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

FORM 10-Q

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

For the quarterly period ended September 30, 2014
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	94-1674111
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification No.)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

☒ Yes ☐ No

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

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

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 October 3, 2014, was 734,183.

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PART 1
FINANCIAL INFORMATION

Item 1 – Condensed Consolidated Financial Statements

PORTSMOUTH SQUARE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

As of	September 30, 2014 (Unaudited)	June 30, 2014
ASSETS		
Investment in hotel, net	$ 35,061,000	$ 34,416,000
Investment in real estate	973,000	973,000
Investment in marketable securities	2,585,000	3,280,000
Other investments, net	5,272,000	5,297,000
Cash and cash equivalents	1,774,000	1,058,000
Restricted cash - redemption	20,551,000	16,163,000
Restricted cash - mortgage impounds	847,000	945,000
Accounts receivable - hotel, net	2,347,000	1,964,000
Other assets, net	3,496,000	3,810,000
Deferred tax asset	7,428,000	7,246,000
Total assets	$ 80,334,000	$ 75,152,000
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Liabilities:		
Accounts payable and other liabilities	$ 12,529,000	$ 15,863,000
Redemption payable	20,551,000	16,163,000
Due to securities broker	-	629,000
Obligations for securities sold	731,000	61,000
Other notes payable	4,642,000	282,000
Mortgage notes payable - hotel	117,000,000	117,000,000
Total liabilities	155,453,000	149,998,000
Commitments and contingencies		
Shareholders' deficit:		
Common stock, no par value: Authorized shares - 750,000; 734,183 shares issued and outstanding shares	2,092,000	2,092,000
Accumulated deficit	(71,017,000)	(70,732,000)
Total Portsmouth shareholders' deficit	(68,925,000)	(68,640,000)
Noncontrolling interest	(6,194,000)	(6,206,000)
Total shareholders' deficit	(75,119,000)	(74,846,000)
Total liabilities and shareholders' deficit	$ 80,334,000	$ 75,152,000

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

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

For the three months ended September 30,	2014	2013
Revenue - Hotel	$ 14,830,000	$ 13,305,000
Costs and operating expenses		
Hotel operating expenses	(11,838,000)	(9,532,000)
Hotel depreciation and amortization expense	(642,000)	(600,000)
General and administrative expense	(188,000)	(169,000)
Total costs and operating expenses	(12,668,000)	(10,301,000)
Income from operations	2,162,000	3,004,000
Other income (expense)		
Interest expense - mortgage	(2,024,000)	(635,000)
Net (loss) gain on marketable securities	(479,000)	93,000
Net unrealized loss on other investments	(25,000)	-
Dividend and interest income	3,000	4,000
Trading and margin interest expense	(91,000)	(66,000)
Other expense, net	(2,616,000)	(604,000)
Income (loss) before income taxes	(454,000)	2,400,000
Income tax benefit (expense)	182,000	(471,000)
Net (loss) income	(272,000)	1,929,000
Less: Net income attributable to the noncontrolling interest	(13,000)	(1,212,000)
Net (loss) income attributable to Portsmouth	$ (285,000)	$ 717,000
Basic and diluted net (loss) income per share attributable to Portsmouth	$ (0.39)	$ 0.98
Weighted average number of common shares outstanding - basic and diluted	734,183	734,183

