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 September 30, 2013

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 November 1, 2013, was 1,241,810.

TABLE OF CONTENTS

PART I
FINANCIAL INFORMATION

Item 1 - Condensed Consolidated Financial Statements

SANTA FE FINANCIAL CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

As of		September 30, 2013 (Unaudited)		June 30, 2013
ASSETS				
Investment in hotel, net	$	37,491,000	$	37,611,000
Investment in real estate, net		5,027,000		5,042,000
Investment in marketable securities		5,954,000		5,205,000
Other investments, net		7,933,000		7,933,000
Cash and cash equivalents		1,315,000		688,000
Accounts receivable, net		2,129,000		1,957,000
Other assets, net		2,701,000		3,104,000
Deferred tax asset		2,722,000		3,193,000
Total assets	$	65,272,000	$	64,733,000
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities:				
Accounts payable and other liabilities	$	8,443,000	$	9,844,000
Due to securities broker		753,000		832,000
Obligations for securities sold		1,657,000		928,000
Other notes payable		1,367,000		1,595,000
Mortgage notes payable - real estate		3,518,000		3,533,000
Mortgage notes payable - hotel		43,178,000		43,413,000
Total liabilities		58,916,000		60,145,000
Commitments and contingencies				
Shareholders' equity:				
Common stock - par value $.10 per share;				
Authorized - 2,000,000;				
Issued 1,339,638 and outstanding 1,241,810		134,000		134,000
Additional paid-in capital		8,808,000		8,808,000
Retained earnings (acculumlated deficit)		146,000		(205,000)
Treasury stock, at cost, 97,828 shares		(951,000)		(951,000)
Total Santa Fe shareholders' equity		8,137,000		7,786,000
Noncontrolling interest		(1,781,000)		(3,198,000)
Total shareholders' equity		6,356,000		4,588,000
Total liabilities and shareholders' equity	$	65,272,000	$	64,733,000

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 September 30,	**2013**	**2012**
Revenues:		
Hotel	$ 13,305,000	$ 12,136,000
Real estate	147,000	138,000
Total revenues	13,452,000	12,274,000
Costs and operating expenses:		
Hotel operating expenses	(9,532,000)	(9,164,000)
Real estate operating expenses	(143,000)	(64,000)
Depreciation and amortization expense	(640,000)	(599,000)
General and administrative expense	(245,000)	(246,000)
Total costs and operating expenses	(10,560,000)	(10,073,000)
Income from operations	2,892,000	2,201,000
Other income (expense):		
Interest expense	(661,000)	(694,000)
Net gain on marketable securities	134,000	783,000
Net unrealized loss on other investments	-	(128,000)
Dividend and interest income	5,000	11,000
Trading and margin interest expense	(131,000)	(116,000)
Other expense, net	(653,000)	(144,000)
Income before income taxes	2,239,000	2,057,000
Income tax expense	(471,000)	(324,000)
Net income	1,768,000	1,733,000
Less: Net income attributable to the noncontrolling interest	(1,417,000)	(1,079,000)
Net income attributable to Santa Fe	$ 351,000	$ 654,000
Basic and diluted net income per share attributable to Santa Fe	$ 0.28	$ 0.53
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 three months ended September 30,	**2013**	**2012**
Cash flows from operating activities:		
Net income	$ 1,768,000	$ 1,733,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Net unrealized loss on marketable securities	(245,000)	(741,000)
Unrealized loss on other investments	-	128,000
Depreciation and amortization	639,000	598,000
Changes in assets and liabilities:		
Investment in marketable securities	(504,000)	(1,056,000)
Accounts receivable	(172,000)	(261,000)
Other assets	419,000	(54,000)
Accounts payable and other liabilities	(1,401,000)	(118,000)
Due to securities broker	(79,000)	374,000
Obligations for securities sold	729,000	696,000
Deferred tax asset	471,000	324,000
Net cash provided by operating activities	1,625,000	1,623,000
Cash flows from investing activities:		
Hotel and real estate investments	(520,000)	(677,000)
Net cash used in investing activities	(520,000)	(677,000)
Cash flows from financing activities:		
Payments on mortgage notes payable	(250,000)	(223,000)
Payments on other notes payable	(228,000)	(241,000)
Net cash used in financing activities	(478,000)	(464,000)
Net increase in cash and cash equivalents:	627,000	482,000
Cash and cash equivalents at the beginning of the period	688,000	1,143,000
Cash and cash equivalents at the end of the period	$ 1,315,000	$ 1,625,000
Supplemental information:		
Interest paid	$ 711,000	$ 718,000

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, 2013. The June 30, 2013 Condensed Consolidated Balance Sheet was derived from the Company's Form 10-K for the year ended June 30, 2013.

