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

FORM 10-Q

[x] **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended December 31, 2015

or

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

For the transition period from _______ to_________

Commission File Number 0-6877

SANTA FE FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)

NEVADA	95-2452529
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification No.)

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

(310) 889-2500
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. [X] Yes [ ] No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
[X] Yes [ ] No

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

Large accelerated filer [ ]	Accelerated filer [ ]
Non-accelerated filer [ ]	Smaller reporting company [X]

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

The number of shares outstanding of registrant's Common Stock, as of January 8, 2016 was 1,241,810.

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PART I
FINANCIAL INFORMATION

Item 1 - Condensed Consolidated Financial Statements

SANTA FE FINANCIAL CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

As of	December 31, 2015 (Unaudited)	June 30, 2015
ASSETS		
Investment in Hotel, net	$ 41,242,000	$ 39,938,000
Investment in real estate, net	5,054,000	4,972,000
Investment in marketable securities	6,050,000	1,955,000
Other investments, net	821,000	7,711,000
Cash and cash equivalents	3,355,000	1,146,000
Restricted cash - mortgage impounds	747,000	656,000
Accounts receivable - Hotel, net	1,129,000	6,791,000
Other assets, net	4,731,000	4,366,000
Deferred tax asset	9,133,000	8,351,000
Total assets	$ 72,262,000	$ 75,886,000
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Liabilities:		
Accounts payable and other liabilities	$ 15,048,000	$ 15,975,000
Other notes payable	8,893,000	9,155,000
Mortgage notes payable - real estate	3,377,000	3,410,000
Mortgage notes payable - Hotel	117,000,000	117,000,000
Total liabilities	144,318,000	145,540,000
Commitments and contingencies		
Shareholders' deficit:		
Common stock - par value $0.10 per share; Authorized shares - 2,000,000; Shares issued 1,339,638 and outstanding 1,241,810	134,000	134,000
Additional paid-in capital	8,808,000	8,808,000
Accumulated deficit	(54,795,000)	(52,746,000)
Treasury stock, at cost, 97,828 shares	(951,000)	(951,000)
Total Santa Fe shareholders' deficit	(46,804,000)	(44,755,000)
Noncontrolling interest	(25,252,000)	(24,899,000)
Total shareholders' deficit	(72,056,000)	(69,654,000)
Total liabilities and shareholders' deficit	$ 72,262,000	$ 75,886,000

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

SANTA FE FINANCIAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

For the three months ended December 31,	**2015**	**2014**
Revenues:		
Hotel	$ 13,713,000	$ 14,044,000
Real estate	109,000	151,000
Total revenues	13,822,000	14,195,000
Costs and operating expenses:		
Hotel operating expenses	(11,969,000)	(12,033,000)
Real estate operating expenses	(41,000)	(67,000)
Depreciation and amortization expense	(755,000)	(705,000)
General and administrative expense	(244,000)	(232,000)
Total costs and operating expenses	(13,009,000)	(13,037,000)
Income from operations	813,000	1,158,000
Other income (expense):		
Interest expense - mortgage	(1,965,000)	(1,964,000)
Loss on disposal of assets	-	(51,000)
Net loss on marketable securities	(2,843,000)	(843,000)
Net unrealized (loss) gain on other investments	(26,000)	8,000
Impairment loss on other investments	(154,000)	-
Dividend and interest income	-	250,000
Trading and margin interest expense	(48,000)	(117,000)
Other expense, net	(5,036,000)	(2,717,000)
Loss before income taxes	(4,223,000)	(1,559,000)
Income tax benefit	1,225,000	547,000
Net loss	(2,998,000)	(1,012,000)
Less: Net loss attributable to the noncontrolling interest	618,000	240,000
Net loss attributable to Santa Fe	$ (2,380,000)	$ (772,000)
Basic and diluted net loss per share attributable to Santa Fe	$ (1.92)	$ (0.62)
Weighted average number of common shares outstanding - basic and diluted	1,241,810	1,241,810

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

SANTA FE FINANCIAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

For the six months ended December 31,	**2015**	**2014**
Revenues:		
Hotel	$ 28,851,000	$ 28,874,000
Real estate	232,000	317,000
Total revenues	29,083,000	29,191,000
Costs and operating expenses:		
Hotel operating expenses	(23,162,000)	(23,871,000)
Real estate operating expenses	(105,000)	(127,000)
Depreciation and amortization expense	(1,511,000)	(1,386,000)
General and administrative expense	(542,000)	(508,000)
Total costs and operating expenses	(25,320,000)	(25,892,000)
Income from operations	3,763,000	3,299,000
Other income (expense):		
Interest expense - mortgage	(3,930,000)	(4,013,000)
Loss on disposal of assets	(30,000)	(51,000)
Net loss on marketable securities	(2,665,000)	(1,539,000)
Net unrealized on other investments	(63,000)	(28,000)
Impairment loss on other investments	(154,000)	-
Dividend and interest income	2,000	256,000
Trading and margin interest expense	(107,000)	(243,000)
Other expense, net	(6,947,000)	(5,618,000)
Loss before income taxes	(3,184,000)	(2,319,000)
Income tax benefit	782,000	729,000
Net loss	(2,402,000)	(1,590,000)
Less: Net loss attributable to the noncontrolling interest	353,000	289,000
Net loss attributable to Santa Fe	$ (2,049,000)	$ (1,301,000)
Basic and diluted net loss per share attributable to Santa Fe	$ (1.65)	$ (1.05)
Weighted average number of common shares outstanding - basic and diluted	1,241,810	1,241,810

