

## Submission Data File

General Information	
Form Type*	10-Q
Contact Name	M2 Compliance
Contact Phone	754-243-5120
Filer Accelerated Status*	Non-Accelerated Filer
Filer File Number	
Filer CIK*	0000079661
Filer CCC*	*****
Filer is Shell Company*	N
Filer is Smaller Reporting Company	Yes
Confirming Copy	No
Notify via Website only	No
Return Copy	Yes
SROS*	NONE
Period*	03-31-2024
Emerging Growth Company	No
Elected not to use extended transition period	No
(End General Information)	

Document Information	
File Count*	5
Document Name 1*	form10-q.htm
Document Type 1*	10-Q
Document Description 1	
Document Name 2*	ex31-1.htm
Document Type 2*	EX-31.1
Document Description 2	
Document Name 3*	ex31-2.htm
Document Type 3*	EX-31.2
Document Description 3	
Document Name 4*	ex32-1.htm
Document Type 4*	EX-32.1
Document Description 4	
Document Name 5*	ex32-2.htm
Document Type 5*	EX-32.2
Document Description 5	
(End Document Information)	

**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 March 31, 2024**

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 May 14, 2024 was 734,187.

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
NONE	NONE	NONE

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**PART 1  
FINANCIAL INFORMATION**

**Item 1 – Condensed Consolidated Financial Statements**

**PORTSMOUTH SQUARE, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS**

<b>As of</b>	<b>March 31, 2024</b>	<b>June 30, 2023</b>
	<b>(unaudited)</b>	
<b>ASSETS</b>		
Investment in hotel, net	\$ 34,509,000	\$ 34,381,000
Investment in marketable securities	313,000	359,000
Cash and cash equivalents	3,572,000	2,295,000
Restricted cash	1,637,000	2,911,000
Accounts receivable, net	459,000	419,000
Other assets, net	1,165,000	735,000
Total assets	<u>\$ 41,655,000</u>	<u>\$ 41,100,000</u>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIT</b>		
<b>Liabilities:</b>		
Accounts payable and other liabilities - Hotel	\$ 13,151,000	\$ 11,615,000
Accounts payable and other liabilities	123,000	66,000
Accounts payable to related party	10,339,000	7,283,000
Related party notes payable	20,100,000	15,700,000
Other notes payable	2,529,000	2,954,000
Mortgage notes payable, net	106,045,000	107,117,000
Total liabilities	<u>152,287,000</u>	<u>144,735,000</u>
<b>Shareholders' deficit:</b>		
Common stock, no par value: Authorized shares - 750,000; 734,187 shares issued and outstanding shares as of March 31, 2024 and June 30, 2023, respectively	2,092,000	2,092,000
Accumulated deficit	(112,724,000)	(105,727,000)
Total shareholders' deficit	<u>(110,632,000)</u>	<u>(103,635,000)</u>
Total liabilities and shareholders' deficit	<u>\$ 41,655,000</u>	<u>\$ 41,100,000</u>

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

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

<b>For the three months ended March 31,</b>	<u><b>2024</b></u>	<u><b>2023</b></u>
<b>Revenue - Hotel</b>	<u>\$ 10,758,000</u>	<u>\$ 10,430,000</u>
<b>Costs and operating expenses</b>		
Hotel operating expenses	(9,239,000)	(8,413,000)
Hotel depreciation and amortization expense	(860,000)	(693,000)
General and administrative expense	<u>(301,000)</u>	<u>(496,000)</u>
Total costs and operating expenses	<u>(10,400,000)</u>	<u>(9,602,000)</u>
Income from operations	<u>358,000</u>	<u>828,000</u>
Other income (expense)		
Interest expense - mortgage	(2,591,000)	(1,584,000)
Interest expense - related party	(590,000)	(420,000)
Net loss on marketable securities	(12,000)	(5,000)
Dividend and interest income	4,000	1,000
Trading and margin interest expense	<u>(40,000)</u>	<u>(89,000)</u>
Total other expense, net	<u>(3,229,000)</u>	<u>(2,097,000)</u>
Loss before income taxes	(2,871,000)	(1,269,000)
Income tax benefit	<u>-</u>	<u>212,000</u>
<b>Net Loss</b>	<u>\$ (2,871,000)</u>	<u>\$ (1,057,000)</u>
Basic and diluted net loss per share	<u>\$ (3.91)</u>	<u>\$ (1.44)</u>
Weighted average number of common shares outstanding - basic and diluted	<u>734,187</u>	<u>734,187</u>

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 nine months ended March 31,	<u>2024</u>	<u>2023</u>
<b>Revenue - Hotel</b>	<b>\$ 32,076,000</b>	<b>\$ 32,632,000</b>
<b>Costs and operating expenses</b>		
Hotel operating expenses	(27,925,000)	(26,445,000)
Hotel depreciation and amortization expense	(2,522,000)	(1,955,000)
General and administrative expense	(1,054,000)	(1,321,000)
<b>Total costs and operating expenses</b>	<b>(31,501,000)</b>	<b>(29,721,000)</b>
<b>Income from operations</b>	<b>575,000</b>	<b>2,911,000</b>
<b>Other income (expense)</b>		
Interest expense - mortgage	(5,796,000)	(4,871,000)
Interest expense - related party	(1,617,000)	(1,279,000)
Net (loss) gain on marketable securities	(46,000)	92,000
Dividend and interest income	10,000	33,000
Trading and margin interest expense	(122,000)	(204,000)
<b>Total other expense, net</b>	<b>(7,571,000)</b>	<b>(6,229,000)</b>
<b>Loss before income taxes</b>	<b>(6,996,000)</b>	<b>(3,318,000)</b>
<b>Income tax (expense) benefit</b>	<b>(1,000)</b>	<b>932,000</b>
<b>Net Loss</b>	<b>\$ (6,997,000)</b>	<b>\$ (2,386,000)</b>
<b>Basic and diluted net loss per share</b>	<b>\$ (9.53)</b>	<b>\$ (3.25)</b>
<b>Weighted average number of common shares outstanding-basic and diluted</b>	<b>734,187</b>	<b>734,187</b>

