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

FORM 10-Q

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

For the quarterly period ended September 30, 2023
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 0-4057

PORTSMOUTH SQUARE, INC.
(Exact name of registrant as specified in its charter)

CALIFORNIA (State or other jurisdiction of Incorporation or organization)	94-1674111 (I.R.S. Employer Identification No.)

1516 S. Bundy Dr., Suite 200, Los Angeles, California 90025
(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. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).

☒ Yes ☐ No

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

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☒	Smaller reporting company ☒
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act):

☐ Yes ☒ No

The number of shares outstanding of registrant's Common Stock, as of November 14, 2023 was 734,187.

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
NONE	NONE	NONE

TABLE OF CONTENTS

PART 1
FINANCIAL INFORMATION

Item 1 – Financial Statements

PORTSMOUTH SQUARE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

As of		**September 30, 2023 (unaudited)**		**June 30, 2023**
ASSETS				
Investment in hotel, net	$	34,315,000	$	34,381,000
Investment in marketable securities		271,000		359,000
Cash and cash equivalents		4,149,000		2,295,000
Restricted cash		2,853,000		2,911,000
Accounts receivable, net		453,000		419,000
Other assets, net		730,000		735,000
Total assets	$	42,771,000	$	41,100,000
LIABILITIES AND SHAREHOLDERS' DEFICIT				
Liabilities:				
Accounts payable and other liabilities - Hotel	$	12,804,000	$	11,615,000
Accounts payable and other liabilities		46,000		66,000
Accounts payable to related party		8,207,000		7,283,000
Related party notes payable		17,200,000		15,700,000
Other notes payable		2,813,000		2,954,000
Mortgage notes payable, net		106,896,000		107,117,000
Total liabilities		147,966,000		144,735,000
Shareholders' deficit:				
Common stock, no par value: Authorized shares - 750,000; 734,187 shares issued and outstanding shares as of September 30, 2023 and June 30, 2023, respectively		2,092,000		2,092,000
Accumulated deficit		(107,287,000)		(105,727,000)
Total shareholders' deficit		(105,195,000)		(103,635,000)
Total liabilities and shareholders' deficit	$	42,771,000	$	41,100,000

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

PORTSMOUTH SQUARE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

For the three months ended September 30,	**2023**	**2022**
Revenue - Hotel	$ 11,093,000	$ 12,310,000
Costs and operating expenses		
Hotel operating expenses	(9,281,000)	(9,306,000)
Hotel depreciation and amortization expense	(821,000)	(627,000)
General and administrative expense	(319,000)	(309,000)
Total costs and operating expenses	(10,421,000)	(10,242,000)
Income from operations	672,000	2,068,000
Other income (expense)		
Interest expense - mortgage	(1,606,000)	(1,632,000)
Interest expense - related party	(502,000)	(430,000)
Net loss on marketable securities	(88,000)	(10,000)
Dividend and interest income	3,000	26,000
Trading and margin interest expense	(38,000)	(34,000)
Total other expense, net	(2,231,000)	(2,080,000)
Loss before income taxes	(1,559,000)	(12,000)
Income tax (expense) benefit	(1,000)	3,000
Net Loss	$ (1,560,000)	$ (9,000)
Basic and diluted net loss per share	$ (2.12)	$ (0.01)
Weighted average number of common shares outstanding - basic and diluted	734,187	734,187

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

PORTSMOUTH SQUARE, INC
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' DEFICIT
(unaudited)

	Common Stock		Accumulated	Total Shareholders'
	Shares	**Amount**	**Deficit**	**Deficit**
Balance at July 1, 2023	734,187	$ 2,092,000	$ (105,727,000)	$ (103,635,000)
Net loss	-	-	(1,560,000)	(1,560,000)
Balance at September 30, 2023	734,187	$ 2,092,000	$ (107,287,000)	$ (105,195,000)

	Common Stock		Accumulated	Total Shareholders'
	Shares	**Amount**	**Deficit**	**Deficit**
Balance at July 1, 2022	734,187	$ 2,092,000	$ (92,524,000)	$ (90,432,000)
Net loss	-	-	(9,000)	(9,000)
Balance at September 30, 2022	734,187	$ 2,092,000	$ (92,533,000)	$ (90,441,000)

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

PORTSMOUTH SQUARE, INC.
CONDENDSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

For the three months ended September 30,	2023	2022
Cash flows from operating activities:		
Net loss	$ (1,560,000)	$ (9,000)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Net unrealized loss (gain) on marketable securities	88,000	(90,000)
Amortization of other notes payable	(141,000)	(142,000)
Deferred taxes	-	(3,000)
Depreciation and amortization	821,000	627,000
Amortization of loan cost	60,000	61,000
Changes in operating assets and liabilities:		
Investment in marketable securities	-	336,000
Accounts receivable	(34,000)	126,000
Other assets	5,000	339,000
Accounts payable and other liabilities - Hotel	(898,000)	851,000
Accounts payable and other liabilities	2,067,000	-
Accounts payable related party	924,000	307,000
Due to securities broker	-	(130,000)
Net cash provided by operating activities	1,332,000	2,273,000
Cash flows from investing activities:		
Payments for hotel furniture, equipment and building improvements	(755,000)	(1,632,000)
Net cash used in investing activities	(755,000)	(1,632,000)
Cash flows from financing activities:		
Proceeds from related party note payable	1,500,000	-
Payments of mortgage notes payable	(281,000)	(612,000)
Net cash provided by (used in) financing activities	1,219,000	(612,000)
Net increase in cash, cash equivalents, and restricted cash	1,796,000	29,000
Cash, cash equivalents, and restricted cash at the beginning of the period	5,206,000	8,888,000
Cash, cash equivalents, and restricted cash at the end of the period	$ 7,002,000	$ 8,917,000
Supplemental information:		
Interest paid	$ 1,606,000	$ 2,061,000

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

NOTE 1 – BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements included herein have been prepared by Portsmouth Square, Inc. ("Portsmouth" or the "Company"), 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 Portsmouth and the notes therein included in the Company's Annual Report on Form 10-K for the year ended June 30, 2023. The September 30, 2023 condensed consolidated balance sheet was derived from the consolidated balance sheet as included in the Company's Form 10-K for the year ended June 30, 2023.

The unaudited condensed consolidated financial statements include the accounts of our wholly owned subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation. The results of operations for the three months ended September 30, 2023 are not necessarily indicative of results to be expected for the full fiscal year ending June 30, 2024.