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

SANTA FE FINANCIAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

For the six months ended December 31,	**2015**	**2014**
Cash flows from operating activities:		
Net loss	$ (2,402,000)	$ (1,590,000)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Net unrealized loss on marketable securities	2,642,000	1,639,000
Unrealized loss on other investments	63,000	28,000
Impairment loss on other investments	154,000	-
Loss on disposal of assets	30,000	51,000
Depreciation and amortization	1,511,000	1,386,000
Changes in assets and liabilities:		
Investment in marketable securities	(64,000)	47,000
Accounts receivable	5,662,000	596,000
Other assets	(271,000)	(411,000)
Accounts payable and other liabilities	(927,000)	(3,297,000)
Due to securities broker	-	(425,000)
Obligations for securities sold	-	210,000
Deferred tax asset	(782,000)	(729,000)
Net cash provided by (used in) operating activities	5,616,000	(2,495,000)
Cash flows from investing activities:		
Payments for hotel and real estate investments	(3,021,000)	(2,917,000)
Net cash used in investing activities	(3,021,000)	(2,917,000)
Cash flows from financing activities:		
Restricted cash - (payments to) withdrawal of mortgage impounds, net	(91,000)	116,000
Net (payments) proceeds from mortgage and other notes payable, net	(295,000)	4,645,000
Net cash (used in) provided by financing activities	(386,000)	4,761,000
Net increase (decrease) in cash and cash equivalents:	2,209,000	(651,000)
Cash and cash equivalents at the beginning of the period	1,146,000	1,139,000
Cash and cash equivalents at the end of the period	$ 3,355,000	$ 488,000
Supplemental information:		
Interest paid	$ 3,951,000	$ 4,071,000
Non-cash transaction:		
Conversion of other investments to marketable securities	$ 6,659,000	$ -

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

SANTA FE FINANCIAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 – BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements included herein have been prepared by Santa Fe Financial Corporation ("Santa Fe" or the "Company"), without audit, according to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in the condensed consolidated financial statements prepared in accordance with generally accepted accounting principles (U.S. GAAP) have been condensed or omitted pursuant to such rules and regulations, although the Company believes the disclosures that are made are adequate to make the information presented not misleading. Further, the condensed consolidated financial statements reflect, in the opinion of management, all adjustments (which included only normal recurring adjustments) necessary for a fair statement of the financial position, cash flows and results of operations as of and for the periods indicated. It is suggested that these financial statements be read in conjunction with the audited financial statements of Santa Fe and the notes therein included in the Company's Annual Report on Form 10-K for the year ended June 30, 2015. The June 30, 2015 Condensed Consolidated Balance Sheet was derived from the Company's Form 10-K for the year ended June 30, 2015.

The results of operations for the three and six months ended December 31, 2015 are not necessarily indicative of results to be expected for the full fiscal year ending June 30, 2016.

For the three and six months ended December 31, 2015 and 2014, the Company had no components of comprehensive income other than net income itself.

Santa Fe Financial Corporation, a Nevada corporation, ("Santa Fe" or the "Company") owns approximately 68.8% of the outstanding common shares of Portsmouth Square, Inc. ("Portsmouth"), a public company. Santa Fe is an 81.7%-owned subsidiary of The InterGroup Corporation ("InterGroup"), a public company. InterGroup also directly owns approximately 13.1% of the common stock of Portsmouth, a public company.

Portsmouth's primary business is conducted through its general and limited partnership interest in Justice Investors, a California limited partnership ("Justice" or the "Partnership"). Portsmouth controls approximately 93% of the voting interest in Justice and is the sole general partner.

Justice, through its subsidiaries Justice Holdings Company, LLC ("Holdings"), a Delaware Limited Liability Company, Justice Operating Company, LLC ("Operating") and Justice Mezzanine Company, LLC ("Mezzanine"), owns a 543-room Hotel property located at 750 Kearny Street, San Francisco California, known as the Hilton San Francisco Financial District (the Hotel) and related facilities including a five level underground parking garage. Holdings and Mezzanine are both a wholly-owned subsidiaries of the Partnership; Operating is a wholly-owned subsidiary of Mezzanine. Mezzanine is the Mezzanine borrower under certain indebtedness of Justice, and in December 2013, the Partnership conveyed ownership of the Hotel to Operating. The Hotel is operated by the partnership as a full service Hilton brand hotel pursuant to a Franchise License Agreement with HLT Franchise Holding LLC (Hilton) . Justice also has a Management Agreement with Prism Hospitality L.P. ("Prism") to perform management functions for the Hotel. The management agreement with Prism had an original term of ten years and can be terminated at any time with or without cause by the Partnership owner. Effective January 2014, the management agreement with Prism was amended by the Partnership. Effective December 1, 2013, GMP Management, Inc., a company owned by a Justice limited partner and related party, also provides management services for the Partnership pursuant to a Management Services Agreement, which is for a term of 3 years, but which can be terminated earlier by the Partnership for cause.

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

In addition to the operations of the Hotel, the Company also generates income from the ownership and management of real estate. On December 31, 1997, the Company acquired a controlling 55.4% interest in Intergroup Woodland Village, Inc. ("Woodland Village") from InterGroup. Woodland Village's major asset is a 27-unit apartment complex located in Los Angeles, California. The Company also owns a two-unit apartment building in Los Angeles, California.

Basic income per share is calculated based upon the weighted average number of common shares outstanding during each respective period. During the three and six months ended December 31, 2015 and 2014, the Company did not have any potentially dilutive securities outstanding.

Recently Issued Accounting Pronouncements

In November 2015, FASB issued Accounting Standards Update 2015-17, *Income Taxes: Balance Sheet Classification of Deferred Taxes,* which is intended to improve how deferred taxes are classified on organizations' balance sheets by eliminating the current requirement for organizations to present deferred tax liabilities and assets as current and noncurrent in a classified balance sheet. Instead, organizations will now be required to classify all deferred tax assets and liabilities as noncurrent. The changes are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods, which means the first quarter of the Company's fiscal year 2018. We are currently reviewing the ASU and assessing the potential impact on the consolidated financial statements.