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

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

	<u>Common Stock</u>		<u>Accumulated Deficit</u>	<u>Total Shareholders' Deficit</u>
	<u>Shares</u>	<u>Amount</u>		
<b>Balance at July 1, 2023</b>	734,187	\$ 2,092,000	\$ (105,727,000)	\$ (103,635,000)
Net loss	<u>-</u>	<u>-</u>	<u>(1,560,000)</u>	<u>(1,560,000)</u>
<b>Balance at September 30, 2023</b>	734,187	2,092,000	(107,287,000)	(105,195,000)
Net loss	<u>-</u>	<u>-</u>	<u>(2,566,000)</u>	<u>(2,566,000)</u>
<b>Balance at December 31, 2023</b>	734,187	2,092,000	(109,853,000)	(107,761,000)
Net loss	<u>-</u>	<u>-</u>	<u>(2,871,000)</u>	<u>(2,871,000)</u>
<b>Balance at March 31, 2024</b>	<u>734,187</u>	<u>\$ 2,092,000</u>	<u>\$ (112,724,000)</u>	<u>\$ (110,632,000)</u>
	<u>Common Stock</u>		<u>Accumulated Deficit</u>	<u>Total Shareholders' Deficit</u>
	<u>Shares</u>	<u>Amount</u>		
<b>Balance at July 1, 2022</b>	734,187	\$ 2,092,000	\$ (92,524,000)	\$ (90,432,000)
Net loss	<u>-</u>	<u>-</u>	<u>(9,000)</u>	<u>(9,000)</u>
<b>Balance at September 30, 2022</b>	734,187	2,092,000	(92,533,000)	(90,441,000)
Net loss	<u>-</u>	<u>-</u>	<u>(1,320,000)</u>	<u>(1,320,000)</u>
<b>Balance at December 31, 2022</b>	734,187	2,092,000	(93,853,000)	(91,761,000)
Net loss	<u>-</u>	<u>-</u>	<u>(1,057,000)</u>	<u>(1,057,000)</u>
<b>Balance at March 31, 2023</b>	<u>734,187</u>	<u>\$ 2,092,000</u>	<u>\$ (94,910,000)</u>	<u>\$ (92,818,000)</u>

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

**PORTSMOUTH SQUARE, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

<b>For the nine months ended March 31,</b>	<b>2024</b>	<b>2023</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (6,997,000)	\$ (2,386,000)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Net unrealized loss (gain) on marketable securities	46,000	(229,000)
Depreciation and amortization	2,522,000	1,955,000
Amortization of loan costs	122,000	183,000
Amortization of other notes payable	(425,000)	(425,000)
Changes in operating assets and liabilities:		
Investment in marketable securities	-	370,000
Accounts receivable	(40,000)	39,000
Other assets	(430,000)	(1,548,000)
Accounts payable and other liabilities - Hotel	1,536,000	2,014,000
Accounts payable and other liabilities	57,000	-
Accounts payable related party	3,056,000	1,696,000
Due to securities broker	-	(130,000)
Net cash (used in) provided by operating activities	<u>(553,000)</u>	<u>1,539,000</u>
<b>Cash flows from investing activities:</b>		
Payments for hotel furniture, equipment and building improvements	(2,650,000)	(4,131,000)
Net cash used in investing activities	<u>(2,650,000)</u>	<u>(4,131,000)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from related party note payable	4,400,000	-
Payments of mortgage, finance leases and other notes payable	(1,194,000)	(1,589,000)
Net cash provided by (used in) financing activities	<u>3,206,000</u>	<u>(1,589,000)</u>
<b>Net increase (decrease) in cash, cash equivalents, and restricted cash</b>	<b>3,000</b>	<b>(4,181,000)</b>
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	<u>\$ 5,209,000</u>	<u>\$ 4,707,000</u>
<b>Supplemental information:</b>		
Interest paid	\$ 3,718,000	\$ 4,249,000
Taxes paid	\$ -	\$ 165,000

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

**PORTSMOUTH SQUARE, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**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 June 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 nine months ended March 31, 2024 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 Portsmouth, 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 of the HMA, base management fee payable to Aimbridge shall be one and seven-tenths percent (1.70%) of total Hotel revenue. In addition to the base management fee, Aimbridge shall be entitled to an annual incentive fee for each fiscal year equal to ten percent (10%) of the amount by which Gross Operating Profit in the current fiscal year exceeds the previous fiscal year’s Gross Operating Profit.

As of March 31, 2024, 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 March 31, 2024.

There have been no material changes to the Company's significant accounting policies during the nine months ended March 31, 2024. 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.

### **Recently Issued and Adopted Accounting Pronouncements**

As of March 31, 2024, 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 March 31, 2024, the outstanding balance consists of a senior mortgage loan and mezzanine loan totaling \$106,045,000. Both loans matured on January 1, 2024 and were extended to January 1, 2025 on April 29, 2024 through Forbearance Agreements. In addition, the Company has recurring losses and has an accumulated deficit of \$112,724,000 which includes a \$64,100,000 increase adjustment made in December 2013 as a result of the partnership redemption.

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.