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

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

For the three months ended September 30,	**2014**	**2013**
Cash flows from operating activities:		
Net (loss) income	$ (272,000)	$ 1,929,000
Adjustments to reconcile net (loss) income to net cash (used in)		
provided by operating activities:		
Net unrealized loss (gain) on marketable securities	522,000	(165,000)
Unrealized loss on other investments	25,000	-
Depreciation and amortization	642,000	600,000
Changes in assets and liabilities:		
Investment in marketable securities	173,000	(147,000)
Accounts receivable	(383,000)	(172,000)
Other assets	339,000	351,000
Accounts payable and other liabilities	(3,333,000)	(1,498,000)
Due to securities broker	(629,000)	(144,000)
Obligations for securities sold	670,000	382,000
Deferred tax asset	(182,000)	471,000
Net cash (used in) provided by operating activities	(2,428,000)	1,607,000
Cash flows from investing activities:		
Payments for hotel furniture, equipment and building improvements	(1,314,000)	(520,000)
Net cash used in investing activities	(1,314,000)	(520,000)
Cash flows from financing activities:		
Proceeds from other notes payable	4,469,000	-
Payments of mortgage and other notes payable	(109,000)	(462,000)
Restricted cash - mortgage impounds	98,000	-
Net cash provided by (used in) financing activities	4,458,000	(462,000)
Net increase in cash and cash equivalents	716,000	625,000
Cash and cash equivalents at the beginning of the period	1,058,000	668,000
Cash and cash equivalents at the end of the period	$ 1,774,000	$ 1,293,000
Supplemental information:		
Interest paid	$ 2,038,000	$ 658,000

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

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

NOTE 1 – BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements included herein have been prepared by Portsmouth Square, Inc. (“Portsmouth” or the “Company”), without audit, according to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in the condensed consolidated financial statements prepared in accordance with generally accepted accounting principles (U.S. GAAP) have been condensed or omitted pursuant to such rules and regulations, although the Company believes the disclosures that are made are adequate to make the information presented not misleading. Further, the condensed consolidated financial statements reflect, in the opinion of management, all adjustments (which included only normal recurring adjustments) necessary for a fair statement of the financial position, cash flows and results of operations as of and for the periods indicated. It is suggested that these financial statements be read in conjunction with the audited financial statements of Portsmouth and the notes therein included in the Company's Annual Report on Form 10-K for the year ended June 30, 2014. The June 30, 2014 Condensed Consolidated Balance Sheet was derived from the Company’s Form 10-K for the year ended June 30, 2014.

The results of operations for the three months ended September 30, 2014 are not necessarily indicative of results to be expected for the full fiscal year ending June 30, 2015.

For the three months ended September 30, 2014 and 2013, the Company had no components of comprehensive income other than net income itself.

As of September 30, 2014, Santa Fe Financial Corporation (“Santa Fe”), a public company, owns approximately 68.8% of the outstanding common shares of Portsmouth Square, Inc. (“Portsmouth” or the “Company”). Santa Fe is an 80.9%-owned subsidiary of The InterGroup Corporation (“InterGroup”), a public company. InterGroup also directly owns approximately 12.9% of the common stock of Portsmouth.

Portsmouth’s primary business is conducted through its general and limited partnership interest in Justice Investors, a California limited partnership (“Justice” or the “Partnership”). Portsmouth controls approximately 93% of the voting interest in Justice and is the sole general partner. The financial statements of Justice are consolidated with those of the Company.

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

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

Basic income (loss) per share is calculated based upon the weighted average number of common shares outstanding during each period. During the three months September 30, 2014 and 2013, the Company did not have any potentially dilutive securities outstanding.

NOTE 2 – INVESTMENT IN HOTEL, NET

Investment in hotel consisted of the following as of:

September 30, 2014		Cost		Accumulated Depreciation		Net Book Value
Land	$	1,124,000	$	-	$	1,124,000
Furniture and equipment		24,760,000		(20,399,000)		4,361,000
Building and improvements		51,213,000		(21,637,000)		29,576,000
	$	77,097,000	$	(42,036,000)	$	35,061,000

June 30, 2014		Cost		Accumulated Depreciation		Net Book Value
Land	$	1,124,000	$	-	$	1,124,000
Furniture and equipment		23,306,000		(20,074,000)		3,232,000
Building and improvements		51,428,000		(21,368,000)		30,060,000
	$	75,858,000	$	(41,442,000)	$	34,416,000

NOTE 3 - INVESTMENT IN MARKETABLE SECURITIES

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

At September 30, 2014 and June 30, 2014, all of the Company’s marketable securities are classified as trading securities. The change in the unrealized gains and losses on these investments are included in earnings. Trading securities are summarized as follows:

Investment		Cost		Gross Unrealized Gain		Gross Unrealized Loss		Net Unrealized Gain		Fair Value
As of September 30, 2014										
Corporate										
Equities	$	2,982,000	$	261,000	$	(658,000)	$	(397,000)	$	2,585,000
As of June 30, 2014										
Corporate										
Equities	$	3,105,000	$	818,000	$	(643,000)	$	175,000	$	3,280,000

As of September 30, 2014 and June 30, 2014, the Company had $637,000 and $634,000, respectively, of unrealized losses related to securities held for over one year.

