares subject to the 2007 Stock Plan and the Company's two prior stock option plans under the Securities Act of 1933, as amended (the "Securities Act"). Upon recommendation of the Compensation Committee, the Board may, at any time and from time to time and in any respect, amend or modify the 2007 Stock Plan. The Board must obtain stockholder approval of any material amendment to the 2007 Stock Plan if required by any applicable law, regulation or stock exchange rule. The Board of Directors may amend the 2007 Stock Plan or any award agreement, which amendment may be retroactive, in order to conform it to any present or future law, regulation or ruling relating to plans of this or similar nature. No amendment or modification of the 2007 Stock Plan or any award agreement may adversely affect any outstanding award without the written consent of the participant holding the award.

Upon recommendation of the Compensation Committee, the Board of Directors, on February 23, 2011, voted to increase the annual grant awarded to each of the non-employee directors to a number of shares of Company's common stock equal in value to $22,000, effective as of the July 1, 2011 grant, while decreasing the annual cash compensation payable to non-employee directors from $16,000 to $12,000 per year.

For the years ended June 30, 2016 and 2015, the four non-employee directors of the Company received a total grant of 4,520 and 4,608 shares of Common Stock pursuant to the 2007 Stock Plan**,** respectively.

NOTE 17 – RELATED PARTY TRANSACTIONS

As discussed in Note 9 – Other Notes Payable, on July 2, 2014, the Partnership obtained from the Intergroup Corporation (the parent company) an unsecured loan in the principal amount of $4,250,000. This loan was eliminated in consolidation.

As discussed in Note 12 – Management Agreements, effective December 1, 2013, the Partnership has a management agreement with GMP Management, Inc., a company owned by a Justice limited partner and a related party In June 2016, GMP resigned and the Company is currently in discussions with several national third party hotel management companies to replace GMP.

In connection with the redemption of limited partnership interests of Justice described in Note 2 above, Justice Operating Company, LLC agreed to pay a total of $1,550,000 in fees to certain officers and directors of the Company

for services rendered in connection with the redemption of partnership interests, refinancing of Justice's properties and reorganization of Justice. This agreement was superseded by a letter dated December 11, 2013 from Justice, in which Justice assumed the payment obligations of Justice Operating Company, LLC. The first payment under this agreement was made concurrently with the closing of the loan agreements described in Note 2 above, with the remaining payments due upon Justice Investor's having adequate available cash as described in the letter. As of June 30, 2016, $400,000 of these fees remain payable.

Two general partners provided services to the Partnership through December 17, 2013. On December 18, 2013, the Partnership redeemed Evon's partnership interest and Portsmouth became the sole general partner. The Partnership's obligation to pay Evon, Justice's former general partner, terminated as of December 18, 2013. Under the terms of the Limited Partnership Agreement of Justice, its current sole general partner, Portsmouth, receives annual base compensation of $285,000, plus one percent of hotel revenue. During each of the years ended June 30, 2016 and 2015, total compensation paid to Portsmouth under the new and previous agreements was $593,000 and $565,000, respectively. Amounts paid to Portsmouth are eliminated in consolidation.

As Chairman of the Securities Investment Committee, the Company's President and Chief Executive Officer (CEO), John V. Winfield, directs the investment activity of the Company in public and private markets pursuant to authority granted by the Board of Directors. Mr. Winfield also serves as Chief Executive Officer and Chairman of the Portsmouth and Santa Fe and oversees the investment activity of those companies. Depending on certain market conditions and various risk factors, the Chief Executive Officer, Portsmouth and Santa Fe may, at times, invest in the same companies in which the Company invests. Such investments align the interests of the Company with the interests of related parties because it places the personal resources of the Chief Executive Officer and the resources of the Portsmouth and Santa Fe, at risk in substantially the same manner as the Company in connection with investment decisions made on behalf of the Company.

In fiscal year ended June 30, 2004, the disinterested members of the respective Boards of Directors of the Company and its subsidiaries, Santa Fe and Portsmouth, established a performance based compensation program for the Company's CEO to keep and retain his services as a direct and active manager of the Company's securities portfolio. Pursuant to the current criteria established by the Board, Mr. Winfield is entitled to performance based compensation for his management of the Company's securities portfolio equal to 20% of all net investment gains generated in excess of an annual return equal to the Prime Rate of Interest (as published in the Wall Street Journal) plus 2%. Compensation amounts are calculated and paid quarterly based on the results of the Company's investment portfolio for that quarter. Should the Company have a net investment loss during any quarter, Mr. Winfield would not be entitled to any further performance-based compensation until any such investment losses are recouped by the Company. This performance based compensation program may be further modified or terminated at the discretion of the respective Boards of Directors. The Company's CEO did not earn any performance based compensation for the years ended June 30, 2016 and 2015.

NOTE 18 – COMMITMENTS AND CONTINGENCIES

Franchise Agreements

The Partnership entered into a Franchise License Agreement (the "License Agreement") with the HLT Existing Franchise Holding LLC ("Hilton") on November 24, 2004. The term of the License agreement was for an initial period of 15 years commencing on the date the Hotel began operating as a Hilton hotel, with an option to extend the License Agreement for another five years, subject to certain conditions. On June 26, 2015, Operating and Hilton entered into an amended franchise agreement which amongst other things extended the License Agreement through 2030, and also provided the Partnership certain key money cash incentives to be earned through 2030.

Since the opening of the Hotel in January 2006, the Partnership has paid monthly royalties, program fees and information technology recapture charges equal to a percent of the Hotel's gross room revenue for the preceding calendar month. Total fees paid to Hilton for such services during fiscal 2016 and 2015 totaled approximately $2.9 million and $3.6 million, respectively.

Employees

As of June 30, 2016, the Partnership, through Operating, had approximately 276 employees. Approximately 78% of those employees were represented by one of three labor unions, and their terms of employment were determined under a collective bargaining agreement ("CBA") to which the Partnership was a party. During the year ended June 30, 2014, the Partnership renewed the CBAs for the Local 2 (Hotel and Restaurant Employees), Local 856 (International

Brotherhood of Teamsters), and Local 39 (stationary engineers). The present CBAs expire in July 2018.

Negotiation of collective bargaining agreements, which includes not just terms and conditions of employment, but scope and coverage of employees, is a regular and expected course of business operations for the Partnership. The Partnership expects and anticipates that the terms of conditions of CBAs will have an impact on wage and benefit costs, operating expenses, and certain hotel operations during the life of the each CBA, and incorporates these principles into its operating and budgetary practices.

Legal Matters

In 2013, the City of San Francisco's Tax Collector's office claimed that Justice owed the City of San Francisco $2.1 million based on the Tax Collector's interpretation of the San Francisco Business and Tax Regulations Code relating to Transient Occupancy Tax and Tourist Improvement District Assessment. This amount exceeds Justice's estimate of the taxes owed, and Justice has disputed the claim and is seeking to discharge all penalties and interest charges imposed by the Tax Collector attributed to its over payment. The Company paid the full amount in March 2014 as part of the appeals process and reflected the amount on the consolidated balance sheet in "Other assets, net" as it was under protest as of June 30, 2015.

On December 18, 2013, a Real Property Transfer Tax of approximately $4.7 million was paid to the City and County of San Francisco ("CCSF"). CCSF required payment of the Transfer Tax as a condition to record the transfer of the Hotel land parcel from Investors to Operating, which was necessary to effect the Loan Agreements. While the Partnership contends the Transfer Tax that was assessed by CCSF was illegal and erroneous, the tax was paid, under protest, to facilitate the consummation of the redemption transaction, the Loan Agreements and the recording of related documents. The Partnership has challenged CCSF's imposition of the tax and filed a refund lawsuit against CCSF in San Francisco County Superior Court.