The results of operations for the three months ended September 30, 2013 are not necessarily indicative of results to be expected for the full fiscal year ending June 30, 2014.

For the three months ended September 30, 2013 and 2012, the Company had no components of comprehensive income other than net income itself.

As of September 30, 2013, Santa Fe owns approximately 68.8% of the outstanding common shares of Portsmouth Square, Inc. ("Portsmouth"), a public company. Santa Fe is an 80.5%-owned subsidiary of The InterGroup Corporation ("InterGroup"), a public company. InterGroup also directly owns approximately 12.9% of the common stock of Portsmouth.

The Company's primary business is conducted through Portsmouth's general and limited partnership interest in Justice Investors, a California limited partnership ("Justice" or the "Partnership"). Portsmouth has a 50.0% limited partnership interest in Justice and serves as one of the two general partners. The other general partner, Evon Corporation ("Evon"), served as the managing general partner until December 1, 2008 at which time Portsmouth assumed the role of managing general partner.

Justice 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. The Hotel is operated by the partnership as a full service Hilton brand hotel pursuant to a Franchise License Agreement with Hilton Hotels Corporation. Justice also has a Management Agreement with Prism Hospitality L.P. (Prism) to perform the day-to-day management functions of the Hotel. The parking garage that is part of the Hotel property is managed by Ace Parking pursuant to a contract with the Partnership. Justice also leases a portion of the lobby level of the Hotel to a day spa operator.

Portsmouth also receives management fees as a general partner of Justice for its services in overseeing and managing the Partnership's assets. Those fees are eliminated in consolidation.

In addition to the operations of the Hotel, the Company also generates income from the ownership of real estate. 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 months ended September 30, 2013 and 2012, the Company did not have any potentially dilutive securities outstanding.

NOTE 2 – INVESTMENT IN HOTEL, NET

Investment in hotel consisted of the following as of:

September 30, 2013	Cost		Accumulated Depreciation		Net Book Value	
Land	$	1,896,000	$	-	$	1,896,000
Furniture and equipment		22,359,000		(19,653,000)		2,706,000
Building and improvements		54,758,000		(21,869,000)		32,889,000
	$	79,013,000	$	(41,522,000)	$	37,491,000

June 30, 2013	Cost		Accumulated Depreciation		Net Book Value	
Land	$	1,896,000	$	-	$	1,896,000
Furniture and equipment		22,270,000		(19,312,000)		2,958,000
Building and improvements		54,327,000		(21,570,000)		32,757,000
	$	78,493,000	$	(40,882,000)	$	37,611,000

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	**September 30, 2013**		**June 30, 2013**	
Land	$	2,430,000	$	2,430,000
Buildings, improvements and equipment		2,581,000		2,580,000
Accumulated depreciation		(957,000)		(941,000)
		4,054,000		4,069,000
Land held for development		973,000		973,000
Investment in real estate, net	$	5,027,000	$	5,042,000

NOTE 4 - INVESTMENT IN MARKETABLE SECURITIES

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

At September 30, 2013 and June 30, 2013, all of the Company's marketable securities are classified as trading securities. The change in the unrealized gains and losses on these investments are included in earnings. Trading securities are summarized as follows:

Investment	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Net Unrealized Gain	Fair Value
As of September 30, 2013					
Corporate Equities	$ 5,146,000	$ 1,819,000	$ (1,011,000)	$ 808,000	$ 5,954,000
As of June 30, 2013					
Corporate Equities	$ 4,811,000	$ 1,530,000	$ (1,136,000)	$ 394,000	$ 5,205,000

As of September 30, 2013 and June 30, 2013, the Company had $818,000 and $902,000, respectively, of unrealized losses related to securities held for over one year.