Portsmouth's primary business was conducted through its general and limited partnership interest in Justice Investors Limited Partnership, a California limited partnership ("Justice" or the "Partnership"). Effective July 15, 2021, Portsmouth completed the purchase of 100% of the limited partnership interest of Justice through the acquisition of the remaining 0.7% non-controlling interest. Effective December 23, 2021, the Partnership was dissolved. The financial statements of Justice were consolidated with those of the Company.

Prior to its dissolution effective December 23, 2021, Justice owned and operated a 544-room hotel property located at 750 Kearny Street, San Francisco California, known as the Hilton San Francisco Financial District (the "Hotel") and related facilities including a five-level underground parking garage through its subsidiaries Justice Operating Company, LLC ("Operating") and Justice Mezzanine Company, LLC ("Mezzanine"). Mezzanine was a wholly owned subsidiary of the Partnership; Operating is a wholly owned subsidiary of Mezzanine. Effective December 23, 2021, Portsmouth replaced Justice as the single member of Mezzanine. Mezzanine is the borrower under certain mezzanine indebtedness of Justice, and in December 2013, the Partnership conveyed ownership of the Hotel to Operating. The Hotel is a full-service Hilton brand hotel pursuant to a Franchise License Agreement with HLT Franchise Holding LLC ("Hilton") through January 31, 2030.

Operating entered into a hotel management agreement ("HMA") with Aimbridge Hospitality ("Aimbridge") to manage the Hotel, along with its five level parking garage, with an effective date of February 3, 2017. The term of the management agreement is for an initial period of ten years commencing on the February 3, 2017 date and automatically renews for successive one (1) year periods, not to exceed five years in the aggregate, subject to certain conditions. Under the terms on the HMA, base management fee payable to Aimbridge shall be one and seven-tenths percent (1.70%) of total Hotel revenue.

As of September 30, 2023, The InterGroup Corporation ("InterGroup"), a public company, owns approximately 75.7% of the outstanding common shares of Portsmouth and the Company's Chairman of the Board and Chief Executive Officer, John V. Winfield, owns approximately 2.5% of the outstanding common shares of the Company. Mr. Winfield also serves as the President, Chairman of the Board and Chief Executive Officer of InterGroup and owns approximately 68.6% of the outstanding common shares of InterGroup as of September 30, 2023.

There have been no material changes to the Company's significant accounting policies during the three months ended September 30, 2023. Please refer to the Company's Annual Report on Form 10-K for the year ended June 30, 2023 for a summary of the significant accounting policies.

Reclassifications

Certain line items on the statement of cash flows for the three months ended September 30, 2022, have been reclassified to conform to the current period presentation. Net cash provided by (used in) operating, investing, and financing activities did not change as a result of this reclassification.

Recently Issued and Adopted Accounting Pronouncements

As of September 30, 2023, there was no material impact from the recent adoption of new accounting pronouncements, nor expected material impact from recently issued accounting pronouncements yet to be adopted, on the Company's consolidated financial statements.

Going Concern

The financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. As discussed in Note 9 – Related Party and Other Financing Transactions, as of September 30, 2023, the outstanding balance consists of a senior mortgage loan and mezzanine loan totaling $106,896,000. Both loans mature on January 1, 2024, in addition, the Company has recurring losses and has an accumulated deficit of $107,287,000.

Due to these factors and the uncertainty around the Company's ability to successfully refinance the debt on favorable terms in the current lending environment gives rise to substantial doubt about the Company's ability to continue as a going concern for one year after the financial statement issuance date.

The Company is exploring the possibility of refinancing its senior mortgage and mezzanine debt with potential lenders. Alternatively, the Company is also exploring the possibility of a loan modification or extension to the existing debt with the current lenders, however, the Company may be unable to access further financing when needed. As such, there can be no assurance that the Company will be able to obtain additional liquidity when needed or under acceptable terms, if at all. During 2021 and first part of calendar 2022, we took advantage of the slow periods to make certain capital improvements including complete refinishing of all guest room furniture, resurfacing half of the hotel bathtubs that needed repair, refreshed meeting space and lobby paint and vinyl, replaced all bed frames and socks, and completed the carpet and wall covering corridor installation. In November 2022, we began our guestroom renovation and had completed approximately 307 guestrooms as of September 30, 2023. Hotel improvements are ongoing to remain competitive and we anticipate completing the guestroom renovations by the end March 2024. Once the Company completes its full renovation, management anticipates its high occupancy to continue and its average daily rates to increase as it completes renovation up to the point of generating a positive cash flows.

The financial statements do not include any adjustments to the carrying amounts of assets, liabilities, and reported expenses that may be necessary if the Company were unable to continue as a going concern.

NOTE 2 - LIQUIDITY

Historically, our cash flows have been primarily generated from our Hotel operations. However, the responses by federal, state, and local civil authorities to the COVID-19 pandemic continues to have a material detrimental impact on our liquidity. For the three months ended September 30, 2023 our net cash provided by operating activities was $1,332,000. We have taken several steps to preserve capital and increase liquidity at our Hotel, including implementing strict cost management measures to eliminate non-essential expenses, renegotiating certain reoccurring expenses, and temporarily closing certain hotel services and outlets. As the hospitality and travel environment continues to recover, we will continue to evaluate what services the Company will bring back. During the three months ended September 30, 2023, the Company continued to make capital improvements to the hotel in the amount of $755,000 and anticipates continuing its guest room upgrade program during the fiscal year 2024.

The Company had cash and cash equivalents of $4,149,000 and $2,295,000 as of September 30, 2023 and June 30, 2023, respectively. The Company had restricted cash of $2,853,000 and $2,911,000 as of September 30, 2023 and June 30, 2023, respectively. The Company had marketable securities of $271,000 and $359,000 as of September 30, 2023 and June 30, 2023, respectively. These marketable securities are short-term investments and liquid in nature.