Net gain (loss) on marketable securities on the statement of operations is comprised of realized and unrealized gains (losses). Below is the composition of the two components for the three months September 30, 2014 and 2013, respectively.

For the three months ended September 30,	**2014**	**2013**
Realized gain (loss) on marketable securities	$ 43,000	$ (72,000)
Unrealized (loss) gain on marketable securities	(522,000)	165,000
Net (loss) gain on marketable securities	$ (479,000)	$ 93,000

NOTE 4 – OTHER INVESTMENTS, NET

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

Other investments, net consist of the following:

Type	September 30, 2014	June 30, 2014
Preferred stock - Comstock, at cost	$ 4,410,000	$ 4,410,000
Private equity hedge fund, at cost	601,000	601,000
Corporate debt and equity instruments, at cost	101,000	101,000
Other preferred stock	120,000	120,000
Warrants - at fair value	40,000	65,000
	$ 5,272,000	$ 5,297,000

NOTE 5 - FAIR VALUE MEASUREMENTS

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

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

As of September 30, 2014

Assets:	Level 1	Level 2	Level 3	Total
Other investments - warrants	-	-	40,000	40,000
Investment in marketable securities:				
Basic materials	$ 1,258,000	$ -	$ -	$ 1,258,000
Technology and telecommunications	638,000			638,000
Entertainment	275,000			275,000
Financial services	154,000	-	-	154,000
REITs and real estate companies	110,000	-	-	110,000
Other	150,000	-	-	150,000
	2,585,000	-	-	2,585,000
	$ 2,585,000	$ -	$ 40,000	$ 2,625,000

As of June 30, 2014

Assets:	Level 1	Level 2	Level 3	Total
Other investments - warrants	$ -	$ -	$ 65,000	$ 65,000
Investment in marketable securities:				
Basic materials	1,772,000	-	-	1,772,000
Technology	389,000	-	-	389,000
Financial services	175,000	-	-	175,000
REITs and real estate companies	167,000	-	-	167,000
Other	777,000	-	-	777,000
	3,280,000	-	-	3,280,000
	$ 3,280,000	$ -	$ 65,000	$ 3,345,000

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

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

Assets	Level 1	Level 2	Level 3	September 30, 2014	**Net gain for the three months ended September 30, 2014**
Other non-marketable investments	$ -	$ -	$ 5,232,000	$ 5,232,000	$ -

Assets	Level 1	Level 2	Level 3	June 30, 2014	**Net gain for the three months ended September 30, 2013**
Other non-marketable investments	$ -	$ -	$ 5,232,000	$ 5,232,000	$ -

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

NOTE 6 - SEGMENT INFORMATION

The Company operates in two reportable segments, the operation of the hotel ("Hotel Operations") and the investment of its cash in marketable securities and other investments ("Investment Transactions"). These two operating segments, as presented in the consolidated financial statements, reflect how management internally reviews each segment's performance. Management also makes operational and strategic decisions based on this same information.

Information below represents reporting segments for the three months September 30, 2014 and 2013, respectively. Operating income from Hotel operations consists of the operation of the hotel and operation of the garage. Operating income for investment transactions consist of net investment income and dividend and interest income.