Net income 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 September 30, 2013 and 2012, respectively.

For the three months ended September 30,	**2013**	**2012**
Realized (loss) gain on marketable securities	$ (111,000)	$ 42,000
Unrealized gain on marketable securities	245,000	741,000
Net gain on marketable securities	$ 134,000	$ 783,000

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, net consist of the following:

Type	September 30, 2013	June 30, 2013
Preferred stock - Comstock, at cost	$ 6,659,000	$ 6,659,000
Private equity hedge fund, at cost	1,102,000	1,102,000
Corporate debt and equity instruments, at cost	168,000	168,000
Warrants - at fair value	4,000	4,000
	$ 7,933,000	$ 7,933,000

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, due to securities broker and obligations for securities sold) or the nature and terms of the obligation (i.e., other notes payable and mortgage notes payable).

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

As of September 30, 2013

Assets:	Level 1	Level 2	Level 3	Total
Cash equivalents - money market	$ 3,000	$ -	$ -	$ 3,000
Other investments - warrants	-	-	4,000	4,000
Investment in marketable securities:				
Basic materials	3,485,000	-	-	3,485,000
Technology	987,000	-	-	987,000
Financial services	737,000	-	-	737,000
REITs and real estate companies	154,000	-	-	154,000
Other	591,000	-	-	591,000
	5,954,000	-	-	5,954,000
	$ 5,957,000	$ -	$ 4,000	$ 5,961,000

As of June 30, 2013

Assets:	Level 1	Level 2	Level 3	Total
Cash equivalents - money market	$ 3,000	$ -	$ -	$ 3,000
Other investments - warrants	-	-	4,000	4,000
Investment in marketable securities:				
Basic materials	2,420,000	-	-	2,420,000
Technology	989,000	-	-	989,000
Financial services	838,000	-	-	838,000
REITs and real estate companies	291,000	-	-	291,000
Other	667,000	-	-	667,000
	5,205,000	-	-	5,205,000
	$ 5,208,000	$ -	$ 4,000	$ 5,212,000

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	September 30, 2013	**Net loss for the three months ended September 30, 2013**
Other non-marketable investments	$ -	$ -	$ 7,929,000	$ 7,929,000	$ -

Assets	Level 1	Level 2	Level 3	June 30, 2013	**Net loss for the three months ended September 30, 2012**
Other non-marketable investments	$ -	$ -	$ 7,929,000	$ 7,929,000	$ (128,000)

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 months ended September 30, 2013 and 2012, 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. Operating income from investment transactions consist of net investment gain and dividend and interest income.

As of and for the three months ended September 30, 2013	Hotel Operations	Real Estate Operations	Investment Transactions	Other	Total
Revenues	$ 13,305,000	$ 147,000	$ -	$ -	$ 13,452,000
Segment operating expenses	(9,532,000)	(143,000)	-	(245,000)	(9,920,000)
Segment income (loss)	3,773,000	4,000	-	(245,000)	3,532,000
Interest expense	(635,000)	(26,000)	-	-	(661,000)
Depreciation and amortization expense	(624,000)	(16,000)	-	-	(640,000)
Income from investments	-	-	8,000	-	8,000
Income tax expense	-	-	-	(471,000)	(471,000)
Net income (loss)	$ 2,514,000	$ (38,000)	$ 8,000	$ (716,000)	$ 1,768,000
Total assets	$ 37,491,000	$ 5,027,000	$ 13,887,000	$ 8,867,000	$ 65,272,000

As of and for the three months ended September 30, 2012	Hotel Operations	Real Estate Operations	Investment Transactions	Other	Total
Revenues	$ 12,136,000	$ 138,000	$ -	$ -	$ 12,274,000
Segment operating expenses	(9,164,000)	(64,000)	-	(246,000)	(9,474,000)
Segment income (loss)	2,972,000	74,000	-	(246,000)	2,800,000
Interest expense	(664,000)	(30,000)	-	-	(694,000)
Depreciation and amortization expense	(583,000)	(16,000)	-	-	(599,000)
Income from investments	-	-	550,000	-	550,000
Income tax expense	-	-	-	(324,000)	(324,000)
Net income (loss)	$ 1,725,000	$ 44,000	$ 550,000	$ (570,000)	$ 1,733,000
Total assets	$ 36,594,000	$ 5,090,000	$ 13,890,000	$ 9,816,000	$ 65,390,000