On July 2, 2014, the Partnership obtained from InterGroup 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 loan was extended to July 31, 2023. On December 16, 2020, the Partnership and InterGroup entered into a loan modification agreement which increased the Partnership's borrowing from InterGroup as needed up to $10,000,000. Upon the dissolution of the Partnership in December 2021, Portsmouth assumed the Partnership's note payable to InterGroup in the amount of $11,350,000. On December 31, 2021, Portsmouth and InterGroup entered into a loan modification agreement which increased Portsmouth's borrowing from InterGroup as needed up to $16,000,000. In July 2023, the note maturity date was extended to July 31, 2025 and the borrowing amount available was increased to $20,000,000. As of June 30, 2023 the balance of the loan was $15,700,000 net of loan amortization costs of zero. The Company agreed to a 0.5% loan extension and modification fee payable to InterGroup. During the three months ended September 30, 2023, the Company needed additional funding in the amount of $1,500,000. As of September 30, 2023 the balance of the loan was $17,200,000 and has not made any paid-downs to its note payable to InterGroup. The Company could amend its by-laws and increase the number of authorized shares to issue additional shares to raise capital in the public markets if needed.

The Company's known short-term liquidity requirements primarily consist of funds necessary to pay for operating and other expenditures, including management and franchise fees, corporate expenses, payroll and related costs, taxes, interest and principal payments on our outstanding indebtedness, and repairs and maintenance of the Hotel.

Our long-term liquidity requirements primarily consist of funds necessary to pay for scheduled debt maturities and capital improvements of the Hotel. We will continue to finance our business activities primarily with existing cash, including from the activities described above, and cash generated from our operations. The objectives of our cash management policy are to maintain existing leverage levels and the availability of liquidity, while minimizing operational costs. However, there can be no guarantee that management will be successful with its plan.

The following table provides a summary as of September 30, 2023, the Company's material financial obligations which also including interest payments:

	Total	9 Months 2024	Year 2025	Year 2026	Year 2027	Year 2028	Thereafter
Mortgage notes payable	$106,802,000	$106,802,000	$ -	$ -	$ -	$ -	$ -
Related party notes payable	$ 17,200,000	$ -	$ -	$17,200,000	$ -	$ -	$ -
Other notes payable	2,813,000	425,000	567,000	567,000	463,000	317,000	474,000
Interest	5,141,000	3,079,000	2,062,000	-	-	-	-
Total	$131,956,000	$110,306,000	$2,629,000	$17,767,000	$463,000	$317,000	$ 474,000

NOTE 3 – REVENUE

The following table present our revenues disaggregated by revenue streams.

For the three months ended September 30,	**2023**	**2022**
Hotel revenues:		
Hotel rooms	$ 9,561,000	$ 10,802,000
Food and beverage	627,000	535,000
Garage	825,000	822,000
Other operating departments	80,000	151,000
Total hotel revenue	$ 11,093,000	$ 12,310,000

Performance obligations

We identified the following performance obligations for which revenue is recognized as the respective performance obligations are satisfied, which results in recognizing the amount we expect to be entitled to for providing the goods or services:

● *Cancelable room reservations or ancillary services* are typically satisfied as the good or service is transferred to the hotel guest, which is generally when the room stay occurs.

● *Non-cancelable room reservations and banquet or conference reservations* represent a series of distinct goods or services provided over time and satisfied as each distinct good or service is provided, which is reflected by the duration of the room reservation.

● *Other ancillary goods and services* are purchased independently of the room reservation at standalone selling prices and are considered separate performance obligations, which are satisfied when the related good or service is provided to the hotel guest.

● *Components of package reservations* for which each component could be sold separately to other hotel guests are considered separate performance obligations and are satisfied as set forth above.

Hotel revenue primarily consists of hotel room rentals, revenue from accommodations sold in conjunction with other services (e.g., package reservations), food and beverage sales and other ancillary goods and services (e.g., parking). Revenue is recognized when rooms are occupied or goods and services have been delivered or rendered, respectively. Payment terms typically align with when the goods and services are provided. For package reservations, the transaction price is allocated to the performance obligations within the package based on the estimated standalone selling prices of each component.

We do not disclose the value of unsatisfied performance obligations for contracts with an expected length of one year or less. Due to the nature of our business, our revenue is not significantly impacted by refunds. Cash payments received in advance of guests staying at our hotel are refunded to hotel guests if the guest cancels within the specified time before any services are rendered. Refunds related to service are generally recognized as an adjustment to the transaction price at the time the hotel stay occurs or services are rendered.

Contract assets and liabilities

The Company does not have any material contract assets as of September 30, 2023 and June 30, 2023, other than trade and other receivables, net on our condensed consolidated balance sheets. Our receivables are primarily the result of contracts with customers, that were entered into within the past 12 months, which are reduced by a reserve for estimated credit losses that reflects our estimate of amounts that will not be collected and amount to $0 and $1,000 at September 30, 2023 and June 30, 2023, respectively.

The Company records contract liabilities when cash payments are received or due in advance of guests staying at our hotel, which are presented within accounts payable and other liabilities on our condensed consolidated balance sheets and had a balance of $290,000 at July 1, 2023. During the three months ended September 30, 2023 $158,000 was recorded was received and increased in advance of guests and recorded as contract liabilities. Contract liabilities increased to $1,061,000 as of September 30, 2022 from $493,000 as of June 30, 2022. The increased for the three months ended September 30, 2023 was primarily driven by advance deposits received from customers for services to be performed after September 30, 2023.

Contract costs

We consider sales commissions earned to be incremental costs of obtaining a contract with our customers. As a practical expedient, we expense these costs as incurred as our contracts with customers are less than one year.

NOTE 4 – INVESTMENT IN HOTEL, NET

Investment in hotel consisted of the following as of:

September 30, 2023	Cost	Accumulated Depreciation	Net Book Value
Land	$ 1,124,000	$ -	$ 1,124,000
Finance lease ROU assets	1,805,000	(1,318,000)	487,000
Furniture and equipment	39,481,000	(30,087,000)	9,394,000
Building and improvements	56,274,000	(32,964,000)	23,310,000
Investment in Hotel, net	$ 98,684,000	$ (64,369,000)	$ 34,315,000

June 30, 2023	Cost	Accumulated Depreciation	Net Book Value
Land	$ 1,124,000	$ -	$ 1,124,000
Finance lease ROU assets	1,805,000	(1,239,000)	566,000
Furniture and equipment	38,727,000	(29,682,000)	9,045,000
Building and improvements	56,273,000	(32,627,000)	23,646,000
Investment in Hotel, net	$ 97,929,000	$ (63,548,000)	$ 34,381,000

Finance lease ROU assets, furniture and equipment are stated at cost, depreciated on a straight-line basis over their useful lives ranging from 3 to 7 years and amortized over the life of the lease. Building and improvements are stated at cost, depreciated on a straight-line basis over their useful lives ranging from 15 to 39 years. Depreciation expense for the three months ended September 30, 2023 and 2022 are $821,000 and $627,000, respectively.