On January 4, 2024, the Company was made aware of a notice of default (the "Notice") issued by its senior loan special servicer LNR Partners, LLC to Justice Operating Company, LLC which is the wholly owned subsidiary of Portsmouth. The Notice states that the lender has rights as a result of such defaults, including, but not limited to, acceleration of the loans, foreclosure on collateral and other rights and remedies under the loan documents and otherwise available under the law. On January 10, 2024, the Company filed the required Form 8-K with the Securities and Exchange Commission. During the entire life of the outstanding debt, the Company has made all mortgage payments timely as of the date of maturity and as of March 31, 2024, there were no delinquent amounts due to the senior or mezzanine lenders. On April 29, 2024, the Company entered into forbearance agreements with its senior and mezzanine lenders which establishes, among other customary terms, the new maturity date of January 1, 2025 (see Note 11 - Subsequent Events). While the Company successfully entered into the aforementioned forbearance agreements, we continue our efforts to place a longer term refinancing solution to its current senior mortgage and mezzanine debt with potential lenders. 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.

In 2018-2019 the Company completed major improvements to its Hotel, such as the installation of a state-of-the-art high-speed internet Cisco Meraki system and updated all ethernet wiring with Cat6A and added the best available fiber to each guest room and common areas, added 55" and 65" Smart 4-K Samsung Televisions to all rooms and common areas, installed a new window-washing system and equipment, updated all computers and servers, and others. During 2021 and first part of calendar 2022, we took advantage of the slow periods to make certain capital improvements including 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 402 guestrooms as of March 31, 2024. Hotel improvements are ongoing to remain competitive in this challenging San Francisco market and we anticipate completing the guestroom renovations by mid-June 2024. Once the Company completes its full renovation, management anticipates its high occupancy to continue and its average daily rates to increase as a result of the updated product. Additionally, the Company anticipates that total revenues will also increase as the hotel has had at least three levels or approximately 75 guest rooms out of service since November 2022 in order to be renovated. While we have no assurances that the financial markets will improve, we are cautiously optimistic about our ability to improve our revenues upon the completion of our renovation and the recovery of the San Francisco market. Additionally, there are major changes in the political landscape in San Francisco and a Mayor election this year that we believe could improve the overall condition of the City of San Francisco as a whole.

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 current state of affairs of the City of San Francisco, its political challenges as well as the way its local government's policies with regard to safety, drugs abuse, homelessness, crime, etc., have caused the City of San Francisco to be one of the slowest cities in the country to fully recover from the COVID-19 pandemic. Additionally, since San Francisco is a top-heavy tech company city, the "remote work" initiatives have caused a slowdown in business travel and in person meetings. Prior to the COVID-19 pandemic, our Hotel enjoyed most of its revenues from business travel, conventions, self-contained groups, etc., and post pandemic, most revenues are generated from leisure travel which is generally at a lower guest room rate. For the nine months ended March 31, 2024, our net cash used in operating activities was \$553,000. We continue to maintain 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 slowly recover in San Francisco, we will continue to evaluate what services we bring back. During the nine months ended March 31, 2024, the Company continued to make capital improvements to the Hotel in the amount of \$2,650,000 and anticipates continuing its guest room upgrade program during the remaining of fiscal year 2024.

The Company had cash and cash equivalents of \$3,572,000 and \$2,295,000 as of March 31, 2024 and June 30, 2023, respectively. The Company had restricted cash of \$1,637,000 and \$2,911,000 as of March 31, 2024 and June 30, 2023, respectively. The Company had marketable securities, net of margin due to securities brokers, of \$313,000 and \$359,000 as of March 31, 2024 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, with interest only payable 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 modification fee for the increased borrowing of \$10,000,000 payable to InterGroup. In March 2024, Portsmouth and InterGroup entered into a loan modification agreement which increased Portsmouth's borrowing amount available to \$30,000,000. During the nine months ended March 31, 2024, the Company borrowed an additional \$4,400,000 to fund its hotel operations. As of March 31, 2024 the balance of the loan was \$20,100,000 and the Company 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 increase 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 March 31, 2024, the Company's material financial obligations which also including interest payments:

	Total	3 Months 2024	Year 2025	Year 2026	Year 2027	Year 2028	Thereafter
Mortgage notes payable	\$106,045,000		\$106,045,000	\$ -	\$ -	\$ -	\$ -
Hilton/Aimbridge other notes payable	2,529,000	142,000	567,000	567,000	463,000	317,000	473,000
Related party notes payable	20,100,000	-	20,100,000	-	-	-	-
Interest	6,277,000	3,715,000	2,562,000	-	-	-	-
<b>Total</b>	<b>\$134,951,000</b>	<b>\$3,857,000</b>	<b>\$129,274,000</b>	<b>\$567,000</b>	<b>\$463,000</b>	<b>\$317,000</b>	<b>\$ 473,000</b>

### NOTE 3 – REVENUE

The following table presents our revenues disaggregated by revenue streams.

For the three months ended March 31,	2024	2023
Hotel revenues:		
Hotel rooms	\$ 9,018,000	\$ 8,968,000
Food and beverage	924,000	744,000
Garage	710,000	609,000
Other operating departments	106,000	109,000
Total hotel revenue	\$ 10,758,000	\$ 10,430,000

For the nine months ended March 31,	2024	2023
Hotel revenues:		
Hotel rooms	\$ 26,982,000	\$ 28,020,000
Food and beverage	2,523,000	1,905,000
Garage	2,243,000	2,148,000
Other operating departments	328,000	559,000
Total hotel revenue	\$ 32,076,000	\$ 32,632,000

### 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 March 31, 2024 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 March 31, 2024 and June 30, 2023, respectively.

