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INTERGROUP CORP
Form 10KSB/A
March 24, 2006

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-KSB/A
Amendment No. 1

Annual Report under Section 13 or 15(d) of the Securities
Exchange Act of 1934

For the fiscal year ended June 30, 2005

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

(Name of Small Business Issuer in its Charter)

Delaware	13-3293645
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(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)
820 Moraga Drive, Los Angeles, California	90049-1632
-----	-----
(Address of Principal Executive Offices)	(Zip Code)

Issuer's Telephone Number: (310) 889-2500

Securities registered under Section 12(b) of the Exchange Act:

Common Stock-\$.01 Par Value	Pacific Exchange, Inc.
-----	-----
Title of Each Class	Name of Each Exchange On Which Registered

Securities registered under Section 12(g) of the Exchange Act:

Common Stock - Par Value \$.01 Per Share

(Title of Class)

Check whether the issuer (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

Check if there is no disclosure of delinquent filers in response to Item
405 of Regulation S-B is not contained in this form, and no disclosure will be
contained, to the best of registrant's knowledge, in definitive proxy or
information statements incorporated by reference in Part III of this Form 10-
KSB or any amendment to this Form 10-KSB.

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The issuer's revenues for its most recent fiscal year were \$12,966,000.

The aggregate market value of the common equity held by non-affiliates of issuer, computed by reference to the price the common equity was sold on September 22, 2005 was \$13,111,853.

The number of shares outstanding of the issuer's Common Stock, \$.01 par value, as of September 22, 2005 was 2,397,241.

Transitional Small Business Disclosure Format (check one): Yes No

DOCUMENTS INCORPORATED BY REFERENCE: None

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-KSB/A (the "Amendment") is filed by The InterGroup Corporation (the "Company") to amend Item 8A. of Part II of the Company's Annual Report on Form 10-KSB for the fiscal year ended June 30, 2005, as filed on October 17, 2005. The Amendment clarifies the conclusions reached regarding the effectiveness of the Company's disclosure controls and procedures. Item 13 of Part III has also been amended to contain currently dated certifications of the Company's chief executive officer and chief financial officer pursuant to Sections 302 and 906 of the Sarbanes Oxley Act of 2002, and to correct a typographical error appearing in the text of the originally filed Section 302 certifications. The updated and amended certifications are attached to this Amendment as Exhibits 31.1, 31.2, 32.1 and 32.2. The Amendment does not modify or update any other previously filed financial information or other disclosures set forth in the Company's original filing on Form 10-KSB on October 17, 2005. This Form 10-KSB/A should be read in conjunction with the Company's filings made with the Securities and Exchange Commission subsequent to the filing of its original 10-KSB.

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PART I

Item 1. Description of Business.

BUSINESS DEVELOPMENT

The InterGroup Corporation ("InterGroup" or the "Company") is a Delaware corporation formed in 1985, as the successor to Mutual Real Estate Investment Trust ("M-REIT"), a New York real estate investment trust created in 1965. The Company has been a publicly-held company since M-REIT's first public offering of shares in 1966 and has been a reporting company pursuant to Section 12(g) of the Securities Exchange Act of 1934 since that time.

The Company was organized to buy, develop, operate, rehabilitate and dispose of real property of various types and descriptions, and to engage in such other business and investment activities as would benefit the Company and its shareholders. The Company was founded upon, and remains committed to, social responsibility. Such social responsibility was originally defined as providing decent and affordable housing to people without regard to race. In 1985, after examining the impact of federal, state and local equal housing laws, the Company determined to broaden its definition of social responsibility. The Company changed its form from a REIT to a corporation so that it could pursue a variety of investments beyond real estate and broaden its social impact to engage in any opportunity which would offer the potential to increase shareholder value within the Company's underlying commitment to social responsibility, which it redefined to encompass investments in any area which can have a socially redeeming value and promote the establishment of a fair, equal and better society.

The Company's principal sources of revenue have been, and continue to be, derived from the operations of its multi-family residential properties, from the sales and disposition of its real property assets, from the operations of its majority owned subsidiary, Santa Fe Financial Corporation ("Santa Fe"), and from the investment of its cash and securities assets. Santa Fe is a public company (OTCBB: SFEF).

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BUSINESS OF ISSUER

The Company's principal business is the ownership and management of real estate. Properties include twenty-two apartment complexes, a hotel, two commercial real estate properties, and two single-family houses as a strategic investment. 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 that is held for sale or development. 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. See Item 2 for a description of the Company's current investments in real estate and its investment policies concerning real property and marketable securities.

Through its controlling interest in Santa Fe, the Company's business also includes a 565-room hotel located in the Financial District of San Francisco, California. The hotel, commonly known as the Holiday Inn Select Downtown & Spa (the "Hotel") is owned by Justice Investors, a California limited partnership ("Justice" or the "Partnership"), of which Santa Fe's subsidiary, Portsmouth Square Inc. ("Portsmouth") is a 49.8% limited partner and serves as one of two general partners. Evon Garage Corporation ("Evon") is the other general partner of Justice and serves as the managing general partner.

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Since 1998, the Hotel had been leased by Justice to Felcor Lodging Trust, Inc. ("Felcor", NYSE: FCH). Pursuant to a settlement agreement with Felcor, that lease was terminated, effective June 30, 2004, and the Partnership assumed the role of owner/operator with the assistance of a third party management company. Historically, the Partnership's most significant source of income was a lease between Justice and Holiday Inn for the Hotel portion of the property. That lease was amended in 1995, and ultimately assumed by Felcor Lodging Trust, Inc. ("Felcor", NYSE: FCH) in 1998. The lease of the Hotel to Felcor was terminated effective June 30, 2004. The Partnership also derives income from its lease of the garage portion of the property to Evon and the lease of approximately 5,400 square feet on the lobby level of the Hotel to Tru Spa, LLC for the operation of a health and beauty spa. As a general partner, Portsmouth takes an active role in monitoring and overseeing the operations of the Hotel, the lease parking garage and the spa.

DOW HOTEL COMPANY MANAGEMENT AGREEMENT

With the termination of the Hotel Lease, Justice assumed the role of an owner operator of the Hotel on July 1, 2004. To assist with the operations of the Hotel, On May 19, 2004, Justice entered into a third party Management Agreement with Dow Hotel Company, LLC, a Washington limited liability company ("Dow") to operate and manage the Hotel as an agent of the Partnership, effective July 1, 2004. The Management Agreement has an initial term of 10 years, with an option of Justice to extend the original term for another 10 year period. The Management Agreement provides for a base management fee to Dow of up to 2.5% of annual gross operating revenues of the Hotel and incentive fees not to exceed, in the aggregate, 4% of gross operating revenues of the Hotel. The Management Agreement can be terminated by Justice upon at least 60 days written notice, subject to certain termination fees during the first year of the Agreement.

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HILTON HOTELS FRANCHISE LICENSE AGREEMENT

With the termination of the Hotel Lease to Felcor, the Partnership was able actively pursue a franchise agreement with a new nationally recognized brand in an effort to move the Hotel up-market and become more competitive. After considering and negotiating with several brands, the Partnership entered into a Franchise License Agreement with Hilton Hotels Corporation (the "Hilton Franchise Agreement") on December 10, 2004 for the right to operate the Hotel as a Hilton brand hotel. The terms of the Hilton Franchise Agreement will commence upon the final approval of the franchise application and the completion of the approved product improvement plan. The commencement date of operation as a Hilton hotel can be no later than June 1, 2006. The term of the Hilton Franchise Agreement is for 15 years commencing on the opening date of the Hotel, with an option to extend the Agreement for another five years, subject to certain conditions. Beginning on the opening date, the Partnership will pay monthly royalty fees of four percent (4%) of the Hotel's gross room revenue for the preceding calendar month. The amount of the monthly fee is subject to change; however, the increase cannot exceed one percent of the Hotel gross room revenue in any calendar year, and the cumulative increases in the monthly fee will not exceed five percent of gross room revenue.

Prior to operating the Hotel as a Hilton hotel, the Partnership is required to make substantial renovations to the Hotel to meet Hilton standards in accordance with a product improvement plan ("PIP") agreed upon by Hilton and the Partnership, as well as complying with other brand standards. That project includes a complete renovation and upgrade of all of the Hotel's guestrooms, meeting rooms, common areas and restaurant and bar. The Partnership currently estimates that the cost of the renovation project will be approximately \$34 million. That amount includes approximately \$29 million

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for the actual cost of the renovations and approximately \$5 million for construction interest and estimated carrying costs of operations during the renovation period.

To meet its substantial financial commitments, the Partnership will have to rely on additional borrowings to meet its obligations. The Partnership believes that the value of the Hotel property will be adequate to serve as collateral to secure the necessary financing. That amount of leverage and the associated debt service will create additional risk for the Partnership and its ability to generate cash flows in the future since the Hotel asset has been virtually debt free for many years.

TEMPORARY CLOSURE OF HOTEL FOR RENOVATIONS

On March 15, 2005, the Partnership announced its decision to close down its Hotel operations effective May 31, 2005 to complete the renovations of the Hotel as required by the Hilton Franchise Agreement. The Partnership made this decision because of, among other things, the scope of the work in the common areas, engineering factors and potential environmental and safety issues which made it preferable to temporarily close the Hotel portion of the property. It is anticipated that the Hotel will be closed until the first part of 2006 before it reopens as the "Hilton San Francisco Financial District". The below ground parking garage and Tru Spa located on the lobby level of the Hotel, both of which are lessees of the Partnership, will remain open during the renovation work.

RECENT DEVELOPMENTS - NEW FINANCING

On July 27, 2005, Justice entered into a first mortgage loan (the "Prudential

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Loan") with The Prudential Insurance Company of America in a principal amount of \$30,000,000. The term of the Loan is for 120 months at a fixed interest rate of 5.22% per annum. The Loan calls for monthly installments of principal and interest in the amount of approximately \$165,100, calculated on a 360 month amortization schedule. The Loan is secured 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 Loan is without recourse to the limited and general partners of Justice.

On July 27, 2005, Justice also obtained a \$10,000,000 Revolving Line of Credit ("LOC") from United Commercial Bank. The term of the LOC is for 60 months at an annual interest rate equal to either The Wall Street Journal Prime Rate or LIBOR + 2%, as selected by Justice, and is secured by a second deed of trust on the Hotel property. Interest only is payable monthly with principal and accrued interest due at maturity.

From the proceeds of the Prudential Loan, the Partnership retired its existing line of credit in the approximate amount of \$7,436,000, including accrued interest, and paid off a short term unsecured line of credit from United Commercial Bank in the amount of \$2,007,000, including accrued interest.

Justice believes that the Prudential Loan and the LOC will provide sufficient financial resources for the Partnership to complete the substantial renovations to the Hotel required by its Franchise License Agreement with Hilton. Justice also believes that it will be able to meet its debt service and operating capital needs through the reopening of the Hotel in the early part of 2006.

For further information see Item 2 Description of Properties and Item 6 Management's Discussion and Analysis of Financial Condition and Results of Operations and Notes to Consolidated Financial Statements.

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COMPETITION

All of the properties owned by the Company are in areas where there is substantial competition. However, management believes that its apartments, hotel, and commercial properties are generally in a competitive position in their respective communities. The Company intends to continue upgrading and improving the physical condition of its existing properties and will consider selling existing properties, which the Company believes have realized their potential, and re-investing in properties that may require renovation but that offer greater appreciation potential.

The hotel had traditionally enjoyed a favorable year-round occupancy rate, but both occupancy and average daily room rates have suffered since fiscal year ended June 30, 2001. Newer and more upscale properties have opened in or near the Financial District, which provide greater amenities to its guests, making it difficult for the Hotel to compete. These competitors are now better positioned to attract both the business traveler and tourists.

Management believes that the Hotel could not continue to be competitive under the conditions it operated under while a Holiday Inn Select brand hotel. By terminating the Hotel Lease with Felcor, and taking over the operations of the Hotel, the Partnership now has greater ability to direct the future of the Hotel. The Hotel property is now approximately 25 years old, with no major renovations having been made to the Hotel property during that time. As discussed above, the Partnership is committed to make substantial improvements to almost every area of the Hotel before it reopens in the early part of 2006 as the Hilton San Francisco Financial District. The newly renovated Hotel will

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feature among other amenities: totally new guest rooms and suites; a new concierge lounge and common areas; modern and expanded meeting rooms; a new ballroom; an exciting, new restaurant and bar; a new fitness center; and the existing Tru Spa. The Partnership believes that this renovation project, coupled with the strength of the Hilton brand and reservation system, along with the hotel management expertise of Dow, will allow the Hotel to compete in the top levels of its market segment.

EMPLOYEES

As of June 30, 2005, the Company had a total of 12 full-time employees in its corporate office. Effective July 2002, the Company entered into a client service agreement with Administaff Companies II, L.P. ("Administaff"), a professional employer organization serving as an off-site, full service human resource department for its corporate office. Administaff personnel management services are delivered by entering into a co-employment relationship with the Company's employees. There are also approximately 34 employees at the Company's properties outside of the State of California that are subject to similar co-employment relationships with Administaff. The employees and the Company are not party to any collective bargaining agreement, and the Company believes that its employee relations are satisfactory.

Item 2. Description of Properties.

PROPERTIES

At June 30, 2005, the Company's investment in real estate consisted of properties located throughout the United States, but which are concentrated in Texas and Southern California. These properties include twenty two apartment complexes, two single-family houses as strategic investments, and two commercial real estate properties, one of which serves as the Company's

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corporate headquarters. Twenty one of the twenty two apartment complexes, the commercial property and the two single-family houses are completed and operating properties. One non-operating apartment complex is undergoing a major renovation.

The Company owns approximately 9.5 acres of unimproved real estate in Texas. The Company also owns an interest in a San Francisco hotel property through its subsidiaries' interest, in Justice Investors. In the opinion of management, each of the properties is adequately covered by insurance. None of the properties are subject to foreclosure proceedings or litigation other than that incurred in the normal course of business. The Company's rental property leases are short-term leases, with no lease extending beyond one year.

Las Colinas, Texas. The Las Colinas property is a water front apartment community along Beaver Creek that was developed in 1993 with 358 units on approximately 15.6 acres of land. The Company acquired the complex on April 30, 2004 for approximately \$27,145,000. As part of the purchase, an intangible asset of \$666,000 was recorded. This intangible asset was fully amortized straight-line over twelve months. Depreciation is recorded on the straight-line method, based upon an estimated useful life of 27.5 years. Real estate property taxes for the year ended June 30, 2005 were approximately \$932,000. The outstanding mortgage balance was approximately \$19,979,000 at June 30, 2005 and the maturity date of the mortgage is May 1, 2013.

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Morris County, New Jersey. The Morris County property is a two-story garden apartment complex that was completed in June 1964 with 151 units on approximately 8 acres of land. The Company acquired the complex on September 15, 1967 at an initial cost of approximately \$1,600,000. Real estate property taxes for the year ended June 30, 2005 were approximately \$152,000. Depreciation is recorded on the straight-line method, based upon an estimated useful life of 40 years. The outstanding mortgage balance was approximately \$10,271,000 at June 30, 2005 and the maturity date of the mortgage is May 1, 2013.

St. Louis, Missouri. The St. Louis property is a two-story project with 264 units on approximately 17.5 acres. The Company acquired the complex on November 1, 1968 at an initial cost of \$2,328,000. For the year ended June 30, 2005, real estate property taxes were approximately \$138,000. Depreciation is recorded on the straight-line method, based upon an estimated useful life of 35 years. The outstanding mortgage balance was approximately \$5,454,000 at June 30, 2005 and the maturity date of the mortgage is July 1, 2008.

Florence, Kentucky. The Florence property is a three-story apartment complex with 157 units on approximately 6.0 acres. The Company acquired the property on December 20, 1972 at an initial cost of approximately \$1,995,000. For the year ended June 30, 2005, real estate property taxes were approximately \$46,000. Depreciation is recorded on the straight-line method, based upon an estimated useful life of 40 years. The outstanding mortgage balance was approximately \$4,200,000 at June 30, 2005 and the maturity date of the mortgage is June 30, 2015.