NOTE 8 – RELATED PARTY TRANSACTIONS

Certain shared costs and expenses primarily administrative expenses including rent and insurance, are allocated among the Company and its subsidiary, Portsmouth, and the Company’s parent, InterGroup, based on management’s estimate of the pro rata utilization of resources. For the three months ended September 30, 2013 and 2012, the Company and Portsmouth made payments to InterGroup of $36,000 for each respective period.

During the three months ended September 30, 2013 and 2012, the Company received management fees from Justice Investors totaling $112,000 for each respective period.

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, his family, 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 his family members, and the resources of Portsmouth and InterGroup, at risk in connection with investment decisions made on behalf of the Company.

NOTE 9 – SUBSEQUENT EVENT

On October 31, 2013, Justice Investors, a California limited partnership ("Justice" or the "Partnership"), sent to all its limited partners an Offer to Redeem any and all limited partnership interests not held by the Company's consolidated subsidiary, Portsmouth Square, Inc., Managing General Partner of Justice, and a Consent Solicitation by Justice. Justice is: (a) offering $1,385,000 in cash or property for each one percent (1%) limited partnership interest in Justice that limited partners hold (the "Offer to Redeem"); and (b) seeking approval of its limited partners (the "Consent Solicitation") of certain amendments (the "Amendments") to its Amended and Restated Agreement of Limited Partnership, effective as of November 30, 2010 (the "Partnership Agreement"), which Amendments will be reflected in a new Amended and Restated Agreement of Limited Partnership (the "Amended Partnership Agreement").

The terms of the Offer to Redeem, Consent Solicitation and Amendments (collectively, the "Proposal") were developed in the course of negotiations between Portsmouth and Evon Corporation ("Evon"), currently co-general partner, and were summarized in a letter, dated September 19, 2013, sent by Portsmouth, Evon and Justice to the limited partners (the "Letter"). In the Letter, limited partners were requested to provide a non-binding preliminary indication of interest in having their limited partnership interests redeemed by the Partnership.

Limited partners wishing to accept the Offer to Redeem have a choice between (a) accepting a simple cash redemption; (b) electing to participate in an alternative redemption structure, which would allow limited partners to redeem their partnership interests for certain property; or (c) a combination of a & b.

The structure of the transaction involves Justice funding the redemption of limited partnership interests through a refinancing of its principal asset, the San Francisco Hilton Financial District (the "Hotel"). Currently, Justice owes approximately $44.3 million, secured by the Hotel, in loans that come due in 2015. Following the redemption (and assuming all partnership interests (other than Portsmouth's) are redeemed), Justice would have a new loan of approximately $118 million secured by the Hotel, and Portsmouth would become the sole general partner.

The Offer to Redeem is conditioned upon: (1) a minimum tender of at least 34% of the limited partnership interests; (2) approval by the holders of at least 75% of the limited partnership interests of the Amendments, which will take effect concurrently with the refinancing of the Hotel; and (3) the consummation of the refinancing of the Hotel.

All limited partners are free to elect to participate in the redemption or not to participate in the redemption. Those limited partners that do not participate in the redemption (including Portsmouth) will remain as limited partners in Justice. Assuming that the minimum 34% participation threshold is reached and all other conditions are satisfied, the limited partnership interests of those limited partners who do not elect to participate in the Redemption will increase in an amount proportionate with the percentages of the limited partnership interests that are redeemed.

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, 2013, 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. Portsmouth has a 50.0% limited partnership interest in Justice and serves as the managing general partner of Justice. Evon Corporation ("Evon") serves as the other general partner. Justice owns 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 Hilton Hotels Corporation. The term of the Agreement is for a period of 15 years commencing on January 12, 2006, with an option to extend the license term for another five years, subject to certain conditions. Justice also has a Management Agreement with Prism Hospitality L.P. ("Prism") to perform the day-to-day management functions of the Hotel.