The Partnership settled the two aforementioned legal matters with CCSF refunding $1.45 million apportioned half and half to each matter, resulting in approximately $340,000 in excess of net assets recorded. This amount was recorded as a reduction of Hotel legal settlement costs.

On February 13, 2014, Evon filed a complaint in San Francisco Superior Court against the Partnership, Portsmouth, and a limited partner and related party asserting contract and tort claims based on Justice's withholding of $4.7 million from a payment due to Holdings to pay the transfer tax described in Note 1. On April 1, 2014, Defendants removed the action to the United States District Court for the Northern District of California. Evon dismissed its complaint on April 8, 2014 and, that same day, filed a second complaint in San Francisco Superior Court substantially similar to the dismissed complaint, except for the omission of a federal cause of action. Evon's current complaint in the action asserts causes of action for breach of contract and breach of the implied covenant of good faith and fair dealing against Justice only; breach of fiduciary duty against Portsmouth only; conversion against Justice and Portsmouth; and fraud/concealment against Justice, Portsmouth and a Justice limited partner and related party. In July 2014, Justice paid to Holdings a total of $4.7 million, the amount Evon claims was incorrectly withheld from Holdings to pay the transfer tax. Defendants moved to compel arbitration on August 5, 2014, and the Superior Court denied that motion on September 23, 2014.

On June 27, 2014, the Partnership commenced an action in San Francisco Superior Court against Evon, Justice Holdings Company, LLC, a subsidiary of the Partnership ("Holdings"), and certain partners of the Partnership who elected an alternative redemption structure in the Partnership. The action seeks a declaration of the correct interpretation of (i) the special allocations sections of the Amended and Restated Agreement of Limited Partnership of Justice, with an effective date of January 1, 2013; and (ii) whether certain partners who elected the alternative redemption structure breached the governing Limited Partnership Interest Redemption Option Agreement. The complaint states that these declarations are relevant to preparation of the Partnership's 2013 and 2014 state and federal tax returns and the associated Forms K-1 to be issued to affected current and former partners. The Partnership filed a First Amended Complaint on October 31, 2014. Evon filed a cross-complaint on December 9, 2014, alleging fraudulent concealment and promissory fraud against the Partnership in connection with the redemption transaction.

On May 5, 2016, Justice Investors and Portsmouth (parent Company) entered into a settlement agreement relating to the above-described litigation with Evon and Holdings. Under the settlement agreement, the Partnership will pay Evon Corporation $5,575,000 no later than January 10, 2017. This amount was recorded as legal settlement costs during the

year ended June 30, 2016. As of June 30, 2016, payments totaling approximately $2,750,000 were made related to this settlement. The amount due to Evon Corporation is presented under related party and other notes payable on the consolidated balance sheet. In connection with the settlement, a $50,000 payment was made to one limited partner for his interest in the Partnership.

On April 21, 2014, the Partnership commenced an arbitration action against Glaser Weil Fink Howard Avchen & Shapiro, LLP (formerly known as Glaser Weil Fink Jacobs Howard Avchen & Shapiro, LLP), Brett J. Cohen, Gary N. Jacobs, Janet S. McCloud, Paul B. Salvaty, and Joseph K. Fletcher III (collectively, the “Respondents”) in connection with the redemption transaction. The arbitration alleges legal malpractice against the Respondents and also seeks declaratory relief regarding provisions of the option agreement in the redemption transaction and regarding the engagement letter with Respondents. The arbitration is pending before JAMS in Los Angeles, but has been stayed pending conclusion of the action filed by Evon Corporation described above. No prediction can be given as to the outcome of this matter.

On April 15, 2016, the Partnership and Portsmouth filed a complaint in Los Angeles Superior Court against RSUI Indemnity Company ("RSUI"). The complaint alleges that RSUI breached an insurance contract by refusing to pay the defense and settlement costs incurred in connection with the above-described complaints and cross-complaint Evon filed against the Partnership and Portsmouth in 2014 in San Francisco Superior Court. On May 24, 2016, RSUI removed the action to the United States District Court for the Central District of California. No prediction can be given as to the outcome of this matter.

The Company is subject to legal proceedings, claims, and litigation arising in the ordinary course of business. The Company defends itself vigorously against any such claims. Management does not believe that the impact of such matters will have a material effect on the financial conditions or result of operations when resolved.

NOTE 19 – EMPLOYEE BENEFIT PLAN

Justice has a 401(k) Profit Sharing Plan (the "Plan") for non-union employees who have completed six months of service. Justice provides a matching contribution up to 4% of the contribution to the Plan based upon a certain percentage on the employees' elective deferrals. Justice may also make discretionary contributions to the Plan each year. Contributions made to the Plan amounted to $108,000 and $61,000 during the years ended June 30, 2016 and 2015, respectively.

Certain employees of Justice who are members of various unions are covered by union-sponsored, collectively bargained, multi-employer health and welfare and benefit pension plans. Justice does not contribute separately to those multi-employer plans.

NOTE 20 – SUBSEQUENT EVENTS

In August 2016, the Company obtained a $1,000,000 mortgage note payable on its single family house purchased in July 2015. The Company received net proceeds of $983,000. The interest on note is 4.50% with interest only payments for twenty three months. The loan matures in August of 2016.

The Company has evaluated all events occurring subsequent to June 30, 2016 and concluded that no additional subsequent events has occurred outside the normal course of business operations that require disclosure.

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. 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) or 15d-15(e) under the Exchange Act) as of the end of the fiscal period covered by this Annual Report on Form 10-K. 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.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, for the Company. In establishing adequate internal control over financial reporting, management has developed and maintained a system of internal control, policies and procedures designed to provide reasonable assurance that information contained in the accompanying consolidated financial statements and other information presented in this annual report is reliable, does not contain any untrue statement of a material fact or omit to state a material fact, and fairly presents in all material respects the financial condition, results of operations and cash flows of the Company as of and for the periods presented in this annual report.

Management conducted an evaluation of the effectiveness of Company's internal control over financial reporting using the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control Integrated Framework (COSO 2013 Framework). Based on its evaluation under that framework, management concluded that the Company's internal control over financial reporting was effective as of June 30, 2016.

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 Annual Report on Form 10-K that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The following table sets forth certain information with respect to the Directors and Executive Officers of the Company as of June 30, 2016:

Name	Position with the Company	Age	Term to Expire
Class A Directors:			
John V. Winfield [1][4][6][7]	Chairman of the Board; President and Chief Executive Officer	69	Fiscal 2018 Annual Meeting
Jerold R. Babin [2][3][7]	Director	82	Fiscal 2018 Annual Meeting
Class B Directors:			
Yvonne L. Murphy [1][2][5][6][7]	Director	59	Fiscal 2016 Annual Meeting
William J. Nance [1][2][3][4][6][7]	Director	72	Fiscal 2016 Annual Meeting
Class C Director:			
John C. Love [3][4][5]	Director	76	Fiscal 2017 Annual Meeting
Executive Officers:			
David C. Gonzalez	Vice President Real Estate	49	N/A
David T. Nguyen	Treasurer and Controller	42	N/A
Corporate Secretary:			
Clyde W. Tinnen	Secretary	43	N/A

[1] Member of the Executive Committee

(2) Member of the Administrative and Compensation Committee

(3) Member of the Audit Committee

(4) Member of the Real Estate Investment Committee

(5) Member of the Nominating Committee

(6) Member of the Securities Investment Committee

(7) Member of the Special Strategic Options Committee

Business Experience:

The principal occupation and business experience during the last five years for each of the Directors and Executive Officers of the Company are as follows:

John V. Winfield — Mr. Winfield was first appointed to the Board in 1982. He currently serves as the Company's Chairman of the Board, President and Chief Executive Officer, having first been appointed as such in 1987. Mr. Winfield also serves as President, Chairman and Chief Executive Officer of the Company’s subsidiaries, Santa Fe Financial Corporation ("Santa Fe") and Portsmouth Square, Inc. ("Portsmouth"), both public companies. Mr. Winfield also serves as Chairman of the Board of Comstock Mining, Inc. (NYSE MKT: LODE), a public company in which he was elected a director on June 23, 2011. Mr. Winfield’s extensive experience as an entrepreneur and investor, as well as his managerial and leadership experience from serving as a chief executive officer and director of public companies, led to the Board’s conclusion that he should serve as a director of the Company.