Portsmouth 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 consolidated balance sheets and had a balance of \$290,000 at July 1, 2023. During the nine months ended March 31, 2024, the entire \$290,000 was recognized as revenue. Contract liabilities increased to \$291,000 as of March 31, 2024. Contract liabilities at July 1, 2022 was \$493,000. During the nine months ended March 31, 2023, the entire \$493,000 was recognized as revenue. Contract liabilities decreased to \$364,000 as of March 31, 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:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
<b>March 31, 2024</b>			
Land	\$ 1,124,000	\$ -	\$ 1,124,000
Finance lease ROU assets	1,805,000	(1,468,000)	337,000
Furniture and equipment	39,297,000	(30,939,000)	8,358,000
Building and improvements	58,353,000	(33,663,000)	24,690,000
Investment in Hotel, net	<u>\$ 100,579,000</u>	<u>\$ (66,070,000)</u>	<u>\$ 34,509,000</u>
<b>June 30, 2023</b>			
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	<u>\$ 97,929,000</u>	<u>\$ (63,548,000)</u>	<u>\$ 34,381,000</u>

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 nine months ended March 31, 2024 and 2023 are \$2,522,000 and \$1,955,000, respectively.

## NOTE 5 - INVESTMENT IN MARKETABLE SECURITIES, NET

The Company's investment in marketable securities consists primarily of corporate equities. The Company has also periodically 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 March 31, 2024, 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	Fair Value
<b>As of March 31, 2024</b>					
Corporate Equities	\$ 274,000	\$ 85,000	\$ (46,000)	\$ 39,000	\$ 313,000
<b>As of June 30, 2023</b>					
Corporate Equities	\$ 274,000	\$ 133,000	\$ (48,000)	\$ 85,000	\$ 359,000

Net gain (loss) on marketable securities on the statement of operations is comprised of realized and unrealized gains (losses). Below is the composition of net gains (losses) on marketable securities for the three and nine months ended March 31, 2024 and 2023, respectively:

	2024	2023
<b>For the three months ended March 31,</b>		
Unrealized loss on marketable securities, net	\$ (12,000)	\$ (5,000)
Net loss on marketable securities	\$ (12,000)	\$ (5,000)

	2024	2023
<b>For the nine months ended March 31,</b>		
Realized loss on marketable securities, net	\$ -	\$ (137,000)
Unrealized (loss) gain on marketable securities, net	(46,000)	229,000
Net (loss) gain on marketable securities	\$ (46,000)	\$ 92,000

## 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) 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	March 31, 2024 Total - Level 1	June 30, 2023 Total - Level 1
Assets:		
Investment in marketable securities:		
REITs and real estate companies	\$ 303,000	\$ 350,000
Basic materials	10,000	9,000
	<u>\$ 313,000</u>	<u>\$ 359,000</u>

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	March 31, 2024	June 30, 2023
Cash and cash equivalents	\$ 3,572,000	\$ 2,295,000
Restricted cash	1,637,000	2,911,000
Total cash, cash equivalents, and restricted cash shown in the condensed consolidated statement of cash flows	<u>\$ 5,209,000</u>	<u>\$ 5,206,000</u>

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 and nine months ended March 31, 2024 and 2023, respectively. Operating income from Hotel operations consists of the operation of the hotel and operation of the garage. Loss from investment transactions consist of net investment gain (loss), dividend and interest income and trading and margin interest expense. The other segment consists of corporate general and administrative expenses and the income tax benefit for the entire Company.

<b>As of and for the three months ended March 31, 2024</b>	<b>Hotel Operations</b>	<b>Investment Transactions</b>	<b>Corporate</b>	<b>Total</b>
Revenues	\$ 10,758,000	\$ -	\$ -	\$ 10,758,000
Segment operating expenses	(9,239,000)	-	(301,000)	(9,540,000)
Segment income (loss)	1,519,000	-	(301,000)	1,218,000
Interest expense - mortgage	(2,591,000)	-	-	(2,591,000)
Interest expense - related party	(590,000)	-	-	(590,000)
Depreciation and amortization expense	(860,000)	-	-	(860,000)
Loss from investments	-	(48,000)	-	(48,000)
Net loss	\$ (2,522,000)	\$ (48,000)	\$ (301,000)	\$ (2,871,000)
Total assets	\$ 40,942,000	\$ 313,000	\$ 400,000	\$ 41,655,000

<b>As of and for the three months ended March 31, 2023</b>	<b>Hotel Operations</b>	<b>Investment Transactions</b>	<b>Corporate</b>	<b>Total</b>
Revenues	\$ 10,430,000	\$ -	\$ -	\$ 10,430,000
Segment operating expenses	(8,413,000)	-	(496,000)	(8,909,000)
Segment income (loss)	2,017,000	-	(496,000)	1,521,000
Interest expense - mortgage	(1,584,000)	-	-	(1,584,000)
Interest expense - related party	(420,000)	-	-	(420,000)
Depreciation and amortization expense	(693,000)	-	-	(693,000)
Loss from investments	-	(93,000)	-	(93,000)
Income tax benefit	-	-	212,000	212,000
Net loss	\$ (680,000)	\$ (93,000)	\$ (284,000)	\$ (1,057,000)
Total assets	\$ 39,682,000	\$ 400,000	\$ 9,080,000	\$ 49,162,000