In July 2015, the FASB issued Accounting Standard Update No. 2015-11, *Simplifying the Measurement of Inventory* ("ASU 2015-11") which requires entities to measure most inventory at the lower of cost and net realizable value. Net realizable value is defined as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The guidance is effective for annual and interim periods beginning after December 15, 2016. Though permitted, the Company does not plan to early adopt. We are currently evaluating the impact ASU 2015-11 will have on the Company's consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. ASU 2015-03 is effective for annual periods beginning after December 15, 2015 and early application is permitted. We are in the process of evaluating this guidance.

In February 2015, the FASB issued ASU 2015-02, Consolidation (Topic 810): *Amendments to the Consolidation Analysis,* which changes the consolidation analysis for both the variable interest model and for the voting model for limited partnerships and similar entities. ASU 2015-02 is effective for annual and interim periods beginning after December 15, 2015 and for interim periods within those fiscal years, early application is permitted. ASU 2015-02 provides for one of two methods of transition: retrospective application to each prior period presented; or recognition of the cumulative effect of retrospective application of the new standard in the period of initial application. We are in the process of evaluating this guidance and our method of adoption.

In April 2014, the FASB issued ASU 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment* (Topic 360)("ASU 2014-08"). The amendments in ASU 2014-08 provide guidance for the recognition of discontinued operations, change the requirements for reporting discontinued operations in ASC 205-20, "Discontinued Operations" ("ASC 205-20") and require additional disclosures about discontinued operations. ASU 2014-08 is effective for the Company for annual periods beginning after December 15, 2014. The Company adopted this standard in the quarter ended September 30, 2015 and it did not have an impact on its consolidated financial statements as it relates primarily to how items are presented in the financial statements.

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

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

NOTE 2 – INVESTMENT IN HOTEL, NET

Investment in hotel consisted of the following as of:

December 31, 2015	Cost	Accumulated Depreciation	Net Book Value
Land	$ 1,896,000	$ -	$ 1,896,000
Furniture and equipment	26,704,000	(22,346,000)	4,358,000
Building and improvements	59,380,000	(24,392,000)	34,988,000
	$ 87,980,000	$ (46,738,000)	$ 41,242,000

June 30, 2015	Cost	Accumulated Depreciation	Net Book Value
Land	$ 1,896,000	$ -	$ 1,896,000
Furniture and equipment	25,958,000	(21,605,000)	4,353,000
Building and improvements	57,494,000	(23,805,000)	33,689,000
	$ 85,348,000	$ (45,410,000)	$ 39,938,000

NOTE 3 – INVESTMENT IN REAL ESTATE, NET

The Company owns and operates a 27-unit and 2-unit multi-family apartment complex located in Los Angeles, California and owns land held for development located in Maui, Hawaii. Investment in real estate consisted of the following:

As of	**December 31, 2015**	**June 30, 2015**
Land	$ 2,430,000	$ 2,430,000
Buildings, improvements and equipment	2,756,000	2,634,000
Accumulated depreciation	(1,105,000)	(1,065,000)
	4,081,000	3,999,000
Land held for development	973,000	973,000
Investment in real estate, net	$ 5,054,000	$ 4,972,000

NOTE 4 - INVESTMENT IN MARKETABLE SECURITIES

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

At December 31, 2015 and June 30, 2015, all of the Company's marketable securities are classified as trading securities. The change in the unrealized gains and losses on these investments are included in earnings. Trading securities are summarized as follows:

Investment		Cost		Gross Unrealized Gain		Gross Unrealized Loss		Net Unrealized Loss		Fair Value
As of December 31, 2015										
Corporate Equities	$	9,753,000	$	242,000	$	(3,945,000)	$	(3,703,000)	$	6,050,000
As of June 30, 2015										
Corporate Equities	$	3,016,000	$	368,000	$	(1,429,000)	$	(1,061,000)	$	1,955,000

As of December 31, 2015, approximately 89% of the investment marketable securities balance above is comprised of the common stock of Comstock Mining, Inc.

As of December 31, 2015 and June 30, 2015, the Company had $1,714,000 and $1,420,000, respectively, of unrealized losses related to securities held for over one year.

Net loss on marketable securities on the statement of operations is comprised of realized and unrealized gains (losses). Below is the composition of the two components for the three months ended December 31, 2015 and 2014, respectively.

For the three months ended December 31,		**2015**		**2014**
Realized gain on marketable securities	$	-	$	4,000
Unrealized loss on marketable securities		(2,843,000)		(847,000)
Net loss on marketable securities	$	(2,843,000)	$	(843,000)

For the six months ended December 31,		**2015**		**2014**
Realized (loss) gain on marketable securities	$	(23,000)	$	100,000
Unrealized loss on marketable securities		(2,642,000)		(1,639,000)
Net loss on marketable securities	$	(2,665,000)	$	(1,539,000)

NOTE 5 – OTHER INVESTMENTS, NET

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

Other investments, net consist of the following:

Type		**December 31, 2015**		**June 30, 2015**
Preferred stock - Comstock, at cost	$	-	$	6,659,000
Private equity hedge fund, at cost		710,000		777,000
Other preferred stock, at cost		103,000		223,000
Warrants - at fair value		8,000		52,000
	$	821,000	$	7,711,000

As of June 30, 2015, the Company had $6,659,000 (6,659 preferred shares) held in Comstock Mining, Inc. (“Comstock” – OTCBB: LODE) 7 1/2% Series A-1 Convertible Preferred Stock (the “A-1 Preferred”).

On August 27, 2015, all of such preferred stock was converted into common stock of Comstock. Such shares are now included on the balance sheet under "Investment in marketable securities".