Irving, Texas. The Company's Irving properties consist of two apartment complexes. The first apartment complex is a two-story apartment with 224 units on approximately 9.9 acres. The Company acquired the property on September 16, 1994 at an initial cost of approximately \$4,150,000. For the year ended June 30, 2005, real estate property taxes were approximately \$188,000. Depreciation is recorded on the straight-line method, based upon an estimated useful life of 30 years. The outstanding mortgage balance was

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approximately \$4,185,000 at June 30, 2005 and the maturity date of the mortgage is January 1, 2008.

The second apartment complex consists of two-story town homes with 54 units on approximately 3.0 acres. The Company acquired the property on November 3, 2000 at an initial cost of approximately \$1,980,000. For the year ended June 30, 2005, real estate property taxes were approximately \$51,000. Depreciation is recorded on the straight-line method, based upon an estimated useful life of 39 years. The outstanding mortgage balance of \$1,182,000 was paid off in August 2004.

San Antonio, Texas. The San Antonio property is a two-story project with 132 units on approximately 4.3 acres. The Company acquired the complex on June 29, 1993 for \$2,752,000. For the year ended June 30, 2005, real estate taxes were approximately \$125,000. Depreciation is recorded on the straight-line method, based upon an estimated useful life of 30 years. The outstanding mortgage balance was approximately \$2,993,000 at June 30, 2005 and the maturity date of the mortgage is December 1, 2008.

Austin, Texas. The Company's Austin properties consist of two apartment complexes. The first Austin property is a two-story project with 249 units on approximately 7.8 acres. The Company acquired the complex on November 18,

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1999 for \$4,150,000. The Company also acquired an adjacent complex with 59 units on January 8, 2002 for \$1,681,000. For the year ended June 30, 2005, real estate taxes were approximately \$138,000. Depreciation is recorded on the straight-line method, based upon an estimated useful life of 30 years. The outstanding mortgage balance was approximately \$7,884,000 at June 30, 2005 and the maturity date of the mortgage is July 1, 2023. The Company also owns approximately 6 acres of land adjacent to this property.

The second apartment complex consists of a two-story project with 112 units on 3.7 acres. The Company acquired the complex on September 5, 2001 for \$3,824,000. For the period ended June 30, 2005, real estate taxes were approximately \$80,000. Depreciation is recorded on the straight-line method, based upon an estimated useful life of 40 years. The outstanding mortgage balance was approximately \$2,190,000 at June 30, 2005 and the maturity date of the mortgage is September 1, 2009. This property was sold in August 2005.

Los Angeles, California. The Company owns two commercial properties, thirteen apartment complexes, and two single-family houses in the general area of West Los Angeles.

The first Los Angeles commercial property is a 5,500 square foot, two story building that serves as the Company's corporate offices. The Company acquired the building on March 4, 1999 for \$1,876,000. The property taxes for the year ended June 30, 2005 were approximately \$24,000. Depreciation is recorded on the straight-line method, based upon an estimated useful life of 30 years. The outstanding mortgage balance was approximately \$1,173,000 at June 30, 2005 and the maturity date of the mortgage is April 15, 2009.

The second Los Angeles commercial property is a 5,900 square foot commercial building. The Company acquired the building on September 15, 2000 for \$1,758,000. The property taxes for the year ended June 30, 2005 were approximately \$11,000. Depreciation is recorded on the straight-line method, based upon an estimated useful life of 39 years. The outstanding mortgage balance was approximately \$791,000 at June 30, 2005 and the maturity date of the mortgage is December 15, 2013.

The first Los Angeles apartment complex is a 10,600 square foot two-story apartment with 12 units. The Company acquired the property on July 30, 1999 at an initial cost of approximately \$1,305,000. For the year ended June 30,

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2005, real estate property taxes were approximately \$16,000. Depreciation is recorded on the straight-line method, based upon an estimated useful life of 30 years. The outstanding mortgage balance was approximately \$1,027,000 at June 30, 2005 and the maturity date of the mortgage is December 1, 2018.

The second Los Angeles apartment complex is a 29,000 square foot three-story apartment with 27 units. This complex is held by Intergroup Woodland Village, Inc. ("Woodland Village"), which is 55.4% and 44.6% owned by Santa Fe and the Company, respectively. The property was acquired on September 29, 1999 at an initial cost of approximately \$4,075,000. For the year ended June 30, 2005, real estate property taxes were approximately \$50,000. Depreciation is recorded on the straight-line method, based upon an estimated useful life of 30 years. The outstanding mortgage balance was approximately \$1,837,000 at June 30, 2005 and the maturity date of the mortgage is October 1, 2029.

The third Los Angeles apartment complex is a 12,700 square foot apartment with 14 units. The Company acquired the property on October 20, 1999 at an initial cost of approximately \$2,150,000. For the year ended June 30, 2005, real estate property taxes were approximately \$29,000. Depreciation is recorded on

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the straight-line method, based upon an estimated useful life of 30 years. The outstanding mortgage balance was approximately \$1,084,000 at June 30, 2005 and the maturity date of the mortgage is December 1, 2029.

The fourth Los Angeles apartment complex is a 10,500 square foot apartment with 9 units. The Company acquired the property on November 10, 1999 at an initial cost of approximately \$1,675,000. For the year ended June 30, 2005, real estate property taxes were approximately \$22,000. Depreciation is recorded on the straight-line method, based upon an estimated useful life of 30 years. The outstanding mortgage balance was approximately \$810,000 at June 30, 2005 and the maturity date of the mortgage is December 31, 2029.

The fifth Los Angeles apartment complex is a 26,100 square foot two-story apartment with 31 units. The Company acquired the property on May 26, 2000 at an initial cost of approximately \$7,500,000. For the year ended June 30, 2005, real estate property taxes were approximately \$86,000. Depreciation is recorded on the straight-line method, based upon an estimated useful life of 30 years. The outstanding mortgage balance was approximately \$4,085,000 at June 30, 2005 and the maturity date of the mortgage is August 1, 2033.

The sixth Los Angeles apartment complex is a 27,600 square foot two-story apartment with 30 units. The Company acquired the property on July 7, 2000 at an initial cost of approximately \$4,411,000. For the year ended June 30, 2005, real estate property taxes were approximately \$58,000. Depreciation is recorded on the straight-line method, based upon an estimated useful life of 39 years. In June 2003, the operations of this property stopped and in December 2003, major renovations of the property began. In May 2004, the Company paid off the mortgage in the amount of \$2,576,000 and obtained a new construction loan in the amount of \$6,268,000 as part of the renovation of the property. As of June 30, 2005, the balance of the construction loan was approximately \$5,133,000 and the maturity of the loan is April 1, 2006.

The seventh Los Angeles apartment complex is a 3,000 square foot apartment with 4 units. The Company acquired the property on July 19, 2000 at an initial cost of approximately \$1,070,000. For the year ended June 30, 2005, real estate property taxes were approximately \$14,000. Depreciation is recorded on the straight-line method, based upon an estimated useful life of 39 years. The outstanding mortgage balance was approximately \$434,000 at June 30, 2005 and the maturity date of the mortgage is August 1, 2030.

The eighth Los Angeles apartment complex is a 4,500 square foot two-story apartment with 4 units. The Company acquired the property on July 28, 2000 at

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an initial cost of approximately \$1,005,000. For the year ended June 30, 2005, real estate property taxes were approximately \$13,000. Depreciation is recorded on the straight-line method, based upon an estimated useful life of 39 years. The outstanding mortgage balance was approximately \$722,000 at June 30, 2005 and the maturity date of the mortgage is December 1, 2018.

The ninth Los Angeles apartment complex is a 7,500 square foot apartment with 7 units. The Company acquired the property on August 9, 2000 at an initial cost of approximately \$1,308,000. For the year ended June 30, 2005, real estate property taxes were approximately \$17,000. Depreciation is recorded on the straight-line method, based upon an estimated useful life of 39 years. The outstanding mortgage balance was approximately \$1,061,000 at June 30, 2005 and the maturity date of the mortgage is December 1, 2018.

The tenth Los Angeles apartment complex is a 4,700 square foot two-story apartment with 5 units. The Company acquired the property on August 15, 2000

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at an initial cost of approximately \$997,000. For the year ended June 30, 2005, real estate property taxes were approximately \$13,000. Depreciation is recorded on the straight-line method, based upon an estimated useful life of 39 years. The outstanding mortgage balance was approximately \$663,000 at June 30, 2005 and the maturity date of the mortgage is December 1, 2018.

The eleventh Los Angeles apartment complex is a 32,800 square foot two-story apartment with 24 units. The Company acquired the property on March 8, 2001 at an initial cost of approximately \$2,859,000. For the year ended June 30, 2005, real estate property taxes were approximately \$38,000. Depreciation is recorded on the straight-line method, based upon an estimated useful life of 39 years. The outstanding mortgage balance was approximately \$1,717,000 at June 30, 2005 and the maturity date of the mortgage is April 1, 2031.

The twelfth Los Angeles apartment complex is a 13,000 square foot two-story apartment with 8 units. The Company acquired the property on May 1, 2001 at an initial cost of approximately \$1,206,000. For the year ended June 30, 2005, real estate property taxes were approximately \$16,000. Depreciation is recorded on the straight-line method, based upon an estimated useful life of 39 years. The outstanding mortgage balance was approximately \$565,000 at June 30, 2005 and the maturity date of the mortgage is November 1, 2029.

The thirteenth Los Angeles apartment complex, which is owned 100% by the Company's subsidiary Santa Fe, is a 4,200 square foot two-story apartment with 2 units. Santa Fe acquired the property on February 1, 2002 at an initial cost of approximately \$785,000. For the year ended June 30, 2005, real estate property taxes were approximately \$10,000. Depreciation is recorded on the straight-line method based upon an estimated useful life of 39 years. The outstanding mortgage balance was approximately \$443,000 at June 30, 2005 and the maturity date of the mortgage is February 1, 2032.

The first Los Angeles single-family house is a 2,771 square foot home. The Company acquired the property on November 9, 2000 at an initial cost of approximately \$660,000. For the year ended June 30, 2005, real estate property taxes were approximately \$8,000. Depreciation is recorded on the straight-line method, based upon an estimated useful life of 39 years. The outstanding mortgage balance was approximately \$467,000 at June 30, 2005 and the maturity date of the mortgage is December 1, 2030.

The second Los Angeles single-family house is a 2,201 square foot home. The Company acquired the property on August 22, 2003 at an initial cost of approximately \$700,000. For the year ended June 30, 2005, real estate property taxes were approximately \$10,000. Depreciation is recorded on the straight-line method, based upon an estimated useful life of 39 years. The

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outstanding mortgage balance was approximately \$514,000 at June 30, 2005 and the maturity date of the mortgage is November 1, 2033.

San Francisco, California Hotel.

The San Francisco, California Hotel property owned by the Partnership is located near the Financial District, one block from the Transamerica Pyramid. The Embarcadero Center is within walking distance. Chinatown is directly across the bridge that runs from the hotel to Portsmouth Square Park. The hotel is a 31-story (including parking garage), steel and concrete, A-frame building, which contains 565 guest rooms situated on 22 floors as well as a 5,400 square foot Tru Spa health and beauty spa on the lobby level. The third floor houses the Chinese Culture Center. Other features of the Hotel include

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a rooftop swimming pool, 5-storied underground garage and pedestrian bridge across Kearny Street connecting the hotel and the Chinese Culture Center with Portsmouth Square Park in Chinatown. The bridge, built and owned by the partnership, is included in the lease to the Chinese Culture Center. In the opinion of management the property is adequately covered by insurance.

As discussed above, the Hotel Lease with Felcor was terminated, effective June 30, 2004, pursuant to the terms of a Settlement Agreement. At that time, possession and operations of the Hotel reverted to the Partnership. On May 31, 2005, the Hotel portion of the property was temporarily closed for extensive renovations to meet the requirements of the Hilton Franchise Agreement. The below ground parking garage and Tru Spa located on the lobby level of the Hotel, both of which are lessees of the Partnership, will remain open during the renovation work.

REAL ESTATE INVESTMENT POLICIES

The most significant investment activity of the Company has been to acquire, renovate, operate, and when appropriate, sell income-producing real estate. Through its marketable securities portfolio, the Company has indirectly invested in additional real estate related investments such as hotels and office buildings.

The Company is presently looking for new real estate investment opportunities and plans to continue to concentrate its real estate investments in developed properties. The acquisition of new real estate investments will depend on the Company's ability to find suitable investment opportunities and the availability of sufficient financing to acquire such investments. The Company plans to borrow funds to leverage its investment capital. The amount of the mortgage debt will depend on a number of factors including, but not limited to, the availability of financing and the ability of projected property cash flows to support its operations and debt service.

MORTGAGES

Information with respect to mortgage notes payable of the Company is set forth in Note 5 of the Notes to Consolidated Financial Statements.

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ECONOMIC AND PHYSICAL OCCUPANCY RATES

The Company leases units in its residential rental properties on a short-term basis, with no lease extending beyond one year. The economic occupancy gross potential rent less vacancy loss, bad debt, discounts and concessions divided by gross potential rent) and the physical occupancy(units occupied by tenant) for each of the Company's operating properties for fiscal year ended June 30, 2005 are provided below.

Property -----	Economic Occupancy -----	Physical Occupancy -----
Apartments:		
1. Las Colinas, TX	76%	96%
2. Morris County, NJ	92%	96%
3. St. Louis, MO	83%	89%

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4. Florence, KY	86%	97%
5. Irving, TX (1)	78%	90%
6. Irving, TX (2)	46%	28%
7. San Antonio, TX	90%	92%
8. Austin, TX (1)	77%	92%
9. Austin, TX (2)	80%	100%
10. Los Angeles, CA (1)	73%	83%
11. Los Angeles, CA (2)	95%	100%
12. Los Angeles, CA (3)	92%	93%
13. Los Angeles, CA (4)	98%	100%
14. Los Angeles, CA (5)	83%	90%
15. Los Angeles, CA (6)	85%	75%
16. Los Angeles, CA (7)	*	*
17. Los Angeles, CA (8)	91%	100%
18. Los Angeles, CA (9)	84%	86%
19. Los Angeles, CA (10)	93%	100%
20. Los Angeles, CA (11)	83%	96%
21. Los Angeles, CA (12)	81%	100%
22. Los Angeles, CA (13)	100%	100%

*This property is not in operation and is currently undergoing major renovations.

MANAGEMENT OF THE PROPERTIES

The Company may engage third party management companies as agents to manage certain of Company's residential rental properties. Effective May 1, 2005, the Company entered into third party management agreements (the "Agreements") with Morrison, Ekre & Bart Management Services, Inc. ("MEB") for property management services for five of its Texas apartment complexes, which are located in Austin, Irving and San Antonio. The Agreements provide for a management fee equal to two and one-half percent of the gross monthly receipts of each property and are for a term of two years, but can be terminated by either party upon thirty days written notice. Should the Company elect to terminate any of the Agreements, prior to the two year term, it would be obligated to pay to MEB a sum equal to a one month management fee. Subsequent to year end, the MEB Agreements were terminated on August 31, 2005, at which time the Company resumed direct management of those Texas properties.

Effective August 1, 2005, the Company entered into a Management Agreement with Century West Properties, Inc. ("Century West") to act as an agent of the Company to rent and manage all of the Company's residential rental properties in the Los Angeles, California area. The Management Agreement with Century

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West is for a term of twelve months ending on July 31, 2006 and will continue thereafter on a month-to-month basis, unless terminated upon 30 days prior written notice. The Management Agreements provide for a monthly fee equal to 4% of the monthly gross receipts from the properties with resident managers and a fee of 4 1/2% of monthly gross receipts for properties without resident managers. Century West is also entitled to reimbursement of any actual operating and maintenance costs advanced on behalf of the Company and is entitled to a fee of 5% for overhead and supervision of major improvements and a charge of 10% of the direct costs for overhead/supervision of a major remodeling project.

MARKETABLE SECURITIES INVESTMENT POLICIES

In addition to real estate, the Company also invests from time to time in

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income producing instruments, corporate debt and equity securities, mortgage backed securities, securities issued by REIT's and other companies which invest primarily in real estate.

