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INTERGROUP CORP
Form 10-Q
May 08, 2009

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

FORM 10-Q

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

For the quarterly period ended March 31, 2009

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

For the transition period from _____ to _____

Commission File Number: 1-10324

THE INTERGROUP CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE

13-3293645

(State or other jurisdiction of
incorporation or organization)

(IRS Employer
Identification No.)

820 Moraga Drive Los Angeles, CA 90049

(Address of principal executive offices)

(310) 889-2500

(Registrant's telephone number)

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

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PART I FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

THE INTERGROUP CORPORATION CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2009 (Unaudited)	June 30, 2009 (Audited)
	-----	-----
ASSETS		
Investment in hotel, net	\$ 45,880,000	\$ 48,122,000
Investment in real estate, net	64,040,000	65,296,000
Properties held for sale	7,123,000	7,064,000
Investment in marketable securities	5,151,000	6,706,000
Other investments, net	6,320,000	6,798,000
Cash and cash equivalents	1,378,000	1,906,000

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Restricted cash	1,173,000	1,653,000
Other assets, net	4,026,000	3,796,000
Minority interest of Justice Investors	7,122,000	6,793,000
	-----	-----
Total assets	\$142,213,000	\$148,134,000
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Accounts payable and other liabilities	\$ 11,290,000	\$ 10,462,000
Due to securities broker	2,135,000	2,633,000
Line of credit	1,700,000	4,975,000
Mortgage notes payable - hotel	46,942,000	47,482,000
Mortgage notes payable - real estate	61,324,000	61,433,000
Mortgage notes payable - property held for sale	10,723,000	10,313,000
Deferred income taxes	1,488,000	2,086,000
	-----	-----
Total liabilities	135,602,000	139,384,000
	-----	-----
Minority interest	2,615,000	3,621,000
	-----	-----
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, \$.01 par value, 100,000 shares authorized; none issued	-	-
Common stock, \$.01 par value, 4,000,000 shares authorized; 3,216,653 issued, 2,355,911 outstanding	32,000	32,000
Additional paid-in capital	8,959,000	8,791,000
Retained earnings	4,231,000	5,457,000
Treasury stock, at cost, 860,742 shares	(9,226,000)	(9,151,000)
	-----	-----
Total shareholders' equity	3,996,000	5,129,000
	-----	-----
Total liabilities and shareholders' equity	\$142,213,000	\$148,134,000
	=====	=====

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

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THE INTERGROUP CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

For the three months ended March 31, 2009 2008

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

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THE INTERGROUP CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

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(UNAUDITED)

For the nine months ended March 31,	2009 -----	2008 -----
Revenues		
Hotel	\$ 25,016,000	\$ 28,204,000
Real estate	9,547,000	9,442,000
	-----	-----
Total revenues	34,563,000	37,646,000
	-----	-----
Costs and operating expenses		
Hotel operating expenses	(20,833,000)	(24,341,000)
Real estate operating expenses	(4,922,000)	(4,623,000)
Loss on termination of garage lease	(684,000)	-
Depreciation and amortization expense	(5,091,000)	(5,133,000)
General and administrative expense	(1,223,000)	(1,238,000)
	-----	-----
Total costs and operating expenses	(32,753,000)	(35,335,000)
	-----	-----
Income from operations	1,810,000	2,311,000
	-----	-----
Other income (expense)		
Mortgage interest expense	(4,711,000)	(4,795,000)
Net gain (loss) on marketable securities	1,729,000	(2,347,000)
Impairment loss on other investments	(1,300,000)	(1,242,000)
Dividend and interest income	138,000	144,000
Trading and margin interest expense	(901,000)	(1,261,000)
	-----	-----
Net other expense	(5,045,000)	(9,501,000)
	-----	-----
Loss before income tax and minority interest	(3,235,000)	(7,190,000)
Minority interest - Justice Investors, pre-tax	(96,000)	801,000
	-----	-----
Loss before income tax	(3,331,000)	(6,389,000)
Income tax benefit	692,000	2,518,000
	-----	-----
Loss before minority interest	(2,639,000)	(3,871,000)
Minority interest, net of tax	1,266,000	1,038,000
	-----	-----
Loss from continuing operations	(1,373,000)	(2,833,000)
	-----	-----
Discontinued operations:		
Income from discontinued operations	241,000	123,000
Gain on sale of real estate	-	4,074,000
Provision for income tax expense	(94,000)	(1,654,000)
	-----	-----
Income from discontinued operations	147,000	2,543,000
	-----	-----
Net loss	\$ (1,226,000)	\$ (290,000)
	=====	=====
Net loss per share from continuing operations		
Basic and diluted	\$ (0.58)	\$ (1.20)
	=====	=====
Net income per share from discontinued operations		
Basic and diluted	\$ 0.06	\$ 1.08
	=====	=====

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Net loss per share		
Basic and diluted	\$ (0.52)	\$ (0.12)
	=====	=====
Weighted average shares outstanding	2,355,910	2,351,889
	=====	=====

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

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

For the nine months ended March 31,	2009	2008
	-----	-----
Cash flows from operating activities:		
Net loss	\$ (1,226,000)	\$ (290,000)
Adjustments to reconcile net loss to cash provided by(used in) operating activities:		
Depreciation and amortization	5,091,000	5,133,000
Loss on termination of garage lease	684,000	-
Impairment loss on other investments	1,300,000	1,242,000
Gain on sale of real estate	-	(4,074,000)
Net unrealized (gain)loss on investments	(536,000)	2,880,000
Minority interest	(1,170,000)	(1,839,000)
Stock compensation expense	72,000	72,000
Changes in assets and liabilities:		
Investment in marketable securities	2,091,000	7,997,000
Other investments	(822,000)	(2,693,000)
Other asset	40,000	(284,000)
Accounts payable and other liabilities	(49,000)	(1,181,000)
Due to securities broker	(498,000)	(6,205,000)
Obligation for securities sold	-	(1,452,000)
Deferred tax liability	(598,000)	(864,000)
	-----	-----
Net cash provided by(used in) operating activities	4,379,000	(1,558,000)
	-----	-----
Cash flows from investing activities:		
Net proceeds from sale of real estate	-	7,739,000
Investment in hotel	(1,048,000)	(2,809,000)
Investment in real estate	(411,000)	(857,000)
Restricted cash	480,000	2,826,000
Invest in Portsmouth	(7,000)	(28,000)
Invest in Santa Fe	(3,000)	(77,000)
	-----	-----
Net cash (used in)provided by investing activities	(989,000)	6,794,000
	-----	-----
Cash flows from financing activities:		
Borrowings from mortgage notes payable	1,004,000	6,850,000
Principal payments on mortgage notes payable	(1,243,000)	(13,348,000)
Borrowings from(paydown of) line of credit	(3,275,000)	350,000
Distributions to minority partner	(425,000)	(500,000)
Exercise of stock options	96,000	-
Purchase of treasury stock	(75,000)	(99,000)
	-----	-----
Net cash used in financing activities	(3,918,000)	(6,747,000)

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	-----	-----
Net decrease in cash and cash equivalents	(528,000)	(1,511,000)
Cash and cash equivalents at beginning of period	1,906,000	2,158,000
	-----	-----
Cash and cash equivalents at end of period	\$ 1,378,000	\$ 647,000
	=====	=====
Supplemental information:		
Interest paid	\$ 5,314,000	\$ 5,048,000
Non cash investing activities:		
Note payable on termination of garage lease	\$ (727,000)	\$ -
	=====	=====
Fixed assets acquired, net of liabilities, upon termination of garage lease	\$ 43,000	\$ -
	=====	=====

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

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

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

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

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

Santa Fe's revenue is primarily generated through the management of its 68.8% owned subsidiary, Portsmouth Square, Inc. ("Portsmouth"), a public company (OTCBB: PRSI). InterGroup also directly owns approximately 11.7% of the common stock of Portsmouth. Portsmouth has a 50.0% limited partnership interest in Justice Investors, a California limited partnership ("Justice" or the "Partnership") and serves as one of the two general partners. The other general partner, Evon Corporation ("Evon") served as the managing general partner until December 1, 2008. As further discussed in Note 2, the Limited Partnership

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Agreement was amended, effective December 1, 2008, to provide for a change in the respective roles of the general partners. Pursuant to that amendment, Portsmouth became the Managing General Partner of Justice while Evon assumed the role of Co-General Partner of Justice. The financial statements of Justice are consolidated with those of the Company.