<b>As of and for the nine months ended March 31, 2024</b>	<b>Hotel Operations</b>	<b>Investment Transactions</b>	<b>Corporate</b>	<b>Total</b>
Revenues	\$ 32,076,000	\$ -	\$ -	\$ 32,076,000
Segment operating expenses	(27,925,000)	-	(1,054,000)	(28,979,000)
Segment income (loss)	4,151,000	-	(1,054,000)	3,097,000
Interest expense - mortgage	(5,796,000)	-	-	(5,796,000)
Interest expense - related party	(1,617,000)	-	-	(1,617,000)
Depreciation and amortization expense	(2,522,000)	-	-	(2,522,000)
Loss from investments	-	(158,000)	-	(158,000)
Income tax expense	-	-	(1,000)	(1,000)
Net loss	\$ (5,784,000)	\$ (158,000)	\$ (1,055,000)	\$ (6,997,000)
Total assets	\$ 40,942,000	\$ 313,000	\$ 400,000	\$ 41,655,000

<b>As of and for the nine months ended March 31, 2023</b>	<b>Hotel Operations</b>	<b>Investment Transactions</b>	<b>Corporate</b>	<b>Total</b>
Revenues	\$ 32,632,000	\$ -	\$ -	\$ 32,632,000
Segment operating expenses	(26,445,000)	-	(1,321,000)	(27,766,000)
Segment income (loss)	6,187,000	-	(1,321,000)	4,866,000
Interest expense - mortgage	(4,871,000)	-	-	(4,871,000)
Interest expense - related party	(1,279,000)	-	-	(1,279,000)
Depreciation and amortization expense	(1,955,000)	-	-	(1,955,000)
Loss from investments	-	(79,000)	-	(79,000)
Income tax benefit	-	-	932,000	932,000
Net loss	\$ (1,918,000)	\$ (79,000)	\$ (389,000)	\$ (2,386,000)
Total assets	\$ 39,682,000	\$ 400,000	\$ 9,080,000	\$ 49,162,000

## NOTE 9 - RELATED PARTY AND OTHER FINANCING TRANSACTIONS

The following summarizes the balances of related party and other notes payable as of March 31, 2024 and June 30, 2023, respectively:

As of	March 31, 2024	June 30, 2023
Note payable - InterGroup	\$ 20,100,000	\$ 15,700,000
Note payable - Hilton	1,820,000	2,058,000
Note payable - Aimbridge	709,000	896,000
Total related party and other notes payable	<u>\$ 22,629,000</u>	<u>\$ 18,654,000</u>

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, with interest only payable 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 modification fee for the increased borrowing of \$10,000,000 payable to InterGroup. In March 2024, Portsmouth and InterGroup entered into a loan modification agreement which increased Portsmouth's borrowing amount available to \$30,000,000. During the nine months ended March 31, 2024, the Company borrowed an additional \$4,400,000 to fund its hotel operations. As of March 31, 2024 the balance of the loan was \$20,100,000 and the Company 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.

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 Company 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. The unamortized portion of \$709,000 and \$896,000 of the key money is included in the other notes payable in the consolidated balance sheets as of March 31, 2024 and June 30, 2023, respectively.

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

<b>For the year ending June 30,</b>	
2024 (3 months)	\$ 142,000
2025	20,667,000
2026	567,000
2027	463,000
2028	317,000
Thereafter	473,000
	<u>\$ 22,629,000</u>

As of March 31, 2024 and June 30, 2023, the Company had accounts payable to related party of \$10,339,000 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 10-year 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 \$86,045,000 and \$87,240,000 as of March 31, 2024 and June 30, 2023, respectively, and matured on January 1, 2024. 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 matured on January 1, 2024. Interest only payments are due monthly. In September 2023, the Company entered into an agreement with Hart Advisors Group, LLC to assist in the negotiations of loan modifications with the senior and mezzanine lenders. On January 4, 2024, the Company was made aware of a notice of default (the "Notice") issued by its senior loan special servicer LNR Partners, LLC to Operating which is the wholly owned subsidiary of the Company. The Notice states that the lender has rights as a result of such defaults, including, but not limited to, acceleration of the loans, foreclosure on collateral and other rights and remedies under the loan documents and otherwise available under the law. During the entire life of the outstanding debt, the Company has made all mortgage payments timely as of the date of maturity and as of March 31, 2024, there were no delinquent amounts due to the senior or mezzanine lenders. On April 29, 2024, Operating entered into a Forbearance Agreement with its senior and mezzanine lenders (see Note 11 - Subsequent Events).

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 March 31, 2024, InterGroup is in compliance with both requirements. Operating 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.

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 Chief Operating Officer 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 March 31, 2024 and June 30, 2023, respectively.

As of	<u>March 31, 2024</u>	<u>June 30, 2023</u>
Trade payable	\$ 2,200,000	\$ 1,235,000
Advance deposits	319,000	301,000
Property tax payable	476,000	59,000
Payroll and related accruals	3,280,000	2,863,000
Management fees payable	2,458,000	1,683,000
Mortgage interest payable	1,956,000	1,580,000
Withholding and other taxes payable	1,265,000	1,204,000
Security deposit	-	52,000
Franchise fees	1,108,000	2,510,000
Other payables	212,000	194,000
Total accounts payable and other liabilities	<u>\$ 13,274,000</u>	<u>\$ 11,681,000</u>

#### NOTE 11 – SUBSEQUENT EVENTS

On April 29, 2024, U.S. Bank National Association and other lenders (“Lender”) entered into a Forbearance Agreement (the “Mortgage Loan Forbearance Agreement”), all capitalized terms are used in this paragraph as defined in this agreement with Operating. Assuming no Termination Event occurs, Lender agrees to not take any action with respect to the loan facility set forth therein prior to January 1, 2025. During the Forbearance Period, Operating shall make all regularly scheduled payments to the Lender. The Mortgage Loan Forbearance Agreement also contains amended terms as to financial covenants and a 10% principal paydown in the amount of \$8,589,706.44 to be applied by the Lender upon execution of the Mortgage Loan Forbearance Agreement. Retroactive to January 1, 2024, Operating will be required to accrue an additional 4% default interest, due and payable to Lender at the new maturity or loan prepayment. In addition, Operating paid 1% forbearance fee or \$858,971 to Lender upon execution of the Forbearance Agreement.