The Company's securities investments are made under the supervision of a Securities Investment Committee of the Board of Directors. The Committee currently has three members and is chaired by the Company's Chairman of the Board and President, John V. Winfield. The Committee has delegated authority to manage the portfolio to the Company's Chairman and President together with such assistants and management committees he may engage. The Committee has established investment guidelines for the Company's investments. These guidelines presently include: (i) corporate equity securities should be listed on the New York or American Stock Exchanges or the Nasdaq NMS Market; (ii) securities should be priced above \$5.00 per share; and (iii) investment in a particular issuer should not exceed 5% of the market value of the total portfolio. The investment policies do not require the Company to divest itself of investments, which initially meet these guidelines but subsequently fail to meet one or more of the investment criteria. Non-conforming investments require the approval of the Securities Investment Committee. The Committee has in the past approved non-conforming investments and may in the future approve non-conforming investments. The Securities investment Committee may modify these guidelines from time to time.

The Company's investment portfolio is diversified with 63 different equity securities. The Company has four individual positions that comprise more than 5% of the equity value of the portfolio with the largest being 15.3% of the value of the portfolio. The amount of the Company's investment in any particular issue may increase or decrease, and additions or reductions 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 reductions in other positions. Marketable securities are stated at market value as determined by the most recently traded price of each security at the balance sheet date. As of June 30, 2005, the market value of the Company's marketable securities was \$24,033,000.

The Company may also invest, with the approval of the Securities Investment Committee, in unlisted companies, through private placements. Those investments in non-marketable securities are carried at cost on the Company's balance sheet as part of other investments and are reviewed for impairment on a periodic basis.

As part of its investment strategies, the Company may assume short positions in marketable securities. Short sales are used by the Company to potentially offset normal market risks undertaken in the course of its investing

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activities or to provide additional return opportunities. As of June 30, 2005, the Company had obligations for securities sold (equities short) of \$5,257,000 and had no naked short positions.

In addition, the Company may utilize margin for its marketable securities purchases through the use of standard margin agreements with national brokerage firms. The use of available leverage is guided by the business judgment of management and is subject to any internal investment guidelines, which may be imposed by the Securities Investment Committee. The margin used by the Company may fluctuate depending on market conditions. The use of leverage could be viewed as risky and the market values of the portfolio may be subject to large fluctuations. As of June 30, 2005, the Company had a

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margin balance of \$6,726,000 and incurred \$904,000 and \$1,437,000 in margin interest expense during the year ended June 30, 2005 and June 30, 2004, respectively.

On July 18, 2003, the disinterested members of the respective Boards of Directors of the Company's subsidiary, Santa Fe and Santa Fe's subsidiary, Portsmouth, established a performance based compensation program for the Company's CEO, John V. Winfield, to keep and retain his services as a direct and active manager of the securities portfolios of those companies. On January 12, 2004, the disinterested members of the Securities Investment Committee of InterGroup also established a performance based compensation program for Mr. Winfield, which was ratified by the Board of Directors. The terms of that compensation arrangement is discussed in detail in Item 10 "Executive Compensation" of this Report. During fiscal years ended June 30, 2005 and June 30, 2004, the Company and its subsidiaries paid \$320,000 and \$2,077,000 respectively, to the Company's CEO as performance based compensation related to the management of the securities portfolios.

As Chairman of the Securities Investment Committee, the Company's President and Chief Executive officer, John V. Winfield, directs the investment activity of the Company in public and private markets pursuant to authority granted by the Board of Directors. Mr. Winfield also serves as Chief Executive Officer and Chairman of Santa Fe and Portsmouth and oversees the investment activity of those companies. Depending on certain market conditions and various risk factors, the Chief Executive Officer, his family, Santa Fe and Portsmouth 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 Santa Fe and Portsmouth, at risk in connection with investment decisions made on behalf of the Company.

Item 3. Legal Proceedings

The Company is not subject to any legal proceedings requiring disclosure under this Item.

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

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this Report.

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PART II

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

The Company's Common Stock is traded on The National Market System of the Nasdaq Stock Market, Inc. ("Nasdaq-NMS") under the symbol "INTG". It is also listed on the Pacific Exchange, Inc. The following table sets forth the high and low sales prices (adjusted for stock splits) for the Company's common shares for each quarter of the last two fiscal years.

Fiscal 2005 -----	High -----	Low -----
First Quarter 7/1 - 9/30	\$14.96	\$11.15
Second Quarter 10/1 - 12/31	\$14.31	\$12.50

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Third Quarter 1/1 - 3/31	\$15.20	\$13.41
Fourth Quarter 4/1 - 6/30	\$19.10	\$14.75

Fiscal 2004 -----	High -----	Low -----
First Quarter 7/1 - 9/30	\$13.23	\$ 9.45
Second Quarter 10/1 - 12/31	\$12.87	\$11.40
Third Quarter 1/1 - 3/31	\$12.65	\$10.60
Fourth Quarter 4/1 - 6/30	\$13.33	\$10.50

As of September 12, 2005, there were approximately 560 shareholders of record and more than 1,400 beneficial holders of the Company's Common Stock.

DIVIDENDS

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

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SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS.

The following table sets forth information as of June 30, 2005, with respect to compensation plans (including individual compensation arrangements) under which equity securities of the Company are authorized for issuance, aggregated as follows:

Plan category	Securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options warrants and rights (b)	Remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	378,000	\$9.66	72,000
Equity compensation plans not approved by security holders	None	N/A	None
Total	378,000	\$9.66	72,000

SMALL BUSINESS ISSUER PURCHASES OF EQUITY SECURITIES

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2005 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 (April 1- April 30)	-	-	-	96,441
Month #2 (May 1- May 31)	-	-	-	96,441
Month #3 (June 1- June 30)	-	-	-	96,441
Total	-	-	-	96,441

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 6. Management Discussion and Analysis of Financial Condition and Results of Operations.

INTRODUCTION

The discussion below and elsewhere in the Report includes forward-looking statements about the future business results and activities of the Company, which, by their very nature, involve a number of risks and uncertainties. When used in this discussion, the words "estimate", "project", "anticipate" and similar expressions, are subject to certain risks and uncertainties, such as the impact of terrorism and war on the national and international economies, including tourism and the securities markets, changes in general economic conditions, local real estate markets, and competition, as well as uncertainties relating to uninsured losses, securities markets, and litigation, including those discussed below that could cause actual results to differ materially from those projected. Readers are cautioned not to place undue reliance on these forward-looking statements. The Company undertakes no obligation to publicly release the results of any revisions to those forward-looking statements, which may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

RECENT DEVELOPMENTS

In August 2005, the Company sold its 112-unit apartment complex located in Austin, Texas for \$4,400,000.

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On July 27, 2005, Justice entered into a first mortgage loan (the "Prudential Loan") with The Prudential Insurance Company of America in a principal amount of \$30,000,000. The term of the Loan is for 120 months at a fixed interest rate of 5.22% per annum. The Loan calls for monthly installments of principal and interest in the amount of approximately \$165,100, calculated on a 360 month amortization schedule. The Loan is secured 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 Loan is without recourse to the limited and general partners of Justice.

On July 27, 2005, Justice also obtained a \$10,000,000 Revolving Line of Credit ("LOC") from United Commercial Bank. The term of the LOC is for 60 months at an annual interest rate equal to either The Wall Street Journal Prime Rate or LIBOR + 2%, as selected by Justice, and is secured by a second deed of trust on the Hotel property. Interest only is payable monthly with principal and accrued interest due at maturity.

From the proceeds of the Prudential Loan, the Partnership retired its existing line of credit in the approximate amount of \$7,436,000, including accrued interest, and paid off a short term unsecured line of credit from United Commercial Bank in the amount of \$2,007,000, including accrued interest.

Justice believes that the Prudential Loan and the LOC will provide sufficient financial resources for the Partnership to complete the substantial renovations to the Hotel required by its Franchise License Agreement with Hilton. Justice also believes that it will be able to meet its debt service and operating capital needs through the reopening of the Hotel in the early part of 2006.

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RESULTS OF OPERATIONS

For the Year Ended June 30, 2005 as compared to June 30, 2004.

The Company had a net loss of \$3,128,000 for the year ended June 30, 2005 compared to net income of \$3,071,000 for the year ended June 30, 2004. The significant change is primarily attributable to the change in net investment gains(losses) from marketable securities, the change in the equity in net income(loss) of Justice Investors and the increase in the loss from real estate operations. These changes were partially offset by the gain on sale of real estate in the current fiscal year, the decrease in margin interest and trading expenses, the reduction in the impairment loss on other investments, the decrease in general and administrative expenses, the change in the tax provision from a tax expense to a tax benefit and the change in the minority interest.

The loss from real estate operations increased to \$1,723,000 for the year ended June 30, 2005 from \$1,183,000 for the year ended June 30, 2004 primarily due to the increase in the amortization of the intangible asset to \$555,000 from \$111,000, the loss on early extinguishment of debt of \$160,000 recognized in the current year partially offset by the overall decrease in operating expenses as a percentage of rental income to 42% from 46%. Rental income increased to \$12,966,000 from \$9,926,000 due to the inclusion of a full year's of rental income from the 358-unit Las Colinas, Texas property purchased in April 2004. The increase in the amortization of the intangible asset to \$555,000 from \$111,000 is due to the 10 months of amortization expense recorded in the current year as compared to 2 months recorded in the comparable prior year. This intangible asset was acquired along with the purchase of the Las Colinas, Texas property. The \$160,000 loss on early termination of debt in the

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current year is related to the early pay-off of a \$1,182,000 mortgage on the Company's 54-unit property located in Irving, Texas in August 2004. The increase in the mortgage interest and depreciation expenses is the result of the full year operation of the Las Colinas, Texas property in the current year. These expenses as a percentage of rental income are consistent with the prior year. Real estate taxes increased as a percentage of income to 15% from 10% as the result of the recent purchase of the Las Colinas, Texas property. Properties purchased recently have higher taxable basis the purposes of calculating real estate taxes as compared to older properties.

In September 2004, the Company sold its 442-unit multi-family apartment complex located in Houston, Texas for \$11,850,000. The Company realized a gain on sale of real estate of \$6,006,000. This gain is reported under discontinued operations on the statement of operations.

Equity in net income(loss) of Justice Investors changed to a loss of \$2,303,000 for the year ended June 30, 2005 compared to income of \$3,136,000 for the year ended June 30, 2004. Effective July 1, 2004, Justice became the owner operator of the Hotel rather than a lessor. Thus, Partnership net income for fiscal 2005 includes the direct operating results of the Hotel, whereas in the prior year Justice received rental income from Felcor pursuant to a lease. The net operating loss from the hotel for fiscal 2005 was approximately \$1,734,000, while the Partnership received approximately \$2,617,000 in rent from the Hotel lease in fiscal 2004. Also, during fiscal 2004, a \$5,000,000 settlement payment was made to Justice from the Hotel lessee to resolve disputes regarding certain obligations of Felcor and others under the terms of the Hotel Lease. In addition, Justice received a payment in December 2003 from the hotel lessee in the amount \$296,000 for part of the replacement costs of the sloped window system of the Hotel. Those two nonrecurring payments were included as other income by Justice in fiscal 2004.

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During fiscal 2005, the Justice also recorded a \$1,991,000 loss on disposition of assets as the Hotel was closed for major renovations on May 31, 2005. It is anticipated that the Hotel will be closed until the first part of calendar year 2006 before it reopens as the "Hilton San Francisco Financial District". The below ground parking garage and Tru Spa located on the lobby level of the Hotel, both of which are lessees of the Partnership, will remain open during the renovation work. Partnership rental income from the parking garage decreased to approximately \$1,005,000 in fiscal 2005 from approximately \$1,274,000 in fiscal 2004, primarily due to the closure of the Hotel for the last month of the fiscal year and lower Hotel occupancy rates in fiscal 2005. A further drop off in garage rental income is expected while the Hotel is being renovated, with an anticipated increase in garage rental income after the Hotel reopens as a Hilton.

Net investment gains(losses) on marketable securities changed to net losses of \$4,874,000 for the year ended June 30, 2005 from net gains of \$13,722,000 for the year ended June 30, 2004 as result of the significant decline in the market value of the Company's investment portfolio during the current year. For the year ended June 30, 2005, the Company had net unrealized losses of \$7,734,000 and net realized gains of \$2,860,000. For the year ended June 30, 2004, the Company had net unrealized gains of \$4,181,000 and realized gains of \$9,541,000. Gains and losses on marketable securities and other investments may fluctuate significantly from period to period in the future and could have a significant impact on the Company's net income. However, the amount of gain or loss on marketable securities and other investments 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

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Securities section below.

During the year ended June 30, 2005, the Company recorded impairment losses of \$740,000 on other investments that were considered permanently impaired. In the comparable year, the Company recorded a impairment losses of \$1,155,000 related to other investments. These investments were determined to be impaired after review of their most recent financial statements and news releases.

Margin interest and trading expenses decreased to \$2,657,000 from \$4,629,000 primarily due to the decrease in the performance bonus granted to the Company's CEO based on the results of the Company's investment portfolio and the decrease in margin interest expense. During the year ended June 30, 2005, the CEO earned a performance bonus of \$320,000 compared with \$2,077,000 in the prior year. Margin interest expense also decreased to \$904,000 from \$1,437,000 in the prior year.

General and administrative expenses decreased to \$1,460,000 from \$1,892,000 as the result of management's effort to cut expenses across the board by reducing administrative staff. accounting related expenses and other general and administrative expenses.

The provision for income tax expense changed to a net tax benefit of \$2,668,000 from a net tax expense of \$3,515,000 as the result of the significant before tax loss of \$7,239,000 incurred in the current year as compared to the significant pretax income of \$8,407,000 generated in the prior year.

Minority interest expense(benefit) changed to a benefit of \$1,443,000 from an expense of \$1,821,000 as a result of significant loss incurred by the Company's subsidiary, Santa Fe during the current year as compared to income earned in the prior comparable year.

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MARKETABLE SECURITIES

The Company's securities investments are made under the supervision of a Securities Investment Committee of the Board of Directors. The Committee currently has three members and is chaired by the Company's Chairman of the Board and President, John V. Winfield. The Committee has delegated authority to manage the portfolio to the Company's Chairman and President together with such assistants and management committees he may engage. The Committee has established investment guidelines for the Company's investments. These guidelines presently include: (i) corporate equity securities should be listed on the New York or American Stock Exchanges or the Nasdaq NMS Market; (ii) securities should be priced above \$5.00 per share; and (iii) investment in a particular issuer should not exceed 5% of the market value of the total portfolio. The investment policies do not require the Company to divest itself of investments, which initially meet these guidelines but subsequently fail to meet one or more of the investment criteria. Non-conforming investments require the approval of the Securities Investment Committee. The Committee has in the past approved non-conforming investments and may in the future approve non-conforming investments. The Securities investment Committee may modify these guidelines from time to time.

The Company's investment portfolio is diversified with 63 different equity securities. The Company has four individual positions that comprise more than 5% of the equity value of the portfolio with the largest being 15.3% of the value of the portfolio. The amount of the Company's investment in any particular issue may increase or decrease, and additions or reductions to its

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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 reductions in other positions. Marketable securities are stated at market value as determined by the most recently traded price of each security at the balance sheet date. As of June 30, 2005, the market value of the Company's marketable securities was \$24,033,000.

The Company may also invest, with the approval of the Securities Investment Committee, in unlisted companies, through private placements. Those investments in non-marketable securities are carried at cost on the Company's balance sheet as part of other investments and are reviewed for impairment on a periodic basis.

As part of its investment strategies, the Company may assume short positions in marketable securities. Short sales are used by the Company to potentially offset normal market risks undertaken in the course of its investing activities or to provide additional return opportunities. As of June 30, 2005, the Company had obligations for securities sold (equities short) of \$5,257,000 and had no naked short positions.