Justice owns a 544 room hotel property located at 750 Kearny Street, San Francisco, California, known as the "Hilton San Francisco Financial District" (the "Hotel") and related facilities, including a five level parking garage. The Hotel was temporarily closed for major renovations from May 2005 to January 2006.

The Hotel is operated by the Partnership as a full service Hilton brand hotel pursuant to a Franchise License Agreement with Hilton Hotels Corporation. Justice has a Management Agreement with Prism Hospitality L.P. ("Prism") to perform the day-to-day management functions of the Hotel. Until September 30, 2008, the Partnership also derived income from the lease of the parking garage to Evon. As further discussed in Note 10, effective October 1, 2008, Justice entered into an installment sale agreement with Evon to purchase the remaining term of the garage lease and related garage assets. Justice also leases a portion of the lobby level of the Hotel to a day spa operator. Portsmouth also receives management fees as a general partner of Justice for its services in overseeing and managing the Partnership's assets. Those fees are eliminated in consolidation.

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

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

It is suggested that these financial statements be read in conjunction with the audited financial statements and the notes therein included in the Company's Form 10-KSB for the year ended June 30, 2008.

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

In April 2009, the Financial Accounting Standards Board (FASB) issued FASB Staff Positions (FSPs) FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments. These FSPs amend rules for other-than-temporary impairments, provide for guidance on calculating fair values in inactive and distressed markets and require quarterly fair value disclosures. These FSPs are effective for interim and annual reporting periods ending after June 15, 2009, with early adoptions permitted for periods ending after March 15, 2009. The adoption of these FSPs did not have a material impact on the Company's financial statements.

In May 2008, the FASB issued Statement of Financial Accounting Standards No. 162 (SFAS No. 162), The Hierarchy of Generally Accepted Accounting Principles. This new standard is intended to improve financial reporting by identifying a consistent framework, or hierarchy, for selecting accounting principles to be

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used in preparing financial statements that are presented in conformity with GAAP for nongovernmental entities. SFAS No. 162 is effective on November 15, 2008. SFAS No. 162 did not have a significant impact on the Company's financial statements.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements, and amendment to Accounting Research Bulletin (ARB) No. 51," (SFAS No. 160). This standard prescribes the accounting by a parent company for minority interests held by other parties in a subsidiary of the parent company. SFAS No. 160 is effective for the Company beginning July 1, 2009. The Company is currently assessing the impact of SFAS No. 160 on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" ("SFAS 141R"), which replaces SFAS No. 141. SFAS 141R establishes principles and requirements for how an acquirer in a business combination recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any controlling interest; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141R is to be applied prospectively to business combinations for which the acquisition date is on or after an entity's fiscal year that begins after December 15, 2008. The provisions of SFAS 141R are effective for the Company beginning July 1, 2009. The Company is currently assessing the impact of SFAS 141R on its financial statements.

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Minority Interest

Minority interests in the net assets and earnings or losses of consolidated subsidiaries are reflected in the caption "Minority interest" in the Company's condensed consolidated balance sheet and condensed consolidated statements of operations. Minority interest adjusts the Company's consolidated results of operations to reflect only the Company's share of the earnings or losses of the consolidated subsidiaries. As of March 31, 2009 and June 30, 2008, the Company reported the minority interest of Justice Investors as an asset in the condensed consolidated balance sheet as the result of the accumulated deficit at Justice Investors. The accumulated deficit was primarily attributable to the temporary closing of the Hotel to undergo major renovations from May 2005 to January 2006 and subsequent net losses incurred by Justice due to substantial depreciation and amortization costs resulting from the renovations and operating losses as the Hotel ramped up operations after reopening. Based on the terms of the partnership agreement and the fact that the Company projects the Hotel to be profitable in the future, the Company expects the minority interest asset to be recoverable. Additionally, management believes that there is more than sufficient equity in the Hotel to support the carrying value of this asset on the Company's consolidated financial statements. However, due to the impact that the sharp deterioration of the U.S. economy has had on the lodging sector since September 2008, and facing the prospect of a significant recession for the immediate future, the Company believed that it would be most appropriate not to add to the existing minority interest asset balance of \$7,122,000 beginning in the quarterly period ended December 31, 2008. As the result, the Company did not record a minority interest benefit of \$571,000 and \$1,179,000, respectively, representing 50% of the loss from the hotel operations on its consolidated statement of operations for the three and nine months ended March 31, 2009.

Earnings Per Share

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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 March 31, 2009, the Company had 75,000 stock options that were considered potentially dilutive common shares and 42,000 stock options that were considered anti-dilutive. As of March 31, 2008, the Company had 385,500 stock options that were considered potentially dilutive common shares and 19,500 stock options that were considered anti-dilutive. However, the basic and diluted loss per share are the same as the result of the Company having a net loss from continuing operations for the three and nine months March 31, 2009 and 2008, respectively.

NOTE 2 - JUSTICE INVESTORS PARTNERSHIP AMENDMENTS

On December 1, 2008, Portsmouth and Evon, as the two general partners of Justice, entered into a 2008 Amendment to the Limited Partnership Agreement (the "Amendment") that provides for a change in the respective roles of the general partners. Pursuant to the Amendment, Portsmouth will assume the role of Managing General Partner and Evon will continue on as the Co-General Partner of Justice. The Amendment was ratified by approximately 98% of the limited partnership interests. The Amendment also provides that future amendments to the Limited Partnership Agreement may be made only upon the consent of the

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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 will also be required to remove a general partner pursuant to the Amendment.

Concurrent with the Amendment to the Limited Partnership Agreement, 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 agreement for the general partners. Pursuant to the Compensation Agreement, the general partners of Justice will be entitled to receive an amount equal to 1.5% of the gross annual revenues of the Partnership (as defined), less \$75,000 to be used as a contribution toward the cost of Justice engaging an asset manager. In no event shall the annual compensation be less than a minimum base of 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, will be payable in equal fifty percent (50%) shares to Portsmouth and Evon.

NOTE 3 - INVESTMENT IN HOTEL, NET

Hotel property and equipment consisted of the following:

As of March 31, 2009	Cost	Accumulated Depreciation	Net Book Value
	-----	-----	-----
Land	\$ 2,738,000	\$ -	\$ 2,738,000

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Furniture and equipment	16,783,000	(10,444,000)	6,339,000
Building and improvements	54,167,000	(17,364,000)	36,803,000
	-----	-----	-----
	\$ 73,688,000	\$ (27,808,000)	\$ 45,880,000
	=====	=====	=====

As of June 30, 2008	Cost	Accumulated Depreciation	Net Book Value
	-----	-----	-----
Land	\$ 2,738,000	\$ -	\$ 2,738,000
Furniture and equipment	16,279,000	(8,005,000)	8,274,000
Building and improvements	53,486,000	(16,376,000)	37,110,000
	-----	-----	-----
	\$ 72,503,000	\$ (24,381,000)	\$ 48,122,000
	=====	=====	=====

NOTE 4 - INVESTMENT IN REAL ESTATE

Investment in real estate included the following:

	March 31, 2009	June 30, 2008
	-----	-----
Land	\$ 24,735,000	\$ 24,735,000
Buildings, improvements and equipment	61,136,000	60,778,000
Accumulated depreciation	(21,831,000)	(20,217,000)
	-----	-----
	\$ 64,040,000	\$ 65,296,000
	=====	=====

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In July 2008, the Company modified the mortgage on its 264-unit apartment complex located in St. Louis, Missouri and borrowed an additional \$500,000. The term and the interest rate on the note remain the same.