Jerold R. Babin — Mr. Babin was first appointed as a Director of the Portsmouth, a subsidiary of the Company, on February 1996. Mr. Babin was elected to the Board of InterGroup in February 2014. Mr. Babin is a retail securities broker. From 1974 to 1989, he worked at Drexel Burnham and from 1989 to June 30, 2010, he worked for Prudential Securities (later Wachovia Securities and now Wells Fargo Advisors) where he held the title of First Vice-President. Mr. Babin retired from his position at Wells Fargo advisors in June 2010. For the past 20 years, until present, Mr. Babin has also served as an arbitrator for FINRA (formerly NASD). Mr. Babin's extensive experience in the securities and financial markets as well has his experience in the securities and public company regulatory industry led to the Board's conclusion that he should serve as a director of the Company.

Yvonne L. Murphy — Mrs. Murphy was elected to the Board of InterGroup in February 2014. Mrs. Murphy has had an impressive 30-year history in corporate management, legal research and legislative lobbying. She was a member of Governor Kenny C. Guinn's executive staff in Nevada, and was employed for years by the prestigious Jones Vargas law firm in Reno, Nevada. She served in nine legislative sessions during the most challenging years in Nevada's history. Prior to starting her own lobbying firm, Ms. Murphy worked for RR Partners in its corporate office in Las Vegas, Nevada and in the Government Affairs Division in Reno. She has a Doctorate and a Masters in Business Administration from the California Pacific University.

William J. Nance — Mr. Nance is a Certified Public Accountant and private consultant to the real estate and banking industries. He is also President of Century Plaza Printers, Inc. Mr. Nance was first elected to the Board in 1984. He served as the Company's Chief Financial Officer from 1987 to 1990 and as Treasurer from 1987 to June 2002. Mr. Nance is also a Director of Santa Fe and Portsmouth. Mr. Nance also serves as a director of Comstock Mining, Inc. Mr. Nance's extensive experience as a CPA and in numerous phases of the real estate industry, his business and management experience gained in running his own businesses, his service as a director and audit committee member for other public companies and his knowledge and understanding of finance and financial reporting, led to the Board's conclusion that he should serve as a director of the Company.

John C. Love — Mr. Love was appointed to the Board in 1998. Mr. Love is an international hospitality and tourism consultant. He is a retired partner in the national CPA and consulting firm of Pannell Kerr Forster and, for the last 30 years, a lecturer in hospitality industry management control systems and competition & strategy at Golden Gate University and San Francisco State University. He is Chairman Emeritus of the Board of Trustees of Golden Gate University and the Executive Secretary of the Hotel and Restaurant Foundation. Mr. Love is also a Director of Santa Fe and Portsmouth. Mr. Love's extensive experience as a CPA and in the hospitality industry, including teaching at the university level for the last 30 years in management control systems, and his knowledge and understanding of finance and financial reporting, led to the Board's conclusion that he should serve as a director of the Company.

David C. Gonzalez — Mr. Gonzalez was appointed Vice President Real Estate of the Company on January 31, 2001. Over the past 26 years, Mr. Gonzalez has served in numerous capacities with the Company, including Controller and Director of Real Estate.

David T. Nguyen — Mr. Nguyen was appointed as Treasurer of the Company on February 26, 2003 and serves as the Company's Principal Financial Officer. Mr. Nguyen also serves as Treasurer of Santa Fe and Portsmouth, having been appointed to those positions on February 27, 2003. Mr. Nguyen is a Certified Public Accountant and, from 1995 to 1999, was employed by PricewaterhouseCoopers LLP where he was a Senior Accountant specializing in real estate. Mr. Nguyen served as the Company's Controller from 1999 to 2001 and from 2002 to the present.

Clyde W. Tinnen – Mr. Tinnen was appointed as Secretary of the Company on December 14, 2014. Mr. Tinnen also serves as Secretary of InterGroup and Santa Fe, having been appointed to those positions on December 14, 2014. Mr. Tinnen is a corporate partner at the law firm of Withers Bergman LLP. Prior to joining Withers Bergman LLP in April 2015, Mr. Tinnen was a corporate partner at Kelley Drye & Warren LLP, where he was employed from January 2010 to March 2015, after previously working as a corporate associate with the law firm of Cravath, Swaine & Moore LLP from September 2006 to December 2009.

Family Relationships: There are no family relationships among directors, executive officers, or persons nominated or chosen by the Company to become directors or executive officers.

Involvement in Certain Legal Proceedings: No director or executive officer, or person nominated or chosen to become a director or executive officer, was involved in any legal proceeding requiring disclosure.

Compliance with Section 16(a) of the Securities Exchange Act of 1934

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's officers and directors, and each beneficial owner of more than ten percent of the Common Stock of the Company, to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Officers, directors and greater than ten-percent shareholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on its review of the copies of Forms 3 and 4 and amendments thereto furnished to the Company during its most recent fiscal year and Forms 5 and amendments thereto furnished to the Company with respect to its most recent fiscal year, or written representations from certain reporting persons that no Forms 5 were required for those persons, the Company believes that during fiscal 2015 all filing requirements applicable to its officers, directors, and greater than ten-percent beneficial owners were complied with.

Code of Ethics.

The Company has adopted a Code of Ethics that applies to its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, including its Board of Directors. A copy of the Code of Ethics is posted on the Company's website at www.intgla.com. The Company will provide to any person without charge, upon request, a copy of its Code of Ethics by sending such request to: The InterGroup Corporation, Attn: Treasurer, 10940 Wilshire Blvd., Suite 2150, Los Angeles, CA 90024. The Company will promptly disclose any amendments or waivers to its Code of Ethics on Form 8-K and will post such information on its website.

BOARD AND COMMITTEE INFORMATION

InterGroup’s common stock is listed on the NASDAQ Capital Market tier of the NASDAQ Stock Market, LLC (“NASDAQ”). InterGroup is a Smaller Reporting Company under the rules and regulations of the Securities and Exchange Commission (“SEC”). With the exception of the Company’s President and CEO, John V. Winfield, all of InterGroup’s Board of Directors consists of “independent” directors as independence is defined by the applicable rules of the SEC and NASDAQ.

Nominating Committee

The Company's Nominating Committee is comprised of two “independent” directors as independence is defined by the applicable rules of the SEC and NASDAQ. Directors Babin and Murphy serve as the current members of the Nominating Committee. The Company has not established a charter for the Nominating Committee and the Committee has no policy with regard to consideration of any director candidates recommended by security holders. As a smaller reporting company whose directors own in excess of sixty percent of the voting shares of the Company, InterGroup has not deemed it appropriate to institute such a policy. There have not been any material changes to the procedures by which security holders may recommend nominees to the Company’s board of directors.