NOTE 6 - FAIR VALUE MEASUREMENTS

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

As of December 31, 2015

Assets:	Level 1	Level 2	Level 3	Total
Other investments - warrants	$ -	$ -	$ 8,000	$ 8,000
Investment in marketable securities:				
Basic materials	5,368,000	-	-	5,368,000
Other	682,000	-	-	682,000
	6,050,000	-	-	6,050,000
	$ 6,050,000	$ -	$ 8,000	$ 6,058,000

As of June 30, 2015

Assets:	Level 1	Level 2	Level 3	Total
Other investments - warrants	$ -	$ -	$ 52,000	$ 52,000
Investment in marketable securities:				
Basic materials	1,392,000	-	-	1,392,000
Other	563,000	-	-	563,000
	1,955,000	-	-	1,955,000
	$ 1,955,000	$ -	$ 52,000	$ 2,007,000

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

Financial assets that are measured at fair value on a non-recurring basis and are not included in the tables above include "Other investments, net (non-marketable securities)," that were initially measured at cost and have been written down to fair value as a result of impairment or adjusted to record the fair value of new instruments received (i.e., preferred shares) in exchange for old instruments (i.e., debt instruments). The following table shows the fair value hierarchy for these assets measured at fair value on a non-recurring basis as follows:

Assets	Level 1	Level 2	Level 3	December 31, 2015	**Net loss for the six months ended December 31, 2015**
Other non-marketable investments	$ -	$ -	$ 813,000	$ 813,000	$ (154,000)

Assets	Level 1	Level 2	Level 3	June 30, 2015	**Net loss for the six months ended December 31, 2014**
Other non-marketable investments	$ -	$ -	$ 7,659,000	$ 7,659,000	$ -

Other investments in non-marketable securities are carried at cost net of any impairment loss. The Company has no significant influence or control over the entities that issue these investments and holds less than 20% ownership in each of the investments. These investments are reviewed on a periodic basis for other-than-temporary impairment. The Company reviews several factors to determine whether a loss is other-than-temporary. These factors include but are not limited to: (i) the length of time an investment is in an unrealized loss position, (ii) the extent to which fair value is less than cost, (iii) the financial condition and near term prospects of the issuer and (iv) our ability to hold the investment for a period of time sufficient to allow for any anticipated recovery in fair value.

NOTE 7 – SEGMENT INFORMATION

The Company operates in three reportable segments, the operation of the hotel (“Hotel Operations”), its multi-family residential properties (“Real Estate Operations) and the investment of its cash in marketable securities and other investments (“Investment Transactions”). These three operating segments, as presented in the financial statements, reflect how management internally reviews each segment’s performance. Management also makes operational and strategic decisions based on this same information. Information below represents reporting segments for the three and six months ended December 31, 2015 and 2014, respectively. Operating income for rental properties consist of rental income. Operating income from hotel operations consists of the operation of the hotel and operation of the garage. Income (loss) from investment transactions consist of net investment gain (loss), impairment loss on other investments, net unrealized gain (loss) on other investments, dividend and interest income and trading and margin interest expense.

As of and for the three months ended December 31, 2015	Hotel Operations	Real Estate Operations	Investment Transactions	Other	Total
Revenues	$ 13,713,000	$ 109,000	$ -	$ -	$ 13,822,000
Segment operating expenses	(11,969,000)	(41,000)	-	(244,000)	(12,254,000)
Segment income (loss)	1,744,000	68,000	-	(244,000)	1,568,000
Interest expense - mortgage	(1,941,000)	(24,000)	-	-	(1,965,000)
Depreciation and amortization expense	(734,000)	(21,000)	-	-	(755,000)
Loss from investments	-	-	(3,071,000)	-	(3,071,000)
Income tax benefit	-	-	-	1,225,000	1,225,000
Net income (loss)	$ (931,000)	$ 23,000	$ (3,071,000)	$ 981,000	$ (2,998,000)
Total assets	$ 50,375,000	$ 5,054,000	$ 6,871,000	$ 9,962,000	$ 72,262,000

As of and for the three months ended December 31, 2014	Hotel Operations	Real Estate Operations	Investment Transactions	Other	Total
Revenues	$ 14,044,000	$ 151,000	$ -	$ -	$ 14,195,000
Segment operating expenses	(12,033,000)	(67,000)	-	(232,000)	(12,332,000)
Segment income (loss)	2,011,000	84,000	-	(232,000)	1,863,000
Interest expense - mortgage	(1,939,000)	(25,000)	-	-	(1,964,000)
Loss on disposal of assets	(51,000)	-	-	-	(51,000)
Depreciation and amortization expense	(689,000)	(16,000)	-	-	(705,000)
Loss from investments	-	-	(702,000)	-	(702,000)
Income tax benefit	-	-	-	547,000	547,000
Net income (loss)	$ (668,000)	$ 43,000	$ (702,000)	$ 315,000	$ (1,012,000)
Total assets	$ 47,726,000	$ 4,950,000	$ 11,427,000	$ 9,202,000	$ 73,305,000

As of and for the six months ended December 31, 2015	Hotel Operations	Real Estate Operations	Investment Transactions	Other	Total
Revenues	$ 28,851,000	$ 232,000	$ -	$ -	$ 29,083,000
Segment operating expenses	(23,162,000)	(105,000)	-	(542,000)	(23,809,000)
Segment loss	5,689,000	127,000	-	(542,000)	5,274,000
Interest expense - mortgage	(3,882,000)	(48,000)	-	-	(3,930,000)
Loss on disposal of assets	(30,000)	-	-	-	(30,000)
Depreciation and amortization expense	(1,471,000)	(40,000)	-	-	(1,511,000)
Loss from investments	-	-	(2,987,000)	-	(2,987,000)
Income tax benefit	-	-	-	782,000	782,000
Net income (loss)	$ 306,000	$ 39,000	$ (2,987,000)	$ 240,000	$ (2,402,000)
Total assets	$ 50,375,000	$ 5,054,000	$ 6,871,000	$ 9,962,000	$ 72,262,000