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

In addition to the operations of the Hotel, the Company also generates income from the ownership and management of real estate. 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 September 30, 2013 Compared to Three Months Ended September 30, 2012

The Company had net income of $1,768,000 for the three months ended September 30, 2013 compared to net income of $1,733,000 for the three months ended September 30, 2012. The change in net income is primarily attributable to the improvement in the hotel operations partially offset by the lower net investment income from investing activities.

The Company had net income from hotel operations of $2,514,000 for the three months ended September 30, 2013, compared to net income of $1,725,000 for the three months ended September 30, 2012. The increase in net income is primarily attributable to a significant increase in room revenues resulting from higher average room rates partially offset by the related increase in operating expenses.

The following table sets forth a more detailed presentation of Hotel operations for the three months ended September 30, 2013 and 2012.

For the three months ended September 30,	2013	2012
Hotel revenues:		
Hotel rooms	$ 11,054,000	$ 9,772,000
Food and beverage	1,328,000	1,411,000
Garage	755,000	728,000
Other operating departments	168,000	225,000
Total hotel revenues	13,305,000	12,136,000
Operating expenses excluding interest, depreciation and amortization expenses	(9,532,000)	(9,164,000)
Operating income before interest, depreciation and amortization expenses	3,773,000	2,972,000
Interest expense	(635,000)	(664,000)
Depreciation and amortization expense	(624,000)	(583,000)
Net income from hotel operations	$ 2,514,000	$ 1,725,000

For the three months ended September 30, 2013, the Hotel generated operating income of $3,773,000 before interest, depreciation and amortization expenses, on total operating revenues of $13,305,000 compared to operating income of $2,972,000 before interest, depreciation and amortization expenses, on total operating revenues of $12,136,000 for the three months ended September 30, 2012. Room revenues increased by $1,282,000 for the three months ended September 30, 2013 compared to the three months ended September 30, 2012, food and beverage revenues decreased by $83,000 and garage revenues increased by $27,000 for the same period.

Major factors for the increase in operating expenses were an increase in contractual union wages and benefits in all operating departments and higher commissions paid for certain group and city-wide convention business in the current period. Franchise and management fees, which are based on a percentage of revenues, also increased as well as costs for certain promotions for Hilton Honors members during the current period. Franchise and management fees, which are based on a percentage of revenues, also increased as well as costs for certain promotions for Hilton Honors members during the current period.

There was a loss of approximately $304,000 in the Hotel's food and beverage operations during the current period compared to a net loss of $317,000 during the three months ended September 30, 2012, despite the decrease in revenues of $83,000. The decrease in revenues was primarily due to the closing or reduction in operating hours of certain outlets resulting in a reduction of costs of goods sold during the current period.

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 September 30, 2013 and 2012.

Three Months Ended September 30,	Average Daily Rate	Average Occupancy %	RevPar
2013	$235	94%	$221
2012	$208	94%	$196

Room revenues remained strong as the San Francisco market continued to have good demand for higher rated business. The Hotel's average daily rate increased by $27 for the three months ended September 30, 2013 compared to the three months ended September 30, 2012, while occupancy percentages remained the same. As a result, the Hotel was able to achieve a RevPar number that was $25 higher than the comparative three month period.

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. During fiscal 2013, we completed a significant, "green" project that retrofits all of our guest room windows with new "double-pane" inserts that result in greater energy savings and better sound attenuation for our guests. We have also upgraded our common areas of the Hotel and improved our restaurant facilities, food and beverage services and now provide advanced technological amenities throughout our lobby. Our guest responses to these improvements have been very positive. The Hotel also remains a leader in implementing Hilton's Huanying ("Welcome") program that features a tailored experience for Chinese travelers. We continue taking 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.

Moving forward, we will continue to focus on cultivating more international business, especially from China, and capturing a greater percentage of the higher rated business, leisure and group travel. We will also continue in our efforts to upgrade our guest rooms and facilities and explore new and innovative ways to differentiate the Hotel from its competition, as well as focusing on returning our food and beverage operations to profitability. During the last twelve months, we have seen steady improvement in business and leisure travel. If that trend in the San Francisco market and the hotel industry continues, it should translate into an increase in room revenues and profitability. However, like all hotels, it will remain subject to the uncertain domestic and global economic environment and other risk factors beyond our control, such as the effect of natural disasters.