In October 2008, the Company refinanced the mortgage on its 132-unit apartment located in San Antonio, Texas and obtained a new mortgage loan in the amount of \$2,850,000. The interest rate on the loan was fixed at 5.26% and the loan matures in October 2011. In December 2008, the Company modified this loan and borrowed an additional \$504,000. As part of the loan modification, the fixed interest rate on the loan was reduced to 5.0% with no change to the maturity date.

In March 2009, the Company refinanced its \$1,054,000 loan on its corporate office building and obtained a new loan in the amount of \$1,200,000. The interest rate on the loan is fixed at 5.02% and the loan matures in March 2014.

NOTE 5 - PROPERTY HELD FOR SALE AND DISCONTINUED OPERATIONS

As of March 31, 2009, the Company had listed for sale its 249-unit apartment building located in Austin, Texas and its 132-unit apartment located in San Antonio, Texas (both classified as Held for Sale on the balance sheet). Under the provisions of the Statement of Financial Accounting Standards No. 144, Accounting for Impairment or Disposal of Long-Lived Assets, for properties disposed of or listed for sale during the year, the revenues and expenses are accounted for under discontinued operations in the statement of operations. The revenues and expenses from the operation of these two properties have been

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reclassified from continuing operations for the three and nine months ended March 31, 2009 and 2008 and are reported as income(loss) from discontinued operations in the consolidated statements of operations.

In August 2007, the Company sold its 224-unit apartment complex located in Irving, Texas for \$8,050,000 and recognized a gain on the sale of real estate of \$4,074,000. The Company received net proceeds after selling costs of \$7,739,000 and paid off the related outstanding mortgage note payable of \$4,007,000.

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

For the three months ended March 31,	2009	2008
	-----	-----
Revenues	\$ 648,000	\$ 652,000
Expenses	(541,000)	(555,000)
	-----	-----
Income	\$ 107,000	\$ 97,000
	=====	=====
For the nine months ended March 31,	2009	2008
	-----	-----
Revenues	\$1,966,000	\$ 2,145,000
Expenses	(1,725,000)	(2,022,000)
	-----	-----
Income	\$ 241,000	\$ 123,000
	=====	=====

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NOTE 6 - INVESTMENT IN MARKETABLE SECURITIES

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

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

Investment	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Net Unrealized Gain	Fair Value
-----	-----	-----	-----	-----	-----
As of March 31, 2009					
Corporate					
Equities	\$ 3,778,000	\$2,491,000	(\$1,118,000)	\$1,373,000	\$5,151,000
As of June 30, 2008					
Corporate					
Equities	\$ 5,869,000	\$ 2,127,000	(\$1,290,000)	\$ 837,000	\$6,706,000

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As of March 31, 2009 and June 30, 2008, the Company had unrealized losses of \$919,000 and \$708,000, respectively, related to securities held for over one year.

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

For the three months ended March 31,	2009	2008
	-----	-----
Realized gain on marketable securities	\$ 56,000	\$ 422,000
Unrealized loss on marketable securities	(415,000)	(2,767,000)
	-----	-----
Net loss on marketable securities	\$ (359,000)	\$ (2,345,000)
	=====	=====
For the nine months ended March 31,	2009	2008
	-----	-----
Realized gain on marketable securities	\$ 1,193,000	\$ 533,000
Unrealized gain(loss) on marketable securities	536,000	(2,880,000)
	-----	-----
Net gain(loss) on marketable securities	\$ 1,729,000	\$ (2,347,000)
	=====	=====

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NOTE 7 - OTHER INVESTMENTS

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

As of March 31, 2009 and June 30, 2008, the Company had net other investments of \$6,320,000 and \$6,798,000, respectively, which consist of the following:

Type	March 31, 2009	June 30, 2008
	-----	-----
Private equity hedge fund	\$ 5,520,000	\$ 6,434,000
Corporate debt instruments	500,000	64,000
Other	300,000	300,000
	-----	-----
	\$ 6,320,000	\$ 6,798,000
	=====	=====

During the three and nine months ended March 31, 2009, the Company recorded impairment losses on other investments of \$705,000 and \$1,300,000, respectively. During the three and nine months ended March 31, 2008, the Company recorded impairment losses of \$1,117,000 and \$1,242,000, respectively.

NOTE 8 - FAIR VALUE MEASUREMENTS

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In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS No. 157"), which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS No. 157 is effective as of the beginning of the Company's 2009 fiscal year. In February 2008, the FASB deferred the effective date of SFAS No. 157 for non-financial assets and liabilities that are recognized or disclosed at fair value on a nonrecurring basis until the beginning of fiscal year 2010. The Company adopted SFAS No. 157 with respect to financial assets and liabilities on July 1, 2008. There was no material effect on the financial statements upon adoption of this new accounting pronouncement. The impact on the financial statements from adoption of SFAS No. 157 as it pertains to non-financial assets and liabilities has not yet been determined.

SFAS No. 157 discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow), and the cost approach (cost to replace the service capacity of an asset or replacement cost). The statement utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

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

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

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

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

Assets:	Level 1	Level 2	Level 3	March 31, 2009
-----	-----	-----	-----	-----
Cash	\$1,378,000	\$ -	\$ -	\$1,378,000
Restricted cash	1,173,000	-	-	1,173,000
Investment in marketable securities	5,151,000	-	-	5,151,000
	-----	-----	-----	-----
	\$7,702,000	\$ -	\$ -	\$7,702,000
	=====	=====	=====	=====

The fair values of investments in marketable securities are determined by the most recently traded price of each security at the balance sheet date.

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 an impairment. The following table shows the fair value hierarchy for these assets measured at fair value on a non-recurring basis as of March 31, 2009:

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Assets:	Level 1	Level 2	Level 3	March 31, 2009	Loss nine mo March
-----	-----	-----	-----	-----	-----
Other non-marketable investments	\$ -	\$ -	\$6,320,000	\$6,320,000	\$(1,3

Other investments in non-marketable securities are carried at cost net of any impairment loss. The Company has no significant influence or control over the entities that issue these investments. These investments are reviewed on a periodic basis for other-than-temporary impairment. The Company reviews several factors to determine whether a loss is other-than-temporary. These factors include but are not limited to: (i) the length of time an investment is in an unrealized loss position, (ii) the extent to which fair value is less than cost, (iii) the financial condition and near term prospects of the issuer and (iv) our ability to hold the investment for a period of time sufficient to allow for any anticipated recovery in fair value.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities-Including an Amendment of FASB Statement No. 115." SFAS No. 159 provides entities with an irrevocable option to report selected financial assets and financial liabilities at fair value. It also establishes presentation and disclosure requirements that are designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. The Company adopted SFAS No. 159 on July 1, 2008 and chose not to elect the fair value option for its financial assets and liabilities that had not been previously carried at fair value. Therefore, material financial assets and liabilities not carried at fair value, such as other assets, accounts payable, line of credit, and mortgage payables are reported at their carrying values.

NOTE 9 - LINES OF CREDIT

In April 2004, the Company obtained a revolving \$5,000,000 line of credit ("LOC"). The LOC carries a variable interest rate (lender's base rate plus 1%). Interest is paid on a monthly basis. During the quarter ended September 2008, the outstanding balance on the line of credit of \$3,462,000 was paid off. The LOC has matured as of September 30, 2008.

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On December 12, 2008, Justice obtained a modification and extension of its unsecured revolving line of credit facility from United California Bank ("UCB") which was to mature on February 2, 2009. The modification extends the term of the credit facility to February 2, 2010, but reduced the limit of funds available to the Partnership for short term capital for the Hotel's business operations from \$3,000,000 to \$2,500,000. The annual interest rate initially based on an index selected by Justice at the time of advance, equal to the Wall Street Journal Prime Rate plus 1.0%, or the LIBOR Rate plus 3.5%, with an interest rate floor of 5% per annum.