NOTE 5 – INVESTMENT IN MARKETABLE SECURITIES, NET

The Company's investment in marketable securities consists primarily of corporate equities. The Company has also invested in 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.

As of September 30, 2023, and June 30, 2023, all 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 (Loss)	Fair Value
As of September 30, 2023					
Corporate Equities	$ 274,000	$ 49,000	$ (52,000)	$ (3,000)	$ 271,000
As of June 30, 2023					
Corporate Equities	$ 274,000	$ 133,000	$ (48,000)	$ 85,000	$ 359,000

Net (loss) gain on marketable securities on the statement of operations is comprised of realized and unrealized losses. Below is the breakdown of the two components for the three months ended September 30, 2023 and 2022, respectively.

For the three months ended September 30,	2023	2022
Realized loss on marketable securities, net	$ -	$ (100,000)
Unrealized (loss) gain on marketable securities, net	(88,000)	90,000
Net loss on marketable securities	$ (88,000)	$ (10,000)

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, 2023 Total - Level 1	June 30, 2023 Total - Level 1
Assets:		
Investment in marketable securities:		
REITs and real estate companies	$ 265,000	$ 350,000
Basic materials	6,000	9,000
	$ 271,000	$ 359,000

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

NOTE 7 – CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the condensed consolidated balance sheets that sum to the total of the same such amounts shown in the condensed consolidated statement of cash flows:

As of	September 30, 2023	June 30, 2023
Cash and cash equivalents	$ 4,149,000	$ 2,295,000
Restricted cash	2,853,000	2,911,000
Total cash, cash equivalents, and restricted cash shown in the condensed consolidated statement of cash flows	$ 7,002,000	$ 5,206,000

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

NOTE 8 - SEGMENT INFORMATION

The Company operates in two reportable segments, the operation of the hotel ("Hotel Operations") and the investment of its cash in marketable securities and other investments ("Investment Transactions"). These two operating segments, as presented in the consolidated 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, 2023 and 2022, respectively. Segment loss from Hotel operations consists of the operation of the Hotel and operation of the garage. Loss from investments consists of net investment gain (loss), dividend and interest income and investment related expenses.

For the three months ended September 30, 2023	Hotel Operations	Investment Transactions	Corporate	Total
Revenues	$ 11,093,000	$ -	$ -	$ 11,093,000
Segment operating expenses	(9,281,000)	-	(319,000)	(9,600,000)
Segment income (loss)	1,812,000	-	(319,000)	1,493,000
Interest expense - mortgage	(1,606,000)	-	-	(1,606,000)
Interest expense - related party	(502,000)	-	-	(502,000)
Depreciation and amortization expense	(821,000)	-	-	(821,000)
Loss from investments	-	(123,000)	-	(123,000)
Income tax expense	-	-	(1,000)	(1,000)
Net loss	$ (1,117,000)	$ (123,000)	$ (320,000)	$ (1,560,000)
Total assets	$ 42,187,000	$ 271,000	$ 313,000	$ 42,771,000

As of and for the three months ended September 30, 2022	Hotel Operations	Investment Transactions	Corporate	Total
Revenues	$ 12,310,000	$ -	$ -	$ 12,310,000
Segment operating expenses	(9,306,000)	-	(309,000)	(9,615,000)
Segment income (loss)	3,004,000	-	(309,000)	2,695,000
Interest expense - mortgage	(1,632,000)	-	-	(1,632,000)
Interest expense - related party	(430,000)	-	-	(430,000)
Depreciation and amortization expense	(627,000)	-	-	(627,000)
Loss from investments	-	(18,000)	-	(18,000)
Income tax benefit	-	-	3,000	3,000
Net income (loss)	$ 315,000	$ (18,000)	$ (306,000)	$ (9,000)
Total assets	$ 41,514,000	$ 295,000	$ 8,316,000	$ 50,125,000

NOTE 9 - RELATED PARTY AND OTHER FINANCING TRANSACTIONS

The following summarizes the balances of related party and other notes payable as of September 30, 2023 and June 30, 2023, respectively.

As of	September 30, 2023	June 30, 2023
Related party note payable - InterGroup	$ 17,200,000	$ 15,700,000
Other note payable - Hilton	1,979,000	2,058,000
Other note payable - Aimbridge	834,000	896,000
Total related party and other notes payable	$ 20,013,000	$ 18,654,000

On July 2, 2014, the Partnership obtained from InterGroup 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 loan was extended to July 31, 2023. On December 16, 2020, the Partnership and InterGroup entered into a loan modification agreement which increased the Partnership's borrowing from InterGroup as needed up to $10,000,000. Upon the dissolution of the Partnership in December 2021, Portsmouth assumed the Partnership's note payable to InterGroup in the amount of $11,350,000. On December 31, 2021, Portsmouth and InterGroup entered into a loan modification agreement which increased Portsmouth's borrowing from InterGroup as needed up to $16,000,000. In July 2023, the note maturity date was extended to July 31, 2025 and the borrowing amount available was increased to $20,000,000. As of June 30, 2023 the balance of the loan was $15,700,000. The Company agreed to a 0.5% loan extension and modification fee payable to InterGroup. During the three months ended September 30, 2023, the Company needed additional funding in the amount of $1,500,000. As of September 30, 2023 the balance of the loan was $17,200,000 and has not made any paid-downs to its note payable to InterGroup.

Note payable to Hilton (Franchisor) is a self-exhausting, interest free development incentive note which is reduced by approximately $317,000 annually through 2030 by Hilton if the Partnership is still a Franchisee with Hilton.

On February 1, 2017, Operating entered into an HMA with Ambridge to manage the Hotel with an effective takeover date of February 3, 2017. The term of the management agreement is for an initial period of 10 years commencing on the takeover date and automatically renews for an additional year not to exceed five years in aggregate subject to certain conditions. The HMA also provides for Ambridge to advance a key money incentive fee to the Hotel for capital improvements in the amount of $2,000,000 under certain terms and conditions described in a separate key money agreement. The key money contribution shall be amortized in equal monthly amounts over an eight (8) year period commencing on the second anniversary of the takeover date. During the first quarter of fiscal year 2021, the Hotel obtained approval from Ambridge to use the key money for hotel operations and the funds were exhausted by December 31, 2020. The unamortized portion of $834,000 and $896,000 of the key money is included in the related party notes payable in the consolidated balance sheets as of September 30, 2023 and June 30, 2023, respectively.