The Company had a net gain on marketable securities of $134,000 for the three months ended September 30, 2013 compared to a net gain on marketable securities of $783,000 for the three months ended September 30, 2012. For the three months ended September 30, 2013, the Company had a net realized loss of $111,000 and a net unrealized gain of $245,000. For the three months ended September 30, 2012, the Company had a net realized gain of $42,000 and a net unrealized gain of $741,000. 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.

The Company and its subsidiary, Portsmouth, compute and file income tax returns and prepare discrete income tax provisions for financial reporting. Since Portsmouth consolidates Justice (Hotel) for financial reporting purposes and is not taxed on its 50% non-controlling interest in the Hotel, variability in the tax provision results from the relative significance of the non-controlling interest and the magnitude of the pretax income at the Company and its subsidiary. The income tax expense during the three months ended September 30, 2013 and 2012 represents income tax expense of Portsmouth. Santa Fe's income tax was zero due to the full valuation of its deferred income tax asset from net operating loss carryover.

MARKETABLE SECURITIES

As of September 30, 2013 and June 30, 2013, the Company had investments in marketable equity securities of $5,954,000 and $5,205,000, respectively. The following table shows the composition of the Company's marketable securities portfolio by selected industry groups as:

As of September 30, 2013 Industry Group		Fair Value	% of Total Investment Securities
Basic materials	$	3,485,000	58.5%
Technology		987,000	16.6%
Financial services		737,000	12.4%
REITs and real estate companies		154,000	2.6%
Other		591,000	9.9%
	$	5,954,000	100.0%

As of June 30, 2013 Industry Group		Fair Value	% of Total Investment Securities
Basic materials	$	2,420,000	46.5%
Technology		989,000	19.0%
Financial services		838,000	16.1%
REITs and real estate companies		291,000	5.6%
Other		667,000	12.8%
	$	5,205,000	100.0%

The Company's investment portfolio is diversified with 36 different equity positions. The Company holds six equity securities that are comprised of more than 10% of the equity value of the portfolio. The largest security represents 38.4% of the portfolio and consists of the common stock of Comstock Mining, Inc. ("Comstock" - NYSE MKT: LODE) which is included in the basic materials industry group. The amount of the Company's investment in any particular issuer may increase or decrease, and additions or deletions to its securities portfolio may occur, at any time. While it is the internal policy of the Company to limit its initial investment in any single equity to less than 10% of its total portfolio value, that investment could eventually exceed 10% as a result of equity appreciation or reduction of other positions. A significant percentage of the portfolio consists of common stock in Comstock that was obtained through dividend payments by Comstock on its 7.5% Series A-1 Convertible Preferred Stock. 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 September 30,		**2013**		**2012**
Net gain on marketable securities	$	134,000	$	783,000
Net unrealized loss on other investments		-		(128,000)
Dividend and interest income		5,000		11,000
Margin interest expense		(50,000)		(24,000)
Trading and management expenses		(81,000)		(92,000)
	$	8,000	$	550,000

LIQUIDITY AND SOURCES OF CAPITAL

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

Since we have seen improvement in the operations of the Hotel, and the San Francisco market in general, Justice was in a position to pay a limited partnership distribution in December 2012 in an aggregate amount of $1,200,000, of which Portsmouth received $600,000. In December 2011, Justice paid a limited partnership distribution in an aggregate amount of $1,000,000, of which Portsmouth received $500,000. The general partners of Justice will continue to monitor and review the operations and financial results of the Hotel and to set the amount of any future distributions that may be appropriate based on operating results, cash flows and other factors, including establishment of reasonable reserves for debt payments and operating contingencies.

The new Justice Compensation Agreement that became effective on December 1, 2008, when Portsmouth assumed the role of managing general partner of Justice, has provided additional cash flows to the Company. Under the new Compensation Agreement, Portsmouth is now entitled to 80% of the minimum base fee to be paid to the general partners of $285,000, while under the prior agreement, Portsmouth was entitled to receive only 20% of the minimum base fee. The general partner fees paid to Portsmouth for the three months ended September 30, 2013 and 2012 was $112,000.