As of December 31, 2008, Justice was not in compliance with a financial covenant pertaining to the line of credit. The non-compliance resulted from the one-time, non-recurring loss of \$684,000 on the termination of the garage lease and related professional fees. In February 2009, Justice obtained a waiver of non-compliance from the bank regarding that covenant conditioned upon a modification of the terms of the credit facility. Pursuant to that

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modification, the annual interest rate is now based on the Wall Street Journal Prime Rate plus 3%, floating, with an interest rate floor of 5%. As of March 31, 2009, there was a balance of \$1,700,000 drawn by Justice under the line of credit facility, with an annual interest rate of 6.25% (Prime at 3.25% as of March 31, 2009 plus 3%).

NOTE 10 - TERMINATION OF GARAGE LEASE

Effective October 1, 2008, Justice and Evon entered into an Installment Sale Agreement whereby Justice purchased all of Evon's right title and interest in the remaining term of its lease of the parking garage, which was to expire on November 30, 2010, and other related assets. Justice also agreed to assume Evon's contract with Ace Parking for the management of the garage and any other liabilities related to the operation of the garage commencing October 1, 2008. The purchase price for the garage lease and related assets was approximately \$755,000, payable in one down payment of approximately \$28,000 and 26 equal monthly installments of approximately \$29,000, which includes interest at the rate of 2.4% per annum. During the three and nine months ended March 31, 2009, the Company recorded a loss on the termination of the garage lease of \$684,000 on the Company's condensed consolidated statements of operations.

Future installment payments as of March 31, 2009 are as follows:

For the year ending June 30,

2009	\$ 87,000
2010	345,000
2011	144,000

Total	\$576,000
	=====

As of March 31, 2009, the present value of the liability of \$563,000 was included in the accounts payable and other liabilities balance of \$11,290,000 on the Company's condensed consolidated balance sheet.

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NOTE 11 - STOCK BASED COMPENSATION PLANS

The Company follows the Statement of Financial Accounting Standards 123 (Revised), "Share-Based Payments" ("SFAS No. 123R") which addresses accounting for equity-based compensation arrangements, including employee stock options. Under SFAS No. 123R, compensation expense is recognized using the fair-value based method for all new awards granted after July 1, 2006. No stock options were issued by the Company after July 1, 2006. Additionally, compensation expense for unvested stock options that are outstanding at July 1, 2006 is recognized over the requisite service period based on the fair value of those options as previously calculated at the grant date under the pro-forma disclosures of SFAS 123. The fair value of each grant is estimated using the Black-Scholes option pricing model.

On December 7, 2008, the Company's 1998 Stock Option Plan for Key Officers and Employees expired; however, any outstanding options issued under that plan remain effective in accordance with their terms. Previously, the Company's 1998 Stock Option Plan for Non-Employee Directors Plan was terminated upon shareholder approval, and Board adoption, of the 2007 Stock Compensation Plan for Non-Employee Directors; however, any outstanding options under that plan remained effective in accordance with their terms. Those stock compensation

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plans are more fully described in Note 17 of the Company's Form 10-KSB for the fiscal year ended June 30, 2008.

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

The 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 Plan. The Plan will terminate ten (10) years from December 3, 2008, unless terminated sooner by the Board of Directors. After the Plan is terminated, no awards may be granted but awards previously granted shall remain outstanding in accordance with the Plan and their applicable terms and conditions.

Under the 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.

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Pursuant to an exchange offer authorized by the Compensation Committee, a total of 5,812 RSUs were issued to four holders of Non-Employee Director stock options in exchange for a total of 36,000 stock options which were surrendered to the Company on December 7, 2008. The number of RSUs issued was determined by multiplying the number of options that were surrendered by the difference between the exercise price of the options surrendered (\$8.00) and the closing price of the Company's common stock on December 5, 2008 of \$9.54, with that product divided by the closing price of the common stock on December 5, 2009. No stock option compensation expense was recognized related to the exchange as the fair market value of the options immediately prior to the exchange, approximated the fair value of the RSUs on the day of issuance. On December 15, 2008, the Compensation Committee authorized a similar exchange offer to the Company's Chief Executive Officer ("CEO"), respecting 225,000 stock options issued to him under the 1998 Key Officer and Employee Plan that were to expire on December 21, 2008. Pursuant to that exchange offer, the Company's CEO surrendered his 225,000 options to the Company on December 21, 2008 in exchange for 84,628 RSUs. The number of RSUs issued was based on an exercise price of the options surrendered of \$7.917 and the closing price of the Company's common stock on December 19, 2008 of \$12.69, using the same formula as the exchange offer to the holders of the Non-Employee Director

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options. No stock option compensation expense was recognized related to the exchange as the fair market value of the options immediately prior to the exchange, approximated the fair value of the RSUs on the day of issuance.

The table below summarizes the RSUs granted and outstanding.

	Number of RSUs
Granted	90,440
Outstanding at March 31, 2009	90,400

In December 2008, a director exercised his 12,000 stock options and acquired 12,000 shares of the Company stock at \$8.00 per share. No stock compensation was recognized as compensation expense for these options as they were previously calculated at the grant date under the pro-forma disclosures of SFAS 123.

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

	Number of Shares	Weighted-average Exercise Price
Outstanding at June 30, 2007	405,000	\$9.91
Granted	-	-
Exercised	-	-
Forfeited	(15,000)	35.11
Outstanding at June 30, 2008	390,000	9.13
Granted	-	-
Exercised	(12,000)	8.00
Forfeited	-	-
Exchanged	(261,000)	7.93
Outstanding at March 31, 2009	117,000	\$11.91
Exercisable at March 31, 2009	112,500	\$11.86

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

	Number of Options	Range of Exercise Price	Weighted Average Exercise Price	Weighted Average Remaining Life
Outstanding options	117,000	\$8.17-\$18.00	\$ 11.91	3.00 years
Exercisable options	112,500	\$8.17-\$18.00	\$ 11.86	3.04 years

NOTE 12 - SEGMENT INFORMATION

The Company operates in three reportable segments, the operation of the hotel ("Hotel Operations"), the operation of its multi-family residential properties

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

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

As of and for the Three months ended March 31, 2009	Hotel Operations	Real Estate Operations	Investment Transactions	Other	Subtotal
Operating income(loss)	\$ 7,073,000	\$ 3,141,000	\$(1,033,000)	\$ -	\$ 9,181,000
Operating expenses	(6,314,000)	(1,600,000)	(262,000)	(419,000)	(8,595,000)
Income(loss)before interest expense, depreciation, amortization, income tax and minority interest	759,000	1,541,000	(1,295,000)	(419,000)	586,000
Interest expense	(719,000)	(832,000)	-	-	(1,551,000)
Depreciation and amortization expense	(1,167,000)	(525,000)	-	-	(1,692,000)
Income tax benefit(expense)	-	-	-	691,000	691,000
Minority interest	-	-	-	640,000	640,000
Net income(loss)	\$(1,127,000)	\$ 184,000	\$(1,295,000)	\$ 912,000	\$ (1,326,000)
Total Assets	\$41,740,000	\$64,040,000	\$11,471,000	\$17,839,000	\$ 135,090,000

As of and for the Three months ended March 31, 2008	Hotel Operations	Real Estate Operations	Investment Transactions	Other	Subtotal
Operating income(loss)	\$ 8,799,000	\$ 3,318,000	\$(3,430,000)	\$ -	\$ 8,687,000
Operating expenses	(7,479,000)	(1,674,000)	(456,000)	(407,000)	(10,016,000)
Income(loss)before interest expense, depreciation, amortization, income tax and minority interest	1,320,000	1,644,000	(3,886,000)	(407,000)	(1,329,000)
Interest expense	(745,000)	(847,000)	-	-	(1,592,000)
Depreciation and amortization expense	(1,155,000)	(581,000)	-	-	(1,736,000)
Income tax benefit(expense)	-	-	-	1,726,000	1,726,000
Minority interest	266,000	-	-	697,000	963,000
Net income(loss)	\$ (314,000)	\$ 216,000	\$(3,886,000)	\$ 2,016,000	\$ (1,968,000)