On April 29, 2024, CRED REIT HOLDCO LLC (“Mezz Lender”) entered into a Forbearance Agreement (the “Mezz Forbearance Agreement”), all capitalized terms in this paragraph are used as defined in the Mezz Forbearance Agreement) with Mezzanine, an indirect subsidiary of the Company. Assuming no Termination Event occurs, Mezz Lender agrees to not take any action with respect to the loan facility set forth therein prior to January 1, 2025. The Mezz Lender also has advanced \$4.5 million for payment of the 10% principal paydown with respect to the Mortgage Loan Forbearance Agreement (defined below). Retroactive to January 1, 2024, Mezzanine will be required to accrue an additional 4% default interest and a 1% forbearance fee or \$245,000. During the Forbearance Period, no payments will be due to the Mezz Lender until the new maturity date or loan prepayment.

Both forbearance agreements also contain customary and usual terms, events of default, transaction fees, and representations and warranties and covenants for like transactions. The Company will endeavor to refinance the aforementioned loans prior to their new maturity.

## **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 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 March 31, 2024 Compared to Three Months Ended March 31, 2023**

The Company had net loss of \$2,871,000 for the three months ended March 31, 2024 compared to net loss of \$1,057,000 for the three months ended March 31, 2023.

#### **Hotel Operations**

The Company had net loss from Hotel operations of \$2,522,000 for the three months ended March 31, 2024 compared to net loss of \$680,000 for the three months ended March 31, 2023. The increase in loss is primarily attributable to the increase in default mortgage interest expense during forbearance period and operating expenses, partially offset by increased rooms and food and beverage revenues.

The following table sets forth a more detailed presentation of Hotel operations for the three months ended March 31, 2024 and 2023:

<b>For the three months ended March 31,</b>	<b>2024</b>	<b>2023</b>
<b>Hotel revenues:</b>		
Hotel rooms	\$ 9,018,000	\$ 8,968,000
Food and beverage	924,000	744,000
Garage	710,000	609,000
Other operating departments	106,000	109,000
<b>Total hotel revenues</b>	<b>10,758,000</b>	<b>10,430,000</b>
Operating expenses excluding depreciation and amortization	(9,239,000)	(8,413,000)
<b>Operating income before interest, depreciation and amortization</b>	<b>1,519,000</b>	<b>2,017,000</b>
Interest expense - mortgages	(2,591,000)	(1,584,000)
Interest expense - related party	(590,000)	(420,000)
Depreciation and amortization expense	(860,000)	(693,000)
<b>Net loss from Hotel operations</b>	<b>\$ (2,522,000)</b>	<b>\$ (680,000)</b>

For the three months ended March 31, 2024, the Hotel had operating income of \$1,519,000 before interest expense, depreciation, and amortization on total operating revenues of \$10,758,000 compared to operating income of \$2,017,000 before interest expense, depreciation, and amortization on total operating revenues of \$10,430,000 for the three months ended March 31, 2023.

For the three months ended March 31, 2024, room revenues increased by \$50,000, food and beverage revenue increased by \$180,000 and garage increased by \$101,000 compared to the three months ended March 31, 2023. Total operating expenses increased by \$826,000 due to increase in union salaries and wages, room amenities and booking commissions, food and beverage cost.

The following table sets forth the average daily room rate, average occupancy percentage and RevPAR of the Hotel for the three months ended March 31, 2024 and 2023:

<b>Three Months Ended March 31,</b>	<b>Average Daily Rate</b>	<b>Average Occupancy %</b>	<b>RevPAR</b>
<b>2024</b>	\$ 232	78%	\$ 182
<b>2023</b>	\$ 234	78%	\$ 183

The Hotel's revenues increased by 3% this quarter as compared to the previous comparable quarter. Average daily rate decreased by \$2, average occupancy remained the same, and RevPAR decreased by \$1 for the three months ended March 31, 2024 compared to the three months ended March 31, 2023. The figures reflected in this table are negatively impacted by approximately 52-78 guest rooms taken out of order at any given time in to allow for their renovation which started in November 2022 and is scheduled to be completed by June 2024.

#### **Investment Transactions**

The Company had a net loss on marketable securities of \$12,000 for the three months ended March 31, 2024 compared to a net loss on marketable securities of \$5,000 for the three months ended March 31, 2023. For the three months ended March 31, 2024, the Company had a net unrealized loss of \$12,000. For the three months ended March 31, 2023, the Company had a net unrealized loss of \$5,000. 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 had no tax benefit or expense during the three months ended March 31, 2024 and had a tax benefit of \$212,000 for the three months ended March 31, 2023 and represent the income tax effect on the Company's pretax loss which includes the operations of the Hotel.

## Nine Months Ended March 31, 2024 Compared to Nine Months Ended March 31, 2023

The Company had net loss of \$6,997,000 for the nine months ended March 31, 2024 compared to net loss of \$2,386,000 for the nine months ended March 31, 2023. The increase in loss is primarily attributable to a decrease in rooms revenues and increased operating expenses and interest expense, offset in part by increased food and beverage revenues.

### Hotel Operations

The Company had net loss from Hotel operations of \$5,784,000 for the nine months ended March 31, 2024 compared to net loss of \$1,918,000 for the nine months ended March 31, 2023. The increase in loss is primarily attributable to the decrease in rooms revenue and an increase in operating expenses.