As of and for the three months ended September 30, 2014	Hotel Operations	Investment Transactions	Other	Total
Revenues	$ 14,830,000	$ -	$ -	$ 14,830,000
Segment operating expenses	(11,838,000)	-	(188,000)	(12,026,000)
Segment income (loss)	2,992,000	-	(188,000)	2,804,000
Interest expense - mortgage	(2,024,000)	-	-	(2,024,000)
Depreciation and amortization expense	(642,000)	-	-	(642,000)
Loss from investments	-	(592,000)	-	(592,000)
Income tax benefit	-	-	182,000	182,000
Net income (loss)	$ 326,000	$ (592,000)	$ (6,000)	$ (272,000)
Total assets	$ 35,061,000	$ 7,857,000	$ 37,416,000	$ 80,334,000

As of and for the three months ended September 30, 2013	Hotel Operations	Investment Transactions	Other	Total
Revenues	$ 13,305,000	$ -	$ -	$ 13,305,000
Segment operating expenses	(9,532,000)	-	(169,000)	(9,701,000)
Segment income (loss)	3,773,000	-	(169,000)	3,604,000
Interest expense	(635,000)	-	-	(635,000)
Depreciation and amortization expense	(600,000)	-	-	(600,000)
Income from investments	-	31,000	-	31,000
Income tax expense	-	-	(471,000)	(471,000)
Net income (loss)	$ 2,538,000	$ 31,000	$ (640,000)	$ 1,929,000
Total assets	$ 33,952,000	$ 8,796,000	$ 8,786,000	$ 51,534,000

NOTE 7 - RELATED PARTY TRANSACTIONS

On July 2, 2014, the Partnership obtained from the Intergroup Corporation (parent company of Portsmouth) an unsecured loan in the principal amount of $4,250,000 at 12% per year fixed interest, with a term of 2 years, payable interest only each month. Intergroup received a 3% loan fee. The loan may be prepaid at any time without penalty. The proceeds of the loan were applied to the July 2014 payments to Holdings described in Note 19 of the Company's consolidated financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2014.

Certain shared costs and expenses, primarily administrative expenses, rent and insurance are allocated among the Company, the Company's parent, Santa Fe and InterGroup, the parent of Santa Fe, based on management's estimate of the pro rata utilization of resources. For the three months ended September 30, 2014 and 2013, these expenses were approximately $18,000 for each respective period.

During the three months ended September 30, 2014 and 2013, the Company received management fees from Justice Investors totaling $140,000 and $112,000, respectively.

In connection with the redemption of limited partnership interests of Justice Investors, Limited Partnership (which took place during fiscal year ended June 30, 2014), Justice Operating Company, LLC agreed to pay a total of $1,550,000 in fees to certain officers and directors of the Company for services rendered in connection with the redemption of partnership interests, refinancing of Justice's properties and reorganization of Justice Investors. This agreement was superseded by a letter dated December 11, 2013 from Justice Investors, Limited Partnership, in which Justice Investors Limited Partnership assumed the payment obligations of Justice Operating Company, LLC. The first payment under this agreement was made concurrently with the closing of the loan agreements, with the remaining payments due upon Justice Investor's having adequate available cash as described in the letter. As of September 30, 2014, $1,250,000 of these fees remain outstanding.

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

John V. Winfield serves as Chief Executive Officer and Chairman of the Company, Santa Fe, and InterGroup. Depending on certain market conditions and various risk factors, the Chief Executive Officer, his family, Santa Fe and InterGroup may, at times, invest in the same companies in which the Company invests. The Company encourages such investments because it places personal resources of the Chief Executive Officer and his family members, and the resources of Santa Fe and InterGroup, at risk in connection with investment decisions made on behalf of the Company.

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

FORWARD-LOOKING STATEMENTS AND PROJECTIONS

The Company may from time to time make forward-looking statements and projections concerning future expectations. When used in this discussion, the words “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe,” “may,” “could,” “might” and similar expressions, are intended to identify forward-looking statements. These statements are subject to certain risks and uncertainties, such as national and worldwide economic conditions, including the impact of recessionary conditions on tourism, travel and the lodging industry, the impact of terrorism and war on the national and international economies, including tourism and securities markets, energy and fuel costs, natural disasters, general economic conditions and competition in the hotel industry in the San Francisco area, seasonality, labor relations and labor disruptions, actual and threatened pandemics such as swine flu, partnership distributions, the ability to obtain financing at favorable interest rates and terms, securities markets, regulatory factors, litigation and other factors discussed below in this Report and in the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2014, that could cause actual results to differ materially from those projected. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as to the date hereof. The Company undertakes no obligation to publicly release the results of any revisions to those forward-looking statements, which may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

RESULTS OF OPERATIONS

The Company's principal business is conducted through its general and limited partnership interest in the Justice Investors limited partnership (“Justice” or the “Partnership”). Justice owns a 543 room hotel property located at 750 Kearny Street, San Francisco, California 94108, known as the “Hilton San Francisco Financial District” (the “Hotel”) and related facilities, including a five-level underground parking garage. The financial statements of Justice have been consolidated with those of the Company.