Audit Committee and Audit Committee Financial Expert

The Company is a Smaller Reporting Company under SEC rules and regulations. The Company's Audit Committee is currently comprised of three members: Directors Nance (Chairperson), Babin and Love, each of who meet the independence requirements of the SEC and NASDAQ as modified or supplemented from time to time. The Company's Board of Directors has determined that Directors Nance and Love also meet the Audit Committee Financial Expert requirement as defined by the SEC and NASDAQ based on their qualifications and business experience discussed above in this Item 10.

Item 11. Executive Compensation

The following table provides certain summary information concerning compensation awarded to, earned by, or paid to the Company's principal executive officer and other named executive officers of the Company whose total compensation exceeded $100,000 for all services rendered to the Company and its subsidiaries for each of the Company's last two completed fiscal years ended June 30, 2016 and 2015. There was no non-equity incentive plan compensation or nonqualified deferred compensation earnings. There are currently no employment contracts with the executive officers.

SUMMARY COMPENSATION TABLE

Name and Position	Fiscal Year	Salary	Bonus	Other Compensation	Total
John V. Winfield	2016	$772,000(1)	$-	$ 539,000 (2)(4)	$1,311,000
Chairman, President and	2015	$772,000(1)	$-	$ 148,000 (2)	$920,000
Chief Executive Officer					
David C. Gonzalez	2016	$216,000	$-	$ -	$216,000
Vice President - Real Esate	2015	$216,000	$350,000	$ -	$566,000
David T. Nguyen	2016	$240,000(3)	$-	$ -	$240,000
Treasurer and Controller	2015	$237,000(3)	$25,000	$ -	$262,000

(1) Mr. Winfield also serves as President and Chairman of the Board of the Company's subsidiary, Santa Fe, and Santa Fe's subsidiary, Portsmouth. Mr. Winfield received a salary from Santa Fe and Portsmouth in the aggregate amount of $392,000 and 435,000 from those entities for the fiscal years 2016 and 2015, respectively. The amounts include

director’s fees totaling $12,000 for each year.

(2) Amounts include annual premiums for split dollar whole life insurance policies owned by, and the beneficiary of which are, a trust for the benefit of Mr. Winfield's family and compensation for a portion of the salary of an assistant. The amount of compensation related to the assistant was approximately $54,000 and $63,000 for the fiscal years 2016 and 2015, respectively. The annual insurance premiums paid were $85,000 for the same respective years. Santa Fe and Portsmouth paid $43,000 of that amount. The Company has a secured right to receive, from any proceeds of the policies, reimbursement of all premiums paid prior to any payment to the beneficiary.

(3) Mr. Nguyen’s salary is allocated approximately 50% to the Company and 50% to Santa Fe and Portsmouth.

(4) In connection with the redemption of limited partnership interests of Justice in Note 2 of the consolidated financial statements, Justice agreed to pay a total of $1,550,000 in fees to certain officers and directors of the Company for services rendered in connection with the redemption of partnership interests, refinancing of Justice’s properties and reorganization of Justice Investors. The first payment under this agreement was made concurrently with the closing of the loan agreements, with the remaining payments due upon Justice having adequate available cash. In July 2015, Mr. Winfield received the remaining payment amount of $400,000 which is included in this total.

Compensation Committee and Executive Compensation

The Company's Administrative and Compensation Committee (the “Compensation Committee”) is comprised of three “independent” members of the Board of Directors as independence is defined by the applicable rules of the SEC and NASDAQ. Mr. Nance serves as Chairman of the Compensation Committee. The Company has not established a charter for the Compensation Committee. The Compensation Committee reviews and recommends to the Board of Directors the compensation for the Company’s Chief Executive Officer and other executive officers, including equity or performance based compensation and plans. The Compensation Committee seeks to design and set compensation to attract and retain highly qualified executive officers and to align their interests with those of long-term owners of the Company. The Compensation Committee may also make recommendations to the Board of Directors as to the amount and form of director compensation. The Compensation Committee has not engaged any compensation consultants in determining the amount or form of executive of director compensation, but does review and monitor published compensation surveys and studies. The Compensation Committee may delegate to the Company’s Chief Executive Officer the authority to determine the compensation of certain executive officers. The Compensation Committee also oversees the Company’s 2007 Stock Plan, the 2008 RSU Plan and the 2010 Incentive Plan.

In fiscal year ended June 30, 2004, the disinterested members of the respective Boards of Directors of the Company and its subsidiaries, Santa Fe and Portsmouth, established a performance based compensation program for the Company’s CEO to keep and retain his services as a direct and active manager of the Company’s securities portfolio. Pursuant to the current criteria established by the Board, Mr. Winfield is entitled to performance based compensation for his management of the Company’s securities portfolio equal to 20% of all net investment gains generated in excess of an annual return equal to the Prime Rate of Interest (as published in the Wall Street Journal) plus 2%. Compensation amounts are calculated and paid quarterly based on the results of the Company’s investment portfolio for that quarter. Should the Company have a net investment loss during any quarter, Mr. Winfield would not be entitled to any further performance-based compensation until any such investment losses are recouped by the Company. This performance based compensation program may be further modified or terminated at the discretion of the respective Boards of Directors. The Company’s CEO did not earn any performance based compensation for the years ended June 30, 2016 and 2015.

Outstanding Equity Awards at Fiscal Year Ended June 30, 2016

The following table sets forth information concerning option awards and stock awards for each named executive officer that were outstanding as of the end of the Company’s last completed fiscal year ended June 30, 2016. There were no other equity incentive plan awards that were outstanding.

	Option Awards	
	Number of	

Name	Number of securities underlying unexercised options (#) exercisable		securities underlying unexercised options (#) unexercisable		Option exercise price $	Option expiration date
John V. Winfield	100,000	(1)	-		$ 10.30	3/16/20
John V. Winfield	72,000		18,000	(2)	$ 19.77	2/28/22
John V. Winfield	53,278	(3)	79,917	(3)	$ 18.65	12/26/23
John V. Winfield	10,722	(3)	16,083	(3)	$ 20.52	12/26/23

(1) Stock options issued to Mr. Winfield pursuant to the Company's 2010 Incentive Plan are subject to both time and performance based vesting requirements, each of which must be satisfied before the options are fully vested and eligible to be exercised. Pursuant to the time vesting requirements, the options vest over a period of five years, with 20,000 options vesting upon each one year anniversary of the date of grant, March 16, 2010. Pursuant to the performance vesting requirements, the options vest in increments of 20,000 shares upon each increase of $2.00 or more in the market price of the Company's common stock above the exercise price ($10.30) of the options. To satisfy this requirement, the common stock must trade at that increased level for a period of at least ten trading days during any one quarter. As of June 30, 2016, the performance vesting requirements of the options were satisfied.

(2) Stock options issued to Mr. Winfield pursuant to the Company's 2010 Incentive Plan are subject to both time and performance based vesting requirements, each of which must be satisfied before the options are fully vested and eligible to be exercised. Pursuant to the time vesting requirements, the options vest over a period of five years, with 18,000 options vesting upon each one year anniversary of the date of grant, February 28, 2012. Pursuant to the performance vesting requirements, the options vest in increments of 18,000 shares upon each increase of $2.00 or more in the market price of the Company's common stock above the exercise price ($19.77) of the options. To satisfy this requirement, the common stock must trade at that increased level for a period of at least ten trading days during any one quarter. As of June 30, 2016, 72,000 options have met the performance vesting requirements.