In addition, the Company may utilize margin for its marketable securities purchases through the use of standard margin agreements with national brokerage firms. The use of available leverage is guided by the business judgment of management and is subject to any internal investment guidelines, which may be imposed by the Securities Investment Committee. The margin used by the Company may fluctuate depending on market conditions. The use of leverage could be viewed as risky and the market values of the portfolio may be subject to large fluctuations. As of June 30, 2005, the Company had a margin balance of \$6,726,000 and incurred \$904,000 and \$1,437,000 in margin interest expense during the year ended June 30, 2005 and June 30, 2004, respectively.

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The following table shows the composition of the Company's marketable securities by selected industry groups as of June 30, 2005.

Industry Group	Market Value	% of Total Investment Securities
-----	-----	-----
Telecommunications and media	\$ 7,303,000	30.4%
Insurance and banks	5,262,000	21.9%
REITs, lodging, home builders and hotels	3,494,000	14.5%
Chemicals, building materials, Machinery metals, mining and paper	2,603,000	10.8%
Electric, pipelines, oil and gas	1,739,000	7.2%
Retail, restaurants and consumer goods	1,016,000	4.3%
Other	2,616,000	10.9%
	-----	-----
	\$ 24,033,000	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 year ended June 30, 2005 and 2004.

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	2005	2004
	-----	-----
Net investment gains(losses)	\$ (4,874,000)	\$ 13,722,000
Impairment loss on other investments	(258,000)	(1,155,000)
Dividend & interest income	942,000	777,000
Margin interest	(904,000)	(1,437,000)
Trading expenses	(1,753,000)	(3,192,000)
	-----	-----
Investment income(loss)	\$ (6,847,000)	\$ 8,715,000
	=====	=====

FINANCIAL CONDITION AND LIQUIDITY

The Company's cash flows are generated primarily from its real estate activities, sales of investment securities and borrowings related to both. The Company generated cash flow of \$3,929,000 from operating activities, generated net cash flow of \$5,188,000 from investing activities, and used net cash flow of \$9,026,000 for financing activities during the year ended June 30, 2005.

In September 2004, the Company sold its 442-unit multi-family apartment complex located in Houston, Texas for \$11,850,000. The Company realized a gain of \$6,006,000 and received net proceeds of \$11,273,000 after selling costs and attorneys' fees. As a part of the sale of property, the Company paid off the related mortgage loan in the amount of \$9,864,000.

In August 2004, the Company purchased an approximately two acre parcel of unimproved land in Kihei, Maui, Hawaii for \$1,467,000. The land is included property held for development on the balance sheet. To facilitate the purchase of the land, the Company obtained a loan in the amount of \$750,000. The loan is for a term of three years at a floating interest rate equal to the bank's base rate (4.75% as of June 30, 2005) plus 1%. Interest only is payable monthly.

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During the year ended June 30, 2005, the Company improved properties in the aggregate amount of \$2,922,000. Management believes the improvements to the properties should enhance market values, maintain the competitiveness of the Company's properties and potentially enable the Company to obtain a higher yield through higher rents.

During the year ended June 30, 2005, the Company purchased 48,400 shares of Portsmouth stock for a total investment of \$1,499,000.

During the year ended June 30, 2005, the Company purchased 20,268 shares of Santa Fe stock for a total investment of \$197,000.

During the year ended June 30, 2005, the Company had new borrowings in the form of mortgages totaling \$6,703,000 and made principal payments on mortgages totaling \$16,002,000. The Company also borrowed from a line of credit in the amount of \$1,313,000.

In June 2005, the Company refinanced a loan in the amount of \$4,006,000 on its 157-unit Florence, Kentucky property and obtained a new mortgage in the amount of \$4,200,000. The loan is a 10 year fixed rate loan at 4.995%.

During the year ended June 30, 2005, the Company used additional construction loan proceeds of \$1,753,000 renovate its 30-unit apartment located in Los

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Angeles, California. As of June 30, 2005, the balance on the construction loan was \$5,133,000.

In August 2004, the Company repaid a mortgage in the amount of \$1,182,000 on its 54-unit multi-family apartment located in Irving, Texas. Related to the repayment of the mortgage, the Company incurred an early termination fee of \$160,000.

The Company's Board of Directors has given the Company the authority to repurchase, from time to time, shares of its Common Stock. Such repurchases may be made at the discretion of management and depending upon market conditions. During the year ended June 30, 2005, the Company acquired an additional 76,500 shares of its Common Stock for \$1,040,000. Approximately 96,000 shares remain eligible for the Company to repurchase under that authorization.

Subsequent to the fiscal year end, Justice entered into a first mortgage loan (the "Prudential Loan") with The Prudential Insurance Company of America in a principal amount of \$30,000,000 on July 27, 2005. The term of the Loan is for 120 months at a fixed interest rate of 5.22% per annum. The Loan calls for monthly installments of principal and interest in the amount of approximately \$165,100, calculated on a 360 month amortization schedule. The Loan is secured 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 Loan is without recourse to the limited and general partners of Justice.

On July 27, 2005, Justice also obtained a \$10,000,000 Revolving Line of Credit ("LOC") from United Commercial Bank. The term of the LOC is for 60 months at an annual interest rate equal to either The Wall Street Journal Prime Rate or LIBOR + 2%, as selected by Justice, and is secured by a second deed of trust on the Hotel property. Interest only is payable monthly with principal and accrued interest due at maturity.

From the proceeds of the Prudential Loan, the Partnership retired its existing line of credit in the approximate amount of \$7,436,000, including accrued

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interest, and paid off a short term unsecured line of credit from United Commercial Bank in the amount of \$2,007,000, including accrued interest.

The Justice believes that the Prudential Loan and the LOC will provide sufficient financial resources for the Partnership to complete the substantial renovations to the Hotel required by its Franchise License Agreement with Hilton. Justice also believes it will be able to meet its debt service and operating capital needs through the reopening of the Hotel in the early part of 2006.

That additional amount of leverage related to the Prudential Loan and the utilization of the LOC and the associated debt service will create additional risk for the Partnership and its ability to generate cash flows in the future since the Hotel asset has been virtually debt free for many years. The Partnership does not anticipate paying any partnership distributions until some time after operations commence under the Hilton brand and net income and capital requirements warrant such distributions. As a result, the Company may have to depend more on the revenues generated from the investment of its cash and securities assets during that transition period.

Management anticipates that the net cash flow generated from future operating activities will be sufficient to meet its operating and long-term debt service

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requirements.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off balance sheet arrangements.

CONTRACTUAL OBLIGATIONS

The Company's contractual obligations and commercial commitments are its mortgages. The annual principal payments on the mortgages for the five-year period and thereafter commencing July 1, 2005 are approximately as follows:

Year ending June 30,	
2006	\$ 6,256,000
2007	1,192,000
2008	2,015,000
2009	1,301,000
2010	1,296,000
Thereafter	68,372,000

Total	\$80,432,000
	=====

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.

The Company's revenue from its interest in Justice Investors is primarily dependent on hotel revenues. Hotel room rates are typically impacted by supply and demand factors, not inflation, because rental of a hotel room is usually for a limited number of nights. Room rates are usually adjusted to account for inflationary cost increases; therefore, the impact of inflation should be minimal.

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CRITICAL ACCOUNTING POLICIES

The Company reviews its long-lived assets including its investment in real estate and other investments for impairment when circumstances indicate that a potential loss in carrying value may have occurred. To the extent that projected future undiscounted cash flows from the operation of the hotel property, owned through the Company's investment in Justice Investors, and rental properties are less than the carrying value of the assets, the carrying value of the assets are reduced to their fair value. For other investments, the Company reviews the investment's operating results, financial position and other relevant factors to determine whether the estimated fair value of the asset is less than the carrying value of the asset.

In March 2004, the EITF ratified its consensus on Issue No. 03-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments (EITF 03-1). On September 30, 2004, the Financial Accounting Standard Board (FASB) issued a final FASB Staff Position, FSP EITF Issue 03-1-1 that delays the effective date for the measurement and recognition guidance included in EITF 03-1. Disclosures required by EITF 03-1 have not been deferred and the

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Company has adopted those disclosures.

Marketable securities are stated at market value as determined by the most recently traded price of each security at the balance sheet date. Marketable securities are classified as trading with net change in unrealized gains or losses included in earnings. The Company's other accounting policies are straightforward in their application.

Item 7. Financial Statements.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Shareholders of The InterGroup Corporation:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, shareholders' equity and cash flows present fairly, in all material respects, the financial position of The InterGroup Corporation at June 30, 2005, and the results of its operations and its cash flows for each of the two years in the period ended June 30, 2005 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 7 to the financial statements, the Company has restated its June 30, 2003 shareholders' equity.

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/s/ PricewaterhouseCoopers LLP

Irvine, California
October 17, 2005

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THE INTERGROUP CORPORATION
CONSOLIDATED BALANCE SHEET

As of June 30,	2005
ASSETS	
Investment in real estate, at cost:	
Land	\$ 22,899,000
Buildings, improvements and equipment	67,278,000
Less: accumulated depreciation	(19,235,000)

Property held for sale or development	70,942,000

	14,924,000

	85,866,000
Investment in Justice Investors	9,522,000
Cash and cash equivalents	868,000
Restricted cash	2,981,000
Investment in marketable securities	24,033,000
Prepaid expenses and other assets	4,035,000

Total Assets	\$ 127,305,000
	=====
LIABILITIES AND SHAREHOLDERS' EQUITY	
Liabilities:	
Mortgage notes payable	\$ 80,432,000
Due to securities brokers	6,726,000
Obligation for securities sold	5,257,000
Line of credit	6,313,000
Accounts payable and other liabilities	3,512,000
Deferred income taxes	6,300,000

Total Liabilities	108,540,000

Minority Interest	6,624,000

Commitments and Contingencies	
Shareholders' Equity:	
Preferred stock, \$.01 par value, 2,500,000 shares authorized; none issued	-
Common stock - Class A, \$.01 par value, 2,500,000 shares authorized; none issued	-
Common stock, \$.01 par value, 4,000,000 shares authorized; 3,193,745 shares issued and 2,420,186 outstanding	21,000
Additional paid-in capital	8,686,000
Retained earnings	11,273,000
Treasury stock, at cost, 773,559 shares	(7,839,000)

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Total Shareholders' Equity	----- 12,141,000 -----
Total Liabilities and Shareholders' Equity	\$ 127,305,000 =====

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

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THE INTERGROUP CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

For the Year Ended June 30,	2005	2004
	-----	-----
Real estate operations:		
Rental income	\$ 12,966,000	\$ 9,926,000
Rental expenses:		
Property operating expenses	(5,701,000)	(4,933,000)
Mortgage interest expense	(3,818,000)	(3,120,000)
Real estate taxes	(1,994,000)	(1,123,000)
Depreciation	(2,461,000)	(1,822,000)
Amortization	(555,000)	(111,000)
Loss on early extinguishment of debt	(160,000)	-
	-----	-----
Loss from real estate operations	(1,723,000)	(1,183,000)
	-----	-----
Equity in net income(loss) of Justice Investors	(2,303,000)	3,136,000
	-----	-----
Investment transactions:		
Net investment gains(losses)	(4,874,000)	13,722,000
Impairment loss on other investments	(740,000)	(1,155,000)
Dividend and interest income	942,000	777,000
Margin interest and trading expenses	(2,657,000)	(4,629,000)
	-----	-----
Income(loss) from investment transactions	(7,329,000)	8,715,000
	-----	-----
Other income(expense):		
General and administrative expenses	(1,460,000)	(1,892,000)
Other income	121,000	143,000
	-----	-----
Other expense	(1,339,000)	(1,749,000)
	-----	-----
Income(loss) before provision for income taxes and minority interest	(12,694,000)	8,919,000
	-----	-----
Provision for income tax benefit(expense)	4,678,000	(3,729,000)
	-----	-----
Income(loss) before minority interest	(8,016,000)	5,190,000
Minority interest benefit(expense), net of tax	1,443,000	(1,821,000)
	-----	-----
Net income(loss) from continuing operations	\$ (6,573,000)	\$ 3,369,000
	-----	-----

Discontinued operations:

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Net loss on discontinued operations	\$ (614,000)	\$ (512,000)
Gain on sale of real estate	6,069,000	-
Provision for income tax benefit (expense)	(2,010,000)	214,000
	-----	-----
Income(loss) from discontinued operations	\$ 3,445,000	\$ (298,000)
	-----	-----
Net income (loss)	\$ (3,128,000)	\$ 3,071,000
	=====	=====
Income(loss) per share from continuing operations		
Basic	\$ (2.68)	\$ 1.34
Diluted	\$ (2.68)	\$ 1.19
	=====	=====
Income(loss) per share from discontinued operations		
Basic	\$ 1.40	\$ (0.12)
Diluted	\$ 1.22	\$ (0.12)
	=====	=====
Net (loss) income per share		
Basic	\$ (1.27)	\$ 1.22
Diluted	\$ (1.27)	\$ 1.08
	=====	=====
Weighted average number of shares outstanding	2,453,544	2,518,124
	=====	=====
Diluted weighted average number of shares outstanding	2,821,044	2,836,124
	=====	=====

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

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THE INTERGROUP CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common stock	Additional paid-in capital	Retained Earnings (restated)	Treasury Stock	Total
	-----	-----	-----	-----	-----
Balance at June 30, 2003	\$21,000	\$8,686,000	\$11,330,000	\$ (6,390,000)	\$13,647,000
Net income			3,071,000		3,071,000
Purchase of treasury stock				(409,000)	(409,000)
	-----	-----	-----	-----	-----
Balance at June 30, 2004	21,000	8,686,000	14,401,000	(6,799,000)	16,309,000
Net loss			(3,128,000)		(3,128,000)
Purchase of treasury stock				(1,040,000)	(1,040,000)
	-----	-----	-----	-----	-----

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Balance at					
June 30, 2005	\$21,000	\$8,686,000	\$11,273,000	\$ (7,839,000)	\$12,141,000
	=====	=====	=====	=====	=====

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

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THE INTERGROUP COPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Year Ended June 30,	2005	2004
	-----	-----
Cash flows from operating activities:		
Net income (loss)	\$ (3,128,000)	\$ 3,071,000
Adjustments to reconcile net income (loss) to cash (used in) provided by operating activities:		
Depreciation of real estate	2,461,000	1,822,000
Depreciation (discontinued operations)	443,000	893,000
Amortization of intangible asset	555,000	111,000
Gain on sale of real estate	(6,069,000)	-
Loss on early extinguishment of debt	160,000	-
Equity in net income of Justice Investors	2,303,000	(3,136,000)
Net unrealized gain on investments	7,734,000	(4,181,000)
Impairment loss on other investments	740,000	1,155,000
Minority interest	(1,443,000)	1,821,000
Changes in assets and liabilities:		
Restricted cash	572,000	(42,000)
Prepaid expenses and other assets	1,204,000	789,000
Investment in marketable securities	34,632,000	(7,289,000)
Other investments	(1,716,000)	(2,815,000)
Accounts payable and other liabilities	(958,000)	47,000
Due to securities broker	(15,719,000)	2,124,000
Obligations for securities sold	(16,328,000)	5,096,000
Deferred taxes	(1,516,000)	1,863,000
	-----	-----
Net cash provided by operating activities	3,927,000	1,329,000
	-----	-----
Cash flows from investing activities:		
Net proceeds from sale of real estate	11,273,000	-
Investment in real estate	(1,467,000)	(27,180,000)
Purchase of intangible asset	-	(666,000)
Additions to buildings, improvements and equipment	(2,920,000)	(2,152,000)
Investment in Santa Fe	(197,000)	(1,031,000)
Investment in Portsmouth	(1,499,000)	(210,000)
Distributions from Justice Investors	-	953,000
	-----	-----
Net cash provided by (used in) investing activities	5,190,000	(30,286,000)
	-----	-----
Cash flows from financing activities:		

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Borrowings from mortgage notes payable	6,703,000	31,656,000
Principal payments on mortgage notes payable	(16,002,000)	(8,201,000)
Borrowings from (repayment of) line of credit	1,313,000	5,000,000
Dividends paid to minority shareholders	-	(171,000)
Purchase of treasury stock	(1,040,000)	(409,000)
	-----	-----
Net cash provided by (used in) financing activities	(9,026,000)	27,875,000
	-----	-----
Net increase (decrease) in cash and cash equivalents	91,000	(1,082,000)
Cash and cash equivalents at beginning of period	777,000	1,859,000
	-----	-----
Cash and cash equivalents at end of period	\$ 868,000	\$ 777,000
	=====	=====

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

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THE INTERGROUP CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Business and Significant Accounting Policies and Practices:

Description of the Business

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

As of June 30, 2005 and 2004, the Company had the power to vote 76.9% and 75.2%, respectively, of the voting shares of Santa Fe Financial Corporation ("Santa Fe"), a public company (OTCBB: SFEF). Those percentages include 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), which derives its revenue primarily as a general partner and a 49.8% limited partner in Justice Investors, a California limited partnership ("Justice" or the "Partnership"). Justice owns the land, improvements and leaseholds commonly known as the Holiday Inn Select Downtown & Spa, a 565-room hotel in San Francisco, California (the "Hotel").