As of and for the six months ended December 31, 2014	Hotel Operations	Real Estate Operations	Investment Transactions	Other	Total
Revenues	$ 28,874,000	$ 317,000	$ -	$ -	$ 29,191,000
Segment operating expenses	(23,871,000)	(127,000)	-	(508,000)	(24,506,000)
Segment loss	5,003,000	190,000	-	(508,000)	4,685,000
Interest expense - mortgage	(3,963,000)	(50,000)	-	-	(4,013,000)
Loss on disposal of assets	(51,000)	-	-	-	(51,000)
Depreciation and amortization expense	(1,355,000)	(31,000)	-	-	(1,386,000)
Income from investments	-	-	(1,554,000)	-	(1,554,000)
Income tax benefit	-	-	-	729,000	729,000
Net income (loss)	$ (366,000)	$ 109,000	$ (1,554,000)	$ 221,000	$ (1,590,000)
Total assets	$ 47,726,000	$ 4,950,000	$ 11,427,000	$ 9,202,000	$ 73,305,000

NOTE 8 – RELATED PARTY TRANSACTIONS

Certain shared costs and expenses, primarily administrative expenses, rent and insurance are allocated among the Company, the Company’s parent, Santa Fe and InterGroup, the parent of Santa Fe, based on management's estimate of the pro rata utilization of resources. For the three and six months ended December 31, 2015 and 2014, these expenses were approximately $36,000 and $72,000, for each respective period.

During the three months ended December 31, 2015 and 2014, the Company received management fees from Justice Investors totaling $137,000 and $140,000, respectively. During the six months ended December 31, 2015 and 2014, the Company received management fees from Justice Investors totaling $300,000 and $281,000, respectively. These fees are eliminated in consolidation.

In connection with the redemption of limited partnership interests of Justice Investors, Limited Partnership (which took place during fiscal year ended June 30, 2014), Justice Operating Company, LLC agreed to pay a total of $1,550,000 in fees to certain officers and directors of the Company for services rendered in connection with the redemption of partnership interests, refinancing of Justice’s properties and reorganization of Justice Investors. This agreement was superseded by a letter dated December 11, 2013 from Justice Investors, Limited Partnership, in which Justice Investors Limited Partnership assumed the payment obligations of Justice Operating Company, LLC. The first payment under this agreement was made concurrently with the closing of the loan agreements, with the remaining payments due upon Justice Investor’s having adequate available cash as described in the letter. As of December 31, 2015, $400,000 of these fees remains outstanding.

Four of the Portsmouth directors serve as directors of Intergroup. Three of those directors also serve as directors of Santa Fe. The three Santa Fe directors also serve as directors of InterGroup.

John V. Winfield serves as Chief Executive Officer and Chairman of the Company, Portsmouth, and InterGroup. Depending on certain market conditions and various risk factors, the Chief Executive Officer, Portsmouth and InterGroup 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 the resources of Portsmouth and InterGroup, at risk in connection with investment decisions made on behalf of the Company.

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

FORWARD-LOOKING STATEMENTS AND PROJECTIONS

The Company may from time to time make forward-looking statements and projections concerning future expectations. When used in this discussion, the words “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe,” “may,” “could,” “might” and similar expressions, are intended to identify forward-looking statements. These statements are subject to certain risks and uncertainties, such as national and worldwide economic conditions, including the impact of recessionary conditions on tourism, travel and the lodging industry, the impact of terrorism and war on the national and international economies, including tourism and securities markets, energy and fuel costs, natural disasters, general economic conditions and competition in the hotel industry in the San Francisco area, seasonality, labor relations and labor disruptions, actual and threatened pandemics such as swine flu, partnership distributions, the ability to obtain financing at favorable interest rates and terms, securities markets, regulatory factors, litigation and other factors discussed below in this Report and in the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2015, that could cause actual results to differ materially from those projected. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as to the date hereof. The Company undertakes no obligation to publicly release the results of any revisions to those forward-looking statements, which may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

RESULTS OF OPERATIONS

The Company's principal sources of revenue continue to be derived from the investment of its 68.8% owned subsidiary, Portsmouth, in the Justice Investors limited partnership (“Justice” or the “Partnership”), rental income from its investments in multi-family real estate properties and income received from investment of its cash and securities assets. Justice owns a 543 room hotel property located at 750 Kearny Street, San Francisco, California 94108, known as the “Hilton San Francisco Financial District” (the “Hotel”) and related facilities, including a five-level underground parking garage. The financial statements of Justice have been consolidated with those of the Company.

The Hotel is operated by the Partnership as a full service Hilton brand hotel pursuant to a Franchise License Agreement with HLT Franchise Holding LLC (Hilton). The Partnership entered into a Franchise License Agreement with the HLT Franchise Holding LLC (Hilton) on December 10, 2004. The term of the License Agreement was for an initial period of 15 years commencing on the opening date, with an option to extend the License Agreement for another five years, subject to certain conditions. On June 26, 2015, the Partnership and Hilton entered into an amended franchise agreement which extended the License Agreement through 2030, modified the monthly royalty rate, extended geographic protection to the Partnership and also provided the Partnership certain key money cash incentives to be earned through 2030. The key money cash incentives were received on July 1, 2015.

Justice also has a Management Agreement with Prism Hospitality L.P. (“Prism”) to perform management functions for the Hotel. The management agreement with Prism had an original term of ten years and can be terminated at any time with or without cause by the Partnership owner. Effective January 2014, the management agreement with Prism was amended by the Partnership. Effective December 1, 2013, GMP Management, Inc., a company owned by a Justice limited partner and related party, also provides management services for the Partnership pursuant to a Management Services Agreement, which is for a term of 3 years, but which can be terminated earlier by the Partnership for cause.

The parking garage that is part of the Hotel property is managed by Ace Parking pursuant to a contract with the Partnership. Portsmouth also receives management fees as a general partner of Justice for its services in overseeing and managing the Partnership’s assets. Those fees are eliminated in consolidation.

In addition to the operations of the Hotel, the Company also generates income from the ownership and management of real estate. On December 31, 1997, the Company acquired a controlling 55.4% interest in Intergroup Woodland Village, Inc. ("Woodland Village") from InterGroup. Woodland Village's major asset is a 27-unit apartment complex located in Los Angeles, California. The Company also owns a two-unit apartment building in Los Angeles, California.