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Total Assets	=====	=====	=====	=====	=====
	\$51,684,000	\$65,634,000	\$13,631,000	\$ 9,520,000	\$ 140,469,000
	=====	=====	=====	=====	=====

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As of and for the Nine months ended March 31, 2009	Hotel Operations	Real Estate Operations	Investment Transactions	Other	Subtotal
	-----	-----	-----	-----	-----
Operating income	\$25,016,000	\$ 9,547,000	\$ 567,000	\$ -	\$ 35,130,000
Operating expenses	(21,517,000)	(4,922,000)	(901,000)	(1,223,000)	(29,563,000)
	-----	-----	-----	-----	-----
Income(loss)before interest expense, depreciation, amortization, income tax and minority interest	3,499,000	4,625,000	(334,000)	(1,223,000)	6,567,000
Interest expense	(2,162,000)	(2,549,000)	-	-	(4,711,000)
Depreciation and amortization expense	(3,483,000)	(1,608,000)	-	-	(5,091,000)
Income tax benefit (expense)	-	-	-	692,000	692,000
Minority interest	(96,000)	-	-	1,266,000	1,170,000
	-----	-----	-----	-----	-----
Net income (loss)	\$ (2,242,000)	\$ 468,000	\$ (334,000)	\$ 735,000	\$ (1,373,000)
	=====	=====	=====	=====	=====
Total Assets	\$41,740,000	\$64,040,000	\$11,471,000	\$17,839,000	\$ 135,090,000
	=====	=====	=====	=====	=====

As of and for the Nine months ended March 31, 2008	Hotel Operations	Real Estate Operations	Investment Transactions	Other	Subtotal
	-----	-----	-----	-----	-----
Operating income (loss)	\$28,204,000	\$ 9,442,000	\$ (3,445,000)	\$ -	\$ 34,201,000
Operating expenses	(24,341,000)	(4,623,000)	(1,261,000)	(1,238,000)	(31,463,000)
	-----	-----	-----	-----	-----
Income (loss) before gain on sale of real estate, interest expense, depreciation, amortization, income tax and minority interest	3,863,000	4,819,000	(4,706,000)	(1,238,000)	2,738,000
Gain on sale of real estate	-	-	-	-	-
Interest expense	(2,150,000)	(2,645,000)	-	-	(4,795,000)
Depreciation and amortization expense	(3,455,000)	(1,678,000)	-	-	(5,133,000)
Income tax benefit (expense)	-	-	-	2,518,000	2,518,000
Minority interest	801,000	-	-	1,038,000	1,839,000
	-----	-----	-----	-----	-----
Net income (loss)	\$ (941,000)	\$ 496,000	\$ (4,706,000)	\$ 2,318,000	\$ (2,833,000)
	=====	=====	=====	=====	=====
Total Assets	\$51,684,000	\$65,634,000	\$13,631,000	\$ 9,520,000	\$ 140,469,000
	=====	=====	=====	=====	=====

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NOTE 13 - RELATED PARTIES

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

Evon, a general partner of Justice, was the lessee of the parking garage until September 30, 2008. Under the terms of the lease agreement, Evon paid the Partnership \$319,000 and \$1,229,000 for the nine months ended March 31, 2009 and 2008, respectively. As discussed in Note 10, Justice and Evon entered into an installment sale agreement whereby Justice purchased the remaining term of the lease agreement and related assets for a total of approximately \$755,000.

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

FORWARD-LOOKING STATEMENTS AND PROJECTIONS

The Company may from time to time make forward-looking statements and projections concerning future expectations. When used in this discussion, the words "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "may," "could," "might" and similar expressions, are intended to identify forward-looking statements. These statements are subject to certain risks and uncertainties, such as national and worldwide economic conditions, including the impact of recessionary conditions on tourism, travel and the lodging industry, the impact of terrorism and war on the national and international economies, including tourism and securities markets, energy and fuel costs, natural disasters, general economic conditions and competition in the hotel industry in the San Francisco area, seasonality, labor relations and labor disruptions, partnership distributions, the ability to obtain financing at favorable interest rates and terms, securities markets, regulatory factors, litigation and other factors discussed below in this Report and in the Company's Annual Report on Form 10-KSB for the fiscal year ended June 30, 2008, that could cause actual results to differ materially from those projected. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as to the date hereof. The Company undertakes no obligation to publicly release the results of any revisions to those forward-looking statements, which may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

RESULTS OF OPERATIONS

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

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Company.

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

Until September 30, 2008, the Partnership also derived income from the lease of the parking garage to Evon. As discussed below, effective October 1, 2008, Justice entered into an installment sale agreement with Evon to purchase the remaining term of the garage lease and related garage assets. Justice also leases a portion of the lobby level of the Hotel to a day spa operator. Portsmouth also receives management fees as a general partner of Justice for its services in overseeing and managing the Partnership's assets. Those fees are eliminated in consolidation.

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

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

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

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

The Company had a net loss of \$1,260,000 for the three months ended March 31, 2009 compared to a net loss of \$1,900,000 for the three months ended March 31, 2008. As discussed in Note 1, the Company stopped recording a minority interest benefit in Justice Investors beginning the quarter ended December 31, 2008 resulting in the recording of an additional \$571,000 included in the net loss. During the three months ended March 31, 2009, operating income from hotel operations decreased to \$759,000 from \$1,320,000 during the three months ended March 31, 2008. During the three months ended March 31, 2009, operating income from real estate operations decreased to \$1,541,000 from \$1,644,000 for the three months ended March 31, 2008. During the same period, the net loss on marketable securities decreased to \$359,000 for the three months ended March 31, 2009 from \$2,345,000 for the three months ended March 31, 2008.

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

For the three months ended March 31,

2009

2008

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	-----	-----
Hotel revenues:		
Hotel rooms	\$ 5,251,000	\$ 6,737,000
Food and beverage	1,106,000	1,451,000
Garage	571,000	393,000
Other	145,000	218,000
	-----	-----
Total hotel revenues	7,073,000	8,799,000
	-----	-----
Operating expenses excluding interest, depreciation and Amortization expenses	(6,314,000)	(7,479,000)
	-----	-----
Operating income	759,000	1,320,000
	-----	-----
Interest expense	(719,000)	(745,000)
Depreciation and amortization expense	(1,167,000)	(1,155,000)
	-----	-----
Loss from hotel operations	\$ (1,127,000)	\$ (580,000)
	=====	=====

For the three months ended March 31, 2009, the Hotel generated operating income of approximately \$759,000 before interest, depreciation and amortization, on operating revenues of approximately \$7,073,000 compared to operating income of approximately \$1,320,000 before interest, depreciation and amortization, on operating revenues of approximately \$8,799,000 for the three months ended March 31, 2008. The decrease in Hotel operating income is primarily attributable to the decrease in room and food and beverage revenues in the current period, partially offset by a decrease in operating expenses as part of management's

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efforts to reduce operating costs and to achieve greater efficiencies, and an increase in garage revenues due to the termination of the garage lease effective October 1, 2008 and the integration of those operations into those of the Hotel.

Room revenues decreased by \$1,486,000 for the three months ended March 31, 2009 when compared to the three months ended March 31, 2008 and food and beverage revenues decreased by \$345,000 for the same period. The decrease in room revenues was primarily attributable to a significant decline in average daily room rates as hotels in the San Francisco market have slashed room rates in an effort to maintain occupancy levels in a very competitive market due to current economic conditions. The decrease in food and beverage revenues is primarily attributable to decline in banquet and catering business as companies cut back on business travel, corporate meetings and events.