Principles of Consolidation

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions

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that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Investment in Real Estate

Investments in real estate are stated at cost. Depreciation of buildings, improvements and equipment is provided on the straight-line method based upon estimated useful lives of five to forty years for buildings and improvements and five to ten years for equipment. Expenditures for repairs and maintenance are charged to expense as incurred and improvements are capitalized.

In accordance with Statement of Financial Accounting Standards No. 144 (SFAS 144), "Accounting for Impairment or Disposal of Long-Lived Assets", the Company reviews its rental property assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If expected future cash flows (undiscounted and excluding interest costs) are less than the carrying value of the rental asset, the asset is written down to its fair value. The estimation of expected future net cash flows is inherently uncertain and relies to a considerable extent on assumptions regarding current and future economic and market conditions, and

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the availability of capital. If, in future periods, there are changes in the estimates or assumptions incorporated into the impairment review analysis, the changes could result in an adjustment to the carrying amount of the long-lived asset. No impairment losses have been recorded for the year ended June 30, 2005 and 2004.

Properties are classified as held for sale when management commits to a plan to sell the asset, the asset is available for immediate sale, an active program to locate a buyer has been initiated, the sale of the asset is probable, the sale of the asset is actively marketed and it is unlikely that significant changes to the sale plan will be made or withdrawn. As of June 30, 2005, the Company had six properties classified as held for sale.

Cash and Cash Equivalents

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

Restricted Cash

Restricted cash is comprised of amounts held by lenders for payment of real estate taxes, insurance, replacement reserves for the operating properties and tenant security deposits that are invested in certificates of deposit.

Marketable Securities

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

Other Investments

The Company may also invest, with the approval of the Securities Investment

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Committee, in unlisted companies, through private placements. Those investments in non-marketable securities are carried at the lower of cost or estimated fair value on the Company's balance sheet as part of other investments and reviewed for impairment on a periodic basis.

Due to Securities Broker

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

Obligation for Securities Sold

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

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Treasury Stock

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

Rental Income

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

Income Taxes

Deferred income taxes are determined using the liability method. A deferred tax asset or liability is determined based on the difference between the financial statement and tax basis of assets and liabilities as measured by statutory tax rates. Deferred tax expense is the result of changes in the asset and/or liability for deferred taxes.

Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents, restricted cash, marketable securities, other investments, mortgage notes payable, amounts due securities brokers and obligations for securities sold approximates fair value. The fair value of mortgage notes payable is estimated using discounted cash flows of future payments based on the borrowing rates available to the Company for debt with similar terms and maturities.

Stock-Based Compensation Plans

Effective December 15, 2002, the Company adopted Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure", which amends Statement of Financial Accounting

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Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS 148). In accounting for its plans, the Company, as allowable under the provisions of SFAS 148, applies Accounting Principles Board Opinions No. 25, "Accounting for Stock issued to Employees." As a result of this election, the Company does not recognize compensation expense for its stock option plans. For options issued in fiscal years 2005 and 2004, options are vested as of the grant date. Had the Company determined compensation cost based on the fair value for its stock options at grant date (based on 16,500 and 15,000 in fiscal years 2005 and 2004, respectively), net income(loss) and earnings(loss) per share would have been reduced to the pro forma amounts as follows:

	2005	2004
	-----	-----
Net income(loss)	\$(3,128,000)	\$ 3,071,000
Stock based employee Compensation expense*	(77,000)	(64,000)
	-----	-----
Pro forma net income(loss)	\$(3,205,000)	\$ 3,007,000
Earnings(loss) per share		
Basic as reported	\$ (1.27)	\$ 1.22
Basic pro forma	\$ (1.31)	\$ 1.19
Diluted as reported	\$ (1.27)	\$ 1.08
Diluted pro forma	\$ (1.31)	\$ 1.06

*Determined under fair value based on method for awards net of related tax effects (40%).

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The difference between the net income as reported and the pro forma net income is due to subtraction of the fair market value(net of tax effect) of the vested stock options of \$129,000 and \$107,000, respectively, for the fiscal years ended June 30, 2005 and 2004.

The Black-Scholes option pricing model was used with the following weighted-average assumptions for 2005; risk-free interest rate of 3.87%; dividend yield of 0%; expected Common Stock market price volatility factor of 24.60; and a weighted-average expected life of the options of 10 years. The weighted-average fair value of options granted in fiscal years 2005 and 2004 were \$7.83 and \$7.12 per share, respectively. The aggregate fair value of the options granted in fiscal years 2005 and 2004 were \$129,000 and \$107,000 respectively.

Earnings Per Share

Basic earnings per share is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding. The computation of diluted earnings 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. Stock options are included in diluted earnings per share by application of the treasury stock method. As of June 30, 2005, the Company had 367,500 stock options that were considered potentially dilutive common shares and 25,500 stock options that were considered anti-dilutive. These amounts were included in the calculation for diluted earnings per share.

2. Investment in Real Estate:

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At June 30, 2005, the Company's investment in real estate consisted of twenty six properties located throughout the United States. These properties include twenty two apartment complexes, two single-family houses as strategic investments, and two commercial real estate properties, one of which serves as the Company's corporate headquarters. Twenty one of the twenty two apartment complexes are completed, operating properties. The one non-operating apartment complex is undergoing a major renovation.

In September 2004, the Company sold its 442-unit multi-family apartment complex located in Houston, Texas for \$11,850,000. The Company realized a gain of \$6,006,000 and received net proceeds of \$11,273,000 after selling costs and attorneys' fees.

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 during the year or for properties for which the Company actively markets for sale at a price that is reasonable in relation to its market value, the properties are required to be classified as held for sale on the balance sheet and accounted for under discontinued operations in the statement of operations. The revenues and expenses from the operation of these properties have been reclassified from continuing operations for the year ended June 30, 2005 and 2004 and reported as income from discontinued operations in the consolidated statements of operations.

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As of June 30, 2005, the Company had six properties held for sale, two of the properties are located in Texas and the remaining four are located in California. The two Texas properties were sold in September 2004 and August 2005, respectively. The revenues and expenses from the operation for these six properties have been reclassified from continuing operations for the year ended June 30, 2005 and 2004 and reported as income from discontinued operations in the consolidated statements of operations.

Revenues and expenses from the operation of these properties for the year ended June 30, 2005 and 2004 are summarized as follows:

For the year ended June 30,	2005	2004
	-----	-----
Revenues	\$1,728,000	\$ 3,831,000
Expenses	(2,342,000)	(4,343,000)
	-----	-----
Net loss	(614,000)	(512,000)
	=====	=====

Depreciation expense for the year ended June 30, 2005 and 2004, was \$443,000 and \$893,000, respectively.

In August 2004, the Company purchased an approximately two acre parcel of unimproved land in Kihei, Maui, Hawaii for \$1,467,000. The land is included property held for development on the balance sheet.

In April 2004, the Company purchased a 358-unit apartment complex in Los Colinas, Texas for \$27,145,000 in a tax-deferred exchange with the St. Louis, Missouri property sold in August 2001. To finance the purchase, the Company obtained a nine year \$20,000,000 mortgage note. In accordance with SFAS 141, "Business Combinations," the acquisition value was allocated to the land and building utilizing an "as if vacant" methodology, with the balance of the purchase price allocated to identifiable intangible assets. Identifiable

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intangible assets relate to the value of the in-place operating leases and comprise: (i) origination value, which represents the "cost avoidance" value associated with acquired in-place leases; and (ii) value of the renewal of in-place leases, which represents the estimated loss of revenue and costs incurred to renew the operating leases following its expiration. The origination value and the value of the renewal of in-place tenant leases are recorded as a deferred charge and are amortized over the remaining lease term of twelve months.

Based on this valuation, the purchase price and closing costs were allocated as follows:

Land	\$ 4,050,000
Building	22,429,000
Intangible asset - origination costs	206,000
Intangible asset - renewal lease-up costs	460,000

	\$27,145,000
	=====

During the year ended June 30, 2005 and 2004, the Company recorded an amortization expense associated with these intangible assets in the amount of \$555,000 and \$111,000, respectively.

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3. Marketable Securities and Other Investments:

At June 30, 2005, all of the Company's marketable securities are classified as trading securities. In accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," the change in the unrealized gains and losses on these investments are included earnings. Trading securities are summarized as follows:

As of June 30, 2005

Investment	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Net Unrealized Gain	Market Value
-----	-----	-----	-----	-----	-----
Corporate					
Equities	\$21,701,000	\$3,991,000	(\$1,659,000)	\$2,332,000	\$24,033,000

Of the gross unrealized loss of \$1,659,000, \$1,291,000 of the loss is related to securities held for over one year.

As of June 30, 2005, the Company had net other investments of \$2,168,000. This balance includes \$4,063,000 in other investment, net an impairment loss of \$1,895,000. Included in the prepaid expenses and other assets of \$4,035,000 are other investments of \$2,168,000.

As part of the investment strategies, the Company may assume short positions in marketable securities. Short sales are used by the Company to potentially offset normal market risks undertaken in the course of its investing activities or to provide additional return opportunities. As of June 30, 2005, the Company had obligations for securities sold (equities short) of \$5,257,000 and had no naked short positions.

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For the year ended June 30, 2005, net losses on marketable securities of \$4,874,000 included net unrealized losses of \$7,734,000 and net realized gains of \$2,860,000. For the year ended June 30, 2004, net investment gains of \$13,722,000 included net unrealized gains of \$4,181,000 and net realized gains of \$9,541,000.

4. Investment in Justice Investors:

The consolidated accounts include a 49.8% interest in Justice Investors through the Company's interest in Santa Fe. Justice owns the land improvements and leasehold commonly known as the Holiday Inn Select Downtown & Spa, a 565-room hotel in the financial district of San Francisco, California. Portsmouth is both a general and limited partner in Justice and oversees operations and shares management responsibilities with the other general partner. Portsmouth records its investment in Justice on the equity basis.

The Company amortizes the step up in the asset values which represents the access purchase price over the underlying book value and is allocable to the depreciable assets of its investment in Justice Investors over 40 years, which approximates the remaining life of the primary asset, the hotel building.

For the Company's investment in Justice, to the extent that projected future undiscounted cash flows from the operation of the Hotel property are less than the carrying value of the asset, the investment would be considered permanently impaired and the carrying value of the asset would be reduced to its fair value.

Historically, Justice's most significant income source was a lease between the Partnership and Felcor Lodging Trust, Inc. ("Felcor") for the Hotel portion of the property. Pursuant to a Settlement Agreement entered into on May 3, 2004,

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Felcor agreed to terminate its lease and surrender possession of the Hotel to Justice, on June 30, 2004. Effective July 1, 2004, Justice became the owner-operator of the Hotel, with the assistance of a Management Agreement with Dow Hotel Company, LLC. ("Dow") to perform the day-to day management functions of the Hotel. The Partnership also derives income from the lease of the garage portion of the property to Evon and from a lease on the lobby level of the Hotel to Tru Spa. The Company also derives revenue from management fees from Justice for actively managing the hotel as a general partner.

On December 10, 2004, Justice entered into a Franchise License Agreement for the right to operate the Hotel property as a Hilton brand hotel. Prior to operating the hotel as a Hilton, the Partnership is required to make substantial renovations to the hotel to meet Hilton standards in accordance with a product improvement plan agreed upon by Hilton and the Partnership, as well as complying with other brand standards. The Partnership currently estimates that the cost of the renovation project will be approximately \$33 million. That amount includes approximately \$28 million for the actual cost of the renovations and approximately \$5 million for construction interest and estimated carrying costs of operations during the renovation period. The Agreement requires that those renovations be complete and the Hotel commence operations as a Hilton hotel no later than June 1, 2006. The term of the Agreement is for a period of 15 years commencing on the opening date, with an option to extend the license term for another five years, subject to certain conditions.

On March 15, 2005, the Partnership announced its decision to close down its

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Hotel operations on or about June 1, 2005 to complete renovations of the Hotel as required by the Hilton Agreement. It is anticipated that the Hotel will be closed for a period of approximately seven to nine months before a contemplated reopening in the early part of 2006 as the "Hilton San Francisco Financial District". The below ground parking garage and Tru Spa located on the lobby level of the Hotel, both of which are lessees of the Partnership, will remain open during the renovation work.

Condensed financial statements for Justice Investors are as follows:

JUSTICE INVESTORS CONDENSED BALANCE SHEET

As of June 30,	2005

Assets	
Total current assets	\$ 1,277,000
Property, plant and equipment, net of accumulated depreciation of \$13,405,000	5,003,000
Land	1,124,000
Construction in progress	7,952,000
Other assets	133,000

Total assets	\$15,489,000 =====
Liabilities and partners' capital	
Total current liabilities	\$ 4,444,000
Long term debt	7,131,000
Partners' capital	3,914,000

Total liabilities and partners' capital	\$15,489,000 =====

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JUSTICE INVESTORS CONDENSED STATEMENTS OF OPERATIONS

For the year ended June 30,	2005	2004
	-----	-----
Hotel revenue	\$ 12,930,000	\$ -
Hotel rent	-	2,617,000
Garage rent	1,005,000	1,274,000
Other income	53,000	5,477,000
Operating expenses	(16,218,000)	(2,506,000)
Loss on disposition of assets	(1,991,000)	-
	-----	-----
Net income(loss)	\$ (4,221,000) =====	\$ 6,862,000 =====

5. Mortgage Notes Payable:

As of June 30, 2005, the Company had mortgage debt outstanding of \$80,432,000. The mortgages carry variable rates from 3.50% to 8.44% and fixed rates ranging from 4.35% to 8.23%.

In June 2005, the Company refinanced a loan in the amount of \$4,006,000 on its 157-unit Florence, Kentucky property and obtained a new mortgage in the amount of \$4,200,000. The loan is a 10 year fixed rate loan at 4.995%.

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In September 2004, as a part of the sale of its 442-unit property in Houston, Texas, the Company paid off the related mortgage loan in the amount of \$9,864,000.

In August 2004, the Company repaid a mortgage in the amount of \$1,182,000 on its 54-unit multi-family apartment located in Irving, Texas. Related to the repayment of the mortgage, the Company incurred an early termination fee of \$160,000.

In August 2004, to facilitate the purchase of the land in Kihei, Maui, the Company obtained a loan in the amount of \$750,000. The loan is for a term of three years at a floating interest rate equal to the bank's base rate (4.75% as of June 30, 2005) plus 1%. Interest only is payable monthly.

In May 2004, the Company paid off a mortgage in the amount of \$2,668,000 and obtained a new construction loan in the amount of \$6,268,000 as part of a major renovation of its 30-unit apartment complex located in Los Angeles. During the year ended June 30, 2005, the Company used additional construction loan proceeds of \$1,753,000 to renovate this apartment complex. As of June 30, 2005, the balance on the construction loan was \$5,133,000.

In April 2004, the Company purchased a 358-unit apartment complex in Las Colinas, Texas for \$27,145,000 in a tax-deferred exchange with the St. Louis, Missouri property sold in August 2001. To finance the purchase, the Company obtained a nine year \$20,000,000 mortgage note with a fixed rate of 4.99%. After nine years, the loan is extendable at a variable interest rate for one additional year. For the first year of the loan, interest only payments of \$86,000 per month are required.