Three months Ended December 31, 2015 Compared to Three months Ended December 31, 2014

The Company had a net loss of $2,998,000 for the three months ended December 31, 2015 compared to a net loss of $1,012,000 for the three months ended December 31, 2014. The increase in the net loss is primarily attributable to the higher net loss on marketable securities as the result of the decrease in the market value of the Company's holdings in common stock of Comstock Mining, Inc.

The Company had a net loss from hotel operations of $931,000 for the three months ended December 31, 2015 compared to a net loss of $668,000 for the three months ended December 31, 2014. Hotel revenues decreased during the current quarter, while operating expenses also decreased by a lower percentage relative to the decrease in revenues.

The following table sets forth a more detailed presentation of Hotel operations for the three months ended December 31, 2015 and 2014.

For the three months ended December 31,	2015	2014
Hotel revenues:		
Hotel rooms	$ 10,796,000	$ 10,916,000
Food and beverage	1,858,000	2,073,000
Garage	674,000	721,000
Other operating departments	385,000	334,000
Total hotel revenues	13,713,000	14,044,000
Operating expenses, excluding loss on disposal of assets, depreciation and amortization	(11,969,000)	(12,033,000)
Operating income before loss on disposal of assets, interest and depreciation and amortization	1,744,000	2,011,000
Loss on disposal of assets	-	(51,000)
Interest expense - mortgage	(1,941,000)	(1,939,000)
Depreciation and amortization expense	(734,000)	(689,000)
Net loss from Hotel operations	$ (931,000)	$ (668,000)

For the three months ended December 31, 2015, the Hotel generated operating income of $1,744,000 before the loss on disposal of assets and interest and depreciation and amortization on total operating revenues of $13,713,000 compared to operating income of $2,011,000 before the loss on disposal of assets and interest and depreciation and amortization on total operating revenues of $14,044,000 for the three months ended December 31, 2014. Room revenues decreased by $120,000 for the three months ended December 31, 2015 compared to the three months ended December 31, 2014 primarily as the result of the decrease in group stays. Food and beverage revenue also decreased by $215,000 as the result of lower catering and banquet services from groups.

Total operating expenses remained consistent with the prior comparable period. However, the Hotel did have a decrease in franchise fees and legal expenses offset by increases in property taxes, repairs and maintenance expense and management fees. Franchise fees decreased as the result of the new Hilton franchise agreement. Legal expenses decreased as the result of coming closer to a settlement of the current litigation.

The following table sets forth the average daily room rate, average occupancy percentage and room revenue per available room ("RevPAR") of the Hotel for the three months ended December 31, 2015 and 2014.

Three Months Ended December 31,	Average Daily Rate	Average Occupancy %	RevPAR
2015	$243	89%	$216
2014	$245	89%	$218

The Hotel's revenues decreased by 2.4% this quarter as compared to the previous comparable quarter. Average daily rate and RevPAR decreased by $2 for the three months ended December 31, 2015 compared to the three months ended December 31, 2014.

Our highest priority is guest satisfaction. We believe that enhancing the guest experience differentiates the Hotel from our competition by building the most sustainable guest loyalty program. The Hotel's loyalty score improved by five percentage points year-over-year and our overall service score by four percentage points. We attribute this improvement to continued training of team members on Hilton brand standards and guest satisfaction, hiring and retaining talents in key operations, and enhancing the arrival experience. In addition, the Hotel replaced the carpet flooring in the lobby with oak wood, creating an open and welcoming environment; modernized the furniture in the lobby, the porte cochere, and the second floor; and replaced the third floor carpets and doors. The Wellness Center on the fifth floor features a new spa with two treatment rooms and a room for manicure and pedicure which has been doing well. The fitness center has been expanded with state of the art equipment.

In order to further enhance the guest experience, the Hotel plans to renovate the fourth floor meeting rooms to make a state of the art meeting space and, concurrently, to renovate the fourth floor bathrooms. The hotel will remodel guest room bathrooms with modern shower amenities, and update desk tables and the night stands with granite tops for a sleek and modern look. The Hotel is also looking into converting the carpet in the rooms to hardwood floors. Finally, the Hotel, in conjunction with the Chinese Cultural Center, is developing a landscape area on the Pedestrian Bridge that connects the Hotel to Portsmouth Square. We continue to take steps that further develop our ties with the local Chinese community and the city of San Francisco, representing good corporate citizenship and promoting important, new business opportunities.

The Company had a net loss on marketable securities of $2,843,000 for the three months ended December 31, 2015 compared to a net loss on marketable securities of $843,000 for the three months ended December 31, 2014. Approximately $2,801,000 of the $2,843,000 net loss is related to the Company’s investment in the common stock of Comstock. Such investments represent approximately 89% of the Company’s portfolio as of December 31, 2015. For the three months ended December 31, 2015, the Company had a net unrealized loss of $2,843,000. For the three months ended December 31, 2014, the Company had a net realized gain of $4,000 and a net unrealized loss of $847,000. Gains and losses on marketable securities may fluctuate significantly from period to period in the future and could have a significant impact on the Company’s results of operations. However, the amount of gain or loss on marketable securities for any given period may have no predictive value and variations in amount from period to period may have no analytical value. For a more detailed description of the composition of the Company’s marketable securities see the Marketable Securities section below.

During the three months ended December 31, 2015 and 2014, the Company performed an impairment analysis of its other investments and determined that its investments had an other than temporary impairment and recorded impairment losses of $154,000 in the current quarter. There were no such losses in the prior year comparable period.

The Company and its subsidiary, Portsmouth, compute and file income tax returns and prepare discrete income tax provisions for financial reporting. The income tax benefit during the three months ended December 31, 2015 and 2014 represents primarily the income tax effect on the Portsmouth’s pretax loss which includes its share in net loss of the Hotel.

Six months Ended December 31, 2015 Compared to Six months Ended December 31, 2014

The Company had a net loss of $2,402,000 for the six months ended December 31, 2015 compared to a net loss of $1,590,000 for the six months ended December 31, 2014. The increase in the net loss is primarily attributable to the higher net loss on marketable securities as the result of the decrease in the market value of the Company’s holdings in common stock of Comstock Mining, Inc., partially offset by the higher income from Hotel operations.