The following table sets forth a more detailed presentation of Hotel operations for the nine months ended March 31, 2024 and 2023:

<b>For the nine months ended March 31,</b>	<b>2024</b>	<b>2023</b>
<b>Hotel revenues:</b>		
Hotel rooms	\$ 26,982,000	\$ 28,020,000
Food and beverage	2,523,000	1,905,000
Garage	2,243,000	2,148,000
Other operating departments	328,000	559,000
<b>Total hotel revenues</b>	<b>32,076,000</b>	<b>32,632,000</b>
Operating expenses excluding depreciation and amortization	(27,925,000)	(26,445,000)
Operating income before interest, depreciation and amortization	4,151,000	6,187,000
Interest expense - mortgages	(5,796,000)	(4,871,000)
Interest expense - related party	(1,617,000)	(1,279,000)
Depreciation and amortization expense	(2,522,000)	(1,955,000)
Net loss from Hotel operations	<u>\$ (5,784,000)</u>	<u>\$ (1,918,000)</u>

For the nine months ended March 31, 2024, the Hotel had operating income of \$4,151,000 before interest expense, depreciation, and amortization on total operating revenues of \$26,982,000 compared to operating income of \$6,187,000 before interest expense, depreciation, and amortization on total operating revenues of \$28,020,000 for the nine months ended March 31, 2023. For the nine months ended March 31, 2024, room revenues decreased by \$1,038,000, food and beverage revenue increased by \$618,000, garage revenue increased by \$95,000 compared to the nine months ended March 31, 2023. Total operating expenses increased by \$1,480,000 due to increase in room costs amenities, food and beverage costs, and salaries and wages.

The following table sets forth the average daily room rate, average occupancy percentage and RevPAR of the Hotel for the six months ended March 31, 2024 and 2023.

<b>Nine Months Ended March 31,</b>	<b>Average Daily Rate</b>	<b>Average Occupancy %</b>	<b>RevPAR</b>
<b>2024</b>	\$ 219	82%	\$ 180
<b>2023</b>	\$ 221	85%	\$ 188

The Hotel's revenues decreased by 2% for the nine months ended March 31, 2024 as compared to the nine months ended March 31, 2023. Average daily rate decreased by \$2, average occupancy decreased by 3%, and RevPAR decreased by \$8 for the nine months ended March 31, 2024 compared to the nine months ended March 31, 2023. The figures reflected in this table are negatively impacted by approximately 52-78 guest rooms taken out of order at any given time in to allow for their renovation which started in November 2022 and is scheduled to be completed by June 2024.

## Investment Transactions

The Company had a net loss on marketable securities of \$46,000 for the nine months ended March 31, 2024 compared to a net gain on marketable securities of \$92,000 for the nine months ended March 31, 2023. For the nine months ended March 31, 2024, the Company had a net unrealized loss of \$46,000. For the nine months ended March 31, 2023, the Company had a net realized loss of \$137,000 and a net unrealized gain of \$229,000. 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.

Effective July 15, 2021, the Company became the owner of 100% of Justice and included all the Hotel's income and expense accounts into its income taxes calculations from that date. The income tax expense during the nine months ended March 31, 2024 was \$1,000 and March 31, 2023 the income tax benefit was \$932,000, represented 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 March 31, 2024 and June 30, 2023 by selected industry groups.

<b>As of March 31, 2024</b>		% of Total
Industry Group	Fair Value	Investment Securities
REITs and real estate companies	\$ 303,000	96.8%
Basic materials	10,000	3.2%
	<u>\$ 313,000</u>	<u>100.0%</u>

  

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

As of March 31, 2024, the Company's investment portfolio includes five equity positions. The Company holds three equity security positions that comprised 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 represented 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:

<b>For the three months ended March 31,</b>	<b>2024</b>	<b>2023</b>
Net loss on marketable securities	\$ (12,000)	\$ (5,000)
Dividend and interest income	4,000	1,000
Trading and management expenses	(40,000)	(89,000)
	<u>\$ (48,000)</u>	<u>\$ (93,000)</u>

<b>For the nine months ended March 31,</b>	<b>2024</b>	<b>2023</b>
Net (loss) gain on marketable securities	\$ (46,000)	\$ 92,000
Dividend and interest income	10,000	33,000
Margin interest expense	-	(1,000)
Trading and management expenses	(122,000)	(203,000)
	<u>\$ (158,000)</u>	<u>\$ (79,000)</u>

## **FINANCIAL CONDITION AND LIQUIDITY**

The Company had cash, cash equivalents and restricted cash of \$5,209,000 and \$5,206,000 as of March 31, 2024 and June 30, 2023, respectively. The Company had marketable securities, net of margin due to securities brokers, of \$313,000 and \$359,000 as of March 31, 2024 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, with interest only payable 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 modification fee for the increased borrowing of \$10,000,000 payable to InterGroup. In March 2024, Portsmouth and InterGroup entered into a loan modification agreement which increased Portsmouth's borrowing amount available to \$30,000,000. During the nine months ended March 31, 2024, the Company borrowed an additional \$4,400,000 to fund its hotel operations. As of March 31, 2024 the balance of the loan was \$20,100,000 and the Company 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 increase 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 March 31, 2024, the outstanding balance consists of a senior mortgage loan and mezzanine loan totaling \$106,045,000. Both loans matured on January 1, 2024 and were extended to January 1, 2025 on April 29, 2024 through Forbearance Agreements. In addition, the Company has recurring losses and has an accumulated deficit of \$112,724,000 which includes a \$64,100,000 increase adjustment made in December 2013 as a result of the partnership redemption.