In November 2003, the Company refinanced four mortgage loans totaling \$2,457,000 and obtained four new mortgage loans totaling \$3,535,000. All four loans have a fixed interest rate of 6.38% for the first ten years of the loan. After ten years, the interest rate is adjustable through maturity on December 1, 2018.

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In August 2003, the Company acquired a single-family house in Los Angeles, California for \$700,000. In October 2003, the Company obtained a mortgage loan of \$525,000 on this unencumbered property.

Each mortgage is secured by its respective land and building. Mortgage notes payable secured by real estate are comprised of the following information as of June 30, 2005:

Property	Number of Units	Note Origination Date	Note Maturity Date	Mortgage Balance	Interest Rate
Los Angeles	30	May 2004	April 2006	\$5,133,000	3.50%
Los Angeles	Office	September 2000	December 2013	791,000	6.00%
Los Angeles	24	March 2001	April 2031	1,717,000	7.15%
Los Angeles	5	July 2000	August 2030	434,000	7.59%
Los Angeles	1	November 2000	December 2030	467,000	8.44%
Kihei, Maui	Land	August 2004	August 2007	750,000	5.75%
Total variable interest debt				\$9,292,000	

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Austin	112	September	2001	September	2009	\$ 2,190,000	8.23%
Austin	249	June	2003	July	2023	7,884,000	5.46%
Florence	157	June	2005	June	2015	4,200,000	4.99%
Irving	224	July	2001	January	2008	4,185,000	7.01%
Las Colinas	358	April	2004	May	2013	19,979,000	4.99%
Morris County	151	April	2003	May	2013	10,271,000	5.43%
San Antonio	132	November	1998	December	2008	2,993,000	6.62%
St. Louis	264	June	1998	July	2008	5,454,000	6.73%
Los Angeles	31	July	2003	August	2033	4,085,000	4.35%
Los Angeles	27	October	1999	October	2029	1,837,000	7.73%
Los Angeles	14	October	1999	November	2029	1,084,000	7.89%
Los Angeles	12	November	2003	December	2018	1,027,000	6.38%
Los Angeles	9	November	1999	December	2029	810,000	7.95%
Los Angeles	8	May	2001	November	2029	565,000	7.00%
Los Angeles	7	November	2003	December	2018	1,061,000	6.38%
Los Angeles	5	November	2003	December	2018	663,000	6.38%
Los Angeles	4	November	2003	December	2018	722,000	6.38%
Los Angeles	2	February	2002	February	2032	443,000	6.45%
Los Angeles	1	October	2003	November	2033	514,000	5.75%
Los Angeles	Office	February	1999	April	2009	1,173,000	7.76%

Total fixed interest debt						\$71,140,000	

Total mortgages						\$80,432,000	
						=====	

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The annual combined aggregate principal payments on the mortgage notes payable for the five-year period commencing July 1, 2005, and thereafter, are as follows:

Year ending June 30,	
2006	\$ 6,256,000
2007	1,192,000
2008	2,015,000
2009	1,301,000
2010	1,296,000
Thereafter	68,372,000

Total	\$80,432,000
=====	

At June 30, 2005, the total outstanding mortgage balance approximates the estimated fair value of the outstanding debt.

6. Line of Credit:

In April 2004, the Company obtained a revolving \$5,000,000 line of credit ("LOC"). The LOC carries a variable interest rate of 7.00%. Interest is paid on a monthly basis. The LOC and all accrued unpaid interest are due in July 2006. As of June 30, 2005, the balance of the LOC was \$4,913,000.

In August 2004, the Company obtained a revolving \$1,500,000 line of credit secured by its 31-unit property Los Angeles property. The LOC carries a variable interest rate of 6.75%. The LOC and all accrued unpaid interest are due in July 2006. As of June 30, 2005, the balance of the LOC was \$1,400,000.

7. Prior Period Adjustment

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The Company has recorded \$482,000 of deferred taxes at June 30, 2003 to recognize the difference between the Company's book and tax basis on its investment in Justice Investors which arose before June 30, 2003 and were not previously recorded. This adjustment reduced shareholders' equity by \$332,000 and minority interest by \$150,000. The adjustment has no impact on the Company's previously reported statements of operations or statements of cash flows for the year ended June 30, 2004.

8. Income Taxes:

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

	Year Ended June 30,	
	2005	2004
Current tax (expense)benefit	\$ (299,000)	\$ (711,000)
Deferred tax (expense)benefit	2,967,000	(2,804,000)
	\$ 2,668,000	\$ (3,515,000)
	=====	=====

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The components of the deferred tax liability as of June 30, 2005, are as follows:

Net operating loss carryforwards	\$ 4,569,000
Capital loss carryforwards	374,000
State taxes	26,000
Accruals and reserves	912,000
	5,881,000
Deferred tax assets	5,881,000

Deferred real estate gains	\$ (8,176,000)
Book/tax difference on investment in Justice Investors	(2,172,000)
Unrealized gain on marketable securities	(880,000)
Depreciation	(773,000)
Other	(180,000)
	(12,181,000)
Deferred tax liabilities	(12,181,000)

Net deferred tax liability	\$ (6,300,000)
	=====

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

	Year Ended June 30,	
	2005	2004
Income tax at federal statutory rates	\$ 2,382,000	\$ (2,901,000)
State income taxes, net of federal benefit	390,000	(604,000)
Dividend received deduction	196,000	(10,000)
Other adjustments	(300,000)	-
	\$ 2,668,000	\$ (3,515,000)
Total income tax (expense)benefit	\$ 2,668,000	\$ (3,515,000)
	=====	=====

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=====

As of June 30, 2005, the Company had net operating losses (NOLs) of \$12,000,000 and \$5,900,000 for federal and state purposes, respectively. Below is the break-down of the NOLs for Intergroup, Santa Fe and Portsmouth. The carryforward expires in varying amounts through the year 2025.

	Federal -----	State -----
Intergroup	\$ 5,400,000	\$ 1,800,000
Santa Fe	4,000,000	1,700,000
Portsmouth	2,600,000	2,400,000
	-----	-----
	\$12,000,000	\$ 5,900,000

The Company also has capital losses available for carryforward of \$930,000 that expire in varying amounts through 2006.

9. Segment Information

The Company operates in three reportable segments, the operations of its multi-family residential properties, the operation of Justice Investors, and the investment of its cash and securities assets. These three operating segments, as presented in the financial statements, reflect how management

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internally reviews each segment's performance. Management also makes operational and strategic decisions based on this same information.

Information below represents reported segments for the years ended June 30, 2005 and 2004. Operating income for rental properties consist of rental income. Operating income from Justice Investors consist of the operations of the hotel and garage included in the equity in net income of Justice Investors. Operating income for investment transactions consist of net investment gains and dividend and interest income.

Year ended	Real Estate -----				Subtotal
	Rental Properties -----	Justice Investors -----	Investment Transactions -----	Other -----	
June 30, 2005					
Operating income(loss)	\$12,966,000	\$(2,303,000)	\$(3,932,000)	\$ -	\$ 6,731,000
Operating expenses	(5,701,000)	-	(3,397,000)	-	(9,098,000)
Real estate taxes	(1,994,000)	-	-	-	(1,994,000)
	-----	-----	-----	-----	-----
Net operating income(loss)	5,271,000	(2,303,000)	(7,329,000)	-	(4,361,000)
Gain on sale of real estate	-	-	-	-	-
Mortgage interest expense	(3,818,000)	-	-	-	(3,818,000)
Depreciation	(2,461,000)	-	-	-	(2,461,000)
Amort. of intangible asset	(555,000)	-	-	-	(555,000)
Loss on early termination Of debt	(160,000)	-	-	-	(160,000)
General and administrative Expense	-	-	-	(1,460,000)	(1,460,000)
Other income	-	-	-	121,000	121,000
Income tax expense	-	-	-	4,678,000	4,678,000

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Minority interest	-	-	-	1,443,000	1,443,000
Net income (loss)	\$ (1,723,000)	\$ (2,303,000)	\$ (7,329,000)	\$ 4,782,000	\$ (6,573,000)
Total Assets	\$70,942,000	\$ 9,522,000	\$24,033,000	\$ 7,884,000	\$ 112,381,000

Year ended June 30, 2005	Real Estate				Subtotal
	Rental Properties	Justice Investors	Investment Transactions	Other	
Operating income	\$ 9,926,000	\$ 3,136,000	\$14,499,000	\$ -	\$ 27,561,000
Operating expenses	(4,933,000)	-	(5,784,000)	-	(10,717,000)
Real estate taxes	(1,123,000)	-	-	-	(1,123,000)
Net operating income	3,870,000	3,136,000	8,715,000	-	15,721,000
Mortgage interest expense	(3,120,000)	-	-	-	(3,120,000)
Depreciation	(1,822,000)	-	-	-	(1,822,000)
Amort. of intangible asset	(111,000)	-	-	-	(111,000)
General and administrative Expense	-	-	-	(1,892,000)	(1,892,000)
Other income	-	-	-	143,000	143,000
Income tax expense	-	-	-	(3,729,000)	(3,729,000)
Minority interest	-	-	-	(1,821,000)	(1,821,000)
Net income (loss)	\$ (1,183,000)	\$ 3,136,000	\$ 8,715,000	\$ (7,299,000)	\$ 3,369,000
Total Assets	\$80,907,000	\$11,327,000	\$68,957,000	\$ 6,246,000	\$ 167,437,000

10. Supplemental Cash Flow Information:

Cash paid for margin interest for the year ended June 30, 2005 and 2004 was \$904,000 and \$1,437,000, respectively. Cash paid for interest on mortgage notes payable for the year ended June 30, 2005 and 2004 was \$4,554,000 and \$3,473,000, respectively. For the year ended June 30, 2005, the Company paid income taxes of \$113,000. For the year ended June 30, 2004, the Company paid income taxes of \$279,000.

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11. Stock Option Plans

On December 8, 1998, the Company adopted and authorized a stock option plan (the "1998 Non-employee Directors Plan") for non-employee directors. The 1998 Non-employee Directors Plan provides for the granting of stock options to purchase shares of the Company's common stock to non-employee directors of the Company. The aggregate number of shares to be delivered upon exercise of all options granted under the Plan may not exceed 150,000. During fiscal years 2005 and 2004, the Company granted stock options of 15,000 shares in each respective year, to the directors of the Company. These options have exercise prices of \$11.75 and \$9.52 per share, respectively. All 15,000 options granted during the year ended June 30, 2005 and 2004 were vested. The options have a term of 10 years.

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On December 22, 1998, the Company adopted and authorized a stock option plan (the "1998 Key Officers Plan") for selected key officers. The 1998 Plan provides for the granting of stock options to purchase shares of the Company's common stock to key officers of the Company. The aggregate number of shares to be delivered upon exercise of all options granted under the Plan may not exceed 300,000. On December 22, 1998, the Board of Directors of the Company granted a total of 225,000 stock options to the President and Chairman of the Company at an exercise price of \$7.92 per share. As of June 30, 2005, all 225,000 options are vested.

Information relating to the stock options during the fiscal years ended June 30, 2004 and 2004 are as follows:

	Number of Shares	Weighted-average Exercise Price
	-----	-----
Unexercised options		
outstanding at June 30, 2003:	363,000	\$ 9.59
Granted	15,000	\$ 9.52
Exercised	-	-
Forfeited	-	-
	-----	-----
Unexercised options		
outstanding at June 30, 2004:	378,000	\$ 9.58
Granted	15,000	\$11.75
Exercised	-	-
Forfeited	-	-
	-----	-----
Unexercised options		
Outstanding at June 30, 2005	393,000	\$9.66

As of June 30, 2005, 10,500 of the total 393,000 unexercised options outstanding were not yet vested.

Unexercised Options	Range of Exercise Price	Weighted Average Exercise Price	Weighted Average Remaining Life
-----	-----	-----	-----
June 30, 2004	\$7.92-\$29.63	\$ 9.58	5.00 years
June 30, 2005	\$7.92-\$29.63	\$ 9.66	4.23 years

12. Commitments and Contingencies:

The Company is a defendant or co-defendant in various other legal actions involving various claims incident to the conduct of its business. Most of these claims are covered by insurance. Management does not anticipate the Company to suffer any material liability by reason of such actions.

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13. Related Party Transactions:

Gary N. Jacobs, a Director of the Company, is of Counsel to the law firm of Christensen, Miller, Fink, Jacobs, Glaser, Weil & Shapiro, LLP. Through May 31, 2000 he was a senior partner of said firm, which provides legal services to the Company when needed. During the year ended June 30, 2005, the Company made payments of approximately \$44,000 to Christensen, Miller, Fink, Jacobs,

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Glaser, Weil & Shapiro, LLP, \$38,000 of which was incurred in fiscal 2004.

As Chairman of the Securities Investment Committee, the Company's President and Chief Executive Officer, John V. Winfield, directs the investment activity of the Company in public and private markets pursuant to authority granted by the Board of Directors. Mr. Winfield also serves as Chief Executive Officer and Chairman of InterGroup and oversees the investment activity of the Company. Depending on certain market conditions and various risk factors, the Chief Executive Officer, his family and the Company 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 InterGroup, at risk in connection with investment decisions made on behalf of the Company.

On July 18, 2003, the Company's subsidiaries established a performance based compensation program for the Company's CEO, John V. Winfield, to keep and retain his services as a direct and active manager of the securities portfolios of those companies. On January 12, 2004, the disinterested members of the Securities Investment Committee of InterGroup also established a performance based compensation program for Mr. Winfield, which was ratified by the Board of Directors. The Company's previous experience and results with outside money managers was not acceptable. Pursuant to the criteria established the Board of Directors, Mr. Winfield is entitled to performance compensation for his management of the securities portfolios of the Company and its subsidiaries equal to 20% of all net investment gains generated in excess of an annual return equal to the Prime Rate of Interest (as published by the Wall Street Journal) plus 2%. Compensation amounts are earned, calculated and paid quarterly based on the results of the Company's investment portfolio for that quarter. Should the companies have a net investment loss during any quarter, Mr. Winfield would not be entitled to any further performance-based compensation until any such investment losses are recouped by the Company. This performance based compensation program may be modified or terminated at the discretion of the respective Boards of Directors.

For the fiscal years ended June 30, 2005 and 2004, Mr. Winfield received, in the aggregate, performance based compensation in the amounts of \$320,000 and \$2,077,000, respectively. Of the total amount of the bonus for fiscal 2005, \$57,000 was paid by Santa Fe and \$4,000 was paid by Portsmouth. For fiscal 2004, \$211,000 was paid by Santa Fe and \$407,000 was paid by Portsmouth. The performance based compensation was approved by the disinterested members of the respective Boards of Directors of the Company and its subsidiaries.

14. Subsequent Events:

In August 2005, the Company sold its 112-unit apartment complex located in Austin, Texas for \$4,400,000.

On July 27, 2005, Justice entered into a first mortgage loan (the "Prudential Loan") with The Prudential Insurance Company of America in a principal amount of \$30,000,000. The term of the Loan is for 120 months at a fixed interest rate of 5.22% per annum. The Loan calls for monthly installments of principal and interest in the amount of approximately \$165,100, calculated on a 360 month amortization schedule. The Loan is secured by a first deed of trust on

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the Partnership's Hotel property, including all improvements and personal property thereon and an assignment of all present and future leases and rents. The Loan is without recourse to the limited and general partners of Justice.

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On July 27, 2005, Justice also obtained a \$10,000,000 Revolving Line of Credit ("LOC") from United Commercial Bank. The term of the LOC is for 60 months at an annual interest rate equal to either The Wall Street Journal Prime Rate or LIBOR + 2%, as selected by Justice, and is secured by a second deed of trust on the Hotel property. Interest only is payable monthly with principal and accrued interest due at maturity.

From the proceeds of the Prudential Loan, the Partnership retired its existing line of credit in the approximate amount of \$7,436,000, including accrued interest, and paid off a short term unsecured line of credit from United Commercial Bank in the amount of \$2,007,000, including accrued interest.

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Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 8A. Controls and Procedures.

(a) Disclosure Controls and Procedures.