The Company had net income from hotel operations of $306,000 for the six months ended December 31, 2015 compared to a net loss of $366,000 for the six months ended December 31, 2014. Hotel revenues remained relatively consistent for the six months ended December 31, 2015 compared to the same period in the prior year while operating expenses decreased.

The following table sets forth a more detailed presentation of Hotel operations for the six months ended December 31, 2015 and 2014.

For the six months ended December 31,	**2015**	**2014**
Hotel revenues:		
Hotel rooms	$ 23,403,000	$ 23,260,000
Food and beverage	3,508,000	3,646,000
Garage	1,359,000	1,418,000
Other operating departments	581,000	550,000
Total hotel revenues	28,851,000	28,874,000
Operating expenses, excluding loss on disposal of assets, depreciation and amortization	(23,162,000)	(23,871,000)
Operating income before loss on disposal of assets, interest and depreciation and amortization	5,689,000	5,003,000
Loss on disposal of assets	(30,000)	(51,000)
Interest expense - mortgage	(3,882,000)	(3,963,000)
Depreciation and amortization expense	(1,471,000)	(1,355,000)
Net income (loss) from Hotel operations	$ 306,000	$ (366,000)

For the six months ended December 31, 2015, the Hotel generated operating income of $5,689,000 before the loss on disposal of assets and interest and depreciation and amortization on total operating revenues of $28,851,000 compared to operating income of $5,003,000 before the loss on disposal of assets and interest and depreciation and amortization on total operating revenues of $28,874,000 for the six months ended December 31, 2014. Room revenues increased by $143,000 for the six months ended December 31, 2015 compared to the six months ended December 31, 2014 primarily as the result of the higher revenue from groups. Food and beverage revenue decreased by $138,000 as the result of lower catering and banquet services from groups.

Operating expenses decreased by $709,000 compared to the prior comparable period primarily due to reduced royalty fees per the new Hilton franchise agreement and the decrease in legal expenses as the result of coming closer to a settlement of the current litigation.

The following table sets forth the average daily room rate, average occupancy percentage and room revenue per available room ("RevPAR") of the Hotel for the six months ended December 31, 2015 and 2014.

Six Months Ended December 31,	**Average Daily Rate**	**Average Occupancy %**	**RevPAR**
2015	$254	92%	$234
2014	$252	93%	$232

The Hotel's revenues remained consistent with the previous comparable six months. Average daily rate and RevPAR increased by $2 for the six months ended December 31, 2015 compared to the six months ended December 31, 2014. The increases were offset by the decrease in the average occupancy by 1%.

Our highest priority is guest satisfaction. We believe that enhancing the guest experience differentiates the Hotel from our competition by building the most sustainable guest loyalty program. The Hotel's loyalty score improved by five percentage points year-over-year and our overall service score by four percentage points. We attribute this improvement to continued training of team members on Hilton brand standards and guest satisfaction, hiring and retaining talents in key operations, and enhancing the arrival experience. In addition, the Hotel replaced the carpet flooring in the lobby with oak wood, creating an open and welcoming environment; modernized the furniture in the lobby, the porte cochere, and the second floor; and replaced the third floor carpets and doors. The Wellness Center on the fifth floor features a new spa with two treatment rooms and a room for manicure and pedicure which has been doing well. The fitness center has been expanded with state of the art equipment.

In order to further enhance the guest experience, the Hotel plans to renovate the fourth floor meeting rooms to make a state of the art meeting space and, concurrently, to renovate the fourth floor bathrooms. The hotel will remodel guest room bathrooms with modern shower amenities, and update desk tables and the night stands with granite tops for a sleek and modern look. The Hotel is also looking into converting the carpet in the rooms to hardwood floors. Finally, the Hotel, in conjunction with the Chinese Cultural Center, is developing a landscape area on the Pedestrian Bridge that connects the Hotel to Portsmouth Square. We continue to take steps that further develop our ties with the local

Chinese community and the city of San Francisco, representing good corporate citizenship and promoting important, new business opportunities.

The Company had a net loss on marketable securities of $2,665,000 for the six months ended December 31, 2015 compared to a net loss on marketable securities of $1,539,000 for the six months ended December 31, 2014. Approximately $2,591,000 of the $2,665,000 net loss is related to the Company's investment in the common stock of Comstock. Such investments represent approximately 89% of the Company's portfolio as of December 31, 2015. For the six months ended December 31, 2015, the Company had a net realized loss of $23,000 and a net unrealized loss of $2,642,000. For the six months ended December 31, 2014, the Company had a net realized gain of $100,000 and a net unrealized loss of $1,639,000. Gains and losses on marketable securities may fluctuate significantly from period to period in the future and could have a significant impact on the Company's results of operations. However, the amount of gain or loss on marketable securities for any given period may have no predictive value and variations in amount from period to period may have no analytical value. For a more detailed description of the composition of the Company's marketable securities see the Marketable Securities section below.

During the six months ended December 31, 2015 and 2014, the Company performed an impairment analysis of its other investments and determined that its investments had an other than temporary impairment and recorded impairment losses of $154,000 in the current period. There were no such losses in the prior year comparable period.

The Company and its subsidiary, Portsmouth, compute and file income tax returns and prepare discrete income tax provisions for financial reporting. The income tax benefit during the six months ended December 31, 2015 and 2014 represents primarily the income tax effect on the Portsmouth's pretax loss which includes its share in net income (loss) of the Hotel.