The Hotel is operated by the Partnership as a full service Hilton brand hotel pursuant to a Franchise License Agreement with Hilton Hotels Corporation. The term of the Agreement is for a period of 15 years commencing on January 12, 2006, with an option to extend the license term for another five years, subject to certain conditions. Justice also has a Management Agreement with Prism Hospitality L.P. (“Prism”) to perform management functions for the Hotel. The management agreement with Prism had an original term of ten years and can be terminated at any time with or without cause by the Partnership owner. Effective January 2014, the management agreement with Prism was amended by the Partnership. Effective December 1, 2013, GMP Management, Inc., a company owned by a Justice limited partner and related party, also provides management services for the Partnership pursuant to a Management Services Agreement, which is for a term of 3 years, but which can be terminated earlier by the Partnership for cause.

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

Three Months Ended September 30, 2014 Compared to Three Months Ended September 30, 2013

The Company had a net loss of $272,000 for the three months ended September 30, 2014 compared to net income of $1,929,000 for the three months ended September 30, 2013. The change is primarily attributable to lower income from hotel operations as the result of the higher mortgage interest expense due to the higher mortgage balance and higher legal expenses associated with an ongoing legal matter related to the Justice partnership redemption and from losses on the Company’s marketable securities portfolio, partially offset by the continued improvement of Hotel revenues.

The Company had net income from hotel operations of $326,000 for the three months ended September 30, 2014, compared to net income of $2,538,000 for the three months ended September 30, 2013. The change in the net income as noted above was due to higher mortgage interest expense as the result of the higher mortgage balance and higher legal expenses. This is partially offset by the increase in revenues at the Hotel resulting from higher average room rates.

The following table sets forth a more detailed presentation of Hotel operations for the three months ended September 30, 2014 and 2013.

For the three months ended September 30,	2014	2013
Hotel revenues:		
Hotel rooms	$ 12,344,000	$ 11,054,000
Food and beverage	1,573,000	1,328,000
Garage	697,000	755,000
Other operating departments	216,000	168,000
Total hotel revenues	14,830,000	13,305,000
Operating expenses excluding interest, depreciation and amortization expenses	(11,838,000)	(9,532,000)
Operating income before interest, depreciation and amortization expenses	2,992,000	3,773,000
Interest expense	(2,024,000)	(635,000)
Depreciation and amortization expense	(642,000)	(600,000)
Net income from hotel operations	$ 326,000	$ 2,538,000

For the three months ended September 30, 2014, the Hotel generated operating income of $2,992,000 before interest and depreciation and amortization expenses on total revenues of $14,830,000 compared to income of $3,773,000 before interest and depreciation and amortization expenses on total operating revenues of $13,305,000 for the three months ended September 30, 2013. Room revenues increased by $1,290,000 for the three months ended September 30, 2014 compared to the three months ended September 30, 2013 primarily as the result of higher room rates as the result of two big San Francisco conventions. Food and beverage revenue increased by $245,000 as the result of higher banquet revenue volume.

Operating expenses increased by $2,306,000 compared to the prior period primarily due to legal fees, higher room occupancy and higher food and beverage related expenses, higher franchise and credit card fees as the result in the increase in revenues and higher property taxes as the result of the redemption the limited partners and the refinancing of the Hotel.

The following table sets forth the average daily room rate, average occupancy percentage and room revenue per available room (“RevPAR”) of the Hotel for the three months ended September 30, 2014 and 2013.