During the fourth quarter of fiscal 2005, the Company found that there were certain book and tax differences in the Company's investment in Justice Investors which were not effectively reconciled. As discussed in Note 7 of the Notes to the Financial Statements, the Company reduced its shareholders' equity and minority interest at June 30, 2003, to provide for deferred taxes on the differences between the Company's book and tax basis of its investment in Justice Investors. The adjustment had no impact on the Company's previously reported statements of operations or statements of cash flows for the year ended June 30, 2004.

Subsequent to fiscal year 2003, the Company instituted procedures and controls to address any deficiencies in its disclosure controls and procedures related to the determination and reporting of its deferred income tax balances, including the retention of outside tax consultants and implementing a program of continuous review and reconciliation of any differences on the book and tax basis of its assets.

The Company's management, with the participation of the Company's Chief Executive Officer and the Chief 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 fiscal period covered by this Annual Report on Form 10-KSB/A. Based upon such evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures, including those related to its deferred tax balances, 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 in a timely manner and in accordance with Securities and Exchange Commission rules and regulations.

Management continues to re-evaluate the Company's existing disclosure controls and procedures and will implement such other changes as may be necessary.

Management's Consideration of the Restatement

Management considered the impact on the Company's internal control over financial reporting of the restatement related to deferred income taxes as

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more fully described in Note 7 of the Notes to the Financial Statements included in Item 7 of this Annual Report on Form 10-KSB/A. The Company found that there were certain book and tax differences in the Company's investment in Justice Investors which were not effectively reconciled. The Company completed an assessment of materiality under Staff Accounting Bulletin ("SAB") No. 99 and as a result concluded that the restatement related to deferred income taxes was not material to the balance sheets, the statements of operations, and the statements of cash flows for the years ended June 30, 2004 and 2005. Accordingly, because management concluded that a material misstatement did not occur with respect to this matter, management has concluded that there was not a material weakness in its internal control over financial reporting as of June 30, 2005.

(b) Changes in Internal Control Over Financial Reporting.

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

Item 8B. Other Information.

None.

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PART III

Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act.

The following table sets forth certain information with respect to the Directors and Executive Officers of the Company as of June 30, 2005:

Name -----	Position with the Company -----	Age ---	Term to Expire -----
Class A Directors:			
John V. Winfield (1) (4) (6) (7)	Chairman of the Board; President and Chief Executive Officer	58	Fiscal 2006 Annual Meeting
Josef A. Grunwald (2) (7)	Director and Vice Chairman of the Board	57	Fiscal 2006 Annual Meeting
Class B Directors:			
Gary N. Jacobs (1) (5) (6) (7)	Secretary; Director	60	Fiscal 2007 Annual Meeting
William J. Nance (1) (2) (3) (4) (5) (6) (7)	Director	61	Fiscal 2007 Annual Meeting
Class C Directors:			
Mildred Bond			

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Roxborough (2)	Director	78	Fiscal 2005 Annual Meeting
John C. Love (3) (4)	Director	65	Fiscal 2005 Annual Meeting

Other Executive Officers:

David C. Gonzalez	Vice President Real Estate	38	N/A
Michael G. Zybala	Asst. Secretary and Counsel	53	N/A
David T. Nguyen	Treasurer and Controller	32	N/A

-
- (1) Member of the Executive Committee
 - (2) Member of the Administrative and Compensation Committee
 - (3) Member of the Audit and Finance Committee
 - (4) Member of the Real Estate Investment Committee
 - (5) Member of the Nominating Committee
 - (6) Member of the Securities Investment Committee
 - (7) Member of the Special Strategic Options Committee

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Business Experience:

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

John V. Winfield -- Mr. Winfield was first appointed to the Board in 1982. He currently serves as the Company's Chairman of the Board, President and Chief Executive Officer, having first been appointed as such in 1987. Mr. Winfield also serves as President, Chairman and Chief Executive Officer of Santa Fe Financial Corporation ("Santa Fe") and Portsmouth Square, Inc. ("Portsmouth") both public companies.

Josef A. Grunwald -- Mr. Grunwald is an industrial, commercial and residential real estate developer. He serves as Chairman of PDG N.V. (Belgium), a hotel management company, and President of I.B.E. Services S.A. (Belgium), an international trading company. Mr. Grunwald was first elected to the Board in 1987 and named Vice Chairman on January 30, 2002. Mr. Grunwald is also a Director of Portsmouth.

William J. Nance -- Mr. Nance is a Certified Public Accountant and private consultant to the real estate and banking industries. He is also President of Century Plaza Printers, Inc. Mr. Nance was first elected to the Board in 1984. He served as the Company's Chief Financial Officer from 1987 to 1990 and as Treasurer from 1987 to June 2002. Mr. Nance is also a Director of Santa Fe and Portsmouth.

Mildred Bond Roxborough -- Ms. Roxborough was Director of Development and Special Programs of the National Association for the Advancement of Colored People (NAACP) from 1986 to 1997. She also served as Vice Chairman of the Board of Directors of America's Charities Federation, Chairman of its Membership and Personnel Committees and member of its Long Range Planning Committee; and Member of the Board of Directors of Morningside Health and

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Retirement Service and Member of Personnel Committee of Morningside Heights Housing Corporation. Since 1997 Ms. Roxborough has served as a consultant to the NAACP. Ms. Roxborough was first appointed to the Company's Board in 1984 and served as Vice Chairman from 1987 through 1994.

Gary N. Jacobs -- Mr. Jacobs was appointed to the Board and as Secretary in 1998. Mr. Jacobs is Executive Vice President, General Counsel, Secretary and a Director of MGM MIRAGE (NYSE: MGG) and Of Counsel to the law firm of Christensen, Miller, Fink, Jacobs, Glaser, Weil & Shapiro, LLP. Through May 31, 2000, he was a partner of said firm and the head of the corporate department.

John C. Love -- Mr. Love was appointed to the Board in 1998. He is an independent consultant to the hospitality and tourism industries and a hotel broker. He was formerly a partner in the national CPA and consulting firm of Pannell Kerr Forster. He is Chairman Emeritus of the Board of Trustees of Golden Gate University in San Francisco. Mr. Love is also a Director of Santa Fe and Portsmouth.

David C. Gonzalez -- Mr. Gonzalez was appointed Vice President Real Estate of the Company on January 31, 2001. Over the past 15 years, Mr. Gonzalez has served in numerous capacities with the Company, including Controller and Director of Real Estate.

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

Michael G. Zybala -- Mr. Zybala was appointed Vice President Operations and Assistant Secretary of the Company on January 27, 1999 and served as Vice President Operations until July 15, 2002. Mr. Zybala is an attorney at law and has served as a special legal consultant to the Company. Mr. Zybala is also the Vice President and Secretary of Santa Fe and Portsmouth and has served as their General Counsel since 1995. Mr. Zybala has provided legal services to Santa Fe and Portsmouth since 1978.

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

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

BOARD AND COMMITTEE INFORMATION

InterGroup's common stock trades on The National Market System of the Nasdaq Stock Market, Inc. ("Nasdaq-NMS"). It is also listed on the Pacific Exchange, Inc. InterGroup is a small business issuer under the rules and regulations of the Securities and Exchange Commission ("SEC"). With the exception of the Company's President and CEO, John V. Winfield, all of InterGroup's Board of Directors consists of "independent" directors as independence is defined by the applicable rules of the SEC and Nasdaq.

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Audit Committee and Audit Committee Financial Expert

The Company is a small business issuer under SEC rules. The Company's Audit Committee is currently comprised of three members: Directors Nance (Chairperson), Grunwald and Love, each of who meet the independence requirements of the SEC and Nasdaq as modified or supplemented from time to time. Directors Nance and Love also meet the Audit Committee Financial Expert requirement as defined by the SEC and Nasdaq.

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

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

Based solely on its review of the copies of such forms received by it, or written representations from certain reporting persons that no Forms 5 were required for those persons, the Company believes that during fiscal 2005 all filing requirements applicable to its officers, directors, and greater than ten-percent beneficial owners were complied with.

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Code of Ethics.

The Company has adopted a Code of Ethics that applies to its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of the Code of Ethics is filed as Exhibit 14 to this Report. The Company will provide to any person without charge, upon request, a copy of its Code of Ethics by sending such request to: The InterGroup Corporation, Inc., Attn: Treasurer, 820 Moraga Drive, Los Angeles 90049. The Company does not maintain an Internet website. The Company will promptly disclose any amendments or waivers to its Code of Ethics on Form 8-K.

Item 10. Executive Compensation.

The following table provides certain summary information concerning compensation awarded to, earned by, or paid to the named Executive Officers of the Company who earned more than \$100,000 (salary and bonus) for all services rendered to the Company and its subsidiaries for fiscal years 2004, 2003 and 2002. There are currently no employment contracts with the Executive Officers. No long-term compensation, options or stock appreciation rights were granted to any of the named Executive Officers during the last three fiscal years.

SUMMARY COMPENSATION TABLE

Annual Compensation

Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation
-----	-----	-----	-----	-----

John V. Winfield

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Chairman; President and Chief Executive Officer	2005	\$522,000 (1)	\$ 320,000 (2)	\$ 52,500 (3)
	2004	\$522,000 (1)	\$2,077,000 (2)	\$ 52,426 (3)
	2003	\$437,000 (1)	\$ 653,533 (2)	\$786,290 (3)
David C. Gonzalez	2005	\$180,000	\$ 25,000	\$ -
Vice President	2004	\$184,902 (4)	\$ 50,000	\$ 70,579 (5)
Real Estate	2003	\$156,672 (4)	\$ 20,000	-
David T. Nguyen	2005	\$120,000 (6)	\$ 12,000	-
Treasurer and	2004	\$120,000 (6)	\$ 12,000	-
Controller	2003	\$ 60,000 (6)	\$ -	-
Michael G. Zybala	2005	\$ 84,000 (7)	\$ 8,000	-
Assistant Secretary	2004	\$ 84,000 (7)	\$ 8,000	-
and Counsel	2003	\$ 63,000 (7)	\$ 2,600	-

(1) Mr. Winfield also serves as President and Chairman of the Board of the Company's subsidiary, Santa Fe, and Santa Fe's subsidiary, Portsmouth. Mr. Winfield received salary and directors fees of \$328,000, \$251,000 and \$211,750 from those entities during fiscal years 2005, 2004 and 2003, respectively, which amounts are included in this item.

(2) These amounts reflect performance bonuses, paid by the Company and its subsidiary Santa Fe and Santa Fe's subsidiary, Portsmouth, based on the results of Mr. Winfield's management of the securities portfolios of those

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companies for the fiscal years ended June 30, 2005, 2004 and 2003. Of the total amount of the bonus for fiscal 2005, \$57,000 was paid by Santa Fe and \$4,000 was paid by Portsmouth. For fiscal 2004, \$211,000 was paid by Santa Fe and \$407,000 was paid by Portsmouth. For Fiscal 2003, \$242,178 was paid by Santa Fe and \$411,355 was paid by Portsmouth.

(3) For fiscal year 2003 this amount includes \$722,683 in forgiveness of debt on one half of the principal balance and accrued interest on a promissory note due the Company. Amounts also include an auto allowance and compensation for a portion of the salary of an assistant. The auto allowance was \$15,001, \$14,926, and \$33,607 during fiscal years 2005, 2004 and 2003, respectively. The amount of compensation related to the assistant was approximately \$37,500, \$37,500 and \$30,000 during fiscal years 2005, 2004 and 2003, respectively. During fiscal 2005, 2004 and 2003, the Company also paid annual premiums in the amount of \$42,500 for a split dollar whole life insurance policy owned by, and the beneficiary of which is, a trust for the benefit of Mr. Winfield's family. The Company has a secured right to receive, from any proceeds of the policy, reimbursement of all premiums paid prior to any payment to the beneficiary. During fiscal years 2005, 2004 and 2003 Santa Fe and Portsmouth also paid annual premiums on split dollar policies in the total amount of \$42,500.

(4) Includes \$4,902 for an auto lease for fiscal 2004 and \$17,922 for an auto lease in fiscal 2003.

(5) Amount shown reflects cost of automobile purchased by the Company for Mr. Gonzalez.

(6) Mr. Nguyen rejoined the Company in December 2002. His salary and bonuses are allocated approximately 50% to the Company and 50% to Santa Fe and Portsmouth.

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(7) Mr. Zybala also served as Vice President Operations from January 1999 to July 15, 2002. His salary and bonuses are allocated approximately 25% to the Company and 75% to Santa Fe and Portsmouth.

On July 18, 2003, the disinterested members of the respective Boards of Directors of the Company's subsidiary, Santa Fe and Santa Fe's subsidiary, Portsmouth, established a performance based compensation program for the Company's CEO, John V. Winfield, to keep and retain his services as a direct and active manager of the securities portfolios of those companies. On January 12, 2004, the disinterested members of the Securities Investment Committee of InterGroup also established a performance based compensation program for Mr. Winfield, which was ratified by the Board of Directors. The Company's previous experience and results with outside money managers was not acceptable. Pursuant to the criteria established the Board of Directors, Mr. Winfield is entitled to performance compensation for his management of the securities portfolios of the Company and its subsidiaries equal to 20% of all net investment gains generated in excess of an annual return equal to the Prime Rate of Interest (as published by the Wall Street Journal) plus 2%. Compensation amounts are earned, calculated and paid quarterly based on the results of the Company's investment portfolio for that quarter. Should the companies have a net investment loss during any quarter, Mr. Winfield would not be entitled to any further performance-based compensation until any such investment losses are recouped by the Company. This performance based compensation program may be modified or terminated at the discretion of the respective Boards of Directors.

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Internal Revenue Code Limitations

Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), provides that, in the case of a publicly held corporation, the corporation is not generally allowed to deduct remuneration paid to its chief executive officer and certain other highly compensated officers to the extent that such remuneration exceeds \$1,000,000 for the taxable year. Certain remuneration, however, is not subject to disallowance, including compensation paid on a commission basis and, if certain requirements prescribed by the Code are satisfied, other performance based compensation. Since InterGroup, Santa Fe and Portsmouth are each public companies, the \$1,000,000 limitation applies separately to the compensation paid by each entity. For fiscal 2003 and 2002 no compensation paid by the Company to its CEO or other executive officers was subject the deduction disallowance prescribed by Section 162(m) of the Code. For fiscal 2004, approximately \$798,700 could be subject to disallowance.

OPTIONS/SAR GRANTS IN LAST FISCAL YEAR

The Company did not have any individual grants of stock options or Stock Appreciation Rights ("SARs") during the year ended June 30, 2005 to any named executive officer.

AGGREGATE OPTIONS/SAR EXERCISES IN THE LAST FISCAL YEAR AND FISCAL YEAR END OPTION/SAR VALUES

The following table contains information concerning each exercise of stock options (or tandem SARs) and freestanding SARs during the last completed fiscal year by each of the named executive officers and the fiscal year-end

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value of unexercised options and SARs (adjusted for March 31, 2003 stock split):

Name	Shares Acquired on Exercise (#)	Value Realized (\$)	Number of Securities Underlying Unexercised Options/SARs as of June 30, 2005 Exercisable/Unexercisable	Value of Unexercised In-the-Money Options/ at June 30, 2005 Exercisable/Unexercisable
John V. Winfield	-	\$ -	225,000/0	\$2,268,675/\$0 (1)
David C. Gonzalez	-	\$ -	4,500/10,500	\$21,735/\$50,715 (1)

(1) Based on the closing price of the Company's Common Stock on June 30, 2005 of \$18.00 per share.

1998 Stock Option Plan for Non-Employee Directors

On December 8, 1998, the Board of Directors of the Company adopted, subject to stockholder approval and ratification, a 1998 Stock Option Plan for Non-employee Directors (the "Plan"). The stockholders ratified that plan on January 27, 1999.

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The stock to be offered under the Plan shall be shares of the Company's Common Stock, par value \$.01 per share, which may be unissued shares or treasury shares. Subject to certain adjustments upon changes in capitalization, the aggregate number of shares to be delivered upon exercise of all options granted under the Plan shall not exceed 150,000 shares (adjusted for March 31, 2003 stock split). The Plan shall terminate on the earliest to occur of (i) the dates when all of the Common Stock available under the Plan shall have been acquired through the exercise of options granted under the Plan; (ii) 10 years after the date of adoption of the Plan by the Board; or (iii) such other date that the Board may determine.