To meet its substantial financial commitments for the renovation and transition of the Hotel to a Hilton, Justice had to rely on borrowings to meet its obligations. On July 27, 2005, Justice entered into a first mortgage loan with The Prudential Insurance Company of America in a principal amount of $30,000,000 (the “Prudential Loan”). The term of the Prudential Loan is for 120 months at a fixed interest rate of 5.22% per annum. The Prudential Loan calls for monthly installments of principal and interest in the amount of approximately $165,000, calculated on a 30-year amortization schedule. The Loan is collateralized by a first deed of trust on the Partnership’s Hotel property, including all improvements and personal property thereon and an assignment of all present and future leases and rents. The Prudential Loan is without recourse to the limited and general partners of Justice. The principal balance of the Prudential Loan was $25,835,000 as of September 30, 2013.

On March 27, 2007, Justice entered into a second mortgage loan with Prudential (the “Second Prudential Loan”) in a principal amount of $19,000,000. The term of the Second Prudential Loan is for 100 months and matures on August 5, 2015, the same date as the first Prudential Loan. The Second Prudential Loan is at a fixed interest rate of 6.42% per annum and calls for monthly installments of principal and interest in the amount of $119,000, calculated on a 30-year amortization schedule. The Second Prudential Loan is collateralized by a second deed of trust on the Partnership’s Hotel property, including all improvements and personal property thereon and an assignment of all present and future leases and rents. The Second Prudential Loan is also without recourse to the limited and general partners of Justice. The principal balance of the Second Prudential Loan was $17,343,000 as of September 30, 2013.

Effective April 29, 2010, the Partnership obtained a modification of its $2,500,000 unsecured revolving line of credit facility with East West Bank that was to mature on April 30, 2010, and converted that line of credit facility to an unsecured term loan. The modification provides that Justice will pay the $2,500,000 balance on its line of credit facility over a period of four years, to mature on April 30, 2014. This term loan calls for monthly principal and interest payments of $41,000, calculated on a nine-year amortization schedule, with interest only from May 1, 2010 to August 31, 2010. Pursuant to the modification, the annual floating interest rate was reduced by 0.5% to the Wall Street Journal Prime Rate plus 2.5% (with a minimum floor rate of 5.0% per annum). The modification provides for new financial covenants that include specific financial ratios and a return to minimum profitability after June 30, 2011. Management believes that the Partnership has the ability to meet the specific covenants and the Partnership was in compliance with the covenants as of September 30, 2013. As of September 30, 2013, the interest rate was 5.75% and the outstanding balance was $1,059,000.

Despite an uncertain economy, the Hotel has continued to generate positive cash flows. While the debt service requirements related to the two Prudential loans, as well as the term loan to pay off the line of credit, 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 partnership distributions and 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 September 30, 2013, the Company's material financial obligations which also including interest payments.

	Total	9 months 2014	Year 2015	Year 2016	Year 2017	Year 2018	Thereafter
Mortgage notes payable	$46,696,000	$ 772,000	$1,080,000	$41,507,000	$ 72,000	$ 76,000	$3,189,000
Other notes payable	1,367,000	1,163,000	62,000	45,000	51,000	46,000	-
Interest	6,172,000	2,024,000	2,587,000	689,000	167,000	156,000	549,000
Total	$54,235,000	$3,959,000	$3,729,000	$42,241,000	$ 290,000	$ 278,000	$3,738,000

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 Prism has the power and ability under the terms of its management agreement to adjust hotel room rates on an ongoing basis, there should be minimal impact on partnership revenues due to inflation. Partnership revenues are also subject to interest rate risks, which may be influenced by inflation. For the two most recent fiscal years, the impact of inflation on the Company's income is not viewed by management as material.

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

CRITICAL ACCOUNTING POLICIES 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 three months ended September 30, 2013. Please refer to the Company's Annual Report on Form 10-K for the year ended June 30, 2013 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: November 8, 2013 by /s/ John V. Winfield
John V. Winfield, President,
Chairman of the Board and
Chief Executive Officer

Date: November 8, 2013 by /s/ Michael G. Zybala
Michael G. Zybala,
Vice President and Secretary

Date: November 8, 2013 by /s/ David T. Nguyen
David T. Nguyen, Treasurer
and Controller