Future minimum principal payments for all related party and other financing transactions are as follows:

For the year ending June 30,	
2024 (9 months)	$ 425,000
2025	567,000
2026	17,767,000
2027	463,000
2028	317,000
Thereafter	474,000
	$ 20,013,000

As of September 30, 2023 and June 30, 2023, the Company had accounts payable to related party of $8,207,000 and $7,283,000, respectively. These are amounts due to InterGroup and represent accrued interests and certain shared costs and expenses, primarily general and administrative expenses, rent, insurance, and other expenses.

To fund the redemption of limited partnership interests and to repay the prior mortgage of $42,940,000, Justice obtained a $97,000,000 mortgage loan and a $20,000,000 mezzanine loan in December 2013. The mortgage loan is secured by the Company's principal asset, the Hotel. The mortgage loan bears an interest rate of 5.275% per annum with interest only payments due through January 2017. Beginning in February 2017, the loan began to amortize over a thirty-year period through its maturity date of January 2024. Outstanding principal balance on the loan was $86,802,000 and $87,240,000 as of September 30, 2023 and June 30, 2023, respectively. As additional security for the mortgage loan, there is a limited guaranty executed by Portsmouth in favor of the mortgage lender. The mezzanine loan is secured by the Operating membership interest held by Mezzanine and is subordinated to the Mortgage Loan. The mezzanine interest only loan had an interest rate of 9.75% per annum and a maturity date of January 1, 2024. As additional security for the mezzanine loan, there is a limited guaranty executed by Portsmouth in favor of the mezzanine lender. On July 31, 2019, Mezzanine refinanced the mezzanine loan by entering into a new mezzanine loan agreement ("New Mezzanine Loan Agreement") with Cred Reit Holdco LLC in the amount of $20,000,000. The prior Mezzanine Loan which had a 9.75% per annum interest rate was paid off. Interest rate on the new mezzanine loan is 7.25% and the loan matures on January 1, 2024. Interest only payments are due monthly.

Effective May 11, 2017, InterGroup agreed to become an additional guarantor under the limited guaranty and an additional indemnitor under the environmental indemnity for Justice Investors limited partnership's $97,000,000 mortgage loan and the $20,000,000 mezzanine loan. Pursuant to the agreement, InterGroup is required to maintain certain net worth and liquidity. As of June 30, 2023, InterGroup is in compliance with both requirements. Justice Operating Company, LLC has not been meeting certain of its loan covenants such as the Debt Service Coverage Ratio ("DSCR") which would trigger the creation of a lockbox by the Lender for all cash collected by the Hotel. However, such lockbox has been created and utilized from the loan inception and will be in place up to loan maturity regardless of the DSCR.

The Company's Board of Directors is currently comprised of directors John V. Winfield, William J. Nance, John C. Love, Yvonne Murphy, and Steve Grunwald. All the Company's directors also serve as directors of InterGroup. The Company's director and Chairman of the Audit Committee, William J. Nance, serves as Comstock's director and Chairman of the Audit and Finance, Compensation and Nominating and Governance Committees of Comstock.

John V. Winfield serves as Chief Executive Officer and Chairman of the Company and InterGroup. Effective June 2016, Mr. Winfield became the Managing Director of Justice until its dissolution in December 2021. Depending on certain market conditions and various risk factors, the Chief Executive Officer 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 InterGroup, at risk in connection with investment decisions made on behalf of the Company.

On May 24, 2021, John V. Winfield resigned effective immediately as the Company's President and the Company's Board of Directors elected David C. Gonzalez as the Company's new President, effective as of May 24, 2021. Mr. Gonzalez serves as Vice President Real Estate of InterGroup and is an advisor of the Executive Strategic Real Estate and Securities Investment Committee of InterGroup and Portsmouth.

NOTE 10 – ACCOUNTS PAYABLE AND OTHER LIABILITIES

The following summarizes the balances of accounts payable and other liabilities as of September 30, 2023 and June 30, 2023, respectively.

As of	**September 30, 2023**	**June 30, 2023**
Trade payable	$ 3,682,000	$ 2,815,000
Advance deposits	448,000	301,000
Property tax payable	571,000	59,000
Payroll and related accruals	3,155,000	2,863,000
Mortgage interest payable	382,000	-
Withholding and other taxes payable	1,495,000	1,204,000
Security deposit	52,000	52,000
Franchise fees	1,707,000	2,510,000
Management fees payable	1,106,000	1,683,000
Other payables	252,000	194,000
Total accounts payable and other liabilities	$ 12,850,000	$ 11,681,000

NOTE 11 – SUBSEQUENT EVENTS

The Company evaluated subsequent events through the date that the accompanying financial statements were issued, and has determined that no material subsequent events exist through the date of this filing.

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

FORWARD-LOOKING STATEMENTS AND PROJECTIONS

This quarterly report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended ("Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended ("Exchange Act"). Forward-looking statements include, but are not limited to, statements related to our expectations regarding the performance of our business, our financial results, our liquidity and capital resources, including anticipated repayment of certain of the Company's indebtedness, the impact to our business and financial condition, the effects of competition and the effects of future legislation or regulations and other non-historical statements, the impact from macroeconomic factors (including inflation, increases in interest rates, potential economic slowdown or a recession and geopolitical conflicts). Forward-looking statements include all statements that are not historical facts, and in some cases, can be identified by the use of forward-looking terminology such as the words "outlook," "believes," "expects," "potential," "continues," "may," "will," "should," "could," "seeks," "projects," "predicts," "intends," "plans," "estimates," "anticipates" or the negative version of these words or other comparable words. You should not rely on forward-looking statements since they involve known and unknown risks, uncertainties and other factors which are, in some cases, beyond our control and which could materially affect our results of operations, financial condition, cash flows, performance or future achievements or events.

Such statements are subject to certain risks and uncertainties. These risks and uncertainties include, but are not limited to, the following: 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, 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 or the outbreak of COVID-19 or similar outbreaks; 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, 2023. These risks and uncertainties 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 source of revenue continues to be derived from its ownership in Justice Operating Company, LLC ("Operating") inclusive of hotel room revenue, food and beverage revenue, garage revenue, and revenue from other operating departments. Operating owns the Hotel and related facilities, including a five-level underground parking garage. The financial statements of Operating have been consolidated with those of the Company.