Three Months Ended September 30,	Average Daily Rate	Average Occupancy %	RevPAR
2014	$ 258	96%	$ 247
2013	$ 235	94%	$ 221

Room revenues remained strong as the San Francisco market continued to have good demand for higher rated business. The Hotel’s average daily rate increased by $23 for the three months ended September 30, 2014 compared to the three months ended September 30, 2013, while occupancy percentages increase to 96% from 94%. As a result, the Hotel was able to achieve a RevPAR number that was $26 higher than the comparative three month period.

Our highest priority is guest satisfaction. We believe that enhancing the guest experience differentiates the Hotel from our competition by building the most sustainable guest loyalty. During fiscal 2014, we introduced significant product enhancements including “The Cloud” (technology lounge) dedicated to the HHonors top tier members, three new premium executive meeting rooms on the lobby level designed for top corporate meetings, major sports HD television events and one meeting room that is convertible into a Karaoke lounge. We have also upgraded our Team Members lounge and locker rooms and relocated our Sales Department to the lobby level to better access for hotel clients. In addition, a Wellness Center is nearing completion on the fifth floor and will feature a new spa and an expanded fitness center. The hotel lobby is undergoing a comprehensive soft goods upgrade and will present a new level of style, comfort and arrival experience. And finally, the Hotel in conjunction with the Chinese Cultural Center is developing a landscape area on the Pedestrian Bridge that connects the hotel to Portsmouth Square. We continue taking steps that further develop our ties with the local Chinese community and the city of San Francisco, representing good corporate citizenship and promoting important, new business opportunities.

The Company had a net loss on marketable securities of $479,000 for the three months ended September 30, 2014 compared to a net gain on marketable securities of $93,000 for the three months ended September 30, 2013. For the three months ended September 30, 2014, the Company had a net realized gain of $43,000 and a net unrealized loss of $522,000. For the three months ended September 30, 2013, the Company had a net realized loss of $72,000 and a net unrealized gain of $165,000. 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 consolidates Justice (Hotel) for financial reporting purposes and is not taxed on its non-controlling interest in the Hotel. The income tax benefit (expense) during the three months ended September 30, 2014 and 2013 represents the income tax effect on the Company ' s pretax income which includes its share in net income (loss) of the Hotel. The Company's tax benefit as a percentage of the Company's (loss) income before income taxes has increased in fiscal 2015 due to the redemption and a larger ownership in Justice.

MARKETABLE SECURITIES

As of September 30, 2014 and June 30, 2014, the Company had investments in marketable equity securities of $2,585,000 and $3,280,000, respectively. The following table shows the composition of the Company's marketable securities portfolio by selected industry groups as:

As of September 30, 2014

Industry Group	Fair Value	% of Total Investment Securities
Basic materials	$ 1,258,000	48.7%
Technology and telecommunications	638,000	24.7%
Entertainment	275,000	10.6%
Financial services	154,000	6.0%
REITs and real estate companies	110,000	4.3%
Other	150,000	5.7%
	$ 2,585,000	100.0%

As of June 30, 2014

Industry Group	Fair Value	% of Total Investment Securities
Basic materials	$ 1,772,000	54.0%
Technology	389,000	11.9%
Financial services	175,000	5.3%
REITs and real estate companies	167,000	5.1%
Other	777,000	23.7%
	$ 3,280,000	100.0%

The Company’s investment in marketable securities portfolio is diversified with 17 different equity positions. The Company holds four equity securities that are individually more than 10% of the equity value of the portfolio. The largest security represents 48.7% of the portfolio and consists of the common stock of Comstock Mining, Inc. (“Comstock” - NYSE MKT: LODE) which is included in the basic materials industry group. The amount of the Company’s investment in any particular issuer may increase or decrease, and additions or deletions to its securities portfolio may occur, at any time. While it is the internal policy of the Company to limit its initial investment in any single equity to less than 10% of its total portfolio value, that investment could eventually exceed 10% as a result of equity appreciation or reduction of other positions. A significant percentage of the portfolio consists of common stock in Comstock that was obtained through dividend payments by Comstock on its 7.5% Series A-1 Convertible Preferred Stock. . The Company also owns Comstock convertible preferred stock that is valued at $4,410,000 as of September 30, 2014 and June 30, 2014 and included in Other Investments.