MARKETABLE SECURITIES

As of December 31, 2015 and June 30, 2015, the Company had investments in marketable equity securities of $6,050,000 and $1,955,000, respectively. The following table shows the composition of the Company's marketable securities portfolio by selected industry groups as:

As of December 31, 2015 Industry Group	Fair Value	% of Total Investment Securities
Basic materials	$ 5,368,000	88.7%
Other	682,000	11.3%
	$ 6,050,000	100.0%

As of June 30, 2015 Industry Group	Fair Value	% of Total Investment Securities
Basic materials	$ 1,392,000	71.2%
Other	563,000	28.8%
	$ 1,955,000	100.0%

The Company's investment in marketable securities portfolio consists primarily of (88.7%) of the common stock of Comstock Mining, Inc. ("Comstock" - NYSE MKT: LODE) which is included in the basic materials industry group. The significant increase in the Company's investment in Comstock was due to the conversion of the $6,659,000 (6,659 preferred shares) held in Comstock Mining, Inc. ("Comstock" – OTCBB: LODE) 7 1/2% Series A-1 Convertible Preferred Stock (the "A-1 Preferred") to common stock on August 27, 2015. The A-1 Preferred was previously included in other investments prior to its conversion.

Marketable securities are stated at fair value as determined by the most recently traded price of each security at the balance sheet date.

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

For the three months ended December 31,		**2015**		**2014**
Net loss on marketable securities	$	(2,843,000)	$	(843,000)
Net unrealized (loss) gain on other investments		(26,000)		8,000
Impairment loss on other investments		(154,000)		-
Dividend and interest income		-		250,000
Margin interest expense		(10,000)		(24,000)
Trading and management expenses		(38,000)		(93,000)
	$	(3,071,000)	$	(702,000)

For the six months ended December 31,		**2015**		**2014**
Net loss on marketable securities	$	(2,665,000)	$	(1,539,000)
Net unrealized loss on other investments		(63,000)		(28,000)
Impairment loss on other investments		(154,000)		-
Dividend and interest income		2,000		256,000
Margin interest expense		(21,000)		(58,000)
Trading and management expenses		(86,000)		(185,000)
	$	(2,987,000)	$	(1,554,000)

FINANCIAL CONDITION AND LIQUIDITY

The Company's cash flows are primarily generated from its Hotel operations and general partner management fees from Justice Investors. The Company also generates cash from the investment of its cash and marketable securities, other investments and the ownership of real estate.

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

To fund redemption of limited partnership interests and to repay the prior mortgage, Justice obtained a $97,000,000 mortgage loan and a $20,000,000 mezzanine loan. The mortgage loan is secured by the Partnership's principal asset, the Hotel. The mortgage loan initially bears an interest rate of 5.28% per annum and matures in January 2024. As additional security for the mortgage loan, there is a limited guaranty executed by the Company in favor of mortgage lender. The mezzanine loan is a secured by the Operating membership interest held by Mezzanine and is subordinated to the Mortgage Loan. The mezzanine loan initially bears interest at 9.75% per annum and matures in January 2024. As additional security for the mezzanine loan, there is a limited guaranty executed by the Company in favor of mezzanine lender.

On July 2, 2014, the Partnership obtained from the Intergroup Corporation (parent company of Portsmouth) an unsecured loan in the principal amount of $4,250,000 at 12% per year fixed interest, with a term of 2 years, payable interest only each month. Intergroup received a 3% loan fee. The loan may be prepaid at any time without penalty. The proceeds of the loan were applied to the July 2014 payments to Holdings described in Note 2 of the Company's Annual Report on Form 10-K for the year ended June 30, 2015.

Despite an uncertain economy, the Hotel has continued to generate strong revenue growth. While the debt service requirements related the new loans and the ongoing legal dispute with some of the former Justice partners, may create some additional risk for the Company and its ability to generate cash flows in the future, management believes that cash flows from the operations of the Hotel and the garage will continue to be sufficient to meet all of the Partnership's current and future obligations and financial requirements. Management also believes that there is sufficient equity in the Hotel assets to support future borrowings, if necessary, to fund any new capital improvements and other requirements.

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

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

MATERIAL CONTRACTUAL OBLIGATIONS

The following table provides a summary as of December 31, 2015, the Company's material financial obligations which also including interest payments.

	Total	6 Months 2016	Year 2017	Year 2018	Year 2019	Year 2020	Thereafter
Mortgage notes payable	$ 120,377,000	$ 35,000	$ 744,000	$ 1,473,000	$ 1,552,000	$ 1,636,000	$ 114,937,000
Other notes payable	8,893,000	428,000	4,822,000	408,000	362,000	362,000	2,511,000
Interest	46,669,000	3,808,000	7,443,000	6,714,000	6,130,000	5,599,000	16,975,000
Total	$ 175,939,000	$ 4,271,000	$ 13,009,000	$ 8,595,000	$ 8,044,000	$ 7,597,000	$ 134,423,000

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off balance sheet arrangements.

IMPACT OF INFLATION

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

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

CRITICAL ACCOUNTING POLICIES AND USE OF ESTIMATES

Critical accounting policies are those that are most significant to the presentation of our financial position and results of operations and require judgments by management in order to make estimates about the effect of matters that are inherently uncertain. The preparation of these condensed financial statements requires us to make estimates and judgments that affect the reported amounts in our consolidated financial statements. We evaluate our estimates on an on-going basis, including those related to the consolidation of our subsidiaries, to our revenues, allowances for bad debts, accruals, asset impairments, other investments, income taxes and commitments and contingencies. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. The actual results may differ from these estimates or our estimates may be affected by different assumptions or conditions. There have been no material changes to the Company's critical accounting policies during the six months ended December 31, 2015. Please refer to the Company's Annual Report on Form 10-K for the year ended June 30, 2015 for a summary of the critical accounting policies.

Item 4. Controls and Procedures.

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

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

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

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

PART II.
OTHER INFORMATION

Item 6. Exhibits.

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

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

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

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

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SANTA FE FINANCIAL CORPORATION
(Registrant)

Date: February 5, 2016 by /s/ John V. Winfield
John V. Winfield, President,
Chairman of the Board and
Chief Executive Officer

Date: February 5, 2016 by /s/ David T. Nguyen
David T. Nguyen, Treasurer
and Controller