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

Three Months Ended March 31,	Average Daily Rate	Average Occupancy%	RevPar
-----	-----	-----	-----
2009	\$135	80%	\$107
2008	\$176	77%	\$136

The operations of the Hotel continued to be impacted by the significant downturn in the domestic and international economies and markets. The Hotel's average daily room rate was approximately \$41 lower for the three months ended

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March 31, 2009 compared to the three months ended March 31, 2008. However, due to increased sales and marketing efforts in the face of difficult economic conditions and greater competition, the Hotel was able to boost occupancy rates by three percent (3%) over the comparable period. As a result, the Hotel was able to achieve a RevPar number that was near the top of its competitive set.

Management has also continued to focus on ways to improve efficiencies and reduce operating costs and other expenses in its efforts to stabilize and maintain operating income of the Hotel. The Hotel's management company has added support to those efforts by agreeing to reduce its management fees by fifty percent for the 2009 calendar year. As a result, we have seen further reductions in operating costs of the Hotel for the three months ended March 31, 2009 despite maintaining higher occupancy levels. Management will also continue to explore new and innovative ways to improve operations and enhance the guest experience. One significant step was to move lunch and dinner services from the restaurant to the lounge to create a more intimate, yet lively, atmosphere and to complement the new wine bar "Flyte" in the lobby of the Hotel. That initiative appears to be working as the Hotel generated its first quarterly operating profit from its food and beverage operations in the three months ended March 31, 2009.

Operating income from real estate operations decreased to \$1,541,000 for the three months ended March 31, 2009 from \$1,644,000 for the three months ended March 31, 2008 primarily due to the decrease in real estate revenue to \$3,141,000 from \$3,318,000, partially offset by the decrease in real estate operating expenses to \$1,600,000 from \$1,674,000. The decrease in real estate revenue is due to the one-time receipt of additional other revenue of approximately \$181,000 at the Company's Las Colinas, Texas property during the three months ended March 31, 2008. The Company's real estate operations remains relatively consistent with comparable prior year period. Management continues to review and analyze the Company's real estate operations to improve occupancy and rental rates, reduce expenses and improve efficiencies.

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

The Company had a net loss on marketable securities of \$359,000 for the three months ended March 31, 2009 compared to a loss of \$2,345,000 for the three months ended March 31, 2008. For the three months ended March 31, 2009, the Company had a net realized gain of \$56,000 and a net unrealized loss of \$415,000. For the three months ended March 31, 2008, the Company had a net realized gain of \$422,000 and net unrealized loss of \$2,767,000. Gains and losses on marketable securities may fluctuate significantly from period to period in the future and could have a significant impact on the Company's results of operations. However, the amount of gain or loss on marketable securities for any given period may have no predictive value and variations in amount from period to period may have no analytical value. For a more detailed description of the composition of the Company's marketable securities please see the Marketable Securities section below.

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

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March 31, 2009, the Company had net other investments of \$6,320,000. During the three months ended March 31, 2009 and 2008, the Company performed an impairment analysis of its other investments and determined that its investments had other than temporary impairments and recorded impairment losses of \$705,000 and \$1,117,000, respectively.

Margin interest and trading expenses decreased to \$262,000 for the three months ended March 31, 2009 from \$456,000 for the three months ended March 31, 2008 primarily due to the decrease in borrowing costs and margin interest expense.

As discussed in Note 1, during the three months March 31, 2009, the Company did not record a minority interest benefit of \$571,000 related to the loss from hotel operations. In the comparable quarter ended March 31, 2008, the Company recorded a minority interest benefit of \$266,000.

The provision for income tax benefit decreased to \$650,000 for the three months ended March 31, 2009 from \$1,697,000 for the three months end March 31, 2008 as the result of the lower pre-tax loss incurred during the three months ended March 31, 2009. Additionally, as noted above and in Note 1, the Company did not record a pre-tax minority interest benefit for the three months ended March 31, 2009. As the result the effective tax rate during the three months ended March 31, 2009 is lower compared to the three months ended March 31, 2008.

Nine months ended March 31, 2009 Compared to the Nine months ended March 31, 2008

The Company had a net loss of \$1,226,000 for the nine months ended March 31, 2009 compared to a net loss of \$290,000 for the nine months ended March 31, 2008. As discussed in Note 1, the Company stopped recording a minority interest benefit in Justice Investors beginning the quarter ended December 31, 2008 resulting in the recording of an additional \$1,179,000 included in the net loss. During the nine months ended March 31, 2009, operating income from hotel operations increased to \$4,183,000 from \$3,863,000 during the nine months ended

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March 31, 2008. During the nine months ended March 31, 2009, operating income from real estate operations decreased to \$4,183,000 from \$3,863,000 for the nine months ended March 31, 2008. During the same period, the Company had a net gain on marketable securities of \$1,729,000 for the nine months ended March 31, 2009 compared to a net loss on marketable securities of \$2,347,000 for the nine months ended March 31, 2008. Contributing significantly to reduction of the net loss in the prior comparable period, the Company had a gain of \$4,074,000 related to the sale real estate. There was no sale of real estate in the most recent period.

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

For the Nine months ended March 31,	2009	2008
	-----	-----
Hotel revenues:		
Hotel rooms	\$19,451,000	\$ 21,961,000
Food and beverage	3,633,000	4,399,000
Garage	1,541,000	1,229,000
Other	391,000	615,000
	-----	-----

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Total hotel revenues	25,016,000	28,204,000
	-----	-----
Operating expenses excluding interest, depreciation and amortization expenses	(20,833,000)	(24,341,000)
	-----	-----
Operating income	4,183,000	3,863,000
Loss on termination of garage lease	(684,000)	-
Interest expense	(2,162,000)	(2,150,000)
Depreciation and amortization expense	(3,483,000)	(3,455,000)
	-----	-----
Loss from hotel operations	\$ (2,146,000)	\$ (1,742,000)
	=====	=====

For the nine months ended March 31, 2009, the Hotel generated operating income of approximately \$4,183,000, before the loss on termination of garage lease, interest, depreciation and amortization, on operating revenues of approximately \$25,016,000 compared to operating income of approximately \$3,863,000 before interest, depreciation and amortization, on operating revenues of approximately \$28,204,000 for the nine months ended March 31, 2008. Despite a significant decrease in operating revenues of approximately \$3,188,000, the Hotel was able to increase its operating income by approximately \$320,000 over the comparable period primarily due to a significant decrease in operating expenses of approximately \$3,508,000 and an increase in garage revenues due to the termination of the garage lease effective October 1, 2008 and the integration of those operations into those of the Hotel.

Room revenues decreased by \$2,510,000 for the nine months ended March 31, 2009 when compared to the nine months ended March 31, 2008 and food and beverage revenues decreased by \$766,000 for the same period. The decrease in room revenues was primarily attributable to a decline in average daily room rates as hotels in the San Francisco market began to reduce room rates beginning in October 2008 in an effort to maintain occupancy levels in an increasingly more competitive market as economic conditions continued to deteriorate. The decrease in food and beverage revenues is primarily attributable to decline in banquet and catering business as companies cut back on business travel, corporate meetings and events.

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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 nine months ended March 31, 2009 and 2008.

Nine Months Ended March 31,	Average Daily Rate	Average Occupancy%	RevPar
-----	-----	-----	-----
2009	\$163	80%	\$130
2008	\$174	84%	\$147

The full impact of the downturn in the domestic and international economies and markets began to be felt by the operations of the Hotel in September 2008 and it is expected to continue at least through fiscal 2009. As a result, the average daily room rate declined by approximately \$11 and occupancy declined by approximately 4% for the nine months ended March 31, 2009. As a result, RevPar was also down approximately \$17 from the comparable period.

Facing difficult economic conditions and a decline in business, group and leisure travel, both domestic and international, management has continued to focus on ways to improve efficiencies and reduce operating costs and other

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expenses in its efforts to stabilize and maintain operating income of the Hotel. The Hotel's management company has added support to those efforts by agreeing to reduce its management fees by fifty percent for the 2009 calendar year. As a result, we have seen further reductions in operating costs of the Hotel as a percentage of Hotel revenues for the nine months ended March 31, 2009. Management has also increased its sales and marketing efforts in what has become an even more competitive hotel market in San Francisco. Management has also continued to explore new and innovative ways to improve operations and enhance the guest experience. One significant step was to move lunch and dinner services from the restaurant to the lounge to create a more intimate, yet lively, atmosphere and to complement the new wine bar "Flyte" in the lobby of the Hotel. That initiative appears to be working as the Hotel generated its first quarterly operating profit from its food and beverage operations in the three months ended March 31, 2009.