(3) On December 26, 2013, the Compensation Committee authorized, subject to shareholder approval, a grant of non-qualified and incentive stock options for an aggregate of 160,000 shares (the "Option Grant") to the Company's President and Chief Executive Officer, John V. Winfield. The stock option grant was approved by shareholders on February 19, 2014. The grant of stock options was made pursuant to, and consistent with, the 2010 Incentive Plan, as proposed to be amended. The non-qualified stock options are for 133,195 shares and have a term of ten years, expiring on December 26, 2023, with an exercise price of $18.65 per share. The incentive stock options are for 26,805 shares and have a term of five years, expiring on December 26, 2018, with an exercise price of $20.52 per share. In accordance with the terms of the 2010 Incentive Plan, the exercise prices were based on 100% and 110%, respectively, of the fair market value of the Company's common stock as determined by reference to the closing price of the Company's common stock as reported on the NASDAQ Capital Market on the date of grant. The stock options are subject to time vesting requirements, with 20% of the options vesting annually commencing on the first anniversary of the grant date.

David C. Gonzalez, VP of Real Estate and David Nguyen, Treasurer, the other highly compensated officers, do not have any outstanding equity rewards.

Internal Revenue Code Limitations

Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), provides that, in the case of a publicly held corporation, the corporation is not generally allowed to deduct remuneration paid to its chief executive officer and certain other highly compensated officers to the extent that such remuneration exceeds $1,000,000 for the taxable year. Certain remuneration, however, is not subject to disallowance, including compensation paid on a commission basis and, if certain requirements prescribed by the Code are satisfied, other performance based compensation. Since InterGroup, Santa Fe and Portsmouth are each public companies, the $1,000,000 limitation applies separately to the compensation paid by each entity. Stock option expenses are also amortized over a several years. For fiscal years 2016 and 2015, no compensation paid by the Company to its CEO or other executive officers was subject the deduction disallowance prescribed by Section 162(m) of the Code.

EQUITY COMPENSATION PLANS

The Company currently has three equity compensation plans, each of which has been approved by the Company's stockholders. However, any outstanding stock options issued under the Company's prior equity compensation plans remain effective in accordance with their terms.

The purpose of the Company's equity compensation plans is to provide a means whereby officers, directors and key employees of the Company develop a sense of proprietorship and personal involvement in the development and financial success of the Company, and to encourage them to devote their best efforts to the business of the Company, thereby advancing the interests of the Company and its shareholders. A further purpose of these plans is to provide a means through which the Company may attract able individuals to become employees or serve as directors of the Company and to provide a means for such individuals to acquire and maintain stock ownership in the Company, thereby strengthening their concern for the welfare of the Company.

The InterGroup Corporation 2007 Stock Compensation Plan for Non-Employee Directors

The InterGroup Corporation 2007 Stock Compensation Plan for Non-Employee Directors (the “2007 Stock Plan”) was approved by the shareholders of the Company on February 21, 2007, and was thereafter adopted by the Board of Directors. The 2007 Plan will terminate upon the earlier of the date all shares reserved for issuance have been awarded or February 21, 2017, if not sooner terminated by the Board upon recommendation by the Compensation Committee. The stock available for issuance under the 2007 Stock Plan shall be unrestricted shares of the Company's common stock, par value $.01 per share, which may be unissued shares or treasury shares. Subject to certain adjustments upon changes in capitalization, a maximum of 60,000 shares of the common stock will be available for issuance to participants under the 2007 Stock Plan.

All non-employee directors are eligible to participate in the 2007 Stock Plan. Each non-employee director as of the adoption date of the 2007 Stock Plan was granted an award of 600 unrestricted shares of the Company’s common stock. On each July 1 following the adoption date of the 2007 Stock Plan, each non-employee director shall receive an automatic grant of a number of shares of company’s common stock equal in value to $18,000 based on 100% of the fair market value (as defined) of the Common Stock on the date of grant, provided he or she holds such position on that date and the number of shares of Common Stock available for grant under the 2007 Stock Plan is sufficient to permit such automatic grant. Any fractional shares resulting from such grant will be rounded up to next highest whole share. All stock awards to non-employee directors will be fully vested on the date of grant. The dollar amount of the annual grant is subject to further adjustment by the Board of Directors upon recommendation by the Compensation Committee. The stock awards granted under the 2007 Stock Plan are shares of unrestricted common stock and are fully vested on the date of grant. The right of the non-employee director to receive his or her annual grant of common stock is personal to the director and is not transferable. Once received, shares of common stock awarded to the non-employee director are freely transferable subject to any requirements of Section 16(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). On June 28, 2007, Company filed a registration statement on Form S-8 to register the shares subject to the 2007 Stock Plan and the Company’s two prior stock option plans under the Securities Act of 1933, as amended (the “Securities Act”).

Upon recommendation of the Compensation Committee, the Board may, at any time and from time to time and in any respect, amend or modify the 2007 Stock Plan. The Board must obtain stockholder approval of any material amendment to the 2007 Stock Plan if required by any applicable law, regulation or stock exchange rule. The Board of Directors may amend the 2007 Stock Plan or any award agreement, which amendment may be retroactive, in order to conform it to any present or future law, regulation or ruling relating to plans of this or similar nature. No amendment or modification of the 2007 Stock Plan or any award agreement may adversely affect any outstanding award without the written consent of the participant holding the award.

Upon recommendation of the Compensation Committee, the Board of Directors, on February 23, 2011, voted to increase the annual grant awarded to each of the non-employee directors to a number of shares of Company’s common stock equal in value to $22,000, effective as of the July 1, 2011 grant, while decreasing the annual cash compensation

payable to non-employee directors from $16,000 to $12,000 per year.

For the years ended June 30, 2016 and 2015, the four non-employee directors of the Company received a total grant of 4,520 and 4,608 shares of Common Stock pursuant to the 2007 Stock Plan**,** respectively.

The InterGroup Corporation 2008 Restricted Stock Unit Plan

On December 3, 2008, the Board of Directors 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 “2008 RSU Plan”). The 2008 RSU Plan was approved and ratified by the shareholders on February 18, 2009.

The 2008 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 Plan. 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 2008 RSU Plan. The 2008 RSU Plan will terminate ten (10) years from December 3, 2008, unless terminated sooner by the Board of Directors. After the 2008 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.

The shares of common stock to be delivered upon the vesting of an award of RSUs have been registered under the Securities Act, pursuant to a registration statement filed on Form S-8 by the Company on June 16, 2010. The grant of RSUs is personal to the recipient and is not transferable. Once received, shares of common stock issuable upon the vesting of the RSUs are freely transferable subject to any requirements of Section 16(b) of the Exchange Act. Under the 2008 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.

As of June 30, 2016, there were no RSUs outstanding.

The InterGroup Corporation 2010 Omnibus Employee Incentive Plan

On February 24, 2010, the shareholders of the Company approved The InterGroup Corporation 2010 Omnibus Employee Incentive Plan (the "2010 Incentive Plan"), which was formally adopted by the Board of Directors following the annual meeting of shareholders. The 2010 Incentive Plan as modified in December 2013, authorizes a total of up to 400,000 shares of common stock to be issued as equity compensation to officers and employees of the Company in an amount and in a manner to be determined by the Compensation Committee in accordance with the terms of the Plan. The 2010 Incentive Plan authorizes the awards of several types of equity compensation including stock options, stock appreciation rights, performance awards and other stock based compensation. The 2010 Incentive Plan will expire on February 23, 2020, if not terminated sooner by the Board of Directors upon recommendation of the Compensation Committee. Any awards issued under the Plan will expire under the terms of the grant agreement.

The shares of common stock to be issued under the 2010 Incentive Plan have been registered under the Securities Act, pursuant to a registration statement filed on Form S-8 by the Company on June 16, 2010. Once received, shares of common stock issued under the Plan will be freely transferable subject to any requirements of Section 16(b) of the Exchange Act.