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

FINANCIAL CONDITION AND LIQUIDITY

The Company’s cash flows are primarily generated from its Hotel operations, and general partner management fees and limited partnership distributions from Justice Investors (“the Partnership”). The Company also receives cash generated from the investment of its cash and marketable securities and other investments.

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

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

On July 2, 2014, the Partnership obtained from the Intergroup Corporation (parent company of Portsmouth) an unsecured loan in the principal amount of $4,250,000 at 12% per year fixed interest, with a term of 2 years, payable interest only each month. Intergroup received a 3% loan fee. The loan may be prepaid at any time without penalty. The proceeds of the loan were applied to the July 2014 payments to Holdings described in Note 19 of the Company’s consolidated financial statements in the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2014.

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

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

Management believes that its cash, marketable securities, and the cash flows generated from those assets and from the partnership management fees, will be adequate to meet the Company’s current and future obligations. Additionally, management believes there is significant appreciated value in the Hotel property to support additional borrowings if necessary.

MATERIAL CONTRACTUAL OBLIGATIONS

The following table provides a summary as of September 30, 2014, the Company's material financial obligations which also including interest payments.

	Total	9 Months 2015	Year 2016	Year 2017	Year 2018	Year 2019	Thereafter
Mortgage and subordinated notes payable	$117,000,000	$ -	$ -	$ 672,000	$ 1,398,000	$ 1,473,000	$113,457,000
Redemption payable	20,551,000	20,551,000	-	-	-	-	-
Other notes payable	4,642,000	138,000	175,000	4,329,000	-	-	-
Interest	61,610,000	5,696,000	7,591,000	7,532,000	7,070,000	6,489,000	27,232,000
Total	$203,803,000	$26,385,000	$ 7,766,000	$12,533,000	$ 8,468,000	$ 7,962,000	$140,689,000

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no material off balance sheet arrangements.

IMPACT OF INFLATION

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

CRITICAL ACCOUNTING POLICIES AND USE OF ESTIMATES

Critical accounting policies are those that are most significant to the portrayal of our financial position and results of operations and require judgments by management in order to make estimates about the effect of matters that are inherently uncertain. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts in our consolidated financial statements. We evaluate our estimates on an on-going basis, including those related to the consolidation of our subsidiaries, to our revenues, allowances for bad debts, accruals, asset impairments, other investments, income taxes and commitments and contingencies. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. The actual results may differ from these estimates or our estimates may be affected by different assumptions or conditions. There have been no material changes to the Company's critical accounting policies during the three months September 30, 2014. Please refer to the Company's Annual Report on Form 10-K for the year ended June 30, 2014 for a summary of the critical accounting policies.

Item 4. Controls and Procedures

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

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

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

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

PART II.
OTHER INFORMATION

Item 6. Exhibits.

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

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

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

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

SIGNATURES

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

PORTSMOUTH SQUARE, INC.
(Registrant)

Date: November 14, 2014

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

Date: November 14, 2014

by /s/ Geoffrey M. Palermo
Assistant Secretary

Date: November 14, 2014

by /s/ David T. Nguyen
David T. Nguyen, Treasurer
and Controller

EXHIBIT 31.1

CERTIFICATION

I, John V. Winfield, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 14, 2014

/s/ John V. Winfield
John V. Winfield
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

I, David T. Nguyen, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 14, 2014

/s/ David T. Nguyen
David T. Nguyen
Treasurer and Controller
(Principal Financial Officer)

EXHIBIT 32.1

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

In connection with the Quarterly Report of Portsmouth Square, Inc. (the "Company") on Form 10-Q for the quarterly period ended September 30, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John V. Winfield, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

- The Report fully complies with the requirements of Section 13(a) or 5(d) of the Securities Exchange Act of 1934; and

- The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ John V. Winfield
John V. Winfield
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 14, 2014

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

EXHIBIT 32.2

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

In connection with the Quarterly Report of Portsmouth Square, Inc. (the "Company") on Form 10-Q for the quarterly period ended September 30, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David T. Nguyen, 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/ David T. Nguyen
David T. Nguyen
Treasurer and Controller
(Principal Financial Officer)

Date: November 14, 2014

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.