Three Months Ended September 30, 2023 Compared to Three Months Ended September 30, 2022

The Company had net loss of $1,560,000 for the three months ended September 30, 2023 compared to net loss of $9,000 for the three months ended September 30, 2022. The increase is primarily attributable to the decrease in Hotel revenue, offset by operating expenses.

Hotel Operations

The Company had net loss from Hotel operations of $1,117,000 for the three months ended September 30, 2023 compared to net income of $315,000 for the three months ended September 30, 2022. The change is primarily attributable to decrease in Hotel revenue.

The following table sets forth a more detailed presentation of Hotel operations for the three months ended September 30, 2023 and 2022.

For the three months ended September 30,	**2023**	**2022**
Hotel revenues:		
Hotel rooms	$ 9,561,000	$ 10,803,000
Food and beverage	627,000	535,000
Garage	825,000	822,000
Other operating departments	80,000	150,000
Total hotel revenues	11,093,000	12,310,000
Operating expenses excluding depreciation and amortization	(9,281,000)	(9,306,000)
Operating income before interest, depreciation and amortization	1,812,000	3,004,000
Interest expense - mortgage	(1,606,000)	(1,632,000)
Interest expense - related party	(502,000)	(430,000)
Depreciation and amortization expense	(821,000)	(627,000)
Net income (loss) from Hotel operations	$ (1,117,000)	$ 315,000

For the three months ended September 30, 2023, the Hotel had operating income of $1,812,000 before interest expense, depreciation, and amortization on total operating revenues of $11,093,000. For the three months ended September 30, 2022, the Hotel had operating income of $3,004,000 before interest expense, depreciation, and amortization on total operating revenues of $12,310,000.

For the three months ended September 30, 2023, room revenue decreased by $1,242,000 and food and beverage revenue increased by $92,000 compared to the three months ended September 30, 2022. Total operating expenses decreased by $25,000 due to general and administrative expenses.

The following table sets forth the average daily room rate, average occupancy percentage and RevPAR of the Hotel for the three months ended September 30, 2023 and 2022.

Three Months Ended September 30,	**Average Daily Rate**	**Average Occupancy %**	**RevPAR**
2023	$ 218	88%	$ 191
2022	$ 230	94%	$ 216

The Hotel's revenues decreased by 9.9% this quarter compared to the previous comparable quarter. Average daily rate decreased by $12, average occupancy decreased by 6.0%, and RevPar decreased by $25 for the three months ended September 30, 2023 compared to the three months ended September 30, 2022.

Investment Transactions

The Company had a net loss on marketable securities of $88,000 for the three months ended September 30, 2023 compared to a net loss on marketable securities of $10,000 for the three months ended September 30, 2022. For the three months ended September 30, 2023, the Company net unrealized loss of $88,000. 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 consolidated Justice ("Hotel") for financial reporting purposes and was not taxed on its non-controlling interest in the Hotel. However, effective July 15, 2021, the Company become the owner of 100% of Justice and will include all the Hotel's income and expense accounts into its income taxes calculations going forward. The income tax benefit during the three months ended September 30, 2023 and 2022 represent the income tax effect on the Company's pretax loss which includes the operations of the Hotel.

MARKETABLE SECURITIES

The following table shows the composition of the Company's marketable securities portfolio as of September 30, 2023 and June 30, 2023 by selected industry groups.

As of September 30, 2023 Industry Group		Fair Value	% of Total Investment Securities
REITs and real estate companies	$	265,000	97.8%
Basic materials		6,000	2.2%
	$	271,000	100.0%

As of June 30, 2023 Industry Group		Fair Value	% of Total Investment Securities
REITs and real estate companies		350,000	97.5%
Basic materials		9,000	2.5%
	$	359,000	100.0%

As of September 30, 2023, the Company's investment portfolio includes five equity positions. The Company holds three equity securities that are more than 10% of the equity value of the portfolio. The largest security position represents 61% of the portfolio and consists of the common stock of American Realty Investors, Inc. (NYSE: ARL) and is included in REITS and real estate companies industry group.

As of June 30, 2023, the Company held five different equity positions in its investment portfolio. The Company held three equity securities that comprised more than 10% of the equity value of the portfolio. The largest security position represents 69% of the portfolio and consists of the common stock of American Realty Investors, Inc. (NYSE: ARL) and is included in REITS and real estate companies industry group.

The following table shows the net loss on the Company's marketable securities and the associated margin interest and trading expenses for the respective periods:

For the three months ended September 30,		**2023**		**2022**
Net loss on marketable securities	$	(88,000)	$	(10,000)
Dividend and interest income		3,000		26,000
Margin interest expense		(10,000)		(6,000)
Trading and management expenses		(28,000)		(28,000)
	$	(123,000)	$	(18,000)

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL SOURCES

The Company had cash, cash equivalents and restricted cash of $7,002,000 and $5,206,000 as of September 30, 2023 and June 30, 2023, respectively. The Company had marketable securities, net of margin due to securities brokers, of $271,000 and $359,000 as of September 30, 2023 and June 30, 2023, respectively. These marketable securities are short-term investments and liquid in nature.

On July 2, 2014, the Partnership obtained from InterGroup 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 loan was extended to July 31, 2023. On December 16, 2020, the Partnership and InterGroup entered into a loan modification agreement which increased the Partnership's borrowing from InterGroup as needed up to $10,000,000. Upon the dissolution of the Partnership in December 2021, Portsmouth assumed the Partnership's note payable to InterGroup in the amount of $11,350,000. On December 31, 2021, Portsmouth and InterGroup entered into a loan modification agreement which increased Portsmouth's borrowing from InterGroup as needed up to $16,000,000. In July 2023, the note maturity date was extended to July 31, 2025 and the borrowing amount available was increased to $20,000,000. As of June 30, 2023 the balance of the loan was $15,700,000. The Company agreed to a 0.5% loan extension and modification fee payable to InterGroup. During the three months ended September 30, 2023, the Company needed additional funding in the amount of $1,500,000. As of September 30, 2023 the balance of the loan was $17,200,000 and has not made any paid-downs to its note payable to InterGroup.