On February 28, 2012, the Compensation Committee authorized the grant of 90,000 stock options to the Company's Chairman, President and Chief Executive, John V. Winfield to purchase up to 90,000 shares of the Company's common stock pursuant to the 2010 Incentive Plan. The exercise price of the options is $19.77, which equals 100% of the fair market value of the Company's common stock as determined by reference to the closing price of the Company's common stock as reported on the NASDAQ Capital Market on February 28, 2012 the date of grant. The options expire ten years from the date of grant, unless earlier terminated in accordance with the terms of the 2010 Plan. The options shall be subject to both time and market based vesting requirements, each of which must be satisfied before options are fully vested and eligible to be exercised. Pursuant to the time vesting requirements, the options vest over a period of five years, with 18,000 options vesting upon each one year anniversary of the date of grant. Pursuant to the market vesting requirements, the options vest in increments of 18,000 shares upon each increase of $2.00 or more in the market price of the Company's common stock above the exercise price ($19.77) of the options. To satisfy this requirement, the common stock must trade at that increased level for a period of at least ten trading days during any one quarter. As of June 30, 2016, 72,000 options have met the market vesting requirements.

On December 26, 2013, the Compensation Committee authorized, subject to shareholder approval, a grant of non-qualified and incentive stock options for an aggregate of 160,000 shares (the "Option Grant") to the Company's President and Chief Executive Officer, John V. Winfield. The stock option grant was approved by shareholders on February 19, 2014. The grant of stock options was made pursuant to, and consistent with, the 2010 Incentive Plan, as proposed to be amended. The non-qualified stock options are for 133,195 shares and have a term of ten years, expiring on December 26, 2023, with an exercise price of $18.65 per share. The incentive stock options are for 26,805 shares and have a term of five years, expiring on December 26, 2018, with an exercise price of $20.52 per share. In accordance with the terms of the 2010 Incentive Plan, the exercise prices were based on 100% and 110%, respectively, of the fair market value of the Company's common stock as determined by reference to the closing price of the Company's common stock as reported on the NASDAQ Capital Market on the date of grant. The stock options are subject to time vesting requirements, with 20% of the options vesting annually commencing on the first anniversary of the grant date.

Compensation of Directors

Until fiscal 2011, each non-employee director received an annual cash retainer in the amount of $16,000, to be paid in equal quarterly payments. Upon recommendation of the Compensation Committee, the Board of Directors, on February 23, 2011, voted to decrease the annual cash compensation payable to non-employee directors from $16,000 to $12,000, effective as of fiscal year ended June 30, 2011. With the exception of members of the Audit Committee, non-employee directors do not receive any additional fees for attending Board or Committee meetings, but are entitled to reimbursement of their reasonable expenses to attend such meetings. Members of the Audit Committee are paid a fee of $1,000 per quarter, with the Chair of that Committee to receive $1,500 per quarter. As an executive officer, the Company's Chairman has elected to forego his annual board fees.

Non-employee directors are also eligible for grants of equity compensation under the Company's 2007 Stock Plan and 2008 RSU Plan. Pursuant to the 2007 Stock Plan, each non-employee director was entitled to an annual grant of a number of shares of common stock of the Company equal in value to $18,000 based on the fair market value of the Common Stock on the date of grant. To compensate for the $4,000 reduction in annual cash compensation payable to non-employee directors as discussed above, the Board of Directors, upon recommendation of the Compensation Committee, increased the annual grant of common stock to an amount equal in value to $22,000, effective as of the July 1, 2011 grant. Non-employee directors may also be eligible to participate in exchange offers as may be authorized by the Compensation Committee under the 2008 RSU Plan to exchange previously issued stock options for RSUs.

The following table sets forth the compensation paid to directors for the fiscal year ended June 30, 2016:

DIRECTOR COMPENSATION

Name	Fees Earned or **Paid in Cash**[1]		Stock Awards		All Other Compensation		Total
John C. Love	$ 74,000	(2)	$ 26,000	(5)	-		$100,000
William J. Nance	$ 76,000	(3)	$ 26,000	(5)	$ 200,000	(6)	$302,000
Jerold R. Babin	$ 24,000		$ 22,000	(5)	-		$46,000
Yvonne L. Murphy	$ 12,000		$ 22,000	(5)	-		$34,000
John V. Winfield[4]	-		-		-		

(1) Amounts shown include board retainer fees, committee fees and meeting fees.

(2) Mr. Love also serves as a director of the Company's subsidiaries, Santa Fe and Portsmouth. Amounts shown include $8,000 in regular board and audit committee fees paid by Santa Fe and $8,000 in regular board and audit committee fees paid by Portsmouth. These amounts also include $42,000 in special Hotel committee fees paid by Portsmouth related to the oversight of its Hotel asset. . In June 2016, the Hotel Committee was terminated.

(3) Mr. Nance also serves as a director of the Company's subsidiaries, Santa Fe and Portsmouth. Amounts shown include $8,000 in regular board and audit committee fees paid by Santa Fe and $8,000 in regular board and audit committee fees paid by Portsmouth. These amounts also include $42,000 in special Hotel committee fees paid by Portsmouth related to the oversight of its Hotel asset. In June 2016, the Hotel Committee was terminated.

(4) As Chief Executive Officer, the Company's Chairman, John V. Winfield, was not paid any board, committee or meetings fees. Mr. Winfield did receive a total of $12,000 in regular board fees from the Company's subsidiaries, which is reported on the Summary Compensation Table.

(5) Dollar amounts shown reflect the fair market value of $22,000 of common stock issued on July 4, 2015 pursuant to the Company's 2007 Stock Plan.

(6) In connection with the redemption of limited partnership interests of Justice in Note 2 of the consolidated financial statements, Justice agreed to pay a total of $1,550,000 in fees to certain officers and directors of the Company for services rendered in connection with the redemption of partnership interests, refinancing of Justice's properties and reorganization of Justice Investors. The first payment under this agreement was made concurrently with the closing of the loan agreements, with the remaining payments due upon Justice having adequate available cash. In fiscal 2016, Mr. Nance was paid $200,000.

Change in Control or Other Arrangements

Except for the foregoing, there are no other arrangements for compensation of Directors and there are no employment contracts between the Company and its Directors or any change in control arrangements.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Security Ownership of Certain Beneficial Owners.

The following table sets forth, as of August 23, 2016, certain information with respect to the beneficial ownership of Common Stock of the Company owned by those persons or groups known by the Company to own more than five percent of the outstanding shares of Common Stock.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership[1]		Percent of Class[2]	
John V. Winfield 10940 Wilshire Blvd. Suite 2150 Los Angeles, CA 90024	1,624,907	[3]	62.1	%

[1] Unless otherwise indicated and subject to applicable community property laws, each person has sole voting and investment power with respect to the shares beneficially owned.

[2] Percentages are calculated on the basis of 2,617,726 shares of Common Stock outstanding at August 23, 2016, plus any securities that person has the right to acquire within 60 days pursuant to options, warrants, conversion privileges or other rights.

[3] Includes 236,000 shares that Mr. Winfield has a right to acquire pursuant to vested stock options.

Security Ownership of Management.

The following table sets forth, as of August 23, 2016, certain information with respect to the beneficial ownership of Common Stock of the Company owned by (i) each Director and each of the named Executive Officers, and (ii) all Directors and Executive Officers as a group.

Name of Beneficial Owner	**Amount and Nature of Beneficial Ownership**[1]	**Percent of Class**[2]
John V. Winfield	1,624,907 [3]	62.1 %
William J. Nance	58,591	2.2 %
John C. Love	19,161	0.7 %
David C. Gonzalez	26,769	1.0 %
David T. Nguyen	3,000	*
Jerold R. Babin	2,282	*
Yvonne L. Murphy	2,282	*
All Directors and Executive Officers as a Group (7 persons)	1,736,992	66.4 %

* Ownership does not exceed 1%.