Operating income from real estate operations decreased to \$4,625,000 for the nine months ended March 31, 2009 from \$4,819,000 for the nine months ended March 31, 2008 due to the increase in operating expenses to \$4,922,000 from \$4,623,000 partially offset by the increase in revenues to \$9,547,000 from \$9,442,000. The increase in operating expenses is primarily due the increase repairs and maintenance expenses and utilities expense partially offset by the one-time \$151,000 reduction against professional fees received during the nine months ended March 31, 2008. The increase in revenues is primarily due to the increase in rental rates at the Company's properties located in Parsippany, New Jersey and St. Louis, Missouri. The Company's real estate operations remains relatively consistent with comparable prior year period. Management continues to review and analyze the Company's real estate operations to improve occupancy and rental rates, reduce expenses and improve efficiencies.

As of March 31, 2009, the Company had listed for sale its 249-unit apartment complex located in Austin, Texas and its 132-unit apartment complex located in San Antonio, Texas. These properties are classified as held for sale on the Company's condensed consolidated balance sheet with the operations of these properties classified under discontinued operations in the condensed consolidated statements of operations. During the nine months ended March 31, 2008, the Company sold its 224-unit apartment complex located in Irving, Texas for \$8,050,000 and recognized a gain on the sale of real estate of \$4,074,000. The operations and the related gain on the sale of real estate are also included under discontinued operations.

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The Company had a net gain on marketable securities of \$1,729,000 for the nine months ended March 31, 2009 compared to a net loss of \$2,347,000 for the nine months ended March 31, 2008. For the nine months ended March 31, 2009, the Company had a net realized gain of \$1,193,000 and a net unrealized gain of \$536,000. For the nine months ended March 31, 2008, the Company had a net realized gain of \$533,000 and net unrealized loss of \$2,880,000. Gains and losses on marketable securities may fluctuate significantly from period to period in the future and could have a significant impact on the Company's results of operations. However, the amount of gain or loss on marketable securities for any given period may have no predictive value and variations in amount from period to period may have no analytical value. For a more detailed description of the composition of the Company's marketable securities please see the Marketable Securities section below.

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

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March 31, 2009, the Company had net other investments of \$6,320,000. During the nine months ended March 31, 2009 and 2008, the Company performed an impairment analysis of its other investments and determined that its investments had other than temporary impairments and recorded impairment losses of \$1,300,000 and \$1,242,000, respectively.

Trading and margin interest expense decreased to \$901,000 for the nine months ended March 31, 2009 from \$1,261,000 for the nine months ended March 31, 2008 primarily due to the decrease in borrowing costs and margin interest expense.

Minority interest related to Justice Investors changed to an expense of \$96,000 for the nine months ended March 31, 2009 from a benefit of \$801,000 for the nine months ended March 31, 2008. As discussed in Note 1, the Company did not record a minority interest benefit of \$1,179,000 related to the loss from hotel operations. The \$96,000 minority interest expense was recorded during the three months ended September 30, 2008.

The total provision for income tax benefit decreased to \$598,000 for the nine months ended March 31, 2009 from \$864,000 for the nine months end March 31, 2008. As noted above and in Note 1, the Company did not record a pre-tax minority interest benefit for the three months ended March 31, 2009. As the result the effective tax rate during the nine months ended March 31, 2009 is lower compared to the nine months ended March 31, 2008.

Minority interest related to Portsmouth and Santa Fe increased to \$1,266,000 for the nine months ended March 31, 2009 from \$1,038,000 for the nine months ended March 31, 2008 primarily due to the higher losses incurred by Portsmouth and Santa Fe during the nine months ended March 31, 2009.

MARKETABLE SECURITIES AND OTHER INVESTMENTS

The Company's investment portfolio is diversified with 43 different equity positions. The portfolio contains four individual equity securities that are more than 5% of the equity value of the portfolio with the largest security being 45.4% of the value of the portfolio. The amount of the Company's investment in any particular issuer may increase or decrease, and additions or deletions to its securities portfolio may occur, at any time. While it is the internal policy of the Company to limit its initial investment in any single equity to less than 5% of its total portfolio value, that investment could eventually exceed 5% as a result of equity appreciation or reduction of other positions. Marketable securities are stated at market value as determined by the most recently traded price of each security at the balance sheet date.

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As of March 31, 2009, the Company had investments in marketable equity securities of \$5,151,000. The following table shows the composition of the Company's marketable securities portfolio by selected industry groups as of March 31, 2009 and June 30, 2008.

As of March 31, 2009

Industry Group	Fair Value	% of Total Investment Securities
-----	-----	-----
Dairy products	\$ 2,337,000	45.4%
Financial services and REITs	730,000	14.2%
Industrial	637,000	12.4%
Basic materials and energy	527,000	10.2%
Healthcare	415,000	8.1%
Consumer cyclical	334,000	6.5%

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Other	171,000	3.2%
	-----	-----
	\$ 5,151,000	100.0%
	=====	=====

As of June 30, 2008

Industry Group	Fair Value	% of Total Investment Securities
-----	-----	-----
Dairy products	\$ 1,540,000	23.0%
Communications	1,123,000	16.7%
Financial	721,000	10.8%
Basic materials	654,000	9.8%
Medical	467,000	7.0%
Transportation	442,000	6.6%
Others	1,759,000	26.1%
	-----	-----
	\$ 6,706,000	100.0%
	=====	=====

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

For the three months ended March 31,	2009	2008
	-----	-----
Net loss on marketable securities	\$ (359,000)	\$ (2,345,000)
Impairment loss on other investments	(705,000)	(1,117,000)
Dividend & interest income	31,000	32,000
Margin interest expense	(38,000)	(71,000)
Trading and management expenses	(224,000)	(385,000)
	-----	-----
	\$ (1,295,000)	\$ (3,886,000)
	=====	=====

For the nine months ended March 31,	2009	2008
	-----	-----
Net gain(loss) on marketable securities	\$ 1,729,000	\$ (2,347,000)
Impairment loss on other investments	(1,300,000)	(1,242,000)
Dividend & interest income	138,000	144,000
Margin interest expense	(140,000)	(253,000)
Trading and management expenses	(761,000)	(1,008,000)
	-----	-----
	\$ (334,000)	\$ (4,706,000)
	=====	=====

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FINANCIAL CONDITION AND LIQUIDITY

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

The Hotel started to generate cash flows from its operations in June 2006.

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For the nine months ended March 31, 2009, Justice paid a total of \$850,000 in limited partnership distributions, of which the Company received \$425,000. For the nine months ended March 31, 2008, Justice paid a total of \$1,000,000 in limited partnership distributions, of which the Company received \$500,000. The general partners expect to conduct regular reviews to set the amount of any future distributions that may be appropriate based on the results of operations of the Hotel and other factors, including establishment of reasonable reserves for debt payments and operating contingencies. Due to the impact that the significant downturn in domestic and international economies has had on the operating results of the Hotel in fiscal 2009, and no further distributions are anticipated this fiscal year.

To meet its substantial financial commitments for the renovation and transition of the Hotel to a Hilton, Justice had to rely on borrowings to meet its obligations. On July 27, 2005, Justice entered into a first mortgage loan with The Prudential Insurance Company of America in a principal amount of \$30,000,000 (the "Prudential Loan"). The term of the Prudential Loan is for 120 months at a fixed interest rate of 5.22% per annum. The Prudential Loan calls for monthly installments of principal and interest in the amount of approximately \$165,000, calculated on a 30-year amortization schedule. The Prudential Loan is collateralized by a first deed of trust on the Partnership's Hotel property, including all improvements and personal property thereon and an assignment of all present and future leases and rents. The Prudential Loan is without recourse to the limited and general partners of Justice. As of March 31, 2009 the Prudential Loan balance was approximately \$28,368,000.