Our known short-term liquidity requirements primarily consist of funds necessary to pay for operating and other expenditures, including management and franchise fees, corporate expenses, payroll and related costs, taxes, interest and principal payments on our outstanding indebtedness, and repairs and maintenance of the Hotel.
Our long-term liquidity requirements primarily consist of funds necessary to pay for scheduled debt maturities and capital improvements of the Hotel. We will continue to finance our business activities primarily with existing cash, including from the activities described above, and cash generated from our operations. The objectives of our cash management policy are to maintain existing leverage levels and the availability of liquidity, while minimizing operational costs. We believe that our cash on hand, along with other potential sources of liquidity that management may be able to obtain, will be sufficient to fund our working capital needs. The Partnership obtained from Intergroup has provided additional funding as needed to assist as a source of liquidity. As well as our capital lease and debt obligations, even if current levels of occupancy and revenue per occupied room ("RevPAR", calculated by multiplying the hotel's average daily room rate by its occupancy percentage) were to persist for at least the next twelve months and beyond. However, there can be no guarantee that management will be successful with its plan.

Going Concern

The financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. As discussed in Note 9 – Related Party and Other Financing Transactions, as of September 30, 2023, the outstanding balance consists of a senior mortgage loan and mezzanine loan totaling $106,896,000. Both loans mature on January 1, 2024, in addition, the Company has recurring losses and has an accumulated deficit of $107,287,000.

Due to these factors and the uncertainty around the Company's ability to successfully refinance the debt on favorable terms in the current lending environment gives rise to substantial doubt about the Company's ability to continue as a going concern for one year after the financial statement issuance date.

The Company is exploring the possibility of refinancing its senior mortgage and mezzanine debt with potential lenders. Alternatively, the Company is also exploring the possibility of a loan modification or extension to the existing debt with the current lenders, however, the Company may be unable to access further financing when needed. As such, there can be no assurance that the Company will be able to obtain additional liquidity when needed or under acceptable terms, if at all. During 2021 and first part of calendar 2022, we took advantage of the slow periods to make certain capital improvements including complete refinishing of all guest room furniture, resurfacing half of the hotel bathtubs that needed repair, refreshed meeting space and lobby paint and vinyl, replaced all bed frames and socks, and completed the carpet and wall covering corridor installation. In November 2022, we began our guestroom renovation and had completed approximately 307 guestrooms as of September 30, 2023. Hotel improvements are ongoing to remain competitive and we anticipate completing the guestroom renovations by the end March 2024. Once the Company completes its full renovation, management anticipates its high occupancy to continue and its average daily rates to increase as it completes renovation up to the point of generating a positive cash flows.

The financial statements do not include any adjustments to the carrying amounts of assets, liabilities, and reported expenses that may be necessary if the Company were unable to continue as a going concern.

MATERIAL CONTRACTUAL OBLIGATIONS

The following table provides a summary as of September 30, 2022, the Company's material financial obligations which also including interest payments:

	Total	9 Months 2024	Year 2025	Year 2026	Year 2027	Year 2028	Thereafter
Mortgage notes payable	$106,802,000	$106,802,000	$ -	$ -	$ -	$ -	$ -
Related party notes payable	17,200,000	-	-	17,200,000	-	-	-
Other notes payable	2,813,000	425,000	567,000	567,000	463,000	317,000	474,000
Interest	5,141,000	3,079,000	2,062,000	-	-	-	-
Total	$131,956,000	$110,306,000	$2,629,000	$17,767,000	$463,000	$317,000	$ 474,000

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no material off balance sheet arrangements.

IMPACT OF INFLATION

Hotel room rates are typically impacted by supply and demand factors, not inflation, since rental of a hotel room is usually for a limited number of nights. Room rates can be, and usually are, adjusted to account for inflationary cost increases. Since Aimbridge 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. For the two most recent fiscal years, the impact of inflation on the Company's income is not viewed by management as material.

CRITICAL ACCOUNTING POLICIES AND USE OF ESTIMATES

Critical accounting policies are those that are most significant to the portrayal of our financial position and results of operations and require judgments by management in order to make estimates about the effect of matters that are inherently uncertain. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts in our consolidated financial statements. We evaluate our estimates on an ongoing 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 nine months ended September 30, 2023.

INCOME TAXES

Judgment is required in addressing the future tax consequences of events that have been recognized in our consolidated financial statements or tax returns (e.g., realization of deferred tax assets, changes in tax laws, or interpretations thereof). In addition, we are subject to examination of our income tax returns by the IRS and other tax authorities. A change in the assessment of the outcomes of such matters could materially impact our consolidated financial statements. We evaluate tax positions taken or expected to be taken on a tax return to determine whether they are more likely than not of being sustained, assuming that the tax reporting positions will be examined by taxing authorities with full knowledge of all relevant information, prior to recording the related tax benefit in our consolidated financial statements. If a position does not meet the more likely than not standard, the benefit cannot be recognized. Assumptions, judgment, and the use of estimates are required in determining if the "more likely than not" standard has been met when developing the provision for income taxes. A change in the assessment of the "more likely than not" standard with respect to a position could materially impact our consolidated financial statements.

DEFERRED INCOME TAXES – VALUATION ALLOWANCE

We assess the realizability of our deferred tax assets quarterly and recognize a valuation allowance when it is more likely than not that some or all of our deferred tax assets are not realizable. This assessment is completed by tax jurisdiction and relies on the weight of both positive and negative evidence available, with significant weight placed on recent financial results. Cumulative pre-tax losses for the three-year period are considered significant objective negative evidence that some or all of our deferred tax assets may not be realizable. Cumulative reported pre-tax income is considered objectively verifiable positive evidence of our ability to generate positive pre-tax income in the future. In accordance with GAAP, when there is a recent history of pre-tax losses, there is little or no weight placed on forecasts for purposes of assessing the recoverability of our deferred tax assets. When necessary, we use systematic and logical methods to estimate when deferred tax liabilities will reverse and generate taxable income and when deferred tax assets will reverse and generate tax deductions. Assumptions, judgment, and the use of estimates are required when scheduling the reversal of deferred tax assets and liabilities, and the exercise is inherently complex and subjective. However, significant judgment will be required to determine the timing and amount of any reversal of the valuation allowance in future periods.