[1] Unless otherwise indicated and subject to applicable community property laws, each person has sole voting and investment power with respect to the shares beneficially owned.

[2] Percentages are calculated on the basis of 2,617,726 shares of Common Stock outstanding at August 23, 2016, plus any securities that person has the right to acquire within 60 days pursuant to options, warrants, conversion privileges or other rights.

[3] Includes 236,000 shares that Mr. Winfield has a right to acquire pursuant to vested stock options.

Changes in Control.

There are no arrangements that may result in a change in control of the Company.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS.

The following table sets forth information as of June 30, 2016 with respect to compensation plans (including individual compensation arrangements) under which equity securities of the Company are authorized for issuance, aggregated as follows:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options warrants and rights (b)	Remaining available for future issuance under equity compensation plans(excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	350,000	$ 16.70	101,893
Equity compensation plans not approved by security holders	None	N/A	None
Total	350,000	$ 16.70	101,893

(a) There were 350,000 stock options outstanding as of June 30, 2016.

(b) Reflects the weighted average exercise price of all outstanding options.

(c) As of June 30, 2016 the Company had 22,046 shares of Common Stock available for future issuance pursuant to its 2007 Stock Compensation Plan for Non-Employee Directors. Pursuant to the 2007 Plan, each non-employee director will receive, on July 1 of each year, an annual grant of a number of shares of Common Stock of the Company equal in value to $22,000 based on the fair market value of the Common Stock on the date of grant. The Company also had 79,847 RSUs available for future issuance under the 2008 RSU Plan. As of June 30, 2016 there were no shares available for future issuance under the 2010 Omnibus Employee Incentive Pan.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

On December 4, 1998, the Compensation Committee authorized the Company to obtain whole life and split dollar insurance policies covering the Company's President and Chief Executive Officer, Mr. Winfield. During fiscal 2016 and 2015, the Company paid annual premiums in the amount of approximately $85,000 for the split dollar insurance policy owned by, and the beneficiary of which is, a trust for the benefit of Mr. Winfield's family. The Company has a secured right to receive, from any proceeds of the policy, reimbursement of all premiums paid prior to any payments to the beneficiary.

On June 30, 1998, the Company's Chairman and President entered into a voting trust agreement with the Company giving the Company the power to vote his 4.0% interest in the outstanding shares of the Santa Fe common stock.

As discussed in Note 12 – Management Agreements, effective December 1, 2013, the Partnership has a management agreement with GMP Management, Inc., a company owned by a Justice limited partner and a related party In June 2016, GMP resigned and the Company is currently in discussions with several national third party hotel management companies to replace GMP.

In connection with the redemption of limited partnership interests of Justice Investors, Limited Partnership described in Note 2 above, Justice Operating Company, LLC agreed to pay a total of $1,550,000 in fees to certain officers and directors of the Company for services rendered in connection with the redemption of partnership interests, refinancing of Justice's properties and reorganization of Justice Investors. This agreement was superseded by a letter dated December 11, 2013 from Justice Investors, Limited Partnership, in which Justice Investors Limited Partnership assumed the payment obligations of Justice Operating Company, LLC. The first payment under this agreement was made concurrently with the closing of the loan agreements described in Note 2 above, with the remaining payments due upon Justice Investor's having adequate available cash as described in the letter. As of June 30, 2016, $400,000 of these fees remain payable.

Two general partners provided services to the Partnership through December 17, 2013. On December 18, 2013, the Partnership redeemed Evon's partnership interest and Portsmouth Square became the sole general partner. The Partnership's obligation to pay Evon, Justice's former general partner, terminated as of December 18, 2013. Under the terms of the Justice Partnership Agreement, its current general partner, Portsmouth, receives annual base compensation of $285,000, plus one percent of Hotel Revenue. During each of the years ended June 30, 2016 and 2015, total compensation paid to Portsmouth under the new and previous agreements was $593,000 and $565,000, respectively. Amounts paid to Portsmouth are eliminated in consolidation.

As Chairman of the Securities Investment Committee, the Company's President and Chief Executive Officer (CEO), John V. Winfield, directs the investment activity of the Company in public and private markets pursuant to authority granted by the Board of Directors. Mr. Winfield also serves as Chief Executive Officer and Chairman of the Portsmouth and Santa Fe and oversees the investment activity of those companies. Depending on certain market conditions and various risk factors, the Chief Executive Officer, Portsmouth and Santa Fe may, at times, invest in the same companies in which the Company invests. Such investments align the interests of the Company with the interests of related parties because it places the personal resources of the Chief Executive Officer and the resources of the Portsmouth and Santa Fe, at risk in substantially the same manner as the Company in connection with investment decisions made on behalf of the Company.

The Company, its subsidiary Santa Fe and Santa Fe's subsidiary, Portsmouth, have established performance based compensation programs for Mr. Winfield's management of the securities portfolios of those companies. The performance based compensation program was approved by the disinterested members of the respective Boards of Directors of the Company and its subsidiaries. No performance bonus compensation was paid to Mr. Winfield for the fiscal years ended June 30, 2016 and 2015.

Director Independence

InterGroup's common stock is listed on the NASDAQ Capital Market tier of the NASDAQ Stock Market LLC ("NASDAQ"). InterGroup is a Smaller Reporting Company under the rules and regulations of the SEC. The Board of Directors of InterGroup currently consists of five members. With the exception of the Company's President and CEO, John V. Winfield, all of InterGroup's Board of Directors consists of "independent" directors as independence is defined by the applicable rules of the SEC and NASDAQ. There are no members of the Company's compensation, nominating or audit committees that do not meet those independence standards.

Item 14. Principal Accounting Fees and Services.

Audit Fees - The aggregate fees billed for each of the last two fiscal years ended June 30, 2016 and 2015 for professional services rendered by Burr Pilger Mayer, Inc., the independent registered public accounting firm for the audit of the Company's annual financial statements and review of financial statements included in the Company's Form 10-Q reports or services normally provided by the independent registered public accounting firm in connection with statutory and regulatory filings or engagements for those fiscal years, were as follows:

	Fiscal Year	
	2016	2015
Audit fees	$273,000	$273,000
Audit related fees	-	-
Tax fees	-	-
All other fees	-	-
TOTAL:	$273,000	$273,000

Audit Committee Pre-Approval Policies

The Audit Committee shall pre-approve all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by its independent registered public accounting firm, subject to any de minimus exceptions that may be set for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act which are approved by the Committee prior to the completion of the audit. The Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, including the authority to grant pre-approvals of audit and permitted non-audit services, provided that decisions of such subcommittee to grant pre-approvals shall be presented to the full Committee at its next scheduled meeting. All of the services described herein were approved by the Audit Committee pursuant to its pre-approval policies.

None of the hours expended on the independent registered public accounting firms' engagement to audit the Company's financial statements for the most recent fiscal year were attributed to work performed by persons other than the independent registered public accounting firm's full-time permanent employees.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a)(1) Financial Statements

The following financial statements of the Company are included in Part II, Item 8 of this Report at

pages 31 through 60:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets - June 30, 2016 and 2015

Consolidated Statements of Operations for Years Ended June 30, 2016 and 2015

Consolidated Statements of Shareholders' Deficit for Years Ended June 30, 2016 and 2015

Consolidated Statements of Cash Flows for Years Ended June 30, 2016 and 2015

Notes to the Consolidated Financial Statements

(a)(2) Financial Statement Schedules

All other schedules for which provision is made in Regulation S-X have been omitted because they are not required or are not applicable or the required information is shown in the consolidated financial statements or notes to the consolidated financial statements.