Pursuant to the Plan, each non-employee director as of the adoption date of the Plan shall be granted on the date thereof: (i) if he or she became a non-employee director prior to January 1, 1998, an option to purchase 8,000 shares of Common Stock; and (ii) if he or she became a non-employee director on or after January 1, 1998, an option to purchase 4,000 shares of Common Stock. Each new non-employee director who is elected to the Board shall automatically be granted an option to purchase 4,000 shares of Common Stock upon the initial date of election to the Board. On each July 1 following the adoption date, each non-employee director shall be granted an option to purchase 3,000 shares of Common Stock (adjusted for stock split) provided he or she holds such position on that date and the number of Common Shares available for grant under the Plan is sufficient to permit such automatic grant.

The exercise price of the option shall be determined at the time of grant and shall not be less than 100% of the fair market value of the Common Stock at the time of the grant of the option. The term of the option shall be for ten

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years. Options granted to any non-employee director will not vest 100% until such person has been a member of the Board for four (4) years or more. Non-employee directors who have been a member of the Board less than four (4) years, shall be vested with respect to 20% of the options on the date of grant and 20% on each anniversary of such person having become a member of the Board, provided that the optionee is on each such date serving as a member of the Board or as an employee or consultant to the Company.

Pursuant to the plan, the following non-employee directors of the Company were granted options during fiscal 2005 to purchase shares of Common Stock: Josef A. Grunwald (3,000 shares); William J. Nance (3,000 shares); Mildred Bond Roxborough (3,000 shares); Gary N. Jacobs (3,000 shares); and John C. Love (3,000 shares). The exercise price for the options is \$11.75 per share, which was the closing price of the Company's Common Stock on the Nasdaq National Market System as of the date of grant on July 1, 2004.

1998 Stock Option Plan for Selected Key Officers, Employees and Consultants

On December 8, 1998, the Board of Directors of the Company adopted, subject to shareholder approval and ratification, a 1998 Stock Option Plan for selected key officers, employees and consultants (the "Key Employee Plan"). The Key Employee Plan was ratified by the stockholders on January 27, 1999.

The stock to be offered under the Key Employee Plan shall be shares of the Company's Common Stock, par value \$.01 per share, which may be unissued shares or treasury shares. Subject to certain adjustments upon changes in capitalization, the aggregate number of shares to be delivered upon exercise of all options granted under the Key Employee Plan shall not exceed 300,000 shares (adjusted for stock split). The Key Employee Plan shall terminate on the earliest to occur of (i) the dates when all of the Common Stock available under the Key Employee Plan shall have been acquired through the exercise of options granted under the Key Employee Plan; (ii) 10 years after the date of

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adoption of the Key Employee Plan by the Board; or (iii) such other date that the Board may determine.

The Key Employee Plan is administered by a Committee appointed by the Board of Directors which consists of two or more disinterested persons within the meaning of Rule 16b-3 promulgated pursuant to the Securities Exchange Act of 1934 (the "Exchange Act"). Persons eligible to receive options under the Key Employee Plan shall be employees who are selected by the Committee. In determining the Employees to whom options shall be granted and the number of shares to be covered by each option, the Committee shall take into account the duties of the respective employee, their present and potential contribution to the success of the Company, their anticipated number of years of active service remaining and other factors as it deems relevant in connection with accomplishing the purposes of the Key Employee Plan. An employee who has been granted an option may be granted an additional option or options as the Committee shall so determine.

The exercise price of the option shall be determined at the time of grant and shall not be less than 100% of the fair market value of the Common Stock at the time of the grant of the option. The term of the option shall not exceed 10 years from the date on which the option is granted. The vesting schedule for the options and the method or time that when the option may be exercised in whole or in part shall be determined by the Committee. However, in no event shall an option be exercisable within six months of the date of grant in

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the case of an optionee subject to Section 16(b) of the Exchange Act. Subject to certain exceptions, the option shall terminate six months after the optionee's employment with the Company terminates. No options to purchase shares were granted pursuant to the Key Employee Plan during fiscal 2004.

Compensation of Directors

Each director is paid a fee of \$1,500 per quarter for a total annual compensation of \$6,000. The Chairman of the Board of Directors is eligible to receive \$9,000 per annum. Directors also are eligible to receive \$500 for each committee meeting attended and \$600 for each committee meeting chaired. Members of the Audit Committee receive a fee of \$500 per quarter. Directors who are also Executive Officers do not receive any fee for attending Board or Committee meetings. As an Executive Officer, the Company's Chairman has also elected to forego his annual board fee. The Directors are also eligible for grants of options to purchase shares of the Company's Common Stock pursuant to the 1998 Stock Option Plan for Non-Employee Directors.

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

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Item 11. Security Ownership of Certain Beneficial Owners and Management.

On March 31, 2003, the Company effectuated a three-for-two stock split of its Common Stock in the form of a 50% stock dividend. Any resulting fractional shares were paid in cash.

The following table sets forth, as of September 12, 2005, certain information with respect to the beneficial ownership of Common Stock of the Company (adjusted for stock split) owned by (i) those persons or groups known by the Company to own more than five percent of the outstanding shares of Common Stock, (ii) each Director and Executive Officer, and (iii) all Directors and Executive Officers as a group.

Name and Address of Beneficial Owner (1)	Amount and Nature of Beneficial Owner (2)	Percentage (3)
John V. Winfield	1,613,907 (4)	61.5%
Josef A. Grunwald	126,861 (3)	5.2%
William J. Nance	77,697 (3)	3.2%
Mildred Bond Roxborough	35,925 (3)	1.5%
Gary N. Jacobs	29,775 (3) (5)	1.2%
John C. Love	26,400 (3)	1.1%
David C. Gonzalez	20,250 (6)	*
Michael G. Zybala	0	*
David T. Nguyen	0	*

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All Directors and Executive Officers as a Group (9 persons) 1,930,815 69.6%

* Ownership does not exceed 1%.

(1) Unless otherwise indicated, the address for the persons listed is 820 Moraga Drive, Los Angeles, CA 90049.

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

(3) Percentages are calculated on the basis of 2,397,241 shares of Common Stock outstanding at September 12, 2005 plus any securities that person has the right to acquire within 60 days pursuant to options, warrants, conversion privileges or other rights. The following options are included in director's shares: Josef A. Grunwald-32,400; William J. Nance-32,400; Mildred Bond Roxborough-32,400; Gary N. Jacobs-26,400; John C. Love-26,400.

(4) Includes 225,000 shares of which Mr. Winfield has the right to acquire pursuant to options

(5) Other than his options, all shares of Mr. Jacobs are held by the Gary and Robin Jacobs Family Trust.

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(6) Includes 4,500 shares of which Mr. Gonzalez has the right to acquire pursuant to options.

As of September 12, 2004, InterGroup's Common Stock was held by approximately 560 registered shareholders and approximately 1,400 beneficial owners.

Changes in Control Arrangements

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

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS.

The following table sets forth information as of June 30, 2005 (adjusted for March 31, 2003 stock split), with respect to compensation plans (including individual compensation arrangements) under which equity securities of the Company are authorized for issuance, aggregated as follows:

Plan category	Securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options and warrants and rights	Remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
-----	-----	-----	-----

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Equity compensation plans approved by security holders	378,000	\$9.66	72,000

Equity compensation plans not approved by security holders	None	N/A	None

Total	378,000	\$9.66	72,000

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Item 12. Certain Relationships and Related Transactions.

On December 4, 1998, the Administrative and Compensation Committee authorized the Company to obtain whole life and split dollar insurance policies covering the Company's President and Chief Executive Officer, Mr. Winfield. During fiscal 2005 and 2004, the Company paid annual premiums in the amount of approximately \$42,500 for the split dollar insurance policy owned by, and the beneficiary of which is, a trust for the benefit of Mr. Winfield's family. The Company has a secured right to receive, from any proceeds of the policy, reimbursement of all premiums paid prior to any payments to the beneficiary.

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

As Chairman of the Securities Investment Committee, the Company's President and Chief Executive officer, John V. Winfield, oversees the investment activity of the Company in public and private markets pursuant to authority granted by the Board of Directors. Mr. Winfield also serves as Chief Executive Officer and Chairman of Santa Fe and Portsmouth and oversees the investment activity of those companies. Depending on certain market conditions and various risk factors, the Chief Executive Officer, his family, Santa Fe and Portsmouth 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 Santa Fe and Portsmouth, at risk in connection with investment decisions made on behalf of the Company. Under the direction of the Securities Investment Committee, the Company has instituted certain modifications to its procedures to reduce the potential for conflicts of interest.

The Company, its subsidiary Santa Fe and Santa Fe's subsidiary, Portsmouth, have established performance based compensation programs for Mr. Winfield's management of the securities portfolios of those companies. For the fiscal years ended June 30, 2005 and 2004, Mr. Winfield received, in the aggregate, performance based compensation in the amounts of \$320,000 and \$2,077,00, respectively. Of the total amount of the bonus for fiscal 2005, \$57,000 was paid by Santa Fe and \$4,000 was paid by Portsmouth. For fiscal 2004, \$211,000 was paid by Santa Fe and \$407,000 was paid by Portsmouth. The performance based compensation was approved by the disinterested members of the respective Boards of Directors of the Company and its subsidiaries.

Gary N. Jacobs, a Director of the Company, is Of Counsel to the law firm of Christensen, Miller, Fink, Jacobs, Glaser, Weil & Shapiro, LLP. Through May

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31, 2000 he was a senior partner of said firm, which provided legal services to the Company during the year ended June 30, 2005. During the year ended June 30, 2005, the Company made payments of approximately \$44,000 to Christensen, Miller, Fink, Jacobs, Glaser, Weil & Shapiro, LLP, \$38,000 of which was incurred in fiscal 2004.

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Item 13. Exhibits, List and Reports on Form 8-K.

(a) Listing of Exhibits by Table Number

3. Certificate of Incorporation and By-Laws *

Restated Certificate of Incorporation dated February 20, 1998 is incorporated herein by reference to the Company's Form 10-QSB Report filed with the Securities and Exchange Commission on May 15, 1998.

4. Instruments defining the rights of security holders, including Indentures *

9. Voting Trust Agreement

Voting Trust Agreement dated June 30, 1998 between John V. Winfield and The InterGroup Corporation is incorporated by reference to the Company's Form 10-KSB Annual Report filed with the Securities and Exchange Commission on September 28, 1998.

10. Material Contracts

(a) Note and Exercise Agreement from Mr. John V. Winfield dated May 17, 1996 **

(b) 1998 Stock Option Plan for Non-Employee Directors approved by the Board of Directors on December 8, 1998 and ratified by the shareholders on January 27, 1999 ***

(c) 1998 Stock Option Plan for Selected Key Officers, Employees and Consultants approved by the Board of Directors on December 8, 1998 and ratified by the shareholders on January 27, 1999 ***

14. Code of Ethics

21. Subsidiaries:

- (1) Intergroup Summit Hills, Inc. (incorporated on August 12, 1993 in TX)
- (2) Intergroup Mariposa, Inc. (incorporated on June 23, 1994 in TX)
- (3) Intergroup Arlington Arms, Inc. (incorporated on August 5, 1993 in TX)
- (4) Intergroup Woodland Village, Inc. (incorporated on August 5, 1993 in OH)
- (5) Intergroup Cross Keys, Inc. (incorporated on April 1, 1994 in MO)
- (6) Intergroup Bridgeton, Inc. (incorporated on May 12, 1994 in MO)
- (7) Intergroup Whisperwood, Inc. (incorporated on June 20, 1994 in PA)
- (8) Intergroup Eagle Creek, Inc. (incorporated on April 15, 1994 in TX)
- (9) Intergroup Entertainment Corp. (incorporated on December 23, 1993 in DE)
- (10) Mutual Real Estate Corp. (incorporated on March 10, 1994 in TX)
- (11) WinGroup Capital (incorporated on September 21, 1994 in CA)
- (12) Broadview Enterprises, Inc. (incorporated April 14, 1995 in MO)
- (13) Wayward, Inc. (incorporated April 18, 1995 in MO)
- (14) Golden West Entertainment, Inc. (incorporated February 15, 1990 in CA)
- (15) Golden West Television Productions, Inc. (incorporated September 17,

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- 1991 in CA)
(16) Golden West Television Productions, Inc. (incorporated March 17, 1986 in NY)
(17) Intergroup The Trails, Inc. (incorporated on September 14, 1994 in TX)
(18) Intergroup Meadowbrook Gardens, Inc. (incorporated on June 23, 1994 in NJ)
(19) Intergroup Pine Lake, Inc. (incorporated on February 9, 1996 in KY)
(20) Bellagio Capital Fund, LLC (established on June 18, 1997 in CA)

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- (21) Intergroup Casa Maria, Inc. (incorporated on April 3, 1997 in TX)
(22) Healthy Planet Communications, Inc. (incorporated July 3, 1997 in CA)
(23) Santa Fe Financial Corporation (incorporated July 25, 1967 in NV)
(24) Portsmouth Square, Inc. (incorporated July 6, 1967 in CA)
(24) 2301 Bel-Air Equity, Inc. (incorporated May 25, 2000 in CA)
(26) 11378 Ovada Properties, Inc. (incorporated June 21, 2000 in CA)
(27) 11371 Ovada Properties, Inc. (incorporated May 25, 2000 in CA)
(28) 11361 Ovada Properties, Inc. (incorporated June 1, 2000 in CA)
(29) 11680 Bellagio Properties, Inc. (incorporated May 25, 2000 in CA)
(30) North Sepulveda Properties, Inc. (incorporated June 21, 2000 in CA)
(31) 11650 Bellagio Properties, Inc. (incorporated August 17, 2000 in CA)
(32) Intergroup Elwood, Inc. (incorporated October 12, 2000 in TX)
(33) 11720 Bellagio Properties, Inc. (incorporated January 17, 2001 in CA)
(34) 636 Acanto Properties, Inc. (incorporated February 15, 2001 in CA)
(35) Intergroup Tollgate Creek, Inc. (incorporated June 14, 2001 in TX)
(36) 614 Acanto Properties, Inc. (incorporated November 7, 2001 in CA)
(37) Intergroup Ulunui, Inc. (incorporated August 12, 2004 in HI)

- 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 Chief 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 Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.

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

** All Exhibits marked by five asterisks are incorporated herein by reference to the Company's Form 10-KSB Annual Report filed with the Securities and Exchange Commission on September 16, 1996.

*** All Exhibits marked by six asterisks are incorporated herein by reference to the Company's Schedule 14A filed with the Securities and Exchange Commission on December 21, 1998.

(b) Reports on Form 8-K:

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The Company did not file any reports on Form 8-K during the last quarter of the period covered by this Report.

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Item 14. Principal Accountant Fees and Services.

Audit Fees - The aggregate fees billed for each of the last two fiscal years ended June 30, 2005 and 2004 for professional services rendered by PricewaterhouseCoopers LLP, the principal accountant for the audit of the Company's annual financial statements and review of financial statements included in the Company's Form 10-QSB or services normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years, were as follows:

	Fiscal Year	
	2005	2004
Audit Fees	\$244,000	\$207,000
Audit-Related Fees	\$ -	\$ -
Tax Fees	\$ -	\$ -
All Other Fees	\$ -	\$ -

Audit Committee Pre-Approval Policies

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

All of the services described herein were approved by the Audit Committee pursuant to its pre-approval policies.

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

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SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE INTERGROUP CORPORATION
(Registrant)

Date: March 24, 2006

by /s/ John V. Winfield

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

Date: March 24, 2006

by /s/ David T. Nguyen

David T. Nguyen, Treasurer and Controller
Controller (Principal Accounting Officer)

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: March 24, 2006

/s/ John V. Winfield

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

Date: March 24, 2006

/s/ Josef A. Grunwald

Josef A. Grunwald, Vice Chairman of Board

Date: March 24, 2006

/s/ Gary N. Jacobs

Gary N. Jacobs, Director

Date: March 24, 2006

/s/ John C. Love

John C. Love, Director

Date: March 24, 2006

/s/ William J. Nance

William J. Nance, Director

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