HOTEL ASSETS AND DEFINITE-LIVED INTANGIBLE ASSETS

We evaluate property and equipment, and definite-lived intangible assets for impairment quarterly, and when events or circumstances indicate the carrying value may not be recoverable, we evaluate the net book value of the assets by comparing to the projected undiscounted cash flows of the assets. We use judgment to determine whether indications of impairment exist and consider our knowledge of the hospitality industry, historical experience, location of the property, market conditions, and property-specific information available at the time of the assessment. The results of our analysis could vary from period to period depending on how our judgment is applied and the facts and circumstances available at the time of the analysis. When an indicator of impairment exists, judgment is also required in determining the assumptions and estimates to use within the recoverability analysis and when calculating the fair value of the asset or asset group, if applicable. Changes in economic and operating conditions impacting the judgments used could result in impairments to our long-lived assets in future periods. Historically, changes in estimates used in the property and equipment and definite-lived intangible assets impairment assessment process have not resulted in material impairment charges in subsequent periods as a result of changes made to those estimates. There were no indicators of impairment on its hotel investments or intangible assets and accordingly no impairment losses recorded during the three months ended September 30, 2023 and 2022, respectively.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are a smaller reporting company and therefore, we are not required to provide information required by this Item of Form 10-Q.

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 their evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were not effective because of a material weakness in our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. Specifically, the Company's management has concluded that our control around the interpretation and accounting for the deferred tax asset valuation allowance was not effectively designed or maintained. In light of this material weakness, we performed additional analysis as deemed necessary to ensure that our financial statements were prepared in accordance with GAAP. Accordingly, management believes that the financial statements included in this Quarterly Report on Form 10-Q present fairly in all material respects our financial position, results of operations and cash flows for the period presented.

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 1. LEGAL PROCEEDINGS

Portsmouth Square, Inc., through its operating company Justice Investors Operating Company, LLC, a Delaware limited liability company (the "Company"), is the owner of the real property located at 750 Kearny Street in San Francisco, currently improved with a 27 – story building which houses a Hilton Hotel (the "Property"). The Property was purchased and improved pursuant to a series of agreements with the City and County of San Francisco (the "City") in the early 1970's. The terms of the agreements and subsequent approvals and permits included a condition by which the Company was required to construct an ornamental overhead pedestrian bridge across Kearny Street, connecting the Property to a nearby City park and underground parking garage known as Portsmouth Square (the "Bridge"). Included in the approval process was the City's issuance of a Major Encroachment Permit ("Permit") allowing the Bridge to span over Kearney Street. As of May 24, 2022, the City has purported to revoke the Permit and on June 13, 2022, directed the Company to submit a general bridge removal and restoration plan (the "Plan") at the Company's expense. The Company disputes the legality of the purported revocation of the Permit. The Company further disputes the existence of any legal or contractual obligation to remove the Bridge at its expense. In particular, representatives of the Company participated in meetings with the City on and at various times after August 1, 2019, to discuss a collaborative process for the possible removal of the Bridge. Until the purported revocation of the Permit in 2022, the City representatives repeatedly and consistently promised and agreed that the City will pay for the associated costs of any Bridge removal. Nevertheless, without waiving any rights, in an effort to understand all of the available options, and to provide a response to the City's directives, the Company has engaged a Project Manager, a structural engineering firm and an architect to advise on the development of a Plan for the Bridge removal, as well as the reconstruction of the front of the Hilton Hotel. In that regard, the Company has been working cooperatively with the City on the process for removal of the Bridge and its related physical encroachments, including obtaining regulatory approvals and necessary permits. A final Plan is currently not expected to be completed until late calendar year of 2023 or early 2024, and permits are unlikely to be obtained until mid-2024 at the earliest. The Company is currently in discussion with the City regarding both the process and financial responsibility for the implementation of the Plan and reconstruction of the impacted portions of the Hotel. Those discussions are expected to continue through the end of 2023 and into 2024.

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

Item 1A. RISK FACTORS

As a smaller reporting company, we are not required to provide the information required by this Item.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

There have been no events that are required to be reported under this Item.

Item 3. DEFAULTS UPON SENIOR SECURITIES

There have been no events that are required to be reported under this Item.

Item 4. MINE SAFETY DISCLOSURES

There have been no events that are required to be reported under this Item.

Item 5. OTHER INFORMATION

There have been no events that are required to be reported under this Item.

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.

101.INS Inline XBRL Instance Document

101.SCH Inline XBRL Taxonomy Extension Schema

101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase

101.DEF Inline XBRL Taxonomy Extension Definition Linkbase

101.LAB Inline XBRL Taxonomy Extension Label Linkbase

101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase

104 Cover Page Interactive Data File (embedded within the Inline XBRL document)

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.

PORTSMOUTH SQUARE, INC.
(Registrant)

Date: November 14, 2023 by */s/ John V. Winfield*
John V. Winfield
Chairman of the Board and
Chief Executive Officer
(Principal Executive Officer)

Date: November 14, 2023 by */s/ Ann Marie Blair*
Ann Marie Blair
Treasurer and Controller
(Principal Financial Officer)

EXHIBIT 31.1

CERTIFICATION

I, John V. Winfield, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Portsmouth Square, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):

(a) All significant deficiencies and material weakness in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2023

/s/ John V. Winfield

John V. Winfield
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

I, Ann Marie Blair, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Portsmouth Square, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):

(a) All significant deficiencies and material weakness in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2023

/s/ Ann Marie Blair

Ann Marie Blair
Treasurer and Controller
(Principal Financial Officer)

EXHIBIT 32.1

**Certification of Principal Executive Officer Pursuant to
18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of The Sarbanes-Oxley Act Of 2002**

In connection with the Quarterly Report of Portsmouth Square, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John V. Winfield, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

- The Report fully complies with the requirements of Section 13(a) or 5(d) of the Securities Exchange Act of 1934; and
- The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ John V. Winfield

John V. Winfield
Chief Executive Officer
(Principal Executive Officer)

Date: November 14, 2023

A signed original of this written statement required by Section 906 has been provided to Portsmouth Square, Inc. and will be retained by Portsmouth Square, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

Certification of Principal Financial Officer Pursuant to
18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of The Sarbanes-Oxley Act Of 2002

In connection with the Quarterly Report of Portsmouth Square, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ann Marie Blair, Treasurer and Controller of the Company, and serving as its Principal Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

- The Report fully complies with the requirements of Section 13(a) or 5(d) of the Securities Exchange Act of 1934; and
- The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Ann Marie Blair

Ann Marie Blair
Treasurer and Controller
(Principal Financial Officer)

Date: November 14, 2023

A signed original of this written statement required by Section 906 has been provided to Portsmouth Square, Inc. and will be retained by Portsmouth Square, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.