(a)(3) Exhibits

Set forth below is an index of applicable exhibits filed with this report according to exhibit table number.

Exhibit Number	Description
3.(i)	Articles of Incorporation:
3.1	Certificate of Incorporation, dated September 11, 1985, incorporated by reference to Exhibit 3.1 of the Company's Registration Statement on Form S-4, filed on September 6, 1985 (Registration No. 33-00126) and Amendment 1 to that Registration Statement filed on October 23, 1985.
3.2	Restated Certificate of Incorporation, dated March 9, 1998, incorporated by reference to Exhibit 3 of the Company's Amended Quarterly Report on Form 10-QSB/A for the period ended March 31, 1998, as filed on May 19, 1998.
3.3	Certificate of Amendment to Certificate of Incorporation, dated October 2, 1998, incorporated by reference to Exhibit 3 of the Company's Quarterly report on Form 10-QSB for the period ended September 30, 1998, as filed on November 11, 1998.
3.4	Certificate of Amendment of Certificate of Incorporation filed with the Delaware Secretary of State on August 6, 2007, incorporated by reference to Exhibit 3.4 of the Company's Annual Report on Form 10-KSB for the year ended June 30, 2007 as filed on September 28, 2007.
3.(ii)	Amended and Restated By-Laws of The InterGroup Corporation, effective as of December 10, 2007, incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K as filed on December 12, 2007.
4.	Instruments defining the rights of security holders including indentures*
9.	Voting Trust Agreement: Voting Trust Agreement dated June 30, 1998 between John V. Winfield and The InterGroup Corporation is incorporated by reference to the Company's Annual Report on Form 10-KSB filed with the Commission on September 28, 1998.
10.	Material Contracts:
10.1	1998 Stock Option Plan for Non-Employee Directors approved by the Board of Directors on December 8, 1998 and ratified by the shareholders on January 27, 1999 (incorporated by reference to the Company's Proxy Statement on Schedule 14A filed with the Commission on December 21, 1998).
10.2	1998 Stock Option Plan for Selected Key Officers, Employees and Consultants approved by the Board of Directors on December 8, 1998 and ratified by the shareholders on January 27, 1999 (incorporated by

reference to the Company's Proxy Statement on Schedule 14A filed with the Commission on December 21, 1998).

10.3 The InterGroup Corporation 2007 Stock Compensation Plan for Non-Employee Directors (incorporated by reference to the Company's Proxy Statement on Schedule 14A filed with the Commission on January 26, 2007).

10.4 Amended and Restated Agreement of Limited Partnership of Justice Investors, effective November 30, 2010 (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q Report for the quarterly period ended December 31, 2010, filed with the Commission on February 11, 2011).

10.5	General Partner Compensation Agreement, dated December 1, 2008 (incorporated by reference to Exhibit 10.2 to Company's Form 10-Q Report for the quarterly period ended December 31, 2008, filed with the Commission on February 12, 2009).
10.6	The InterGroup Corporation 2008 Restricted Stock Unit Plan, adopted by the Board of Directors on December 3, 2008, and ratified by the shareholders on February 18, 2009 (incorporated by reference to the Company's Proxy Statement on Schedule 14A, filed with the Commission on January 21, 2009).
10.7	Restricted Stock Unit Agreement, dated February 18, 2009, between The InterGroup Corporation and John V. Winfield (incorporated by reference to Exhibit 10.7 of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2009, as filed with the Commission on October 13, 2009).
10.8	The InterGroup Corporation 2010 Omnibus Employee Incentive Plan, approved by the shareholders and adopted by the Board of Directors on February 24, 2010 (incorporated by reference to the Company's Proxy Statement on Schedule 14A, filed with the Commission on January 27, 2010).
10.9	Employee Stock Option Agreement, dated March 16, 2010, between The InterGroup Corporation and John V. Winfield (incorporated by reference to Exhibit 10.9 of the Company's report on Form 10-K for the fiscal year ended June 30, 2010, as filed with the Commission on September 27, 2010).
10.10	Franchise License Agreement, dated December 10, 2004, between Justice Investors and Hilton Hotels (incorporated by reference to Exhibit 10.10 of the Company's amended report on Form 10-K/A for the fiscal year ended June 30, 2011, as filed with the Commission on August 24, 2012).
10.11	Management Agreement, dated February 2, 2012, between Justice Investors and Prism Hospitality, L.P. (incorporated by reference to Exhibit 10.11 of the Company's amended report on Form 10-K/A for the fiscal year ended June 30, 2011, as filed with the Commission on August 24, 2012).
10.12	Management Agreement, dated August 1, 2005, between Century West Properties, Inc. and The InterGroup Corporation (incorporated by reference to Exhibit 10.12 of the Company's amended report on Form 10-K/A for the fiscal year ended June 30, 2011, as filed with the Commission on August 24, 2012).
10.13	Employee Stock Option Agreement, dated February 28, 2012, between The InterGroup Corporation and John V. Winfield (incorporated by reference to Exhibit 10.13 of the Company's annual report on Form 10-K for the fiscal year ended June 30, 2014, as filed with the Commission on September 20, 2012).
10.14	Property Management Agreement, effective June 17, 2013, between R & K Interests, Inc., a California Corporation, doing business as Investors' Property Services and The InterGroup Corporation (incorporated by reference to Exhibit 10.1 of the Company's current report on Form 8-K as filed with the Commission on June 20, 2013).
10.15	Asset Management Agreement, effective July 1, 2013, between The InterGroup Corporation and Delta Alliance Capital Management, LLC, a California limited liability company (incorporated by reference to Exhibit 10.2 or the Company's current report on Form 8-K as filed with the Commission on June 20, 2013).

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14. Code of Ethics (filed herewith).

21. Subsidiaries (filed herewith)

23.1 Consent of Independent Registered Public Accounting Firm – Burr Pilger Mayer, Inc. (filed herewith).

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

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

32.1 Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350 (filed herewith).

32.2 Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350 (filed herewith).

101.INS XBRL Instance Document

101.SCH XBRL Taxonomy Extension Schema

101.CAL XBRL Taxonomy Extension Calculation Linkbase

101.DEF XBRL Taxonomy Extension Definition Linkbase

101.LAB XBRL Taxonomy Extension Label Linkbase

101.PRE XBRL Taxonomy Extension Presentation Linkbase

* All Exhibits marked by one asterisk are incorporated herein by reference to the Trust's Registration Statement on Form S-4 as filed with the Securities and Exchange Commission on September 6, 1985, Amendment No. 1 to Form S-4 as filed with the Securities and Exchange Commission on October 23, 1985, Exhibit 14 to Form 8 Amendment No. 1 to Form 8 filed with the Securities & Exchange Commission November 1987 and Form 8 Amendment No. 1 Item 4 filed with the Securities & Exchange Commission October 1988.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: September 28, 2016 by /s/ John V. Winfield
John V. Winfield, President,
Chairman of the Board and
Chief Executive Officer

Date: September 28, 2016 by /s/ David T. Nguyen
David T. Nguyen, Treasurer
and Controller

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signatures	**Title and Position**	**Date**
/s/ John V Winfield John V. Winfield	President, Chief Operating Officer and Chairman of the Board (Principal Executive Officer)	September 28, 2016
/s/ David T. Nguyen David T. Nguyen	Treasurer and Controller (Principal Financial Officer)	September 28, 2016
/s/ Jerold R. Babin Jerold R. Babin	Director	September 28, 2016
/s/ John C. Love John C. Love	Director	September 28, 2016
/s/ Yvonne L. Murphy Yvonne L. Murphy	Director	September 28, 2016
/s/ William J. Nance William J. Nance	Director	September 28, 2016

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