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.

On January 4, 2024, the Company was made aware of a notice of default (the “Notice”) issued by its senior loan special servicer LNR Partners, LLC to Justice Operating Company, LLC which is the wholly owned subsidiary of Portsmouth. The Notice states that the lender has rights as a result of such defaults, including, but not limited to, acceleration of the loans, foreclosure on collateral and other rights and remedies under the loan documents and otherwise available under the law. On January 10, 2024, the Company filed the required Form 8-K with the Securities and Exchange Commission. During the entire life of the outstanding debt, the Company has made all mortgage payments timely as of the date of maturity and as of March 31, 2024, there were no delinquent amounts due to the senior or mezzanine lenders. On April 29, 2024, the Company entered into forbearance agreements with its senior and mezzanine lenders which establishes, among other customary terms, the new maturity date of January 1, 2025 (see Note 11 - Subsequent Events). While the Company successfully entered into the aforementioned forbearance agreements, we continue our efforts to place a longer term refinancing solution to its current senior mortgage and mezzanine debt with potential lenders. 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.

In 2018-2019 the Company completed major improvements to its Hotel, such as the installation of a state-of-the-art high-speed internet Cisco Meraki system and updated all ethernet wiring with Cat6A and added the best available fiber to each guest room and common areas, added 55” and 65” Smart 4-K Samsung Televisions to all rooms and common areas, installed a new window-washing system and equipment, updated all computers and servers, and others. During 2021 and first part of calendar 2022, we took advantage of the slow periods to make certain capital improvements including 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 402 guestrooms as of March 31, 2024. Hotel improvements are ongoing to remain competitive in this challenging San Francisco market and we anticipate completing the guestroom renovations by mid-June 2024. Once the Company completes its full renovation, management anticipates its high occupancy to continue and its average daily rates to increase as a result of the updated product. Additionally, the Company anticipates that total revenues will also increase as the hotel has had at least three levels or approximately 75 guest rooms out of service since November 2022 in order to be renovated. While we have no assurances that the financial markets will improve, we are cautiously optimistic about our ability to improve our revenues upon the completion of our renovation and the recovery of the San Francisco market. Additionally, there are major changes in the political landscape in San Francisco and a Mayor election this year that we believe could improve the overall condition of the City of San Francisco as a whole.

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.

#### OFF-BALANCE SHEET ARRANGEMENTS

The Company has no material off balance sheet arrangements.

#### MATERIAL CONTRACTUAL OBLIGATIONS

The following table provides a summary as of March 31, 2024, the Company’s material financial obligations which also including interest payments:

	Total	3 Months 2024	Year 2025	Year 2026	Year 2027	Year 2028	Thereafter
Mortgage notes payable	\$106,045,000	\$ -	\$106,045,000	\$ -	\$ -	\$ -	\$ -
Hilton/Aimbridge other notes payable	2,529,000	142,000	567,000	567,000	463,000	317,000	473,000
Related party notes payable	20,100,000	-	20,100,000	-	-	-	-
Interest	6,277,000	3,715,000	2,562,000	-	-	-	-
<b>Total</b>	<b>\$134,951,000</b>	<b>\$3,857,000</b>	<b>\$129,274,000</b>	<b>\$567,000</b>	<b>\$463,000</b>	<b>\$317,000</b>	<b>\$ 473,000</b>

## **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 ESTIMATES**

Critical accounting estimates 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 or methods or assumptions during the nine months ended March 31, 2024.

## **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 nine months ended March 31, 2024 and 2023, 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**

As stated in the Company's Form 10-K for year ended June 30, 2023, we identified a material weakness in internal controls over financial reporting related to our accounting for the deferred tax asset valuation allowance was not effectively designed or maintained. We hired a new tax provision consultant to perform detailed analysis moving forward. The Company has taken steps to remediate the material weakness and improve its internal controls over financial reporting during the last quarterly period covered by this Form 10-Q.

**PART II  
OTHER INFORMATION**

**Item 1. LEGAL PROCEEDINGS**

Portsmouth Square, Inc. (the “Company”), through its operating company Justice Operating Company, LLC, a Delaware limited liability company (“Justice”), 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 by predecessor entities 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’s predecessors were 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 Justice to submit a general bridge removal and restoration plan (the “Plan”) at its expense. Justice disputes the legality of the purported revocation of the Permit. Justice further disputes the existence of any legal or contractual obligation to remove the Bridge at its expense. In particular, representatives of the Company and Justice participated in meetings with the City at various times on and 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, Justice has engaged a Project Manager, a structural engineering firm and an architect to advise on a Plan for the Bridge removal, as well as the reconstruction of the front of the Hilton Hotel. In that regard, the Company and Justice have 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 mid-2024, and permits are unlikely to be obtained until late 2024 at the earliest. Justice is currently in discussion with the City regarding both the process and financial responsibility for the implementation of the Plan and reconstruction of any impacted portions of the Hotel. Those discussions are expected to continue at least through the second calendar quarter of 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: May 14, 2024

by /s/ John V. Winfield  
John V. Winfield  
Chairman of the Board and  
Chief Executive Officer  
(Principal Executive Officer)

Date: May 14, 2024

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: May 14, 2024

/s/ John V. Winfield

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

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**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: May 14, 2024

/s/ Ann Marie Blair

Ann Marie Blair  
Treasurer and Controller  
(Principal Financial Officer)

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**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 March 31, 2024, 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*

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

Date: May 14, 2024

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.

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**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 March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ann Marie Blair, Treasurer and Controller of the Company, 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*

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Ann Marie Blair  
Treasurer and Controller  
(Principal Financial Officer)

Date: May 14, 2024

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.

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