On March 27, 2007, Justice entered into a second mortgage loan with Prudential (the "Second Prudential Loan") in the principal amount of \$19,000,000. The term of the Second Prudential Loan is for approximately 100 months and matures on August 5, 2015, the same date as the first Prudential Loan. The Second Prudential Loan is at a fixed interest rate of 6.42% per annum and calls for monthly installments of principal and interest in the amount of approximately \$119,000, calculated on a 30-year amortization schedule. The Second Prudential Loan is collateralized by a second deed of trust on the Partnership's Hotel property, including all improvements and personal property thereon and an assignment of all present and future leases and rents. The Second Prudential Loan is without recourse to the limited and general partners of Justice. As of March 31, 2009, the Second Prudential Loan balance was approximately \$18,574,000.

On December 12, 2008, Justice obtained a modification and extension of its unsecured revolving line of credit facility from United California Bank ("UCB") which was to mature on February 2, 2009. The modification extends the term of the credit facility to February 2, 2010, but reduced the limit of funds available to the Partnership for short term capital for the Hotel's business operations from \$3,000,000 to \$2,500,000. The annual interest rate was initially to be based on an index selected by Justice at the time of advance, equal to the Wall Street Journal Prime Rate plus 1.0%, or the LIBOR Rate plus 3.5%, with an interest rate floor of 5% per annum.

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As of December 31, 2008, Justice was not in compliance with a financial covenant pertaining to the line of credit. The non-compliance resulted from the one-time, non-recurring loss of \$684,000 on the termination of the garage lease and related professional fees. In February 2009, Justice obtained a waiver of non-compliance from the bank regarding that covenant conditioned upon a modification of the terms of the credit facility. Pursuant to that modification, the annual interest rate is now based on the Wall Street Journal Prime Rate plus 3%, floating, with an interest rate floor of 5%. As of March 31, 2009, there was a balance of \$1,700,000 drawn by Justice under the line of

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credit facility, with an annual interest rate of 6.25% (Prime at 3.25% as of March 31, 2009 plus 3%).

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

In March 2009, the Company refinanced its \$1,054,000 loan on its corporate office building and obtained a new loan in the amount of \$1,200,000. The interest rate on the loan is fixed at 5.02% and the loan matures in March 2014.

In October 2008, the Company refinanced the mortgage on its 132-unit apartment located in San Antonio, Texas and obtained a new mortgage loan in the amount of \$2,850,000. The interest rate on the loan is fixed at 5.26% and the loan matures in October 2011. In December 2008, the Company modified this loan and borrowed an additional \$504,000. As part of the loan modification, the fixed interest rate was reduced to 5.0% with no change to the maturity date.

In July 2008, the Company modified the mortgage on its 264-unit apartment complex located in St. Louis, Missouri and borrowed an additional \$500,000 on the note. The term and the interest rate on the note remain the same.

In August 2007, the Company sold its 224-unit apartment complex located in Irving, Texas for \$8,050,000 and recognized a gain on the sale of real estate of \$4,074,000. The Company received net proceeds after selling costs of \$7,739,000 and paid off the related outstanding mortgage note payable of \$4,007,000.

In August 2007, the Company refinanced its \$7,203,000 construction loan on its 30-unit apartment complex located in Los Angeles, California and obtained a mortgage note payable in the amount of \$6,850,000. The term of the note is 15 years, with interest only for the first two years. The interest is fixed at 5.97%.

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

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

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OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off balance sheet arrangements.

MATERIAL CONTRACTUAL OBLIGATIONS

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The Company does not have any material contractual obligations or commercial commitments other than the mortgages of its rental properties, its line of credit and Justice Investors' mortgage loans with Prudential and its revolving line of credit facility with UCB.

IMPACT OF INFLATION

The Company's residential and commercial 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.

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.

CRITICAL ACCOUNTING POLICIES

Critical accounting policies are those that are most significant to the portrayal of our financial position and results of operations and require judgments by management in order to make estimates about the effect of matters that are inherently uncertain. The preparation of these condensed financial statements requires us to make estimates and judgments that affect the reported amounts in our consolidated financial statements. We evaluate our estimates on an on-going basis, including those related to the consolidation of our subsidiaries, to our revenues, allowances for bad debts, accruals, asset impairments, other investments, income taxes and commitments and contingencies. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. The actual results may differ from these estimates or our estimates may be affected by different assumptions or conditions.

Item 4T. Controls and Procedures.

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The Company's management, with the participation of the Company's Chief Executive Officer and Principal Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the quarterly period covered by this Quarterly Report on Form 10-Q. Based upon such evaluation, the Chief Executive Officer and Principal Financial Officer have concluded that, as of the end of such period, the Company's disclosure

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controls and procedures are effective in ensuring that information required to be disclosed in this filing is accumulated and communicated to management and is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

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

PART II. OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

- (a) None.
- (b) Not applicable.
- (c) Purchases of equity securities by the small business issuer and affiliated purchasers.

SMALL BUSINESS ISSUER PURCHASES OF EQUITY SECURITIES

2009 Period	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
Month #1 (Jan. 1- Jan. 31)	-	-	-	16,620
Month #2 (Feb. 1- Feb. 28)	1,000	\$ 9.41	1,000	15,620
Month #3 (Mar. 1- Mar. 31)	6,362	\$10.37	6,362	9,258
Total	7,362	\$10.24	7,362	9,258

The Company currently has only one stock repurchase program. The program was initially announced on January 13, 1998 and was first amended on February 10, 2003. The total number of shares authorized to be repurchased was 720,000, adjusted for stock splits. On October 12, 2004, the Board of Directors authorized the Company to purchase up to an additional 150,000 shares of Company's common stock, increasing the total remaining number of shares authorized for repurchase to 152,941. The program has no expiration date and can be amended from time to time in the discretion of the Board of Directors. No plan or program expired during the period covered by the table.

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Item 4. Submission of Matters to a Vote of Security Holders.

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The Fiscal 2008 Annual Meeting of the Shareholders of the Company was held on February 18, 2009 at the Hilton San Francisco Financial District, 750 Kearny Street, San Francisco, California. At that meeting, John C. Love was elected as Class C Director, to serve a three year term expiring at the Fiscal 2011 Annual Meeting. Directors John V. Winfield, Josef A. Grunwald, Gary N. Jacobs and William J. Nance continue their terms as the Company's other directors. At the Annual Meeting, the shareholders also voted in favor of the ratification of the Audit Committee's selection of Burr, Pilger & Mayer LLP as the Company's independent registered public accounting firm for the fiscal year ending June 30, 2009 and for approval of The InterGroup Corporation 2008 Restricted Stock Unit Plan. A tabulation of the vote follows:

Proposal (1) - Election of Class C Director - John C. Love:

Votes For	Withheld
2,109,005	9,014

Proposal (2) - Ratification of Independent Registered Public Accounting Firm:

Votes For	Against	Abstained	Broker Non-Vote
2,060,293	9,213	48,512	-

Proposal (3) - Approval of The InterGroup Corporation 2008 Restricted Stock Unit Plan:

Votes For	Against	Abstained	Broker Non-Vote
1,506,345	34,791	4,276	572,607

Item 6. Exhibits.

(a) Exhibits

- 31.1 Certification of Chief Executive Officer of Periodic Report Pursuant to Rule 13a-14(a) and Rule 15d-14(a).
- 31.2 Certification of Principal Financial Officer of Periodic Report Pursuant to Rule 13a-14(a) and Rule 15d-14(a).
- 32.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350.
- 32.2 Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350.

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SIGNATURES

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

THE INTERGROUP CORPORATION
(Registrant)

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Date: May 8, 2009

by /s/ John V. Winfield

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

Date: May 8, 2009

by /s/ David Nguyen

David Nguyen, Treasurer
and Controller
(Principal Financial Officer)

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